



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DECEMBER 2021**

**KETUA AUDIT NEGARA
MALAYSIA**



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DECEMBER 2021**

Certificate on the Audit of the Financial Statements

Opinion

I have authorised a private audit firm pursuant to Subsection 7 (3) of the Audit Act 1957 [Act 62] to undertake an audit of the Financial Statements of the Bank Kerjasama Rakyat Malaysia Berhad. The financial statements comprise the Statements of Financial Position as at 31 December 2021 of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statement of Cash Flows of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 4 to 211.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618] requirements.

Basis for Opinion

The audit was conducted in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my certificate. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and Other Ethical Responsibilities

I am independent of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

Information Other than the Financial Statements and Auditor's Certificate Thereon

The Board of Directors of the Bank Kerjasama Rakyat Malaysia Berhad is responsible for the other information in the Annual Report. My opinion on the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad does not cover the other information than the financial statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad that give a true and fair view in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618] requirements. The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, the Board of Directors is responsible for assessing the Group's and the Bank Kerjasama Rakyat Malaysia Berhad's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions 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 the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. identify and assess the risks of material misstatement of the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, 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 my 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 the Bank Kerjasama Rakyat Malaysia Berhad's internal control;
- c. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- d. conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank Kerjasama Rakyat Malaysia Berhad's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Certificate to the related disclosures in the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate. However, future events or conditions may cause the Group or the Bank Kerjasama Rakyat Malaysia Berhad 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 Kerjasama Rakyat Malaysia Berhad, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- f. obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Financial Statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

The Board of Directors has been informed regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I have identify during the audit.

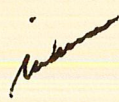
I have also disclosed to the Board of Directors that I have complied with the ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and if applicable, actions taken to eliminate threats or safeguards applied.

Report on Other Legal and Regulatory Requirements

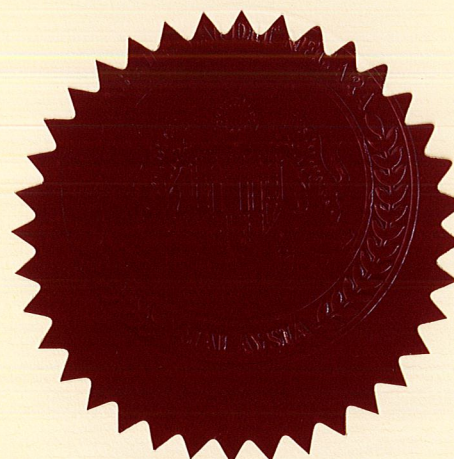
In accordance with the requirements of the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618], I report that the subsidiaries, of which I have not acted as auditor, are disclosed in Note 16 to the Financial Statements.

Other Matters

This certificate is made solely to the Board of Directors of the Bank Kerjasama Rakyat Malaysia Berhad in accordance with the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618] requirements, and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.


(DATUK SERI NIK AZMAN NIK ABDUL MAJID)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
25 MARCH 2022



STATEMENT BY DIRECTORS

We, **DATUK HAJI ABD RANI LEBAI JAAFAR** and **TUNKU DATO' AHMAD BURHANUDDIN TUNKU DATUK SERI ADNAN**, being two of the Directors of Bank Kerjasama Rakyat Malaysia Berhad, do hereby state that:

- (i) The financial statements of the Bank have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Co-operative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618) and applicable Malaysian Financial Reporting Standards ("MFRS") as modified by Guidelines issued by Bank Negara Malaysia ("BNM") and in compliance with the principles of Shariah;
- (ii) The financial statements of the subsidiaries of the Bank have been prepared in accordance with MFRS, IFRS and the provisions of the Companies Act, 2016 in Malaysia

In the opinion of the Directors, the financial statements are drawn up so as to give true and fair view of state of affairs as at 31 December 2021 and of the results of the operations and cash flows for the year ended on that date.

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



DATUK HAJI ABD RANI LEBAI JAAFAR
Chairman



TUNKU DATO' AHMAD BURHANUDDIN TUNKU DATUK SERI ADNAN
Director

Kuala Lumpur
Date: 15 FEB 2022



ANNUAL REPORT OF SHARIAH COMMITTEE OF BANK RAKYAT FOR FINANCIAL YEAR END DECEMBER 2021



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

In carrying out the roles and responsibilities of Shariah Committee of Bank Rakyat, we hereby submit the following report on Shariah compliance of Bank Rakyat's business activities and operations for the financial year ended 31st December 2021.

The Management of Bank Rakyat is responsible to ensure Bank Rakyat conducts its business in accordance with Shariah principles and it is our responsibility to form an independent opinion, based on our review of Bank Rakyat's operation and to report to the Board of Director of Bank Rakyat. Our main responsibility and accountability is to assist the Board in ensuring that the Bank's business does not have elements and activities which are not permissible under Shariah. We have provided the Shariah advisory services on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings locally and globally made by the Shariah Advisory Councils of the regulatory bodies.

During the financial year ended 31st December 2021, the Shariah Committee had convened 14 meetings including 2 special meetings and 9 resolutions passed by circulation to cater for urgent proposals. All Shariah Committee members have satisfied attendance requirement under BNM's Shariah Governance Policy. Shariah Committee places importance on ensuring effective implementation of Shariah governance and best practices of corporate governance. In view of this, 2 engagement sessions were held between Shariah Committee and the Board of Directors in financial year 2021.

To ensure smoothness of banking operation, we empowered and delegated the approval authority to Shariah Research and Advisory Department to approve generic Shariah related matters and the approvals by the Shariah Research and Advisory Department are duly reported to us on quarterly basis for review and confirmation. Head of Shariah Compliance Division or his representative is also sitting as a member in the following committees to advise the Bank on matters relating Shariah requirement and principles :

- a) Management Committee Meeting
- b) Financing Committee A
- c) Sponsorship Committee
- d) Risk Management Committee



- e) Operation Risk Committee
- f) Product Committee
- g) Zakat Committee
- h) Surau Al-Barakah Committee
- i) Member's Share Approval Committee (JKSA)

We planned and performed our review to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Bank Rakyat has not violated the Shariah principles.



APPROVAL

1. We have endorsed and approved the transactions, applications and dealings entered into by Bank Rakyat through the following processes :
 - i. Shariah review on development of Bank products including policies, operational guidelines and procedures.
 - ii. Shariah review on legal and banking documentation, Products Disclosure Sheet (PDS), notices and marketing materials prior to publishment.
 - iii. Shariah review on Shariah compliance status of commercial banking customers prior to approval of financing.
 - iv. Shariah review on product operations at the branches level, related departments and Bank's subsidiaries which involve review on legal documents executed and *akad* sequences.
 - v. Shariah review on system application related to banking products.
 - vi. Shariah review on banking activities, asset rental by the bank and its subsidiaries to third party as well as sponsorship activities.
 - vii. Shariah risk assessment on new products or enhancement to the existing products, processes and procedures, business activities and operations.
 - viii. Shariah audit on operations, documentations and system application of departments, branches and subsidiaries of Bank Rakyat.

SHARIAH RESEARCH AND ADVISORY, SHARIAH REVIEW, SHARIAH AUDIT AND SHARIAH RISK

2. Shariah Research and Advisory, Shariah Review, Shariah Audit and Shariah Risk functions play a vital role in achieving the objective of ensuring end to end Shariah Compliance of the bank at all times by evaluating and assessing all activities and banking operation.
3. We have assessed the function carried out by Shariah Research and Advisory, Shariah Review, Shariah Audit and Shariah Risk which included examining on a sample basis of each type of transaction, the relevant documentations and procedures adopted by Bank Rakyat.



4. Shariah Research and Advisory provide advisory on product development and day to day business operations which includes issuing of Shariah Compliance Review Certificate, Shariah parameters, vetting of legal documentation, screening business banking financing applications, approving marketing materials and co-operative appointment of card merchants as delegated by us. We are also responsible to validate Shariah research papers conducted by Shariah Research and Advisory Department as well as *Takyif Fiqhi* on current issues related to Islamic Banking products and services as a support to the business proposal of the bank.
5. Among the Shariah research papers that have been validated by us are as follows:
 - a) Shariah studies on the Application of Deemed Consent In Contract Execution.
 - b) Application of E-Wallet in Malaysia : An Analysis from Shariah Point of View.
 - c) Shariah studies on the Appointment of Receiver & Manager in Handling the Collateral Assets for Defaulting Customers at Bank Rakyat
6. Shariah Review and Shariah Audit have performed their review and audit based on review and audit plan. Shariah Review and Shariah Audit Reports were presented and deliberated in our meetings to confirm that the Bank has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission Malaysia and decisions made by us.
7. Shariah Risk responsible to systematically identify, measure, monitor and control Shariah non-compliance risks, and therefore mitigate or minimize the occurrence of Shariah non-compliances. A systematic approach of managing Shariah non-compliance risks will enable the Bank to continue its operations and activities effectively without exposing the Bank to unacceptable levels of risk.
8. During the financial year of 2021, Shariah Review, Shariah Audit and Shariah Risk presented to us the following reports :

Shariah Review

- a. Shariah Review Report on 147 Bank Rakyat's branches in Malaysia.
- b. Shariah Review Report on 27 Ar-Rahnu X'change (ARX), 20 Ar-Rahnu X'cess/Combo and 4 Rakyat Xcess.
- c. Shariah Review Report on 5 *Auto Finance Centre (AFC)*.
- d. Shariah Review Report on 187 corporate financing and cooperative financing application.
- e. Shariah Review Report on 21 Trade Finance application.



- f. Shariah Review Report on 17 departments of Bank Rakyat.
- g. Shariah Review Report on 7 Cooperatives (Credit and Ar-Rahnu).
- h. Shariah Review Report on Rakyat Management Services Sdn Bhd.
- i. Shariah Review Report on Commodity's Platforms

Shariah Audit

- a) Follow-up Report on Unresolved Shariah Audit Finding for Q4 2020.
- b) Shariah Audit Report on Quality Management Department
- c) Shariah Audit Report on Sustainability Department
- d) Shariah Audit Report on Creative Communications Department
- e) Shariah Audit Report on Events Management Department
- f) Shariah Audit Report on Corporate Communications Department
- g) Follow-up Report on Unresolved Shariah Audit Finding for Q1 2021
- h) Shariah Audit Report on Foreign Exchange
- i) Shariah Audit Report on Fixed Income
- j) Shariah Audit Report on Marketing Department
- k) Shariah Audit Report on IT Sector
- l) Shariah Audit Report on Waqf
- m) Shariah Audit Report on Money Market
- n) Follow-up Report on Unresolved Shariah Audit Finding for Q2, 2021
- o) Shariah Audit Report on Personal Financing-i
- p) Shariah Audit Report on Pawn Broking-i
- q) Shariah Audit Report on Home Financing-i



- r) Shariah Audit Report on Vehicle Financing-i
- s) Shariah Audit Report on Savings Account-i
- t) Follow-up Report on Unresolved Shariah Audit Finding for Q3 2021
- u) Shariah Audit Report: Retail Collection

Shariah Risk

- a) Shariah Risk Profiling 2020.
- b) Risk & Control Self-Assessment (RCSA) Profiling Report 2021 for Branches.

Shariah Development and Awareness Program

- 9. In the year of 2021, thirty (30) Shariah training and briefing sessions were conducted within Bank's internal employees covering more than 500 of participants throughout nationwide with more than 10 of total hours spent.
- 10. For Bank Rakyat's newly recruits, they were required to spend a half-day session to be exposed to the fundamentals of Shariah application in Islamic Banking, which has been incorporated in induction program organized by Centre of Excellence Department.
- 11. As an effort to ensure all employees are expected to have reasonable understanding on the principles of the Shariah and its broad application in Islamic finance, Shariah Compliance Division has developed an e-Learning (Intermediate) regarding Shariah Concept application in current Bank Rakyat's practise as well as Shariah Governance which resulting more than 90% participation of Bank Rakyat employees.
- 12. Apart from that, with the aim to inculcate the Shariah compliance culture within Bank Rakyat, Shariah Review Department's officers who's conducted Shariah Review at all 147 branches were delegated to deliver a briefing session with branch employees regarding Shariah Compliance. The program was aimed to provide awareness to Business Support & Unit (BSU) on the avoidance of Shariah non-compliant event and to update on the new Shariah rulings issued by Shariah Committee of Bank Rakyat, Bank Negara Malaysia (BNM), Securities Commission and other related authorities / regulators.
- 13. Bank Rakyat has also extended the commitment for its Shariah fraternity to have a deeper knowledge and understanding on Shariah and Muamalat with execution of in-house training program. Thirty (30) Shariah officers has attended three (3) series of Intensive Course of Fiqh Muamalat, which were conducted by local prominent Shariah scholars of Islamic Finance industry.

Shariah Non Compliance Issue

14. For the financial year ended 31st December 2021, there were a total of two (2) Shariah non-compliance incidents recorded and deliberated in the Shariah Committee Meeting as follows :

Issue No. 1	Shariah Non-Compliance Incident	Status
Pawn Broking Financing-i (<i>Tawarruq</i>) product.	<p>a) Error in the disbursement process executed through (I18) system that was made prior to the completion of commodity trading transaction.</p> <p>b) Wrong execution of selling price during commodity trading transaction in which selling price generated in the commodity certificate is lower than Surat Akuan Gadaian's (SAG) sales price.</p> <p>c) Absence of commodity trading (sale commodity from Bank to customer) perform by the branch at the second leg of <i>Tawarruq</i> transaction.</p>	Shariah Non-Compliance with financial implication
Issue No. 2	Shariah Non-Compliance Incident	Status
Pawn Broking Financing-i (<i>Tawarruq</i>) product.	<p>a) Acceptance of one (1) marhun item with the symbol of the divinity and spirituality in Indian religion (Hinduism, Buddhism, Jainism)</p>	Shariah Non-Compliance without financial implication

15. All potential Shariah Non-Compliant events are initially assessed by the Qualified Shariah Officer and all of the Shariah non-compliance events together with the rectification plans were presented to us and the Board of Directors for confirmation and was subsequently reported to Bank Negara Malaysia in accordance with the Shariah non-compliance reporting process within the required timeframe set by Bank Negara Malaysia.
16. Shariah non-compliance events experienced by the Bank were mostly due to the non-compliance to the operational guidelines based on the report presented by Shariah Review and Shariah Audit. The Bank has taken the corrective as well as preventive measures in order to avoid the same Shariah non-compliance events from occurring in the future which includes specific Shariah training to all staff.



17. Within the financial year of 2021, the Bank received Shariah non-compliant income amounting of **RM 267, 088.53**. The amount was disposed to the eligible beneficiaries that not related to the bank for charitable purposes upon Shariah Committee's approval.

Bank Rakyat Waqf Initiative

18. Waqf initiatives in Bank Rakyat which has been approved by us is divided into two, as follows:

a) Waqf

This waqf initiative involves various types of waqf and the wider implementation of waqf. Bank Rakyat through MyWakaf initiative introduced by Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) has collaborated with the Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM) and as of 31 December 2021, the accumulated waqf received is RM1,401,173.25.

b) Cash Waqf

Cash Waqf is one of the types of waqf introduced by Bank Rakyat. Through this waqf, the cash value will be maintained and invested and the investment proceeds will be distributed to the beneficiaries. As of 31 December 2021, the total collection for the Kolej Profesional Baitulmal Kuala Lumpur (KPBKL) is RM 191,103.91 and for Yayasan Waqaf Malaysia (YWM) is RM 224,315.23.

19. Jāriah al-Barakah is a collaborative initiative between Bank Rakyat and Surau Al-Barakah which was created to support the practice of giving alms among Bank employees and the community. Through this Jāriah al-Barakah platform, charity management can be implemented more effectively and the total collection until 31 December 2021 is RM 502,961.08.

Zakat on Business

20. We confirmed that the bank has fulfilled its obligation to pay Zakat on its business for the financial year ended 2020 to Majlis Agama Islam Negeri-Negeri amounting **RM 12,790,334.00** by adopting the computation based on capital growth method and in compliance with the Manual Pengurusan Zakat Perbankan issued by Jabatan Wakaf, Zakat dan Haji (JAWHAR).



21. For the Zakat Asnaf (own distribution), we confirmed that business Zakat of the bank was distributed accordingly amounting to RM 7,674,201.00 to the eligible Asnaf as guided by Policy and Procedure Business Zakat Management of Bank Rakyat that was approved by us. With due concern to the Asnaf during Covid-19 Pandemic, Bank Rakyat has approved an additional payment of Hibah / Tabarru' amounting to RM 10,000,00.00.
22. In summary, we endorsed that Bank Rakyat has managed to pay Zakat on business for the year of 2020 in total sum of **RM 30,464,535.00**.

Based on the report, **we opined that :**


1. The Shariah principles and contracts implemented on products offered by the bank are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.
2. The transactions, applications and dealings entered into by the Bank that we have reviewed excluding the Shariah Non-compliance events mentioned above, are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.
3. Rectification plans has been executed on all confirmed Shariah Non-Compliant events.
4. The transactions, applications and dealings which are subjected to further investigation and rectification will be carried out on an on-going basis.
5. All earnings that have been realized from sources or by means prohibited with the Shariah principles were disposed accordingly.
6. The distribution of Zakat on Banking Business for the year of 2021 is in compliance with Shariah principles.
7. The collection of Waqf fund under Bank Rakyat Waqf Initiative for the year of 2020 is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Rakyat, to the best of our knowledge, do hereby confirm that the operations of Bank Rakyat, to the best of its effort, for the year ended 31st December 2021 have been conducted in conformity with the Shariah principles.

Annual Report of Shariah Committee of Bank Rakyat 2021



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PROF. MADYA DR. AZMAN MOHD NOOR
Chairman of Shariah Committee



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PROF. DATO' DR. MOHD AZMI OMAR
Shariah Committee Member



.....
USTAZ WAN RUMAIZI WAN HUSIN
Shariah Committee Member



.....
DR. MOHAMAD ZAINI YAHAYA
Shariah Committee Member

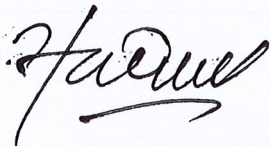


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DR. TUAN BADRUL HISYAM TUAN SOH
Shariah Committee Member

STATUTORY DECLARATION

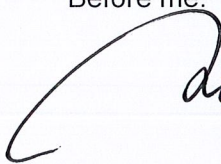
I, **NOR HAIMEE ZAKARIA**, being the officer primarily responsible for the financial management of Bank Kerjasama Rakyat Malaysia Berhad, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on **15 FEB 2022**



NOR HAIMEE ZAKARIA

Before me:



ZULPADLI & EDHAM
NO. 24, JALAN PERUMAHAN GURNEY
54000 KUALA LUMPUR

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

DIRECTORS' REPORT

The Directors of Bank Kerjasama Rakyat Malaysia Berhad ("the Bank") 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 principal activities of the Bank are those of a co-operative that carries out banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and the Bank.

RESULTS OF OPERATIONS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	1,626,066	1,615,096
Taxation	274,201	278,107
Zakat	(42,382)	(40,465)
Profit after taxation and zakat	1,857,885	1,852,738
Statutory appropriations	(536,684)	(536,684)
Profit for the year after statutory appropriations	1,321,201	1,316,054
Other comprehensive loss	(710,962)	(710,962)
Total comprehensive income for the year	<u>610,239</u>	<u>605,092</u>
Total comprehensive income for the year attributable to:		
Equity holders of the Bank	<u>610,239</u>	<u>605,092</u>

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

RESERVES AND PROVISION

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

DIVIDENDS

During the financial year ended 31 December 2021, the Bank paid a cash dividend of 13% amounting to RM373 million in regard to the previous financial year ended 31 December 2020.

In respect of the current financial year, the Board of Directors has proposed a cash dividend of up to 15% amounting to approximately RM450 million. The proposed dividend will be recognised in the subsequent financial year upon approval by the relevant external authorities.

OTHER STATUTORY INFORMATION

In the opinion of the Directors, the financial statements set out on pages 4 to 211 have been drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as of 31 December 2021 and of the results of their operations and cash flows for the year ended on that date.

The Directors are satisfied that before the statements of financial position and the statements of profit or loss and other comprehensive income of the Group and of the Bank were made out, reasonable steps have been taken on the following matters:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment provisions and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment provisions and allowance for impaired financing had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, within the knowledge of the Directors, they are not aware of any circumstances that would cause the following:

- (i) the amount written off for bad financing and bad debts or the amount of the impairment provisions and allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; or
- (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading; or
- (iii) the amount reported in the financial statements of the Group and of the Bank misleading; and
- (iv) any adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

OTHER STATUTORY INFORMATION (CONTINUED)

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

- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liability of any other person; and
- (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year.

No contingent or other liability which has not been discharged has been undertaken by the Group and the Bank, except as disclosed in Note 40 to the financial statements. No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, 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, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Bank for the succeeding financial year.

The Directors do solemnly and sincerely declare that there were no other matters, within their knowledge, that are not disclosed in accordance with Section 59, Co-operative Societies Act 1993.

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



Datuk Haji Abd Rani Lebai Jaafar



Tunku Dato' Ahmad Burhanuddin
Tunku Datuk Seri Adnan

Kuala Lumpur, Malaysia
15 FEB 2022

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Group 2021 RM'000	2020 RM'000	Bank 2021 RM'000	2020 RM'000
Assets					
Cash and short-term funds	6	835,189	981,636	834,987	981,180
Deposits and placements with financial institutions	7	672,463	277,275	672,463	277,275
Financial investments at fair value through profit or loss	8	976,032	447,826	976,032	447,826
Financial investments at fair value through other comprehensive income	9	20,781,718	20,620,070	20,781,710	20,620,062
Financial investments at amortised cost	10	10,826,850	9,747,865	10,826,850	9,747,865
Financing and advances	11	77,296,437	76,083,198	77,516,581	76,285,365
Trade receivables	12	909	147	-	-
Other assets	13	620,169	947,839	596,551	924,408
Right-of-use assets	14	49,075	56,345	60,948	74,930
Inventories	15	23,393	3,457	-	-
Investments in subsidiaries	16	-	-	100,744	100,744
Property and equipment	17	606,186	602,106	514,446	507,166
Intangible assets	18	579,046	471,005	565,861	457,820
Investment properties	19	1,388,091	1,353,684	948,920	939,305
Prepaid lease payments	20	59,038	60,628	59,038	60,628
Tax recoverable		142,078	97,492	138,747	94,053
Deferred tax assets	21	201,484	571	201,000	-
Total assets		115,058,158	111,751,144	114,794,878	111,518,627

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

	Note	Group 2021 RM'000	2020 RM'000	Bank 2021 RM'000	2020 RM'000
Liabilities					
Deposits from customers	22	86,523,884	85,575,431	86,523,884	85,575,431
Deposits and placements from banks and financial institutions	23	850,000	150,000	850,000	150,000
Trade payables		1,839	1,374	-	-
Recourse obligations on financing sold to Cagamas	24	318,311	339,826	318,311	339,826
Debt securities issued	25	3,297,940	2,642,558	3,297,940	2,642,558
Cashline facility	26	700,417	400,870	700,417	400,870
Other liabilities	27	1,697,022	1,599,962	1,884,260	1,811,536
Provision for taxation		-	33	-	-
Deferred tax liabilities	21	13,550	92,702	-	80,000
Total liabilities		93,402,963	90,802,756	93,574,812	91,000,221
Shareholders' fund					
Share capital	28	2,986,030	2,986,030	2,986,030	2,986,030
Share redemption fund		5,885	9,977	5,885	9,977
Reserves	29	18,663,280	17,952,381	18,228,151	17,522,399
Total shareholders' fund		21,655,195	20,948,388	21,220,066	20,518,406
Total liabilities and shareholders' fund		115,058,158	111,751,144	114,794,878	111,518,627
Commitments and contingencies	40	2,543,134	2,697,856	2,543,134	2,697,856

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

		Group		Bank	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Income	30	5,708,550	6,082,473	5,654,258	6,062,235
Expenditure	31	(2,184,440)	(2,669,129)	(2,134,250)	(2,655,077)
Net income		3,524,110	3,413,344	3,520,008	3,407,158
Allowances for impairment	32	(728,892)	(876,311)	(729,615)	(879,467)
Other operating income	33	355,194	470,545	347,802	468,255
Operating expenses	34	(1,524,346)	(1,571,757)	(1,523,099)	(1,590,897)
Profit before taxation and zakat		1,626,066	1,435,821	1,615,096	1,405,049
Taxation	35	274,201	(33,558)	278,107	(28,938)
Zakat	36	(42,382)	(26,412)	(40,465)	(23,993)
Profit after taxation and zakat		1,857,885	1,375,851	1,852,738	1,352,118
Statutory appropriations	37				
Transfer to statutory reserve: 25% (2020: 25%)		(473,301)	(344,028)	(473,301)	(344,028)
Contribution to the Co-operative Education Trust Fund: 2% (2020: 2%)		(32,302)	(28,101)	(32,302)	(28,101)
Contribution to the Co-operative Development Provident Fund: 1% (2020: 1%)		(16,151)	(14,050)	(16,151)	(14,050)
Contribution to Bank Rakyat Foundation		(14,930)	(14,930)	(14,930)	(14,930)
		(536,684)	(401,109)	(536,684)	(401,109)
Profit for the year		1,321,201	974,742	1,316,054	951,009

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	Note	Group 2021 RM'000	2020 RM'000	Bank 2021 RM'000	2020 RM'000
Other comprehensive (loss)/income					
Items that will not be reclassified to profit or loss:					
Change in fair value reserve (equity instruments)		14,714	10,619	14,714	10,619
Items that may be reclassified subsequently to profit or loss:					
Fair value reserve (debt instruments)					
- Change in fair value		(723,327)	410,275	(723,327)	410,275
- Amount transferred to profit or loss		(2,304)	(120,305)	(2,304)	(120,305)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		<u>(45)</u>	<u>(100)</u>	<u>(45)</u>	<u>(100)</u>
Other comprehensive (loss)/income for the year		<u>(710,962)</u>	<u>300,489</u>	<u>(710,962)</u>	<u>300,489</u>
Total comprehensive income for the year		<u>610,239</u>	<u>1,275,231</u>	<u>605,092</u>	<u>1,251,498</u>
Earnings per share (RM)					
Basic	38	<u>0.63</u>	<u>0.47</u>	<u>0.63</u>	<u>0.46</u>

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

Group	← Non-distributable →			Distributable	
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2020	2,986,030	9,860	7,447,046	9,291,102	19,734,038
Profit after taxation and zakat	-	-	-	1,375,851	1,375,851
Transfer to statutory reserve	-	-	-	(344,028)	(344,028)
Contribution to the Co-operative Education Trust Fund	-	-	-	(28,101)	(28,101)
Contribution to the Co-operative Development Provident Fund	-	-	-	(14,050)	(14,050)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	974,742	974,742
Other comprehensive income	-	-	300,489	-	300,489
Total comprehensive income for the year	-	-	300,489	974,742	1,275,231
Transfer from retained profits	-	-	344,028	-	344,028
Issuance to new member	24,485	-	-	-	24,485
Share withdrawal	(24,368)	-	-	-	(24,368)
Transfer to share capital	(117)	117	-	-	-
Dividends (Note 39)	-	-	-	(405,484)	(405,484)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	458	458
At 31 December 2020	2,986,030	9,977	8,091,563	9,860,818	20,948,388
	Note 28		Note 29	Note 29	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

Group	← Non-distributable →			Distributable	
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2021	2,986,030	9,977	8,091,563	9,860,818	20,948,388
Profit after taxation and zakat	-	-	-	1,857,885	1,857,885
Transfer to statutory reserve	-	-	-	(473,301)	(473,301)
Contribution to the Co-operative Education Trust Fund	-	-	-	(32,302)	(32,302)
Contribution to the Co-operative Development Provident Fund	-	-	-	(16,151)	(16,151)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,321,201	1,321,201
Other comprehensive loss	-	-	(710,962)	-	(710,962)
Total comprehensive (loss)/income for the year	-	-	(710,962)	1,321,201	610,239
Transfer from retained profits	-	-	473,301	-	473,301
Issuance to new member	18,282	-	-	-	18,282
Share withdrawal	(22,374)	-	-	-	(22,374)
Transfer to share capital	4,092	(4,092)	-	-	-
Dividends (Note 39)	-	-	-	(373,230)	(373,230)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	589	589
At 31 December 2021	2,986,030	5,885	7,853,902	10,809,378	21,655,195
	Note 28		Note 29	Note 29	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD
**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	← Non-distributable →			Distributable	
	Share capital	Share redemption fund	Other reserves	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
Bank					
At 1 January 2020	2,986,030	9,860	7,447,787	8,884,112	19,327,789
Profit after taxation and zakat	-	-	-	1,352,118	1,352,118
Transfer to statutory reserve	-	-	-	(344,028)	(344,028)
Contribution to the Co-operative Education Trust Fund	-	-	-	(28,101)	(28,101)
Contribution to the Co-operative Development Provident Fund	-	-	-	(14,050)	(14,050)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	951,009	951,009
Other comprehensive income	-	-	300,489	-	300,489
Total comprehensive income for the year	-	-	300,489	951,009	1,251,498
Transfer from retained profits	-	-	344,028	-	344,028
Issuance to new member	24,485	-	-	-	24,485
Share withdrawal	(24,368)	-	-	-	(24,368)
Transfer to share capital	(117)	117	-	-	-
Dividends (Note 39)	-	-	-	(405,484)	(405,484)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	458	458
At 31 December 2020	2,986,030	9,977	8,092,304	9,430,095	20,518,406
	Note 28		Note 29	Note 29	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	← Non-distributable →			Distributable	
	Share capital	Share redemption fund	Other reserves	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
Bank					
At 1 January 2021	2,986,030	9,977	8,092,304	9,430,095	20,518,406
Profit after taxation and zakat	-	-	-	1,852,738	1,852,738
Transfer to statutory reserve	-	-	-	(473,301)	(473,301)
Contribution to the Co-operative Education Trust Fund	-	-	-	(32,302)	(32,302)
Contribution to the Co-operative Development Provident Fund	-	-	-	(16,151)	(16,151)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,316,054	1,316,054
Other comprehensive loss	-	-	(710,962)	-	(710,962)
Total comprehensive (loss)/income for the year	-	-	(710,962)	1,316,054	605,092
Transfer from retained profits	-	-	473,301	-	473,301
Issuance to new member	18,282	-	-	-	18,282
Share withdrawal	(22,374)	-	-	-	(22,374)
Transfer to share capital	4,092	(4,092)	-	-	-
Dividends (Note 39)	-	-	-	(373,230)	(373,230)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	589	589
At 31 December 2021	2,986,030	5,885	7,854,643	10,373,508	21,220,066
	Note 28		Note 29	Note 29	

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

STATEMENTS OF CASH FLOWS FOR THE 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 for the year	1,321,201	974,742	1,316,054	951,009
Adjustment for:				
Transfer to statutory reserve	473,301	344,028	473,301	344,028
Contribution to the Co-operative Education Trust Fund	32,302	28,101	32,302	28,101
Contribution to the Co-operative Development Provident Fund	16,151	14,050	16,151	14,050
Contribution to Bank Rakyat Foundation	14,930	14,930	14,930	14,930
Taxation	(274,201)	33,558	(278,107)	28,938
Zakat	42,382	26,412	40,465	23,993
Profit expense on debt securities issued (Note 31)	134,198	110,616	134,198	110,616
Allowance for impairment on financing and advances (Note 32)	729,585	877,644	730,308	880,800
Writeback for impairment on financial investments at fair value through other comprehensive income (Note 32)	(45)	(100)	(45)	(100)
Writeback for impairment on financial investments at amortised cost (Note 32)	(648)	(1,233)	(648)	(1,233)
Depreciation of property and equipment (Note 34(ii))	37,924	45,897	34,643	42,883
Depreciation of right-of-use assets (Note 34(ii))	16,190	19,731	21,976	24,903
Amortisation of prepaid lease payment (Note 34(ii))	1,590	1,542	1,590	1,542
Amortisation of intangible assets (Note 34(ii))	49,448	29,954	49,448	29,954
Finance cost on lease liabilities (Note 34(ii))	2,117	1,314	2,777	2,160
Property and equipment written off (Note 34(ii))	257	329	238	101
Intangible assets written off (Note 34(ii))	31	-	31	-
Gain on disposal of property and equipment (Note 33(ii))	(185)	(18)	-	-
Loss on financing written off (Note 34(ii))	6,785	11,633	6,785	11,633
Impairment of trade and other receivables (Note 34(ii))	438	49,361	135	49,438

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Adjustment for: (continued)				
Gain on revaluation of investment properties (Note 33(ii))	(8,871)	-	(2,779)	-
Loss on revaluation of investment properties (Note 34(ii))	-	49,084	-	68,742
Writeback for impairment on trade receivables (Note 33(ii))	(1,054)	(33)	-	-
Net gain on disposal of financial investments at fair value through profit or loss (Note 33(ii))	(2,608)	(18,852)	(2,608)	(18,852)
Net gain on disposal of financial investments at fair value through other comprehensive income (Note 33(ii))	(2,304)	(120,305)	(2,304)	(120,305)
Net loss on revaluation of financial investments at fair value through profit or loss (Note 33(ii))	46,840	50,722	46,840	50,722
Net gain on redemption of financial assets at amortised cost (Note 33(ii))	-	(926)	-	(926)
Profit expense on financing sold with recourse to Cagamas (Note 31)	16,567	17,631	16,567	17,631
Profit expense on cashline facility (Note 31)	3,473	2,858	3,473	2,858
Dividend from financial investments at fair value through profit or loss (Note 33(ii))	(17,538)	(18,580)	(17,538)	(18,580)
Operating profit before working capital changes	2,638,256	2,544,090	2,638,183	2,539,036
Decrease/(Increase) in assets:				
Deposits and placements with financial institutions	(405,134)	(207,216)	(405,134)	(207,216)
Financing and advances	(1,951,358)	(5,782,830)	(1,970,058)	(5,913,234)
Trade receivables	(11)	177	-	-
Other assets	327,535	142,531	327,722	147,738
Inventories	(19,936)	3,333	-	-
(Decrease)/Increase in liabilities:				
Deposits from customers	948,453	1,744,026	948,453	1,744,026
Deposits and placements from banks and financial institutions	700,000	(1,150,000)	700,000	(1,150,000)
Trade payables	465	(278)	-	-

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Recourse obligations on financing sold to Cagamas	(38,082)	(38,575)	(38,082)	(38,575)
Other liabilities	(150,552)	(216,387)	(168,712)	(162,942)
Cash generated from/(used in) operations activities	2,049,636	(2,961,129)	2,032,372	(3,041,167)
Income tax paid	(50,483)	(25,171)	(47,587)	(21,324)
Zakat paid	(28,869)	(35,195)	(26,414)	(32,736)
Net cash generated from/(used in) operating activities	1,970,284	(3,021,495)	1,958,371	(3,095,227)
Cash flows from investing activities				
Purchases of financial investments at fair value through profit or loss	(960,000)	(1,720,000)	(960,000)	(1,720,000)
Proceed from disposal of financial investments at fair value through profit or loss	387,562	1,876,997	387,562	1,876,997
Purchases of financial investments at fair value through other comprehensive income	(4,433,100)	(2,660,000)	(4,433,100)	(2,660,000)
Proceed from disposal of financial investments at fair value through other comprehensive income	3,562,839	4,734,666	3,562,839	4,734,666
Purchases of financial investments at amortised cost	(3,905,000)	(3,210,000)	(3,905,000)	(3,210,000)
Proceeds from disposal of financial investments at amortised cost	2,826,663	3,725,385	2,826,663	3,725,385
Purchase of investment properties	(25,536)	(80,042)	(6,836)	-
Purchase of property and equipment	(42,263)	(16,991)	(42,161)	(16,845)
Purchase of intangible assets	(157,520)	(144,789)	(157,520)	(144,789)
Proceeds from disposal of property and equipment	187	601	-	25
Dividend from financial investments at fair value through profit or loss (Note 33(ii))	17,538	18,580	17,538	18,580
Net cash (used in)/generated from investing activities	(2,728,630)	2,524,407	(2,710,015)	2,604,019

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Proceeds from issue of shares to members	18,282	24,485	18,282	24,485
Dividend paid	(373,230)	(405,484)	(373,230)	(405,484)
Fund received from government	157,471	23,885	157,471	23,885
Proceeds from debt securities issued	1,300,000	700,000	1,300,000	700,000
Payment of profit expenses on debt securities issued	(778,816)	(730,844)	(778,816)	(730,844)
Payment of lease liabilities	(17,828)	(20,951)	(24,276)	(26,669)
Payment of cashline facility	(803,926)	(202,595)	(803,926)	(202,595)
Receipt of cashline facilities	1,100,000	400,000	1,100,000	400,000
Net cash generated from/(used in) financing activities	601,953	(211,504)	595,505	(217,222)
Net decrease in cash and cash equivalents	(156,393)	(708,592)	(156,139)	(708,430)
Cash and cash equivalents at beginning of the year	1,051,695	1,760,287	1,051,239	1,759,669
Cash and cash equivalents at end of the year	895,302	1,051,695	895,100	1,051,239
Cash and cash equivalents comprises:				
Cash and short-term funds (Note 6)	835,189	981,636	834,987	981,180
Deposits and placements with financial institutions (Note 7)	672,463	277,275	672,463	277,275
	1,507,652	1,258,911	1,507,450	1,258,455
Less:				
Cash and short-term funds and deposits and placements with original maturity of more than three months	(612,350)	(207,216)	(612,350)	(207,216)
	895,302	1,051,695	895,100	1,051,239

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

An analysis of changes in liabilities arising from financing activities is as follows:

	Debt securities RM'000	Lease liabilities RM'000	Cashline facility RM'000	Total RM'000
Group				
At 1 January 2021	2,642,558	58,027	400,870	3,101,455
Profit expense during the year	134,198	2,117	3,473	139,788
Profit paid during the year	(778,816)	-	-	(778,816)
Additions	1,300,000	8,920	1,100,000	2,408,920
Payment	-	(17,828)	(803,926)	(821,754)
At 31 December 2021	<u>3,297,940</u>	<u>51,236</u>	<u>700,417</u>	<u>4,049,593</u>
At 1 January 2020	2,562,786	65,875	200,607	2,829,268
Profit expense during the year	110,616	1,314	2,858	114,788
Profit paid during the year	(730,844)	-	-	(730,844)
Additions	700,000	11,789	400,000	1,111,789
Payment	-	(20,951)	(202,595)	(223,546)
At 31 December 2020	<u>2,642,558</u>	<u>58,027</u>	<u>400,870</u>	<u>3,101,455</u>
	Debt securities RM'000	Lease liabilities RM'000	Cashline facility RM'000	Total RM'000
Bank				
At 1 January 2021	2,642,558	77,210	400,870	3,120,638
Profit expense during the year	134,198	2,777	3,473	140,448
Profit paid during the year	(778,816)	-	-	(778,816)
Additions	1,300,000	7,994	1,100,000	2,407,994
Payment	-	(24,276)	(803,926)	(828,202)
At 31 December 2021	<u>3,297,940</u>	<u>63,705</u>	<u>700,417</u>	<u>4,062,062</u>
At 1 January 2020	2,562,786	92,116	200,607	2,855,509
Profit expense during the year	110,616	2,160	2,858	115,634
Profit paid during the year	(730,844)	-	-	(730,844)
Additions	700,000	9,603	400,000	1,109,603
Payment	-	(26,669)	(202,595)	(229,264)
At 31 December 2020	<u>2,642,558</u>	<u>77,210</u>	<u>400,870</u>	<u>3,120,638</u>

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

1. GENERAL INFORMATION

The Bank was established under the Co-operative Societies Act 1993 with the registered office address at 35th Floor, Menara 1, Menara Kembar Bank Rakyat, No. 33, Jalan Rakyat, 50470 Kuala Lumpur.

The principal activities of the Bank are those of a co-operative that carries out banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs.

The principal activities of the subsidiaries are disclosed in Note 16.

There have been no significant changes in the nature of these principal activities of the Group and the Bank.

The Bank has a total of 148 branches as of 31 December 2021 (2020: 147).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Co-operative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618) and applicable Malaysian Financial Reporting Standards ("MFRS") as modified by Guidelines issued by Bank Negara Malaysia ("BNM") and in compliance with the principles of Shariah.

The financial statements of the subsidiaries of the Bank have been prepared in accordance with MFRS, IFRS and the provisions of the Companies Act, 2016 in Malaysia.

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank.

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- 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*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures 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*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Bank.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements of the Group and of the Bank have been prepared on the historical cost basis, except for certain assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration involved in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect the investee's return.

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

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and basis of consolidation (continued)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9, *Financial Instruments* ("MFRS 9"), and when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112, *Income Taxes* and MFRS 119, *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2, *Share-based Payment* at the acquisition date; and

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business combinations (continued)

- assets (or disposal groups) that are classified and measured as held-for-sale in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, is measured at fair value with the changes in fair value recognised in the statements of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business combinations (continued)

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

3.4 Goodwill on consolidation

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.3 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

Financial assets and financial liabilities are recognised when, and only when the Group and the Bank become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.5.1 Financial assets

3.5.1.1 Date of recognition

All financial assets are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provisions of the instruments. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3.5.1.2 Initial recognition and subsequent measurement

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

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics, measured at either:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through profit or loss ("FVTPL")

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

Included in financial assets are the following:

(i) Financial assets at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below:

(a) Business model assessment

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

(i) Financial assets at amortised cost (continued)

(a) Business model assessment (continued)

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); or
- The expected frequency, value and timing of sales are also important aspects of the Group and the Bank's assessment.

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

(b) The SPPP test

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

(i) Financial assets at amortised cost (continued)

(b) The SPPP test (continued)

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

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

(ii) Fair value through other comprehensive income (“FVOCI”)

The Group and the Bank apply the new category under MFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

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

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income (“OCI”). Profit income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

(ii) Fair value through other comprehensive income (“FVOCI”) (continued)

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

(iii) Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL include financial assets held-for-trading and financial asset designated at FVTPL upon initial recognition. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading.

Financial assets at FVTPL are those that are not held-for-trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9. Management designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Initial recognition and subsequent measurement (continued)

(iii) Financial assets at fair value through profit or loss (“FVTPL”) (continued)

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statements of financial position at fair value. Changes in fair value are recognised in the profit or loss under the heading of ‘other operating income’.

(iv) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financing and receivables are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective profit method, less any impairment. Regular way recognition of financing and advances is recorded on settlement date, when all the conditions under financing contract have been fulfilled.

Profit on financing is recognised in profit or loss by applying the effective profit rate.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating profit income or expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.3 Impairment of financial assets

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable financing commitments and financial guarantee contracts; which include financing and advances, as well as financial instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15, *Revenue from Contracts with Customers*.

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

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

The assessment of significant deterioration since initial recognition is the key to determine the point of switching between measuring an allowance based on 12-month ECL, or an allowance based on lifetime ECL. A number of both qualitative and quantitative assessments are used in determining whether there is a significant increase in credit risk as at reporting date when compared with the date of initial recognition.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.3 Impairment of financial assets (continued)

(ii) ECL Measurement

There are three main components to measure ECL which are probability of default ("PD") model, a loss given default ("LGD") model, and the exposure at default model ("EAD").

a) Probability of default

PD provides an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon.

b) Loss Given Default

LGD is defined as the percentage of exposure the Bank might lose in case the customer defaults. These losses are usually shown as a percentage of EAD, and depend, amongst others, on the type and amount of collateral as well as the type of customer and the expected proceeds from the work-out of the assets.

c) Exposure at Default

EAD is an estimate of the Bank's exposure to its counterparty at the time of default. For defaulted accounts, EAD is simply the amount outstanding at the point of default.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank have continued to measure impairment on individual assessment basis for financial assets that are deemed to be individually significant. All other remaining financial assets are collectively assessed as per the Group's policy.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.3 Impairment of financial assets (continued)

(iii) Expected life

Lifetime expected credit losses must be measured over the expected life. This is defined to be the maximum contractual life, including any expected prepayment, extension, call and similar options.

(iv) Financial investments at FVOCI

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

(v) Forward-looking information

Expected credit losses are the unbiased probability-weighted credit losses, determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward-looking forward is based on the Group's and the Bank's Economic Research Division.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.3 Impairment of financial assets (continued)

(v) Forward-looking information (continued)

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

- Private Final Consumption ("PFC");
- Gross Domestic Product ("GDP");
- Consumer Sentiment Index ("CSI");
- Unemployment Rate ("Unemployment");
- Overnight Pricing Rate ("OPR");
- Passenger Cars ("Passenger Cars");
- Consumer Price Indices ("CPI");
- House Price Indices ("HPI"); or
- FTSE Bursa Malaysia Small Cap Index ("FTSE").

The Group and Bank apply the following three alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- *Base scenario:* This scenario reflects the current macro-economic conditions continue to prevail.
- *Best and Worst scenarios:* These scenarios are set relative to the base scenario; reflecting the best and worst-case macro-economic conditions respectively, based on subject matter expert's best judgement from current economic conditions.

(vi) Valuation for Stage 3 ECL

The Group and the Bank's accounting policy for collateral assigned to it through its lending arrangements under MFRS 9 is the same as it was under MFRS 139.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.4 Rescheduled and restructured financing

Where a financing shows evidence of credit weaknesses, the Group and the Bank may seek to renegotiate the financing rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new financing terms and conditions via restructuring. Management monitors the renegotiated financing to ensure that all the revised terms are met and that the payments are made promptly for a continuous period. Where an impaired financing is renegotiated, the customer must adhere to the revised and/or restructured payment terms for a continuous period of six months before the financing is classified as non-impaired. This financing continues to be subjected to ECL individually or collectively assessed.

3.5.1.5 Modification of financing (*Policy applicable from 1 January 2020 to 31 December 2022*)

Based on the BNM's revised guideline on Financial Reporting for Development Financial Institutions, the prescribed development financial institutions ("DFIs") shall make one-time election in 2020 to apply revision to the original effective profit rate in respect of any modifications made to the contractual cash flows of financing. In the event of election, the requirements shall apply for financial years beginning between 1 January 2020 to 31 December 2022 and in respect of financing for which the contractual cash flows are modified, including payments deferred under moratoriums provided by DFIs during these financial years. The Group and the Bank elected to adopt the modified accounting treatment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.6 Modification of financing (*Policy applicable before 1 January 2020*)

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

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amount the customer is expected to be able to pay;
- Whether any substantial new terms are introduced, such as profit share / equity-based return that substantially affects the risk profile of the financing;
- Significant extension of the financing term when the customer is not in financial difficulty; or
- Significant change in profit rate.

The Group and Bank sometimes renegotiate or otherwise modify the contractual cash flows of customer financing. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and Bank do this by considering, among others, the insertion of collateral, other security, or credit enhancements that significantly affect the credit risk associated with the financing.

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognise a 'new' asset at fair value and recalculate a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for both impairment calculation purposes and in determining whether a significant increase in credit risk has occurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.6 Modification of financing (*Policy applicable before 1 January 2020*) (continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. The Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the income statements. The new gross carrying amount is recalculated by discounting the modified cashflows at the original effective profit rate.

3.5.1.7 Reclassification of financial assets

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

Subsequent to initial recognition, the Group and the Bank do not reclassify its financial assets.

3.5.2 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when the Group and the Bank transfer the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the financial asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated under the heading of other reserves is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.3 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

3.5.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's and of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's and of the Bank's own equity instruments.

3.5.5 Financial liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective profit method. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities at amortised cost include deposits from customers, deposits and placements from banks and financial institutions, trade and other payables, recourse obligations on financing sold to Cagamas, debt securities issued and other borrowed funds.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.6 Derecognition of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

3.5.7 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on Bursa Malaysia and broker quotes from Bond Pricing Agency.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. Under these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, and using inputs existing at the end of the reporting period.

The fair value for financing and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

3.6 Cash and cash equivalents

Cash and short term funds in the statements of financial position comprise of cash and bank balances with bank and other financial institutions and short-term deposits maturing within one month. For purpose of the statements of cash flows, cash and cash equivalents consist of cash and short term funds with original maturity of less than three months.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases

At inception of a contract, the Group and the Bank assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the 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 use the definition of a lease in MFRS 16.

(a) Group as lessor

The Group and the Bank enter into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group and the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group or the Bank is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use 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 sub-lease as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease as part of 'Other operating income' (Note 33). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's and the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and the Bank's net investment outstanding in respect of the leases.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee

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

(i) Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liabilities.

Whenever the Group and the Bank incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Bank expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease:

Buildings	1 - 10 years
Other equipment	1 - 2 years

The right-of-use assets are presented as a separate line in the statements of financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee (continued)

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

The Group and the Bank apply MFRS 136, *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.20 Impairment of non-financial assets.

If ownership of the leased asset transfers to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Bank has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group and the Bank allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs and are included in 'Operating expenses' in profit or loss. The Group and the Bank present lease liabilities in 'Other liabilities' (Note 27) in the statements of financial position.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee (continued)

(ii) Lease liabilities (continued)

In calculating the present value of lease payments, the Group and the Bank use finance rate implicit in the lease. If this rate cannot be readily determined, the lessees uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured (and makes a corresponding adjustment to the related right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero) if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group and the Bank do not make any such adjustments during the periods presented.

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

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases of parking space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of profit expense and other costs that an entity incurs in connection with the borrowing of funds.

3.9 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group and the Bank, are classified as investment properties. Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between net disposal proceeds and the carrying amount of the assets), is included in profit or loss in the period which the property is derecognised.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Investment properties (continued)

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group and the Bank consider the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group and the Bank account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease.

3.10 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the Group and the Bank are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure 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.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Freehold land has unlimited useful life and therefore is not depreciated. Construction work-in-progress are not depreciated until the assets are ready for their intended use.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Property and equipment (continued)

Depreciation of other property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	50 years
Leasehold land and buildings	50 years
Renovation	5 - 50 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5 years

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimates accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on disposals are determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.11 Intangible assets

In addition to goodwill, intangible assets also includes computer software and software-in-development.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank.

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses, except software-in-development which is not subject to amortisation until the development is completed and the asset is available for use.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with indefinite lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives recognised in the income statements in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in income statements when the asset are derecognised.

Amortisation of intangible assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer software	5 - 15 years
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3.12 Prepaid lease payments

Leasehold land that has an indefinite economic life which title is not expected to pass to the Group by end of the lease period is classified as operating lease.

The upfront payments for right to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and are stated at cost less amount amortised. The prepaid lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 4 to 860 years (2020: 5 to 861 years).

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of past events, when it is probable that the Group and the Bank will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

3.14 Inventories

Inventories are valued at the lower of cost (determined using the first-in, first out method) and net realisable value. The cost of inventories comprises the original cost of purchase plus the incidental cost incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. In arriving at net realisable value, due allowance is made for damaged, obsolete or slow-moving inventories.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

3.15 Profit income and expense

For all financial instruments measured at amortised cost and profit-bearing financial assets classified as fair value through profit or loss and fair value through other comprehensive income, income and expense are recognised under "Income" and "Expenditure" respectively using the effective profit method.

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating the profit income or expense over the relevant period. The effective profit rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Profit income and expense (continued)

The calculation takes into account all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective profit rate, as well as premiums or discounts are also considered.

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

3.16 Fee and commission income

Financing arrangement fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of sales and service tax and discounts on completion of each stage of the assignment.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

3.17 Dividend income

Dividends are recognised in profit or loss as 'dividend income' when the Group's right to receive payment is established.

3.18 Income tax

3.18.1 Current income tax

Current income 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 years.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (continued)

3.18.2 Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Bank expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their current tax assets and liabilities on a net basis.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits

3.19.1 Defined contribution plan

For defined contribution plan, the Group and the Bank pay contributions to Employees Provident Fund ("EPF") on a mandatory basis. The Group and the Bank have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

3.19.2 Short-term employee benefits

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

3.20 Impairment of non-financial assets

At the end of each reporting period, the Group and the Bank review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Impairment of non-financial assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.21 Zakat

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

It is an obligatory amount payable on the business on behalf of the shareholders and/or business entity depending on the ownership characteristics.

Zakat is distributed according to Shariah principle and being extended through Islamic Religious Council of the respective states and other rightful beneficiaries or asnaf.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's and the Bank's financial statements and financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of preparation of the financial statements.

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with MFRS are best estimates undertaken in accordance with the applicable standards.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's and the Bank's results and financial situation due to their materiality.

4.1 Impairment losses on financing and advances

The Group and the Bank review their financing and advances portfolio to determine whether impairment losses should be recognised in profit or loss.

Financing is considered as impaired when there is objective evidence of impairment as a result of loss event that has affected future estimated cash flows of the financing subsequent to its initial recognition.

Components of impairment allowance are as follows:

(i) ECL individually assessed

Where an account has exceeded certain number of arrears or when the account has fulfilled certain criteria that indicates credit weaknesses, the account is individually assessed for impairment.

Individual allowance is measured as the difference between carrying amount of the financing and present value of estimated future cash flows that are discounted at the effective profit rate.

Expectation on future cash flows is established by applying the best estimate formed on reliable and objective evidence. This process involves significant and reasonable judgement.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Impairment losses on financing and advances (continued)

Components of impairment allowance are as follows: (continued)

(ii) ECL collectively assessed

The Group and the Bank's ECL calculations under MFRS 9 are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Criteria for assessing if there has been a significant increase in credit risk, which includes qualitative assessment, to determine whether financial assets should be measures on lifetime ECL basis rather than 12-month ECL basis;
- The segmentation of financial assets, when their ECL is assessed on a collective basis;
- Development of ECL models, including various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios, and economic inputs, such as unemployment levels and overnight pricing rate, and their effect on PDs, EADs, and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Impairment of financial assets portfolio

The Group and the Bank review their financial investments at FVOCI and financial investments at amortised cost under MFRS 9 to recognise the ECL at each reporting date to reflect changes in credit risk of the financial investments not measured through FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

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

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

4.3 Fair value estimation of financial assets at FVTPL and financial investments at FVOCI

When the fair value of financial assets recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques. Valuation techniques include the discounted cashflow methods, option pricing models, and other relevant valuation models.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Deferred tax

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

4.5 Determine the lease term of contracts with renewal and termination options - Group as lessee

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

The Group and the Bank have several lease contracts that include extension and termination options. The Group and the Bank apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group and the Bank include the renewal period as part of the lease term for leases of buildings and other equipment with shorter non-cancellable period (i.e., one to three years). The Group and the Bank typically exercise its option to renew for these leases because there will be a significant negative effect on operation if a replacement asset is not readily available. The renewal periods for leases of buildings with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 14 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

5. CHANGES IN REGULATORY REQUIREMENTS

Based on the BNM's revised guideline on Financial Reporting for Development Financial Institutions, the prescribed development financial institutions ("DFIs") shall make a one-time election in 2020 to apply revisions to the original effective profit rate in respect of any modifications made to the contractual cash flows of financing. In the event of election, the requirements shall apply for financial years beginning between 1 January 2020 to 31 December 2022 and in respect of financing for which the contractual cash flows are modified, including payments deferred under moratoriums provided by DFIs during these financial years.

The Group and the Bank elected to adopt the modified accounting treatment. The comparison of the financial impact of applying the accounting treatment in accordance with Malaysian Financial Reporting Standard ("MFRS") and the modified accounting treatment is as follows:

As at 31 December	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financing and advances				
Closing balance under MFRS	78,933,161	77,868,394	79,166,911	78,083,444
Modification loss	858,835	349,430	858,835	349,430
Loss of income due to changes in effective rate	(176,532)	(61,941)	(176,532)	(61,941)
Closing balance under modified accounting treatment	<u>79,615,464</u>	<u>78,155,883</u>	<u>79,849,214</u>	<u>78,370,933</u>
For the year ended 31 December	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income				
Year ended balance under MFRS	4,010,549	4,488,913	4,020,606	4,495,905
Modification loss	509,405	349,430	509,405	349,430
Loss of income due to changes in effective rate	(114,592)	(61,941)	(114,592)	(61,941)
Year ended balance under modified accounting treatment	<u>4,405,362</u>	<u>4,776,402</u>	<u>4,415,419</u>	<u>4,783,394</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

6. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Cash and balances with banks and other financial institutions	835,189	881,621	834,987	881,165
Money at call and deposit placements maturing within one month	-	100,015	-	100,015
	<u>835,189</u>	<u>981,636</u>	<u>834,987</u>	<u>981,180</u>

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	<u>835,189</u>	<u>981,636</u>	<u>834,987</u>	<u>981,180</u>

7. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	2021	2020
	RM'000	RM'000
At amortised cost		
Licensed banks	<u>672,463</u>	<u>277,275</u>

The maturity structure of the deposits and placements with financial institutions is as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Maturity more than one month and less than three months	311,214	70,059
More than three months	<u>361,249</u>	<u>207,216</u>
	<u>672,463</u>	<u>277,275</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

8. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Debt instruments at fair value through profit or loss:		
Government investment issues	695,939	89,942
Islamic redeemable convertible preference shares	213,200	213,200
	<u>909,139</u>	<u>303,142</u>
Equity securities at fair value through profit or loss:		
Quoted shares	66,893	144,684
	<u>66,893</u>	<u>144,684</u>
Total financial investments at fair value through profit or loss	<u>976,032</u>	<u>447,826</u>

9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Debt instruments at fair value through other comprehensive income:				
Islamic debt securities	5,036,372	4,764,843	5,036,372	4,764,843
Government investment issues	5,550,252	6,034,142	5,550,252	6,034,142
Government sukuk	8,709,494	7,703,704	8,709,494	7,703,704
Khazanah sukuk	156,319	235,038	156,319	235,038
Cagamas sukuk	1,256,502	1,824,378	1,256,502	1,824,378
	<u>20,708,939</u>	<u>20,562,105</u>	<u>20,708,939</u>	<u>20,562,105</u>
Equity securities at fair value through other comprehensive income:				
Unquoted shares	72,779	57,965	72,771	57,957
	<u>72,779</u>	<u>57,965</u>	<u>72,771</u>	<u>57,957</u>
Total financial investments at fair value through other comprehensive income	<u>20,781,718</u>	<u>20,620,070</u>	<u>20,781,710</u>	<u>20,620,062</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)**

Movement of allowance for ECL by stage for debt instruments at fair value through other comprehensive income is as follows:

Group and Bank	12-month ECL Stage 1 RM'000
At 1 January 2020	274
Changes in credit risk (Note 32(ii))	(100)
At 31 December 2020/1 January 2021	<u>174</u>
Changes in credit risk (Note 32(ii))	(45)
At 31 December 2021	<u>129</u>

The decrease in ECL Stage 1 of RM45,000 is due to improvement in credit quality during the financial year.

The maturity structure of the debt instruments is as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Maturity within one year	3,124,637	3,809,671
More than one year to five years	9,814,499	10,936,085
More than five years	7,769,803	5,816,349
	<u>20,708,939</u>	<u>20,562,105</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

10. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2021	2020
	RM'000	RM'000
At amortised cost		
Islamic debt securities	471,788	572,783
Government investment issues	6,925,903	5,480,409
Government sukuk	3,170,872	2,923,692
Khazanah sukuk	100,040	240,070
Cagamas sukuk	76,349	449,617
Negotiable Islamic debt certificates	99,940	99,984
	10,844,892	9,766,555
Less: Allowance for ECL		
Negotiable Islamic debt certificates	(12)	(2)
Islamic debt securities	(18,030)	(18,688)
	10,826,850	9,747,865

Movement of allowance for ECL by stage is as follows:

	12-month ECL Stage 1 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
Group and Bank			
At 1 January 2020	94	19,829	19,923
Changes in credit risk (Note 32(ii))	(55)	(1,178)	(1,233)
At 31 December 2020/1 January 2021	39	18,651	18,690
Changes in credit risk (Note 32(ii))	(7)	(641)	(648)
At 31 December 2021	32	18,010	18,042

The decrease in ECL Stage 1 of RM7,000 is due to decrease in gross carrying amount during the financial year. The decrease in ECL Stage 3 is due to partial redemption of impaired sukuk.

The maturity structure of the instruments is as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Maturity within one year	1,669,423	1,731,426
More than one year to five years	2,298,512	3,450,553
More than five years	6,876,957	4,584,576
	10,844,892	9,766,555

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES

(i) Financing and advances analysed by type and concept

Group 2021	Bai` `Inah RM'000	Bai` Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai` RM'000	Tawarruq RM'000	Total RM'000
At amortised cost								
Term financing								
- Personal financing	17,640,575	-	-	-	-	-	42,269,868	59,910,443
- House financing	-	809,343	-	-	-	-	7,579,937	8,389,280
- Hire-purchase receivables	-	-	-	-	-	1,922,355	-	1,922,355
- Syndicated financing	-	-	-	-	-	-	346,196	346,196
- Bridging financing	-	-	-	-	-	-	257,291	257,291
- Other term financing	105,462	3,981	-	11	29,700	-	5,262,980	5,402,134
Pawn broking	-	-	437	-	-	-	2,015,366	2,015,803
Cashline	-	-	-	-	-	-	224,006	224,006
Revolving credit	-	-	-	-	-	-	304,539	304,539
Credit card	-	-	-	-	-	-	356,279	356,279
Staff financing	-	-	-	-	-	-	487,138	487,138
	17,746,037	813,324	437	11	29,700	1,922,355	59,103,600	79,615,464

Allowance for ECL on financing and advances:

Stage 1 - 12 month ECL	(934,553)
Stage 2 - lifetime ECL not credit impaired	(609,842)
Stage 3 - lifetime ECL credit impaired	(774,632)

Net financing and advances

77,296,437

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Group 2020	Bai` `Inah RM'000	Bai` Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai` RM'000	Tawarruq RM'000	Total RM'000
At amortised cost								
Term financing								
- Personal financing	20,961,835	-	-	-	-	-	38,416,192	59,378,027
- House financing	-	933,849	-	116	-	-	6,539,130	7,473,095
- Hire-purchase receivables	-	-	-	-	-	1,872,092	-	1,872,092
- Syndicated financing	-	-	-	-	-	-	313,742	313,742
- Bridging financing	-	-	-	-	-	-	258,354	258,354
- Other term financing	8,605	1,159	-	16	-	-	5,297,634	5,307,414
Pawn broking	-	-	599,893	-	-	-	1,594,886	2,194,779
Cashline	-	-	-	-	-	-	147,637	147,637
Revolving credit	-	-	-	-	-	-	356,659	356,659
Credit card	-	-	-	-	-	-	376,004	376,004
Staff financing	-	-	-	-	-	-	478,080	478,080
	<u>20,970,440</u>	<u>935,008</u>	<u>599,893</u>	<u>132</u>	<u>-</u>	<u>1,872,092</u>	<u>53,778,318</u>	<u>78,155,883</u>

Allowance for ECL on financing and advances:

Stage 1 - 12 month ECL	(388,082)
Stage 2 - lifetime ECL not credit impaired	(709,254)
Stage 3 - lifetime ECL credit impaired	(975,349)

Net financing and advances 76,083,198

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Bank 2021	Bai` `Inah RM'000	Bai` Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai` RM'000	Tawarruq RM'000	Total RM'000
At amortised cost								
Term financing								
- Personal financing	17,640,575	-	-	-	-	-	42,269,868	59,910,443
- House financing	-	809,343	-	-	-	-	7,813,687	8,623,030
- Hire-purchase receivables	-	-	-	-	-	1,922,355	-	1,922,355
- Syndicated financing	-	-	-	-	-	-	346,196	346,196
- Bridging financing	-	-	-	-	-	-	257,291	257,291
- Other term financing	105,462	3,981	-	11	29,700	-	5,262,980	5,402,134
Pawn broking	-	-	437	-	-	-	2,015,366	2,015,803
Cashline	-	-	-	-	-	-	224,006	224,006
Revolving credit	-	-	-	-	-	-	304,539	304,539
Credit card	-	-	-	-	-	-	356,279	356,279
Staff financing	-	-	-	-	-	-	487,138	487,138
	17,746,037	813,324	437	11	29,700	1,922,355	59,337,350	79,849,214

Allowance for ECL on financing and advances:

Stage 1 - 12 month ECL	(948,159)
Stage 2 - lifetime ECL not credit impaired	(609,842)
Stage 3 - lifetime ECL credit impaired	(774,632)

Net financing and advances 77,516,581

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Bank 2020	Bai` `Inah RM'000	Bai` Bithaman Ajil RM'000	Ar-Rahn RM'000	Qard RM'000	Murabahah RM'000	Ijarah Thumma Al-Bai` RM'000	Tawarruq RM'000	Total RM'000
At amortised cost								
Term financing								
- Personal financing	20,961,835	-	-	-	-	-	38,416,192	59,378,027
- House financing	-	933,849	-	116	-	-	6,754,180	7,688,145
- Hire-purchase receivables	-	-	-	-	-	1,872,092	-	1,872,092
- Syndicated financing	-	-	-	-	-	-	313,742	313,742
- Bridging financing	-	-	-	-	-	-	258,354	258,354
- Other term financing	8,605	1,159	-	16	-	-	5,297,634	5,307,414
Pawn broking	-	-	599,893	-	-	-	1,594,886	2,194,779
Cashline	-	-	-	-	-	-	147,637	147,637
Revolving credit	-	-	-	-	-	-	356,659	356,659
Credit card	-	-	-	-	-	-	376,004	376,004
Staff financing	-	-	-	-	-	-	478,080	478,080
	<u>20,970,440</u>	<u>935,008</u>	<u>599,893</u>	<u>132</u>	<u>-</u>	<u>1,872,092</u>	<u>53,993,368</u>	<u>78,370,933</u>

Allowance for ECL on financing and advances:

Stage 1 - 12 month ECL	(400,965)
Stage 2 - lifetime ECL not credit impaired	(709,254)
Stage 3 - lifetime ECL credit impaired	(975,349)

Net financing and advances

76,285,365

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Assets funded under *Ijarah* financing are owned by the Bank throughout the tenure of the *Ijarah* financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the *Ijarah* financing contract.

Included in the Bank's financing and advances is financing granted to Rakyat Holdings Sdn Bhd, a subsidiary of the Bank, amounting RM220.14 million net of expected credit losses (2020: RM202.17 million), subject to profit rate of 4.53% to 8.62% (2020: 4.53% to 8.62%).

Included in the Group's and the Bank's financing and advances as at 31 December 2021 are government financing scheme as part of the government support measures in response to COVID-19 pandemic for the purpose of SME financing amounting to RM128.68 million (2020: RM22.70 million).

(ii) Financing and advances analysed by geographical distribution

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Central Region	31,337,571	30,253,813	31,571,321	30,468,863
Southern Region	12,143,631	11,638,991	12,143,631	11,638,991
Eastern Region	12,180,512	12,954,657	12,180,512	12,954,657
Northern Region	9,376,603	9,069,875	9,376,603	9,069,875
East Malaysia Region	14,577,147	14,238,547	14,577,147	14,238,547
	<u>79,615,464</u>	<u>78,155,883</u>	<u>79,849,214</u>	<u>78,370,933</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

(iii) Financing and advances analysed by economic sector

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	18,660	19,666	18,660	19,666
Purchase of non-residential property	110,945	157,446	110,945	157,446
Consumption credit	73,976,115	72,558,742	73,976,115	72,558,742
Agriculture	81,262	81,988	81,262	81,988
Mining and quarrying	300	-	300	-
Manufacturing	77,107	37,150	77,107	37,150
Electricity, gas and water	27,433	11,044	27,433	11,044
Construction	961,965	983,569	961,965	983,569
Wholesale and retail trade	562,177	690,652	562,177	690,652
Transportation and communication	274,798	256,447	274,798	256,447
Financial, takaful and business services	3,135,950	3,091,935	3,369,700	3,306,985
Community, social and personal services	388,752	267,244	388,752	267,244
	<u>79,615,464</u>	<u>78,155,883</u>	<u>79,849,214</u>	<u>78,370,933</u>

(iv) Financing and advances analysed by remaining contractual maturity

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	2,380,353	1,910,855	2,380,353	1,910,855
More than one year to three years	2,864,804	3,017,360	2,864,804	3,017,360
More than three years to five years	6,423,600	6,514,507	6,423,600	6,514,507
More than five years	67,946,707	66,713,161	68,180,457	66,928,211
	<u>79,615,464</u>	<u>78,155,883</u>	<u>79,849,214</u>	<u>78,370,933</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

(v) Financing and advances analysed by customer type

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Individuals	74,104,154	72,751,866	74,104,154	72,751,866
Business enterprises	3,041,960	2,789,517	3,275,710	3,004,567
Non-bank financial institutions				
- Co-operatives	2,214,452	2,352,121	2,214,452	2,352,121
Foreign entities	1,566	2,132	1,566	2,132
Other entities	253,332	260,247	253,332	260,247
	79,615,464	78,155,883	79,849,214	78,370,933

(vi) Financing and advances analysed by profit rate sensitivity

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
Personal financing	18,896,645	21,074,788	18,896,645	21,074,788
House financing	1,499,808	1,559,125	1,499,808	1,559,125
Others	6,340,666	6,444,482	6,340,666	6,444,482
Floating rate				
Personal financing	41,013,798	38,303,214	41,013,798	38,303,214
House financing	6,889,473	5,913,979	7,123,223	6,129,029
Others	4,975,074	4,860,295	4,975,074	4,860,295
	79,615,464	78,155,883	79,849,214	78,370,933

(vii) Impaired financing and advances analysed by geographical distribution

	Group and Bank	
	2021	2020
	RM'000	RM'000
Central Region	1,035,174	1,180,067
Southern Region	70,532	83,215
Eastern Region	87,720	87,393
Northern Region	63,022	68,089
East Malaysia Region	97,052	99,440
	1,353,500	1,518,204

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

(viii) Impaired financing and advances analysed by economic sector

	Group and Bank	
	2021	2020
	RM'000	RM'000
Purchase of securities	1,004	131
Purchase of non-residential property	2,245	3,833
Consumption credit	605,093	740,707
Agriculture	49,965	28,858
Manufacturing	2,011	2,236
Construction	184,089	190,911
Wholesale and retail trade	8,375	12,988
Transportation and communication	7,542	930
Financial, takaful and business services	492,542	537,610
Community, social and personal services	634	-
	1,353,500	1,518,204

(ix) Movements in impaired financing and advances are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	1,518,204	1,406,672
Classified as impaired during the year	2,005,755	1,207,376
Amount written back in respect of recoveries	(1,685,467)	(826,201)
Amount written off during the year	(484,992)	(269,643)
	(164,704)	111,532
At 31 December	1,353,500	1,518,204
Gross impaired financing and advances as a percentage of gross financing and advances	1.70%	1.94%

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

(x) Movements in allowance for ECL on financing and advances are as follows:

Group 2021	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
At 1 January 2021	388,082	709,254	975,349	2,072,685
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	398,873	(336,297)	(62,576)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(30,758)	113,902	(83,144)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(2,623)	(35,976)	38,599	-
New financial assets originated *	108,643	14,599	16,998	140,240
Changes in credit risk	99,925	174,923	405,806	680,654
Financial assets derecognised	(27,589)	(30,563)	(31,408)	(89,560)
Amount written off	-	-	(484,992)	(484,992)
At 31 December 2021	934,553	609,842	774,632	2,319,027

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows:
(continued)

Group 2020	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
At 1 January 2020	240,394	399,011	820,128	1,459,533
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	44,517	(41,217)	(3,300)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(17,255)	102,616	(85,361)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(1,475)	(57,697)	59,172	-
New financial assets originated *	84,720	36,888	30,988	152,596
Changes in credit risk Financial assets	70,520	320,040	454,082	844,642
derecognised	(33,339)	(50,387)	(30,717)	(114,443)
Amount written off	-	-	(269,643)	(269,643)
At 31 December 2020	<u>388,082</u>	<u>709,254</u>	<u>975,349</u>	<u>2,072,685</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows:
(continued)

Bank 2021	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
At 1 January 2021	400,965	709,254	975,349	2,085,568
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	398,873	(336,297)	(62,576)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(30,758)	113,902	(83,144)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(2,623)	(35,976)	38,599	-
New financial assets originated *	108,643	14,599	16,998	140,240
Changes in credit risk	100,648	174,923	405,806	681,377
Financial assets derecognised	(27,589)	(30,563)	(31,408)	(89,560)
Amount written off	-	-	(484,992)	(484,992)
At 31 December 2021	<u>948,159</u>	<u>609,842</u>	<u>774,632</u>	<u>2,332,633</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

11. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows:
(continued)

Bank 2020	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
At 1 January 2020	250,121	399,011	820,128	1,469,260
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	44,517	(41,217)	(3,300)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(17,255)	102,616	(85,361)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(1,475)	(57,697)	59,172	-
New financial assets originated *	84,720	36,888	30,988	152,596
Changes in credit risk Financial assets	73,676	320,040	454,082	847,798
derecognised	(33,339)	(50,387)	(30,717)	(114,443)
Amount written off	-	-	(269,643)	(269,643)
At 31 December 2020	<u>400,965</u>	<u>709,254</u>	<u>975,349</u>	<u>2,085,568</u>

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

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

11. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows:
(continued)

The following explains how significant changes in the gross carrying amount of financing and advances during the financial year have contributed to the change in the allowance for ECL on financing and advances.

Overall, the total allowance for impairment on financing and advances increased due to the following:

- a) 12 month ECL (Stage 1) - increase by RM546.47 million for the Group and increase by RM547.19 million for the Bank mainly due to changes in ECL staging policy and refinement of management overlay to further include the presumption of payment ability to be affected from COVID-19 and flood which has resulted in additional ECL charge.
- b) Lifetime ECL (Stage 2) - decrease by RM99.41 million for the Group and the Bank mainly due to changes in ECL staging policy.
- c) Lifetime ECL (Stage 3) - decrease by RM200.72 million for the Group and the Bank mainly from financing and advances amount written off and partially offset by financing and advances that migrated into Stage 3 due to deterioration in credit quality.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

12. TRADE RECEIVABLES

	Group	
	2021	2020
	RM'000	RM'000
At amortised cost		
Trade receivables	2,075	2,108
Less: Allowance for ECL	(1,166)	(1,961)
	<u>909</u>	<u>147</u>

The credit period granted for sale of goods is 30 days (2020: 30 days). No profit is charged on trade receivables.

The table below is an analysis of trade receivables at the end of the reporting period:

	Group	
	2021	2020
	RM'000	RM'000
Neither past due nor impaired		
1 day to less than 1 month	<u>60</u>	<u>122</u>
Past due but not impaired		
1 month to less than 2 months	374	455
2 months to less than 3 months	<u>597</u>	<u>349</u>
	<u>971</u>	<u>804</u>
Past due and impaired		
	<u>1,044</u>	<u>1,182</u>
	<u>2,075</u>	<u>2,108</u>

Movements in the allowance for ECL are as follows:

	Group	
	2021	2020
	RM'000	RM'000
At 1 January	1,961	1,971
Impairment losses recognised during the year (Note 34(ii))	303	33
Amount recovered during the year (Note 33(ii))	(1,054)	(33)
Amount written off during the year	(44)	(10)
At 31 December	<u>1,166</u>	<u>1,961</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

13. OTHER ASSETS

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Amount due from subsidiaries (i)	-	-	12,524	13,976
Other receivables, deposits and prepayments (ii)	620,169	947,839	584,027	910,432
	<u>620,169</u>	<u>947,839</u>	<u>596,551</u>	<u>924,408</u>

(i) Amount due from subsidiaries

The amount due from subsidiaries is non-trade in nature, not subject to financing charges and has no fixed terms of payment.

	Bank	
	2021	2020
	RM'000	RM'000
Outstanding balances	23,952	25,404
Less: Allowance for ECL	(11,428)	(11,428)
	<u>12,524</u>	<u>13,976</u>

Movements in the allowance for ECL of amount due from subsidiaries that are neither past due nor impaired are as follows:

	Bank	
	2021	2020
	RM'000	RM'000
At 1 January/31 December	<u>11,428</u>	<u>11,428</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

13. OTHER ASSETS (CONTINUED)

(ii) Other receivables, deposits and prepayments

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Other receivables	351,626	663,015	350,797	661,211
Allowance for ECL	(11,096)	(31,973)	(10,567)	(31,333)
	<u>340,530</u>	<u>631,042</u>	<u>340,230</u>	<u>629,878</u>
Refundable deposits	45,989	46,433	10,479	10,290
Prepayments	33,650	70,364	33,318	70,264
Contribution to Central Liquidity Monetary Fund *	200,000	200,000	200,000	200,000
	<u>620,169</u>	<u>947,839</u>	<u>584,027</u>	<u>910,432</u>

Movements in the allowance for ECL of other receivables that are neither past due nor impaired are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	31,973	20,563	31,333	19,813
Impairment losses recognised during the year (Note 34(ii))	135	49,328	135	49,438
Amount written off during the year	(21,012)	(37,918)	(20,901)	(37,918)
At 31 December	<u>11,096</u>	<u>31,973</u>	<u>10,567</u>	<u>31,333</u>

* This contribution is required under sub-section 42(i) of Malaysia Co-operative Societies Commission Act 2007 (Act 665) either at a rate of 3% on the qualifying liability or RM200 million, whichever is lower, commencing in the financial period beginning on or after 1 January 2012.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****14. RIGHT-OF-USE ASSETS****(i) Group as a lessee**

The Group and the Bank have lease contracts for buildings and other equipment used in its operations. Leases of buildings generally have lease terms between 1 to 10 years, with option to extend for another 1 to 3 years, while other equipment generally have lease terms between 1 to 2 years. The Group's and the Bank's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group and the Bank are restricted from assigning and subleasing the leased assets and some contracts require the Group and the Bank to maintain certain financial ratios. There are several lease contracts that include extension and variable lease payments, which are further discussed below.

The Group and the Bank also have certain leases of motor vehicle with lease terms of 12 months or less and lease of office equipment with low value. The Group and the Bank apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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

	Buildings RM'000	Other equipment RM'000	Total RM'000
Group			
At 1 January 2020	61,322	2,965	64,287
Additions	15,713	8,252	23,965
Disposal	(12,176)	-	(12,176)
Depreciation (Note 34(ii))	(16,902)	(2,829)	(19,731)
At 31 December 2020/1 January 2021	47,957	8,388	56,345
Additions	18,680	-	18,680
Disposal	(9,605)	(155)	(9,760)
Depreciation (Note 34(ii))	(14,181)	(2,009)	(16,190)
At 31 December 2021	42,851	6,224	49,075
Bank			
At 1 January 2020	87,265	2,965	90,230
Additions	18,925	8,252	27,177
Disposal	(17,574)	-	(17,574)
Depreciation (Note 34(ii))	(22,074)	(2,829)	(24,903)
At 31 December 2020/1 January 2021	66,542	8,388	74,930
Additions	18,558	-	18,558
Disposal	(10,409)	(155)	(10,564)
Depreciation (Note 34(ii))	(19,967)	(2,009)	(21,976)
At 31 December 2021	54,724	6,224	60,948

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

14. RIGHT-OF-USE ASSETS (CONTINUED)

(i) Group as a lessee (continued)

The total cash outflow for leases for the Group is RM17,828,000 (2020: RM20,951,000) and for the Bank is RM24,276,000 (2020: RM26,669,000). There are no non-cash additions to right-of-use assets and lease liabilities. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 27.

Some property leases contain extension options exercisable by the Group and the Bank up to three years before the end of the non-cancellable contract period. Where practicable, the Group and the Bank seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group and the Bank assess at lease commencement date whether it is reasonably certain to exercise the extension options. The Group and the Bank reassess whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The following are the amounts recognised in profit or loss:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Depreciation expense of right-of-use assets (Note 34(ii))	16,190	19,731	21,976	24,903
Finance cost on lease liabilities (Note 34(ii))	2,117	1,314	2,777	2,160
Total amount recognised in profit or loss	18,307	21,045	24,753	27,063

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

14. RIGHT-OF-USE ASSETS (CONTINUED)

(ii) Group as a lessor

The Group and the Bank have entered into operating leases on its investment property portfolio consisting of certain office buildings (Note 19). These leases have terms of between 1 and 3 years. Rental income recognised by the Group and the Bank during the year is RM19,760,097 (2020: RM21,430,010) and RM19,069,786 (2020: RM20,860,171), respectively.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Future rental income within:				
- 1 year	13,144	15,555	12,411	14,846
- 2 years	6,530	9,852	5,616	9,119
- 3 years	3,788	4,780	1,881	2,916
	23,462	30,187	19,908	26,881

15. INVENTORIES

Inventories consist of the following:

	Group	
	2021	2020
	RM'000	RM'000
Trading inventories, at cost	23,393	3,457
Recognised in profit or loss:		
Inventories recognised as cost of sales	50,955	17,534

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

16. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2021	2020
	RM'000	RM'000
Unquoted shares, at cost	100,744	100,744

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

Name	Proportion of ownership interest and voting power held by the Group		Principal activities
	2021	2020	
	%	%	
Directly owned			
Rakyat Holdings Sdn Bhd *	100	100	Investment and property management
Rakyat Management Services Sdn Bhd *	100	100	Management of Ar-Rahnu business and franchise
Rakyat Nominees Sdn Bhd *	100	100	Dormant
Rakyat Hartanah Sdn Bhd *	100	100	Dormant
Rakyat Asset Management Sdn Bhd *	100	100	Dormant
Rakyat Facility Management Sdn Bhd *	100	100	Dormant
Rakyat Niaga Sdn Bhd *	100	100	Dormant
Indirectly owned through Rakyat Holdings Sdn Bhd			
Rakyat Travel Sdn Bhd *	100	100	Dormant

* The financial statements of these subsidiaries were not audited by the Auditor General of Malaysia.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)****Composition of the Group**

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of Incorporation and Operation	Number of directly owned subsidiaries		Number of indirectly owned subsidiaries	
		2021	2020	2021	2020
Investment and property management	Malaysia	1	1	-	-
Management of Ar-Rahnu business and franchise	Malaysia	1	1	-	-
Dormant	Malaysia	5	5	1	1
		<u>7</u>	<u>7</u>	<u>1</u>	<u>1</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

17. PROPERTY AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group									
2021									
At cost									
At 1 January	41,510	457,291	114,425	928	22,805	284,103	427,086	6,403	1,354,551
Additions	-	-	-	-	16,631	2,036	23,027	569	42,263
Disposals	-	-	-	-	-	(43)	(211)	(276)	(530)
Write-offs	-	-	-	-	-	(731)	(10,839)	-	(11,570)
Reclassifications	-	17,605	4,635	-	(22,240)	-	-	-	-
At 31 December	41,510	474,896	119,060	928	17,196	285,365	439,063	6,696	1,384,714

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (continued)									
2021									
Accumulated depreciation									
At 1 January	-	61,214	27,863	902	-	269,181	389,832	3,453	752,445
Charge for the year	-	9,242	2,372	18	-	8,129	17,272	891	37,924
Disposals	-	-	-	-	-	(43)	(209)	(276)	(528)
Write-offs	-	-	-	-	-	(732)	(10,581)	-	(11,313)
At 31 December	-	70,456	30,235	920	-	276,535	396,314	4,068	778,528
Net book value									
At 31 December	41,510	404,440	88,825	8	17,196	8,830	42,749	2,628	606,186

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (continued)									
2020									
At cost									
At 1 January	41,510	457,189	117,598	928	85,954	283,332	425,446	5,289	1,417,246
Additions	-	102	-	-	565	3,952	11,111	1,261	16,991
Disposals	-	-	-	-	-	(545)	(2,317)	(87)	(2,949)
Write-offs	-	-	-	-	-	(4,544)	(7,111)	(60)	(11,715)
Reclassifications	-	-	-	-	(1,865)	1,908	(43)	-	-
Transfer to intangible assets (Note 18)	-	-	-	-	(61,849)	-	-	-	(61,849)
Transfer to prepaid lease payments (Note 20)	-	-	(3,173)	-	-	-	-	-	(3,173)
At 31 December	41,510	457,291	114,425	928	22,805	284,103	427,086	6,403	1,354,551

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (continued)									
2020									
Accumulated depreciation									
At 1 January	-	52,305	25,371	881	-	261,772	377,253	2,903	720,485
Charge for the year	-	8,909	2,677	21	-	12,183	21,457	650	45,897
Disposals	-	-	-	-	-	(465)	(1,814)	(87)	(2,366)
Write-offs	-	-	-	-	-	(4,318)	(7,055)	(13)	(11,386)
Reclassifications	-	-	-	-	-	9	(9)	-	-
Transfer to prepaid lease payments (Note 20)	-	-	(185)	-	-	-	-	-	(185)
At 31 December	-	61,214	27,863	902	-	269,181	389,832	3,453	752,445
Net book value									
At 31 December	41,510	396,077	86,562	26	22,805	14,922	37,254	2,950	602,106

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank									
2021									
At cost									
At 1 January	40,122	394,246	75,690	928	22,805	282,135	424,191	5,985	1,246,102
Additions	-	-	-	-	16,631	2,021	22,940	569	42,161
Write-offs	-	-	-	-	-	(731)	(10,684)	-	(11,415)
Reclassifications	-	17,605	4,635	-	(22,240)	-	-	-	-
At 31 December	40,122	411,851	80,325	928	17,196	283,425	436,447	6,554	1,276,848

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank (continued)									
2021									
Accumulated depreciation									
At 1 January	-	56,162	23,255	902	-	267,922	387,585	3,110	738,936
Charge for the year	-	7,825	1,502	18	-	7,560	16,909	829	34,643
Write-offs	-	-	-	-	-	(732)	(10,445)	-	(11,177)
At 31 December	-	63,987	24,757	920	-	274,750	394,049	3,939	762,402
Net book value									
At 31 December	40,122	347,864	55,568	8	17,196	8,675	42,398	2,615	514,446

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank (continued)									
2020									
At cost									
At 1 January	40,122	394,144	78,863	928	85,954	280,384	421,033	4,784	1,306,212
Additions	-	102	-	-	565	3,952	10,965	1,261	16,845
Disposals	-	-	-	-	-	(431)	(714)	-	(1,145)
Write-offs	-	-	-	-	-	(3,635)	(7,093)	(60)	(10,788)
Reclassifications	-	-	-	-	(1,865)	1,865	-	-	-
Transfer to intangible assets (Note 18)	-	-	-	-	(61,849)	-	-	-	(61,849)
Transfer to prepaid lease payments (Note 20)	-	-	(3,173)	-	-	-	-	-	(3,173)
At 31 December	40,122	394,246	75,690	928	22,805	282,135	424,191	5,985	1,246,102

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank (continued)									
2020									
Accumulated depreciation									
At 1 January	-	48,670	21,633	881	-	260,092	374,258	2,511	708,045
Charge for the year	-	7,492	1,807	21	-	11,895	21,057	611	42,883
Disposals	-	-	-	-	-	(431)	(689)	-	(1,120)
Write-offs	-	-	-	-	-	(3,634)	(7,041)	(12)	(10,687)
Transfer to prepaid lease payments (Note 20)	-	-	(185)	-	-	-	-	-	(185)
At 31 December	-	56,162	23,255	902	-	267,922	387,585	3,110	738,936
Net book value									
At 31 December	40,122	338,084	52,435	26	22,805	14,213	36,606	2,875	507,166

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****17. PROPERTY AND EQUIPMENT (CONTINUED)**

Land titles of certain freehold land of the Group and the Bank with carrying amount of RM25,014,244 (2020: RM3,003,259) have not yet been issued by the relevant authorities.

18. INTANGIBLE ASSETS

	Goodwill RM'000	Computer software RM'000	Total RM'000
Group			
2021			
At cost			
At 1 January	13,185	731,775	744,960
Additions	-	157,520	157,520
Write-offs	-	(123)	(123)
At 31 December	<u>13,185</u>	<u>889,172</u>	<u>902,357</u>
Accumulated amortisation			
At 1 January	-	273,955	273,955
Charge for the year	-	49,448	49,448
Write-offs	-	(92)	(92)
At 31 December	<u>-</u>	<u>323,311</u>	<u>323,311</u>
Net book value			
At 31 December	<u>13,185</u>	<u>565,861</u>	<u>579,046</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

18. INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Computer software RM'000	Software in deve- lopment RM'000	Total RM'000
Group (continued)				
2020				
At cost				
At 1 January	13,185	300,105	225,222	538,512
Additions	-	25,312	119,477	144,789
Disposals	-	(3)	-	(3)
Write-offs	-	(187)	-	(187)
Transfer from property and equipment (Note 17)	-	-	61,849	61,849
Reclassifications	-	406,548	(406,548)	-
At 31 December	<u>13,185</u>	<u>731,775</u>	<u>-</u>	<u>744,960</u>
Accumulated amortisation				
At 1 January	-	244,191	-	244,191
Charge for the year	-	29,954	-	29,954
Disposals	-	(3)	-	(3)
Write-offs	-	(187)	-	(187)
At 31 December	<u>-</u>	<u>273,955</u>	<u>-</u>	<u>273,955</u>
Net book value				
At 31 December	<u>13,185</u>	<u>457,820</u>	<u>-</u>	<u>471,005</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

18. INTANGIBLE ASSETS (CONTINUED)

	Computer software RM'000
Bank	
2021	
At cost	
At 1 January	731,775
Additions	157,520
Write-offs	(123)
At 31 December	<u>889,172</u>
Accumulated amortisation	
At 1 January	273,955
Charge for the year	49,448
Write-offs	(92)
At 31 December	<u>323,311</u>
Net book value	
At 31 December	<u>565,861</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

18. INTANGIBLE ASSETS (CONTINUED)

	Computer software RM'000	Software in deve- lopment RM'000	Total RM'000
Bank (continued)			
2020			
At cost			
At 1 January	300,105	225,222	525,327
Additions	25,312	119,477	144,789
Disposals	(3)	-	(3)
Write-offs	(187)	-	(187)
Transfer from property and equipment (Note 17)	-	61,849	61,849
Reclassifications	406,548	(406,548)	-
At 31 December	<u>731,775</u>	<u>-</u>	<u>731,775</u>
Accumulated amortisation			
At 1 January	244,191	-	244,191
Charge for the year	29,954	-	29,954
Disposals	(3)	-	(3)
Write-offs	(187)	-	(187)
At 31 December	<u>273,955</u>	<u>-</u>	<u>273,955</u>
Net book value			
At 31 December	<u>457,820</u>	<u>-</u>	<u>457,820</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

19. INVESTMENT PROPERTIES

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At fair value				
At 1 January	1,353,684	1,322,726	939,305	1,008,047
Additions	25,536	80,042	6,836	-
Gain on revaluation (Note 33(ii))	8,871	-	2,779	-
Loss on revaluation (Note 34(ii))	-	(49,084)	-	(68,742)
At 31 December	<u>1,388,091</u>	<u>1,353,684</u>	<u>948,920</u>	<u>939,305</u>

Investment properties include the following:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Freehold land	145,245	145,235	145,203	145,203
Buildings	931,692	904,517	522,200	519,635
Long-term leasehold land	311,154	303,932	281,517	274,467
	<u>1,388,091</u>	<u>1,353,684</u>	<u>948,920</u>	<u>939,305</u>

Investment properties of the Group and of the Bank are stated at fair value and are situated in Malaysia.

The fair values of the Group's and of the Bank's investment properties as at 31 December 2021 and 31 December 2020 have been arrived at on the basis of a valuation carried out by independent valuers who have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The fair value at level 3 was arrived at by using a variety of approaches such as sales comparison and investment method.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

19. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's and the Bank's investment properties and information about the fair value hierarchy are as follows:

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
At 31 December 2021	1,388,091	1,388,091	-	-	1,388,091
At 31 December 2020	<u>1,353,684</u>	<u>1,353,684</u>	-	-	<u>1,353,684</u>
Bank					
At 31 December 2021	948,920	948,920	-	-	948,920
At 31 December 2020	<u>939,305</u>	<u>939,305</u>	-	-	<u>939,305</u>

Reconciliation of fair value:

Group	Freehold land RM'000	Buildings RM'000	Long-term leasehold land RM'000	Total RM'000
At 1 January 2020	145,192	848,390	329,144	1,322,726
Additions	-	80,040	2	80,042
Remeasurement recognised in profit or loss	<u>43</u>	<u>(23,913)</u>	<u>(25,214)</u>	<u>(49,084)</u>
At 31 December 2020/ 1 January 2021	145,235	904,517	303,932	1,353,684
Additions	-	18,700	6,836	25,536
Remeasurement recognised in profit or loss (Note 33(ii))	<u>10</u>	<u>8,475</u>	<u>386</u>	<u>8,871</u>
At 31 December 2021	<u>145,245</u>	<u>931,692</u>	<u>311,154</u>	<u>1,388,091</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

19. INVESTMENT PROPERTIES (CONTINUED)

Reconciliation of fair value:(continued)

Bank	Freehold land RM'000	Buildings RM'000	Long-term leasehold land RM'000	Total RM'000
At 1 January 2020	145,160	560,197	302,690	1,008,047
Remeasurement recognised in profit or loss	43	(40,562)	(28,223)	(68,742)
At 31 December 2020/ 1 January 2021	145,203	519,635	274,467	939,305
Additions	-	-	6,836	6,836
Remeasurement recognised in profit or loss (Note 33(ii))	-	2,565	214	2,779
At 31 December 2021	145,203	522,200	281,517	948,920

Land titles for certain freehold land and leasehold land of the Group and the Bank with fair value amounting to RM980,000 (2020: RM980,000) have not been issued to the Group and the Bank by the relevant authorities.

The investment properties held by the Group and the Bank are let under operating leases to third parties, from which rental income of RM19,760,097 (2020: RM21,430,010) and RM19,069,786 (2020: RM20,860,171) has been earned during the year.

20. PREPAID LEASE PAYMENTS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cost		
At 1 January	79,853	76,680
Transfer from property and equipment (Note 17)	-	3,173
At 31 December	79,853	79,853
Accumulated amortisation		
At 1 January	19,225	17,498
Charge for the year (Note 34(ii))	1,590	1,542
Transfer from property and equipment (Note 17)	-	185
At 31 December	20,815	19,225
	59,038	60,628

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

20. PREPAID LEASE PAYMENTS (CONTINUED)

	Group and Bank	
	2021	2020
	RM'000	RM'000
Prepaid lease payments include:		
Long-term leasehold land	52,044	53,448
Short-term leasehold land	6,994	7,180
	<u>59,038</u>	<u>60,628</u>

The remaining period of the leasehold land of the Group and of the Bank ranges from 4 to 860 years (2020: 5 to 861 years).

The land titles of certain leasehold land of the Group and of the Bank amounting to RM6,730,115 (2020: RM6,901,409) have not yet been issued to the Group and the Bank by the relevant authorities.

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	(92,131)	(79,344)	(80,000)	(69,000)
Recognised in profit or loss (net) (Note 35)				
- relating to origination and reversal of temporary differences	280,787	(12,725)	281,000	(11,000)
- underprovision of net deferred tax liabilities	(722)	(62)	-	-
As of 31 December	<u>187,934</u>	<u>(92,131)</u>	<u>201,000</u>	<u>(80,000)</u>

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

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	201,484	571	201,000	-
Deferred tax liabilities, net	(13,550)	(92,702)	-	(80,000)
	<u>187,934</u>	<u>(92,131)</u>	<u>201,000</u>	<u>(80,000)</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	386,088	249,403	385,000	248,000
Deferred tax liabilities	(198,154)	(341,534)	(184,000)	(328,000)
	187,934	(92,131)	201,000	(80,000)

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

Group	Financing allowances for ECL RM'000	Provision of liabilities RM'000	Other temporary differences * RM'000	Total RM'000
Deferred tax assets				
At 1 January 2020	41,000	93,890	29,744	164,634
Recognised in profit or loss				
- relating to origination and reversal of temporary differences	71,000	14,064	(224)	84,840
- overprovision	-	-	(71)	(71)
At 31 December 2020/ 1 January 2021	112,000	107,954	29,449	249,403
Recognised in profit or loss				
- relating to origination and reversal of temporary differences	132,000	13,350	(8,719)	136,631
- underprovision	-	-	54	54
At 31 December 2021	244,000	121,304	20,784	386,088

* Mainly consist of temporary differences in respect of allowance for ECL of other receivables and lease liabilities

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	FVOCI reserve and impairment losses on financial investments RM'000	Other temporary differences ^ RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2020	138,000	105,978	243,978
Recognised in profit or loss			
- relating to origination and reversal of temporary differences	69,000	28,565	97,565
- overprovision	-	(9)	(9)
At 31 December 2020/ 1 January 2021	207,000	134,534	341,534
Recognised in profit or loss			
- relating to origination and reversal of temporary differences	(174,000)	29,844	(144,156)
- underprovision	-	776	776
At 31 December 2021	33,000	165,154	198,154

^ Mainly consist of temporary differences in respect of property and equipment, investment in properties and right-of-use assets

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	Financing allowances for ECL RM'000	Provision of liabilities RM'000	Other temporary differences * RM'000	Total RM'000
Deferred tax assets				
At 1 January 2020	41,000	93,000	29,000	163,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	71,000	14,000	-	85,000
At 31 December 2020/ 1 January 2021	112,000	107,000	29,000	248,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	132,000	14,000	(9,000)	137,000
At 31 December 2021	244,000	121,000	20,000	385,000

* Mainly consist of temporary differences in respect of allowance for ECL of other receivables and lease liabilities

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	FVOCI reserve and impairment losses on financial investments RM'000	Other temporary differences ^ RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2020	138,000	94,000	232,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	69,000	27,000	96,000
At 31 December 2020/ 1 January 2021	207,000	121,000	328,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	(174,000)	30,000	(144,000)
At 31 December 2021	33,000	151,000	184,000

^ Mainly consist of temporary differences in respect of property and equipment, investment in properties and right-of-use assets

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****22. DEPOSITS FROM CUSTOMERS**

	Group and Bank	
	2021	2020
	RM'000	RM'000
Savings deposits		
Qard	9,231,952	8,283,345
Term deposits		
Tawarruq	74,016,432	72,992,086
Negotiable Islamic debt certificates	3,275,500	4,300,000
	<u>86,523,884</u>	<u>85,575,431</u>

Deposits from customers are sourced from the following type of customers:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Government	43,517,087	38,041,363
Business enterprises	19,314,090	23,717,792
Co-operatives	2,439,694	3,041,520
Individuals	19,597,897	19,212,057
Others	1,655,116	1,562,699
	<u>86,523,884</u>	<u>85,575,431</u>

Maturity structure of term deposits and negotiable Islamic debt certificates is as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Maturity within six months	60,012,303	60,790,619
More than six months to one year	11,156,420	11,314,941
More than one year to five years	6,123,209	5,186,526
	<u>77,291,932</u>	<u>77,292,086</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

23. DEPOSITS AND PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Licensed Islamic banks	<u>850,000</u>	<u>150,000</u>

24. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

This represents proceeds received from financing sold directly to Cagamas Berhad with recourse to the Bank. Types of financing involved are personal financing and house financing. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to replace any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad.

Recourse obligations on financing sold to Cagamas are stated at amortised cost.

25. DEBT SECURITIES ISSUED

	Note	Group and Bank	
		2021	2020
		RM'000	RM'000
Issued under the RM9.0 billion Senior Islamic Medium Term Notes (IMTN) Programme:			
RM350 million IMTN due in 2021	(i)(a)	-	351,579
RM850 million IMTN due in 2022	(i)(b)	853,176	853,095
RM430 million IMTN due in 2022	(i)(c)	433,370	433,447
Issued under the RM10.0 billion Senior Sukuk Wakalah Programme:			
RM400 million IMTN due in 2025	(ii)(a)	402,368	402,262
RM300 million IMTN due in 2027	(ii)(a)	301,905	301,850
RM300 million IMTN due in 2026	(ii)(b)	301,996	-
RM700 million IMTN due in 2028	(ii)(b)	705,138	-
Issued under the RM5.0 billion Tier II Subordinated Programme:			
RM300 million Tier II due in 2026	(iii)(a)	-	300,325
RM300 million Tier II due in 2031	(iii)(b)	299,987	-
		<u>3,297,940</u>	<u>2,642,558</u>

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

25. DEBT SECURITIES ISSUED (CONTINUED)

- (i) On 25 October 2013, the Bank established a RM9.0 billion Senior IMTNs Programme to issue Sukuk Musharakah via a Special Purpose Vehicle ("SPV"), Imtiaz Sukuk II Berhad with a programme tenor of 10 years.
 - (a) On 24 November 2014, the Bank issued the sixth tranche of RM350 million. The sixth tranche bears a profit distribution rate at 4.65% matured on 24 November 2021. The profit is payable semi-annually each year commencing 25 May 2015. The sixth tranche has been fully redeemed on 24 November 2021.
 - (b) On 29 May 2017, the Bank issued the seventh and eighth tranches of RM350 million and RM850 million. The seventh tranche bears a profit distribution rate at 4.46% matured on 29 May 2020. The seventh tranche has been fully redeemed on 29 May 2020. The eighth tranche bears a profit distribution rate at 4.58% maturing on 27 May 2022. The profit is payable semi-annually each year commencing 29 November 2017.
 - (c) On 17 October 2017, the Bank issued the ninth and tenth tranches of RM270 million and RM430 million. The ninth tranche bears a profit distribution rate at 4.45% matured on 16 October 2020. The ninth tranche has been fully redeemed on 16 October 2020. The tenth tranche bears a profit distribution rate at 4.57% maturing on 17 October 2022. The profit is payable semi-annually each year commencing 17 April 2018.

The Sukuk Musharakah constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu without discrimination, preference or priority among themselves and at least pari passu with all other unsecured and unsubordinated obligations of the Issuer, subject to the previous of the Transaction Documents and those preferred by law.

- (ii) On 10 July 2020, the Bank established a RM10.0 billion Senior IMTNs Programme to issue Sukuk Wakalah via a SPV, Imtiaz Sukuk II Berhad with a programme tenor of 30 years.
 - (a) On 7 October 2020, the Bank issued the first and second tranches of RM400 million and RM300 million. The first tranche bears a profit distribution rate at 2.97% maturing on 7 October 2025. The second tranche bears a profit distribution rate at 3.20% maturing on 7 October 2027. The profit is payable semi-annually each year commencing 7 April 2021.
 - (b) On 19 April 2021, the Bank issued the third and fourth tranches of RM300 million and RM700 million. The third tranche bears a profit distribution rate at 3.54% maturing on 17 April 2026. The fourth tranche bears a profit distribution rate at 3.90% maturing on 19 April 2028. The profit is payable semi-annually each year commencing 20 October 2021.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

25. DEBT SECURITIES ISSUED (CONTINUED)

The Sukuk Wakalah constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu without discrimination, preference or priority among themselves and at least pari passu with all other unsecured and unsubordinated obligations of the Issuer, subject to the previous of the Transaction Documents and those preferred by law.

- (iii) On 19 April 2016, the Bank established a Subordinated Sukuk Programme to issue a Basel III compliant Tier II Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value. The issuance was made via a SPV, Mumtaz Rakyat Sukuk Berhad. The Subordinated Sukuk Programme has a tenor of up to 20 years from the date of the first issuance and shall be issued with a maturity for at least 5 years and up to 20 years.
 - (a) On 20 June 2016, the Bank issued the first tranche of RM300 million on nominal value of the Tier II Subordinated Sukuk for a tenor of 10 years on a 10 non-callable 5 basis with profit distribution rate at 4.95% and maturing on 19 June 2026. The profit is payable semi-annually each year commencing 20 December 2016. The first tranche has been fully redeemed on 18 June 2021.
 - (b) On 25 June 2021, the Bank issued the second tranche of RM300 million on nominal value of the Tier II Subordinated Sukuk for a tenor of 10 years on a 10 non-callable 5 basis with profit distribution rate at 3.78% and maturing on 25 June 2031. The profit is payable semi-annually each year commencing 27 December 2021.

The Subordinated Sukuk Murabahah will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking pari passu without any preference among themselves and at least pari passu with all other present and future unsecured and subordinated obligations of the Issuer, except those preferred by law and the Transaction Documents.

The proceeds from the issuances were utilised by the Bank for Shariah-compliant working capital and general corporate purposes.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****26. CASHLINE FACILITY**

The cashline facility is a committed lines provided by local banks. It is an interbank arrangement where the facility is collateralised on agreed terms and alternative source of funds.

27. OTHER LIABILITIES

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Amount due to subsidiaries (i)	-	-	177,889	200,430
Sundry creditors	169,554	233,432	176,286	237,685
Income payable	431,786	473,204	431,786	473,203
Other liabilities and accruals	654,131	597,567	646,389	587,924
Lease liabilities (ii)	51,236	58,027	63,705	77,210
Allowances for ECL on financial guarantee (iii)	4,213	5,962	4,213	5,962
Government fund	333,732	192,913	333,732	192,913
Zakat payable	52,370	38,857	50,260	36,209
	<u>1,697,022</u>	<u>1,599,962</u>	<u>1,884,260</u>	<u>1,811,536</u>

Included in the government fund is amount received by the Group and the Bank under various financing facilities established by the government to provide relief and support recovery for SME/micro enterprises at below than market rate.

(i) Amount due to subsidiaries

	Bank	
	2021	2020
	RM'000	RM'000
Term deposits	118,486	180,947
Savings deposits	59,403	19,483
	<u>177,889</u>	<u>200,430</u>

The amount due to subsidiaries represents deposits placed with the Bank at profit rate paid/payable ranging from 1.90% to 2.30% (2020:1.85% to 4.00%) per annum and have maturity period ranging from 30 days to 365 days (2020: 30 days to 365 days).

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

27. OTHER LIABILITIES (CONTINUED)

(ii) Lease liabilities

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

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	58,027	65,875	77,210	92,116
Additions	18,680	23,965	18,558	27,177
Disposal	(9,760)	(12,176)	(10,564)	(17,574)
Lease payments	(17,828)	(20,951)	(24,276)	(26,669)
Finance cost on lease liabilities (Note 34(ii))	2,117	1,314	2,777	2,160
At 31 December	51,236	58,027	63,705	77,210

Future minimum rentals commitment under non-cancellable operating leases as at 31 December are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Future rental commitment within :				
- 1 year	1,399	1,110	381	1,093
- 2 years	608	1,388	4,488	1,423
- 3 years	10,921	5,268	13,771	12,338
- 4 years	31,684	11,096	38,112	14,961
- 5 years	6,058	38,813	6,387	47,043
- 6 years onwards	566	352	566	352
	51,236	58,027	63,705	77,210

The Group and the Bank do not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's and the Bank's treasury function.

All lease obligations are denominated in Ringgit Malaysia.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

27. OTHER LIABILITIES (CONTINUED)

(iii) Allowances for ECL on financial guarantee

Group and Bank	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At 1 January 2020	11,113	-	-	11,113
New financial assets originated	-	3,298	2,664	5,962
Financial assets derecognised	(11,113)	-	-	(11,113)
At 31 December 2020/ 1 January 2021	-	3,298	2,664	5,962
Changes in credit risk	-	(1,749)	-	(1,749)
At 31 December 2021	-	1,549	2,664	4,213

28. SHARE CAPITAL

	Group and Bank 2021 RM'000	2020 RM'000
Issued and fully paid - Ordinary shares		
At 1 January	2,986,030	2,986,030
Net issuance during the year	18,282	24,485
Share withdrawal	(22,374)	(24,368)
Transfer from/(to) share redemption fund *	4,092	(117)
At 31 December	2,986,030	2,986,030

Membership as of 31 December is as follows:

	Group and Bank 2021	2020
Individual	824,799	832,055
Co-operative	2,267	2,247
	827,066	834,302

* The share redemption fund is maintained under Paragraph 19(i) of Undang-undang Kecil Bank Kerjasama Rakyat Malaysia Berhad for redemption of shares by members.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

29. RESERVES

Group	←		Non-distributable		→		Distributable	Total
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	
At 1 January 2021	14,617	6,833,392	174	913,708	329,672	8,091,563	9,860,818	17,952,381
Profit after taxation and zakat	-	-	-	-	-	-	1,857,885	1,857,885
Transfer from retained profits	-	473,301	-	-	-	473,301	(473,301)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(32,302)	(32,302)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(16,151)	(16,151)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,341)	(14,341)
Fair value reserve								
- Change in fair value	-	-	-	(708,613)	-	(708,613)	-	(708,613)
- Transferred to profit or loss	-	-	-	(2,304)	-	(2,304)	-	(2,304)
Change in ECL reserve	-	-	(45)	-	-	(45)	-	(45)
Dividends (Note 39)	-	-	-	-	-	-	(373,230)	(373,230)
At 31 December 2021	14,617	7,306,693	129	202,791	329,672	7,853,902	10,809,378	18,663,280

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

29. RESERVES (CONTINUED)

Group (continued)	←		Non-distributable		→		Distributable	Total
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	
At 1 January 2020	14,617	6,489,364	274	613,119	329,672	7,447,046	9,291,102	16,738,148
Profit after taxation and zakat	-	-	-	-	-	-	1,375,851	1,375,851
Transfer from retained profits	-	344,028	-	-	-	344,028	(344,028)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(28,101)	(28,101)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(14,050)	(14,050)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,472)	(14,472)
Fair value reserve								
- Change in fair value	-	-	-	420,894	-	420,894	-	420,894
- Transferred to profit or loss	-	-	-	(120,305)	-	(120,305)	-	(120,305)
Change in ECL reserve	-	-	(100)	-	-	(100)	-	(100)
Dividends (Note 39)	-	-	-	-	-	-	(405,484)	(405,484)
At 31 December 2020	14,617	6,833,392	174	913,708	329,672	8,091,563	9,860,818	17,952,381

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

29. RESERVES (CONTINUED)

	←		Non-distributable		→		Distributable	
	Capital	Statutory	ECL	Fair value	Regulatory	Total other	Retained	Total
	reserve	reserve	reserve	reserve	reserve	reserve	profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
At 1 January 2021	15,358	6,833,392	174	913,708	329,672	8,092,304	9,430,095	17,522,399
Profit after taxation and zakat	-	-	-	-	-	-	1,852,738	1,852,738
Transfer from retained profits	-	473,301	-	-	-	473,301	(473,301)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(32,302)	(32,302)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(16,151)	(16,151)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,341)	(14,341)
Fair value reserve								
- Change in fair value	-	-	-	(708,613)	-	(708,613)	-	(708,613)
- Transferred to profit or loss	-	-	-	(2,304)	-	(2,304)	-	(2,304)
Change in ECL reserve	-	-	(45)	-	-	(45)	-	(45)
Dividends (Note 39)	-	-	-	-	-	-	(373,230)	(373,230)
At 31 December 2021	15,358	7,306,693	129	202,791	329,672	7,854,643	10,373,508	18,228,151

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

29. RESERVES (CONTINUED)

	←		Non-distributable		→		Distributable	
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	Total RM'000
Bank (continued)								
At 1 January 2020	15,358	6,489,364	274	613,119	329,672	7,447,787	8,884,112	16,331,899
Profit after taxation and zakat	-	-	-	-	-	-	1,352,118	1,352,118
Transfer from retained profits	-	344,028	-	-	-	344,028	(344,028)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(28,101)	(28,101)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(14,050)	(14,050)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,472)	(14,472)
Fair value reserve								
- Change in fair value	-	-	-	420,894	-	420,894	-	420,894
- Transferred to profit or loss	-	-	-	(120,305)	-	(120,305)	-	(120,305)
Change in ECL reserve	-	-	(100)	-	-	(100)	-	(100)
Dividends (Note 39)	-	-	-	-	-	-	(405,484)	(405,484)
At 31 December 2020	15,358	6,833,392	174	913,708	329,672	8,092,304	9,430,095	17,522,399

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

29. RESERVES (CONTINUED)

(i) Statutory reserve

The statutory reserve is maintained in compliance with Development Financial Institutions Act 2002 (Act 618) and is not distributable as dividend.

(ii) Capital reserve

This is a reserve required to be maintained under Co-operative Societies Act 1993 and consists of capital gain from disposal of land or building, or both, under non-current assets.

(iii) ECL reserve

This 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.

(iv) Fair value reserve of financial investments at FVOCI

This reserve relates to unrealised fair value gains and losses on financial investments at fair value through other comprehensive income.

(v) Regulatory reserve

The regulatory reserve is maintained as an additional credit risk buffer to ensure the robustness of the financing impairment assessment methodology. The regulatory reserve is maintained in accordance with Bank Negara Malaysia's policy on Financial Reporting for Development Financial Institutions to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserve of no less than 1% (2020: no less than 1%) of total credit exposures, net of loss allowance for credit-impaired exposures.

During the year, Bank Negara Malaysia permitted reduction of the reserve as part of the COVID-19 related measures to drawdown prudential buffers. The Bank has yet to drawdown the reserve for the year 2021.

(vi) Retained profits

Included in retained profits is an amount of RM1,340,000,000 (2020: RM1,340,000,000) earmarked to improve the Rate of Return Risk (ROR) exposure as part of asset and liability management strategies.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

30. INCOME

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' fund (i)	4,349,252	4,718,081	4,357,001	4,723,529
Income derived from investment of shareholders' fund (ii)	1,294,949	1,337,162	1,297,257	1,338,706
Income generated by subsidiaries (iii)	64,349	27,230	-	-
	<u>5,708,550</u>	<u>6,082,473</u>	<u>5,654,258</u>	<u>6,062,235</u>

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Amortised cost before modification	23,543,608	16,076,000
Net modification loss	<u>(176,532)</u>	<u>(82,888)</u>

(i) Income derived from investment of depositors' fund

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income from financing and advances *	3,394,640	3,721,643	3,402,389	3,727,091
Income from deposits and placements with banks and financial institutions	8,396	16,011	8,396	16,011
Income from financial investments	946,216	980,427	946,216	980,427
	<u>4,349,252</u>	<u>4,718,081</u>	<u>4,357,001</u>	<u>4,723,529</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

30. INCOME (CONTINUED)

(ii) Income derived from investment of shareholders' fund

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income from financing and advances *	1,010,722	1,054,759	1,013,030	1,056,303
Income from deposits and placements with banks and financial institutions	2,500	4,538	2,500	4,538
Income from financial investments	281,727	277,865	281,727	277,865
	1,294,949	1,337,162	1,297,257	1,338,706

* Included in income from financing and advances for the current year is profit accrued on impaired financing of RM71,443,653 (2020: RM63,471,109).

Included the net effect under government support measures to provide relief and support recovery for SME/micro enterprises in order to sustain their business operations amounting to RM27,523,270 (2020: RM2,838,347) for the Group and the Bank.

(iii) Income generated by subsidiaries

	Group	
	2021	2020
	RM'000	RM'000
Pawning income	54,550	20,556
Rental income	716	600
Management fee	9,083	5,888
Sale of goods	-	186
	64,349	27,230

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

31. EXPENDITURE

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors (i)	1,976,444	2,519,019	1,980,012	2,523,972
Profit expense on financing sold with recourse to Cagamas	16,567	17,631	16,567	17,631
Profit expense on debt securities issued	134,198	110,616	134,198	110,616
Profit expense on cashline facility	3,473	2,858	3,473	2,858
Cost of sales	53,758	19,005	-	-
	<u>2,184,440</u>	<u>2,669,129</u>	<u>2,134,250</u>	<u>2,655,077</u>

(i) Income attributable to depositors

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
Non-Mudarabah	1,951,789	2,504,518	1,955,357	2,509,471
Deposits and placements from banks and other financial institutions				
Mudarabah				
Non-Mudarabah	24,655	14,501	24,655	14,501
	<u>1,976,444</u>	<u>2,519,019</u>	<u>1,980,012</u>	<u>2,523,972</u>

32. ALLOWANCES FOR IMPAIRMENT

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on financing and advances (i)	729,585	877,644	730,308	880,800
Allowance for impairment on financial investments (ii)	(693)	(1,333)	(693)	(1,333)
	<u>728,892</u>	<u>876,311</u>	<u>729,615</u>	<u>879,467</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

32. ALLOWANCES FOR IMPAIRMENT (CONTINUED)

(i) Allowance for impairment on financing and advances

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Stage 1 - 12 month ECL	546,471	136,575	547,194	139,731
Stage 2 - lifetime ECL not credit impaired	(101,161)	313,541	(101,161)	313,541
Stage 3 - lifetime ECL credit impaired	284,275	427,528	284,275	427,528
	<u>729,585</u>	<u>877,644</u>	<u>730,308</u>	<u>880,800</u>

(ii) Allowance for impairment on financial investments

	Group and Bank	
	2021	2020
	RM'000	RM'000
Financial investments at fair value through other comprehensive income (Note 9)	(45)	(100)
Financial investments at amortised cost (Note 10)	(648)	(1,233)
	<u>(693)</u>	<u>(1,333)</u>

33. OTHER OPERATING INCOME

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fees and commission (i)	103,439	101,617	103,439	101,617
Other income (ii)	251,755	368,928	244,363	366,638
	<u>355,194</u>	<u>470,545</u>	<u>347,802</u>	<u>468,255</u>

(i) Fees and commission

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Takaful commission	60,600	47,606	60,600	47,606
ATM service fees	9	8,738	9	8,738
Wasiat commission	8,813	7,337	8,813	7,337
Other commission	23,251	32,513	23,251	32,513
Processing fees	35	346	35	346
MEPS fees	6,476	1,747	6,476	1,747
Other fees	4,255	3,330	4,255	3,330
	<u>103,439</u>	<u>101,617</u>	<u>103,439</u>	<u>101,617</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

33. OTHER OPERATING INCOME (CONTINUED)

(ii) Other income

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net other income from financial instruments				
Dividend from financial investments at fair value through profit or loss	17,538	18,580	17,538	18,580
Net gain on disposal of financial investments at fair value through profit or loss	2,608	18,852	2,608	18,852
Net gain on disposal of financial investments at fair value through other comprehensive income	2,304	120,305	2,304	120,305
Net loss on revaluation of financial investments at fair value through profit or loss	(46,840)	(50,722)	(46,840)	(50,722)
Net gain on redemption of financial assets at amortised cost	-	926	-	926
	(24,390)	107,941	(24,390)	107,941
Others				
Rental income	19,095	20,877	19,120	20,908
Compensation for late payment	6,903	4,872	6,903	4,872
Charges from credit card services	5,092	7,820	5,092	7,820
Other service charges	12,823	10,491	12,823	10,491
Recoveries from financing written off	169,933	175,781	169,933	175,781
Writeback for impairment on trade receivables (Note 12)	1,054	33	-	-
Gain on disposal of property and equipment	185	18	-	-
Other income	52,189	41,095	52,103	38,825
Gain on revaluation of investment properties (Note 19)	8,871	-	2,779	-
	276,145	260,987	268,753	258,697
	251,755	368,928	244,363	366,638

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Personnel expenses (i)	959,515	944,820	955,256	941,142
Other overheads and expenditure (ii)	564,831	626,937	567,843	649,755
	1,524,346	1,571,757	1,523,099	1,590,897

(i) Personnel expenses

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	456,792	422,838	454,085	420,619
Allowances and bonuses	300,629	326,434	299,652	325,354
Defined contribution plan - EPF	144,772	133,465	144,533	133,187
Social security contributions				
- SOCSO	5,153	5,231	5,128	5,207
Other staff related costs	52,169	56,852	51,858	56,775
	959,515	944,820	955,256	941,142

Total number of staff (excluding the Board of Directors) for the Group is 6,060 (2020: 5,893) and for the Bank is 6,022 (2020: 5,855).

(ii) Other overheads and expenditure

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Establishment				
Rental	1,074	1,302	1,098	1,268
Depreciation of property and equipment (Note 17)	37,924	45,897	34,643	42,883
Depreciation of right-of-use assets (Note 14)	16,190	19,731	21,976	24,903
Amortisation of prepaid lease payments (Note 20)	1,590	1,542	1,590	1,542
Amortisation of intangible assets (Note 18)	49,448	29,954	49,448	29,954
Finance cost on lease liabilities (Note 27(ii))	2,117	1,314	2,777	2,160
Repair and maintenance	137,432	126,048	137,346	125,928
Takaful	9,562	9,019	9,515	8,937
	255,337	234,807	258,393	237,575

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Promotion				
Advertisement and publicity	17,793	24,638	17,789	24,636
General expenses				
Legal and professional fees	38,739	23,694	38,480	23,412
Auditors' remuneration	1,351	1,357	1,200	1,200
Communication expenses	35,243	23,163	35,194	23,075
Utilities expenses	18,212	21,155	18,174	21,135
Printing and stationery	16,781	19,088	16,709	19,040
Postage and courier	13,962	16,253	13,910	16,211
Security expenses	22,666	25,575	22,666	25,543
Service charges	37,048	27,183	38,577	29,730
Loss on financing written off	6,785	11,633	6,785	11,633
Property and equipment written off	257	329	238	101
Intangible assets written off	31	-	31	-
Commission expenses	61,067	59,554	61,067	59,554
Travelling and transportation	6,052	12,562	6,036	12,544
Others	33,507	125,946	32,594	144,366
	291,701	367,492	291,661	387,544
	564,831	626,937	567,843	649,755

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Impairment losses on:				
Trade receivables (Note 12)	303	33	-	-
Other receivables, deposits and prepayments (Note 13(ii))	135	49,328	135	49,438
Auditors' remuneration:				
Current year:				
Statutory audit fees	1,351	1,357	1,200	1,200
Amortisation of prepaid lease payment (Note 20)	1,590	1,542	1,590	1,542
Depreciation of property and equipment (Note 17)	37,924	45,897	34,643	42,883
Amortisation of intangible assets (Note 18)	49,448	29,954	49,448	29,954
Depreciation of right-of-use assets (Note 14)	16,190	19,731	21,976	24,903
Finance cost on lease liabilities	2,117	1,314	2,777	2,160
Property and equipment written off	257	329	238	101
Intangible assets written off	31	-	31	-
Loss on revaluation of investment properties (Note 19)	-	49,084	-	68,742
Rental of premises	1,058	1,235	1,098	1,268
Rental of equipment	16	67	-	-

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Included in general expenses are the following Chief Executive Officer, Directors and Shariah Committee members' remuneration:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer				
Salary and other remuneration	860	1,073	860	1,073
Bonuses	602	525	602	525
EPF contributions	271	291	271	291
	1,733	1,889	1,733	1,889
Acting Chief Executive Officer				
Salary and other remuneration	-	624	-	624
Bonuses	-	434	-	434
EPF contributions	-	202	-	202
	-	1,260	-	1,260
Executive Director				
Salary and other remuneration	-	65	-	65
EPF contributions	-	13	-	13
Other emoluments	-	1	-	1
	-	79	-	79
Non-Executive Directors				
Fees	3,165	2,041	3,025	1,941
Other emoluments	51	69	51	69
	3,216	2,110	3,076	2,010
	4,949	5,338	4,809	5,238
Shariah Committee				
Fees	476	489	476	489
Other emoluments	10	5	10	5
	486	494	486	494
	5,435	5,832	5,295	5,732

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Chief Executive Officer and Directors is as follows:

	Bank			Group		
	Remuneration received from the Bank			Bank	Remuneration received from Subsidiary Companies	
	Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Total RM'000
2021						
Chief Executive Officer						
Dato' Syed Abdul Aziz Syed Hassan	1,733	-	-	1,733	-	-
Non-Executive Directors						
Datuk Haji Abd Rani Lebai Jaafar	-	549	31	580	123	123
Dato' Suriani Dato' Ahmad	-	177	-	177	-	-
Dato' Shamsul Azri Abu Bakar	-	247	-	247	-	-
Tunku Dato' Ahmad Burhanuddin						
Tunku Datuk Seri Adnan	-	415	-	415	-	-
Datin Norhamizah Mat Tahir	-	336	-	336	-	-
Mohd Jafri Kudus	-	343	-	343	-	-
Mohd Irwan Mohd Mubarak	-	368	-	368	17	17
Mohamad Rafi Shahzada	-	186	-	186	-	-
Dato' Dr. Vaseehar Hassan Abdul Razack	-	108	-	108	-	-
	-	2,729	31	2,760	140	140

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Chief Executive Officer and Directors is as follows: (continued)

2021 (continued)

Former Non-Executive Directors

Yuri Zaharin Wahab
Prof. Dr. Obiyathulla Ismath Bacha
Sofiyah Yahya

Bank			Group			
Remuneration received from the Bank			Bank	Remuneration received from Subsidiary Companies		
Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Total RM'000	Total RM'000
-	276	10	286	-	-	286
-	10	10	20	-	-	20
-	10	-	10	-	-	10
-	296	20	316	-	-	316
1,733	3,025	51	4,809	140	140	4,949

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Chief Executive Officer and Directors is as follows: (continued)

	Bank			Group		
	Remuneration received from the Bank			Bank	Remuneration received from Subsidiary Companies	
	Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Total RM'000
2020						
Acting Chief Executive Officer						
Dato' Syed Abdul Aziz Syed Hassan	1,260	-	-	1,260	-	-
Non-Executive Directors						
Datuk Haji Abd Rani Lebai Jaafar	-	321	13	334	65	65
Tunku Dato' Ahmad Burhanuddin						
Tunku Datuk Seri Adnan	-	230	-	230	-	-
Yuri Zaharin Wahab	-	246	-	246	-	-
Datin Norhamizah Mat Tahir	-	95	-	95	-	-
Mohd Jafri Kudus	-	104	-	104	-	-
Mohd Irwan Mohd Mubarak	-	101	-	101	-	-
Dato' Shamsul Azri Abu Bakar	-	29	-	29	-	-
	-	1,126	13	1,139	65	65
Former Chief Executive Officer						
Dato' Rosman Mohamed	1,967	-	1	1,968	-	-

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Chief Executive Officer and Directors is as follows: (continued)

2020 (continued)

Former Non-Executive Directors

Datuk Noripah Kamso
Datuk Wan Suraya Wan Mohd Radzi
Prof. Dr. Obiyathulla Ismath Bacha
Muhamad Shahril Othman
Sofiyah Yahya
Dato' Sri Haji Mohammad Mentek
Dato' Sri Jamil Salleh

Bank			Group			
Remuneration received from the Bank			Bank	Remuneration received from Subsidiary Companies		
Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Total RM'000	Total RM'000
-	74	16	90	-	-	90
-	47	10	57	35	35	92
-	237	-	237	-	-	237
-	191	10	201	-	-	201
-	181	10	191	-	-	191
-	85	-	85	-	-	85
-	-	10	10	-	-	10
-	815	56	871	35	35	906
3,227	1,941	70	5,238	100	100	5,338

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Shariah Committee is as follows:

2021

Shariah Committees

Prof. Madya Dr. Azman Mohd Noor
Ustaz Wan Rumaizi Wan Husin
Dr. Tuan Badrul Hisyam Tuan Soh
Dr. Mohamad Zaini Yahaya
Prof. Dato' Dr. Mohd Azmi Omar

Former Shariah Committee

Dato' Setia Hj. Mohd Tamyas Abd Wahid
Dr. Abdullaah Jalil

Group and Bank			
Remuneration received from the Bank			
Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
-	98	-	98
-	81	-	81
-	57	-	57
-	88	-	88
-	72	-	72
-	396	-	396
-	62	5	67
-	18	5	23
-	80	10	90
-	476	10	486

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

34. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Shariah Committee is as follows: (continued)

2020

Shariah Committees

Dato' Setia Hj. Mohd Tamyas Abd Wahid
Prof. Dato' Dr. Mohd Azmi Omar
Ustaz Wan Rumaizi Wan Husin
Prof. Madya Dr. Azman Mohd Noor
Dr. Abdullaah Jalil
Dr. Mohamad Zaini Yahaya

Former Shariah Committee

Ustaz Md. Yunus Abd Aziz

Group and Bank			
Remuneration received from the Bank			
Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
-	84	-	84
-	68	-	68
-	70	-	70
-	80	-	80
-	70	-	70
-	83	-	83
-	455	-	455
-	34	5	39
-	34	5	39
-	489	5	494

The above disclosure on total remuneration of the Shariah Committee is presented in accordance with para 12.16 as per BNM's policy on Financial Reporting for Development Financial Institutions, which became effective on or after 1 January 2020.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

35. TAXATION

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
Current year	44,771	2,763	42,650	-
(Over)/Underprovision in prior years	(38,907)	18,008	(39,757)	17,938
	<u>5,864</u>	<u>20,771</u>	<u>2,893</u>	<u>17,938</u>
Deferred tax (Note 21)				
Current year	(280,787)	12,725	(281,000)	11,000
Underprovision in prior years	722	62	-	-
	<u>(280,065)</u>	<u>12,787</u>	<u>(281,000)</u>	<u>11,000</u>
Total	<u>(274,201)</u>	<u>33,558</u>	<u>(278,107)</u>	<u>28,938</u>

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	<u>1,626,066</u>	<u>1,435,821</u>	<u>1,615,096</u>	<u>1,405,049</u>
Tax expense at statutory tax rate of 24% (2020: 24%)*	390,256	344,597	387,623	337,212
Effect of different tax rates of subsidiaries				
Non-taxable income	(185,509)	(184,767)	(187,999)	(186,155)
Non-deductible expenses	25,733	277,059	28,522	281,344
Tax exempt under Section 65(A) of the Income Tax Act 1967	(466,496)	(421,401)	(466,496)	(421,401)
(Over)/Underprovision in prior years:				
Income tax	(38,907)	18,008	(39,757)	17,938
Deferred tax	722	62	-	-
	<u>(274,201)</u>	<u>33,558</u>	<u>(278,107)</u>	<u>28,938</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

35. TAXATION (CONTINUED)

* The Bank, being a co-operative society uses the tax rates under Part IV, Schedule 1 of the Income Tax Act, 1967 as follows:

- On the first RM30,000 of chargeable income: 0% (2020: 0%)
- On the next RM30,000 of chargeable income: 5% (2020: 5%)
- On the next RM40,000 of chargeable income: 10% (2020: 10%)
- On the next RM50,000 of chargeable income: 15% (2020: 15%)
- On the next RM100,000 of chargeable income: 18% (2020: 18%)
- On the next RM250,000 of chargeable income: 21% (2020: 21%)
- On the next RM250,000 of chargeable income: 23% (2020: 23%)
- In excess of RM750,000 of chargeable income: 24% (2020: 24%)

36. ZAKAT

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Provision for current year	42,917	33,419	41,000	31,000
Overprovision in prior years	(535)	(7,007)	(535)	(7,007)
	<u>42,382</u>	<u>26,412</u>	<u>40,465</u>	<u>23,993</u>

37. STATUTORY APPROPRIATIONS

Maintenance of statutory reserve fund is required under the Development Financial Institutions Act 2002 (Act 618), whereas contributions to Co-operative Education Trust Fund and Co-operative Development Provident Fund are made in compliance with the Co-operative Societies Act 1993 (Act 502).

Contribution to Bank Rakyat Foundation is made under paragraph 65(ii) of Undang-Undang Kecil Bank Kerjasama Rakyat Malaysia Berhad, which states that net profit for the year can be utilised towards a fund meant for welfare and benefits of members.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

38. EARNINGS PER SHARE

Basic earnings per ordinary share have been calculated based on the Group's and the Bank's profit after taxation and zakat of RM1,857,885,000 (2020: RM1,375,851,000) and RM1,852,738,000 (2020: RM1,352,118,000) divided by the weighted average number of ordinary shares of 2,940,605,000 (2020: 2,935,861,000) of RM1 each in issue during the financial year.

39. DIVIDENDS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cash dividend of 13% for the year ended 31 December 2020 (2019: 14%)	373,230	405,484

During the financial year ended 31 December 2021, the Bank paid a cash dividend of 13% amounting to RM373 million in regard to the previous financial year ended 31 December 2020.

In respect of the current financial year, the Board of Directors has proposed a cash dividend of up to 15% amounting to approximately RM450 million. The proposed dividend will be recognised in the subsequent financial year upon approval by the relevant external authorities.

40. COMMITMENTS AND CONTINGENCIES

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
Contingent liabilities		
Bank guarantee given in respect of banking facilities granted to customers	130,900	111,407
Claims for damages from litigation taken against the Bank	140,403	292,327
Commitments		
Undrawn financing	2,271,831	2,294,122
	2,543,134	2,697,856

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

40. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A summary of the status of material litigations against the Bank is as follows:

Case 1

The Bank had terminated financing facility and filed a claim against a customer and its corporate guarantors to recover the outstanding financing of approximately RM24 million. The main contractor, the customer and its corporate guarantors had also filed claims against the Bank respectively. The High Court on 24 January 2018 had dismissed the main contractor's claim against the Bank and other defendants. However, the counter claim by the Bank against the customer and its corporate guarantors was dismissed by the Court. Meanwhile, the customer's counter claim against the Bank was allowed but no sum has been determined by the Court and is subject to further assessment. The corporate guarantors' counter claim against the Bank was allowed but it was a non monetary claim. The appeal has been fixed for hearing on 28 April 2022. The Bank's solicitor is of the view that based on the evidence at trial and the main legal arguments for the appeal, the Bank has a fair chance in the said appeal.

Case 2

The Defendant is the Bank's corporate customer who has been sued by the Bank in a recovery action. However the Defendant claimed that the Bank had wrongly terminated the facility and in return filed a counter claim against the Bank. The Defendants' counterclaim against the Bank was dismissed by the Court following a full trial. The Defendants' are currently appealing against the decision and the case management has been fixed on 14 June 2022. The Bank's solicitor is of the view that the Bank has a good chance in the said appeal.

41. CAPITAL COMMITMENTS

Capital expenditure approved but not provided for in the financial statements are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Capital expenditure				
Approved and contracted for	385,118	458,800	244,868	299,850

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

42. RELATED PARTY TRANSACTIONS

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

The related parties of the Group and of the Bank are:

42.1 Subsidiaries

Details of the subsidiaries are shown in Note 16.

42.2 Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel of the Group and of the Bank includes Executive Director and Non-Executive Directors of the Bank and certain members of senior management of the Bank and heads of major subsidiaries of the Group.

Remuneration of Directors and other members of key management are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits				
Fees	3,165	2,041	3,025	1,941
Salary	5,501	5,869	5,501	5,869
Allowances	717	655	717	655
EPF contribution	1,724	1,861	1,724	1,861
Bonuses	3,630	3,671	3,630	3,671
Other emoluments	51	70	51	70
	14,788	14,167	14,648	14,067

Included in the total compensation for key management personnel are the following items:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration				
From the Bank	3,076	2,089	3,076	2,089
From subsidiaries	140	100	-	-
	3,216	2,189	3,076	2,089

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

42. RELATED PARTY TRANSACTIONS (CONTINUED)

42.3 Transactions with subsidiaries

All related party transactions within the Bank Rakyat group are conducted on normal commercial terms which are not more favourable than those generally available to the public.

	Bank	
	2021	2020
	RM'000	RM'000
Income earned		
Income from financing and advances	(10,057)	(6,993)
Rental income	(40)	(45)
Expenditure incurred		
Profit expenses	3,569	4,953
Management fee expenses	1,561	2,602
Rental expenses	6,441	6,471
	1,474	6,988

43. FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank	
	2021	2020
	RM'000	RM'000
Outstanding exposures with connected parties	4,125,195	1,110,253
% of outstanding exposures to connected parties as a proportion of total exposure	3.71%	1.04%
% of outstanding exposures financing exposures with connected parties which is non-performing or in default	0.00%	0.01%

The above disclosure on Financing Facilities with Connected Parties is presented in accordance with para 14.1 as per BNM's policy on Financing Facilities with Connected Parties, which became effective on 13 July 2016.

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

44. FINANCIAL RISK MANAGEMENT

44.1 Overview

The Bank's business activities involve the use of financial instruments that expose the Bank to a variety of financial risks with the following as the primary risks:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Operational risk

44.2 Risk management framework

Risk Management Framework articulates the objectives, guiding principles and governance structure for risk management processes in the Bank. This enables the identification, assessment and measurement control and continuous monitoring of all material risks on a group-and bank-wide basis, supported by robust management information system that facilitates timely and reliable reporting of risks and the integration of information across the Bank.

Risk Management within the Bank is guided by the following principles:

- Alignment of risk taking activities with the Bank's risk appetite;
- Risk aware decision making with clear understanding of risks and their impacts on profitability and sustainability;
- Accountability through ownership of risks, controls, and profitability inherent in the Bank's business and support functions; and
- Integration of risk management, compliance and ethical business practices into the culture of the Bank.

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 Risk management framework (continued)

The Bank's Risk Appetite Statement is as follows:

"The Bank's business strategy and risk-taking activities should always be within the capacity of the Bank. This is achieved by strengthening the following six dimensions - Risk Governance; Capital Adequacy and Shareholders' Value; Reputation as Islamic Bank; Asset Quality; Liquidity; and Operational Resilience."

44.2.1 Risk governance

The Bank manages its risks in accordance with the "Three Lines of Defence Model", which places accountability and ownership to the source of risk, whilst ensuring sufficient level of independent oversight.

The "Three Lines of Defence" consists of the following components:

(i) First Line of Defence - Informed Decision Making by Business Units

The Business Units are responsible to identify, manage and report their own risks. At this stage risk awareness is instilled starting at risk taking units so that Risk Management is incorporated into every aspect of work conducted.

(ii) Second Line of Defence - Oversight by Risk Management and Compliance

Risk Management and Compliance supports business units, as well as review and report key risks to the Management and Board of Directors. In doing so, Risk Management and Compliance provides support to Management and Board of Directors in fulfilling their oversight functions.

(iii) Third Line of Defence - Independent Assurance by Internal Audit

Internal Audit conducts quality assurance review, to ensure that the risk-taking activities are in line with established standards. Internal Audit provides recommendations for improvement where necessary. Its functions complement the support extended to the Management and Board Audit Committee in the risk oversight functions.

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 Risk management framework (continued)

44.2.1 Risk governance (continued)

Roles and responsibilities of the oversight Committee:

Roles and responsibilities of the Board Risk Committee ("BRC"):

- (a) The BRC shall be responsible to review and recommend risk management strategies, policies, appetite and tolerance for Board's approval.
- (b) The BRC with the recommendation of Management Risk Committee periodically reviews the Risk Management Framework.
- (c) The BRC shall be responsible to assess the adequacy of risk management policies, processes and infrastructure to manage various types of risks is comprehensive and recommend to the Board for approval.
- (d) Review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Roles and responsibilities of Management Risk Committee:

- (a) Assess whether the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities.
- (b) Establish, review and implement Board approved risk management framework and policies.
- (c) Communicate approved policies to employees and monitor as well as enforce compliance with these policies.
- (d) Periodically review Risk Management Framework and recommend to Management Risk Committee for escalation to BRC and Board.

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 Risk management framework (continued)

44.2.1 Risk governance (continued)

Roles and responsibilities of the oversight Committee: (continued)

Roles and responsibilities of Operational Risk Management Committee:

- (a) Review and recommend operational risk management strategies, policies, guidelines and procedures.
- (b) Review and assess adequacy of operational risk management framework, policies, guidelines and procedures in identifying, assessing, controlling and monitoring of operational risk and the extent to which these are operating effectively.
- (c) Ensure that infrastructure, resources and systems are in place to effectively manage operational risks.
- (d) Review operational risk profiles and periodic reports, including progress and follow-up actions.
- (e) Monitor the identified operational risks, key risk indicators and loss incidents in the business and functional units' operations.

Roles and responsibilities of Financing Review Committee:

- (a) Direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Bank's financing book.
- (b) Conduct post-mortem on impaired financing and to learn weaknesses in existing credit policies and processes.
- (c) Ensure the procedures and resources are effective to identify and manage irregular and problem credits, minimise credit loss and maximise recoveries.
- (d) Review and recommend any enhancement of credit related policies, process and procedures.

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk

Credit risk is the risk of suffering financial or non-financial loss should any of the customers, clients or market counterparties fail to fulfill their contractual obligations through the Bank's financing, hedging, trading and investing activities.

The Bank's retail and corporate credit exposures are governed by credit policies and stringent underwriting criteria. The Bank's credit processes are in line with industry best practices which emphasizes on individual accountability with clear lines of responsibility where credit administration, early monitoring and recovery are independent from Business Units.

44.3.1 Management of credit risk

The Bank's credit risk management includes establishment of comprehensive credit risk policies, guidelines and procedures that document financing standards, credit risk rating, acceptable collateral and valuation, and compliance with regulatory and statutory requirements. The policies are periodically reviewed to ensure their continuous relevance.

Risk Management is responsible to formulate and review the credit risk policies, guidelines and procedures as well as credit portfolio monitoring. Risk Management also conducts independent credit assessment to evaluate quality of credit proposals by Business Units for corporate customers.

Risk Management also prepares reports to be presented to Board and Senior Management. The reports contain information on identified credit risk factors. With this information, Board and Senior Management are able to effectively identify adverse credit risk trends, take corrective actions and formulate business strategies accordingly.

44.3.2 Financing to retail customers

Financing granted to retail customers is individually underwritten by assessing historical payment track record and payment capacity of the customer. This process is governed by Retail Credit Risk Policy, Product Policies and assessed using credit scorecard. Both Retail Credit Risk Policy and credit scorecard are developed by Risk Management while Product Policies are developed by Product Division within Retail Banking and are independently reviewed by Risk Management.

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.2 Financing to retail customers (continued)

The credit approving authority and credit approving officers have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the financing application.

Risk Management is also responsible to assess new/variation of financing product or program to ensure that the product/program offered to customers is beneficial to both customers and Bank whilst mitigating the inherent risks.

44.3.3 Financing to corporate customers

Granting of credit to corporate customers is individually underwritten as guided by the Bank's risk appetite and policies. In its oversight role, Risk Management conducts independent assessment on all credit proposals to corporate customers prior to approval.

44.3.4 Purchase of investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies.

Portfolio review and monitoring is frequently conducted in ensuring the exposures are effectively managed and concentration risk is observed at all times.

44.3.5 Impaired financing and investment securities

Individually impaired financing and investment securities are financing and advances and investment securities (other than those carried at fair value through profit or loss) for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and profits due according to the contractual terms of the financing/investment security agreement(s).

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.6 Neither past due nor impaired financing and investment securities

These are financing and investment securities from which contractual payment of profit or principal have not defaulted and therefore are not impaired since there is no objective evidence of impairment.

44.3.7 Past due but not impaired financing and investment securities

Past due but not impaired financing and investment securities, other than those carried at fair value through profit or loss, are those for which contractual profits or principal payments are past due, more than 1 day but less than three (3) months.

44.3.8 Financing with renegotiated terms

Financing with renegotiated terms are financing that have been restructured due to deterioration in the customer's financial position. Once the financing is restructured it remains in this category independent of satisfactory performance after restructuring.

44.3.9 Allowances for impairment

The Bank establishes an allowance for impairment loss on assets carried at amortised cost and fair value through other comprehensive income, which represents an estimation of expected losses in the financing and investment security portfolio.

The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective financing loss allowance established for groups of homogenous assets. Both components of allowance incorporates historical, current, and forecasted information in estimating the expected losses.

Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.10 Write-off policy

The Bank writes-off a financing or an investment security, and any related allowances for impairment losses, when the Bank determines that the financing or investment security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the customer's/issuer's financial position such that the customer/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

44.3.11 Collateral on financing and advances

In mitigating credit risk on financing and advances granted to customers, collaterals are obtained as follows:

- (i) House financing - charges over residential properties.
- (ii) Commercial property financing - charges over the properties being financed.
- (iii) Vehicle financing - ownership claims over the vehicles being financed.
- (iv) Other financing and advances - charges over business assets such as premises, trade receivables or deposits.

44.3.12 Credit grading for investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies.

At the end of the reporting period, instruments rated with "Grade D" are those that have defaulted beyond their maturity period.

44.3.13 Maximum exposure to credit risk

The following table presents the Bank's credit exposure of on-balance sheet and off-balance sheet financial instruments.

For on-balance sheet assets, the exposure to credit risk equals the carrying amount.

For credit commitments, maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.13 Maximum exposure to credit risk (continued)

	Group	
	2021	2020
	RM'000	RM'000
Assets		
Cash and short-term funds	835,189	981,636
Deposits and placements with financial institutions	672,463	277,275
Financial investments at fair value through profit or loss	976,032	447,826
Financial investments at fair value through other comprehensive income	20,781,718	20,620,070
Financial investments at amortised cost	10,826,850	9,747,865
Financing and advances	77,296,437	76,083,198
Trade receivables	909	147
Other receivables	340,530	631,042
	<u>111,730,128</u>	<u>108,789,059</u>
Commitments		
Undrawn financing	<u>2,271,831</u>	<u>2,294,122</u>
Total maximum exposure to credit risk	<u>114,001,959</u>	<u>111,083,181</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.13 Maximum exposure to credit risk (continued)

	Bank	
	2021	2020
	RM'000	RM'000
Assets		
Cash and short-term funds	834,987	981,180
Deposits and placements with financial institutions	672,463	277,275
Financial investments at fair value through profit or loss	976,032	447,826
Financial investments at fair value through other comprehensive income	20,781,710	20,620,062
Financial investments at amortised cost	10,826,850	9,747,865
Financing and advances	77,516,581	76,285,365
Other receivables	352,754	643,854
	<u>111,961,377</u>	<u>109,003,427</u>
Commitments		
Undrawn financing	<u>2,271,831</u>	<u>2,294,122</u>
Total maximum exposure to credit risk	<u>114,233,208</u>	<u>111,297,549</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.14 Credit risk exposure on financing and advances

	Group	
	2021	2020
	RM'000	RM'000
At amortised cost		
Neither past due nor impaired		
0 month	<u>77,360,901</u>	<u>74,630,848</u>
Past due but not impaired		
1 month	616,274	1,324,758
2 months	252,876	656,386
3 months	31,913	25,687
	<u>901,063</u>	<u>2,006,831</u>
Past due and impaired		
Less than 4 months	438,104	422,545
4 months to 6 months	91,981	204,168
7 months to 9 months	118,725	45,897
More than 9 months	704,690	845,594
	<u>1,353,500</u>	<u>1,518,204</u>
Gross financing and advances	79,615,464	78,155,883
Less:		
Stage 1 - 12 month ECL	(934,553)	(388,082)
Stage 2 - lifetime ECL not credit impaired	(609,842)	(709,254)
Stage 3 - lifetime ECL credit impaired	<u>(774,632)</u>	<u>(975,349)</u>
Net financing and advances	<u>77,296,437</u>	<u>76,083,198</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.14 Credit risk exposure on financing and advances (continued)

	Bank	
	2021	2020
	RM'000	RM'000
At amortised cost		
Neither past due nor impaired		
0 month	<u>77,594,651</u>	<u>74,845,898</u>
Past due but not impaired		
1 month	616,274	1,324,758
2 months	252,876	656,386
3 months	31,913	25,687
	<u>901,063</u>	<u>2,006,831</u>
Past due and impaired		
Less than 4 months	438,104	422,545
4 months to 6 months	91,981	204,168
7 months to 9 months	118,725	45,897
More than 9 months	704,690	845,594
	<u>1,353,500</u>	<u>1,518,204</u>
Gross financing and advances	79,849,214	78,370,933
Less:		
Stage 1 - 12 month ECL	(948,159)	(400,965)
Stage 2 - lifetime ECL not credit impaired	(609,842)	(709,254)
Stage 3 - lifetime ECL credit impaired	<u>(774,632)</u>	<u>(975,349)</u>
Net financing and advances	<u>77,516,581</u>	<u>76,285,365</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.15 Credit risk exposure on investment securities

Group 2021	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	3,580,875	249,755	3,830,630
Grade AA+	-	204,172	-	204,172
Grade AA	-	274,972	5,170	280,142
Grade AA-	-	284,251	84,082	368,333
Grade AA1	-	185,615	67,033	252,648
Grade AA2	-	139,783	20,545	160,328
Grade AA3	-	366,704	27,173	393,877
	-	5,036,372	453,758	5,490,130
Cagamas sukuk				
Grade AAA	-	1,256,502	76,349	1,332,851
Negotiable Islamic debt certificates				
Grade AA1	-	-	99,928	99,928
	-	6,292,874	630,035	6,922,909
Unrated securities				
Government investment issues	695,939	5,550,252	6,925,903	13,172,094
Government sukuk	-	8,709,494	3,170,872	11,880,366
Khazanah sukuk	-	156,319	100,040	256,359
Islamic redeemable convertible preference shares	213,200	-	-	213,200
	909,139	14,416,065	10,196,815	25,522,019
Shares				
Quoted and unit trust shares	66,893	-	-	66,893
Unquoted shares	-	72,779	-	72,779
	66,893	72,779	-	139,672
	976,032	20,781,718	10,826,850	32,584,600

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.15 Credit risk exposure on investment securities (continued)

Bank 2021	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	3,580,875	249,755	3,830,630
Grade AA+	-	204,172	-	204,172
Grade AA	-	274,972	5,170	280,142
Grade AA-	-	284,251	84,082	368,333
Grade AA1	-	185,615	67,033	252,648
Grade AA2	-	139,783	20,545	160,328
Grade AA3	-	366,704	27,173	393,877
	-	5,036,372	453,758	5,490,130
Cagamas sukuk				
Grade AAA	-	1,256,502	76,349	1,332,851
Negotiable Islamic debt certificates				
Grade AA1	-	-	99,928	99,928
	-	6,292,874	630,035	6,922,909
Unrated securities				
Government investment issues	695,939	5,550,252	6,925,903	13,172,094
Government sukuk	-	8,709,494	3,170,872	11,880,366
Khazanah sukuk	-	156,319	100,040	256,359
Islamic redeemable convertible preference shares				
	213,200	-	-	213,200
	909,139	14,416,065	10,196,815	25,522,019
Shares				
Quoted and unit trust shares	66,893	-	-	66,893
Unquoted shares	-	72,771	-	72,771
	66,893	72,771	-	139,664
	976,032	20,781,710	10,826,850	32,584,592

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.15 Credit risk exposure on investment securities (continued)

Group 2020	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	3,195,076	234,448	3,429,524
Grade AA+	-	94,354	5,137	99,491
Grade AA	-	288,396	5,223	293,619
Grade AA-	-	239,624	84,862	324,486
Grade AA1	-	198,255	153,442	351,697
Grade AA2	-	401,988	20,673	422,661
Grade AA3	-	347,150	50,310	397,460
	-	4,764,843	554,095	5,318,938
Cagamas sukuk				
Grade AAA	-	1,824,378	449,617	2,273,995
Negotiable Islamic debt certificates				
Grade AA2	-	-	99,982	99,982
	-	6,589,221	1,103,694	7,692,915
Unrated securities				
Government investment issues	89,942	6,034,142	5,480,409	11,604,493
Government sukuk	-	7,703,704	2,923,692	10,627,396
Khazanah sukuk	-	235,038	240,070	475,108
Islamic redeemable convertible preference shares				
	213,200	-	-	213,200
	303,142	13,972,884	8,644,171	22,920,197
Shares				
Quoted and unit trust shares	144,684	-	-	144,684
Unquoted shares	-	57,965	-	57,965
	144,684	57,965	-	202,649
	447,826	20,620,070	9,747,865	30,815,761

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.15 Credit risk exposure on investment securities (continued)

Bank 2020	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	3,195,076	234,448	3,429,524
Grade AA+	-	94,354	5,137	99,491
Grade AA	-	288,396	5,223	293,619
Grade AA-	-	239,624	84,862	324,486
Grade AA1	-	198,255	153,442	351,697
Grade AA2	-	401,988	20,673	422,661
Grade AA3	-	347,150	50,310	397,460
	-	4,764,843	554,095	5,318,938
Cagamas sukuk				
Grade AAA	-	1,824,378	449,617	2,273,995
Negotiable Islamic debt certificates				
Grade AA2	-	-	99,982	99,982
	-	6,589,221	1,103,694	7,692,915
Unrated securities				
Government investment issues	89,942	6,034,142	5,480,409	11,604,493
Government sukuk	-	7,703,704	2,923,692	10,627,396
Khazanah sukuk	-	235,038	240,070	475,108
Islamic redeemable convertible preference shares				
	213,200	-	-	213,200
	303,142	13,972,884	8,644,171	22,920,197
Shares				
Quoted and unit trust shares	144,684	-	-	144,684
Unquoted shares	-	57,957	-	57,957
	144,684	57,957	-	202,641
	447,826	20,620,062	9,747,865	30,815,753

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****44. FINANCIAL RISK MANAGEMENT (CONTINUED)****44.3 Credit risk (continued)****44.3.16 Maximum exposure to credit risk**

The following analysis represents the Group's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers.

	2021	2020
	RM'000	RM'000
Group		
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	835,189	981,636
Deposits and placements with financial institutions	672,463	277,275
Financial investments portfolio *	32,462,970	30,631,802
Financing and advances	69,032,986	68,450,174
Trade receivables	909	147
Other assets	540,530	831,042
Credit exposure for off-balance sheet financial assets:		
Undrawn financing	2,271,831	2,294,122
Total maximum credit risk exposure	<u>105,816,878</u>	<u>103,466,198</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.16 Maximum exposure to credit risk (continued)

	2021 RM'000	2020 RM'000
Bank		
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	834,987	981,180
Deposits and placements with financial institutions	672,463	277,275
Financial investments portfolio *	32,462,970	30,631,802
Financing and advances	69,032,986	68,450,174
Other assets	552,754	843,854
Credit exposure for off-balance sheet financial assets:		
Undrawn financing	2,271,831	2,294,122
Total maximum credit risk exposure	105,827,991	103,478,407

* Financial investment portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised costs, excluding equity investments.

44.3.17 Exposures to COVID-19 impacted sectors

	2021 RM'000	2020 RM'000
Group and Bank		
Financing and advances		
On-balance sheet (net of impairment)		
Retail and wholesale/trading, manufacturing, transportation, agriculture, food and beverage services/restaurants	3,388,882	30,863,495

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.18 COVID-19 customer relief and support measures

Group and Bank At 31 December 2021	Retail customers					Non-retail customers	Grand total RM'000
	House financing RM'000	Personal financing RM'000	Hire- purchase RM'000	Other term financing RM'000	Total RM'000	Corporate financing RM'000	
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	4,322,768	37,260,066	1,246,073	353,528	43,182,435	1,131,206	44,313,641
<i>of which:</i>							
Resumed payments	3,205,622	24,784,149	923,510	326,229	29,239,510	918,885	30,158,395
Extended and paying as per revised schedules	885,837	12,231,692	294,242	19,197	13,430,968	168,499	13,599,467
Missed payments	231,309	244,225	28,321	8,102	511,957	43,822	555,779
<i>As a percentage of total:</i>							
Resumed payments	75%	66%	74%	93%	68%	81%	68%
Extended and paying as per revised schedules	20%	33%	24%	5%	31%	15%	31%
Missed payments	5%	1%	2%	2%	1%	4%	1%
	100%	100%	100%	100%	100%	100%	100%

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.18 COVID-19 customer relief and support measures (continued)

Group and Bank At 31 December 2020	Retail customers					Non-retail customers	Grand total RM'000
	House financing RM'000	Personal financing RM'000	Hire- purchase RM'000	Other term financing RM'000	Total RM'000	Corporate financing RM'000	
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	6,393,349	49,641,772	2,765,115	507,142	59,307,378	1,456,358	60,763,736
<i>of which:</i>							
Resumed payments	5,478,871	42,852,574	2,542,231	498,562	51,372,238	1,136,221	52,508,459
Extended and paying as per revised schedules	322,600	5,389,101	106,096	3,213	5,821,010	311,241	6,132,251
Missed payments	591,878	1,400,097	116,788	5,367	2,114,130	8,896	2,123,026
<i>As a percentage of total:</i>							
Resumed payments	86%	86%	92%	98%	87%	78%	86%
Extended and paying as per revised schedules	5%	11%	4%	1%	10%	21%	10%
Missed payments	9%	3%	4%	1%	3%	1%	4%
	100%	100%	100%	100%	100%	100%	100%

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 Credit risk (continued)

44.3.19 Overlays and adjustments for expected credit losses amid COVID-19 environment

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

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

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

The customers who have received payment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk.

The adjusted downside scenario assumes on ability of the identified customers to resume payment after the end of the payment assistance program that they have enrolled, the impact of these post-model adjustments were estimated at account level, remain outside the core MFRS 9 process and amounted to RM578 million as at 31 December 2021.

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk

Liquidity risk arises from mismatches in the timing of cash flows due to the inability to meet maturing or regulatory obligations and customers' demands for funds when required, which may adversely affect daily operations, Bank's reputation and incur unacceptable losses.

44.4.1 Management of liquidity risk

The management of liquidity risk is subject to Bank Negara Malaysia's Liquidity Framework and Liquidity Coverage Ratio requirements as well as the Bank's liquidity risk management framework.

The Bank adopts various liquidity risk measurement tools in managing the cash flows for daily movement as well as medium and long-term positions to ensure sufficient funding sources to meet obligations.

It is important for the Bank to maintain diversification strategy of funding sources and providers to ensure stability of funding structure and adequate standby facilities while managing excessive concentration towards key depositors. The Bank maintains sufficient high-quality liquid assets to withstand against any unforeseen liquidity stress.

In addition, a liquidity stress testing is conducted based on sensitivity analysis for various stress scenarios covering the Bank's specific and market-wide crisis scenario. The stress scenarios would provide valuable assessment on the impact from adverse liquidity environment and the Bank's vulnerable portfolios.

The Bank has established liquidity contingency funding plan which entails the early warning indicators as well as strategies and actions to be taken by the liquidity crisis management team arising from different liquidity crisis scenarios.

The Bank's liquidity risk management framework, policies and procedures are reviewed periodically which are endorsed by Asset and Liability Committee (ALCO) and approved by the Board. ALCO meets on a monthly basis and is responsible to monitor the liquidity risk position against the Bank's risk appetite and approved limits.

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.2 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade securities for which there is an active and liquid market.

Details of the reported Bank ratio of net liquid assets to deposits from customers at the end of the reporting period and during the year were as follows:

	Bank 2021	2020
At 31 December	31.84%	30.67%
Average for the year	32.19%	32.66%
Maximum for the year	33.23%	35.10%
Minimum for the year	31.26%	30.67%

44.4.3 Liquidity risk of assets and liabilities

The main thrust of liquidity management is the projection of up to one year of the maturity profile of the Bank's assets, liabilities and off-balance sheet commitments from a given position.

The focus is on the ability of the Bank to match its short-term liquidity requirement arising from maturing obligations with maturing assets, followed by a medium-term assessment of liquidity up to one year.

The primary basis for determining the appropriate time bands is the contractual maturity, which is when the cash flows crystallise.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities

Group 2021	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	835,189	-	311,214	-	361,249	-	-	1,507,652
Investment securities	-	304,065	334,578	1,506,914	2,652,425	27,664,988	121,630	32,584,600
Financing and advances	533,934	1,066,585	2,193,918	3,152,636	5,683,199	66,985,192	(2,319,027)	77,296,437
Trade receivables	-	-	-	-	-	-	909	909
Other assets	-	-	351,626	-	-	-	234,893	586,519
	1,369,123	1,370,650	3,191,336	4,659,550	8,696,873	94,650,180	(1,961,595)	111,976,117

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2021	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	15,617,109	16,397,345	20,446,183	16,783,618	11,156,420	6,123,209	-	86,523,884
Deposits and placements from banks and financial institutions	450,000	150,000	250,000	-	-	-	-	850,000
Recourse obligations on financing sold to Cagamas	-	1,834	3,699	5,626	307,152	-	-	318,311
Debt securities issued	-	-	-	867,940	430,000	2,000,000	-	3,297,940
Cashline facility	-	400,032	300,385	-	-	-	-	700,417
Trade payables	-	-	1,839	-	-	-	-	1,839
Other liabilities	-	116	1,308,074	350	700	49,837	337,945	1,697,022
	16,067,109	16,949,327	22,310,180	17,657,534	11,894,272	8,173,046	337,945	93,389,413
Net maturity mismatch	(14,697,986)	(15,578,677)	(19,118,844)	(12,997,984)	(3,197,399)	86,477,134	(2,299,540)	18,586,704

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2021	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	130,900	-	-	-	-	-	-	130,900
Claims for damages from litigation taken against the Bank	-	-	-	-	-	140,403	-	140,403
Undrawn financing	2,271,831	-	-	-	-	-	-	2,271,831
	2,402,731	-	-	-	-	140,403	-	2,543,134

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2020	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	981,636	-	70,059	-	207,216	-	-	1,258,911
Investment securities	99,982	76,553	1,291,247	1,728,051	2,326,645	25,109,324	183,959	30,815,761
Financing and advances	600,679	1,117,786	2,383,845	4,077,350	5,619,713	64,356,510	(2,072,685)	76,083,198
Trade receivables	-	-	-	-	-	-	147	147
Other assets	-	-	663,015	-	-	-	214,460	877,475
	<u>1,682,297</u>	<u>1,194,339</u>	<u>4,408,166</u>	<u>5,805,401</u>	<u>8,153,574</u>	<u>89,465,834</u>	<u>(1,674,119)</u>	<u>109,035,492</u>

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2020	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	14,970,776	16,475,756	21,933,925	15,693,507	11,314,941	5,186,526	-	85,575,431
Deposits and placements from banks and financial institutions	150,000	-	-	-	-	-	-	150,000
Recourse obligations on financing sold to Cagamas	-	1,776	3,582	5,448	11,171	317,849	-	339,826
Debt securities issued	-	-	-	12,558	350,000	2,280,000	-	2,642,558
Cashline facility	-	400,870	-	-	-	-	-	400,870
Trade payables	-	-	1,374	-	-	-	-	1,374
Other liabilities	-	92	1,343,245	278	555	56,917	198,875	1,599,962
	<u>15,120,776</u>	<u>16,878,494</u>	<u>23,282,126</u>	<u>15,711,791</u>	<u>11,676,667</u>	<u>7,841,292</u>	<u>198,875</u>	<u>90,710,021</u>
Net maturity mismatch	(13,438,479)	(15,684,155)	(18,873,960)	(9,906,390)	(3,523,093)	81,624,542	(1,872,994)	18,325,471

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group 2020	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	111,407	-	-	-	-	-	-	111,407
Claims for damages from litigation taken against the Bank	-	-	-	-	-	292,327	-	292,327
Undrawn financing	2,294,122	-	-	-	-	-	-	2,294,122
	<u>2,405,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,327</u>	<u>-</u>	<u>2,697,856</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2021	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	834,987	-	311,214	-	361,249	-	-	1,507,450
Investment securities	-	304,065	334,578	1,506,914	2,652,425	27,664,988	121,622	32,584,592
Financing and advances	533,934	1,066,585	2,193,918	3,152,636	5,683,199	67,218,942	(2,332,633)	77,516,581
Other assets	-	-	363,321	-	-	-	199,912	563,233
	1,368,921	1,370,650	3,203,031	4,659,550	8,696,873	94,883,930	(2,011,099)	112,171,856

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2021	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	15,617,109	16,397,345	20,446,183	16,783,618	11,156,420	6,123,209	-	86,523,884
Deposits and placements from banks and financial institutions	450,000	150,000	250,000	-	-	-	-	850,000
Recourse obligations on financing sold to Cagamas	-	1,834	3,699	5,626	307,152	-	-	318,311
Debt securities issued	-	-	-	867,940	430,000	2,000,000	-	3,297,940
Cashline facility	-	400,032	300,385	-	-	-	-	700,417
Other liabilities	928	7,573	1,324,335	30,931	59,821	63,324	397,348	1,884,260
	16,068,037	16,956,784	22,324,602	17,688,115	11,953,393	8,186,533	397,348	93,574,812
Net maturity mismatch	(14,699,116)	(15,586,134)	(19,121,571)	(13,028,565)	(3,256,520)	86,697,397	(2,408,447)	18,597,044

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2021	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	130,900	-	-	-	-	-	-	130,900
Claims for damages from litigation taken against the Bank	-	-	-	-	-	140,403	-	140,403
Undrawn financing	2,271,831	-	-	-	-	-	-	2,271,831
	2,402,731	-	-	-	-	140,403	-	2,543,134

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2020	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	981,180	-	70,059	-	207,216	-	-	1,258,455
Investment securities	99,982	76,553	1,291,247	1,728,051	2,326,645	25,109,324	183,951	30,815,753
Financing and advances	600,679	1,117,786	2,383,845	4,077,350	5,619,713	64,571,560	(2,085,568)	76,285,365
Other assets	-	-	675,187	-	-	-	178,957	854,144
	<u>1,681,841</u>	<u>1,194,339</u>	<u>4,420,338</u>	<u>5,805,401</u>	<u>8,153,574</u>	<u>89,680,884</u>	<u>(1,722,660)</u>	<u>109,213,717</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2020	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	14,970,776	16,475,756	21,933,925	15,693,507	11,314,941	5,186,526	-	85,575,431
Deposits and placements from banks and financial institutions	150,000	-	-	-	-	-	-	150,000
Recourse obligations on financing sold to Cagamas	-	1,776	3,582	5,448	11,171	317,849	-	339,826
Debt securities issued	-	-	-	12,558	350,000	2,280,000	-	2,642,558
Cashline facility	-	400,870	-	-	-	-	-	400,870
Other liabilities	1,953	7,999	1,404,141	27,869	75,099	76,117	218,358	1,811,536
	<u>15,122,729</u>	<u>16,886,401</u>	<u>23,341,648</u>	<u>15,739,382</u>	<u>11,751,211</u>	<u>7,860,492</u>	<u>218,358</u>	<u>90,920,221</u>
Net maturity mismatch	(13,440,888)	(15,692,062)	(18,921,310)	(9,933,981)	(3,597,637)	81,820,392	(1,941,018)	18,293,496

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 2020	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	111,407	-	-	-	-	-	-	111,407
Claims for damages from litigation taken against the Bank	-	-	-	-	-	292,327	-	292,327
Undrawn financing	2,294,122	-	-	-	-	-	-	2,294,122
	<u>2,405,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,327</u>	<u>-</u>	<u>2,697,856</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.5 Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities as at 31 December 2021 and 31 December 2020. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit analysis. The Group and the Bank manage profit liquidity risk based on discounted expected cash flows.

Group 2021	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	15,678,932	16,424,494	20,546,341	16,986,269	11,438,960	7,667,554	-	88,742,550
Deposits and placements from banks and financial institutions	450,416	150,454	251,264	-	-	-	-	852,134
Recourse obligations on financing sold to Cagamas	-	3,166	6,339	9,528	314,741	-	-	333,774
Debt securities issued	-	-	-	914,059	475,265	2,367,462	-	3,756,786
Trade payables	-	-	1,839	-	-	-	-	1,839
Cashline facility	-	401,002	301,325	-	-	-	-	702,327
Other liabilities	-	116	1,308,074	350	700	49,837	337,945	1,697,022
	16,129,348	16,979,232	22,415,182	17,910,206	12,229,666	10,084,853	337,945	96,086,432

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Group 2020	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	14,357,280	16,500,174	22,086,437	15,816,565	11,594,292	6,984,317	-	87,339,065
Deposits and placements from banks and financial institutions	150,044	-	-	-	-	-	-	150,044
Recourse obligations on financing sold to Cagamas	-	3,198	6,403	9,623	19,313	333,271	-	371,808
Debt securities issued	-	-	-	55,396	405,589	2,490,742	-	2,951,727
Trade payables	-	-	1,374	-	-	-	-	1,374
Cashline facility	-	400,922	-	-	-	-	-	400,922
Other liabilities	-	92	1,343,245	278	555	56,917	198,875	1,599,962
	14,507,324	16,904,386	23,437,459	15,881,862	12,019,749	9,865,247	198,875	92,814,902

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank 2021	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	15,678,932	16,424,494	20,546,341	16,986,269	11,438,960	7,667,554	-	88,742,550
Deposits and placements from banks and financial institutions	450,416	150,454	251,264	-	-	-	-	852,134
Recourse obligations on financing sold to Cagamas	-	3,166	6,339	9,528	314,741	-	-	333,774
Debt securities issued	-	-	-	914,059	475,265	2,367,462	-	3,756,786
Cashline facility	-	401,002	301,325	-	-	-	-	702,327
Other liabilities	928	7,573	1,324,335	30,931	59,821	63,324	397,348	1,884,260
	16,130,276	16,986,689	22,429,604	17,940,787	12,288,787	10,098,340	397,348	96,271,831

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.4 Liquidity risk (continued)

44.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank 2020	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	14,357,280	16,500,174	22,086,437	15,816,565	11,594,292	6,984,317	-	87,339,065
Deposits and placements from banks and financial institutions	150,044	-	-	-	-	-	-	150,044
Recourse obligations on financing sold to Cagamas	-	3,198	6,403	9,623	19,313	333,271	-	371,808
Debt securities issued	-	-	-	55,396	405,589	2,490,742	-	2,951,727
Cashline facility	-	400,922	-	-	-	-	-	400,922
Other liabilities	1,953	7,999	1,404,141	27,869	75,099	76,117	218,358	1,811,536
	14,509,277	16,912,293	23,496,981	15,909,453	12,094,293	9,884,447	218,358	93,025,102

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk

Market risk is defined as the risk of financial loss due to changes in equity prices, benchmark rates, credit spreads, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market. Changes in market rates can affect the Bank's net earnings and also the economic value of Bank's equity.

The function of Market Risk and Asset Liability Management ("ALM") is to manage and control market risk exposure in order to optimize return on risk while maintaining a market profile consistent with the Bank's strategic plan.

The Bank has established the market risk policy, strategy and processes which are periodically reviewed and updated to take into account changes in activities and market structure to ensure effective implementation of risk management policies.

44.5.1 Management of market risk

The Bank manages market risk by segregating exposure to market risk between trading and non-trading portfolios. Trading portfolios are held by treasury department which consist of financial assets that are managed on fair value basis.

The risk measurement techniques employed by the Bank to measure and quantify the market value changes and the level of market risk comprise of Value-at-Risk ("VaR"), Modified Duration and Present Value of One Basis Point ("PV01").

Exposure of the Bank to the foreign exchange rates is minimal since operation of foreign currency unit is limited to remittance services only.

44.5.2 Profit rate risk

Investment in debt securities and financing are exposed to risk of change in profit rates that would result in changes in cash flows. On the other hand, investment in equity securities and other short-term receivables and payables are not significantly exposed to profit rate risk.

Among other efforts in mitigating this risk is by diversifying investment mainly in fixed-income securities with different duration. The Bank has not engaged in hedging through derivative instruments during the year.

The sensitivity of the Bank's financial assets and liabilities to the profit rate risk is measured and monitored proactively using multiple measurement techniques such as Gap Analysis, Duration and Simulation Model.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****44. FINANCIAL RISK MANAGEMENT (CONTINUED)****44.5 Market risk (continued)****44.5.2 Profit rate risk (continued)**

The following shows the Bank's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and constant financial position.

Sensitivity of projected net profit income	Increase by 100 bp RM'000	Decrease by 100 bp RM'000	Increase by 50 bp RM'000	Decrease by 50 bp RM'000
Bank				
2021				
Year ended				
31 December	83,351	(100,261)	41,670	(41,658)
Average for the year	69,627	(84,255)	34,801	(34,750)
Maximum for the year	122,631	(47,959)	61,305	(16,228)
Minimum for the year	32,508	(137,325)	16,246	(61,284)
2020				
Year ended				
31 December	98,160	(113,370)	49,072	(49,056)
Average for the year	56,651	(67,234)	28,315	(28,277)
Maximum for the year	98,160	(113,370)	49,072	(49,056)
Minimum for the year	15,939	(25,054)	7,960	(7,942)

44.5.3 Exposure to profit rate

Among other controls to ensure that market risk exposures remain within tolerable levels include stress testing, new product approval procedures and listing of permissible instruments that can be traded.

Periodic stress testing and control assessment are conducted to address the plausible market events relating to the threat of market failure that could disrupt the Bank's profitability and capital adequacy in ensuring its resiliency.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments

Group	Non-trading book						Trading book	Total
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000		
2021								
Assets								
Cash, deposits and placements with financial institutions	150,189	311,214	211,060	-	-	835,189	-	1,507,652
Financial investments at fair value through profit or loss	-	-	-	-	-	-	976,032	976,032
Financial investments at fair value through other comprehensive income	199,160	335,682	2,589,900	9,814,429	7,769,768	-	72,779	20,781,718
Financial investments at amortised cost	105,022	-	1,546,374	2,298,504	6,876,950	-	-	10,826,850
Financing and advances								
- Non-impaired	52,857,393	45,689	65,819	3,569,809	19,915,070	1,808,184	-	78,261,964
- Impaired, net of allowances	-	-	-	-	-	(965,527)	-	(965,527)
Other non-profit sensitive balances	-	-	-	-	-	3,669,469	-	3,669,469
	53,311,764	692,585	4,413,153	15,682,742	34,561,788	5,347,315	1,048,811	115,058,158

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2021	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000		
Liabilities								
Deposits from customers	25,829,046	20,446,183	27,940,038	10,182,524	2,126,093	-	-	86,523,884
Deposits and placements from banks and financial institutions	600,000	250,000	-	-	-	-	-	850,000
Recourse obligations on financing sold to Cagamas	-	-	-	318,311	-	-	-	318,311
Debt securities issued	-	-	1,286,546	704,367	1,307,027	-	-	3,297,940
Cashline facility	400,032	300,385	-	-	-	-	-	700,417
Other non-profit sensitive balances	-	-	-	-	-	1,712,411	-	1,712,411
	26,829,078	20,996,568	29,226,584	11,205,202	3,433,120	1,712,411	-	93,402,963

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2021	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000			
On-balance sheet profit sensitivity gap	26,482,686	(20,303,983)	(24,813,431)	4,477,540	31,128,668	3,634,904	1,048,811	21,655,195
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	26,482,686	(20,303,983)	(24,813,431)	4,477,540	31,128,668	3,634,904	1,048,811	21,655,195

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2020	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000			
Assets								
Cash, deposits and placements with financial institutions	100,015	70,060	207,215	-	-	881,621	-	1,258,911
Financial investments at fair value through profit or loss	-	-	-	-	-	-	447,826	447,826
Financial investments at fair value through other comprehensive income	76,550	949,273	2,783,904	10,936,072	5,816,307	-	57,964	20,620,070
Financial investments at amortised cost	99,982	341,970	1,270,813	3,450,535	4,584,565	-	-	9,747,865
Financing and advances								
- Non-impaired	48,907,595	66,412	73,382	3,065,786	22,368,049	2,156,455	-	76,637,679
- Impaired, net of allowances	-	-	-	-	-	(554,481)	-	(554,481)
Other non-profit sensitive balances	-	-	-	-	-	3,593,274	-	3,593,274
	49,184,142	1,427,715	4,335,314	17,452,393	32,768,921	6,076,869	505,790	111,751,144

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2020	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000			
Liabilities								
Deposits from customers	25,896,692	21,933,925	27,008,447	7,999,843	2,736,524	-	-	85,575,431
Deposits and placements from banks and financial institutions	150,000	-	-	-	-	-	-	150,000
Recourse obligations on financing sold to Cagamas	-	-	-	339,826	-	-	-	339,826
Debt securities issued	-	-	351,579	1,688,805	602,174	-	-	2,642,558
Cashline facility	400,870	-	-	-	-	-	-	400,870
Other non-profit sensitive balances	-	-	-	-	-	1,694,071	-	1,694,071
	26,447,562	21,933,925	27,360,026	10,028,474	3,338,698	1,694,071	-	90,802,756

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued) 2020	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000			
On-balance sheet profit sensitivity gap	22,736,580	(20,506,210)	(23,024,712)	7,423,919	29,430,223	4,382,798	505,790	20,948,388
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	22,736,580	(20,506,210)	(23,024,712)	7,423,919	29,430,223	4,382,798	505,790	20,948,388

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	150,189	311,214	211,060	-	-	834,987	-	1,507,450
Financial investments at fair value through profit or loss	-	-	-	-	-	-	976,032	976,032
Financial investments at fair value through other comprehensive income	199,160	335,682	2,589,900	9,814,429	7,769,768	-	72,771	20,781,710
Financial investments at amortised cost	105,022	-	1,546,374	2,298,504	6,876,950	-	-	10,826,850
Financing and advances								
- Non-impaired	52,857,393	45,689	65,819	3,569,809	20,148,820	1,808,184	-	78,495,714
- Impaired, net of allowances	-	-	-	-	-	(979,133)	-	(979,133)
Other non-profit sensitive balances	-	-	-	-	-	3,186,255	-	3,186,255
	53,311,764	692,585	4,413,153	15,682,742	34,795,538	4,850,293	1,048,803	114,794,878

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued) 2021	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000		
Liabilities								
Deposits from customers	25,829,046	20,446,183	27,940,038	10,182,524	2,126,093	-	-	86,523,884
Deposits and placements from banks and financial institutions	600,000	250,000	-	-	-	-	-	850,000
Recourse obligations on financing sold to Cagamas	-	-	-	318,311	-	-	-	318,311
Debt securities issued	-	-	1,286,546	704,367	1,307,027	-	-	3,297,940
Cashline facility	400,032	300,385	-	-	-	-	-	700,417
Other non-profit sensitive balances	-	-	-	-	-	1,884,260	-	1,884,260
	26,829,078	20,996,568	29,226,584	11,205,202	3,433,120	1,884,260	-	93,574,812

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
Bank (continued) 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-balance sheet profit sensitivity gap	26,482,686	(20,303,983)	(24,813,431)	4,477,540	31,362,418	2,966,033	1,048,803	21,220,066
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	26,482,686	(20,303,983)	(24,813,431)	4,477,540	31,362,418	2,966,033	1,048,803	21,220,066

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**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued) 2020	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000		
Assets								
Cash, deposits and placements with financial institutions	100,015	70,060	207,215	-	-	881,165	-	1,258,455
Financial investments at fair value through profit or loss	-	-	-	-	-	-	447,826	447,826
Financial investments at fair value through other comprehensive income	76,550	949,273	2,783,904	10,936,072	5,816,307	-	57,956	20,620,062
Financial investments at amortised cost	99,982	341,970	1,270,813	3,450,535	4,584,565	-	-	9,747,865
Financing and advances								
- Non-impaired	48,907,595	66,412	73,382	3,065,786	22,583,099	2,156,455	-	76,852,729
- Impaired, net of allowances	-	-	-	-	-	(567,364)	-	(567,364)
Other non-profit sensitive balances	-	-	-	-	-	3,159,054	-	3,159,054
	49,184,142	1,427,715	4,335,314	17,452,393	32,983,971	5,629,310	505,782	111,518,627

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued) 2020	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 1 year RM'000	More than 1 year- 5 years RM'000	More than 5 years RM'000	Non-profit sensitive RM'000		
Liabilities								
Deposits from customers	25,896,692	21,933,925	27,008,447	7,999,843	2,736,524	-	-	85,575,431
Deposits and placements from banks and financial institutions	150,000	-	-	-	-	-	-	150,000
Recourse obligations on financing sold to Cagamas	-	-	-	339,826	-	-	-	339,826
Debt securities issued	-	-	351,579	1,688,805	602,174	-	-	2,642,558
Cashline facility	400,870	-	-	-	-	-	-	400,870
Other non-profit sensitive balances	-	-	-	-	-	1,891,536	-	1,891,536
	26,447,562	21,933,925	27,360,026	10,028,474	3,338,698	1,891,536	-	91,000,221

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.5 Market risk (continued)

44.5.4 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
Bank (continued) 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-balance sheet profit sensitivity gap	22,736,580	(20,506,210)	(23,024,712)	7,423,919	29,645,273	3,737,774	505,782	20,518,406
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	22,736,580	(20,506,210)	(23,024,712)	7,423,919	29,645,273	3,737,774	505,782	20,518,406

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.6 Operational risk

The Bank defines operational risk as the risk of loss or non-achievement of business objectives due to inadequate or failed internal processes, people and system, or from external events.

The Bank's Operational Risk Management ("ORM") Framework sets out the governance and oversight structure, roles and relationships of the three lines of defense mechanism as well as the high level principles and methodologies for operational risk identification, assessment, control and monitoring.

The framework recognises the relationships between operational risk and other risk types such as strategic, credit, market and reputation risks; and is cascaded to also govern the management of operational risk sub-types i.e. legal and compliance risk, Shariah non-compliance risk, Information Technology risk and outsourcing risk.

The Bank has no appetite for losses arising from inadequate internal controls, systems, and processes; which can be elaborated as zero appetite for:

- Failure to maintain a sound and proportionate system of internal controls to manage the expected operational risk losses and avoid the unexpected operational risk losses;
- Regulatory censures, fines or prosecution relating to the laws and regulations applicable to the Bank; and
- Failure to comply with Shariah rules and parameters as set out by the Shariah Committee ("SC") and/or the Shariah Advisory Council of Bank Negara Malaysia.

The Bank continuously monitors its operational risk exposure to ensure the level of exposure is within the acceptable tolerance. This is conducted by means of the established governance and oversight structure as well as through the day-to-day operational risk management processes.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.6 Operational risk (continued)

ORM processes are undertaken through the implementation of tools such as Risk and Control Self-Assessment ("RCSA"), Key Risk Indicator ("KRI") and Loss Event Data ("LED") collection. RCSA is a tool used to identify and assess the risks in key business processes, evaluate the effectiveness of internal controls and provide the basis for determining risk responses/strategies in pursuing business objectives. KRI provides early warning signal of any increase in risk exposure and/or occurrence of control failures. To support operational risk analytics, the Bank collects LED based on BNM's Operational Risk Integrated Online Network ("ORION") requirements.

To improve its operational resilience, the Bank has revamped its Business Continuity Management ("BCM") framework and processes by streamlining the governance structure and response matrix based on severity of disruption; namely code Amber, Red and Black. Code Amber incidents are isolated disruption affecting only a particular business/activity which shall be managed by the respective business involved. The entire crisis management hierarchy headed by Managing Director/President shall be activated under Code Black, which is a full-on crisis that could potentially affect the going concern of the Bank. To ensure effectiveness of the business continuity plans and to be in line with regulatory requirements, regular exercises, disaster simulations and recovery drills are conducted throughout the year.

44.7 Capital management

The objective of capital management is to maintain a strong capital position to support business growth, to maintain investors, depositors, customers and market confidence and to provide cushion for any potential losses. In line with this objective, the Bank manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Bank, are above the regulatory minimum requirement.

Capital adequacy and the use of regulatory capital are monitored monthly by the Bank's management, employing techniques based on the Capital Framework for Development Financial Institutions by Bank Negara Malaysia. The required information is filed with Bank Negara Malaysia on a monthly basis.

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.7 Capital management (continued)

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with Bank Negara Malaysia which takes into account the risk profile of the Bank. The regulatory capital requirements are strictly observed when managing economic capital.

The Bank's regulatory capital comprises two tiers:

- (i) Tier 1 capital: share capital, statutory reserve, capital reserve and retained profits; and
- (ii) Tier 2 capital: subordinated sukuk, collective impairment allowances on non-impaired financing and regulatory reserve.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statements of financial position.

The Bank's policy is to maintain a strong capital base so as to ensure investors', creditors' and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

44.7.1 Capital adequacy ratio

The Bank is required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by Bank Negara Malaysia. The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Framework for Development Financial Institutions (Capital Component & Risk-Weighted Asset). The Bank was in compliance with all prescribed capital ratios throughout the period.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.7 Capital management (continued)

44.7.1 Capital adequacy ratio (continued)

	Bank	
	2021	2020
Before proposed dividend		
Core capital ratio	23.868%	22.671%
Risk-weighted capital adequacy ratio	26.277%	24.600%
After proposed dividend		
Core capital ratio	23.349%	22.212%
Risk-weighted capital adequacy ratio	25.757%	24.141%

The above ratios are derived by taking into account the core capital and capital base against the risk weighted assets of the Bank. Components of the capital are as follows:

	Bank	
	2021	2020
	RM'000	RM'000
Tier I capital		
Paid-up share capital	2,986,030	2,986,030
Retained profits	10,373,508	9,430,095
Other reserves	7,322,051	6,848,750
Total Tier I capital (core)	20,681,589	19,264,875
Tier II capital		
Subordinated sukuk	300,000	300,000
Collective impairment *	1,558,001	1,110,219
Regulatory reserve	329,672	329,672
Total Tier II capital	2,187,673	1,739,891
Total capital	22,869,262	21,004,766
Less: Investment in subsidiaries	(100,744)	(100,744)
Total capital base	22,768,518	20,904,022

* This is a surplus amount allowable after taking into account the collective impairment allowance on impaired financing of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS
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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.7 Capital management (continued)

44.7.1 Capital adequacy ratio (continued)

Assets in various categories are risk-weighted as follows:

	Bank	
	2021	2020
	RM'000	RM'000
Total assets assigned 20% risk-weighted	421,050	530,251
Total assets assigned 50% risk-weighted	2,596,734	2,533,856
Total assets assigned 100% risk-weighted	82,638,060	80,910,841
Off-Balance Sheet claims assigned 100% risk-weighted	993,140	1,000,609
	86,648,984	84,975,557

44.7.2 Transitional Arrangement

Based on the BNM's policy document on Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions for Development Financial Institutions (DFIs) issued on 9 December 2020, the prescribed development financial institutions ("DFIs") which elect to apply the transitional arrangements are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to Tier I Capital over a four-year period from financial year beginning 2020 or a three-year period from financial year beginning 2021. The Group and Bank elected to adopt the transitional arrangements for four-year period from financial year beginning 2020.

	Before Transitional Arrangement RM'000	After Transitional Arrangement RM'000
2021		
Total Tier I Capital	20,681,589	20,681,589
of which: Total Add-back	-	899,305
Total Additional Tier I Capital	20,681,589	21,580,894
Total Tier II Capital	2,187,673	2,187,673
of which: Loss provisions	1,887,673	1,887,673
Total Risk Weighted Assets	86,648,984	86,648,984
Core capital ratio	23.868%	24.906%
Risk-weighted capital adequacy ratio	26.277%	27.315%

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.7 Capital management (continued)

44.7.2 Transitional Arrangement (continued)

	Before Transitional Arrangement RM'000	After Transitional Arrangement* RM'000
2020		
Total Tier I Capital	19,264,875	19,264,875
of which: Total Add-back	-	453,272
Total Additional Tier I Capital	<u>19,264,875</u>	<u>19,718,147</u>
Total Tier II Capital	1,739,891	1,739,891
of which: Loss provisions	1,439,891	1,439,891
Total Risk Weighted Assets	84,975,557	84,975,557
Core capital ratio	22.671%	23.204%
Risk-weighted capital adequacy ratio	24.600%	25.133%

* The comparative has been restated to conform to the current year's presentation.

45. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which the financial asset could be exchanged or a financial liability could be settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the best estimates of fair values as at the end of the reporting period.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on appropriate methodologies and assumptions on risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of MFRS 132, *Financial Instruments: Disclosure and Presentation* which requires the fair value information to be disclosed.

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.1 Valuation of financial instruments

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

- (i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Group and the Bank determine fair values using valuation techniques.

There were no financial liabilities of the Group and the Bank at the end of the reporting period that were measured at fair value.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.2 Valuation of financial instruments at fair value

Group	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2021					
Financial investments at fair value through profit or loss					
Government investment issues	695,939	695,939	-	695,939	-
Islamic redeemable convertible preference shares	213,200	213,200	-	213,200	-
Quoted shares	66,893	66,893	66,893	-	-
	976,032	976,032	66,893	909,139	-
Financial investments at fair value through other comprehensive income					
Islamic debt securities	5,036,372	5,036,372	-	5,036,372	-
Government investment issues	5,550,252	5,550,252	-	5,550,252	-
Government sukuk	8,709,494	8,709,494	-	8,709,494	-
Khazanah sukuk	156,319	156,319	-	156,319	-
Cagamas sukuk	1,256,502	1,256,502	-	1,256,502	-
Unquoted shares	72,779	72,779	-	-	72,779
	20,781,718	20,781,718	-	20,708,939	72,779

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.2 Valuation of financial instruments at fair value (continued)

Group	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2020					
Financial investments at fair value through profit or loss					
Government investment issues	89,942	89,942	-	89,942	-
Islamic redeemable convertible preference shares	213,200	213,200	-	213,200	-
Quoted shares	144,684	144,684	144,684	-	-
	<u>447,826</u>	<u>447,826</u>	<u>144,684</u>	<u>303,142</u>	<u>-</u>
Financial investments at fair value through other comprehensive income					
Islamic debt securities	4,764,843	4,764,843	-	4,764,843	-
Government investment issues	6,034,142	6,034,142	-	6,034,142	-
Government sukuk	7,703,704	7,703,704	-	7,703,704	-
Khazanah sukuk	235,038	235,038	-	235,038	-
Cagamas sukuk	1,824,378	1,824,378	-	1,824,378	-
Unquoted shares	57,965	57,965	-	-	57,965
	<u>20,620,070</u>	<u>20,620,070</u>	<u>-</u>	<u>20,562,105</u>	<u>57,965</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.2 Valuation of financial instruments at fair value (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2021					
Financial investments at fair value through profit or loss					
Government investment issues	695,939	695,939	-	695,939	-
Islamic redeemable convertible preference shares	213,200	213,200	-	213,200	-
Quoted shares	66,893	66,893	66,893	-	-
	976,032	976,032	66,893	909,139	-
Financial investments at fair value through other comprehensive income					
Islamic debt securities	5,036,372	5,036,372	-	5,036,372	-
Government investment issues	5,550,252	5,550,252	-	5,550,252	-
Government sukuk	8,709,494	8,709,494	-	8,709,494	-
Khazanah sukuk	156,319	156,319	-	156,319	-
Cagamas sukuk	1,256,502	1,256,502	-	1,256,502	-
Unquoted shares	72,771	72,771	-	-	72,771
	20,781,710	20,781,710	-	20,708,939	72,771

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.2 Valuation of financial instruments at fair value (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2020					
Financial investments at fair value through profit or loss					
Government investment issues	89,942	89,942	-	89,942	-
Islamic redeemable convertible preference shares	213,200	213,200	-	213,200	-
Quoted shares	144,684	144,684	144,684	-	-
	<u>447,826</u>	<u>447,826</u>	<u>144,684</u>	<u>303,142</u>	<u>-</u>
Financial investments at fair value through other comprehensive income					
Islamic debt securities	4,764,843	4,764,843	-	4,764,843	-
Government investment issues	6,034,142	6,034,142	-	6,034,142	-
Government sukuk	7,703,704	7,703,704	-	7,703,704	-
Khazanah sukuk	235,038	235,038	-	235,038	-
Cagamas sukuk	1,824,378	1,824,378	-	1,824,378	-
Unquoted shares	57,957	57,957	-	-	57,957
	<u>20,620,062</u>	<u>20,620,062</u>	<u>-</u>	<u>20,562,105</u>	<u>57,957</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)****45.2 Valuation of financial instruments at fair value (continued)**

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value:

	Group	
	2021	2020
	RM'000	RM'000
Financial investments at fair value through other comprehensive income		
Unquoted shares		
At 1 January	57,965	46,846
Addition of unquoted shares	100	500
Unrealised gains recognised in other comprehensive income	14,714	10,619
At 31 December	72,779	57,965
	Bank	
	2021	2020
	RM'000	RM'000
Financial investments at fair value through other comprehensive income		
Unquoted shares		
At 1 January	57,957	46,838
Addition of unquoted shares	100	500
Unrealised gains recognised in other comprehensive income	14,714	10,619
At 31 December	72,771	57,957

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required)

Set out below is a comparison of the carrying amount and fair value of financial instruments that are not measured at fair value in the financial statements.

	Carrying amount 2021 RM'000	Fair value 2021 RM'000	Carrying amount 2020 RM'000	Fair value 2020 RM'000
Group				
Financial assets				
Cash and short-term funds	835,189	835,189	981,636	981,636
Deposits and placements with financial institutions	672,463	672,463	277,275	277,275
Financial investments at amortised cost	10,826,850	10,682,828	9,747,865	10,015,027
Financing and advances	77,296,437	79,026,320	76,083,198	80,859,140
Trade receivables	909	909	147	147
Other receivables and deposits	586,519	586,519	877,475	877,475
Financial liabilities				
Deposits from customers	86,523,884	86,383,292	85,575,431	85,456,346
Deposits and placements from banks and financial institutions	850,000	850,000	150,000	150,000
Recourse obligations on financing sold to Cagamas	318,311	303,095	339,826	309,115
Debt securities issued	3,297,940	3,261,597	2,642,558	2,678,020
Trade payables	1,839	1,839	1,374	1,374
Cashline facility	700,417	700,417	400,870	400,870
Other liabilities	1,697,022	1,697,022	1,599,962	1,599,962

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)****45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)**

	Carrying amount 2021 RM'000	Fair value 2021 RM'000	Carrying amount 2020 RM'000	Fair value 2020 RM'000
Bank				
Financial assets				
Cash and short-term funds	834,987	834,987	981,180	981,180
Deposits and placements with financial institutions	672,463	672,463	277,275	277,275
Financial investments at amortised cost	10,826,850	10,682,828	9,747,865	10,015,027
Financing and advances	77,516,581	79,246,464	76,285,365	81,061,307
Other receivables and deposits	550,709	550,709	840,168	840,168
Financial liabilities				
Deposits from customers	86,523,884	86,383,292	85,575,431	85,456,346
Deposits and placements from banks and financial institutions	850,000	850,000	150,000	150,000
Recourse obligations on financing sold to Cagamas	318,311	303,095	339,826	309,115
Debt securities issued	3,297,940	3,261,597	2,642,558	2,678,020
Cashline facility	700,417	700,417	400,870	400,870
Other liabilities	1,884,260	1,884,260	1,811,536	1,811,536

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

Group	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2021					
Financial assets					
Cash and short-term funds	835,189	835,189	-	-	835,189
Deposits and placements with financial institutions	672,463	672,463	-	-	672,463
Financial investments at amortised cost:					
Government sukuk	3,170,872	3,137,762	-	3,137,762	-
Government investment issues	6,925,903	6,816,254	-	6,816,254	-
Islamic debt securities	453,758	449,496	-	449,496	-
Khazanah sukuk	100,040	102,220	-	102,220	-
Cagamas sukuk	76,349	77,168	-	77,168	-
Negotiable Islamic debt certificates	99,928	99,928	-	-	99,928
Financing and advances	77,296,437	79,026,320	-	-	79,026,320
Trade receivables	909	909	-	-	909
Other receivables and deposits	586,519	586,519	-	-	586,519
	90,218,367	91,804,228	-	10,582,900	81,221,328

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)					
2021					
Financial liabilities					
Deposits from customers	86,523,884	86,383,292	-	-	86,383,292
Deposits and placements from banks and financial Institutions	850,000	850,000	-	-	850,000
Recourse obligations on financing sold to Cagamas	318,311	303,095	-	-	303,095
Debt securities issued	3,297,940	3,261,597	-	3,261,597	-
Trade payables	1,839	1,839	-	-	1,839
Cashline facility	700,417	700,417	-	-	700,417
Other liabilities	1,697,022	1,697,022	-	-	1,697,022
	93,389,413	93,197,262	-	3,261,597	89,935,665

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

Group	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2020					
Financial assets					
Cash and short-term funds	981,636	981,636	-	-	981,636
Deposits and placements with financial institutions	277,275	277,275	-	-	277,275
Financial investments at amortised cost:					
Government sukuk	2,923,692	3,006,919	-	3,006,919	-
Government investment issues	5,480,409	5,644,698	-	5,644,698	-
Islamic debt securities	554,095	563,610	-	563,610	-
Khazanah sukuk	240,070	245,127	-	245,127	-
Cagamas sukuk	449,617	454,691	-	454,691	-
Negotiable Islamic debt certificates	99,982	99,982	-	-	99,982
Financing and advances	76,083,198	80,859,140	-	-	80,859,140
Trade receivables	147	147	-	-	147
Other receivables and deposits	877,475	877,475	-	-	877,475
	87,967,596	93,010,700	-	9,915,045	83,095,655

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)					
2020					
Financial liabilities					
Deposits from customers	85,575,431	85,456,346	-	-	85,456,346
Deposits and placements from banks and financial Institutions	150,000	150,000	-	-	150,000
Recourse obligations on financing sold to Cagamas	339,826	309,115	-	-	309,115
Debt securities issued	2,642,558	2,678,020	-	2,678,020	-
Trade payables	1,374	1,374	-	-	1,374
Cashline facility	400,870	400,870	-	-	400,870
Other liabilities	1,599,962	1,599,962	-	-	1,599,962
	<u>90,710,021</u>	<u>90,595,687</u>	<u>-</u>	<u>2,678,020</u>	<u>87,917,667</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2021					
Financial assets					
Cash and short-term funds	834,987	834,987	-	-	834,987
Deposits and placements with financial institutions	672,463	672,463	-	-	672,463
Financial investments at amortised cost:					
Government sukuk	3,170,872	3,137,762	-	3,137,762	-
Government investment issues	6,925,903	6,816,254	-	6,816,254	-
Islamic debt securities	453,758	449,496	-	449,496	-
Khazanah sukuk	100,040	102,220	-	102,220	-
Cagamas sukuk	76,349	77,168	-	77,168	-
Negotiable Islamic debt certificates	99,928	99,928	-	-	99,928
Financing and advances	77,516,581	79,246,464	-	-	79,246,464
Other receivables and deposits	550,709	550,709	-	-	550,709
	90,401,590	91,987,451	-	10,582,900	81,404,551

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**NOTES TO THE FINANCIAL STATEMENTS
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45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
2021					
Financial liabilities					
Deposits from customers	86,523,884	86,383,292	-	-	86,383,292
Deposits and placements from banks and financial Institutions	850,000	850,000	-	-	850,000
Recourse obligations on financing sold to Cagamas	318,311	303,095	-	-	303,095
Debt securities issued	3,297,940	3,261,597	-	3,261,597	-
Cashline facility	700,417	700,417	-	-	700,417
Other liabilities	1,884,260	1,884,260	-	-	1,884,260
	93,574,812	93,382,661	-	3,261,597	90,121,064

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
2020					
Financial assets					
Cash and short-term funds	981,180	981,180	-	-	981,180
Deposits and placements with financial institutions	277,275	277,275	-	-	277,275
Financial investments at amortised cost:					
Government sukuk	2,923,692	3,006,919	-	3,006,919	-
Government investment issues	5,480,409	5,644,698	-	5,644,698	-
Islamic debt securities	554,095	563,610	-	563,610	-
Khazanah sukuk	240,070	245,127	-	245,127	-
Cagamas sukuk	449,617	454,691	-	454,691	-
Negotiable Islamic debt certificates	99,982	99,982	-	-	99,982
Financing and advances	76,285,365	81,061,307	-	-	81,061,307
Other receivables and deposits	840,168	840,168	-	-	840,168
	88,131,853	93,174,957	-	9,915,045	83,259,912

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
2020					
Financial liabilities					
Deposits from customers	85,575,431	85,456,346	-	-	85,456,346
Deposits and placements from banks and financial Institutions	150,000	150,000	-	-	150,000
Recourse obligations on financing sold to Cagamas	339,826	309,115	-	-	309,115
Debt securities issued	2,642,558	2,678,020	-	2,678,020	-
Cashline facility	400,870	400,870	-	-	400,870
Other liabilities	1,811,536	1,811,536	-	-	1,811,536
	<u>90,920,221</u>	<u>90,805,887</u>	<u>-</u>	<u>2,678,020</u>	<u>88,127,867</u>

**NOTES TO THE FINANCIAL STATEMENTS
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45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

45.3.1 Cash and short-term funds

The carrying amounts of cash and short-term funds approximate fair values due to the relatively short maturity of the financial instruments. This is similar to deposits and placements with financial institutions maturing within one month that have relatively short maturity period.

45.3.2 Deposits and placements with financial institutions

The fair values of deposits and placements with financial institutions are not materially sensitive to changes in market profit rate because of their limited term to maturity.

45.3.3 Financial investments at amortised cost

Financial investments at amortised are carried at amortised cost at the end of the reporting period. Fair values for these financial instruments are estimated based on broker quotes from Bond Pricing Agency Malaysia.

45.3.4 Financing and advances

Financing and advances are carried at amortised cost at the end of the reporting period. Fair valuation of these financial instruments are estimated based on discounted payment to be received in the future using effective profit rate offered for similar financing at the reporting date.

45.3.5 Trade and other receivables

The carrying amounts of trade and other receivables reported in the statements of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

45.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

45.3.6 Deposits from customers

The fair values of deposits payable on demand (demand and savings deposits), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts.

The fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows based on effective profit rates for similar deposits from customers at the reporting date.

However, since all deposits received can be classified as Islamic deposits, their fair values are deemed to approximate their carrying amounts as profit rates are determined at the end of the maturity period based on the sharing of profits generated from investments of the deposits.

45.3.7 Deposits and placements from banks and financial institutions

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

45.3.8 Recourse obligations on financing sold to Cagamas

The fair values for recourse obligations sold to Cagamas that have remaining maturity of less than one year are estimated to approximate their carrying amounts. For remaining maturity of more than one year, they are estimated using discounted cash flows based on prevailing Cagamas rates at the reporting date.

45.3.9 Debt securities issued

Debt securities issued are measured at amortised cost at the end of the reporting period. The fair value of the securities are derived by referring to the present value of the expected amount due in the future by applying the effective profit rate for the debt securities at the reporting date.

45.3.10 Trade and other liabilities

The carrying amounts of trade and other liabilities reported in the statements of financial position approximate their fair values due to the relatively short-term maturity of these instruments.