Registration No. 199401009721 (295400-W)

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Domiciled in Malaysia
Registered office:
19th Floor Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur

OCBC BANK (MALAYSIA) BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

PRINCIPAL ACTIVITIES

The Group and the Bank are principally engaged in banking and related financial services. There has been no significant change in the nature of these activities during the financial year.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard Oversea-Chinese Banking Corporation Limited ("OCBC Ltd"), a licensed commercial bank incorporated in Singapore, as the immediate and ultimate holding company of the Bank during the financial year and until the date of this report.

SUBSIDIARY COMPANIES

The details of the Bank's subsidiary companies are disclosed in Note 13 to the financial statements.

FINANCIAL RESULTS

	Group 2021 RM'000	Bank 2021 RM'000
Profit for the year attributable to the owner of the bank	664,288	570,146

SHARE CAPITAL AND DEBENTURES

There were no changes in the issued and paid-up share capital nor debentures issued by the Bank during the financial year other than those disclosed in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review other than those disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Bank paid a final dividend of 72 sen per ordinary share totalling RM207,000,000 in respect of the financial year ended 31 December 2020 as reported in the Directors' Report of that year, on 28 April 2021.

The Directors recommend a final dividend of 151 sen per ordinary share in respect of the current financial year amounting to RM434,125,000. This dividend will be accounted for in shareholders’ equity as an appropriation of retained earnings in the subsequent financial period upon approval by the Board of Directors and shareholder of the Bank.

FINANCIAL PERFORMANCE

The Group recorded a net profit of RM664 million for the financial year ended 31 December 2021; an increase of RM100 million or 18% compared to the previous financial year. The resilient performance was driven by sustained growth in net interest income, income from Islamic banking and trimmed operating expenses, but weighted by heftier impairment allowances of 7% or RM46 million increase set aside to buffer against heightened credit risk arising from weaker-than-expected economic recovery and global growth, worsening in supply chains disruptions and the emergence of severe and vaccine-resistant COVID-19 variants.

The Group’s total income increased by 4% or RM119 million, attributable to higher net interest income of RM92 million, income from Islamic banking operations grown by RM25 million and higher net fee and commission income of RM67 million supported by rise in customer wealth management activities more than offset lower gains on disposal of financial investments of RM38 million and lower net trading income RM29 million.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

FINANCIAL PERFORMANCE (continued)

Operating expenses were well controlled and managed down by RM12 million or 1%.

After deducting proposed dividends, the Group and the Bank remained well capitalised with Common Equity Tier 1 capital ratios of 16.058% and 15.523%, Tier 1 capital ratios of 16.945% and 16.616% and Total capital ratios of 19.518% and 19.179%, respectively.

MARKET OUTLOOK

Malaysia's Gross Domestic Product (“GDP”) recorded annual growth of 3.1% in 2021, supported by an increase in economic activities following the progressive relaxation of COVID-19 containment measures since July 2021 and strong external demand supporting export growth.

BNM expects Malaysia’s GDP growth for 2022 to range between 5.3% and 6.3%, supported by resumption of economic activities, improvements in the labour market, continued policy support and expansion in external demand. The progress and efficacy of vaccinations, compliance to Standard Operating Procedures as well as ability to contain outbreaks from COVID-19 variants of concern will be key to the expected economic recovery. Malaysia’s financial system is expected to remain healthy with banks well capitalised to withstand potential stress and to support credit growth in the economy.

The Bank continues to support and assist customers during these challenging times through flexible repayment packages, the most recent being the Financial Management and Resilience programme (“URUS”) announced by the Government on 13 October 2021, designed to help eligible B50 customers alleviate the financial difficulties caused by the COVID-19 pandemic whereby the Bank offered option of a 3-month interest/profit waiver and/or reduced instalments to vulnerable B50 customers and remains committed to assisting affected customers as the economy gradually recovers.

ACTIVITIES AND ACHIEVEMENTS

During the period under review, OCBC Bank (Malaysia) Berhad ("OCBC Malaysia") and its subsidiaries won several industry awards in recognition of our overall performance as a bank and for demonstrating excellence in particular fields. These included our digital innovations in consumer banking, payments, collection and cash management; our cutting-edge approaches to sustainable financing and Islamic banking; our consistent support of small and medium sized enterprises ("SME"); transformational programmes in human resource management; and corporate social responsibility strategy. Among others, the awards recognised recent innovations such as our consumer secure chat platform OCBC RM Chat, QR code payment collections app OCBC OneCollect, and mobile-only banking service Frank by OCBC.

OCBC Malaysia's Islamic Banking subsidiary, OCBC Al-Amin Bank Berhad ("OCBC Al-Amin"), also won several Islamic banking awards from various renowned industry publications, including for sustainability-linked Shariah facilities including 3 awards for sustainability-linked: “Green and Sustainable Finance Deal of the Year and Service Awards” from Islamic Finance News, “Best ESG Green Financing In Southeast Asia: Malaysia” from The Alpha Southeast Asia Best Deal and Solution Awards, and “Green Project” at the Islamic Finance News Awards.

Much of our efforts during the year centred on helping consumers, SME and corporate clients overcome the ongoing challenges brought about by the pandemic. We did so by setting up dedicated teams, channels and programmes for those facing financial difficulties. The programmes, which were aligned to the blueprints laid out by the Government and Bank Negara Malaysia, included moratoriums and repayment and restructuring exercises.

In consumer banking, we continued our digital journey with the introduction of eKYC (Electronic Know Your Customer) for FRANK by OCBC, which enables customers to open a FRANK account fully digitally without the need to step into a branch. We continued to enhance our remote capabilities by enabling non-face-to-face wealth trades and banking transactions, and introduced OCBC RM Chat, the country’s first secure chat service that enables Premier Banking and Premier Private Client customers to communicate and place daily banking instructions securely with their Relationship Managers via Internet and mobile banking. On the sustainability front, more than half our total investment assets under management ("AUM") are now recognised as sustainable with the introduction of several new green unit trusts. In line with the relentless drive to plant greater environmental, social and governance ("ESG") consciousness among the masses, we rolled out a solar panel financing plan for residential homes.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

ACTIVITIES AND ACHIEVEMENTS (continued)

As part of our digital roadmap for SME development, we became the first foreign bank to provide a digital account opening option for businesses, with a relatively low initial deposit. The initiative benefits proprietors of SME by removing the need to visit a branch to open an account. This was made possible through a remote application process that comes replete with the electronic Know Your Customer (eKYC) function. We also successfully launched our first SME business debit card.

Among corporate and commercial banking customers, we made inroads into focus growth areas such as renewable energy, healthcare, advanced manufacturing and electronics, and logistics. Despite the challenges brought about by the pandemic, we continued to provide dynamic financial solutions to support our customers’ ambitions in capital expansion, privatisation and mergers and acquisitions, amongst others.

In treasury, we were able to continue serving our customers effectively despite the spate of pandemic-related lockdowns thanks to our process refinements and upgrading of systems infrastructure to enable remote customer coverage to staff who had to work from multiple locations. There was a significant increase in customers’ active usage of our FXOnline platform, which was augmented by several enhancements along the way. The reflation and reopening theme that supported markets and the global economy helped to improve customer FX Trade flows and investment product sales, particularly equity-based structured products. The same themes, accompanied by supply chain dislocations and resultant inflationary pressures, did however present challenges to our fixed income risk taking portfolios. This necessitated a defensive stance for most of the year as bond yield rises were swift and volatile on several occasions.

We maintained our position among the investment banking market leaders in the domestic government linked companies ("GLC") and top tier conglomerate funding sphere, with successful financing mandates for several major establishments. Against the backdrop of policy uncertainty, tightening credit appetite and increased competition from local players, we continued to tailor our product suite to the needs of our client franchise. We also drove numerous sustainability initiatives via innovative financing structures and active engagement with the regulators, industry players and media to support and promote the adoption of ESG best practices amongst public listed companies ("PLC") and to showcase our capability as a significant force in sustainable finance. Our ongoing collaboration with Bursa Malaysia on sustainable finance initiatives culminated in a Memorandum of Understanding ("MOU") with them to develop competitive sustainable financing options. This was to support the acceleration of PLCs' ESG adoption practices in line with the Malaysian Government’s commitment towards carbon neutrality by 2050.

These sustainability initiatives are part of our wider commitment to supporting the Value Based Intermediation ("VBI") efforts led by the Islamic banking industry and Bank Negara Malaysia.

We continued to pay special attention to staff development through the creative use of technology and innovative employee programmes. These included the addition of several new features to our HR in Your Pocket ("HIP") mobile app for greater access to HR-related information and services; the expansion of our My Wellness Fiesta featuring talks, workshops and fitness classes curated around wellness, mindfulness and sustainability; and a holistic family-inclusive employee assistance programme covering physical, mental, social and financial well-being. We continued to provide bite-sized and on-demand courses to allow learning to be more digestible and accessible, alongside the launch of our Campus on Cloud via HIP for learning to take place anytime and anywhere. Our Future Smart Learning series continued to expand with modules on sustainability as well.

Our corporate social responsibility ("CSR") efforts continued to thrive based on our three-pronged corporate, division and branch-level approach, benefitting more than 100,000 recipients of our aid through the collective voluntary efforts of more than 2,800 staff. The various projects by the divisions and branches focused on addressing the difficulties brought about by the pandemic and centred on families, education, the environment, community and humanitarian work.

MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2022

Moving into 2022, OCBC Malaysia will continue to grow sustainably and uphold its position as a banker of choice and among the top foreign banks in the country with the combined strength of our conventional and Islamic banking franchise. We will strive to achieve this by managing risks, maximising collaboration within business units and growing our wealth products platform.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2022 (continued)

In consumer banking, we will continue to invest in and strengthen our digital platforms, drive digital adoption, and maintain a strong focus on wealth management and incorporate into our products socio-environmental values and responsible investing principles in our quest to further enable our customers.

Our corporate and commercial banking efforts will focus on sustainability and supporting our customers' local and regional business ambitions by matching their business expansion requirements with the OCBC Group's strong integrated network of regional capabilities and digital solutions.

The treasury business will place even greater emphasis on greater cross-selling efforts and advocacy of its products and services internally, among retail and wholesale banking partners.

Our staff development efforts will revolve around developing programmes to support sustainability, making HIP become even more of a digital enabler to employees, and supporting strategic workforce planning through a more unified structure for roles and career progression. We will also drive a more autonomous and sustainable learning culture based on the OCBC learning philosophy and learning blueprint.

On the CSR front, we will ride on the momentum created by our various divisions' and branches' efforts in the last few years to fulfil the social needs of the communities where we operate, maintaining our position as a bank that cares beyond business. Our initiatives will continue to provide an environment for every employee to volunteer in one way or another.

RATINGS BY EXTERNAL AGENCY

RAM Rating Services Berhad ("RAM") has reaffirmed OCBC Bank (Malaysia) Berhad's financial institution rating on 17 August 2021 at AAA/P1 with stable outlook, reflecting the Group's healthy credit metrics and established franchise.

DIRECTORS OF THE BANK

Directors who served during the financial year until the date of this report are:

Tan Ngiap Joo, *Independent Non-executive Chairman*
Tong Hon Keong, *Independent Non-executive Director*
Janet Yap Seong Yong, *Independent Non-executive Director*
Helen Wong Pik Kuen, *Non-independent executive Director* (Appointed on 15 April 2021)
George Lee Lap Wah, *Independent Non-executive Director* (Appointed on 1 September 2021)
Samuel N. Tsien, *Non-independent executive Director* (Retired on 14 April 2021)
Datuk Azizan Bin Haji Abd Rahman, *Independent Non-executive Director* (Resigned on 31 March 2022)

In accordance with clause 115 of the Bank's Constitution, Helen Wong Pik Kuen and George Lee Lap Wah, shall retire at the forthcoming Annual General Meeting and being eligible, to offer themselves for re-election.

In accordance with clauses 112 and 113 of the Bank's Constitution, Tan Ngiap Joo shall retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

PROFILE OF THE BOARD OF DIRECTORS

<u>Mr Tan Ngiap Joo</u>

Mr Tan Ngiap Joo was appointed to the Board on 1 October 2015 and appointed Chairman on 30 March 2018. He spent 20 years in Citibank NA serving in various capacities, including Senior Risk Manager of Citibank Australia covering both Australia and New Zealand and postings overseas prior to joining Oversea-Chinese Banking Corporation Limited (OCBC) in August 1990 where he held senior positions over the years, including Chief Executive of OCBC's Australia operations, and Head of Group Business Banking. He was appointed Deputy President in December 2001 and retired in December 2007. He is also Chairman of Investment Committee for MASCOT Private Trust and OCBC Al-Amin Bank Berhad as well as a Director of OCBC, OCBC Management Services Pte Ltd and Gemstone Asset Holdings Pte Ltd. Mr Tan holds a Bachelor of Arts from University of Western Australia.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

PROFILE OF THE BOARD OF DIRECTORS (continued)

Ms Helen Wong Pik Kuen

Ms Helen Wong Pik Kuen was appointed to the Board on 15 April 2021. She is Group Chief Executive Officer of Oversea-Chinese Banking Corporation Limited (OCBC), Chairman of OCBC Wing Hang Bank (China) Ltd and a Commissioner of PT Bank OCBC NISP Tbk. She serves on the boards of major OCBC companies, including Great Eastern Holdings Ltd, Bank of Singapore Ltd and OCBC Wing Hang Bank Ltd. She joined OCBC in February 2020 as Deputy President and Head of Global Wholesale Banking. She was appointed as a Director of the Enterprise Singapore with effect from 1 April 2022.

Ms Wong has more than 37 years of banking experience, starting out as a Management Trainee in OCBC and was its first China Desk Manager, based at the Hong Kong Branch. She has vast experience in Greater China, covering a wide range of roles in capital markets, syndicated finance and corporate banking. Before returning to OCBC, Ms Wong spent 27 years at HSBC, where her last role was as its Chief Executive for Greater China, which she was appointed to in 2015. She became the President and CEO of HSBC China based in Shanghai in 2010 and was promoted to Group General Manager in 2011 to recognise her responsibility for the business operations and strategic expansion in China. She also held non-executive directorships at Baoshan Iron & Steel from 2012 to 2015, and at Bank of Communications from 2016 to 2019. Ms Wong holds a Bachelor of Social Sciences from the University of Hong Kong.

Mr Tong Hon Keong

Mr Tong Hon Keong was appointed to the Board on 21 July 2014. He built his career at Maybank over a span of 30 years, with functional responsibilities covering Planning, Information Systems, Central Operations and Management Information Services. He holds a Bachelor of Economics (Hons.) from University of Malaya.

Ms Janet Yap Seong Yong

Ms Janet Yap Seong Yong was appointed to the Board on 1 April 2019. She was the Technology Managing Director and Corporate Social Responsibility Lead of Accenture Malaysia and has more than 32 years of experience in technology and management information consultancy covering various industries and geographies. They include Malaysia, Hong Kong, China, Thailand, Indonesia and Singapore, where she carved her niche in systems implementation and SAP consulting. From the time of her retirement from Accenture until June 2021 she was Chief Executive Officer of Cancer Research Malaysia. She is presently a member of the Board of Trustees of World Vision Malaysia and a Director of PW PAC Sdn Bhd.

Ms Yap holds a Bachelor of Arts with Double Majors in Computing & Information Science and Economics from University of Guelph, Ontario, Canada.

Mr George Lee Lap Wah

Mr George Lee Lap Wah was appointed to the Board on 1 September 2021. An experienced banker with extensive knowledge of the Malaysian market, he was an advisor to the CEO and Management Committee of OCBC Bank (Malaysia) Berhad from April 2016 to July 2017. Mr Lee served as an Executive Vice President and Head of Global Corporate Banking at Oversea-Chinese Banking Corporation Limited (OCBC) from February 2012 until his retirement in April 2016. Prior to this, since 2002, he was Executive Vice President and Head of Group Investment Banking of OCBC. Mr Lee started his career as a Finance Officer in the Group Treasury Department of Keppel Shipyard in 1978 and joined Marine Midland Bank in 1982 as Assistant Vice President. Subsequently, Mr Lee held managerial positions at various merchant banking units based in Singapore. In 1989, he was appointed Country Manager of Security Pacific Bank. In 1993, he joined Credit Suisse Singapore as Head of Corporate Banking for South East Asia and left as Director, Corporate Lending of Credit Suisse First Boston in 1998 before joining OCBC.

Mr Lee is an Independent Director of RE&S Holdings Ltd, Wearnes Starchase Ltd and Bumitama Agri Ltd. He was awarded the Chartered Financial Analyst (CFA) in 1987 and currently sits on the advisory panel of CFA Singapore. He is also a member of the SGX Disciplinary Committee and MAS Finance Scholarship Selection Committee. Mr Lee obtained his Bachelor of Business Administration (Honours) from the University of Singapore in 1976.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The interest and deemed interests in the shares of the Bank and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of financial year (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Registrar of Directors' Shareholding are as follows:

Oversea-Chinese Banking Corporation Limited

Shareholdings registered in the name of Directors or in which Directors have a direct interest	**At 1 January 2021**	**Acquired/ Awarded**	**Disposed**	**At 31 December 2021**
Ordinary Shares				
Tan Ngiap Joo	1,400,251	24,742	-	1,424,993
Helen Wong Pik Kuen	135,779	-	-	135,779
George Lee Lap Wah	85,143	-	-	85,143

OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan	**At 1 January 2021**	**Awarded/ Granted**	**Exercised/ Forfeited/ Lapsed**	**At 31 December 2021**
Ordinary Shares				
Helen Wong Pik Kuen	188,718	153,343	-	342,061

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than the benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in Note 29 to the financial statements or the fixed salary of a full time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in the Bank or any other body corporate except for the share options granted to executives of the Group and the Bank pursuant to the OCBC Share Option Scheme 2001, shares granted under the OCBC Deferred Share Plan which will vest three years from the grant date and will lapse when the Director ceases employment during the vesting period, and acquisition rights under the OCBC Employee Share Purchase Plan.

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises five Directors, all of whom are Independent Non-executive Directors except for one Non-independent executive Director. The independent Non-executive Directors are Mr Tan Ngiap Joo (Chairman of the Board), Mr Tong Hon Keong, Ms Janet Yap Seong Yong and Mr George Lee Lap Wah while the Non-independent executive Director is Ms Helen Wong Pik Kuen. Mr Samuel N. Tsien retired as the Non-Independent executive Director on 14 April 2021 and Datuk Azizan Bin Haji Abd Rahman resigned as an Independent Director with effect from 31 March 2022.

The Bank has set a policy on the tenure limit at 9 continuous years for Independent Directors. The Nominating & Remuneration Committee shall assess the independence of the Directors who have served the Bank continuously for 9 years or more. The Committee can invite the Independent Director to serve his or her tenure beyond 9 years if the Committee is satisfied, after the assessment, that the relevant Director’s independence is not compromised and it is in the interest of the Bank to retain the service of the relevant Director in the same capacity.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

CORPORATE GOVERNANCE (continued)

Board Composition and Independence (continued)

The roles of the Chairman and the Chief Executive Officer ("CEO") are separated, which is consistent with the principles of corporate governance as set out in BNM's Policy on Corporate Governance, to institute an appropriate balance of power and authority. The Chairman's responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agendas; ensuring that Directors receive accurate, timely and clear information; encouraging constructive relations between the Board and management; facilitating the effective contribution of Non-executive Directors; and promoting high standards of corporate governance.

The members of the Board, as a group, provide skills and competencies to ensure the effectiveness of the Board. These include banking, accounting, finance, legal, strategy formulation, business acumen, management experience, familiarity with regulatory requirements, knowledge of risk management and technology.

As a principle of good corporate governance, all Directors are subject to re-election or re-appointment (by rotation) pursuant to the Bank’s Constitution and BNM's approval.

Some of the Directors are also members of the Board Audit Committee, the Nominating & Remuneration Committee and the Risk Management Committee. The Board is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Bank, in addition to their representation at Board Committees.

Board Conduct and Responsibilities

The Board is elected by the shareholder to supervise the management of business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interests of the shareholder and other stakeholders.

Broadly, the responsibilities of the Board include, but are not limited, to the following:

- Reviewing and approving overall business strategy developed and recommended by management;
- Ensuring that decisions and investments are consistent with long-term strategic goals;
- Ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- Overseeing, through the Board Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee, the quality of the risk management processes and systems;
- Reviewing any transaction for the acquisition or disposal of assets that is material to the Bank;
- Providing oversight in ensuring that the Bank’s risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards; and
- Promoting sustainability through appropriate environmental, social and governance considerations in the Bank’s business strategies.

Prior to each meeting, members are provided with timely and adequate information to enable them to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial reports, risk management reports, budgets, forecasts and reports of variance from budgets and forecasts.

The Board and the Board Audit Committee have separate and independent access to the internal auditors, external auditors, the Bank's senior management and the Bank's Company Secretary. The Directors may, in addition, seek independent professional advice at the Bank's expense as may be deemed appropriate.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

CORPORATE GOVERNANCE (continued)

Board Conduct and Responsibilities (continued)

Training and development is provided to the Directors, on a continuing basis, to develop and refresh their skills and knowledge to enable them to effectively perform their roles on the Board and its Committees. This, among others, includes updates on regulatory developments, new business and products, accounting and finance, corporate governance, risk management, cybersecurity and technology, which are provided by subject matter experts from within and outside the Bank. A separate programme is established for new Directors which focuses on introductory information, briefings by senior executives on their respective areas and external courses, where relevant.

Board Audit Committee ("BAC")

The BAC comprises Mr Lee Lap Wah, George (BAC Chairman appointed on 31 March 2022), Mr Tong Hon Keong and Mr Tan Ngiap Joo; all of whom are independent Directors. Datuk Azizan Bin Haji Abd Rahman stepped down as the BAC Chairman with effect from 31 March 2022 following his resignation from the Board.

The Board approved the terms of reference of the BAC that describe the responsibilities of its members. The BAC meets regularly, preferably not less than once in every three months or more often, as necessary. It has full access to and co-operation from management, and has the discretion to invite any Director and/or executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Bank's financial statements, the BAC reviews, with the external auditors and internal auditors, the adequacy of the system of internal controls including financial, operational and compliance controls. It reviews the audit scope and audit reports, assesses the effectiveness of external audit and internal audit functions as well as ensures the independence and objectivity of the external auditors and internal auditors. When the external auditors provide non-audit services to the Bank, the BAC keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The BAC also reviews significant financial reporting issues and judgements to ensure the integrity of the financial statements.

The Bank has in place a whistle blowing policy and the BAC reviews concerns, including anonymous complaints, which staff may, in confidence, raise about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed-up. If fraud is determined, appropriate remedial action will be taken by the management and the BAC is updated regularly on its status. The BAC Chairman shall be the designated Non-executive Director responsible to review and evaluate the effectiveness of whistle blowing policy. The whistle-blower’s interest will be safeguarded at all times, including the right to appeal to the BAC if reprisals are taken against him.

The BAC meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management to consider any matters which might be raised privately. The BAC has received the requisite disclosures from the external auditors evidencing the latter’s independence. It is satisfied that the financial, professional and business relationships between the Bank and the external auditors are compatible with maintaining the independence of the external auditors.

Internal Audit Function

The BAC approves the Audit Charter of Internal Audit and reviews the effectiveness of the internal audit function. In line with leading practice, Internal Audit’s mission statement and charter require it to provide independent and objective assessments to help improve the quality and effectiveness of governance, risk management and internal control processes, and enable the Bank to accomplish its strategic objectives, using a risk-based, systematic and disciplined audit approach.

The scope of work of Internal Audit is to provide reasonable, but not absolute, assurance to the BAC and Senior Management that the Bank’s governance, risk management and internal control processes, as designed and implemented by senior management, are adequate and effective.

Internal Audit also provides consulting or advisory services where the objective is to add value and improve an organisation’s governance, risk management and control processes without Internal Audit assuming management responsibility.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

CORPORATE GOVERNANCE (continued)

Internal Audit Function (continued)

Internal Audit also performs investigations into alleged staff misconduct or suspected internal frauds (involving staff), that may arise from a whistle-blow complaint or referred by Business Units. The primary objectives of the investigation are to conduct fact finding, review and assess the facts, gather evidence to substantiate an individual's involvement in an allegation, and identify root causes, so as to facilitate decision making and remedial actions by the necessary stakeholders to protect the interest of the Bank.

Internal Audit will meet or exceed the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors including the Code of Ethics as well as applicable local regulatory requirements for internal audit.

Internal Controls

The Bank has established an internal control policy to provide a solid foundation for building an effective internal control system and to help strengthen the control culture of the Bank. The policy outlines the key control objectives that are essential for internal control activities to remain focused. The policy is reviewed at least annually or as when required.

The Bank also has in place self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their internal controls, and their level of compliance with applicable rules and regulations. Senior management attests annually to the CEO and the Risk Management Committee ("RMC") on the adequacy and effectiveness of the internal control system, as well as to report key control deficiencies and accompanying remedial plans.

Based on the internal controls established and maintained by the Bank, work performed by the internal auditors and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the BAC and the RMC, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective, to address the risks which the Bank considers relevant and material to its operations.

The system of internal controls provides reasonable, but not absolute assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Nominating & Remuneration Committee ("NRC")

The NRC comprises Mr George Lee Lap Wah (NRC Chairman appointed on 1 September 2021), Mr Tan Ngiap Joo and Ms Janet Yap Seong Yong; all of whom are independent Directors. Datuk Azizan Bin Haji Abd Rahman stepped down as a NRC member with effect from 31 March 2022 following his resignation from the Board.

The Board approved the terms of reference of the NRC. The Committee shall be entitled to secure the attendance of any person with relevant experience and expertise at committee meetings if the Committee considers this appropriate.

The Committee shall assess and recommend nominees for directorship, Board Committee membership and for the CEO position, including reappointment of Directors before an application is submitted to BNM for approval. The actual decision as to who shall be nominated shall be the responsibility of the full Board. The Committee shall oversee the annual review of the overall composition of the Board and Board balance, Directors' independence, competency and skills as well as the assessment to ensure that the Directors and key senior management officers are not disqualified under Section 59 of the Financial Services Act 2013. The annual performance evaluation process of the Board as a whole, the Board Committees as well as of the individual Directors was established with the endorsement of the Committee. The Committee will oversee the appointment, management succession planning and performance evaluation of key senior management officers, including recommending to the Board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

CORPORATE GOVERNANCE (continued)

Nominating & Remuneration Committee ("NRC") (continued)

The Committee may review the human resource management policies and make recommendations to the Board on policies governing the remuneration of the Executive Directors, including the CEO, and the Non-executive Directors. In considering its recommendations to the Board on the remuneration policies, the Committee shall take into consideration the feedback and inputs from the RMC. In addition, the Committee shall make recommendations to the Board on the remuneration, fee and benefits of the Directors as well as the compensation of the CEO. The Committee shall review and approve the compensation of executive officers of the Bank of any rank as may be delegated by the Board, including key senior management officers and Material Risk Takers.

Remuneration Policy

The objective of the Group's and the Bank's remuneration policy is to attract, motivate, reward and retain quality staff. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Group and the Bank, and do not give rise to conflicts between the objectives of the Group and the Bank and the interests of individual Directors and key executives.

The total compensation packages for employees comprise basic salary, variable performance bonus, allowances and deferred share awards for eligible executives, as well as benefits. Compensation is significantly differentiated between performance levels. Executives are remunerated based on the achievements of their own performance measures, and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles. Compensation packages are linked to personal performance, the performance of organisational function as a whole and the overall performance of the Group and the Bank. Compensation is tied to the achievement of business and performance objectives based on a balanced scorecard approach and adherence to core values. Where relevant, financial measures are adjusted as appropriate for the various types of risk (such as market, credit and operational risks) and include:

- Operating efficiency measures which include revenue, direct and allocated costs and operating profits, net profits as well as efficiency indicators such as unit costs.
- Economic efficiency measures such as cost of capital. Capital is attributed to each business based on the amount of risk-weighted assets used and the return on capital.
- Liquidity is factored into the performance measurement of each business through the application of liquidity premiums charged or credited according to the behavioural maturity of each type of asset and liability booked.

Each business unit has its own performance measures that match its functions and objectives that are consistent with the Group's and the Bank's risk appetite. In the determination of remuneration of senior executives, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing business performance. The performance of risk and compliance functions is measured independently of the businesses they oversee. Employees in these functions are assessed based on the achievement related to their respective performance measures.

In determining the composition of compensation packages, the Group and the Bank take into account the time horizon of risk and include, in the total compensation for executives, a portion of deferred payment in the form of deferred shares. For senior management and officers entrusted with the effective implementation of Shariah governance in the business and operations of OCBC Al-Amin Bank Berhad, the Group and the Bank shall also take into account the reinforcement of a risk culture that is in line with Shariah governance objectives.

The Group and the Bank have identified a group of senior executives whose authorities and actions are deemed to have a major influence on the long term performance of the Group and the Bank. This group ("Material Risk Personnel") comprises certain members of senior management, employees of Senior Vice President rank and above, key personnel at business units, senior control staff and employees who had been awarded high variable performance bonuses.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

CORPORATE GOVERNANCE (continued)

Remuneration Policy (continued)

The Group's and the Bank's remuneration policy requires Material Risk Personnel to have 40% of their total variable compensation deferred as long term incentive, if the total variable compensation meets a minimum threshold. The long term incentive will be in the form of OCBC Bank deferred shares. Share awards under the OCBC Deferred Share Plan ("the Plan") are also granted annually to other eligible executives who are paid high variable performance bonuses. The share awards form 20% to 40% of their total variable performance bonus for the year.

Under the Plan, 50% of the share awards will vest after two years with the remaining 50% vesting at the end of the third year in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

Quantitative disclosure of the Group's and the Bank's key management and other material risk personnel remuneration is disclosed in Note 29 to the financial statements.

All variable cash compensation of Material Risk Personnel and share grants are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Group's and the Bank's risk profile/rating and/or the employee has committed a gross misconduct, fraud or breach of trust in relation to the Group or the Bank.

The Group's and the Bank's compensation practices are reviewed annually by an independent party to ensure that it meets the Financial Stability Forum ("FSF") principles and implementation standards for Sound Compensation Practices, as well as regulatory requirements.

Risk Management Committee ("RMC")

The RMC comprises Mr Tong Hon Keong (RMC Chairman), Mr Tan Ngiap Joo, Ms Janet Yap Seong Yong and Mr George Lee Lap Wah (appointed on 1 September 2021); all of whom are independent Directors. Datuk Azizan Bin Haji Abd Rahman stepped down as a RMC member with effect from 31 March 2022 following his resignation from the Board.

BNM had, on 8 February 2007, approved the delegation of approving authority of the Board of Directors pertaining to risk management matters to the RMC. The Board approved the terms of reference of the RMC. The Committee shall meet at least once every quarter. The Committee shall be entitled to secure the attendance of any person with relevant experience and expertise at committee meetings if the Committee considers this appropriate.

The Committee shall review and approve risk management strategies, policies and risk tolerance; review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk including environmental, social and governance risks, technology and cybersecurity risks. The Committee shall ensure the infrastructure, resources and systems are in place for risk management; review management's periodic reports on risk exposure, risk portfolio composition and risk management activities; the Committee shall ensure compliance with OCBC Group's risk management strategies, policies and tolerance.

Management Information

All Directors review the Board and Board Committee reports prior to the Board meetings. Information and materials, duly endorsed by the CEO and the relevant functional heads, that are important to the Directors' understanding of the agenda items and related topics are distributed in advance of the meeting. These are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Bank will provide information on business, financials and risks to the Directors on a regular basis as well as on an ad-hoc basis.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

CORPORATE GOVERNANCE (continued)

Management Information (continued)

The Board and Board Committee reports include, amongst others, the following:

- Minutes of meetings of all Board and Board Committees;
- Performance Report;
- Credit Risk Management Report;
- Asset Liability & Market Risk Report; and
- Operational Risk Management Report.

The Board provides input on the Bank's policies from the country perspective in line with the prevailing regulatory framework, economic and business environment.

Directors' Attendance At Board And Board Committee Meetings in 2021

Name of Director	Attendance of Meetings Held			
	Board	Board Audit Committee	Nominating & Remuneration Committee	Risk Management Committee
Tan Ngiap Joo	11 of 11	7 of 7	2 of 2	10 of 10
Tong Hon Keong	11 of 11	7 of 7		10 of 10
Janet Yap Seong Yong	11 of 11		2 of 2	10 of 10
Helen Wong Pik Kuen (Appointed on 15 April 2021)	9 of 9			
George Lee Lap Wah (Appointed on 1 September 2021)	3 of 3		1 of 1	3 of 3
Samuel N. Tsien (Retired on 14 April 2021)	2 of 2			
Datuk Azizan Bin Haji Abd Rahman (Resigned on 31 March 2022)	11 of 11	7 of 7	2 of 2	10 of 10

The Bank’s Constitution provides for Directors to participate in the Board and Board Committee meetings by means of telephone conferencing, video conferencing or audio visual equipment.

COMPLIANCE WITH BNM'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that BNM's expectations on financial reporting have been complied with, including those as set out in BNM's Guidelines and Policies on Financial Reporting, Capital Funds and Corporate Governance.

DIRECTORS' INDEMNITY

A Directors’ and Officers’ Liability Insurance has been entered into by the Group and the Bank for the financial year ended 31 December 2021. The policy provides appropriate cover for legal action brought against its Directors in accordance with qualifying third party indemnity provisions (as defined by Section 289 of the Companies Act 2016). During the financial year, the cost of this insurance effected for the Directors and Officers of the Group and the Bank amounted to RM114,718 and RM108,149 (2020: RM114,718 and RM107,474) respectively.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (continued)

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that:

- all known bad debts and financing have been written off and adequate impairment allowance made for doubtful debts and financing, and
- any current assets which were unlikely to be realised in the ordinary course of business 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:

- that would render the amount written off for bad debts and financing or the amount of the impairment allowance for doubtful debts and financing in the Group and in the Bank inadequate to any substantial extent, or
- that would render the value attributed to the current assets in the financial statements of the Group and of the Bank misleading, or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate, or
- not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Bank misleading.

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Bank for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 47 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT, has expressed its willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 28 to the financial statements.

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

TAN NGIAP JOO
Chairman

TONG HON KEONG
Director

Kuala Lumpur, Malaysia
15 April 2022

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

In the opinion of the Directors, the financial statements set out on pages 21 to 153 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

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

TAN NGIAP JOO
Chairman

TONG HON KEONG
Director

Kuala Lumpur, Malaysia
15 April 2022

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

I, Teoh Yin Meng, the officer primarily responsible for the financial management of OCBC Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 21 to 153 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TEOH YIN MENG
MIA No: 11978
Chartered Accountant

Subscribed and solemnly declared by the abovenamed, Teoh Yin Meng at Kuala Lumpur in Malaysia on 15 April 2022, before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)
(Registration No.199401009721 (295400-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 153**.**

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)
(Registration No.199401009721 (295400-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors’ responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Registration No.199401009721 (295400-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)
(Registration No.199401009721 (295400-W))

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT	NG YEE LING
LLP0014401-LCA & AF 1146	03032/01/2023 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
15 April 2022

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		Group		Bank	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and cash equivalents	3	4,828,528	2,926,206	2,916,893	3,056,698
Deposits and placements with banks and other financial institutions	4	449,227	344,182	670,103	665,147
Investment account placements	5	-	-	2,567,432	1,478,468
Financial assets at fair value through profit or loss ("FVTPL")	6	1,833,268	1,313,475	1,823,178	1,303,320
Financial investments at fair value through other comprehensive income ("FVOCI")	7	18,896,597	20,112,853	15,377,703	15,908,302
Loans, advances and financing	8	65,831,689	66,273,563	53,398,910	55,030,346
Derivative financial assets	10	927,507	1,151,754	928,246	1,153,095
Other assets	11	350,468	374,921	609,400	562,845
Statutory deposits with Bank Negara Malaysia	12	63,937	97,601	63,937	97,601
Investments in subsidiaries	13	-	-	557,051	557,051
Property and equipment	14	147,231	152,014	142,856	146,575
Right-of-use ("ROU") assets	15	25,523	30,757	22,769	26,309
Tax recoverable		15,575	11,068	-	-
Deferred tax assets	16	285,075	68,797	243,465	60,733
Total assets		93,654,625	92,857,191	79,321,943	80,046,490
LIABILITIES					
Deposits from customers	17	73,986,617	73,375,532	61,046,763	61,882,313
Deposits and placements of banks and other financial institutions	18	5,648,806	5,195,681	5,620,070	5,157,288
Bills and acceptances payable		56,827	88,737	44,497	73,673
Recourse obligation on loans sold to Cagamas Berhad		-	700,000	-	700,000
Derivative financial liabilities	10	860,074	1,229,790	860,439	1,229,826
Other liabilities	19	2,643,802	1,957,093	2,532,919	1,890,708
Tax payable and zakat		22,126	44,445	19,204	44,395
Subordinated bonds	20	1,509,279	1,491,327	1,509,279	1,491,327
Total liabilities		84,727,531	84,082,605	71,633,171	72,469,530
EQUITY					
Share capital	21	754,000	754,000	754,000	754,000
Reserves	22	8,173,094	8,020,586	6,934,772	6,822,960
Total equity		8,927,094	8,774,586	7,688,772	7,576,960
Total liabilities and equity		93,654,625	92,857,191	79,321,943	80,046,490
Commitments and contingencies	34	100,696,245	97,610,426	97,528,733	94,493,687

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

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

		Group		Bank	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	23	2,441,138	2,812,816	2,491,983	2,872,848
Interest income for financial assets at FVTPL	23	60,406	67,457	60,406	67,457
Interest expense	23	(921,427)	(1,391,690)	(957,278)	(1,429,319)
Net interest income	23	1,580,117	1,488,583	1,595,111	1,510,986
Income from Islamic banking operations	24	470,871	446,291	-	-
Net fee and commission income	25	476,055	409,250	469,171	406,902
Net trading income	26	181,554	210,954	181,554	210,954
Other operating income	27	68,330	103,154	170,809	212,221
Operating income		2,776,927	2,658,232	2,416,645	2,341,063
Operating expenses	28	(1,222,433)	(1,234,282)	(1,161,153)	(1,162,889)
Operating profit before impairment allowance and provision		1,554,494	1,423,950	1,255,492	1,178,174
Impairment allowance and provisions	30	(721,471)	(675,777)	(537,790)	(512,881)
Profit before income tax and zakat		833,023	748,173	717,702	665,293
Income tax expense	31	(168,685)	(183,632)	(147,556)	(172,627)
Zakat		(50)	(50)	-	-
Profit for the year		664,288	564,491	570,146	492,666
Items that will not be reclassified to profit or loss					
Change in fair value reserve (equity instruments)		4,198	6,752	4,198	6,752
Items that are or may be reclassified subsequently to profit or loss					
Fair value reserve (debt instruments)					
- Change in fair value		(348,764)	260,408	(296,126)	209,526
- Amount transferred to profit or loss		(55,864)	(94,499)	(38,223)	(75,876)
- Related tax		97,120	(39,818)	80,251	(32,081)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		(1,470)	1,275	(1,434)	1,338
Other comprehensive (expense)/income for the year		(304,780)	134,118	(251,334)	109,659
Total comprehensive income for the year		359,508	698,609	318,812	602,325
Profit attributable to owner of the Bank		664,288	564,491	570,146	492,666
Total comprehensive income attributable to owner of the Bank		359,508	698,609	318,812	602,325
Basic earnings per ordinary share (sen)	32	231.1	196.3	198.3	171.4

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Non-distributable				*Distributable*	
Group	**Share capital RM'000**	**Regulatory reserve RM'000**	**Capital reserve RM'000**	**ECL reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2021	754,000	600,000	-	1,916	333,379	7,085,291	8,774,586
Fair value reserve							
- Change in fair value	-	-	-	-	(344,566)	-	(344,566)
- Transferred to profit or loss	-	-	-	-	(55,864)	-	(55,864)
- Related tax	-	-	-	-	97,120	-	97,120
Change in ECL reserve	-	-	-	(1,470)	-	-	(1,470)
Total other comprehensive expense for the year	-	-	-	(1,470)	(303,310)	-	(304,780)
Profit for the year	-	-	-	-	-	664,288	664,288
Total comprehensive (expense)/income for the year	-	-	-	(1,470)	(303,310)	664,288	359,508
Contributions by and distributions to owner of the Bank							
Final 2020 ordinary dividend paid	-	-	-	-	-	(207,000)	(207,000)
At 31 December 2021	754,000	600,000	-	446	30,069	7,542,579	8,927,094
At 1 January 2020	754,000	600,000	56,619	641	200,536	6,645,306	8,257,102
Fair value reserve							
- Change in fair value	-	-	-	-	267,160	-	267,160
- Transferred to profit or loss	-	-	-	-	(94,499)	-	(94,499)
- Related tax	-	-	-	-	(39,818)	-	(39,818)
Change in ECL reserve	-	-	-	1,275	-	-	1,275
Total other comprehensive income for the year	-	-	-	1,275	132,843	-	134,118
Profit for the year	-	-	-	-	-	564,491	564,491
Total comprehensive income for the year	-	-	-	1,275	132,843	564,491	698,609
Transfer to retained earnings	-	-	(56,619)	-	-	56,619	-
Contributions by and distributions to owner of the Bank							
Final 2019 ordinary dividend paid	-	-	-	-	-	(181,125)	(181,125)
At 31 December 2020	754,000	600,000	-	1,916	333,379	7,085,291	8,774,586

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

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

		Non-distributable			*Distributable*	
Bank	**Share capital RM'000**	**Regulatory reserve RM'000**	**ECL reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2021	754,000	509,000	1,826	285,439	6,026,695	7,576,960
Fair value reserve						
- Change in fair value	-	-	-	(291,928)	-	(291,928)
- Transferred to profit or loss	-	-	-	(38,223)	-	(38,223)
- Related tax	-	-	-	80,251	-	80,251
Change in ECL reserve	-	-	(1,434)	-	-	(1,434)
Total other comprehensive expense for the year	-	-	(1,434)	(249,900)	-	(251,334)
Profit for the year	-	-	-	-	570,146	570,146
Total comprehensive (expense)/income for the year	-	-	(1,434)	(249,900)	570,146	318,812
Contributions by and distributions to owner of the Bank						
Final 2020 ordinary dividend paid	-	-	-	-	(207,000)	(207,000)
At 31 December 2021	754,000	509,000	392	35,539	6,389,841	7,688,772
At 1 January 2020	754,000	509,000	488	177,118	5,715,154	7,155,760
Fair value reserve						
- Change in fair value	-	-	-	216,278	-	216,278
- Transferred to profit or loss	-	-	-	(75,876)	-	(75,876)
- Related tax	-	-	-	(32,081)	-	(32,081)
Change in ECL reserve	-	-	1,338	-	-	1,338
Total other comprehensive income for the year	-	-	1,338	108,321	-	109,659
Profit for the year	-	-	-	-	492,666	492,666
Total comprehensive income for the year	-	-	1,338	108,321	492,666	602,325
Contributions by and distributions to owners of the Bank						
Final 2019 ordinary dividend paid	-	-	-	-	(181,125)	(181,125)
At 31 December 2020	754,000	509,000	1,826	285,439	6,026,695	7,576,960

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

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

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before income tax and zakat	833,023	748,173	717,702	665,293
Adjustments for:				
Depreciation of property and equipment	24,122	25,648	22,528	23,423
Depreciation of right-of-use assets	15,561	18,216	13,782	16,159
Dividends received from financial investments at FVOCI	(774)	(859)	(774)	(859)
Impairment allowance and provisions	771,362	723,713	569,675	538,116
Finance expense on lease liabilities	724	903	645	904
Net (gain)/loss on disposal of:				
- Financial investments at FVOCI	(55,864)	(94,499)	(38,223)	(75,876)
- Property and equipment	47	-	-	-
Share-based expense	11,390	10,978	11,047	10,600
Unrealised loss/(gain) on:				
- Financial assets at FVTPL	9,204	(918)	9,139	(918)
- Hedging derivatives	(2)	(5)	(2)	(5)
- Trading derivatives	(164,006)	156,135	(163,099)	154,973
- Subordinated bonds (foreign exchange)	17,952	9,568	17,952	9,568
Other non-cash items	-	7,975	-	-
Operating profit before changes in working capital	1,462,739	1,605,028	1,160,372	1,341,378
Changes in operating assets and operating liabilities:				
Deposits and placements with banks and other financial institutions	(105,053)	(159,636)	(4,964)	(46,225)
Investment account placements	-	-	(1,090,859)	505,810
Financial assets at FVTPL	(528,997)	(136,088)	(528,997)	(142,263)
Loans, advances and financing	(297,558)	2,057,488	1,082,877	1,690,828
Other assets	21,043	167	(50,019)	(9,462)
Statutory deposits with Bank Negara Malaysia	33,664	1,589,282	33,664	1,279,982
Derivative financial assets and liabilities	27,749	(28,363)	27,773	(28,353)
Deposits from customers	611,085	(1,720,273)	(835,550)	(701,643)
Deposits and placements of banks and other financial institutions	453,125	999,372	462,782	1,003,673
Bills and acceptances payable	(31,910)	(310)	(29,176)	2,161
Other liabilities	648,673	(1,131,751)	615,592	(1,074,746)
Cash generated from operations	2,294,560	3,074,916	843,495	3,821,140
Income tax and zakat paid	(314,719)	(250,046)	(275,228)	(221,277)
Net cash generated from operating activities	1,979,841	2,824,870	568,267	3,599,863

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from investing activities				
Acquisition of financial investments at FVOCI	(20,736,872)	(25,522,545)	(12,110,872)	(15,097,545)
Acquisition of property and equipment	(21,972)	(26,341)	(21,340)	(26,036)
Dividends received from financial investments at FVOCI	774	859	774	859
Proceeds from disposal of financial investments at FVOCI	21,599,352	21,232,075	12,340,333	10,832,297
Proceeds from disposal of property and equipment	2,573	134	2,572	73
Net cash generated from/(used in) investing activities	843,855	(4,315,818)	211,467	(4,290,352)
Cash flows from financing activities				
Dividends paid to owner of the Bank	(207,000)	(181,125)	(207,000)	(181,125)
Redemption of subordinated bonds	-	(550,680)	-	(550,680)
Issuance of subordinated bonds	-	550,000	-	550,000
Payment of lease liabilities	(14,361)	(21,719)	(12,526)	(19,664)
Repayment of recourse obligation on loans sold to Cagamas Berhad	(700,000)	-	(700,000)	-
Net cash used in financing activities	(921,361)	(203,524)	(919,526)	(201,469)
Net increase/(decrease) in cash and cash equivalents	1,902,335	(1,694,472)	(139,792)	(891,958)
Cash and cash equivalents at 1 January	2,926,224	4,620,696	3,056,716	3,948,674
Cash and cash equivalents at 31 December	4,828,559	2,926,224	2,916,924	3,056,716

Details of cash and cash equivalents are disclosed in Note 3 to the financial statements.

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

Changes in liabilities arising from financing activities

2021	**At 1 January**	**Net Cash outflows**	**Foreign exchange movement**	**Acquisition of new leases**	**Finance cost**	**At 31 December**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Recourse obligation on loans sold to Cagamas Berhad	700,000	(700,000)	-	-	-	-
Subordinated bonds	1,491,327	-	17,952	-	-	1,509,279
Lease liabilities	27,739	(14,361)	-	10,327	724	24,429
Total liabilities from financing activities	2,219,066	(714,361)	17,952	10,327	724	1,533,708
Bank						
Recourse obligation on loans sold to Cagamas Berhad	700,000	(700,000)	-	-	-	-
Subordinated bonds	1,491,327	-	17,952	-	-	1,509,279
Lease liabilities	23,259	(12,526)	-	10,242	645	21,620
Total liabilities from financing activities	2,214,586	(712,526)	17,952	10,242	645	1,530,899
2020						
Group						
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	700,000
Subordinated bonds	1,482,439	(680)	9,568	-	-	1,491,327
Lease liabilities	25,387	(21,719)	-	23,168	903	27,739
Total liabilities from financing activities	2,207,826	(22,399)	9,568	23,168	903	2,219,066
Bank						
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	700,000
Subordinated bonds	1,482,439	(680)	9,568	-	-	1,491,327
Lease liabilities	22,382	(19,664)	-	19,637	904	23,259
Total liabilities from financing activities	2,204,821	(20,344)	9,568	19,637	904	2,214,586

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021

GENERAL INFORMATION

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 19th Floor, Menara OCBC, 18 Jalan Tun Perak, 50050 Kuala Lumpur.

The consolidated financial statements of the Bank as at and for the financial year ended 31 December 2021 comprise the Bank and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”).

The Bank is principally engaged in banking and related financial services, whilst its subsidiaries are principally engaged in the businesses of Islamic Banking, corporate finance and related advisory services and the provision of nominee services. There has been no significant change in the nature of these activities during the financial year.

The immediate and ultimate holding company of the Bank is Oversea-Chinese Banking Corporation Limited ("OCBC Bank" or "OCBC Ltd"), a licensed commercial bank incorporated in Singapore.

The financial statements were approved and authorised for issue by the Board of Directors on 15 April 2022.

1 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for the assets and liabilities which are stated at fair value as disclosed in the notes to the financial statements: financial assets at FVTPL, financial investments at FVOCI and derivative financial instruments. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank’s functional currency. All financial information presented in RM have been rounded to the nearest thousand, unless otherwise stated.

(a) Statement of compliance

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia and BNM's Shariah requirements (operations of Islamic Banking).

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

The following amendments to accounting standards have been adopted by the Group and the Bank during the financial year:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, *Interest Rate Benchmark Reform - Phase 2*
- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*

The adoption of the abovementioned amendments to accounting standards did not have any material impact on the financial statements of the Group and the Bank except for Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - *Interest Rate Benchmark Reform - Phase 2* set out below.

<u>Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - *Interest Rate Benchmark Reform - Phase 2:*</u>

(i) Change in basis for determining cash flows

The Group and the Bank have adopted the Phase 2 amendments and applied the practical expedient to update the effective interest rate to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate ("IBOR") reform. As a result, no immediate gain or loss is recognised. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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

(ii) Hedge accounting

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

(iii) Disclosure

The amendments will require the Group and the Bank to disclose additional information about the Group's and the Bank's exposure to risks arising from interest rate benchmark reform and related risk management activities (see Note 46).

The Group and the Bank have not adopted the following amendments to accounting standards issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective:

Effective for annual periods commencing on or after 1 January 2022

- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*
- *Annual Improvements to MFRS Standards 2018 - 2020*

Effective for annual periods commencing on or after 1 January 2023

- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2, *Making Materiality Judgements - Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective date to be announced by MASB

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

The Group and the Bank plan to apply the abovementioned amendments to accounting standards when they become effective in the respective financial periods. The initial application of the abovementioned amendments to accounting standards are not expected to have any material impact to the financial statements of the Group and of the Bank.

(b) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements used in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

(i) Fair value estimation for financial assets at fair value through profit or loss ("FVTPL") (Note 6), financial investments at fair value through other comprehensive income ("FVOCI") (Note 7) and derivative financial assets and liabilities (Note 10). Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market (for example, over-the-counter derivatives), the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads.

Where observable market data is not available, judgement is required in the determination of model input, which normally incorporates 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. Judgement is also required in assessing the impairment of financial investments at FVOCI as the Group and the Bank evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.

(ii) Impairment of financial assets

In determining whether the credit risk of the Group's and the Bank's financial exposures have increased significantly since initial recognition, the Group and the Bank will consider reasonable and supportable information that is readily available without undue cost or effort. This includes both quantitative and qualitative information such as the Group's and the Bank’s historical credit assessment experience and available forward-looking information. Expected credit loss ("ECL") estimates are produced for all relevant instruments based on probability-weighted forward-looking economic scenarios. The measurement of ECL is primarily calculated based on the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). These are parameters derived from internal rating models after adjusting them to be unbiased and forward-looking. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. The underlying models and their calibration, including how they react to forward-looking economic conditions, are subject to continuous review and refinement. The assumptions and judgements used by management may affect impairment allowances computed.

COVID-19 pandemic

The COVID-19 pandemic and the effects on the global economy are unprecedented in its scale and impact. These have increased the estimated uncertainty in the preparation of these financial statements. Sources of estimation uncertainty include how the pandemic will continue to evolve, the corresponding impact on the duration and extent of disruption to businesses, individuals and the wider economy (including macroeconomic forecasts, credit, liquidity and market conditions) as well as the effectiveness of government support measures in softening the impact of the crisis.

The significant accounting estimates impacted by these uncertainties relate mainly to impairment of financial assets, as discussed below:

<u>Allowances for non-credit impaired loans to customers</u>

The forward-looking scenarios used in the ECL model have been updated to reflect the latest available macroeconomic view of slower growth in 2021 before recovery in 2022 onwards. Due to the unprecedented nature of the COVID-19 crisis, post-model adjustment continue to be made during the year to account for the estimated impact of continued economic uncertainties not reflected in the modelled outcome.

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

(ii) Impairment of financial assets (continued)

Allowances for non-credit impaired loans to customers (continued)

Another key element in determining ECL is the assessment of whether or not a significant increase in credit risk (SICR) has occurred and hence whether a lifetime, rather than 12-month, ECL is required. During this year, various loan reliefs, such as payment holidays and moratoriums, have been offered to affected customers as part of a broader set of COVID-19 support measures. Deferral of payments by customers in hardship arrangements is generally treated as an indication of a SICR. However, in line with regulatory guidance, the Group and the Bank have determined that the extension of such reliefs are not automatically considered to indicate SICR, but considers it within a broader set of indicators to assess and grade customer facilities as necessary.

Allowances for credit impaired loans to customers

In respect of credit impaired exposures, management judgement and estimation are applied in, amongst others, identifying impaired exposures, estimating the related recoverable cash flows and where applicable, determining collateral values and timing of realisation. Judgements and assumptions in respect of these matters have been updated to reflect the potential impact of COVID-19.

The Group's and the Bank's allowances for financial assets are disclosed in Note 9 and Note 30.

(iii) Management judgement is required for estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome is not determined until a later date. Whereas, for deferred tax, management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group and the Bank to the periods presented in these financial statements.

A Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less any impairment allowances, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

A Basis of consolidation (continued)

(b) Business combinations

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

Business combinations are recognised at the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the difference above is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(c) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(d) Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amount recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(e) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

A Basis of consolidation (continued)

(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

B Foreign currency transactions

Transactions in foreign currencies are translated to RM, which is the functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Foreign Currency Translation Reserve ("FCTR") in equity.

C Financial instruments

(a) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issuance.

The Group and the Bank account for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of MFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

(b) Financial instrument categories and subsequent measurement

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(b) Financial instrument categories and subsequent measurement (continued)

Financial assets

The categories of financial assets are as follows:

(i) Amortised cost

Amortised cost category comprises financial assets that are held within a business model which objective is to hold assets to collect contractual cash flows and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and are not designated as FVTPL. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment allowances, if any. Interest income, foreign exchange gains and losses and impairment allowances are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest/profit income is recognised by applying effective interest/profit rate to the gross carrying amount except for credit-impaired financial assets (see Note 2K(a)) where the effective interest/profit rate is applied to the amortised cost.

Financing and advances consist of sales based contracts (Bai' Inah, Bai' Bithaman Ajil, Tawarruq, Murabahah and Bai' Dayn), leased based contracts (Ijarah Thumma Al-Bai, Ijarah and Ijarah Muntahiah Bi Al-Tamlik), equity based contracts (Musharakah Mutanaqisah) and other contracts (Wakalah and Qard). The Group entity's core business is in providing financing to customers and not into leasing business. As a result, we have recognised all lease-based contracts as forms of financing and recognised them accordingly as financial instruments under MFRS 9. Except for Ijarah financing, assets funded under Ijarah Thumma Al-Bai and Ijarah Muntahiah Bi Al-Tamlik contracts are owned by the Group throughout the tenure of the financing and ownership of the assets will be transferred to the customer at the end of the financing.

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

Debt investments

FVOCI category comprises debt investments that are held within a business model which objective is achieved by both collecting contractual cash flows and selling the debt investments, and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and are not designated as at FVTPL. Interest/profit income calculated using the effective interest/profit method, foreign exchange gains and losses and impairment allowances are recognised in profit or loss. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Debt instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest/profit.

Interest/Profit income is recognised by applying effective interest/profit rate to the gross carrying amount except for credit-impaired financial assets (see Note 2K(a)) where the effective interest/profit rate is applied to the amortised cost.

Equity investments

This category comprise investments in equity that are not held for trading, and the Group and the Bank irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(b) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

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

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. These include derivative financial assets (except for derivatives that are designated and effective hedging instruments). On initial recognition, the Group or the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment (see Note 2G(a)).

Financial liabilities

At the end of the reporting year, there are no non-derivative financial liabilities categorised as FVTPL.

All financial liabilities are subsequently measured at amortised cost, other than those categorised as FVTPL.

FVTPL category comprises financial liabilities that are derivatives (except for derivatives that are financial guarantee contracts or designated as effective hedging instruments) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments which fair values cannot otherwise be reliably measured are measured at cost.

Where derivatives are embedded in the host contract (e.g. structured investments), the embedded derivatives are required to be separated and accounted as a derivative and the host contract at amortised cost (in Other Liabilities) if the economic risks and characteristics of the embedded derivatives are not closely related to the economic risks and characteristics of the host contract. Separate accounting is not required if the combined instrument is fair valued with changes in fair value recognised in profit or loss.

Financial liabilities categorised as FVTPL are measured at their fair values with the gain or loss recognised in profit or loss.

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

In the ordinary course of business, the Group and the Bank gave financial guarantees consisting of letters of credit, guarantees and acceptances.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(d) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using settlement date accounting. Settlement date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the settlement date; and
- the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for a payment on the settlement date.

(e) Hedge accounting

At inception of a designated hedging relationship, the Group and the Bank document the risk management objective and strategy for undertaking the hedge. The Group and the Bank also document the economic relationship between the hedged item and the hedging instrument including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(i) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Bank has elected to present subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at FVOCI, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in FVOCI, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In cash flow hedge, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(e) Hedge accounting (continued)

(ii) Cash flow hedge (continued)

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

The Group or the Bank designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(f) Derivatives

Derivatives are categorised as trading unless they are designated as hedging instruments.

Financial derivatives include forward contracts for the purchase and sale of foreign currencies, interest/profit rate and currency swaps, financial futures and option contracts. These instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest/profit rate risks.

All derivative financial instruments are recognised at inception on the statement of financial position (including transaction costs), which are normally zero or negligible at inception at fair value, and subsequent changes in fair value as a result of fluctuation in market interest/profit rates or foreign exchange rates are recorded as assets when fair value is positive and as liabilities when fair value is negative.

When the Group or the Bank enters into derivatives for trading purposes, realised and unrealised gains and losses are recognised in trading income. Observable market data are used to determine the fair values of derivatives held-for-trading. Valuations are either based on quoted price or valuation technique. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(g) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the financial asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(h) Modification

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual cash flows of the financial asset. Financial assets that are renegotiated or otherwise modified will be accounted based on the nature and extent of changes that is expected to arise as a result of the modification or renegotiation.

(i) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted by the accounting standards. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

D Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment allowance.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within “other operating income” in profit or loss.

(b) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

D Property and equipment (continued)

(c) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciate as it has indefinite life. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings on freehold land	50 years
• Leasehold land and building on leasehold land	50 years or remaining life of the lease whichever is shorter
• Office equipment and furniture	3-5 years
• Computer equipment/software	3-8 years
• Motor vehicles	5 years
• Renovation	8 years or remaining lease term whichever is shorter

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted as appropriate.

E Leases

(a) Definition of a lease

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group and the Bank have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Bank have the right to direct the use of the asset, i.e. when the Group and the Bank have the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Bank allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Bank is a lessee, the Group and the Bank will account for the lease and non-lease components as a single lease component.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

E Leases (continued)

(b) Recognition and initial measurement

As a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's and the Bank's incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Bank are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Bank are reasonably certain not to terminate early.

The Group and the Bank have elected not to recognise ROU assets and lease liabilities for certain short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Bank recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Group or the Bank acts as a lessor, it determines at the lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Bank make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group or the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group or the Bank applies the exemption described above, then it classifies the sublease as an operating lease.

(c) Subsequent measurement

As a lessee

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

E Leases (continued)

(c) Subsequent measurement (continued)

As a lessee (continued)

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

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

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

As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

<u>Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*</u>

During the financial year, the Group and the Bank apply practical expedient to account for a COVID-19-related rent concession that meets all of the following conditions in the same way as they would if they were not lease modification:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group and the Bank account for COVID-19 related rent concession as a variable lease payment in the period in which the event or condition that triggers the reduced payment occurs. Impacts of rent concessions are presented within operating expenses.

F Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and central banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of one month or less.

Cash and cash equivalents are categorised and measured as amortised cost in accordance with Note 2(C)(b)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

G Impairment

(a) Financial assets

The Group and the Bank recognise impairment allowances for ECL on financial assets measured at amortised cost, financial investments measured at FVOCI and certain off-statement of financial position commitments and financial guarantees which were previously provided for under MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets.*

(i) ECL impairment model

Under MFRS 9, impairment allowances on the aforesaid financial assets are measured on each reporting date according to a three-stage ECL impairment model:

- Stage 1: On initial recognition, ECL will be that resulting from default events that are possible over the next 12 months (12-month ECL).

- Stage 2: Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that which results from all possible default events over the expected life of the asset (Lifetime ECL non credit-impaired). See details in Note 2G(a)(iii).

- Stage 3: When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, its loss allowance will be the full lifetime ECL (credit-impaired).

Loans/Financing are written off against impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote.

(ii) Measurement

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are non credit-impaired at the reporting date: At the present value of all cash shortfalls, being the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and the Bank expect to receive;

- Financial assets that are credit-impaired at the reporting date: At the difference between the gross carrying amount and the present value of estimated future cash flows;

- Undrawn loan commitments: At the present value of the difference between the contractual cash flows that are due to the Group and the Bank if the commitment is drawn down and the cash flows that the Group and the Bank expect to receive; and

- Financial guarantee contracts: The expected payments to reimburse the holder less any amounts that the Group and the Bank expect to recover.

The Group and the Bank use three forecast economic scenarios to calculate an unbiased Stage 1 and Stage 2 ECL. They represent a “most likely” Base scenario, and two other less likely “Upside” and “Downside” scenarios. These scenarios are probability-weighted and underlying key macro-economic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to constantly reflect current economic situations. Stage 3 ECL is quantified based on the recovery strategy adopted, which the Group and the Bank take into account other factors including forward looking scenarios and market conditions.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

G Impairment (continued)

(a) Financial assets (continued)

(ii) Measurement (continued)

Movements between Stage 1 and Stage 2 classification are based on whether an instrument’s credit risk as at the reporting date has increased significantly since its initial recognition.

In accordance with MFRS 9, financial assets are classified in Stage 2 where there is a significant increase in credit risk since initial recognition, where impairment allowance will be measured using lifetime ECL.

The Group and the Bank consider both qualitative and quantitative parameters in the assessment of significant increase in credit risk. These include the following:

- The Group and the Bank have established thresholds for significant increases in credit risk based on both relative and absolute changes in lifetime probability of default ("PD") relative to initial recognition.
- The Group and the Bank conduct qualitative assessment to ascertain if there has been significant increase in credit risk.
- The Group and the Bank use 30 days/one month past due as an indication of significant increase in credit risk.

(iii) Movement between stages

Movements between Stage 2 and Stage 3 classification are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under MFRS 9 will be based on objective evidence of impairment.

The Group and the Bank are also guided by the policy document on Financial Reporting issued by Bank Negara Malaysia ("BNM") whereby, a credit facility is classified as credit-impaired if it is past due for more than 3 months or where the amount is past due for less than 3 months but exhibits weakness in accordance with the Group's and the Bank's internal credit risk assessment. In addition, where repayments are scheduled on intervals of 3 months or longer, the credit facility is classified as credit-impaired as soon as default occurs.

The assessments for significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired. For credit-impaired portfolio, Stage 3 ECL is assessed individually and measured as described in Note 40 of the financial statements.

(iv) Regulatory framework

Under BNM's policy document on Financial Reporting, the Group and the Bank must maintain, in aggregate, impairment allowance for non credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of impairment allowance for credit impaired exposures.

(b) Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

G Impairment (continued)

(b) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment allowance is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment allowance is recognised in profit or loss. Impairment allowance recognised in respect of cash-generating units is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment allowance recognised in prior periods is assessed at the end of each reporting date for any indications that the loss has decreased or no longer exists. An impairment allowance is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment allowance was recognised. An impairment allowance is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment allowance had been recognised. Reversals of impairment allowance are credited to profit or loss in the financial year in which the reversals are recognised.

H Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently. Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

Ordinary shares are classified as equity.

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Bank’s option, and any dividend is discretionary. Dividend is recognised as distributions within equity.

Interim dividend on ordinary shares and dividend on preference shares are recorded in the financial year in which they are declared payable by the Board of Directors. Final dividends are recorded in the financial year when the dividends are approved at the annual general meeting. Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

I Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, paid annual leave and sick leave, variable cash performance bonus and non-monetary benefits are measured on an undiscounted basis and expensed as the related service is provided.

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

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group or the Bank expects to pay as a result of the unused entitlement that has accumulated as at the end of the reporting period.

The Group’s and the Bank's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once contributions have been paid, the Group and the Bank have no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

I Employee benefits (continued)

(b) Share-based payment transactions

(i) OCBC Deferred Share Plan

Under the OCBC Deferred Share Plan ("the Plan"), shares of the immediate and ultimate holding company of the Bank, Oversea-Chinese Banking Corporation Limited (“OCBC Ltd”), are awarded to eligible executives. A trust is set up to administer the shares purchased under the Plan. 50% of the share awards will vest after two years with the remaining 50% vesting at the end of the third year in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares. The awards will lapse immediately on the termination of employment, except in the event of retirement, redundancy, death, or where approved by the relevant approving authorities at OCBC Ltd whom may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined.

(ii) OCBC Share Option Scheme 2001

Under the OCBC Share Option Scheme 2001, shares of the immediate and ultimate holding company of the Bank are offered to executives of the rank of Manager and above, including Non-Executive Directors. Options granted are exercisable for a period commencing after the 1st anniversary and expire on the 10th anniversary of the respective dates of grant except for options granted to Non-executive Directors which are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary. OCBC Ltd has ceased granting share options under the OCBC Share Option Scheme 2001 effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by recipients.

(iii) OCBC Employee Share Purchase Plan

The Employee Share Purchase Plan (“ESP Plan”) is a savings-based share ownership plan that allows eligible employees to participate in shares of the immediate and ultimate holding company of the Bank by making monthly contributions to the ESP Plan Account and interest accrued at a preferential rate determined by the OCBC Ltd Remuneration Committee. The Committee will fix the offering period and acquisition price for the new ordinary shares to be issued under the ESP Plan.

Equity instruments granted are recognised as expense in profit or loss based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, based on the recharge by the immediate and ultimate holding company. At each reporting date, the Group and the Bank revise the estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in profit or loss over the remaining vesting period. A liability is recognised based on the recharge by the immediate and ultimate holding company of the Bank over the vesting period. The Group and the Bank accrue for interest/profit on the monthly contributions made by employees to the savings-based ESP Plan. Further details of the equity compensation benefits are disclosed in Note 19(b) to the financial statements.

J Provisions

A provision is recognised if, as a result of past event, the Group or the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

K Income and expenses

(a) Interest/finance income and interest/finance expense

Interest/finance income or expense is recognised using the effective interest/profit method.

The effective interest/finance rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

In calculating the interest/finance income and expense, the effective interest/profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest/finance income is calculated by applying the effective interest/profit rate to the amortised cost of the financial asset, net of ECL. If the asset is no longer credit-impaired, then the calculation of interest income/profit reverts to the gross basis. The gross carrying amount of a financial asset refers to amortised cost of a financial asset before adjusting for any ECL.

Finance income for sale-based contracts (Bai' Inah, Bai' Bithaman Ajil, Tawarruq, Murabahah and Bai' Dayn) are recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding.

Finance income for lease-based contracts (Ijarah Thumma Al-Bai, Ijarah and Ijarah Muntahiah Bi Al-Tamlik) are recognised on effective profit rate basis over the lease term.

Finance income for equity-based contracts (Musharakah Mutanaqisah and Mudharabah) are recognised on the basis of the reducing balance on a time-apportioned basis that reflects the effective yield on the asset.

(b) Fee and commission income

The Group and the Bank earn fees and commissions from a range of services rendered to its customers. Fees and commissions are recognised when the Group and the Bank has satisfied its performance obligations in providing the services to the customer. Transaction based fees and commissions are generally recognised upon the completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised over the relevant period. Expenses are offset against gross fees and commissions in the income statement only when they are directly related.

(c) Net trading income

Net trading income comprises gains and losses from changes in financial assets at FVTPL and trading derivatives, gains and losses on foreign exchange trading and other trading activities.

(d) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Bank’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(e) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(f) Other income

Pursuant to BNM's Guidelines on Late Payment Charges for Islamic Banking Institutions, the Group recognises all late penalty income arising from Islamic banking under income from Islamic banking operations in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

L Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss. 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 by end of the reporting period.

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 liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

M Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit or loss attributable to the ordinary shareholder of the Bank less preference shares dividend by the weighted average number of ordinary shares outstanding during the period.

N Restricted profit sharing investment accounts ("RPSIA")

The RPSIA used to fund specific financing follow the principle of Mudharabah which states that profits will be shared with the Group entity as mudarib and losses borne by depositors.

O Contingencies

(a) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Possible obligations, which 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

O Contingencies (continued)

(b) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not being wholly within the control of the Group and the Bank, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

P Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

The Group and the Bank recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Q Recourse obligation on loans sold to Cagamas Berhad

In the normal course of banking operations, the Bank sells loans to Cagamas Berhad. The Bank is liable in respect of the loans sold directly to Cagamas Berhad under the condition that the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudence. Such financing transactions and the obligation to buy back the loans are reflected as a financial liability on the statement of financial position.

Loans sold to Cagamas Berhad are recognised initially, at its fair value plus transaction costs that are directly attributable to the loans sold to Cagamas Berhad and subsequently measured at amortised cost using effective interest method.

R Zakat contribution

Zakat represents business zakat payable by the Group to comply with the principles of Shariah and as approved by the Shariah Committee. The Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholder.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

3 CASH AND CASH EQUIVALENTS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions	597,312	420,339	505,341	337,560
Money at call and deposit placements with financial institutions maturing within one month	148,818	57,941	417,583	474,156
Deposit placements with Bank Negara Malaysia	4,082,429	2,447,944	1,994,000	2,245,000
	4,828,559	2,926,224	2,916,924	3,056,716
Stage 1 ECL allowance	(31)	(18)	(31)	(18)
	4,828,528	2,926,206	2,916,893	3,056,698

(a) By geographical distribution

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Malaysia	4,374,847	2,671,394	2,526,515	2,857,452
Singapore	139,782	86,477	108,476	57,399
Other ASEAN countries	7,126	18,432	6,198	15,858
Rest of the world	306,804	149,921	275,735	126,007
	4,828,559	2,926,224	2,916,924	3,056,716

The analysis by geography is determined based on where the credit risk resides.

(b) Included in the Bank's cash and cash equivalents are deposits and placements with OCBC Al-Amin of RM269 million (31 December 2020: RM416 million), which are unsecured and profit bearing.

(c) Movements in ECL allowance

	2021			2020		
Group	**Stage 1 12 months RM'000**	**Stage 2 Lifetime RM'000**	**Total ECL non credit-impaired RM'000**	**Stage 1 12 months RM'000**	**Stage 2 Lifetime RM'000**	**Total ECL non credit-impaired RM'000**
At 1 January	18	-	18	382	-	382
New financial assets originated or purchased	930	-	930	94	-	94
Financial assets derecognised	(935)	-	(935)	(927)	-	(927)
Net remeasurement during the year	12	-	12	520	-	520
Other movements	6	-	6	(51)	-	(51)
At 31 December	31	-	31	18	-	18

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

3 CASH AND CASH EQUIVALENTS (continued)

	2021			2020		
Bank	**Stage 1 12 months RM'000**	**Stage 2 Lifetime RM'000**	**Total ECL non credit-impaired RM'000**	**Stage 1 12 months RM'000**	**Stage 2 Lifetime RM'000**	**Total ECL non credit-impaired RM'000**
At 1 January	18	-	18	381	-	381
New financial assets originated or purchased	930	-	930	94	-	94
Financial assets derecognised	(935)	-	(935)	(927)	-	(927)
Net remeasurement during the year	12	-	12	520	-	520
Other movements	6	-	6	(50)	-	(50)
At 31 December	31	-	31	18	-	18

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Licensed bank	449,235	344,182	670,111	665,147
Stage 1 ECL allowance	(8)	-	(8)	-
	449,227	344,182	670,103	665,147

(a) By geography determined based on where the credit risk resides

Malaysia	339,926	145,584	560,802	466,549
Singapore	108,223	172,760	108,223	172,760
Rest of the world	1,086	25,838	1,086	25,838
	449,235	344,182	670,111	665,147

(b) By residual contractual maturity

Maturity within one year	449,235	344,182	670,111	665,147

(c) Included in the Bank's deposits and placements with licensed banks are deposits and placements with OCBC Al-Amin of RM221 million (31 December 2020: RM321 million), which are unsecured and profit bearing.

(d) Movements in ECL allowance

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Stage 1 ECL				
At 1 January	-	-	-	-
New financial assets originated or purchased	50	23	50	23
Financial assets derecognised	(15)	-	(15)	-
Net remeasurement during the year	(27)	(23)	(27)	(23)
At 31 December	8	-	8	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

5 INVESTMENT ACCOUNT PLACEMENTS

Bank	**2021 RM'000**	**2020 RM'000**
Restricted Profit Sharing Investment Accounts	2,603,872	1,513,013
ECL allowance	(36,440)	(34,545)
	2,567,432	1,478,468

(a) By geography based on where the credit risk resides

	2021	2020
Malaysia	2,603,872	1,513,013

(b) By residual contractual maturity

	2021	2020
Within one year	2,566,162	1,285,664
Over five years	37,710	227,349
	2,603,872	1,513,013

The exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") is an arrangement with its subsidiary, OCBC Al-Amin, which the contract is based on Mudharabah principle to fund a specific business venture where the Bank solely provides capital and the business venture is managed solely by OCBC Al-Amin. The profit of the business venture arrangement is shared with the Bank as mudarib based on a pre-agreed ratio, and losses borne by the Bank.

(c) Movements in ECL allowance

	Non credit-impaired		*Credit-impaired*	
Bank	**Stage 1 12 months ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total ECL**
2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January	1,776	-	32,769	34,545
Transferred to Stage 2	(313)	313	-	-
New financial assets originated or purchased	3,765	-	-	3,765
Financial assets derecognised	(176)	-	-	(176)
Net remeasurement during the year	(2,095)	388	-	(1,707)
Other movements	13	-	-	13
At 31 December	2,970	701	32,769	36,440
2020				
At 1 January	1,285	26,615	32,769	60,669
Transferred to Stage 3	-	(42,229)	42,229	-
New financial assets originated or purchased	586	-	-	586
Financial assets derecognised	(669)	-	-	(669)
Net remeasurement during the year	574	15,614	(42,229)	(26,041)
At 31 December	1,776	-	32,769	34,545

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

6 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				
Malaysian Government Investment Issues	574,337	397,195	574,337	397,195
Malaysian Government Securities	957,467	280,306	957,467	280,306
Malaysian Government Treasury Bills	256,356	466,658	256,356	466,658
Corporate Bonds and Sukuk	45,108	169,316	35,018	159,161
	1,833,268	1,313,475	1,823,178	1,303,320

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				
Malaysian Government Investment Issues	7,772,731	8,414,541	5,694,130	5,938,271
Malaysian Government Securities	4,549,807	4,081,419	4,549,807	4,081,419
Malaysian Treasury Bills and Islamic Treasury Bills	2,002,423	1,313,006	1,456,004	1,094,184
Malaysian Government Debt Securities and Sukuk	30,543	137,466	30,543	63,649
Foreign Government Debt Securities and Sukuk	161,226	203,273	161,226	179,033
Negotiable Instruments of Deposit and Islamic Negotiable Instruments of Deposit	1,248,206	3,344,587	698,711	2,345,362
Corporate and Islamic Corporate Bonds, Sukuk and Sanadat Mudharabah Cagamas	3,015,614	2,506,531	2,671,235	2,094,354
Unquoted shares in Malaysia				
- Cagamas Holdings Berhad	83,597	80,538	83,597	80,538
- Others	32,450	31,492	32,450	31,492
	18,896,597	20,112,853	15,377,703	15,908,302

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

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

ECL allowance for financial investments at FVOCI is recognised in the ECL reserve.

	2021			2020		
Group	**Stage 1 12 months RM'000**	**Stage 2 Lifetime RM'000**	**Total ECL non credit-impaired RM'000**	**Stage 1 12 months RM'000**	**Stage 2 Lifetime RM'000**	**Total ECL non credit-impaired RM'000**
At 1 January	1,916	-	1,916	641	-	641
Transferred to Stage 1	48	(48)	-	766	(766)	-
Transferred to Stage 2	(72)	72	-	(79)	79	-
New financial assets originated or purchased	574	-	574	764	-	764
Financial assets derecognised	(736)	(10)	(746)	(736)	(275)	(1,011)
Net remeasurement during the year	(1,336)	17	(1,319)	585	974	1,559
Other movements	21	-	21	(25)	(12)	(37)
At 31 December	415	31	446	1,916	-	1,916
Bank						
At 1 January	1,826	-	1,826	488	-	488
Transferred to Stage 1	48	(48)	-	766	(766)	-
Transferred to Stage 2	(65)	65	-	(79)	79	-
New financial assets originated or purchased	393	-	393	496	-	496
Financial assets derecognised	(634)	(4)	(638)	(524)	(275)	(799)
Net remeasurement during the year	(1,228)	18	(1,210)	704	974	1,678
Other movements	21	-	21	(25)	(12)	(37)
At 31 December	361	31	392	1,826	-	1,826

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

8 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At amortised cost				
Overdrafts	2,585,536	2,922,818	2,145,481	2,435,896
Term loans/financing				
- Housing loans/financing	21,667,064	23,220,572	19,870,536	21,320,542
- Syndicated term loans/financing	7,389,689	4,887,639	5,201,915	3,966,961
- Hire purchase receivables	285,998	341,654	32,116	27,874
- Other term loans/financing	21,207,975	21,565,380	16,463,917	17,109,687
Credit cards	500,460	590,170	500,460	590,170
Bills receivable	137,955	201,503	105,279	146,240
Trust receipts	30,395	31,699	30,395	31,278
Claims on customers under acceptance credits	2,583,166	2,458,990	2,240,143	2,101,364
Revolving credit	8,986,911	9,491,988	6,009,014	6,467,563
Staff loans/financing	42,684	45,484	42,684	45,484
Other loans/financing	2,337,184	1,966,505	2,206,007	1,878,477
	67,755,017	67,724,402	54,847,947	56,121,536
At fair value				
Other term loans/financing	-	11,381	-	11,381
Gross loans, advances and financing	67,755,017	67,735,783	54,847,947	56,132,917
ECL allowance	(1,923,328)	(1,462,220)	(1,449,037)	(1,102,571)
Net loans, advances and financing	65,831,689	66,273,563	53,398,910	55,030,346

In 2020, the Group incurred a net modification loss of RM8 million arising from affected loans, advances and financing (before modification) totalling RM394 million. There is no modification loss incurred for 2021.

(a) By type of customer

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Domestic banking institutions	-	2,419	-	2,419
Domestic non-bank financial institutions	2,524,749	2,132,030	1,216,049	1,113,628
Domestic business enterprises				
- Small and medium enterprises	13,935,576	14,554,161	11,534,668	12,069,643
- Others	24,608,190	22,118,893	17,838,253	16,718,969
Individuals	24,035,508	25,852,361	22,045,361	23,709,454
Foreign entities	2,650,994	3,075,919	2,213,616	2,518,804
	67,755,017	67,735,783	54,847,947	56,132,917

(b) By interest/profit rate sensitivity

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Fixed rate				
- Housing loans/financing	109,722	72,969	20,503	33,760
- Hire purchase receivables	179,736	195,078	21,778	27,881
- Other fixed rate loans/financing	7,096,688	6,907,966	5,975,709	5,407,183
Variable rate				
- Base rate/Base lending rate/Base financing rate plus	35,054,619	37,963,920	31,142,775	33,722,463
- Cost plus	23,339,108	21,215,075	15,742,111	15,610,352
- Other variable rates	1,975,144	1,380,775	1,945,071	1,331,278
	67,755,017	67,735,783	54,847,947	56,132,917

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

8 LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
(c) By sector				
Agriculture, hunting, forestry and fishing	3,828,870	4,049,154	2,460,396	2,620,779
Mining and quarrying	547,050	488,973	284,851	211,084
Manufacturing	8,440,462	8,234,720	6,489,915	6,738,361
Electricity, gas and water	577,508	411,600	531,369	362,300
Construction	2,637,464	2,893,317	1,605,714	1,889,874
Real estate	8,737,219	8,304,924	7,592,183	7,104,523
Wholesale & retail trade and restaurants & hotels	7,891,526	7,968,964	6,765,437	6,393,521
Transport, storage and communication	2,165,923	1,117,674	998,322	753,752
Finance, insurance and business services	3,414,895	3,008,845	1,778,669	1,811,703
Community, social and personal services	3,529,469	3,497,343	2,453,906	2,748,113
Household				
- Purchase of residential properties	22,536,086	24,157,473	20,730,743	22,248,230
- Purchase of non-residential properties	785,409	853,164	734,208	804,849
- Others	2,432,794	2,700,184	2,193,890	2,398,429
Others	230,342	49,448	228,344	47,399
	67,755,017	67,735,783	54,847,947	56,132,917

(d) By geography determined based on where the credit risk resides

	Group 2021	Group 2020	Bank 2021	Bank 2020
Malaysia	65,333,495	64,687,991	52,795,891	53,597,130
Singapore	1,366,595	1,359,384	1,297,966	1,280,428
Other ASEAN countries	309,316	438,491	253,004	323,717
Rest of the world	745,611	1,249,917	501,086	931,642
	67,755,017	67,735,783	54,847,947	56,132,917

(e) By residual contractual maturity

	Group 2021	Group 2020	Bank 2021	Bank 2020
Up to one year	18,867,220	19,919,974	14,517,255	16,039,243
Over one year to three years	5,132,932	4,660,054	4,018,451	3,591,102
Over three years to five years	7,744,271	6,482,295	4,997,280	4,889,278
Over five years	36,010,594	36,673,460	31,314,961	31,613,294
	67,755,017	67,735,783	54,847,947	56,132,917

9 IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At 1 January	1,929,115	1,402,168	1,314,024	1,056,476
Impaired during the year	1,862,420	1,662,021	1,606,597	1,212,245
Reclassified as non-credit impaired	(263,113)	(226,458)	(238,893)	(196,966)
Amount recovered	(830,963)	(705,360)	(597,967)	(595,907)
Amount written off	(254,771)	(202,979)	(185,625)	(161,547)
Effect of foreign exchange difference	574	(277)	574	(277)
At 31 December	2,443,262	1,929,115	1,898,710	1,314,024
Stage 3 ECL allowance	(531,926)	(464,752)	(311,031)	(315,437)
Net impaired loans, advances and financing	1,911,336	1,464,363	1,587,679	998,587

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(i) Movements in impaired loans, advances and financing (continued)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
(a) By sector				
Agriculture, hunting, forestry and fishing	27,451	201,509	24,489	6,305
Mining and quarrying	14,442	14,450	14,442	14,450
Manufacturing	528,549	429,898	496,781	400,624
Construction	101,510	137,833	40,105	38,978
Real estate	197,791	199,323	192,160	193,147
Wholesale & retail trade and restaurants & hotels	491,015	197,758	294,246	104,810
Transport, storage and communication	51,505	80,068	8,092	31,589
Finance, insurance and business services	43,740	19,930	27,336	8,713
Community, social and personal services	47,518	6,894	39,292	6,288
Household				
- Purchase of residential properties	796,033	503,872	649,118	396,269
- Purchase of non-residential properties	20,020	28,273	18,883	28,273
- Others	123,688	109,307	93,766	84,578
	2,443,262	1,929,115	1,898,710	1,314,024
(b) By geography based on where the credit risk resides				
Malaysia	2,366,972	1,888,705	1,828,599	1,278,254
Singapore	56,198	28,312	50,070	23,720
Rest of the world	20,092	12,098	20,041	12,050
	2,443,262	1,929,115	1,898,710	1,314,024
(c) By period overdue				
Less than 3 months	1,304,468	963,948	1,087,223	630,879
3 months to less than 6 months	175,865	115,268	155,879	94,156
6 months to less than 9 months	85,087	36,327	68,650	31,264
9 months and above	877,842	813,572	586,958	557,725
	2,443,262	1,929,115	1,898,710	1,314,024
(d) By collateral type				
Property	1,656,407	1,042,819	1,383,412	917,803
Fixed deposits	4,476	1,935	4,476	1,935
Stock and shares	42,502	46,977	6,174	6,229
Machinery	2,211	-	-	-
Secured - others	48,454	63,687	15,715	24,382
Unsecured - corporate and other guarantees	133,837	357,775	53,721	61,419
Unsecured - clean	555,375	415,922	435,212	302,256
	2,443,262	1,929,115	1,898,710	1,314,024

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing

	Non credit-impaired		*Credit-impaired*	**2021**	*Non credit-impaired*		*Credit-impaired*	**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**
At 1 January	316,391	681,077	464,752	1,462,220	258,799	334,183	378,350	971,332
Transferred to Stage 1	296,613	(281,464)	(15,149)	-	254,387	(226,146)	(28,241)	-
Transferred to Stage 2	(149,027)	176,670	(27,643)	-	(181,422)	191,406	(9,984)	-
Transferred to Stage 3	(2,183)	(212,362)	214,545	-	(3,673)	(256,356)	260,029	-
New financial assets originated or purchased	163,988	262,368	-	426,356	186,958	172,686	-	359,644
Financial assets derecognised	(129,502)	(266,794)	(34,752)	(431,048)	(149,965)	(197,917)	(27,724)	(375,606)
Net remeasurement during the year	(333,368)	865,868	208,499	740,999	(48,594)	664,720	120,736	736,862
Written off	-	-	(254,771)	(254,771)	-	-	(202,979)	(202,979)
Other movements	1,597	1,530	(23,555)	(20,428)	(99)	(1,499)	(25,435)	(27,033)
At 31 December	164,509	1,226,893	531,926	1,923,328	316,391	681,077	464,752	1,462,220
At 1 January								
- Loans, advances and financing	229,612	541,775	464,752	1,236,139	188,999	265,694	378,350	833,043
- Credit commitments and financial guarantees	86,779	139,302	-	226,081	69,800	68,489	-	138,289
	316,391	681,077	464,752	1,462,220	258,799	334,183	378,350	971,332
At 31 December								
- Loans, advances and financing	123,186	1,019,603	531,926	1,674,715	229,612	541,775	464,752	1,236,139
- Credit commitments and financial guarantees	41,323	207,290	-	248,613	86,779	139,302	-	226,081
	164,509	1,226,893	531,926	1,923,328	316,391	681,077	464,752	1,462,220

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

	Non credit-impaired		*Credit-impaired*	**2021**	*Non credit-impaired*		*Credit-impaired*	**2020**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January	248,182	538,952	315,437	1,102,571	197,808	254,134	269,142	721,084
Transferred to Stage 1	235,166	(222,579)	(12,587)	-	166,981	(149,153)	(17,828)	-
Transferred to Stage 2	(110,909)	136,496	(25,587)	-	(134,337)	142,039	(7,702)	-
Transferred to Stage 3	(1,391)	(159,803)	161,194	-	(698)	(156,360)	157,058	-
New financial assets originated or purchased	138,263	221,234	-	359,497	163,054	135,031	-	298,085
Financial assets derecognised	(116,256)	(222,275)	(27,336)	(365,867)	(130,606)	(158,591)	(22,072)	(311,269)
Net remeasurement during the year	(263,692)	714,475	102,005	552,788	(14,295)	472,503	115,118	573,326
Written off	-	-	(185,625)	(185,625)	-	-	(161,547)	(161,547)
Other movements	926	1,217	(16,470)	(14,327)	275	(651)	(16,732)	(17,108)
At 31 December	130,289	1,007,717	311,031	1,449,037	248,182	538,952	315,437	1,102,571
At 1 January								
- Loans, advances and financing	167,272	425,394	315,437	908,103	137,096	196,723	269,142	602,961
- Credit commitments and financial guarantees	80,910	113,558	-	194,468	60,712	57,411	-	118,123
	248,182	538,952	315,437	1,102,571	197,808	254,134	269,142	721,084
At 31 December								
- Loans, advances and financing	92,139	831,600	311,031	1,234,770	167,272	425,394	315,437	908,103
- Credit commitments and financial guarantees	38,150	176,117	-	214,267	80,910	113,558	-	194,468
	130,289	1,007,717	311,031	1,449,037	248,182	538,952	315,437	1,102,571

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

(a) By sector

	Group				Bank			
	Non credit-impaired	*Credit-impaired*	Stage 3		*Non credit-impaired*	*Credit-impaired*	Stage 3	
	Stage 1 and 2 RM'000	**Stage 3 RM'000**	**Made during the year (Note 30) RM'000**	**Written off RM'000**	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Made during the year (Note 30) RM'000**	**Written off RM'000**
31 December 2021								
Agriculture, hunting, forestry and fishing	21,767	1,038	1,172	179	17,175	896	927	138
Mining and quarrying	6,366	707	5,662	12,141	3,031	707	5,662	12,141
Manufacturing	152,650	94,186	64,181	9,759	111,523	84,851	58,819	8,051
Electricity, gas and water	9,768	-	-	-	8,984	-	-	-
Construction	228,814	69,258	93,193	36,763	181,455	18,039	6,219	1,947
Real estate	67,079	2,866	23,094	83,881	56,349	2,866	23,094	83,881
Wholesale & retail trade and restaurants & hotels	215,116	102,751	77,934	22,849	182,152	44,747	51,807	17,445
Transport, storage and communication	38,371	35,681	6,955	2,426	29,275	2,102	4,487	1,014
Finance, insurance and business services	45,707	3,797	12,375	4,968	34,974	2,009	4,784	2,406
Community, social and personal services	5,141	1,462	2,607	440	-	1,310	2,595	430
Household								
- Purchase of residential properties	364,384	164,562	183,932	42,730	326,338	121,531	150,833	34,417
- Purchase of non-residential properties	17,764	1,980	5,081	3,583	16,427	1,943	5,035	3,583
- Others	164,474	53,638	60,468	35,052	139,986	30,030	37,639	20,172
Others	54,001	-	-	-	30,337	-	-	-
	1,391,402	531,926	536,654	254,771	1,138,006	311,031	351,901	185,625

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

(a) By sector (continued)

	Group				Bank			
	Non credit-impaired	*Credit-impaired*	**Stage 3**		*Non credit-impaired*	*Credit-impaired*	**Stage 3**	
	Stage 1 and 2 RM'000	**Stage 3 RM'000**	**Made during the year (Note 30) RM'000**	**Written off RM'000**	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Made during the year (Note 30) RM'000**	**Written off RM'000**
31 December 2020								
Agriculture, hunting, forestry and fishing	92,790	1,159	617	172	84,660	1,055	547	39
Mining and quarrying	9,126	8,446	9,799	-	5,054	8,446	9,799	-
Manufacturing	173,997	60,945	84,552	37,114	134,966	54,259	73,993	31,673
Electricity, gas and water	9,809	-	-	-	8,674	-	-	-
Construction	119,442	26,635	9,274	8,350	86,545	17,732	4,573	2,344
Real estate	67,550	67,338	39,626	8,840	60,057	67,266	39,523	8,840
Wholesale & retail trade and restaurants & hotels	184,364	80,369	87,667	46,704	134,551	37,531	48,567	40,783
Transport, storage and communication	16,175	51,198	1,984	1,685	12,564	17,666	1,389	1,418
Finance, insurance and business services	28,088	3,459	3,814	2,659	25,551	1,297	2,354	2,389
Community, social and personal services	10,219	628	461	451	-	478	395	339
Household								
- Purchase of residential properties	121,892	107,426	156,279	66,805	108,774	74,745	95,542	56,361
- Purchase of non-residential properties	7,426	4,141	4,378	2,734	6,192	4,141	3,880	1,969
- Others	122,409	53,008	57,471	27,465	100,669	30,821	35,545	15,392
Others	34,181	-	-	-	18,877	-	-	-
	997,468	464,752	455,922	202,979	787,134	315,437	316,107	161,547

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

(b) By geographical distribution

	Group			Bank		
	Non credit-impaired	*Credit-impaired*		*Non credit-impaired*	*Credit-impaired*	
2021	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Malaysia	1,314,890	510,310	1,825,200	1,089,380	290,877	1,380,257
Singapore	33,305	16,295	49,600	32,032	14,884	46,916
Other ASEAN countries	2,824	51	2,875	2,100	-	2,100
Rest of the world	40,383	5,270	45,653	14,494	5,270	19,764
	1,391,402	531,926	1,923,328	1,138,006	311,031	1,449,037
2020						
Malaysia	947,295	451,658	1,398,953	753,226	303,768	1,056,994
Singapore	12,907	10,111	23,018	12,545	8,734	21,279
Other ASEAN countries	8,499	48	8,547	8,235	-	8,235
Rest of the world	28,767	2,935	31,702	13,128	2,935	16,063
	997,468	464,752	1,462,220	787,134	315,437	1,102,571

(c) **Impact of movements in gross carrying amount on ECL allowance**

Stage 1 ECL allowance decreased by RM152 million and RM118 million respectively for the Group and the Bank compared to the previous financial year mainly from net measurement and financial assets derecognised partially offset by the net migration of loans, advances and financing to Stage 2 and Stage 3 and new financial assets originated.

Stage 2 ECL allowance increased by RM546 million and RM469 million respectively for the Group and the Bank mainly due to higher net remeasurement from management overlays as the Group and the Bank took pre-emptive increased provisioning on certain exposures under the targeted repayment assistance segment as well as vulnerable sectors which are deemed higher risk.

Stage 3 ECL allowance increased by RM67 million for the Group mainly due to higher net remeasurement charge and increase in credit-impaired loans, advances and financing migrated from Stage 2 to Stage 3 partially offset by more writes-off during the financial year.

10 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Financial derivatives are instruments which values change in response to the change in one or more "underlying" such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet the specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The tables below analyse the principal amounts and the positive (assets) and negative (liabilities) fair values of the Group's and the Bank's financial derivatives. The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting date for both trading and hedging instruments. They do not necessarily indicate the amount of future cash flows or the fair value of the derivatives and therefore, do not represent total amount of risk. The positive (assets) and negative (liabilities) fair values represent the favourable and unfavourable fair value respectively of hedging and trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

	2021			2020		
	Contract or underlying principal amount	Fair value		Contract or underlying principal amount	Fair value	
Group		**Assets**	**Liabilities**		**Assets**	**Liabilities**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trading						
Foreign exchange derivatives						
- Forwards	5,893,921	15,665	23,195	6,288,275	26,177	132,937
- Swaps	16,613,329	328,149	221,604	14,707,771	492,925	368,271
- Options	590,916	3,991	126	1,008,722	7,917	3,824
Interest rate derivatives						
- Forwards	-	-	-	1,600,000	6,421	6,421
- Swaps	45,434,944	341,219	384,858	43,722,009	554,280	653,473
- Futures	200,412	13	29	40,121	-	69
Equity and other derivatives						
- Swaps	1,361,364	111,160	111,160	790,144	23,637	23,637
- Exchange traded futures	4,910	-	32	-	-	-
- Options	915,805	103,074	103,074	-	-	-
- Commodity related contracts	73,450	5,612	5,611	79,436	6,947	6,735
- Credit linked notes	690,600	9,636	9,636	923,051	33,129	33,129
- Credit default swaps	33,402	35	35	-	-	-
	71,813,053	918,554	859,360	69,159,529	1,151,433	1,228,496
Hedging						
Interest rate derivatives						
- Swaps	735,876	8,953	714	420,060	321	1,294
	72,548,929	927,507	860,074	69,579,589	1,151,754	1,229,790

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

10 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

	2021			2020		
	Contract or underlying principal	Fair value		Contract or underlying principal	Fair value	
Bank	amount RM'000	Assets RM'000	Liabilities RM'000	amount RM'000	Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	5,849,651	15,270	23,207	6,293,279	26,005	132,973
- Swaps	16,757,078	328,723	221,957	14,708,278	492,933	368,271
- Options	590,916	3,991	126	1,008,722	7,917	3,824
Interest rate derivatives						
- Forwards	-	-	-	1,600,000	6,421	6,421
- Swaps	45,434,944	341,779	384,858	43,722,009	555,785	653,473
- Futures	200,412	13	29	40,121	-	69
Equity and other derivatives						
- Swaps	1,361,364	111,160	111,160	790,144	23,637	23,637
- Exchange traded futures	4,910	-	32	-	-	-
- Options	915,805	103,074	103,074	-	-	-
- Commodity related contracts	73,450	5,612	5,611	79,436	6,947	6,735
- Credit linked notes	690,600	9,636	9,636	923,051	33,129	33,129
- Credit default swaps	33,402	35	35	-	-	-
	71,912,532	919,293	859,725	69,165,040	1,152,774	1,228,532
Hedging						
Interest rate derivatives						
- Swaps	735,876	8,953	714	420,060	321	1,294
	72,648,408	928,246	860,439	69,585,100	1,153,095	1,229,826
Of which related to wholly-owned subsidiary	470,648	13,367	70	268,926	27,324	55

11 OTHER ASSETS

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Amount due from subsidiaries	(a)	-	-	85,745	17,142
Interest/Profit receivable		136,557	161,442	117,595	136,500
Unquoted redeemable Islamic subordinated bonds of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		213,229	216,867	205,378	212,591
Amount due from holding company		682	-	682	-
ECL/Impairment allowance on an other receivable		-	(3,388)	-	(3,388)
		350,468	374,921	609,400	562,845

(a) The amount due from subsidiaries are unsecured, interest/profit free and repayable on demand.

(b) On 24 November 2016, the Bank subscribed for RM200 million redeemable 10 years non-callable 5 years subordinated Sukuk issued by OCBC Al-Amin under the principle of Murabahah at a profit rate of 4.80% per annum payable semi-annually in arrears from the issue date with the last Periodic Profit Payment to be made up to (but excluding) the maturity date or early redemption of the Murabahah subordinated sukuk, whichever is earlier.

12 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities. Effective at 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Investment Issues and Malaysian Government Securities as part of their Statutory Reserve Requirement ("SRR") compliance and this flexibility to banking institutions has been further extended from 31 May 2021 to 31 December 2022 by BNM on 20 January 2021.

13 INVESTMENTS IN SUBSIDIARIES

Bank	**2021 RM'000**	**2020 RM'000**
Unquoted shares in Malaysia, at cost	557,051	557,051

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

Subsidiaries	**Principal activities**	**Effective ownership and voting interest**	
		2021	**2020**
OCBC Al-Amin Bank Berhad	Islamic banking	100%	100%
Malaysia Nominees (Tempatan) Sdn Bhd	Nominee services	100%	100%
Malaysia Nominees (Asing) Sdn Bhd	Nominee services	100%	100%
OCBC Advisers (Malaysia) Sdn Bhd	Corporate finance and related advisory services	100%	100%

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

14 PROPERTY AND EQUIPMENT

Group	Freehold land and buildings*	Leasehold Freehold land and buildings*	Buildings on leasehold land: Less than 50 years	Buildings on leasehold land: 50 years or more	Office equipment and furniture	Computer equipment/ software	Motor vehicles	Renovation	Work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021										
Cost										
At 1 January	131,076	-	3,607	7,018	148,376	306,389	910	98,223	1,445	697,044
Additions	-	-	-	-	2,503	18,474	-	995	-	21,972
Disposals/Written off	-	-	-	-	(1,891)	(8,039)	-	(700)	-	(10,630)
Transfer from related parties	-	-	-	-	-	2	-	-	-	2
Transfer to related parties	-	-	-	-	(111)	(17)	-	-	-	(128)
At 31 December	131,076	-	3,607	7,018	148,877	316,809	910	98,518	1,445	708,260
Accumulated depreciation										
At 1 January	(42,774)	-	(1,687)	(2,733)	(126,417)	(275,176)	(639)	(90,996)	-	(540,422)
Depreciation for the year	(2,055)	-	(53)	(89)	(6,205)	(13,023)	(79)	(2,618)	-	(24,122)
Disposals/Written off	-	-	-	-	1,793	5,517	-	700	-	8,010
Transfer from related parties	-	-	-	-	-	(2)	-	-	-	(2)
Transfer to related parties	-	-	-	-	101	14	-	-	-	115
At 31 December	(44,829)	-	(1,740)	(2,822)	(130,728)	(282,670)	(718)	(92,914)	-	(556,421)
Impairment allowance										
At 1 January	(1,623)	-	(1,085)	(1,900)	-	-	-	-	-	(4,608)
At 31 December	(1,623)	-	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount										
At 1 January	86,679	-	835	2,385	21,959	31,213	271	7,227	1,445	152,014
At 31 December	84,624	-	782	2,296	18,149	34,139	192	5,604	1,445	147,231

* Included in freehold land and buildings are buildings on freehold land amounting to RM105 million (2020: RM105 million) and accumulated depreciation of RM45 million (2020: RM43 million).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

14 PROPERTY AND EQUIPMENT (continued)

Group (continued)	Freehold land and buildings* RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land Less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000	Office equipment and furniture RM'000	Computer equipment/ software RM'000	Motor vehicles RM'000	Renovation RM'000	Work in progress RM'000	Total RM'000
2020										
Cost										
At 1 January	124,076	3,745	3,607	7,018	147,157	292,094	910	96,060	1,445	676,112
Additions	7,000	-	-	-	1,943	14,404	-	2,994	-	26,341
Transferred to ROU	-	(3,745)	-	-	-	-	-	-	-	(3,745)
Disposals/Written off	-	-	-	-	(722)	(109)	-	(831)	-	(1,662)
Transfer from related parties	-	-	-	-	(2)	-	-	-	-	(2)
At 31 December	131,076	-	3,607	7,018	148,376	306,389	910	98,223	1,445	697,044
Accumulated depreciation										
At 1 January	(40,719)	(622)	(1,634)	(2,644)	(120,914)	(260,564)	(559)	(89,305)	-	(516,961)
Depreciation for the year	(2,055)	(36)	(53)	(89)	(6,092)	(14,720)	(80)	(2,523)	-	(25,648)
Disposals/Written off	-	-	-	-	587	109	-	832	-	1,528
Transfer from related parties	-	-	-	-	2	(1)	-	-	-	1
Transferred to ROU	-	658	-	-	-	-	-	-	-	658
At 31 December	(42,774)	-	(1,687)	(2,733)	(126,417)	(275,176)	(639)	(90,996)	-	(540,422)
Impairment allowance										
At 1 January	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Transferred to ROU	-	50	-	-	-	-	-	-	-	50
At 31 December	(1,623)	-	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount										
At 1 January	81,734	3,073	888	2,474	26,243	31,530	351	6,755	1,445	154,493
At 31 December	86,679	-	835	2,385	21,959	31,213	271	7,227	1,445	152,014

* Included in freehold land and buildings are buildings on freehold land amounting to RM105 million (2019: RM105 million) and accumulated depreciation of RM43 million (2019: RM41 million).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

14 PROPERTY AND EQUIPMENT (continued)

Bank	Freehold land and buildings* RM'000	Leasehold land 50 years or more RM'000	Building on leasehold land Less than 50 years RM'000	Building on leasehold land 50 years or more RM'000	Office equipment and furniture RM'000	Computer equipment/ software RM'000	Motor vehicles RM'000	Renovation RM'000	Work in progress RM'000	Total RM'000
2021										
Cost										
At 1 January	130,944	-	3,607	7,018	137,585	288,699	821	85,619	1,445	655,738
Additions	-	-	-	-	2,389	17,956	-	995	-	21,340
Disposals/Written off	-	-	-	-	(1,389)	(7,362)	-	(23)	-	(8,774)
Transfer from related parties	-	-	-	-	119	-	-	-	-	119
Transfer to related parties	-	-	-	-	(111)	-	-	-	-	(111)
At 31 December	130,944	-	3,607	7,018	138,593	299,293	821	86,591	1,445	668,312
Accumulated depreciation										
At 1 January	(42,737)	-	(1,687)	(2,733)	(119,721)	(257,998)	(550)	(79,129)	-	(504,555)
Depreciation for the year	(2,055)	-	(53)	(89)	(5,424)	(12,580)	(79)	(2,248)	-	(22,528)
Disposals/Written off	-	-	-	-	1,338	4,846	-	23	-	6,207
Transfer from related parties	-	-	-	-	(73)	-	-	-	-	(73)
Transfer to related parties	-	-	-	-	101	-	-	-	-	101
At 31 December	(44,792)	-	(1,740)	(2,822)	(123,779)	(265,732)	(629)	(81,354)	-	(520,848)
Impairment allowance										
At 1 January	(1,623)	-	(1,085)	(1,900)	-	-	-	-	-	(4,608)
At 31 December	(1,623)	-	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount										
At 1 January	86,584	-	835	2,385	17,864	30,701	271	6,490	1,445	146,575
At 31 December	84,529	-	782	2,296	14,814	33,561	192	5,237	1,445	142,856

* Included in freehold land and buildings are buildings on freehold land amounting to RM105 million (2020: RM105 million) and accumulated depreciation of RM45 million (2020: RM43 million).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

14 PROPERTY AND EQUIPMENT (continued)

Bank (continued)	**Freehold land and buildings***	**Leasehold land 50 years or more**	**Building on leasehold land Less than 50 years**	**Building on leasehold land 50 years or more**	**Office equipment and furniture**	**Computer equipment/ software**	**Motor vehicles**	**Renovation**	**Work in progress**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2020										
Cost										
At 1 January	123,944	3,745	3,607	7,018	136,225	274,539	821	83,192	1,445	634,536
Additions	7,000	-	-	-	1,827	14,222	-	2,987	-	26,036
Transferred to ROU	-	(3,745)	-	-	-	-	-	-	-	(3,745)
Disposals/Written off	-	-	-	-	(467)	(62)	-	(560)	-	(1,089)
At 31 December	130,944	-	3,607	7,018	137,585	288,699	821	85,619	1,445	655,738
Accumulated depreciation										
At 1 January	(40,682)	(622)	(1,634)	(2,644)	(114,839)	(244,375)	(470)	(77,540)	-	(482,806)
Depreciation for the year	(2,055)	(36)	(53)	(89)	(5,276)	(13,684)	(80)	(2,150)	-	(23,423)
Disposals/Written off	-	-	-	-	394	61	-	561	-	1,016
Transferred to ROU	-	658	-	-	-	-	-	-	-	658
At 31 December	(42,737)	-	(1,687)	(2,733)	(119,721)	(257,998)	(550)	(79,129)	-	(504,555)
Impairment allowance										
At 1 January	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Transferred to ROU	-	50	-	-	-	-	-	-	-	50
At 31 December	(1,623)	-	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount										
At 1 January	81,639	3,073	888	2,474	21,386	30,164	351	5,652	1,445	147,072
At 31 December	86,584	-	835	2,385	17,864	30,701	271	6,490	1,445	146,575

* Included in freehold land and buildings are buildings on freehold land amounting to RM105 million (2019: RM105 million) and accumulated depreciation of RM43 million (2019: RM41 million).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

14 PROPERTY AND EQUIPMENT (continued)

The Bank rents out space, primarily to its Islamic subsidiary and a related company for the purpose of providing services to the Group and the Bank. The rental income is disclosed in Note 27 and the operating lease payments to be received are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Less than one year	3,125	3,164	3,167	3,209
Between one to five years	103	10	103	10
Total undiscounted lease payments	3,228	3,174	3,270	3,219

15 RIGHT-OF-USE ("ROU") ASSETS

	2021			2020		
Group	Leasehold land RM'000	Properties RM'000	Total RM'000	Leasehold land RM'000	Properties RM'000	Total RM'000
Cost						
At 1 January	6,792	63,054	69,846	3,047	43,611	46,658
Additions	-	10,854	10,854	-	23,234	23,234
Transferred from property and equipment ("PE")	-	-	-	3,745	-	3,745
Derecognition during the year	-	(26,112)	(26,112)	-	(3,791)	(3,791)
At 31 December	6,792	47,796	54,588	6,792	63,054	69,846
Accumulated depreciation						
At 1 January	(1,511)	(35,974)	(37,485)	(817)	(18,482)	(19,299)
Depreciation for the year	(71)	(15,490)	(15,561)	(36)	(18,180)	(18,216)
Transferred from PE	-	-	-	(658)	-	(658)
Derecognition during the year	-	25,585	25,585	-	688	688
At 31 December	(1,582)	(25,879)	(27,461)	(1,511)	(35,974)	(37,485)
Impairment allowance						
At 1 January	(1,604)	-	(1,604)	(1,554)	-	(1,554)
Transferred from PE	-	-	-	(50)	-	(50)
At 31 December	(1,604)	-	(1,604)	(1,604)	-	(1,604)
Carrying amount						
At 1 January	3,677	27,080	30,757	676	25,129	25,805
At 31 December	3,606	21,917	25,523	3,677	27,080	30,757
Bank						
Cost						
At 1 January	6,792	54,834	61,626	3,047	38,234	41,281
Additions	-	10,769	10,769	-	19,703	19,703
Transferred from PE	-	-	-	3,745	-	3,745
Derecognition during the year	-	(26,112)	(26,112)	-	(3,103)	(3,103)
At 31 December	6,792	39,491	46,283	6,792	54,834	61,626
Accumulated depreciation						
At 1 January	(1,511)	(32,202)	(33,713)	(817)	(16,079)	(16,896)
Depreciation for the year	(71)	(13,711)	(13,782)	(36)	(16,123)	(16,159)
Transferred from PE	-	-	-	(658)	-	(658)
Derecognition during the year	-	25,585	25,585	-	-	-
At 31 December	(1,582)	(20,328)	(21,910)	(1,511)	(32,202)	(33,713)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

15 RIGHT-OF-USE ("ROU") ASSETS (continued)

	2021			2020		
Bank (continued)	**Leasehold land RM'000**	**Properties RM'000**	**Total RM'000**	**Leasehold land RM'000**	**Properties RM'000**	**Total RM'000**
Impairment allowance						
At 1 January	(1,604)	-	(1,604)	(1,554)	-	(1,554)
Transferred from PE	-	-	-	(50)	-	(50)
At 31 December	(1,604)	-	(1,604)	(1,604)	-	(1,604)
Carrying amount						
At 1 January	3,677	22,632	26,309	676	22,155	22,831
At 31 December	3,606	19,163	22,769	3,677	22,632	26,309

16 DEFERRED TAX ASSETS

	Assets		Liabilities		Net	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Change in fair value of financial instruments	23,003	-	-	(74,117)	23,003	(74,117)
Excess of capital allowance over depreciation	-	-	(5,249)	1,450	(5,249)	1,450
Stage 1 and 2 ECL allowance	175,295	82,754	-	-	175,295	82,754
Provision for expenses	73,667	46,900	-	-	73,667	46,900
Other temporary differences	18,359	11,810	-	-	18,359	11,810
Tax assets/(liabilities)	290,324	141,464	(5,249)	(72,667)	285,075	68,797
Set off of tax	(5,249)	(72,667)	5,249	72,667	-	-
Net tax assets	285,075	68,797	-	-	285,075	68,797
Bank						
Change in fair value of financial instruments	21,274	-	-	(58,977)	21,274	(58,977)
Excess of capital allowance over depreciation	-	-	(4,646)	1,905	(4,646)	1,905
Stage 1 and 2 ECL allowance	142,256	63,941	-	-	142,256	63,941
Provision for expenses	70,900	44,442	-	-	70,900	44,442
Other temporary differences	13,681	9,422	-	-	13,681	9,422
Tax assets/(liabilities)	248,111	117,805	(4,646)	(57,072)	243,465	60,733
Set off of tax	(4,646)	(57,072)	4,646	57,072	-	-
Net tax assets	243,465	60,733	-	-	243,465	60,733

(i) Movement in deferred tax

Group	**At 1 January RM'000**	**Recognised in profit or loss (Note 31) RM'000**	**Recognised in other comprehensive income RM'000**	**At 31 December RM'000**
2021				
Change in fair value of financial instruments	(74,117)	-	97,120	23,003
Excess of capital allowance over depreciation	1,450	(6,699)	-	(5,249)
Stage 1 and 2 ECL allowance	82,754	92,541	-	175,295
Provision for expenses	46,900	26,767	-	73,667
Other temporary differences	11,810	6,549	-	18,359
	68,797	119,158	97,120	285,075

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

16 DEFERRED TAX ASSETS (continued)

(i) Movement in deferred tax (continued)

Group	At 1 January RM'000	Recognised in profit or loss (Note 31) RM'000	Recognised in other comprehensive income RM'000	At 31 December RM'000
2020				
Change in fair value of financial instruments	(34,299)	-	(39,818)	(74,117)
Excess of capital allowance over depreciation	(1,611)	3,061	-	1,450
Stage 1 and 2 ECL allowance	31,913	50,841	-	82,754
Provision for expenses	38,858	8,042	-	46,900
Other temporary differences	11,576	234	-	11,810
	46,437	62,178	(39,818)	68,797
Bank				
2021				
Change in fair value of financial instruments	(58,977)	-	80,251	21,274
Excess of capital allowance over depreciation	1,905	(6,551)	-	(4,646)
Stage 1 and 2 ECL allowance	63,941	78,315	-	142,256
Provision for expenses	44,442	26,458	-	70,900
Other temporary differences	9,422	4,259	-	13,681
	60,733	102,481	80,251	243,465
2020				
Change in fair value of financial instruments	(26,896)	-	(32,081)	(58,977)
Excess of capital allowance over depreciation	(1,014)	2,919	-	1,905
Stage 1 and 2 ECL allowance	26,199	37,742	-	63,941
Provision for expenses	36,627	7,815	-	44,442
Other temporary differences	8,822	600	-	9,422
	43,738	49,076	(32,081)	60,733

17 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) By type of deposit				
Demand deposits	23,353,343	20,124,779	17,369,548	15,421,232
Saving deposits	15,800,784	15,938,290	14,895,468	15,112,670
Fixed/General investment deposits	30,774,338	34,197,811	25,665,250	29,008,624
Short-term money market deposits	4,058,152	3,114,652	3,116,497	2,339,787
	73,986,617	73,375,532	61,046,763	61,882,313
(b) By type of customer				
Government and statutory bodies	180,795	357,011	16,451	32,180
Non-bank financial institutions	4,679,027	2,872,064	2,832,093	1,574,260
Business enterprises	27,572,365	26,401,843	21,312,232	20,923,473
Individuals	37,149,206	39,440,098	32,859,783	35,361,947
Foreign entities	3,568,506	3,453,965	3,303,694	3,270,799
Others	836,718	850,551	722,510	719,654
	73,986,617	73,375,532	61,046,763	61,882,313

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

17 DEPOSITS FROM CUSTOMERS (continued)

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(c) By maturity structure for fixed/term/general investment deposits, negotiable instruments of deposit and short-term money market deposits				
Up to six months	29,594,961	32,676,693	24,277,343	27,259,593
Over six months to one year	5,152,713	4,557,115	4,424,481	4,013,882
Over one year to three years	76,694	66,874	71,964	63,468
Over three years to five years	8,122	11,781	7,959	11,468
	34,832,490	37,312,463	28,781,747	31,348,411

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Licensed banks and other financial institutions	5,648,806	5,195,681	5,620,070	5,157,288

19 OTHER LIABILITIES

		Group		Bank	
		2021	**2020**	**2021**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Amount due to subsidiaries	(a)	-	-	1,753	69,065
Equity compensation benefits	(b)	21,553	18,813	20,712	18,042
Interest/Profit payable		185,491	303,202	156,205	254,472
Structured investments		1,845,729	1,087,406	1,845,729	1,087,406
Lease liabilities		24,429	27,739	21,620	23,259
Other payables and accruals		534,610	517,899	469,689	438,464
Provision for commitments and contingencies	(c)	31,990	2,034	17,211	-
		2,643,802	1,957,093	2,532,919	1,890,708

(a) The amount due to subsidiaries is unsecured, interest/profit free and repayable on demand.

(b) Equity compensation benefits

Equity compensation benefits which are granted by the immediate and ultimate holding company refer to the fair value for all goods and services received in respect of equity-settled share-based payment transactions recognised under MFRS 2, *Share-based Payment*. A liability is recognised based on the recharge by the immediate and ultimate holding company of the Bank over the vesting period. Included in equity compensation benefits are:

(i) **OCBC Deferred Share Plan**

Under the OCBC Deferred Share Plan ("the Plan"), shares of the immediate and ultimate holding company of the Bank are awarded to eligible executives where share awards form 20% to 40% of their total variable performance bonus for the year. A trust is set up to administer the shares purchased under the Plan. 50% of the share awards will vest after two years with the remaining 50% vesting at the end of the third year in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(i) **OCBC Deferred Share Plan (continued)**

The awards will lapse immediately on the termination of employment, except in the event of retirement, redundancy, death, or where approved by the relevant approving authorities at OCBC Ltd whom may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined.

(ii) **OCBC Share Option Scheme 2001**

Under the OCBC Share Option Scheme 2001, shares of the immediate and ultimate holding company of the Bank are offered to eligible executives who are of Manager rank and above, including Directors. Options granted are exercisable for a period commencing after the 1st anniversary and expiring on the 10th anniversary of the respective dates of grant except for options granted to Non-executive Directors which are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and options granted fully vested after the 3rd anniversary. OCBC Ltd has ceased granting share options under the OCBC Share Option Scheme 2001 effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by recipients.

The options will lapse immediately on the termination of employment, except in the event of retirement, redundancy, death, or where approved by the relevant approving authorities at OCBC Ltd, in which case the relevant approving authorities may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined.

For the financial years ended 31 December 2021 and 31 December 2020, there was no options granted under the OCBC Share Option Scheme 2001.

Movements in the number of options and weighted average exercise prices, denominated in Singapore dollars (S$), are as follows:

	2021		2020	
Group	**Number of share options**	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	426,748	10.691	450,546	10.576
Exercised	(160,389)	9.482	(23,798)	8.521
Forfeited/Lapsed	(4,885)	13.340	-	-
At 31 December	261,474	11.382	426,748	10.691
Exercisable at 31 December	261,474	11.382	384,227	10.397
Weighted average share price underlying the options exercised (S$)		11.841		9.936

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S$)	2021 Outstanding	2021 Exercisable
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	13,495	13,495
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	10,079	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	40,479	40,479
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	37,016	37,016
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	14,686	14,686
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	25,581	25,581
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	120,138	120,138
				261,474	261,474

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) **OCBC Share Option Scheme 2001 (continued)**

Group (continued)

Grant year	Grant date	Exercise period	Acquisition price (S$)	2020 Outstanding	2020 Exercisable
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	22,608	22,608
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	10,079	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	40,479	40,479
2014	14/03/2014	15/03/2015 to 13/03/2024	9.169	2,853	2,853
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	61,628	61,628
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	55,467	55,467
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	108,611	108,611
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	125,023	82,502
				426,748	384,227

Bank	2021 Number of share options	2021 Weighted average acquisition price (S$)	2020 Number of share options	2020 Weighted average acquisition price (S$)
At 1 January	391,854	10.649	415,652	10.527
Exercised	(136,342)	9.359	(23,798)	8.521
Forfeited/Lapsed	(4,885)	13.340	-	-
At 31 December	250,627	11.298	391,854	10.649
Exercisable at 31 December	250,627	11.298	353,022	10.353
Weighted average share price underlying the options exercised (S$)		11.841		9.936

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S$)	2021 Outstanding	2021 Exercisable
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	13,495	13,495
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	10,079	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	40,479	40,479
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	37,016	37,016
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	14,686	14,686
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	25,581	25,581
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	109,291	109,291
				250,627	250,627

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) **OCBC Share Option Scheme 2001 (continued)**

Bank (continued)

Grant year	Grant date	Exercise period	Acquisition price (S$)	2020 Outstanding	2020 Exercisable
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	22,608	22,608
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	10,079	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	40,479	40,479
2014	14/03/2014	15/03/2015 to 13/03/2024	9.169	2,853	2,853
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	43,676	43,676
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	55,467	55,467
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	102,516	102,516
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	114,176	75,344
				391,854	353,022

(iii) **OCBC Employee Share Purchase Plan**

The OCBC Employee Share Purchase Plan is a savings-based share ownership plan to help employees of the Group and the Bank own ordinary shares in the immediate and ultimate holding company through their monthly contributions via deductions from payroll. The employees have the option to convert the contributions to ordinary shares after one year or withdraw the contributions. As a further incentive to employees to enrol in the ESP Plan, interest is given on the amounts saved at a preferential interest rate.

The duration of offering period is 24 months and the share acquisition price is fixed before the offering period based on average of the last traded prices over five consecutive trading days immediately preceding the price fixing date.

In July 2021, OCBC Ltd launched its 16th offering of ESP Plan for its employees, which commenced on 1 September 2021 and expires on 31 August 2023. Under the offering, OCBC Ltd granted 787,902 (2020: 1,183,549) and 777,199 (2020: 1,166,775) rights to acquire ordinary shares in OCBC Ltd. The fair value of rights for the OCBC Ltd, determined using the binomial valuation model were S$1,008,751 (2020: S$1,274,090) and S$995,048 (2020:S$1,256,033) respectively. Significant inputs to the valuation model are set out below:

	2021	2020
Acquisition price (S$)	11.58	8.98
Closing share price at valuation date (S$)	12.42	9.24
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	17.11	24.62
Risk-free rate based on 2-year swap rate (%)	0.35	0.31
Expected dividend yield (%)	4.00	5.19

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(iii) **OCBC Employee Share Purchase Plan (continued)**

Movements in the number of acquisition rights of the ESP Plan are as follows:

	2021		2020	
Group	**Number of share options**	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	1,793,739	9.837	1,421,815	11.440
Acquired	787,902	11.580	1,183,549	8.980
Forfeited/Lapsed	(220,470)	10.492	(808,487)	11.395
Exercised and converted upon expiry	(593,408)	11.109	(3,138)	11.554
At 31 December	1,767,763	10.106	1,793,739	9.837
Weighted average share price underlying acquisition rights exercised/converted (S$)		12.041		9.571
Bank				
At 1 January	1,769,733	9.837	1,407,898	11.438
Acquired	777,199	11.580	1,166,775	8.980
Forfeited/Lapsed	(213,965)	10.492	(801,802)	11.395
Exercised and converted upon expiry	(586,177)	11.109	(3,138)	11.554
At 31 December	1,746,790	10.106	1,769,733	9.837
Weighted average share price underlying acquisition rights exercised/converted (S$)		12.041		9.571

(c) Provision for commitments and contingencies

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At 1 January	2,034	2,202	-	168
Made/(reversed) during the year	29,956	(168)	17,211	(168)
At 31 December	31,990	2,034	17,211	-

* The provision made during the year was for the Group's and the Bank's commitments and contingencies incurred in the normal course of business.

20 SUBORDINATED BONDS

Group and Bank	**Note**	**2021 RM'000**	**2020 RM'000**
USD110 million Additional Tier 1 Capital Securities	(a)	459,279	441,327
RM390 million Redeemable Subordinated Bonds 2017/2027	(b)	390,000	390,000
RM110 million Redeemable Subordinated Bonds 2017/2027	(b)	110,000	110,000
RM550 million Redeemable Subordinated Bond 2020/2030	(c)	550,000	550,000
		1,509,279	1,491,327

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

20 SUBORDINATED BONDS (continued)

(a) On 18 September 2015, the Bank issued USD110 million Basel III-compliant Additional Tier 1 ("AT1") Capital Securities with perpetual non-callable five year tenure at a fixed coupon rate of 5.00% per annum payable semi-annually from and including 18 September 2015 (the Issue Date).The 5.00% AT1 Capital Securities may, subject to BNM approval, be redeemed at the option of the Bank on or after 18 March 2021 (First Call Date). In addition to the first call in 2021, AT1 Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs. AT1 Capital Securities can be written off in whole or in part if the Bank is determined by BNM and/or Malaysia Deposit Insurance Corporation ("PIDM") to be non-viable.

The AT1 Capital Securities are subscribed by OCBC Ltd and qualify as Additional Tier 1 capital for the purpose of determining the capital adequacy ratio of the Bank.

(b) On 15 August 2017 and 30 September 2017 (the Issue Dates), the Bank issued RM390 million and RM110 million Basel III-compliant redeemable 10 years non-callable 5 years subordinated bonds respectively, at a coupon rate of 4.65% per annum payable semi-annually from and including the Issue Date up to (but excluding) the maturity date or the date of early redemption of the subordinated bonds, whichever is earlier. The Bank may, at its option and subject to the prior approval of BNM, exercise its call option and may redeem in whole or in part, the subordinated bonds on 15 August 2022 and 30 September 2022 respectively, and any coupon payment dates thereafter. In addition to the first call in 2022, the subordinated bonds may also be redeemed if a qualifying tax event or a change of qualification event occurs. The subordinated bonds can be written off in whole or in part if the Bank is determined by BNM and/or PIDM to be non-viable.

The subordinated bonds are subscribed by OCBC Ltd and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

(c) On 4 November 2020 (the Issue Date), the Bank issued RM550 million Basel III-compliant redeemable 10 years non-callable 5 years subordinated bond, at a coupon rate of 2.90% per annum payable semi-annually from and including the Issue Date up to (but excluding) the maturity date or the date of early redemption of the subordinated bond, whichever is earlier. The 2.90% Subordinated Bonds may, subject to BNM approval, be redeemed in whole or in part, at the option of the Bank on or after 4 November 2025 (First Call Date). In addition to the first call in 2025, the subordinated bond may also be redeemed if a qualifying tax event or a change of qualification event occurs. The subordinated bond can be written off in whole or in part if the Bank is determined by BNM and/or PIDM to be non-viable.

The subordinated bond is subscribed by OCBC Ltd and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

21 SHARE CAPITAL

	2021		2020	
Group and Bank	**Number of shares '000**	**Amount RM'000**	**Number of shares '000**	**Amount RM'000**
Issued and fully paid				
Ordinary shares				
At 1 January/31 December	287,500	754,000	287,500	754,000

Pursuant to Companies Act 2016 which came into force on 31 January 2017 the share capital cease to have par or nominal value and share premium becomes part of the share capital.

The ordinary shareholder is entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

22 RESERVES

The detailed breakdown of the reserves are shown in the Consolidated Statement of Changes in Equity and Statement of Changes in Equity for the Group and the Bank respectively.

Regulatory reserve is maintained in compliance with the requirements under BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions to maintain, in aggregate, loss allowance for non credit-impaired exposures (Stage 1 and Stage 2 ECL) and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures (Stage 3 ECL).

ECL reserve comprises ECL allowance for financial investments at FVOCI. The ECL allowance will be reversed to profit or loss upon disposal or derecognition of the financial instruments.

Fair value reserve comprises fair value of both debt and equity financial investments at FVOCI. The cumulative fair value adjustments for debt instruments at FVOCI will be reversed to profit or loss upon disposal or derecognition of the financial instruments. The cumulative fair value adjustments for equity instruments at FVOCI will be reversed from this reserve to retained earnings upon disposal or derecognition of the financial instruments.

23 NET INTEREST INCOME

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	1,861,821	2,271,495	1,861,821	2,271,496
- Recoveries from credit-impaired loans, advances and financing	102,159	56,345	102,159	56,345
- Discount unwind from credit-impaired loans, advances and financing	16,912	16,514	16,912	16,514
Money at call and deposit placements with banks and other financial institutions	52,031	66,950	93,276	114,887
Financial investments at FVOCI	398,700	398,087	398,700	400,555
Profit income from unquoted Islamic subordinated Sukuk of subsidiary	-	-	9,600	9,626
Others	9,515	3,425	9,515	3,425
	2,441,138	2,812,816	2,491,983	2,872,848
Financial assets at FVTPL	60,406	67,457	60,406	67,457
	2,501,544	2,880,273	2,552,389	2,940,305
Interest expense				
Deposits from customers	(835,889)	(1,242,078)	(835,966)	(1,242,089)
Deposits and placements of banks and other financial institutions	(5,024)	(19,228)	(17,545)	(41,798)
Recourse obligation on loans sold to Cagamas Berhad	(9,299)	(30,940)	(9,299)	(30,940)
Subordinated bonds	(62,232)	(66,560)	(62,232)	(66,560)
Lease liabilities	(645)	(903)	(645)	(904)
Others	(8,338)	(31,981)	(31,591)	(47,028)
	(921,427)	(1,391,690)	(957,278)	(1,429,319)
Net interest income	1,580,117	1,488,583	1,595,111	1,510,986

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

23 NET INTEREST INCOME (continued)

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) By category of financial instruments				
Interest income				
- Financial assets at FVTPL	60,406	67,457	60,406	67,457
- Loans/Financing and receivables at amortised cost	2,042,438	2,414,638	2,093,283	2,472,202
- Loans/Financing at FVTPL	-	91	-	91
- Financial investments at FVOCI	398,700	398,087	398,700	400,555
	2,501,544	2,880,273	2,552,389	2,940,305
Interest expense				
- Liabilities at amortised cost	(921,427)	(1,391,690)	(957,278)	(1,429,319)
	1,580,117	1,488,583	1,595,111	1,510,986

24 INCOME FROM ISLAMIC BANKING OPERATIONS

<u>Group</u>	2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds and others	496,610	554,283
Income derived from investment of specific investment account funds	50,670	53,021
Income derived from investment of shareholder's funds	136,432	130,021
Income attributable to depositors	(177,066)	(253,417)
Income attributable to investment account holder	(35,775)	(37,617)
	470,871	446,291

25 NET FEE AND COMMISSION INCOME

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Commission	306,006	256,322	299,122	255,384
Service charges and fees	164,275	144,116	164,275	142,706
Guarantee fees	627	1,943	627	1,943
Other fee income	5,147	6,869	5,147	6,869
	476,055	409,250	469,171	406,902

Included in the Group's and the Bank's commission income is net fee income on loans, advances and financing from holding company and related companies amounting to RM126 million (2020: RM52 million).

26 NET TRADING INCOME

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Foreign exchange (loss)/gain	(143,003)	141,166	(143,003)	141,166
Foreign exchange loss on subordinated bonds	(17,952)	(9,568)	(17,952)	(9,568)
Realised (loss)/gain on financial assets at FVTPL	(21,475)	58,930	(21,475)	58,930
Realised gain on trading derivatives	210,024	174,481	210,024	174,481
Unrealised (loss)/gain on financial assets at FVTPL	(9,139)	918	(9,139)	918
Unrealised gain/(loss) on trading derivatives	163,099	(154,973)	163,099	(154,973)
	181,554	210,954	181,554	210,954

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

27 OTHER OPERATING INCOME

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Gain on disposal:				
- Financial investments at FVOCI	38,223	75,876	38,223	75,876
Gross dividends from financial investments at FVOCI, in Malaysia	774	859	774	859
Rental of premises	4,350	4,186	4,410	4,226
Rental of safe deposit boxes	6,362	6,366	6,362	6,366
Shared services fee income received from subsidiaries (Note 36)	-	-	102,423	109,026
Shared services fee income received from holding company and related companies (Note 36)	17,012	15,303	17,012	15,303
Net unrealised gain on hedging derivatives	2	5	2	5
Others	1,607	559	1,603	560
	68,330	103,154	170,809	212,221

28 OPERATING EXPENSES

		Group		Bank	
Personnel expenses	**Note**	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Wages, salaries and bonus		511,045	490,512	490,392	465,898
Employees Provident Fund contributions		80,904	74,916	77,520	71,142
Equity settled share-based payment transactions		11,390	10,978	11,047	10,600
Others		49,398	48,455	46,499	45,353
		652,737	624,861	625,458	592,993
Establishment expenses					
Depreciation of property and equipment		24,122	25,648	22,528	23,423
Depreciation of ROU assets		15,561	18,216	13,782	16,159
Rental of premises	(a)	17	-	22	-
Repair and maintenance		10,224	14,648	9,535	13,698
Information technology costs		44,152	46,103	43,488	45,431
Hire of equipment	(a)	962	998	856	874
Others		17,787	19,194	15,545	16,519
		112,825	124,807	105,756	116,104
Marketing expenses					
Advertisement and business promotion		11,316	13,561	11,064	13,385
Transport and travelling		1,410	2,288	1,352	2,177
Others		1,407	2,113	1,405	2,082
		14,133	17,962	13,821	17,644
General administrative expenses					
Auditors' remuneration					
- Statutory audit fees		722	709	566	553
- Audit related fees		174	209	122	157
- Non-audit related		436	200	278	138
IT and transaction processing fees (Note 36)		332,802	329,065	311,253	301,997
Others		108,604	136,469	103,899	133,303
		442,738	466,652	416,118	436,148
Total operating expenses		1,222,433	1,234,282	1,161,153	1,162,889

(a) These expenses are in respect of short-term and/or leases of low-value items which the Group and the Bank elected not to recognise as ROU assets and lease liabilities under MFRS16.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION

(a) The remuneration of the CEO and the Directors during the year are as follows:

	Unrestricted				*Deferred*	**2021**	*Unrestricted*				*Deferred*	**2020**
Group	**Salaries and fees RM'000**	**Variable bonuses RM'000**	**Benefits in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options* RM'000**	**Total RM'000**	**Salaries and fees RM'000**	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options* RM'000**	**Total RM'000**
CEO of the Bank												
Dato' Ong Eng Bin	1,538	756	47	367	504	3,212	1,478	720	45	352	480	3,075
CEO of OCBC Al-Amin												
Syed Abdull Aziz Jailani bin Syed Kechik	920	378	13	208	252	1,771	920	330	10	200	220	1,680
Non Executive Directors												
Tan Ngiap Joo	575	-	-	-	-	575	544	-	-	-	-	544
Tong Hon Keong	194	-	-	-	-	194	178	-	-	-	-	178
Ng Hon Soon	205	-	-	-	-	205	193	-	-	-	-	193
Datuk Azizan bin Haji Abd Rahman	315	-	-	-	-	315	286	-	-	-	-	286
Janet Yap Seong Yong	180	-	-	-	-	180	163	-	-	-	-	163
George Lee Lap Wah	62	-	-	-	-	62	-	-	-	-	-	-
Andrew Lee Kok Keng	179	-	-	-	-	179	165	-	-	-	-	165
Ismail bin Alowi	185	-	-	-	-	185	172	-	-	-	-	172
	4,353	1,134	60	575	756	6,878	4,099	1,050	55	552	700	6,456

* Deferred shares and share options are awarded/granted under the OCBC Deferred Share Plan, OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan as disclosed in Note 19(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(a) The remuneration of the CEO and the Directors during the year are as follows: (continued)

	Unrestricted				*Deferred*	**2021**	*Unrestricted*				*Deferred*	**2020**
	Salaries and fees RM'000	**Variable bonuses RM'000**	**Benefits in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options* RM'000**	**Total RM'000**	**Salaries and fees RM'000**	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options* RM'000**	**Total RM'000**
Bank												
CEO												
Dato' Ong Eng Bin	1,538	756	47	367	504	3,212	1,478	720	45	352	480	3,075
Non Executive Directors												
Tan Ngiap Joo	395	-	-	-	-	395	378	-	-	-	-	378
Tong Hon Keong	194	-	-	-	-	194	178	-	-	-	-	178
Datuk Azizan bin Haji Abd Rahman	203	-	-	-	-	203	188	-	-	-	-	188
Janet Yap Seong Yong	180	-	-	-	-	180	163	-	-	-	-	163
George Lee Lap Wah	62	-	-	-	-	62	-	-	-	-	-	-
	2,572	756	47	367	504	4,246	2,385	720	45	352	480	3,982

* Deferred shares and share options are awarded/granted under the OCBC Deferred Share Plan, OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan as disclosed in Note 19(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(b) The remuneration of senior management (including the CEO of the Bank and the CEO of the Islamic Banking subsidiary) and other material risk takers are as follows:

	2021				2020			
Group	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**
Senior Management								
Fixed remuneration								
Cash-based								
Sign-on awards	364	-	364		-	-	-	
Others	17,380	-	17,380		18,625	-	18,625	
Others	235	-	235		395	-	395	
	17,979	-	17,979		19,020	-	19,020	
Variable remuneration								
Cash-based	7,774	-	7,774	25	6,543	-	6,543	25
Shares and share options	-	3,771	3,771	15	-	2,926	2,926	12
	7,774	3,771	11,545		6,543	2,926	9,469	
Other material risk takers								
Fixed remuneration								
Cash-based								
Sign-on awards	-	-	-		158	-	158	1
Others	21,313	-	21,313		21,355	-	21,355	
Others	204	-	204		217	-	217	
	21,517	-	21,517		21,730	-	21,730	
Variable remuneration								
Cash-based	6,902	-	6,902	42	7,482	-	7,482	45
Shares and share options	-	2,369	2,369	16	-	1,605	1,605	5
	6,902	2,369	9,271		7,482	1,605	9,087	

Other than the above, no senior management nor other material risk takers received any guaranteed bonuses, sign-on awards and severance payments.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(b) The remuneration of senior management (including the CEO of the Bank and the CEO of the Islamic Banking subsidiary) and other material risk takers are as follows: (continued)

	2021				2020			
Bank	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**
Senior Management								
Fixed remuneration								
Cash-based								
Sign-on awards	364	-	364		-	-	-	
Others	15,264	-	15,264		15,811	-	15,811	
Others	214	-	214		374	-	374	
	15,842	-	15,842		16,185	-	16,185	
Variable remuneration								
Cash-based	6,976	-	6,976	20	5,813	-	5,813	19
Shares and share options	-	3,519	3,519	14	-	2,706	2,706	11
	6,976	3,519	10,495		5,813	2,706	8,519	
Other material risk takers								
Fixed remuneration								
Cash-based								
Sign-on awards	-	-	-		158	-	158	1
Others	21,313	-	21,313		21,355	-	21,355	
Others	204	-	204		217	-	217	
	21,517	-	21,517		21,730	-	21,730	
Variable remuneration								
Cash-based	6,902	-	6,902	42	7,482	-	7,482	45
Shares and share options	-	2,369	2,369	16	-	1,605	1,605	5
	6,902	2,369	9,271		7,482	1,605	9,087	

Other than the above, no senior management nor other material risk takers received any guaranteed bonuses, sign-on awards and severance payments.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(c) Outstanding deferred remuneration

	2021			2020		
Group	**Senior management RM'000**	**Other material risk takers RM'000**	**Total RM'000**	**Senior management RM'000**	**Other material risk takers RM'000**	**Total RM'000**
Share and share options						
Exposed to ex-post explicit and implicit adjustments	13,530	7,138	20,668	12,459	5,785	18,244
Deferred remuneration paid out during the year	3,494	1,187	4,681	1,137	571	1,708
Reduction during the year due to:						
(i) Ex-post explicit adjustments (such as malus, clawbacks or similar reversals of downward revaluations of awards)	-	-	-	-	-	-
(ii) Ex-post implicit adjustments (such as fluctuations in the value of shares or performance units)	-	-	-	-	-	-
Bank						
Share and share options						
Exposed to ex-post explicit and implicit adjustments	12,553	7,138	19,691	11,567	5,785	17,352
Deferred remuneration paid out during the year	3,208	1,187	4,395	1,002	571	1,573
Reduction during the year due to:						
(i) Ex-post explicit adjustments (such as malus, clawbacks or similar reversals of downward revaluations of awards)	-	-	-	-	-	-
(ii) Ex-post implicit adjustments (such as fluctuations in the value of shares or performance units)	-	-	-	-	-	-

30 IMPAIRMENT ALLOWANCE AND PROVISIONS

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans, advances and financing				
Stage 1 and 2 ECL net charge during the year	393,934	404,486	350,872	335,192
Stage 3 ECL				
- Made during the year	536,654	455,922	351,901	316,107
- Write back	(191,154)	(141,106)	(154,212)	(91,533)
Impaired loans, advances and financing				
- Recovered during the year	(49,891)	(47,936)	(31,885)	(25,235)
Investment account placements				
Stage 1 and 2 ECL net charge/(write back) during the year	-	-	1,895	(26,124)
Financial investments at FVOCI				
Stage 1 and 2 ECL net (write back)/charge during the year	(1,470)	1,275	(1,434)	1,338
Other financial assets				
Stage 1 and 2 ECL net charge/(write back) during the year	19	(363)	19	(363)
Stage 3 ECL net charge during the year	3,423	3,499	3,423	3,499
Commitments and contingencies				
Net charge during the year	29,956	-	17,211	-
	721,471	675,777	537,790	512,881

31 INCOME TAX EXPENSE

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax				
- Current year	285,091	242,813	247,305	219,126
- Prior years	2,752	2,997	2,732	2,577
	287,843	245,810	250,037	221,703
Deferred tax (Note 16)				
- Origination and reversal of temporary differences	(116,152)	(61,780)	(99,500)	(49,786)
- Change in tax rate*	-	-	-	-
- Prior years	(3,006)	(398)	(2,981)	710
	(119,158)	(62,178)	(102,481)	(49,076)
	168,685	183,632	147,556	172,627

31 INCOME TAX EXPENSE (continued)

The reconciliation between the average effective tax rate and the applicable statutory tax rate is as follows:

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	%	**%**	**%**	**%**
Malaysian tax rate of 24%	24.00	24.00	24.00	24.00
Tax effect of:				
Expenses not deductible for tax purposes	1.75	1.36	1.98	1.48
Income not subject to tax	(0.02)	(1.17)	(0.03)	(0.03)
Change in tax rate*	(5.45)	-	(5.36)	-
Under/(Over) provision in prior years:				
- Income tax	0.33	0.40	0.38	0.39
- Deferred tax	(0.36)	(0.05)	(0.42)	0.11
Average effective tax rate	20.25	24.54	20.55	25.95

* Deferred tax asset was recognised on temporary differences expected to be reversed in 2022 at the prevailing Cukai Makmur (Prosperity Tax) rate applicable in that year. Cukai Makmur will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100 million will be charged an income tax rate of 33% for 2022.

32 BASIC EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share of the Group and the Bank were calculated by dividing profit attributable to ordinary equity holders of the Group and the Bank by the weighted average number of ordinary shares in issue during the financial year. The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

	Group		Bank	
	2021	**2020**	**2021**	**2020**
Profit attributable to ordinary equity holders of the Group and the Bank (RM'000)	664,288	564,491	570,146	492,666
Number of ordinary shares in issue ('000)	287,500	287,500	287,500	287,500
Basic earnings per share (sen)	231.1	196.3	198.3	171.4

33 DIVIDENDS

	Sen per share	Total amount RM'000	Date of payment
2021			
Final 2020 ordinary	72.00	207,000	28/04/2021
2020			
Final 2019 ordinary	63.00	181,125	15/05/2020

The Directors recommend a final dividend of 151 sen per ordinary share in respect of the current financial year amounting to RM434,125,000. This dividend will be accounted for in shareholders’ equity as an appropriation of retained earnings in the subsequent financial period upon approval by the shareholder of the Bank.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

34 COMMITMENTS AND CONTINGENCIES

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

The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in BNM's Capital Adequacy Framework (Basel ll) - Internal Ratings Approach.

Group	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
2021			
Direct credit substitutes	139,131	139,131	127,908
Transaction-related contingent items	3,053,501	1,564,286	927,029
Short-term self-liquidating trade-related contingencies	333,585	70,936	40,619
Foreign exchange related contracts			
- One year or less	17,335,062	100,889	49,402
- Over one year to five years	5,228,375	684,349	428,700
- Over five years	534,729	46,272	52,597
Interest rate related contracts			
- One year or less	19,303,544	12,228	4,682
- Over one year to five years	22,539,814	381,716	84,008
- Over five years	4,527,874	221,425	147,019
Equity and commodity related contracts	2,355,529	48,207	13,957
Credit derivative contracts	724,002	13,350	1,701
Formal standby facilities and credit lines			
- Maturity not exceeding one year	13,000	9,750	6,060
- Original maturity exceeding one year	4,930,354	4,163,894	2,437,543
Other unconditionally cancellable commitments	19,677,745	2,301,934	393,645
Total	100,696,245	9,758,367	4,714,870
2020			
Direct credit substitutes	366,062	363,062	341,206
Transaction-related contingent items	2,873,351	1,475,356	972,445
Short-term self-liquidating trade-related contingencies	276,256	61,442	37,263
Foreign exchange related contracts			
- One year or less	16,931,014	102,916	55,549
- Over one year to five years	4,316,190	606,583	130,157
- Over five years	757,564	76,134	80,839
Interest rate related contracts			
- One year or less	16,341,840	8,955	2,612
- Over one year to five years	22,649,037	369,306	81,494
- Over five years	6,791,313	348,019	242,776
Equity and commodity related contracts	869,580	10,251	2,448
Credit derivative contracts	923,051	23,091	3,927
Formal standby facilities and credit lines			
- Maturity not exceeding one year	92,000	69,000	33,898
- Original maturity exceeding one year	5,104,439	4,284,532	2,132,001
Other unconditionally cancellable commitments	19,318,729	2,329,691	384,702
Total	97,610,426	10,128,338	4,501,317

Note: The fair value of derivatives have been recognised as derivative financial assets and liabilities in Note 10.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

34 COMMITMENTS AND CONTINGENCIES (continued)

Bank	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**
2021			
Direct credit substitutes	93,587	93,587	79,901
Transaction-related contingent items	2,687,912	1,378,217	803,846
Short-term self-liquidating trade-related contingencies	282,802	60,550	34,376
Foreign exchange related contracts			
- One year or less	17,435,091	101,181	48,978
- Over one year to five years	5,227,825	684,349	427,812
- Over five years	534,729	46,272	52,596
Interest rate related contracts			
- One year or less	19,303,544	12,228	4,682
- Over one year to five years	22,539,814	381,716	84,008
- Over five years	4,527,874	221,425	122,747
Equity and commodity related contracts	2,355,529	48,207	13,957
Credit derivative contracts	724,002	13,350	1,701
Formal standby facilities and credit lines			
- Maturity not exceeding one year	10,000	7,500	4,078
- Original maturity exceeding one year	4,330,085	3,690,104	2,076,388
Other unconditionally cancellable commitments	17,475,939	2,127,938	362,342
Total	97,528,733	8,866,624	4,117,412
2020			
Direct credit substitutes	286,833	286,833	256,043
Transaction-related contingent items	2,489,838	1,279,054	849,799
Short-term self-liquidating trade-related contingencies	244,854	54,728	33,528
Foreign exchange related contracts			
- One year or less	16,936,018	102,584	55,289
- Over one year to five years	4,316,697	606,583	127,500
- Over five years	757,564	76,134	80,839
Interest rate related contracts			
- One year or less	16,341,840	8,955	2,612
- Over one year to five years	22,649,037	369,306	81,494
- Over five years	6,791,313	348,019	206,120
Equity and commodity related contracts	869,580	10,251	2,448
Credit derivative contracts	923,051	23,091	3,927
Formal standby facilities and credit lines			
- Maturity not exceeding one year	52,000	39,000	20,696
- Original maturity exceeding one year	4,610,303	3,892,414	1,805,140
Other unconditionally cancellable commitments	17,224,759	2,156,300	353,293
Total	94,493,687	9,253,252	3,878,729

Note: The fair value of derivatives have been recognised as derivative financial assets and liabilities in Note 10.

(b) Litigation

On 25 January 2019, a Borrower of the Bank, with outstanding credit facilities comprising loans of RM6.7 million and banker's acceptance of RM11.6 million including accrued interest at the time, filed a suit against the Bank alleging, inter alia, that the Bank had breached its contract and its duty of care towards the Borrower. On 22 January 2021, the Borrower was awarded RM289 million as damages together with statutory interest of 5% per annum from 25 January 2019, the date of the writ of summons, until the date of realisation as well as aggravated and exemplary damages which amounts are to be assessed. The Bank has filed an appeal against the said decision on 26 January 2021. The hearing of the Bank's appeal has been fixed for 7 April 2022.

35 CAPITAL COMMITMENTS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Capital expenditure commitments in respect of property and equipment contracted but not provided for	4,267	10,896	4,078	10,851

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank if:

- the Group or the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions or vice versa; or
- where the Group or the Bank and the party are subject to common control or common significant influence.

Related parties may be individuals or other entities. Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly and entities that provide key management personnel services to the Group or the Bank. The key management personnel include all Directors and senior management of the Group and the Bank.

The Group has related party relationship with the following:

- Holding company, Oversea-Chinese Banking Corporation Limited;
- Subsidiaries of the Bank as disclosed in Note 13 to the financial statements;
- Other related companies within the Oversea-Chinese Banking Corporation Limited Group; and
- Key management personnel, including close family members of key management personnel and entities that are controlled or jointly controlled by them.

(a) **Credit exposure arising from credit transactions with connected parties**

The following disclosure is made pursuant to the BNM Guidelines on Credit Transactions and Exposures with Connected Parties:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Aggregate value of outstanding credit exposure with connected parties^:				
Credit facility and leasing (except guarantee)	726,626	710,437	719,545	701,273
Commitments and contingencies*	843,119	739,227	740,954	738,924
	1,569,745	1,449,664	1,460,499	1,440,197
Credit-impaired or in default	-	-	-	-
Outstanding credit exposures to connected parties				
As a proportion of total credit exposures	1.95%	1.80%	2.19%	2.12%

^ Comprises total outstanding balances and unutilised limits

* Commitment and contingencies transactions that give rise to credit and/or counterparty risk.

(b) Key management personnel remuneration of the Group and the Bank are disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) **Significant transactions and outstanding balances with related parties**

	2021			2020		
Group	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Income						
Interest on deposits and placements with banks and other financial institutions	111	-	-	721	-	-
Interest on loans, advances and financing	-	4,320	9	-	5,008	15
Shared services fee income	3,541	13,471	-	3,716	11,587	-
Fee and commission income	61,834	63,982	-	43,958	8,021	-
Rental income	-	4,160	-	-	3,998	-
Other income	-	1,202	-	-	367	-
	65,486	87,135	9	48,395	28,981	15
Expenditure						
Interest on deposits from customers	-	16,557	97	38,233	12,553	117
Interest on deposits and placements of banks and other financial institutions	10,690	-	-	34,621	-	-
Interest/Profit on subordinated bonds	62,232	-	-	66,560	-	-
IT and transaction processing fees	-	332,802	-	-	329,065	-
Rental expenses	-	793	-	-	937	-
Other expenses	10,144	15,479	-	7,781	15,230	-
	83,066	365,631	97	147,195	357,785	117
Property and equipment						
Acquisition of freehold land (Note 14)	-	-	-	7,000	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) **Significant transactions and outstanding balances with related parties (continued)**

	2021				2020			
Group (continued)	**Malaysia RM'000**	**Singapore RM'000**	**Others RM'000**	**Total RM'000**	**Malaysia RM'000**	**Singapore RM'000**	**Others RM'000**	**Total RM'000**
Intercompany charges paid/payable to related parties								
IT and transaction processing fees	235,983	96,457	362	332,802	237,906	90,745	414	329,065
Rental expenses	793	-	-	793	937	-	-	937
Insurance expenses	15,476	-	-	15,476	14,622	-	-	14,622
Other expenses	-	10,144	-	10,144	-	8,389	-	8,389
	252,252	106,601	362	359,215	253,465	99,134	414	353,013

	2021			2020		
	Holding Company RM'000	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Amount due from						
Cash and cash equivalents	67,189	279	-	89,635	277	-
Deposits and placements with banks and other financial institutions	204,578	211	-	172,760	194	-
Interest receivables	43	216	-	69	315	-
Loans, advances and financing	-	220,000	123	-	220,000	150
Derivative financial assets	24,635	5	-	86,051	3	-
Other assets	2,356	18,387	-	10	15,114	-
Shared service fee receivable	81	228	-	88	363	-
	298,882	239,326	123	348,613	236,266	150

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) **Significant transactions and outstanding balances with related parties (continued)**

	2021			2020		
Group (continued)	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Amount due to						
Deposits from customers	-	2,407,269	5,851	-	987,476	6,677
Deposits and placements of banks and other financial institutions	4,765,873	-	-	4,680,085	-	-
Other liabilities	28,493	1,226	-	18,885	4,667	-
Interest payables	19,147	472	-	19,483	256	-
Derivative financial liabilities	129,711	48,320	-	267,650	9,594	-
Subordinated bonds	1,509,278	-	-	1,491,328	-	-
	6,452,502	2,457,287	5,851	6,477,431	1,001,993	6,677
Commitments						
Foreign exchange derivatives	2,828,467	2,888	-	3,310,399	1,052	-
Interest rate derivatives	3,968,021	250,000	-	4,170,996	950,000	-
Transaction related contingent items	25,052	12,526	-	20,162	84,253	-
	6,821,540	265,414	-	7,501,557	1,035,305	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) **Significant transactions and outstanding balances with related parties (continued)**

	2021				2020			
Bank	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Income								
Interest on investment account placements	-	5,471	-	-	-	37,617	-	-
Interest on deposits and placements with banks and other financial institutions	111	35,775	-	-	721	10,321	-	-
Interest on financial investments at FVOCI	-	-	-	-	-	2,468	-	-
Interest on loans, advances and financing	-	-	4,320	9	-	-	5,008	15
Interest/Profit on unquoted Islamic subordinated Sukuk	-	9,600	-	-	-	9,626	-	-
Shared services fee income	3,542	102,423	13,470	-	3,716	109,026	11,587	-
Fee and commission income	49,483	-	61,775	-	33,242	-	6,725	-
Rental income	-	52	4,160	-	-	51	3,998	-
Other income	-	8	1,202	-	-	922	367	-
	53,136	153,329	84,927	9	37,679	170,031	27,685	15
Property and equipment								
Acquisition of freehold land (Note 14)	-	-	-	-	7,000	-	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) **Significant transactions and outstanding balances with related parties (continued)**

	2021				2020			
Bank (continued)	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Expenditure								
Interest on deposits from customers	-	77	10,472	90	38,233	16	7,928	111
Interest on deposits and placements of banks and other financial institutions	10,690	-	-	-	34,621	-	-	-
Interest/Profit on subordinated bonds	62,232	-	-	-	66,560	-	-	-
Fee and commission expense	-	-	-	-	-	2,325	-	-
Shared service fees	-	6,017	-	-	-	6,718	-	-
IT and transaction processing fees	-	-	311,253	-	-	-	301,997	-
Rental expenses	-	-	793	-	-	-	937	-
Other expenses	10,144	-	14,615	-	7,781	-	14,333	-
	83,066	6,094	337,133	90	147,195	9,059	325,195	111

	2021				2020			
	Malaysia RM'000	**Singapore RM'000**	**Others RM'000**	**Total RM'000**	**Malaysia RM'000**	**Singapore RM'000**	**Others RM'000**	**Total RM'000**
Intercompany charges paid/payable to related parties								
Shared service fees	6,017	-	-	6,017	6,718	-	-	6,718
IT and transaction processing fees	216,834	94,057	362	311,253	213,933	87,650	414	301,997
Rental expenses	793	-	-	793	937	-	-	937
Insurance expenses	14,615	-	-	14,615	13,725	-	-	13,725
Other expenses	-	10,144	-	10,144	-	8,389	-	8,389
	238,259	104,201	362	342,822	235,313	96,039	414	331,766

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) **Significant transactions and outstanding balances with related parties (continued)**

Bank (continued)	**2021** Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	**2020** Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Amount due from								
Cash and cash equivalents	35,167	268,765	279	-	59,237	416,215	277	-
Deposits and placements with banks and other financial institutions	204,578	220,876	-	-	172,760	320,965	-	-
Investment account placements	-	2,571,103	-	-	-	1,480,245	-	-
Interest receivables	43	3,998	216	-	69	3,077	315	-
Subordinated Sukuk	-	200,000	-	-	-	200,000	-	-
Loans, advances and financing	-	-	220,000	123	-	-	220,000	150
Derivative financial assets	24,635	13,367	-	-	86,051	27,234	-	-
Other assets	2,349	79,309	18,377	-	-	-	15,113	-
Shared services fee receivable	81	6,436	228	-	88	17,142	363	-
	266,853	3,363,854	239,100	123	318,205	2,464,878	236,068	150
Amount due to								
Deposits from customers	-	7,322	1,850,420	5,021	-	2,695	447,841	6,278
Deposits and placements of banks and other financial institutions	4,765,873	-	-	-	4,680,085	-	-	-
Other liabilities	27,795	1,753	1,226	-	18,368	69,065	4,500	-
Interest payables	19,147	37	194	-	19,483	4	200	-
Derivative financial liabilities	129,711	482	48,320	-	267,650	55	9,594	-
Subordinated bonds	1,509,278	-	-	-	1,491,328	-	-	-
	6,451,804	9,594	1,900,160	5,021	6,476,914	71,819	462,135	6,278
Commitments								
Foreign exchange derivatives	2,828,467	259,191	482	-	3,310,399	55,705	55	-
Interest rate derivatives	3,968,021	211,457	250,000	-	4,170,996	212,700	950,000	-
Transaction related contingent items	25,052	-	12,526	-	20,162	-	84,253	-
	6,821,540	470,648	263,008	-	7,501,557	268,405	1,034,308	-

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below set out carrying amounts of recognised financial assets and financial liabilities that are subject to International Swaps and Derivatives Association ("ISDA") and/or similar master netting arrangements but do not meet the criteria for offsetting in the statements of financial position. This is because the parties to the ISDA agreement provide the right of set-off of recognised amounts that is only enforceable in event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. Malaysia was not a clear netting jurisdiction previously and hence the Group was not able to enforce set-off in the event of default. The Netting of Financial Agreement Act (“the Act”) which came into force in 2015 provides assurance that the close-out netting mechanism for financial transactions is enforceable under the law.

The related financial instruments not offset pertain to financial assets and financial liabilities that are not presented net in the Group’s and the Bank's statements of financial position but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

				Related amount not offset in the statements of financial position		
Types of financial assets/liabilities	**Carrying amount in the statement of financial position RM'000**	**Financial instruments not in scope for offsetting disclosures RM'000**	**Gross recognised financial instruments in scope RM'000**	**Financial instruments RM'000**	**Cash collateral received/ pledged RM'000**	**Net amount in scope RM'000**
Group						
2021						
Derivative financial assets	927,507	(112,874)	814,633	(299,355)	(169,380)	345,898
Derivative financial liabilities	860,074	(90,920)	769,154	(299,355)	(374,847)	94,952
2020						
Derivative financial assets	1,151,754	(87,059)	1,064,695	(478,203)	(134,561)	451,931
Derivative financial liabilities	1,229,790	(61,416)	1,168,374	(478,203)	(344,182)	345,989
Bank						
2021						
Derivative financial assets	928,246	(100,263)	827,983	(299,355)	(169,380)	359,248
Derivative financial liabilities	860,439	(90,873)	769,566	(299,355)	(374,847)	95,364
2020						
Derivative financial assets	1,153,095	(86,887)	1,066,208	(478,203)	(134,561)	453,444
Derivative financial liabilities	1,229,826	(61,452)	1,168,374	(478,203)	(344,182)	345,989

38 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. The fair value of a financial instrument is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Group's and the Bank’s financial instruments, including loans, advances and financing to customers, such market prices do not exist as there is currently no ready market wherein exchanges between willing parties occur.

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The Group and the Bank use various methodologies to estimate the fair values of such instruments. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimated future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sales transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as going concerns.

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of MFRS 9 which requires fair value information to be disclosed. These include property and equipment, investments in subsidiaries, tax recoverable and deferred tax assets.

For financial assets and liabilities not carried at fair value on the statements of financial position, the Group and the Bank have determined that their fair values were not materially different from the carrying amount at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

(A) Financial assets and financial liabilities

(a) Short term financial instruments

The carrying amounts approximate the fair values of cash and cash equivalents, deposits and placements with/of banks and other financial institutions with maturity less than one year, interest/profit and other short-term receivables due to their short tenor or frequent re-pricing.

(b) Deposits and placements with/of banks and other financial institutions and investment account placements

For deposits and placements with maturity of one year or more, the fair value is estimated based on discounted cash flows using prevailing money market interest/profit rates for deposits and placements with similar remaining period to maturity.

(c) Financial assets at FVTPL and financial investments at FVOCI

The fair value of financial assets that are actively traded is determined by quoted bid prices. For non-actively traded financial investments, independent broker quotations are obtained or valuation techniques are used to fair value the financial investments. The fair value of unquoted equity instruments classified under FVOCI portfolio is estimated using internal valuation techniques.

(d) Loans, advances and financing

The fair values of variable rate loans, advances and financing are carried approximately to their carrying amounts. For fixed rate loan, advances and financing, the fair values are valued based on the expected future discounted cash flows using market rates of loan, advances and financing of similar credit risks and maturity. For impaired loans, advances and financing, the fair values are carried at amortised cost net of ECL.

(e) Derivative financial assets and liabilities

Observable market data are used to determine the fair values of derivatives at FVTPL. Valuations are either based on quoted price or valuation technique. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices.

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(A) Financial assets and financial liabilities (continued)

(f) Deposits from customers

For deposits with maturity of less than one year, the carrying amount is a reasonable estimate of the fair value. For deposits with maturity of one year or more, the fair value is estimated using discounted cash flows based on market rates for similar products and maturity.

(g) Bills and acceptances payable

Bills and acceptances payable are substantially with maturity of less than one year. The carrying amount of bills and acceptances payable is a reasonable estimate of the fair value.

(h) Subordinated bonds/Sukuk

Fair value for the subordinated bonds/Sukuk is determined using quoted market prices where available, or by reference to quoted market prices of similar instruments.

(i) Recourse obligation on loans sold to Cagamas Berhad

For floating rate contracts, the carrying amount is generally a reasonable estimate of the fair value. The fair value of fixed rate contracts is estimated based on discounted cash flows using prevailing rates offered by Cagamas Berhad for similar products and remaining period to maturity.

Off-statement of financial position financial instruments

The fair value of off-statement of financial position financial instruments is the estimated amount the Group or the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statements of financial position financial instruments are disclosed in Note 34 to the financial statements.

(B) Fair value hierarchy of financial instruments

The Group and the Bank measure the fair value of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The valuation hierarchy and the types of instruments classified into each level within that hierarchy, are set out below:

	Level 1	Level 2	Level 3
Fair value determined	Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.	Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.	Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.
Type of financial assets	Actively traded government and government agency securities	Corporate and other government bonds/Sukuk and loans	Private debt equity investments
	Actively traded quoted equity securities of corporations	OTC derivatives	Corporate bonds/Sukuk with illiquid markets

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

	Level 1	Level 2	Level 3
Type of financial assets	Over-the counter ("OTC") derivatives	Cash and cash equivalents	Loans, advances and financing
		Deposits and placements with banks and other financial institutions	Unquoted shares
		Investment account placements	OTC derivatives
		Other assets	
Type of financial liabilities	OTC derivatives	OTC derivatives	OTC derivatives
		Deposits from customers	
		Deposits and placements of banks and other financial institutions	
		Subordinated bonds/ Sukuk	
		Other liabilities	

(i) Fair value hierarchy of financial instruments carried at fair value

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Financial assets at fair value				
Financial assets at FVTPL	1,833,240	28	-	1,833,268
Financial investments at FVOCI	17,532,344	1,248,206	116,047	18,896,597
Derivative financial assets	570	923,258	3,679	927,507
	19,366,154	2,171,492	119,726	21,657,372
Financial liabilities at fair value				
Derivative financial liabilities	388	853,562	6,124	860,074
2020				
Financial assets at fair value				
Financial assets at FVTPL	1,313,457	18	-	1,313,475
Financial investments at FVOCI	16,656,235	3,344,588	112,030	20,112,853
Loans, advances and financing	-	-	11,381	11,381
Derivative financial assets	1,388	1,143,378	6,988	1,151,754
	17,971,080	4,487,984	130,399	22,589,463
Financial liabilities at fair value				
Derivative financial liabilities	652	1,190,989	38,149	1,229,790

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value (continued)

Bank	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2021				
Financial assets at fair value				
Financial assets at FVTPL	1,823,150	28	-	1,823,178
Financial investments at FVOCI	14,562,945	698,711	116,047	15,377,703
Derivative financial assets	575	924,028	3,643	928,246
	16,386,670	1,622,767	119,690	18,129,127
Financial liabilities at fair value				
Derivative financial liabilities	458	853,858	6,123	860,439
2020				
Financial assets at fair value				
Financial assets at FVTPL	1,303,302	18	-	1,303,320
Financial investments at FVOCI	13,450,909	2,345,363	112,030	15,908,302
Loans, advances and financing	-	-	11,381	11,381
Derivative financial assets	1,403	1,144,705	6,987	1,153,095
	14,755,614	3,490,086	130,398	18,376,098
Financial liabilities at fair value				
Derivative financial liabilities	707	1,190,974	38,145	1,229,826

Movements in the Group's and the Bank's Level 3 financial assets and liabilities are as follows:

	Group		**Bank**	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Financial assets at fair value				
At 1 January	130,399	137,485	130,398	137,485
Purchased	-	6,422	-	6,422
Settled/Disposed	(10,324)	(38)	(10,324)	(38)
Transferred out from Level 3	-	(21,092)	-	(21,092)
Realised loss				
- Recognised in net trading income	(6,987)	(556)	(6,987)	(556)
Unrealised gain				
- Recognised in net trading income	2,440	1,426	2,405	1,425
- Recognised in other comprehensive income	4,198	6,752	4,198	6,752
At 31 December	119,726	130,399	119,690	130,398
Financial liabilities at fair value				
At 1 January	38,149	31,665	38,145	31,665
Settled/Disposed	-	6,422	-	6,422
Transferred out from Level 3	-	(21,092)	-	(21,092)
Realised gain				
- Recognised in net trading income	(38,145)	(10,573)	(38,145)	(10,573)
Unrealised loss				
- Recognised in net trading income	6,120	31,727	6,123	31,723
At 31 December	6,124	38,149	6,123	38,145

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value (continued)

Policy on transfer between levels

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.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair value within Level 3, as well as the unobservable inputs used in the valuation model:

Group	**2021 Fair value RM'000**	**2020 Fair value RM'000**	**Classification**	**Valuation technique**	**Unobservable input**
Assets					
Financial investments at FVOCI	116,047	112,030	FVOCI	Net asset value approach	Net asset value
Loans, advances and financing	-	11,381	FVTPL	Discounted cash flow analysis	Discount rate
Derivative financial assets	3,679	6,988	Hedge for trading	Option pricing model	Standard deviation
	119,726	130,399			
Liabilities					
Derivative financial liabilities	6,124	38,149	Hedge for trading	Option pricing model	Standard deviation
Bank					
Assets					
Financial investments at FVOCI	116,047	112,030	FVOCI	Net asset value approach	Net asset value
Loans, advances and financing	-	11,381	FVTPL	Discounted cash flow analysis	Discount rate
Derivative financial assets	3,643	6,987	Hedge for trading	Option pricing model	Standard deviation
	119,690	130,398			
Liabilities					
Derivative financial liabilities	6,123	38,145	Hedge for trading	Option pricing model	Standard deviation

The Group and the Bank consider that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value (continued)

Valuation control framework

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management (“MRM”) functions within the Risk Management Division and with support from Group Risk Management Division, is responsible for market data validation, assessment of model validation and ongoing performance monitoring.

The Treasury Financial Control & Advisory - Valuation Control function within the Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation related policies are reviewed annually by Finance division. Any material change to the framework is recommended by ALCO for the approval of the Group Risk Management Committee. Group Internal Audit provide independent assurance on the respective divisions’ compliance with the policies.

(ii) Fair value hierarchy of financial instruments not carried at fair value

The table below is a comparison of the carrying amounts and fair values of those financial instruments of the Group and the Bank which are not measured at fair value. It does not include those short term financial assets and financial liabilities where their fair values were not materially different from the carrying amounts.

Group	**Level 2 RM'000**	**Level 3 RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
2021				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	449,227	-	449,227	449,227
Loans, advances and financing	-	65,796,546	65,796,546	65,831,689
	449,227	65,796,546	66,245,773	66,280,916
Financial liabilities not carried at fair value				
Deposits from customers	73,987,007	-	73,987,007	73,986,617
Deposits and placements of banks and other financial institutions	5,648,806	-	5,648,806	5,648,806
Subordinated bonds	1,527,710	-	1,527,710	1,509,279
	81,163,523	-	81,163,523	81,144,702

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(ii) Fair value hierarchy of financial instruments not carried at fair value (continued)

Group	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2020				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	344,182	-	344,182	344,182
Loans, advances and financing	-	66,277,937	66,277,937	66,262,182
	344,182	66,277,937	66,622,119	66,606,364
Financial liabilities not carried at fair value				
Deposits from customers	73,382,691	-	73,382,691	73,375,532
Deposits and placements of banks and other financial institutions	5,195,681	-	5,195,681	5,195,681
Recourse obligation on loans sold to Cagamas Berhad	670,410	-	670,410	700,000
Subordinated bonds	1,510,333	-	1,510,333	1,491,327
	80,759,115	-	80,759,115	80,762,540

Bank	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2021				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	670,103	-	670,103	670,103
Investment account placements	1,478,468	-	1,478,468	2,567,432
Loans, advances and financing	-	53,356,207	53,356,207	53,398,910
Other assets - unquoted redeemable Islamic subordinated Sukuk of a subsidiary	204,800	-	204,800	200,000
	2,353,371	53,356,207	55,709,578	56,836,445
Financial liabilities not carried at fair value				
Deposits from customers	61,047,153	-	61,047,153	61,046,763
Deposits and placements of banks and other financial institutions	5,620,070	-	5,620,070	5,620,070
Subordinated bonds	1,527,710	-	1,527,710	1,509,279
	68,194,933	-	68,194,933	68,176,112

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(ii) Fair value hierarchy of financial instruments not carried at fair value (continued)

Bank	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2020				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	320,965	-	320,965	665,147
Investment account placements	1,478,468	-	1,478,468	1,478,468
Loans, advances and financing	-	55,019,416	55,019,416	55,018,965
Other assets - unquoted redeemable Islamic subordinated Sukuk of a subsidiary	207,166	-	207,166	200,000
	2,006,599	55,019,416	57,026,015	57,362,580
Financial liabilities not carried at fair value				
Deposits from customers	61,883,535	-	61,883,535	61,882,313
Deposits and placements of banks and other financial institutions	5,157,288	-	5,157,288	5,157,288
Recourse obligation on loans sold to Cagamas Berhad	670,410	-	670,410	700,000
Subordinated bonds	1,510,333	-	1,510,333	1,491,327
	69,221,566	-	69,221,566	69,230,928

39 HEDGING ACTIVITIES

Fair value hedge

The Group and the Bank use fair value hedges to protect the Group and the Bank against the changes in fair value of fixed-rate long-term financial instruments due to movements in the market interest rates. The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

The net gains and losses arising from fair value hedges during the year are as follows:

Group and Bank	2021 RM'000	2020 RM'000
Gains on hedging instruments	9,212	405
Losses on the hedged items attributable to the hedged risk	(9,210)	(400)
	2	5

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Bank's risk management framework encompasses good governance, sound policies, robust lines of defence, right expertise and continuous investment in human resources, technology and digital capabilities. The framework is underpinned by a strong corporate culture that demands accountability, ownership and ethical standards to ensure that the risks we take are:

- Consistent with our corporate strategy and within established risk appetite;
- Adequately compensated and meets our risk-return expectations;
- Well-understood, evaluated and supported by robust quantitative analyses and stress testing;
- Managed holistically by evaluating risk interactions across the different risk types;

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

- Efficiently and comprehensively captured, aggregated and reported;
- Reviewed by an independent risk function with adequate resources, authority and expertise; and
- Accompanied by contingency plans to ensure resilience against potential crises or unexpected events.

Risk ownership is a shared responsibility between the business, risk and compliance functions as elaborated in the Risk Governance and Organisation section.

While the categorisation of risks can be complex and interrelated, we generally categorise the principal risks we take into the following types:

(i) Credit risk is the risk of loss of principal and/or income arising from the failure of an obligor or counterparty to meet its financial or contractual obligations or an adverse change in the credit profile of the obligor or counterparty.

(ii) Market risk is the risk of loss of income and/or market value due to fluctuations in risk factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatility or correlations between risk factors.

(iii) Liquidity risk is the risk arising from the inability to meet financial obligations as they fall due without incurring unacceptable costs or losses from funding capital and asset liquidation.

(iv) Interest Rate Risk in the Banking Book is the risk to the Bank’s earnings arising from adverse changes in interest rates that affect Banking Book positions.

(v) Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management or from external events. This includes pandemic risk, compliance risk, reputational risk, fiduciary risk, physical and people security risk, business continuity risk, third-party risk, fraud risk, legal and regulatory risk, anti-money laundering/countering the financing of terrorism and sanctions risk, technology and information risk, as well as cyber risk.

We adopt a disciplined risk management approach to identify, assess, measure, control, monitor and report our risk positions at granular and aggregate levels. We regularly assess the potential shifts in risk drivers and the impact on various risk types and take appropriate risk mitigation actions where necessary. There are multiple risk drivers which emanate from factors such as the economic, business and physical environment, geopolitical shifts, regulatory and social changes, pandemic risk, cyber threats, data loss, fraud and human error. These drivers impinge on one or more of the risk types mentioned above with consequential impact to earnings and asset quality as well as to reputation, customer franchise, and ability to do business.

Risk Governance and Organisation

The Board of Directors has the ultimate responsibility for the effective management of risk and establishes the Group's and the Bank’s corporate strategy. It establishes the corporate strategy and and approves its risk appetite within which senior management should execute the strategy. The Group’s Risk Management Committee (“RMC”) is the designated board committee that ensures the Bank’s overall risk management philosophy are aligned with the corporate strategy and within the approved risk appetite. It also ensures that the overall risk management organisation is implemented and effective. Based on the approved risk appetite, RMC approves various quantitative guidance and qualitative expectations and these are cascaded to major business units and risk functions to guide risk-taking. Risk drivers, risk profiles across major lines of business and risk types, as well as major risk policies and compliance matters are regularly reviewed by the senior management, risk committees, Country Chief Executive Officer (Country CEO) and RMC. These matters are reviewed and discussed in greater detail at the dedicated risk committees for major risk types.

Group Risk Management ("GRM") has the functional responsibility for providing independent risk control and managing credit, market, liquidity and operational risks. It provides regular risk reports and updates on material risk issues to senior management, risk committees, RMC and the Board Risk management staff work closely with the business and other support units to ensure that risks are well managed. In addition to the above, GRM oversees the New Product Approval Process ("NPAP") to ensure that all inherent risks associated with new products and services are comprehensively identified, managed and mitigated. Compliance with regulatory requirements and adequacy of resources to support the new products and services are also addressed through the NPAP.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Governance and Organisation (continued)

Senior management actively manages risks through the Group's various risk management committees such as the Credit Risk Management Committee, the Operational Risk Management Committee as well as the Bank's Asset Liability Management Committee.

Three Lines of Defence

All employees are responsible for identifying and managing risk – an accountability that is embedded in our corporate culture and robust internal control environment. This is operationalised through a three-line defence structure with clear delineation of the roles, responsibilities and accountability for risk ownership.

(i) **First Line - Day-to-day Risk Management**
Business and Support Units own and manage risks generated from their business activities on a day-to-day basis. They carry out business activities which are consistent with our Group's strategy and risk appetite and operates within the approved boundaries of our policies, limits and ensure compliance with applicable laws and regulations.

(ii) **Second Line - Risk and Control Oversight**
The Risk and Control Function independently and objectively assesses risk-taking activities undertaken by the first line of defence. It establishes relevant risk management frameworks, policies, processes and risk systems, and provides independent identification, assessment, monitoring and reporting of the Group's risk profiles, portfolio concentrations and material risk issues.

(iii) **Third Line - Independent Assurance**
Internal Audit independently provide assurance to the Country CEO, Audit Committee and the Board of the adequacy and effectiveness of our risk management and internal control systems by evaluating the overall risk awareness and control consciousness of the management in discharging its supervisory and oversight responsibilities.

Risk Appetite

The Board sets the Group's risk appetite, which defines the level and nature of risks that we are willing to take on behalf of our shareholders in the conduct of our business, while maintaining our commitments to customers, debt holders, employees, regulators, and other stakeholders. Our intention is to manage risks prudently for the long-term viability of the Group while balancing the interests of all stakeholders.

Our risk appetite takes into account the forward-looking operating environment and any downside risks. Business plans are guided by our risk appetite through policies, limits and processes to ensure that we operate within our available risk capacity.

Senior business and risk managers participate in regular forums to discuss the operating environment and potential "dark clouds" that may have a significant impact on our earnings or solvency. These are quantified via stress tests as well as segment-specific and ad hoc event-specific portfolio reviews to assess the potential impact of alternative scenarios on the Group's earnings and capital.

An annual Internal Capital Adequacy Assessment Process (ICAAP) incorporating the results of stress tests covering various risk types is conducted to evaluate if our business plans allow us to maintain sound capital levels under both forward-looking operating environment and severe stress scenarios. Appropriate risk-mitigating actions are taken to manage downside risks.

Credit Risk Management

Credit risk arises from the Group and the Bank lending activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from the Group and the Bank trading and investment banking activities.

Credit Risk Management Approach

The Group and the Bank's credit risk management framework captures the complete credit risk management cycle. It is operationalized through policies and procedures covering the identification, assessment, measurement, monitoring and control of credit risk at the enterprise level.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Responsible Financing is an integral part of our credit risk management. We have a dedicated framework and supporting policies to integrate Environmental, Social and Governance (ESG) considerations into our credit risk evaluation and approval process. Through the framework, sustainability is integrated across our corporate lending activities from the strategic and portfolio to transaction level. Please refer to the OCBC Group's Sustainability Report for more information on Responsible Financing and Sustainable Financing.

The Group and the Bank's credit risk management approach varies depending on the characteristics or nature of the portfolios or customer segments. There are specific policies and procedures for major customer segments.

Credit Risk Management Approach for Major Customer Segments:	
Consumer and Small Businesses	• Credit risks are managed on portfolio basis. • Bankruptcy, credit bureau checks, systems and processes as well as source identification of credit origination and independent verification of documentation are used to detect fraud. • Comprehensive risk management information systems (MIS) are used to track and monitor the performance of the portfolios.
Corporate and Institutional Customers	• Credits extended are individually assessed and risk rated. • The extensions are guided by predefined target market and risk acceptance criteria. • Credit decisions are made after comprehensive qualitative and quantitative risk assessment, with understanding of the customer and customer group's interdependencies. • Credits are jointly approved by business and credit risk units to ensure objectivity and shared risk ownership.

Managing Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty may default on its obligations in a financial contract. CCR management covers credit exposures to counterparties in both the banking and trading books which typically arise from our trading, derivatives and debt securities activities. Counterparty risk exposures are measured under the Current Exposure Method, with regulatory prescribed add-ons that represent the potential future exposure, in addition to the net replacement cost of the Over-the-Counter ("OTC") derivatives.

Credit limits are established for each counterparty based on our assessment of the counterparty's creditworthiness, the suitability and appropriateness of the product offered and alignment with approved trading mandates and investment strategies. Credit risk mitigation tools are also used to manage CCR where appropriate. Please refer to Credit Risk Mitigation Section for details.

Credit exposures are independently managed through daily limit monitoring, excesses escalation and approval, and timely risk reporting.

Credit Portfolio Management

Credit portfolio management focuses on managing the 'collective or aggregate risk' of our credit portfolio, rather than the credit risk to an individual borrower. We have developed and implemented a range of capabilities to better understand, measure and monitor credit risk at a portfolio level. These capabilities include:

(i) **Portfolio Segmentation:** This is the process of grouping credit exposures that are similar in nature. It involves the use of attributes that represent common business drivers such as country, industry and product type, as well as common risk drivers such as exposure to material downside risks like a property bubble.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Portfolio Management (continued)

(ii) **Portfolio Modelling:** This includes the use of internal rating models to quantify the exposure risk, default risk and potential losses of our borrowers. Refer to table below for information on the Group and the Bank's internal rating models. We also use stress testing models to simulate the potential increase in our credit losses and credit risk-weighted assets under stressed scenarios.

Internal Rating Models
Internal credit rating models and their parameters – probability of default ("PD"), loss given default ("LGD") and exposure at default (EAD) – are used in limit setting, credit approval, portfolio monitoring and reporting, remedial management, stress testing, internal assessment of the capital adequacy and impairment allowances.
The Group and the Bank's Model Risk Management Framework and Credit Rating Model Framework are used to govern the development, validation, application and performance monitoring of rating models. Approval for the adoption and continued use of material models rests with the RMC. All rating models are assessed against internal and regulatory requirements and approved by regulators for use in capital assessment.
While our internal risk grades are not explicitly mapped to external credit ratings they may correlate to external credit ratings in terms of the PD ranges as factors used to rate obligors would be similar - an obligor rated poorly by an external rating agency is likely to have a weak internal risk rating.

The table below describes the approach used to estimate the key parameters for Advanced Internal Ratings Based ("A-IRB") and Foundation Internal Ratings Based ("F-IRB") credit risk models used to calculate Credit RWA.

Key Components of Internal Ratings Based ("IRB") Models		
IRB Models and	**PD**	**LGD and EAD**
A-IRB approach includes major retail portfolios such as residential mortgages, credit cards and small businesses lending	• Estimated based on the application and behaviour scores of obligors. • The PD models are calibrated to the expected long-term average one-year default rate over an economic cycle.	• Product, collateral and geographical characteristics are major factors. • LGD models are calibrated to reflect the economic loss under downturn conditions. • EAD models are also calibrated to reflect the long-run average or economic downturn conditions, if relevant.
F-IRB (Non-Supervisory Slotting) approach includes major wholesale portfolios such as Bank, Non-Bank Financial Institutions, Corporate Real Estate (including Income Producing Real Estate) and General Corporate	• PD models are statistical based or expert judgement models that use both quantitative and qualitative factors to assess an obligor's repayment capacity and are calibrated to the expected long-term average one-year default rate over an economic cycle. • Expert judgement models based on inputs from internal credit experts are typically used for portfolios with low defaults.	• Estimated based on rules prescribed in Bank Negara Malaysia (BNM) Risk- Weighted Capital Adequacy Framework (RWCAF).

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Portfolio Management (continued)

(ii) **Portfolio Modelling** (continued)

Key Components of Internal Ratings Based ("IRB") Models		
IRB Models and	**PD**	**LGD and EAD**
F-IRB (Supervisory Slotting) approach includes other specialised lending portfolios such as Project Finance, Object Finance and Commodities Finance	• For portfolios on supervisory slotting, risk grades derived from internal models are mapped to the five supervisory slotting categories prescribed in BNM RWCAF.	• Estimated based on rules prescribed in BNM RWCAF.

(iii) **Portfolio Reporting:** This includes internal and external reporting of portfolio risk information to respective stakeholders. These reports provide a better understanding of how the quality of our credit portfolio is evolving in response to the changing operating environment and downside risks. Regular risk reports covering detailed credit exposures, credit migration, expected losses and risk concentrations by business segment are provided to the CRMC, CEO, RMC and the Board for review and make timely, better-informed decisions.

With the insights provided by portfolio modelling and reporting, we allocate appropriate risk and financial resources (such as funding and capital) to support growth opportunities. We also use these insights to set credit concentration limits to manage the potential downside risks from adverse changes in the operating environment. The design of such credit concentration limits takes into consideration direct risk drivers (such as economic sector, industry, geographic location) and indirect risk drivers (such as collateral type or credit protection by a single counterparty) arising from credit risk mitigation.

Credit Risk Control

Credit Risk Mitigation

Credit risk mitigation techniques are used to reduce credit risk. Where possible, the Group and the Bank take collateral from the borrower to mitigate credit risk. However, risk mitigation is not a substitute to the proper assessment of the obligor's ability to repay which remains the primary repayment source. The key considerations for eligible credit risk mitigants are set out in the Group and the Bank's credit policies. These criteria include legal certainty and enforceability, correlation, liquidity, marketability, counterparty risk of the protection provider and collateral-specific minimum operational requirements. Eligible physical and financial collateral types include cash, real estate, marketable securities, standby letters of credit and credit insurances.

Appropriate haircuts are applied to the market value of collaterals to reflect the underlying nature, quality, liquidity and volatility. Collateral is independently valued on regular basis while collateral holdings are regularly monitored and concentration avoided via diversification across asset classes and markets. Guarantees from individuals, corporates, and institutions mainly as a form of support. Where guarantees are recognised as credit risk mitigants via the PD substitution approach, eligibility criteria and guidelines are in place.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Risk Mitigation (continued)

Netting, collateral arrangements, early termination options and central clearing mechanisms are common risk mitigation tools for managing counterparty credit risk. Netting agreements in netting jurisdictions reduces the credit risk exposure where all amounts with the counterparty are settled on a net basis if a default occurs. Collateral arrangements, typically covered under market standard documentation such as International Swaps and Derivatives Association ("ISDA") and Credit Support Annexes ("CSA") or Global Master Repurchase Agreements ("GMRA"), require additional collateral to be posted if the mark-to-market exposures exceed an agreed threshold. A haircut is applied to the value of the eligible collateral to cover potential adverse market volatility and the agreed threshold amount may be subject to regulatory margin requirements. ISDA agreements with rating triggers allow termination of the transactions or require posting of additional collateral in event of a rating downgrade.

Remedial Management

The Group and the Bank safeguard their position through proactive and regular monitoring of our portfolios. We have a robust process to detect vulnerable borrowers with signs of potential credit deterioration at an early stage. Such borrowers are reviewed regularly via various internal credit forums or committees.

Credit exposures are categorised into “Pass”, “Special Mention” or “Impaired Loans” ("ILs"). ILs are further categorised into “Substandard”, “Doubtful” or “Loss”. The categorisation of credit exposures is based on our assessment of the borrowers’ ability to repay their financial obligations. ILs may be upgraded to non-impaired status when there is an established trend of credit improvement, supported by an assessment of the borrower’s repayment capability, cash flows and financial position.

Credit exposures are classified as restructured assets when the Group and the Bank grant non-commercial concessions to borrowers which will result in substantial diminished financial obligation. A restructured credit exposure is classified into the appropriate impaired loans grades based on the assessment of the borrower’s financial condition and ability to repay under the restructured terms. Such credit exposure must comply fully with the restructured terms before it can be restored to non credit-impaired status.

Dedicated remedial management units manage the restructuring, work-out and recovery of ILs for wholesale portfolios. The objective is to rehabilitate ILs where possible or maximise recoveries for ILs that are on exit strategy. For the retail portfolios, the Group and the Bank develop appropriate risk-based and time-based collection strategies to maximise recoveries. The Group and the Bank use data such as delinquency buckets and adverse status tags for delinquent retail loans to constantly analyse, fine-tune and prioritise our collection efforts.

Impairment allowances for Loans, Advances and Financing

Sufficient impairment allowances are maintained to absorb credit losses inherent in our loan portfolio. Allowance for Expected Credit Losses ("ECL") is recognised for credit impaired and non-credit impaired exposures in accordance with Malaysian Financial Reporting Standard (MFRS) 9 - Financial Instruments through a forward looking ECL model. ECL allowances are assessed and measured based on the stages of asset quality.

Stages of Asset Quality and Expected Credit Losses		
Non Credit-Impaired		**Credit-Impaired**
Stage 1 12-month ECL Non-impaired exposures without significant increase in credit risk since initial recognition	Stage 2 Lifetime ECL Non-impaired exposures with significant increase in credit risk since initial recognition	Stage 3 Lifetime ECL Impaired exposures

<u>Market Risk Management</u>

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest/profit rates, foreign exchange rates, equity and commodity prices, or changes in volatility or correlations of such factors. The Group and the Bank are exposed to market risks from its trading and balance sheet management activities.

The Group’s and the Bank's market risk management strategy and market risk limits are established within the Group's and the Bank’s risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

Market Risk Management Oversight and Organisation

The Asset Liability Management Committee (“ALCO”) is the senior management group that supports the RMC and the CEO in managing market risk. The ALCO establishes the market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies, measurement systems, and internal controls.

The ALCO is supported at the working level by Market Risk Management (“MRM”) within Group Risk Management ("GRM") division, and Corporate Treasury ("CT") within Group Finance Division. MRM is the independent risk control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

Market Risk Management Approach

Market risk management is a shared responsibility. Business units are responsible for proactive managing within their approved trading strategies and investment mandates, whilst MRM acts as the independent monitoring unit to ensure sound governance. The key risk management activities of identification, measurement, monitoring, control, and reporting are regularly reviewed to ensure effective risk management.

Market Risk Identification

Risk identification is addressed via the Group's and the Bank’s new product approval process at product inception. Market risks are also identified by our risk managers from their on-going interactions with the business units.

Several market risk measurements are also utilised regularly to quantify and assess potential losses. These include Value-at-Risk (“VAR”), Present Value of Basis Point (“PV01”), Credit Sensitivity of a Basis Point (“CS01”), FX Basis Sensitivity of a Basis Point (“FXBasis01”), FX Net Open Position ("FX NOP") and derivative greeks.

The Group and the Bank also perform stress testing and scenario analysis to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Group's and the Bank’s trading activities, risk profile, and prevailing and forecast economic conditions. These analyses determine if potential losses from such extreme market conditions are within the Group's and the Bank’s risk tolerance.

Risk Monitoring and Control

Only authorised trading activities for approved products may be undertaken by the various trading units. All trading risk positions are monitored on a daily basis against approved and allocated limits by independent support units. Limits are approved to reflect available and anticipated trading opportunities, with clearly defined exception escalation procedures. Exceptions, including any temporary breaches, are promptly reported and escalated to senior management for resolution. Multiple risk limits (VAR and risk sensitivities), profit/loss, and other measures allow for more holistic analysis and management of market risk exposures.

Model validation is also an integral part of the Group's and the Bank’s risk control process. Models are used to price financial instruments and to measure risk. The models used are verified and assessed to ensure that they are fit for their intended purpose. Market data used for risk measurements and valuation are sourced independently.

To ensure the continued integrity of the VAR computation, back-testing is conducted to confirm the consistency of actual daily trading profit or loss ("P&L") and theoretical P&L against VAR’s statistical assumptions.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset Liability Management

Asset liability management is the strategic management of the statement of financial position structure and liquidity needs, covering liquidity sourcing and diversification, and interest/profit rate management.

Asset Liability Management Oversight and Organisation

The ALCO is the senior management group that is responsible for the management of the Group's and the Bank's statements of financial position and liquidity risks. The ALCO is chaired by the CEO and includes senior management from the business, risk and support units.

The ALCO is supported by the CT within Group Finance Division and MRM within GRM.

Asset Liability Management Approach

The asset liability management framework comprises liquidity risk management and interest/profit rate risk management.

Liquidity Risk

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

The Group's and the Bank's liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and refining contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. Simulations of liquidity exposures under stressed market scenarios are performed and the results are taken into account in the risk management processes. Indicators such as liquidity and deposit concentration ratios are employed to maintain an optimal funding mix and asset composition. Funding strategies are in place to provide effective diversification and stability in funding sources across tenors and products. In addition, liquid assets in excess of regulatory requirements are maintained for contingent use in the event of a liquidity crisis. These liquid assets comprise statutory reserve, eligible securities as well as marketable shares and debt securities.

Interest/Profit Rate Risk

The primary goal of interest/profit rate risk management is to ensure that interest/profit rate risk exposures are maintained within defined risk tolerances.

Interest/Profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates. The material sources of interest/profit rate risk are repricing risk, basis risk and optionality risk. A range of techniques are employed to measure these risks from an earnings and economic value perspective. One method involves the simulation of the impact of a variety of interest/profit rate scenarios on the net interest/profit income and the economic value of the Group's and the Bank's equity. Other measures include interest/profit rate sensitivity measures such as PV01 as well as repricing gap profile analysis.

Limits and policies to manage interest/profit rate exposures are established in line with the Group's and the Bank's strategy and risk appetite. Thresholds and policies are appropriately approved, and reviewed regularly to ensure they remain relevant against the external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. This includes legal risk and reputational risk.

The Group's and the Bank's operational risk management aims to manage both expected and unexpected losses, including those caused by catastrophic events. The twin goals enable new business opportunities to be pursued in a risk-conscious and controlled manner.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

<u>Operational Risk Management</u> (continued)

Operational Risk Management Oversight and Organisation

The Operational Risk Management Committee ("ORC") is the senior management group that oversees the execution of the Group's and the Bank's operational risk management, information security and technology risk practices. The ORC ensures that various risk management programmes that are in place are appropriate, effective, and support the Group's and the Bank's business strategy.

The Operational Risk Management ("ORM") department within GRM establishes the ORM framework, including supporting policies and techniques. The ORM department also provides independent oversight of operational risk monitoring and controls that reside within business, products and process owners. The ORM programmes are actively implemented through the respective Operational Risk Partners or managers in the business units. Operational Risk Partners or managers are put through an accreditation programme to raise competency levels in managing operational risk.

Operational Risk Management Approach

The Group and the Bank adopt a framework that ensures operational risks are properly identified, managed, monitored, mitigated and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the Group's and the Bank's control culture.

Each business unit undertakes self-assessment on a regular basis by assessing the robustness of its own risk and control environment, including meeting all legal and regulatory requirements. Self-assessment declarations are subject to risk-based independent reviews. Performance metrics are also used to detect early warning signals and to drive appropriate management actions before risks become material losses. To enhance controls over trading activities and data loss prevention, the Group and the Bank have specific risk units in place to perform surveillance over these areas.

Senior management attests annually to the CEO and the RMC regarding the adequacy and effectiveness of the internal control and risk management systems and also reports on key control deficiencies and accompanying remedial plans. Operational risk data (e.g. operational risk events, self-assessments) are collected and stored in operational risk management systems, analysed and reported regularly.

To mitigate operational losses, insurance programmes are in place to protect the Group and the Bank and its employees against adverse events. These programmes cover losses relating to crime, cyber risks, professional indemnity, Directors' and officers' liability, property damage and public liability.

Operational Risk Scenario Analysis

The Group and the Bank perform impact analysis on severe operational risk scenarios for the purpose of assessing the adequacy of operational risk capital requirements. The analysis forms part of the annual Group ICAAP.

Third-Party Risk Management

The Group and the Bank recognise the risks associated with third-party arrangements. The Group and the Bank have in place a third-party risk management programme to manage subcontractor risks in a structured, systematic and consistent manner. A Third-Party Risk Management Commitee ("TPRC"), comprising members from different risk and internal control functions, has been set up to support the ORC in managing the Group's and the Bank's third-party risk.

Physical and People Security Risk Management

The Group and the Bank recognise that their personnel and assets may be exposed to external threats. To address this ever changing threat landscape, the Group and the Bank have a programme to ensure that physical and security risk to people and assets are adequately addressed.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Business Continuity Risk Management

The Group and the Bank have a comprehensive and robust business continuity management programme that aims to minimise the interruption to essential business activities and services during times of crisis. This is achieved through the implementation of robust recovery strategies and business recovery plans which are reviewed and tested annually. Senior management also provides an annual attestation to the RMC which includes a measurement of the programme’s maturity across the entity, the extent of alignment to regulatory guidelines, and a declaration of acceptable residual risk.

Fraud Risk Management

The Group’s and the Bank's fraud risk management and whistle-blowing programmes help prevent and detect fraud or misconduct. Fraud incident reports, including root cause analysis, extent of damage, supporting remedial actions and recovery steps of major incidents, are regularly reported to the ORC and the RMC. Internal Audit independently reviews all fraud and whistle-blowing cases, and reports their finding to the Board Audit Committee.

Reputational Risk Management

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the Group’s and the Bank's image by customers, counterparties, shareholders, investors and regulators. The Group and the Bank have a reputational risk management programme which focuses on understanding and managing the Group's responsibilities towards its different stakeholders, and protecting the Group's and the Bank's reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management

The Group and the Bank have a fiduciary risk management programme to manage risks associated with fiduciary relationships from managing funds or providing other agency services. The programme provides guidelines on regular identification, assessment, monitoring and mitigation of fiduciary risk exposures, to ensure the Group’s and the Bank's compliance with applicable corporate standards.

Legal and Regulatory Risk Management

The Group and the Bank hold to high standards when conducting business and at all times observe and comply with applicable laws, rules and standards. The Group and the Bank have in place a compliance risk programme which defines the required environment and organisational components for managing the risk in a structured systematic and consistent manner. Each business unit is responsible for having adequate and effective controls to manage both legal and regulatory risks. Senior management provides the CEO and the RMC with an annual Regulatory Compliance Certification regarding the state of regulatory compliance.

Technology, Information and Cyber Risk Management

Technology, Information and Cyber Risk (“TICR”) management is an integral part of the ORM framework. The Group and the Bank adopt a holistic approach to ensure that these risks are properly monitored, assessed, mitigated and reported. Appropriate controls are in place to ensure confidentiality, integrity, and availability of the Group and the Bank information assets.

The Group and the Bank raise staff vigilance on cyber and information risk through regular awareness advisories, trainings and campaigns that include the use of simulated phishing emails. The Group and the Bank collaborate with industry participants and government agencies to share intelligence and counter measures against new forms of cyber attacks.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Shariah Governance

Shariah principles are the foundation of the practice of Islamic Finance through the observance of the tenets, conditions and principles espoused by Shariah to ensure all the operations and activities of OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") complies with Shariah rules and principles at all times. OCBC Al-Amin is governed by the Shariah Governance Framework (“SGF”) of OCBC Al-Amin which, in essence, sets out the following:

(i) Sets out the Shariah governance framework and structures to ensure that all its operations and business activities are in accordance with Shariah;

(ii) Outlines the responsibilities of the Board, Shariah Committee and Management of the Bank in discharging their respective duties in matters relating to Shariah;

(iii) Outlines the functions relating to key Shariah control functions consist of Shariah Review, Shariah Risk Management and Shariah Audit to ensure effective management of Shariah non-compliance risk; and

(iv) Outlines the roles of Shariah Secretariat in providing operational support for effective functioning of the Shariah Committee.

The SGF is applicable to all employees of OCBC Al-Amin and also extends to all employees of the Group who are involved in the business and operations of OCBC Al-Amin under shared services and other service providers under outsourcing arrangements.

Shariah Non-Compliance Risk

Shariah Non-Compliance Risk Management is a unique feature of the Group’s risk management framework. Shariah Non-Compliance Risk arises from Islamic banks’ failure to comply with the Shariah rules and principles as determined by BNM's Shariah Advisory Council (“SAC”), Securities Commission's SAC and OCBC Al-Amin's Shariah Committee.

The responsibility for complying with Shariah rules and principles, does not only lie/reside with the Board and the Management. As compliance with all relevant regulations is a key part of our organisational culture, every business division and their staff are also responsible and accountable for any breaches of applicable laws, guidelines, rules and regulations related to Islamic banking and finance. Pursuant to this, the Group is committed to promote a strong Shariah compliance risk culture.

During the life cycle of the products and services, the Shariah requirements that were embedded in the said products and services must also be strictly adhered to and failing which, the income generated from the Islamic Banking business potentially cannot be recognised and will be donated to charities.

The key components of the Group’s Shariah Non-Compliance Risk Management process are namely:

(i) *Risk Identification* – Identification of the potential Shariah Non-Compliance events.

(ii) *Risk Assessment/Measurement* – Assessment and measurement of the impact of the potential Shariah Non-Compliance Event. The process takes into account the existing controls that have been put in place and their effectiveness in mitigating the Shariah Non-Compliance Risk.

(iii) *Mitigation/Control/Awareness* – Shariah Non-Compliance Risk are mitigated by implementing and putting in place appropriate control measures, such as policies, guidelines and procedures on Shariah requirements. OCBC Al-Amin's Shariah Review team will periodically review the operations and processes of OCBC Al-Amin's activities and will escalate any potential non-compliance events to the Shariah Committee for decision. Training programmes are also being offered to all personnel that are involved in the Shariah Banking activities and operations.

(iv) *Monitoring & Reporting* – Establishing early warning, monitoring and reporting mechanism on Shariah Non-Compliance Risk exposures.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Shariah Governance (continued)

All potential Shariah Non-Compliant Events ("SNCEs") are initially assessed by Shariah Review Department (SRD) as the control function that is responsible for the assessment and submitted to the Bank's Shariah Committee for confirmation and decision in order to determine the status of the events and potential Shariah non-compliant income. All potential and actual SNCEs upon confirmation by Shariah Committee are to be reported to BNM within the required timeframe set by BNM.

There is no Shariah non-compliant income for the years 2021 and 2020.

41 CREDIT RISK

Credit risk is the risk of a financial loss to the Group and the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Bank's maximum credit exposure on the financial assets without taking into account any collateral held or other credit enhancements of the Group and the Bank equal their carrying amount as reported in the statements of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents*	4,655,031	2,768,014	2,770,853	2,925,506
Deposits and placements with banks and other financial institutions	449,227	344,182	670,103	665,147
Investment account placements	-	-	2,567,432	1,478,468
Financial assets at FVTPL	1,833,268	1,313,475	1,823,178	1,303,320
Financial investments at FVOCI**	18,780,550	20,000,823	15,261,656	15,796,272
Loans, advances and financing	65,831,689	66,273,563	53,398,910	55,030,346
Derivative financial assets	927,507	1,151,754	928,246	1,153,095
Other assets***	335,539	357,492	594,926	546,178
Contingent liabilities and commitments	28,147,316	28,030,837	24,880,325	24,908,587
	120,960,127	120,240,140	102,895,629	103,806,919

* Excluding cash in hand
** Excluding unquoted shares
*** Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis

Group	2021 Financial assets at FVTPL RM'000	2021 Financial investment at FVOCI RM'000	2021 Loans, advances and financing* RM'000	2021 Derivative financial assets RM'000	2021 Contingent liabilities and credit commitments RM'000	2020 Financial assets at FVTPL RM'000	2020 Financial investments at FVOCI RM'000	2020 Loans, advances and financing* RM'000	2020 Derivative financial assets RM'000	2020 Contingent liabilities and credit commitments RM'000
i) By issuer/counterparty										
Government and Central Bank	1,788,160	14,355,503	-	-	-	1,144,159	13,946,431	-	-	-
Foreign government	-	161,227	-	-	-	-	203,274	-	-	-
Public sector	-	892,076	-	-	-	29,880	564,137	-	-	-
Banks	28	540,442	-	529,295	147,975	2	2,231,958	-	767,539	144,054
Non-bank financial institutions	34,990	1,798,757	81	116,322	527,504	89,672	2,005,041	-	17,386	71,847
Business enterprise	10,090	1,032,545	10,005	199,136	18,005,040	49,762	1,049,982	19,387	321,182	18,301,471
Small and medium enterprises	-	-	60,354	-	4,641,470	-	-	100,309	-	4,514,527
Individuals	-	-	79,806	82,754	4,825,327	-	-	263,298	45,647	4,998,938
	1,833,268	18,780,550	150,246	927,507	28,147,316	1,313,475	20,000,823	382,994	1,151,754	28,030,837
ii) By geographical distribution										
Malaysia	1,833,240	17,957,508	140,136	721,707	27,077,405	1,313,458	19,072,807	368,695	950,783	27,064,851
Singapore	-	62,722	7,078	24,697	190,356	-	60,297	11,058	86,064	85,819
Other ASEAN countries	-	281,351	483	901	554,078	-	304,043	-	986	543,780
Rest of the world	28	478,969	2,549	180,202	325,477	17	563,676	3,241	113,921	336,387
	1,833,268	18,780,550	150,246	927,507	28,147,316	1,313,475	20,000,823	382,994	1,151,754	28,030,837

* Past due but not credit-impaired at gross loans, advances and financing. The analysis of loans, advances and financing is detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

	2021					2020				
Group (continued)	**Financial assets at FVTPL RM'000**	**Financial investment at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**
iii) By sector										
Agriculture, hunting, forestry and fishing	-	-	2,300	5,796	1,068,409	-	132,261	3,295	6,274	899,201
Mining and quarrying	-	175,445	-	133,051	320,373	-	-	358	176,109	359,071
Manufacturing	-	999	10,897	12,152	6,477,255	-	28,742	14,194	40,461	6,571,845
Electricity, gas and water	-	340,802	-	-	220,796	-	88,470	-	-	355,103
Construction	-	22,847	12,074	3,786	3,999,034	-	-	13,732	10,042	4,290,497
Real estate	-	-	8,106	4,311	2,184,414	17	-	20,747	12,910	2,212,926
Wholesale & retail trade and restaurants & hotels	-	51,459	28,395	5,728	3,884,438	-	55,913	49,017	5,323	4,271,017
Transport, storage and communication	-	216,809	2,590	32,536	682,440	9,648	144,949	1,795	65,067	641,231
Finance, insurance and business services	35,018	2,425,872	5,022	647,330	3,393,029	119,616	4,328,115	10,881	789,921	2,461,478
Community, social and personal services	10,090	984,442	1,056	-	1,050,729	-	-	5,025	-	924,872
Household										
- Purchase of residential properties	-	-	65,930	-	1,879,511	-	-	232,702	-	2,065,680
- Purchase of non-residential properties	-	-	4,967	-	-	-	-	8,550	-	-
- Others	-	-	8,909	82,816	2,979,877	-	-	22,045	45,647	2,973,156
Others	1,788,160	14,561,875	-	1	7,011	1,184,194	15,222,373	653	-	4,760
	1,833,268	18,780,550	150,246	927,507	28,147,316	1,313,475	20,000,823	382,994	1,151,754	28,030,837

* Past due but not credit-impaired at gross loans, advances and financing. The analysis of loans, advances and financing is detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

	2021					2020				
Group (continued)	**Financial assets at FVTPL RM'000**	**Financial investment at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**
iv) By residual maturity										
Within one year	515,027	6,503,369	21,199	270,323	17,454,051	598,296	7,265,426	51,761	345,640	15,601,851
One to five years	965,691	10,298,954	17,852	341,929	3,058,152	216,460	9,792,503	8,180	560,549	3,072,609
Over five years	352,550	1,978,227	111,195	315,255	7,635,113	498,719	2,942,894	323,053	245,565	9,356,377
	1,833,268	18,780,550	150,246	927,507	28,147,316	1,313,475	20,000,823	382,994	1,151,754	28,030,837
Bank										
i) By issuer/counterparty										
Government and Central Bank	1,788,160	11,730,485	-	-	-	1,144,159	11,177,523	-	-	-
Foreign government	-	161,226	-	-	-	-	179,034	-	-	-
Public sector	-	628,494	-	-	-	29,880	229,965	-	-	-
Banks	28	240,697	-	530,973	147,975	2	1,432,423	-	773,249	144,054
Non-bank financial institutions	34,990	1,534,037	81	116,317	520,811	89,672	1,769,332	-	17,352	66,200
Business enterprise	-	966,717	-	198,202	14,844,812	39,607	1,007,995	222	316,847	15,306,110
Small and medium enterprises	-	-	60,354	-	4,641,470	-	-	100,309	-	4,514,527
Individuals	-	-	67,297	82,754	4,725,257	-	-	228,279	45,647	4,877,696
	1,823,178	15,261,656	127,732	928,246	24,880,325	1,303,320	15,796,272	328,810	1,153,095	24,908,587
ii) By geographical distribution										
Malaysia	1,823,150	14,438,614	118,105	722,451	23,825,605	1,303,303	14,892,496	316,905	952,127	23,957,463
Singapore	-	62,722	7,078	24,697	190,356	-	60,297	8,664	86,064	85,819
Other ASEAN countries	-	281,351	-	896	542,207	-	279,803	-	983	535,494
Rest of the world	28	478,969	2,549	180,202	322,157	17	563,676	3,241	113,921	329,811
	1,823,178	15,261,656	127,732	928,246	24,880,325	1,303,320	15,796,272	328,810	1,153,095	24,908,587

* Past due but not credit-impaired at gross loans, advances and financing. The analysis of loans, advances and financing is detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

	2021					2020				
Bank (continued)	**Financial assets at FVTPL RM'000**	**Financial investment at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**
iii) By sector										
Agriculture, hunting, forestry and fishing	-	-	2,300	5,796	1,049,043	-	132,261	3,223	6,274	883,029
Mining and quarrying	-	175,445	-	133,051	288,683	-	-	-	176,109	262,493
Manufacturing	-	-	6,376	12,115	5,715,705	-	28,742	8,762	38,747	5,885,401
Electricity, gas and water	-	265,447	-	-	217,013	-	-	-	-	352,090
Construction	-	22,847	11,226	3,786	3,240,901	-	-	11,965	10,042	3,418,904
Real estate	-	-	7,658	3,513	1,731,134	17	-	20,407	10,455	1,913,257
Wholesale & retail trade and restaurants & hotels	-	51,459	25,127	5,630	3,480,319	-	55,913	45,083	5,157	3,902,645
Transport, storage and communication	-	196,457	2,301	32,536	392,443	9,648	114,102	1,056	65,067	454,864
Finance, insurance and business services	35,018	1,861,408	4,391	649,003	2,969,584	119,616	3,292,871	4,749	795,597	2,000,793
Community, social and personal services	-	751,738	1,056	-	1,036,183	-	-	4,633	-	917,517
Household										
- Purchase of residential properties	-	-	57,413	-	1,792,457	-	-	205,844	-	1,963,543
- Purchase of non-residential properties	-	-	4,967	-	-	-	-	8,550	-	-
- Others	-	-	4,917	82,816	2,966,860	-	-	13,885	45,647	2,954,051
Others	1,788,160	11,936,855	-	-	-	1,174,039	12,172,383	653	-	-
	1,823,178	15,261,656	127,732	928,246	24,880,325	1,303,320	15,796,272	328,810	1,153,095	24,908,587

* Past due but not credit-impaired at gross loans, advances and financing. The analysis of loans, advances and financing is detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

Bank (continued)	**2021** Financial assets at FVTPL RM'000	Financial investment at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	**2020** Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
iv) By residual maturity										
Within one year	510,015	4,857,251	18,191	270,502	15,332,454	598,296	5,449,529	44,122	345,468	14,963,112
One to five years	960,613	8,632,999	13,532	341,929	2,495,799	206,305	7,817,244	1,516	560,557	2,634,180
Over five years	352,550	1,771,406	96,009	315,815	7,052,072	498,719	2,529,499	283,172	247,070	7,311,295
	1,823,178	15,261,656	127,732	928,246	24,880,325	1,303,320	15,796,272	328,810	1,153,095	24,908,587

* Past due but not credit-impaired at gross loans, advances and financing. The analysis of loans, advances and financing are detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

v) By credit rating/internal grading and ECL stage

Group	**2021** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	**2020** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and cash equivalents	4,655,031	-	-	4,655,031	2,768,014	-	-	2,768,014
Deposits and placements with banks and other financial institutions	449,227	-	-	449,227	344,182	-	-	344,182

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

v) By credit rating/internal grading and ECL stage (continued)

	2021				2020			
Group (continued)	**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**
Financial assets at FVTPL*								
Government and central bank (unrated)	-	-	-	1,339,164	-	-	-	1,018,388
Government (AAA to BBB)	-	-	-	448,995	-	-	-	125,770
Investment grade (AAA to BBB)	-	-	-	10,119	-	-	-	159,670
Unrated	-	-	-	34,990	-	-	-	9,647
	-	-	-	1,833,268	-	-	-	1,313,475
Financial investments at FVOCI								
Government (AAA to BBB)	4,063,813	-	-	4,063,813	9,077,922	-	-	9,077,922
Government and central bank (unrated)	10,291,692	-	-	10,291,692	4,868,509	-	-	4,868,509
Foreign government (AAA to BBB)	161,225	-	-	161,225	-	-	-	-
Foreign government (unrated)	-	-	-	-	203,272	-	-	203,272
Investment grade (AAA to BBB)	2,135,589	72,185	-	2,207,774	1,925,813	-	-	1,925,813
Unrated	2,035,694	20,352	-	2,056,046	3,925,307	-	-	3,925,307
	18,688,013	92,537	-	18,780,550	20,000,823	-	-	20,000,823

* ECL stage is not disclosed for financial assets at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

v) By credit rating/internal grading and ECL stage (continued)

	2021				2020			
Group (continued)	**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**
Contingent liabilities and commitments (excluding derivative assets)								
Pass	24,964,481	2,639,656	-	27,604,137	25,593,689	1,951,047	-	27,544,736
Special Mention	-	390,980	-	390,980	-	379,858	-	379,858
Credit-impaired	-	-	152,199	152,199	-	-	106,243	106,243
	24,964,481	3,030,636	152,199	28,147,316	25,593,689	2,330,905	106,243	28,030,837

	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**
Cash and cash equivalents	2,770,853	-	-	2,770,853	2,925,506	-		2,925,506
Deposits and placements with banks and other financial institutions	670,103	-	-	670,103	665,147	-	-	665,147
Investment account placements	2,480,045	82,446	4,941	2,567,432	1,319,233	-	159,235	1,478,468
Financial assets at FVTPL*								
Government and central bank (unrated)	-	-	-	1,339,164	-	-	-	1,018,388
Government (AAA to BBB)	-	-	-	448,995	-	-	-	125,770
Investment grade (AAA to BBB)	-	-	-	29	-	-	-	149,515
Unrated	-	-	-	34,990	-	-	-	9,647
	-	-	-	1,823,178	-	-	-	1,303,320

* ECL stage is not disclosed for financial assets at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

v) By credit rating/internal grading and ECL stage (continued)

Bank (continued)	**2021**				**2020**			
	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**
Financial investments at FVOCI								
Government (AAA to BBB)	3,793,474	-	-	3,793,474	6,690,971	-	-	6,690,971
Government and central bank (unrated)	7,937,011	-	-	7,937,011	4,486,553	-	-	4,486,553
Foreign government (AAA to BBB)	161,225	-	-	161,225	-	-	-	-
Foreign government (unrated)	-	-	-	-	179,032	-	-	179,032
Investment grade (AAA to BBB)	1,929,965	72,185	-	2,002,150	1,822,865	-	-	1,822,865
Unrated	1,367,796	-	-	1,367,796	2,616,851	-	-	2,616,851
	15,189,471	72,185	-	15,261,656	15,796,272	-	-	15,796,272
Contingent liabilities and commitments (excluding derivative assets)								
Pass	22,753,512	1,703,514	-	24,457,026	23,425,334	1,239,883	-	24,665,217
Special Mention	-	337,520	-	337,520	-	207,358	-	207,358
Credit-impaired	-	-	85,779	85,779	-	-	36,012	36,012
	22,753,512	2,041,034	85,779	24,880,325	23,425,334	1,447,241	36,012	24,908,587

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing

Credit quality

Loans, advances and financing are categorised according to the Group's and the Bank's customer classification grades as Pass, Special Mention, Substandard, Doubtful and Loss.

Loans, advances and financing classified as Pass and Special Mention are not credit-impaired whereas Substandard, Doubtful and Loss are credit-impaired.

Past due but not credit-impaired are loans, advances and financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes financing which are past due one or more days after the contractual due date but less than 3 months.

Credit quality and ECL stage

	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**
Neither past due nor credit-impaired								
(i) By internal grading								
Pass	45,418,447	7,562,545	-	52,980,992	51,873,222	8,155,675	-	60,028,897
Special Mention	-	10,813,930	-	10,813,930	-	4,427,920	-	4,427,920
	45,418,447	18,376,475	-	63,794,922	51,873,222	12,583,595	-	64,456,817
Past due but not credit-impaired								
(i) By period overdue								
Less than 2 months	-	92,208	-	92,208	-	238,887	-	238,887
2 months to less than 3 months	-	33,223	-	33,223	-	113,496	-	113,496
	-	125,431	-	125,431	-	352,383	-	352,383
Credit-impaired								
Past due	-	-	925,147	925,147	-	-	771,616	771,616
Not past due	-	-	986,189	986,189	-	-	692,747	692,747
	-	-	1,911,336	1,911,336	-	-	1,464,363	1,464,363
Total	45,418,447	18,501,906	1,911,336	65,831,689	51,873,222	12,935,978	1,464,363	66,273,563

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Credit quality and ECL stage (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**
Neither past due nor credit-impaired								
(i) By internal grading								
Pass	36,261,983	5,923,345	-	42,185,328	43,052,900	7,076,238	-	50,129,138
Special Mention	-	9,522,286	-	9,522,286	-	3,604,421	-	3,604,421
	36,261,983	15,445,631	-	51,707,614	43,052,900	10,680,659	-	53,733,559
Past due but not credit-impaired								
(i) By period overdue								
Less than 2 months	-	80,204	-	80,204	-	198,052	-	198,052
2 months to less than 3 months	-	23,413	-	23,413	-	100,148	-	100,148
	-	103,617	-	103,617	-	298,200	-	298,200
Credit-impaired								
Past due	-	-	748,688	748,688	-	-	547,179	547,179
Not past due	-	-	838,991	838,991	-	-	451,408	451,408
	-	-	1,587,679	1,587,679	-	-	998,587	998,587
Total	36,261,983	15,549,248	1,587,679	53,398,910	43,052,900	10,978,859	998,587	55,030,346

The past due but not credit-impaired loans, advances and financing are classified as part of Special Mention.
The analysis of credit-impaired loans, advances and financing are disclosed in Note 9(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Collateral

(i) The main types of collateral obtained by the Group and the Bank are as follows:

- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, charges over the properties being financed;
- For vehicle loans/financing, charges over the vehicles being financed;
- For other loans/financing, charges over business assets such as premises, inventories, trade receivables, shares, equipment or deposits.

(ii) The quantification of the extent to which collateral and other credit enhancements mitigate credit risk and that best represents the maximum exposure to credit risk for credit-impaired loans, advances and financing is as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fair value of collateral held against the covered portion of credit-impaired loans, advances and financing	2,521,672	1,762,817	2,096,478	1,496,509
Covered portion of credit-impaired loans, advances and financing	1,754,050	1,155,419	1,409,776	950,350
Uncovered portion of credit-impaired loans, advances and financing	689,212	773,696	488,934	363,674
	2,443,262	1,929,115	1,898,710	1,314,024

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK

The tables below show the Group's and the Bank's maturity analysis of assets and liabilities based on remaining contractual maturities and/or their behavioral profile.

Group	Gross Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2021								
Cash and cash equivalents*	4,828,559	4,828,559	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions*	449,235	449,235	-	-	-	-	-	-
Financial assets at FVTPL	1,833,268	145,494	105,603	263,931	624,834	340,857	352,549	-
Financial investments at FVOCI	18,896,597	2,195,891	2,946,934	1,360,545	6,408,383	3,890,569	1,978,228	116,047
Loans, advances and financing*	67,755,017	16,331,767	2,535,648	2,352,114	8,519,201	7,641,519	30,374,768	-
Derivative financial assets	927,507	106,358	86,381	77,585	242,261	99,668	315,254	-
Statutory deposits with Bank Negara Malaysia	63,937	-	-	-	-	-	-	63,937
Other balances**	823,872	203,025	5,956	33,683	54,367	33,008	24,637	469,196
Total assets	95,577,992	24,260,329	5,680,522	4,087,858	15,849,046	12,005,621	33,045,436	649,180
Deposits from customers	73,986,617	59,917,215	8,831,872	5,152,714	76,694	8,122	-	-
Deposits and placements of banks and other financial institutions	5,648,806	3,082,687	1,879,378	1,035	10,279	252,271	423,156	-
Bills and acceptances payable	56,827	56,827	-	-	-	-	-	-
Derivative financial liabilities	860,074	89,974	95,029	56,138	160,802	120,345	337,786	-
Other balances***	2,641,499	762,390	286,172	331,401	164,735	719,564	282,862	94,375
Lease liabilities	24,429	3,263	3,297	6,554	10,889	338	88	-
Subordinated bonds	1,509,279	459,279	-	500,000	-	-	550,000	-
Total liabilities	84,727,531	64,371,635	11,095,748	6,047,842	423,399	1,100,640	1,593,892	94,375

* Stated at gross before ECL allowance.

** Other balances consist of other assets, property and equipment, ROU assets, tax recoverable, deferred tax assets and excludes ECL/impairment allowances on other receivables.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK (continued)

Group (continued)	**Gross Carrying amount RM'000**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**
2020								
Cash and cash equivalents*	2,926,224	2,926,224	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions*	344,182	344,182	-	-	-	-	-	-
Financial assets at FVTPL	1,313,475	125,590	347,751	124,954	211,329	5,131	498,720	-
Financial investments at FVOCI	20,112,853	3,968,693	1,948,830	1,347,904	6,776,750	3,015,752	2,942,894	112,030
Loans, advances and financing*	67,735,783	17,094,094	2,306,465	2,331,037	8,628,838	5,960,659	31,414,690	-
Derivative financial assets	1,151,754	113,539	92,648	139,453	262,959	297,590	245,565	-
Statutory deposits with Bank Negara Malaysia	97,601	-	-	-	-	-	-	97,601
Other balances**	640,945	201,806	4,728	26,253	74,543	28,656	42,202	262,757
Total assets	94,322,817	24,774,128	4,700,422	3,969,601	15,954,419	9,307,788	35,144,071	472,388
Deposits from customers	73,375,532	57,375,614	11,364,148	4,557,115	66,874	11,781	-	-
Deposits and placements of banks and other financial institutions	5,195,681	4,301,577	602,193	1,156	15,267	275,488	-	-
Bills and acceptances payable	88,737	88,737	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	700,000	-	-	-	-	-
Derivative financial liabilities	1,229,790	231,282	129,085	60,568	251,021	237,443	320,391	-
Other balances***	1,973,799	741,950	221,297	211,544	321,147	233,958	152,841	91,062
Lease liabilities	27,739	3,509	3,154	5,594	14,499	858	125	-
Subordinated bonds	1,491,327	441,327	-	-	500,000	-	550,000	-
Total liabilities	84,082,605	63,183,996	13,019,877	4,835,977	1,168,808	759,528	1,023,357	91,062

* Stated at gross before ECL allowance.
** Other balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.
*** Other balances consist of other liabilities, tax payable and zakat and excludes lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK (continued)

Bank	Gross Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2021								
Cash and cash equivalents*	2,916,924	2,916,924	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions*	670,111	670,111	-	-	-	-	-	-
Investment account placements	2,603,872	2,566,162	-	-	-	-	37,710	-
Financial assets at FVTPL	1,823,178	145,494	100,591	263,931	619,756	340,857	352,549	-
Financial investments at FVOCI	15,377,703	1,330,652	2,379,696	1,146,904	5,204,578	3,428,419	1,771,407	116,047
Loans, advances and financing*	54,847,947	12,660,280	2,379,599	1,829,685	7,404,720	4,894,528	25,679,135	-
Derivative financial assets	928,246	106,462	86,425	77,615	242,261	99,668	315,815	-
Statutory deposits with Bank Negara Malaysia	63,937	-	-	-	-	-	-	63,937
Other balances**	1,575,541	251,129	206,772	15,907	53,753	39,921	28,487	979,572
Total assets	80,807,459	20,647,214	5,153,083	3,334,042	13,525,068	8,803,393	28,185,103	1,159,556
Deposits from customers	61,046,763	49,345,791	7,196,568	4,424,481	71,964	7,959	-	-
Deposits and placements of banks and other financial institutions	5,620,070	3,059,037	1,878,867	-	7,635	251,375	423,156	-
Bills and acceptances payable	44,497	44,497	-	-	-	-	-	-
Derivative financial liabilities	860,439	90,242	95,096	56,168	160,801	120,345	337,787	-
Other balances***	2,530,503	707,003	273,292	324,874	164,553	719,564	268,083	73,134
Lease liabilities	21,620	2,890	2,921	5,791	9,592	338	88	-
Subordinated bonds	1,509,279	459,279	-	500,000	-	-	550,000	-
Total liabilities	71,633,171	53,708,739	9,446,744	5,311,314	414,545	1,099,581	1,579,114	73,134

* Stated at gross before ECL allowance.

** Other balances consist of other assets, investment in subsidiaries, property and equipment, ROU assets, deferred tax assets and excludes ECL/impairment allowances on other receivables.

*** Other balances consist of other liabilities and tax payable and excludes lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK (continued)

Bank (continued)	**Gross Carrying amount RM'000**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**
2020								
Cash and cash equivalents*	3,056,716	3,056,716	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions*	665,147	665,147	-	-	-	-	-	-
Investment account placements	1,513,013	1,285,664	-	-	-	-	227,349	-
Financial assets at FVTPL	1,303,320	125,590	347,751	124,954	206,288	17	498,720	-
Financial investments at FVOCI	15,908,302	2,815,013	1,613,592	1,020,925	5,256,626	2,560,617	2,529,499	112,030
Loans, advances and financing*	56,132,917	13,530,558	2,009,677	2,310,630	7,559,886	4,367,642	26,354,524	-
Derivative financial assets	1,153,095	113,367	92,648	139,453	262,959	297,598	247,070	-
Statutory deposits with Bank Negara Malaysia	97,601	-	-	-	-	-	-	97,601
Other balances**	1,356,901	208,812	4,512	210,810	60,462	28,324	38,438	805,543
Total assets	81,187,012	21,800,867	4,068,180	3,806,772	13,346,221	7,254,198	29,895,600	1,015,174
Deposits from customers	61,882,313	47,918,373	9,875,122	4,013,882	63,468	11,468	-	-
Deposits and placements of banks and other financial institutions	5,157,288	4,267,596	601,810	382	12,415	275,085	-	-
Bills and acceptances payable	73,673	73,673	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	700,000	-	-	-	-	-
Derivative financial liabilities	1,229,826	231,318	129,085	60,568	251,021	237,443	320,391	-
Other balances***	1,911,844	721,395	206,250	208,447	320,863	233,957	150,740	70,192
Lease liabilities	23,259	3,055	2,703	4,787	11,821	768	125	-
Subordinated bonds	1,491,327	441,327	-	-	500,000	-	550,000	-
Total liabilities	72,469,530	53,656,737	11,514,970	4,288,066	1,159,588	758,721	1,021,256	70,192

* Stated at gross before ECL allowance.
** Other balances consist of other assets, investment in subsidiaries, property and equipment, ROU assets and deferred tax assets.
*** Other balances consist of other liabilities and tax payable and excludes lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK (continued)

The tables below show the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. The expected cash flows of these liabilities could vary significantly from what is shown in the table.

Group	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2021							
Non-derivative financial liabilities							
Deposits from customers	60,027,742	8,952,270	5,246,260	79,557	9,099	-	74,314,928
Deposits and placements of banks and other financial institutions	3,088,406	1,881,588	1,035	10,279	252,271	423,156	5,656,735
Bills and acceptances payable	56,827	-	-	-	-	-	56,827
Other balances*	684,714	231,732	291,456	203,373	747,632	290,982	2,449,889
Lease liabilities	45,231	3,434	6,756	11,106	350	92	66,969
Subordinated bonds	482,161	11,762	519,601	31,900	31,900	613,800	1,691,124
	64,385,081	11,080,786	6,065,108	336,215	1,041,252	1,328,030	84,236,472
Commitments and contingencies							
Direct credit substitutes	50,404	32,231	51,481	4,231	784	-	139,131
Transaction-related contingent items	597,232	291,087	556,316	965,090	555,506	88,270	3,053,501
Short-term self-liquidating trade-related contingencies	298,840	31,124	3,621	-	-	-	333,585
Formal standby facilities and credit lines							
- Original maturity up to one year	3,000	10,000	-	-	-	-	13,000
- Original maturity over one year	84,934	139,491	272,627	891,522	639,198	2,902,582	4,930,354
Other unconditionally cancellable commitments	15,031,608	-	-	1,875	-	4,644,262	19,677,745
	16,066,018	503,933	884,045	1,862,718	1,195,488	7,635,114	28,147,316

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK (continued)

Group (continued)	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2021							
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	126	-	-	-	-	-	126
- Interest rate derivatives	53,646	40,675	58,074	120,779	52,794	66,987	392,955
- Equity and other derivatives	55,858	35,470	24,896	1,005	9,210	103,074	229,513
	109,630	76,145	82,970	121,784	62,004	170,061	622,594
Hedging:							
- Interest rate derivatives	689	874	1,298	(26)	(1,676)	-	1,159
	110,319	77,019	84,268	121,758	60,328	170,061	623,753
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	4,349,254	3,469,227	1,316,858	3,318,236	2,167,732	300,761	14,922,068
- Inflow	(4,405,605)	(3,447,434)	(1,344,326)	(3,422,716)	(2,113,249)	(322,468)	(15,055,798)
	53,968	98,812	56,800	17,278	114,811	148,354	490,023
2020							
Non-derivative financial liabilities							
Deposits from customers	57,550,174	11,582,900	4,641,935	69,868	13,422	-	73,858,299
Deposits and placements of banks and other financial institutions	4,307,914	603,227	1,156	15,267	275,488	-	5,203,052
Bills and acceptances payable	88,737	-	-	-	-	-	88,737
Recourse obligation on loans sold to Cagamas Berhad	-	715,470	-	-	-	-	715,470
Other balances*	599,460	99,695	147,300	341,569	243,846	155,017	1,586,887
Lease liabilities	3,716	3,345	5,875	14,892	881	132	28,841
Subordinated bonds	464,209	7,975	19,600	555,150	31,900	550,000	1,628,834
	63,014,210	13,012,612	4,815,866	996,746	565,537	705,149	83,110,120

* Excludes the balances of RM94 million (2020: RM91 million) which have no specific maturity.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK (continued)

Group (continued)	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2020							
Commitments and contingencies							
Direct credit substitutes	101,842	105,392	96,955	60,871	1,002	-	366,062
Transaction-related contingent items	415,577	248,166	582,427	1,022,151	564,364	40,666	2,873,351
Short-term self-liquidating trade-related contingencies	252,698	19,558	4,000	-	-	-	276,256
Formal standby facilities and credit lines							
- Original maturity up to one year	32,000	40,000	20,000	-	-	-	92,000
- Original maturity over one year	26,187	157,448	313,689	696,319	728,653	3,182,143	5,104,439
Other unconditionally cancellable commitments	-	-	14,592,205	-	-	4,726,524	19,318,729
	828,304	570,564	15,609,276	1,779,341	1,294,019	7,949,333	28,030,837
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	3,824	-	-	-	-	-	3,824
- Interest rate derivatives	83,333	71,754	127,983	259,543	86,804	33,259	662,676
- Equity and other derivatives	14,661	7,910	6,215	17,141	17,573	-	63,500
	101,818	79,664	134,198	276,684	104,377	33,259	730,000
Hedging:							
- Interest rate derivatives	455	169	650	1,167	(282)	(507)	1,652
	102,273	79,833	134,848	277,851	104,095	32,752	731,652
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	7,797,413	3,574,611	703,734	2,469,511	1,891,888	586,851	17,024,008
- Inflow	(7,591,193)	(3,498,298)	(730,911)	(2,514,278)	(1,970,826)	(585,252)	(16,890,758)
	308,493	156,146	107,671	233,084	25,157	34,351	864,902

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK (continued)

Bank	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2021							
Non-derivative financial liabilities							
Deposits from customers	49,435,580	7,292,695	4,504,488	74,686	8,928	-	61,316,377
Deposits and placements of banks and other financial institutions	3,061,325	1,881,077	-	7,635	251,375	423,156	5,624,568
Bills and acceptances payable	44,497	-	-	-	-	-	44,497
Other balances*	642,438	231,158	291,151	203,207	747,631	276,203	2,391,788
Lease liabilities	44,823	3,029	5,950	9,770	350	92	64,014
Subordinated bonds	482,161	7,975	519,600	31,900	31,900	613,800	1,687,336
	53,710,824	9,415,934	5,321,189	327,198	1,040,184	1,313,251	71,128,580
Commitments and contingencies							
Direct credit substitutes	40,250	31,128	18,710	2,715	784	-	93,587
Transaction-related contingent items	553,046	270,562	505,394	798,826	498,373	61,711	2,687,912
Short-term self-liquidating trade-related contingencies	248,057	31,124	3,621	-	-	-	282,802
Formal standby facilities and credit lines							
- Original maturity up to one year	-	10,000	-	-	-	-	10,000
- Original maturity over one year	82,247	135,960	270,385	659,467	533,759	2,648,267	4,330,085
Other unconditionally cancellable commitments	13,131,970	-	-	1,875	-	4,342,094	17,475,939
	14,055,570	478,774	798,110	1,462,883	1,032,916	7,052,072	24,880,325
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	126	-	-	-	-	-	126
- Interest rate derivatives	53,646	40,675	58,074	120,779	52,794	66,987	392,955
- Equity and other derivatives	55,858	35,470	24,896	1,005	9,210	103,074	229,513
	109,630	76,145	82,970	121,784	62,004	170,061	622,594
Hedging:							
- Interest rate derivatives	689	874	1,298	(26)	(1,676)	-	1,159
	110,319	77,019	84,268	121,758	60,328	170,061	623,753

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK (continued)

Bank (continued)	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2021							
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	4,438,826	3,471,180	1,316,858	3,318,236	2,167,732	300,762	15,013,594
- Inflow	(4,494,807)	(3,449,352)	(1,344,326)	(3,422,716)	(2,113,249)	(322,467)	(15,146,917)
	54,338	98,847	56,800	17,278	114,811	148,356	490,430
2020							
Non-derivative financial liabilities							
Deposits from customers	48,052,119	10,065,673	4,088,264	66,356	13,076	-	62,285,488
Deposits and placements of banks and other financial institutions	4,271,260	602,844	382	12,415	275,085	-	5,161,986
Bills and acceptances payable	73,673	-	-	-	-	-	73,673
Recourse obligation on loans sold to Cagamas Berhad	-	715,470	-	-	-	-	715,470
Other balances*	610,358	99,213	146,939	341,304	243,846	152,916	1,594,576
Lease liabilities	3,239	2,868	5,024	12,145	790	132	24,198
Subordinated bonds	464,209	7,975	19,600	555,150	31,900	550,000	1,628,834
	53,474,858	11,494,043	4,260,209	987,370	564,697	703,048	71,484,225
Commitments and contingencies							
Direct credit substitutes	81,842	88,313	87,346	28,547	785	-	286,833
Transaction-related contingent items	366,483	229,434	536,751	839,501	489,473	28,196	2,489,838
Short-term self-liquidating trade-related contingencies	221,984	18,870	4,000	-	-	-	244,854
Formal standby facilities and credit lines							
- Original maturity up to one year	32,000	-	20,000	-	-	-	52,000
- Original maturity over one year	22,396	145,448	301,188	552,648	723,226	2,865,397	4,610,303
Other unconditionally cancellable commitments	-	-	12,807,057	-	-	4,417,702	17,224,759
	724,705	482,065	13,756,342	1,420,696	1,213,484	7,311,295	24,908,587

* Excludes the balances of RM73 million (2020: RM70 million) which have no specific maturity.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

42 LIQUIDITY RISK (continued)

Bank (continued)	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2020							
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	3,824	-	-	-	-	-	3,824
- Interest rate derivatives	83,333	71,754	127,983	259,543	86,804	33,259	662,676
- Equity and other derivatives	14,661	7,910	6,215	17,141	17,573	-	63,500
	101,818	79,664	134,198	276,684	104,377	33,259	730,000
Hedging:							
- Interest rate derivatives	455	169	650	1,167	(282)	(507)	1,652
	102,273	79,833	134,848	277,851	104,095	32,752	731,652
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	7,803,259	3,574,611	703,734	2,469,511	1,891,889	586,851	17,029,855
- Inflow	(7,597,003)	(3,498,298)	(730,911)	(2,514,278)	(1,970,826)	(585,252)	(16,896,568)
	308,529	156,146	107,671	233,084	25,158	34,351	864,939

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

43 INTEREST/PROFIT RATE RISK

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/profit rate risk. The assets and liabilities at carrying amounts are categorised by the earlier of the next contractual repricing and maturity dates.

	Non-trading Book							
Group	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2021								
Assets								
Cash and cash equivalents	4,221,818	-	-	-	-	606,710	-	4,828,528
Deposits and placements with banks and other financial institutions	449,235	-	-	-	-	(8)	-	449,227
Financial assets at FVTPL	-	5,012	5,078	-	-	-	1,823,178	1,833,268
Financial investments at FVOCI	2,287,461	4,215,909	6,408,383	3,890,569	1,978,228	116,047	-	18,896,597
Loans, advances and financing								
- Non credit-impaired	60,351,537	1,954,442	1,462,497	921,889	597,546	(1,367,558)	-	63,920,353
- Credit-impaired	-	-	-	-	-	1,911,336	-	1,911,336
Derivative financial assets	-	-	-	321	-	-	927,186	927,507
Other assets	-	-	-	-	-	350,468	-	350,468
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	63,937	-	63,937
Property and equipment	-	-	-	-	-	147,231	-	147,231
ROU assets	-	-	-	-	-	25,523	-	25,523
Tax recoverable	-	-	-	-	-	15,575	-	15,575
Deferred tax assets	-	-	-	-	-	285,075	-	285,075
	67,310,051	6,175,363	7,875,958	4,812,779	2,575,774	2,154,336	2,750,364	93,654,625

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Group (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2021								
Liabilities								
Deposits from customers	29,599,992	13,984,315	18,021,075	8,122	-	12,373,113	-	73,986,617
Deposits and placements of banks and other financial institutions	3,016,886	1,878,867	-	17,718	398	734,937	-	5,648,806
Bills and acceptances payable	-	-	-	-	-	56,827	-	56,827
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	904	216	173	-	858,781	860,074
Other liabilities	245,359	479,338	155,702	715,330	250,000	798,073	-	2,643,802
Tax payable and zakat	-	-	-	-	-	22,126	-	22,126
Subordinated bonds	459,279	500,000		-	550,000	-	-	1,509,279
	33,321,516	16,842,520	18,177,681	741,386	800,571	13,985,076	858,781	84,727,531
On-statement of financial position interest/profit sensitivity gap	33,988,535	(10,667,157)	(10,301,723)	4,071,393	1,775,203	(11,830,740)	1,891,583	8,927,094
Off-statement of financial position interest/profit sensitivity gap	-	-	-	-	-	-	-	-
Total interest/profit sensitivity gap	33,988,535	(10,667,157)	(10,301,723)	4,071,393	1,775,203	(11,830,740)	1,891,583	8,927,094

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Group (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2020								
Assets								
Cash and cash equivalents	2,497,941	-	-	-	-	428,265	-	2,926,206
Deposits and placements with banks and other financial institutions	344,182	-	-	-	-	-	-	344,182
Financial assets at FVTPL	-	-	-	-	-	-	1,313,475	1,313,475
Financial investments at FVOCI	4,140,822	3,214,514	6,686,841	3,015,752	2,942,894	112,030	-	20,112,853
Loans, advances and financing								
- Non credit-impaired	61,037,274	1,671,929	934,925	1,343,755	384,869	(563,551)	-	64,809,201
- Credit-impaired	-	-	-	-	-	1,464,362	-	1,464,362
Derivative financial assets	-	-	-	321	-	-	1,151,433	1,151,754
Other assets	-	-	-	-	-	374,921	-	374,921
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	97,601	-	97,601
Property and equipment	-	-	-	-	-	152,014	-	152,014
ROU assets	-	-	-	-	-	30,757	-	30,757
Tax recoverable	-	-	-	-	-	11,068	-	11,068
Deferred tax assets	-	-	-	-	-	68,797	-	68,797
	68,020,219	4,886,443	7,621,766	4,359,828	3,327,763	2,176,264	2,464,908	92,857,191

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

Group (continued)	*Non-trading Book* Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000
2020								
Liabilities								
Deposits from customers	29,617,891	15,921,053	16,946,344	11,781	-	10,878,463	-	73,375,532
Deposits and placements of banks and other financial institutions	4,253,749	602,192	12,415	275,085	-	52,240	-	5,195,681
Bills and acceptances payable	-	-	-	-	-	88,737	-	88,737
Recourse obligation on loans sold to Cagamas Berhad	-	700,000		-	-	-	-	700,000
Derivative financial liabilities	-	-	904	216	173	-	1,228,497	1,229,790
Other liabilities	177,706	217,574	309,576	232,550	150,000	869,687	-	1,957,093
Tax payable and zakat	-	-	-	-	-	44,445	-	44,445
Subordinated bonds	441,327	(200,000)	700,000	-	550,000	-	-	1,491,327
	34,490,673	17,240,819	17,969,239	519,632	700,173	11,933,572	1,228,497	84,082,605
On-statement of financial position interest/profit sensitivity gap	33,529,546	(12,354,376)	(10,347,473)	3,840,196	2,627,590	(9,757,308)	1,236,411	8,774,586
Off-statement of financial position interest/profit sensitivity gap	420,060	-	(110,060)	(210,000)	(100,000)	-	-	-
Total interest/profit sensitivity gap	33,949,606	(12,354,376)	(10,457,533)	3,630,196	2,527,590	(9,757,308)	1,236,411	8,774,586

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Bank	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2021								
Assets								
Cash and cash equivalents	2,411,583	-	-	-	-	505,310	-	2,916,893
Deposits and placements with banks and other financial institutions	670,111	-	-	-	-	(8)	-	670,103
Investment account placements	2,566,162	-	-	-	-	1,270	-	2,567,432
Financial assets at FVTPL	-	-	-	-	-	-	1,823,178	1,823,178
Financial investments at FVOCI	1,422,222	3,435,030	5,204,578	3,428,419	1,771,407	116,047	-	15,377,703
Loans, advances and financing								
- Non credit-impaired	49,173,163	1,519,836	1,094,777	641,011	540,355	(1,157,911)	-	51,811,231
- Credit-impaired	-	-		-	-	1,587,679	-	1,587,679
Derivative financial assets	-	-	-	321	-	-	927,925	928,246
Other assets	-	200,000	-	-	-	409,400	-	609,400
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	63,937	-	63,937
Investment in subsidiaries	-	-	-	-	-	557,051	-	557,051
Property and equipment	-	-	-	-	-	142,856	-	142,856
ROU assets	-	-	-	-	-	22,769	-	22,769
Deferred tax assets	-	-	-	-	-	243,465	-	243,465
	56,243,241	5,154,866	6,299,355	4,069,751	2,311,762	2,491,865	2,751,103	79,321,943

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Bank (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2021								
Liabilities								
Deposits from customers	24,118,109	11,621,050	14,359,886	7,959	-	10,939,759	-	61,046,763
Deposits and placements of banks and other financial institutions	3,016,885	1,878,867	-	17,718	398	706,202	-	5,620,070
Bills and acceptances payable	-	-	-	-	-	44,497	-	44,497
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	904	216	173	-	859,146	860,439
Other liabilities	245,359	479,338	155,702	715,330	250,000	687,190	-	2,532,919
Tax payable and zakat	-	-	-	-	-	19,204	-	19,204
Subordinated bonds	459,279	500,000	-	-	550,000	-	-	1,509,279
	27,839,632	14,479,255	14,516,492	741,223	800,571	12,396,852	859,146	71,633,171
On-statement of financial position interest/profit sensitivity gap	28,403,609	(9,324,389)	(8,217,137)	3,328,528	1,511,191	(9,904,987)	1,891,957	7,688,772
Off-statement of financial position interest/profit sensitivity gap	735,876,300	(20,876,300)	(90,000,000)	(485,000,000)	(140,000,000)	-	-	-
Total interest/profit sensitivity gap	764,279,909	(30,200,689)	(98,217,137)	(481,671,472)	(138,488,809)	(9,904,987)	1,891,957	7,688,772

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Bank (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2020								
Assets								
Cash and cash equivalents	2,719,156	-	-	-	-	337,542	-	3,056,698
Deposits and placements with banks and other financial institutions	665,147	-	-	-	-	-	-	665,147
Investment account placements	1,285,664	-	-	-	-	192,804	-	1,478,468
Financial assets at FVTPL	-	-	-	-	-	-	1,303,320	1,303,320
Financial investments at FVOCI	2,987,142	2,552,297	5,166,717	2,560,617	2,529,499	112,030	-	15,908,302
Loans, advances and financing								
- Non credit-impaired	51,358,258	1,364,481	678,161	761,748	261,545	(392,434)	-	54,031,759
- Credit-impaired	-	-	-	-	-	998,587	-	998,587
Derivative financial assets	-	-	-	321	-	-	1,152,774	1,153,095
Other assets	-	200,000	-	-	-	362,845	-	562,845
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	97,601	-	97,601
Investment in subsidiaries	-	-	-	-	-	557,051	-	557,051
Property and equipment	-	-	-	-	-	146,575	-	146,575
ROU assets	-	-	-	-	-	26,309	-	26,309
Deferred tax assets	-	-	-	-	-	60,733	-	60,733
	59,015,367	4,116,778	5,844,878	3,322,686	2,791,044	2,499,643	2,456,094	80,046,490

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Bank (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2020								
Liabilities								
Deposits from customers	24,302,503	13,889,004	14,110,153	11,468	-	9,569,185	-	61,882,313
Deposits and placements of banks and other financial institutions	4,253,748	602,192	12,415	275,085	-	13,848	-	5,157,288
Bills and acceptances payable	-	-	-	-	-	73,673	-	73,673
Recourse obligation on loans sold to Cagamas Berhad	-	700,000	-	-	-	-	-	700,000
Derivative financial liabilities	-	-	904	216	173	-	1,228,533	1,229,826
Other liabilities	177,706	217,574	309,576	232,550	150,000	803,302	-	1,890,708
Tax payable and zakat	-	-	-	-	-	44,395	-	44,395
Subordinated bonds	441,327	-	500,000	-	550,000	-	-	1,491,327
	29,175,284	15,408,770	14,933,048	519,319	700,173	10,504,403	1,228,533	72,469,530
On-statement of financial position interest/profit sensitivity gap	(29,175,284)	(15,408,770)	(14,933,048)	(519,319)	(700,173)	(10,504,403)	(1,228,533)	(72,469,530)
Off-statement of financial position interest/profit sensitivity gap	420,060	-	(110,060)	(210,000)	(100,000)	-	-	-
Total interest/profit sensitivity gap	(28,755,224)	(15,408,770)	(15,043,108)	(729,319)	(800,173)	(10,504,403)	(1,228,533)	(72,469,530)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

The impact on the net interest/finance income is simulated under various interest/profit rate assumptions. The below table sets out the impact on net interest/finance income based on a 50 bps parallel shift in interest/profit rates at the reporting date, for a period of 12 months:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
+ 50 bps	78,135	134,113	62,288	120,767
- 50 bps	(77,021)	(128,445)	(61,090)	(115,884)

The 50 bps shock impact on net interest/finance income is based on simplified scenarios, using the Group's and the Bank's interest/profit risk profile as at the reporting date. It does not take into account actions that would be taken by the Treasury Division or business units to mitigate the impact of the interest/profit rate risk. In reality, Treasury Division seeks to proactively change the interest/profit rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest/profit rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest/finance income of some rates changing while others remain unchanged. The projections also assume a constant statement of financial position and that all positions run to maturity.

44 CURRENCY RISK

Group	MYR RM'000	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000	Total RM'000
2021						
Financial assets						
Cash and cash equivalents	4,322,385	259,159	12,360	56,076	178,548	4,828,528
Deposits and placements with banks and other financial institutions	11,223	363,623	-	-	74,381	449,227
Financial assets at FVTPL	1,833,240	-	-	-	28	1,833,268
Financial investments at FVOCI	17,710,012	829,843	148,341	-	208,401	18,896,597
Loans, advances and financing	58,976,754	5,352,215	939,776	42,166	520,778	65,831,689
Derivative financial assets	513,298	408,237	5,678	8	286	927,507
Other assets	317,012	26,402	2,311	278	4,466	350,469
Statutory deposits with Bank Negara Malaysia	63,937	-	-	-	-	63,937
	83,747,861	7,239,479	1,108,466	98,528	986,888	93,181,222
Financial liabilities						
Deposits from customers	67,595,638	4,300,483	618,588	624,646	847,262	73,986,617
Deposits and placements of banks and other financial institutions	862,696	4,570,967	106,310	-	108,833	5,648,806
Bills and acceptances payable	56,680	78	-	-	69	56,827
Derivative financial liabilities	528,944	327,814	3,261	-	55	860,074
Other liabilities	2,163,346	239,429	129,523	93,532	17,972	2,643,802
Subordinated bonds	1,050,000	459,279	-	-	-	1,509,279
	72,257,304	9,898,050	857,682	718,178	974,191	84,705,405
Net financial assets/(liabilities) exposure	11,490,557	(2,658,571)	250,784	(619,650)	12,697	8,475,817

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

44 CURRENCY RISK (continued)

Group (continued)	**MYR RM'000**	**USD RM'000**	**AUD RM'000**	**SGD RM'000**	**Others RM'000**	**Total RM'000**
2020						
Financial assets						
Cash and cash equivalents	2,613,453	84,752	15,751	81,097	131,153	2,926,206
Deposits and placements with banks and other financial institutions	7,689	336,493	-	-	-	344,182
Financial assets at FVTPL	1,313,456	17	2	-	-	1,313,475
Financial investments at FVOCI	18,767,416	905,533	235,308	-	204,596	20,112,853
Loans, advances and financing	59,394,284	5,053,370	1,177,578	42,726	605,605	66,273,563
Derivative financial assets	683,350	405,792	61,112	701	799	1,151,754
Other assets	343,635	23,178	2,059	823	5,226	374,921
Statutory deposits with Bank Negara Malaysia	97,601	-	-	-	-	97,601
	83,220,884	6,809,135	1,491,810	125,347	947,379	92,594,555
Financial liabilities						
Deposits from customers	68,231,958	3,570,308	513,477	545,632	514,157	73,375,532
Deposits and placements of banks and other financial institutions	437,616	4,298,598	340,970	797	117,700	5,195,681
Bills and acceptances payable	83,377	4,244	-	-	1,116	88,737
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	700,000
Derivative financial liabilities	836,091	362,165	29,748	637	1,149	1,229,790
Other liabilities	1,586,106	203,175	94,735	59,038	14,039	1,957,093
Subordinated bonds	1,050,000	441,327	-	-	-	1,491,327
	72,925,148	8,879,817	978,930	606,104	648,161	84,038,160
Net financial assets/(liabilities) exposure	10,295,736	(2,070,682)	512,880	(480,757)	299,218	8,556,395

Bank	**MYR RM'000**	**USD RM'000**	**AUD RM'000**	**SGD RM'000**	**Others RM'000**	**Total RM'000**
2021						
Financial assets						
Cash and cash equivalents	2,405,287	305,828	11,005	24,773	170,000	2,916,893
Deposits and placements with banks and other financial institutions	211,223	384,499	-	-	74,381	670,103
Investment account placements	2,233,411	334,021	-	-	-	2,567,432
Financial assets at FVTPL	1,823,150	-	-	-	28	1,823,178
Financial investments at FVOCI	14,191,118	829,843	148,341	-	208,401	15,377,703
Loans, advances and financing	47,502,996	4,393,972	939,776	41,388	520,778	53,398,910
Derivative financial assets	514,037	408,237	5,678	8	286	928,246
Other assets	575,839	26,506	2,311	278	4,466	609,400
Statutory deposits with Bank Negara Malaysia	63,937	-	-	-	-	63,937
	69,520,998	6,682,906	1,107,111	66,447	978,340	78,355,802

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

44 CURRENCY RISK (continued)

Bank (continued)	**MYR RM'000**	**USD RM'000**	**AUD RM'000**	**SGD RM'000**	**Others RM'000**	**Total RM'000**
2021						
Financial liabilities						
Deposits from customers	55,286,080	3,739,802	617,486	563,006	840,389	61,046,763
Deposits and placements of banks and other financial institutions	833,959	4,570,968	106,310	-	108,833	5,620,070
Bills and acceptances payable	44,350	78	-	-	69	44,497
Derivative financial liabilities	529,309	327,814	3,261	-	55	860,439
Other liabilities	2,052,705	239,545	129,524	93,168	17,977	2,532,919
Subordinated bonds	1,050,000	459,279	-	-	-	1,509,279
	59,796,403	9,337,486	856,581	656,174	967,323	71,613,967
Net financial assets/(liabilities) exposure	9,724,595	(2,654,580)	250,530	(589,727)	11,017	6,741,835
2020						
Financial assets						
Cash and cash equivalents	2,583,296	288,845	11,324	52,019	121,214	3,056,698
Deposits and placements with banks and other financial institutions	7,689	657,458	-	-	-	665,147
Investment account placements	1,257,804	220,664	-	-	-	1,478,468
Financial assets at FVTPL	1,303,301	17	2	-	-	1,303,320
Financial investments at FVOCI	14,611,669	856,729	235,308	-	204,596	15,908,302
Loans, advances and financing	49,104,161	4,100,580	1,177,578	42,422	605,605	55,030,346
Derivative financial assets	684,691	405,792	61,112	701	799	1,153,095
Other assets	532,427	22,732	2,010	501	5,175	562,845
Statutory deposits with Bank Negara Malaysia	97,601	-	-	-	-	97,601
	70,182,639	6,552,817	1,487,334	95,643	937,389	79,255,822
Financial liabilities						
Deposits from customers	57,025,801	3,319,963	509,211	519,625	507,713	61,882,313
Deposits and placements of banks and other financial institutions	400,282	4,298,598	340,970	797	116,641	5,157,288
Bills and acceptances payable	68,313	4,244	-	-	1,116	73,673
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	700,000
Derivative financial liabilities	836,127	362,165	29,748	637	1,149	1,229,826
Other liabilities	1,521,294	203,099	94,735	57,788	13,792	1,890,708
Subordinated bonds	1,050,000	441,327	-	-	-	1,491,327
	61,601,817	8,629,396	974,664	578,847	640,411	72,425,135
Net financial assets/(liabilities) exposure	8,580,822	(2,076,579)	512,670	(483,204)	296,978	6,830,687

44 CURRENCY RISK (continued)

Value-at-Risk ("VaR")

The usage of market VaR by risk type based on 1-day holding period of the Group's and Bank's trading exposures are set out below:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
VaR				
- Interest/Profit rate risk	3,059	7,043	3,058	7,048
- Currency risk	1,400	2,601	1,400	2,557
- Credit spread risk	61	1,232	61	1,232
- Price risk	113	30	113	30
- Total	3,931	9,901	3,930	9,859

45 CAPITAL ADEQUACY

Capital Management

The key objective of the Group's and the Bank's capital management policy is to maintain a strong capital position to support business growth and to sustain investor, depositor, customer and market confidence. The Group and Bank actively manage its capital composition with an optimal mix of capital instruments in order to keep the overall cost of capital low.

The Group's and the Bank's capital are closely monitored and actively managed to ensure that there is sufficient capital to support business growth and to pursue strategic business that will create value for our stakeholder, while taking into consideration OCBC Malaysia's risk appetite. The Group's and the Bank's internal capital adequacy assessment process ("ICAAP") involves a comprehensive assessment of all material risks that the Group and the Bank are exposed to and an evaluation of the adequacy of the Group's and the Bank's capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Group's and the Bank's capital adequacy over a 3-year period. This process takes into consideration the Group's and the Bank's business strategy, operating environment, regulatory changes, target capital ratios and composition, as well as expectations of its various stakeholders. In addition, capital stress tests are conducted to understand the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios, and to evaluate how the Group and the Bank can continue to maintain adequate capital under such scenarios.

Capital Adequacy Ratios

The Group and the Bank are in compliance with BNM's Capital Adequacy Framework which requires banks to meet minimum Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital Adequacy Ratio ("CAR") of 7.0%, 8.5% and 10.5% respectively (inclusive of Capital Conservation Buffer of 2.5%) from 1 January 2019.

In addition, the Group and the Bank will be subject to a Countercyclical Buffer requirement if this buffer is applied by regulators in countries which the Group and the Bank have credit exposures to. Generally in the range of 0% to 2.5% of risk-weighted assets, the Countercyclical Buffer is not an ongoing requirement but it may be applied by regulators to limit excessive credit growth in their economy.

On 9 December 2020, BNM implemented transitional arrangements for regulatory capital treatment of accounting provisions which allow the Bank to add back a portion of the Stage 1 and Stage 2 provisions for expected credit loss ("ECL") to CET1 capital, subject to eligibility. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions - interim approach and transitional arrangements" (March 2017) and "Measures to reflect the impact of Covid-19" (April 2020). The Group and the Bank elected to apply the transitional arrangements for four financial years commencing with the financial year ending 31 December 2020, with the transitional benefits add-back starts at 100% in 2020, reduces to 75% in 2022, 50% in 2023 and 0% from 2024 onwards.

The table below shows the composition of the Group's and the Bank's regulatory capital and capital adequacy ratios which were determined in accordance with the requirements of BNM's Capital Adequacy Framework (Capital Components), applying the transitional arrangements in 2020. The Group's and the Bank's total risk-weighted assets were computed based on the Internal Rating Based Approach for Credit Risk for their major credit portfolio and have adopted the Standardised Approach for Market Risk and Operational Risks respectively.

45 CAPITAL ADEQUACY (continued)

Capital Adequacy Ratios (continued)

	Group		Bank	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CET 1 capital				
Paid-up ordinary share capital	754,000	754,000	754,000	754,000
Retained earnings	7,542,579	7,085,291	6,389,841	6,026,695
Other reserves	630,069	933,379	544,539	794,439
Regulatory adjustment for CET 1 capital	(176,049)	(456,711)	(731,913)	(983,450)
	8,750,599	8,315,959	6,956,467	6,591,684
Additional Tier 1 capital	459,279	441,327	459,279	441,327
Tier 1 capital	9,209,878	8,757,286	7,415,746	7,033,011
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	20,945	15,773	17,810	13,189
Surplus eligible provisions over expected losses	261,287	264,540	209,144	211,179
Subordinated bonds	1,050,000	1,050,000	1,050,000	1,050,000
Regulatory adjustment for Tier 2 capital	-	-	(200,000)	(200,000)
Tier 2 capital	1,332,232	1,330,313	1,076,954	1,074,368
Capital base	10,542,110	10,087,599	8,492,700	8,107,379
Before deducting proposed dividend				
CET 1 capital ratio	16.897%	16.086%	16.556%	15.776%
Tier 1 capital ratio	17.784%	16.940%	17.649%	16.832%
Total capital ratio	20.356%	19.513%	20.213%	19.403%
After deducting proposed dividend				
CET 1 capital ratio	16.058%	15.686%	15.523%	15.281%
Tier 1 capital ratio	16.945%	16.539%	16.616%	16.337%
Total capital ratio	19.518%	19.113%	19.179%	18.908%

The bank has elected to apply the transitional arrangements for regulatory capital treatment of accounting provisions for four financial years commencing in 2020. Had the transitional arrangements not been applied, the Bank's capital adequacy ratios would be as follows:

	Group 2021	Group 2020	Bank 2021	Bank 2020
After deducting proposed dividend				
CET 1 capital ratio	14.518%	14.901%	13.949%	14.539%
Tier 1 capital ratio	15.405%	15.755%	15.042%	15.595%
Total capital ratio	17.977%	18.328%	17.605%	18.166%

Breakdown of risk-weighted assets (“RWA”) in the various categories of risk-weights:

	Group 2021	Group 2020	Bank 2021	Bank 2020
Total RWA for credit risk	45,223,466	45,351,918	36,282,141	36,251,649
Total RWA for market risk	1,361,434	1,329,110	1,364,705	1,327,520
Total RWA for operational risk	5,203,983	5,015,847	4,370,118	4,203,941
	51,788,883	51,696,875	42,016,964	41,783,110

The capital adequacy ratios of OCBC Al-Amin, OCBC Malaysia's Islamic Banking subsidiary, are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components), applying the transitional arrangements in 2020. OCBC Al-Amin has adopted the Internal Ratings Based Approach for Credit Risk for its major credit portfolios, whilst the other credit portfolios are on the Standardised Approach. For market and operational risks, OCBC Al-Amin has adopted the Standardised Approach and the Basic Indicator Approach respectively.

45 CAPITAL ADEQUACY (continued)

The capital adequacy ratios of OCBC Al-Amin are as follows:

	2021	**2020**
CET 1/Tier 1 capital ratio	18.179%	17.239%
Total capital ratio	20.782%	19.810%

Had the transitional arrangements not been applied, OCBC Al-Amin Bank Berhad capital adequacy ratios would be as follows:

CET 1/Tier 1 capital ratio	16.790%	16.284%
Total capital ratio	19.393%	18.854%

46 INTEREST RATE BENCHMARK REFORM

Following the financial crisis, the reform and replacement of benchmark interest rates such as London Interbank Offered Rate ("LIBOR") and other inter-bank offered rates ('IBORs') has become a priority for global regulators. LIBOR, a key benchmark used in international financial markets will be phased out. LIBOR will be replaced by Risk Free Rates ("RFR"), which are already being increasingly adopted in new transactions.

On 24 September 2021, Bank Negara Malaysia ("BNM") announced the launch of the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate ("ARR") for Malaysia. These are in line with the introduction of ARR globally to improve the integrity of benchmark interest rates ("IBOR") as part of a transition to transaction-based rates following the financial crisis.

To ensure a smooth transition, OCBC established an internal Steering Committee to coordinate the effort across various business, control and support functions.

The Group and the Bank have assessed the adequacy and appropriateness of provisions relating to the permanent discontinuation of benchmarks, in loan/financing documentation, derivative contracts, debt issuances and other relevant contracts. Plans have been made to remediate the contracts with appropriate revisions. A communications plan has been established to identify and engage clients with a view to help them understand how their contracts may be affected and the potential actions they could take in relation to their contracts with OCBC. To ensure infrastructure and process readiness, the Group also plans to implement the necessary system upgrades and modifications.

MYOR is running parallel with KLIBOR as of the reporting date and the full transition to MYOR is still in progress and hence, there remains some uncertainty around the timing and precise nature of these changes. Practical expedients under Phase 2 are not applied for the KLIBOR exposures. The Group and the Bank will, however, closely monitor for BNM's announcement on the MYOR and the discontinuation of KLIBOR publication for the selected tenors, and the Bank will engage with the counterparties to discuss the necessary contract changes.

Hedge Accounting

The Group and the Bank use interest rate swaps to hedge its exposure to changes in fair value of fixed rate debt instruments in a fair value hedge. With respect to hedge accounting, the Group's and the Bank's primary exposure is to USD LIBOR and KLIBOR due to the extent of fixed rate debt instruments that are designated in fair value hedge relationships.

The Group and the Bank have applied the following relief from hedge accounting requirements that were introduced by the amendments made to MFRS 9:

- When considering the 'highly probable' requirement, the Group and the Bank assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.

- In assessing the economic relationship between the hedged item and the hedging instrument, the Group and the Bank assume that the interest rate benchmark on which the hedged item and hedging instruments are based is not altered as a result of the interest rate benchmark reform.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2021 (continued)

46 INTEREST RATE BENCHMARK REFORM (continued)

Hedge Accounting (continued)

- For fair value hedges of interest rate risk on fixed rate debt, the Group and the Bank only assesses whether the designated benchmark is separately identifiable at hedge inception and not revisited on reporting date.

In applying the amendments, the Group and the Bank assume that the uncertainty arising from interest rate benchmark reform is no longer present when contracts are modified to reflect the new benchmark rates or are discontinued. The Group also assumes that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts will be made.

As at 31 December 2021, the notional amount of hedging instruments referencing USD LIBOR and KLIBOR is RM20 million (equivalent to USD5 million) and RM715 millon respectively for the Group and the Bank.

Exposures impacted by the IBOR reform, other than hedging instruments

The Group and the Bank are mainly exposed to USD LIBOR and KLIBOR. The following table shows the total amount of non-derivative financial assets and derivative financial instruments that have yet to transition to an alternative benchmark rate as at 31 December 2021.

	USD LIBOR RM'000	KLIBOR RM'000	Total RM'000
Group			
Gross carrying amount			
Financial investments at FVOCI	62,629	-	62,629
Loans, advances and financing	2,353,668	1,126,312	3,479,980
Non-derivative financial asset	2,416,297	1,126,312	3,542,609
Notional amount			
Derivative financial instruments	12,287,319	44,218,566	56,505,885
Bank			
Gross carrying amount			
Financial investments at FVOCI	62,629	-	62,629
Loans, advances and financing	1,707,061	875,340	2,582,401
Non-derivative financial asset	1,769,690	875,340	2,645,030
Notional amount			
Derivative financial instruments	12,264,269	44,007,109	56,271,378

47 SUBSEQUENT EVENT

On 18 March 2022, the Bank redeemed the full amount of the Additional Tier 1 Capital Securities (“AT1CS”) of USD110 million in nominal value, without replacement. The AT1CS was issued on 18 September 2015. Details of the subordinated bond are disclosed in Note 20 to the financial statements.