# Citibank Berhad
# 2022 Annual Report


**Registered Office**

44th Floor, Menara Citibank,
165 Jalan Ampang, 50450 Kuala Lumpur

**Date Of Incorporation**

22 April 1994

**Auditors**

KPMG

# Contents

*" I am confident that by leveraging Citi's unique global network, deep industry knowledge and expertise, we will continue to be the go-to bank. "*

# Chairman's Statement

Citi, a global bank with a long and storied history, has enabled growth and economic progress worldwide for hundreds of years. Over time, we have developed and finetuned unique capabilities and skills to meet demanding challenges and seize unexpected but incredible opportunities.

In 2022, we continued to help our clients and customers navigate an uncertain post-pandemic economic recovery. During the year, we also made significant progress in advancing sustainable practices and, from a business perspective, became more purpose-driven as we stayed true to the highest ethical standards.

I am pleased to report another year of positive financial results for Citi Malaysia in 2022. We ended the year with a profit after tax of RM990.584 million, an increase of 62.9% from the preceding year. Our balance sheet is solid, with a Return on Equity of 19.6% and a Risk Weighted Total Capital Adequacy Ratio of 27.4% (before deducting proposed dividends).

Our continuing operations recorded a profit after tax of RM418.706 million, an increase of 201.5% from the preceding year with operating profit of RM586.862 million. A strong growth in balance sheet with total asset and deposits increased by 15.8% and 23.9% respectively.

During the year, we completed the sale of Citi Malaysia's retail banking and credit card business. This marks an important milestone in Citi's ongoing global strategy refresh that allows us to focus our investments and resources on businesses that can drive stronger growth, deliver scale and enhance returns over the long run.

Moving forward, our priorities are to further develop and grow our institutional business and Citi Solutions Centers in Kuala Lumpur and Penang. As we direct our resources in a more targeted way, I am confident that by leveraging Citi's unique global network, deep industry knowledge and expertise, we will continue to be the go-to bank for our customers and clients.

For many years, Citi has taken steps to address the world's long-standing societal challenges. Our environment, social and governance (ESG) agenda reflects our roles and responsibilities in building a fairer, more inclusive, and more sustainable society. We look forward to doing more in 2023.

There is no denying that the world is becoming more complex and more competitive. At Citi Malaysia, the entire team is committed to investing and growing in the country for the long term. My most profound appreciation to all employees and the senior management team for their hard work and dedication and, more importantly, for always acting in our clients' best interests.

I would also like to extend my deepest gratitude to Bank Negara Malaysia and other government bodies for their guidance and advice throughout the year. With support from all our stakeholders, I am confident that Citi Malaysia will continue to responsibly provide the best financial services that enable economic growth and progress.

Stay safe, stay healthy, and stay well.

Mark Fordyce Hart
Chairman

# CEO's Statement

Citi Malaysia has shown exceptional resilience in the face of the global pandemic. Our talented employees, innovative business strategy, and vast network have enabled us to meet the needs of our clients in a rapidly changing world. Despite the challenges brought on by the pandemic, we continued to perform and grow.

In 2022, the fears surrounding the spread of the COVID-19 pandemic receded and borders began to reopen, leading to a resurgence in international travel. As a result, private consumption saw a significant rise, including in Malaysia. Towards the end of the year, global financial conditions saw a marked improvement, with inflationary pressures levelling off and China's reopening, signalling a rebound in economic activity.

Malaysia's economy surged 8.7% in 2022, the highest annual growth rate in the past 22 years. Growth is expected to be forthcoming but at a moderate pace over the next 12 months. Bank Negara Malaysia cites key drivers which includes continual improvement in the job market, positive effects from China's reopening, higher tourism activity and the implementation of new and existing investments.

Citi continuously strives to integrate cutting-edge technologies into our product offerings, driven by our steadfast belief in the transformative power of technology in our field. Our commitment to innovation has resulted in several award-winning digital services and systems, further solidifying our position as a leader in the banking industry.

The industry has recognised this leadership, with Citi Malaysia winning the prestigious "Best International Bank" award at the 2022 Asiamoney Best Bank Awards for two consecutive years. Additionally, Citi Malaysia was honoured with two awards from The Asset Magazine, including "Best Bond" and "Best New Bond", for our successful issuances of a US$3 billion dual-trance senior unsecured bond for PETRONAS and a US$1 billion guaranteed senior unsecured notes for Genting Malaysia, respectively.

## • A Robust Financial Performance

I am delighted to announce that Citibank Berhad achieved a remarkable financial performance in 2022. Our profit after tax reached RM990.584 million, representing a 62.9% increase from the previous year.

Our Return on Equity of 19.6% and Risk Weighted Total Capital Adequacy Ratio of 27.4% (before deducting proposed dividends) surpass industry standards and demonstrate our commitment to being a reliable and efficient banking partner.

Our continuing operations recorded a profit after tax of RM418.706 million, an increase of 201.5% from the preceding year with operating profit of RM586.862 million. A strong growth in balance sheet with total asset and deposits increased by 15.8% and 23.9% respectively.

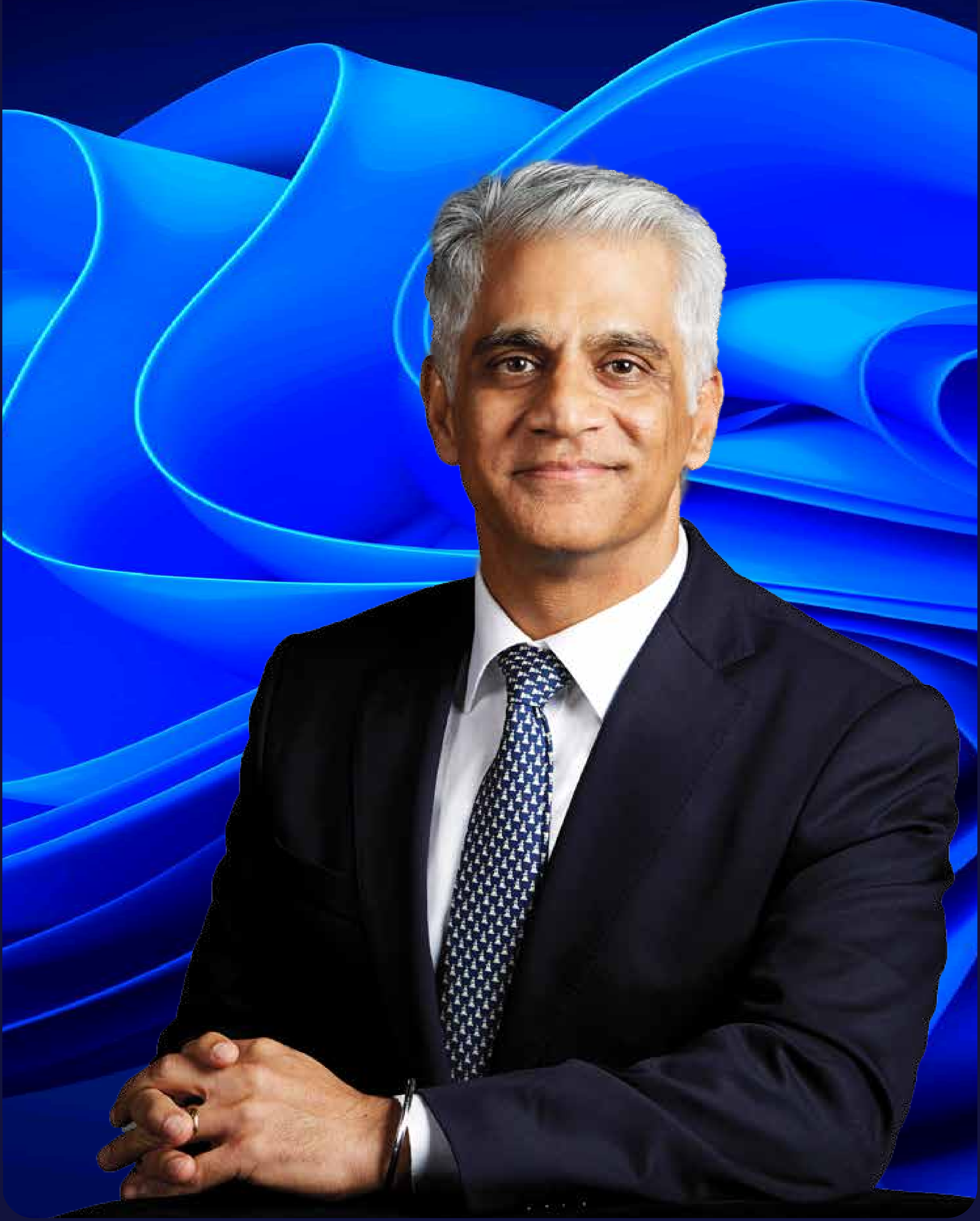
## • Unlocking Our Full Potential

On November 1, 2022, Citi Malaysia completed the sale of our retail banking and consumer credit card businesses to United Overseas Bank (UOB) Malaysia. This significant milestone, part of a larger transaction that includes Citi's consumer banking businesses in Malaysia, Thailand, Vietnam, and Indonesia, was first announced on January 14, 2022.

As part of our Strategic Refresh direction, Citi is divesting its consumer banking business in 14 markets across Asia, Europe, the Middle East, and Mexico. This divestiture is focused on maximising the potential of our businesses, driving growth and delivering higher returns.

The sale of Citi Malaysia's retail banking and consumer credit card business marks a significant step towards unlocking value for Citi's institutional franchise.

Citi continues to uphold its strong commitment to Malaysia, a critical market for many years. Our two Solutions Centers in Kuala Lumpur and Penang are essential in providing top-notch services to over 50 countries worldwide, help build scale and capacity for growth, and establish world class processing standards. Our steadfast dedication to Malaysia and our clients is reflected in our ongoing investments towards strengthening our institutional franchise and delivering exceptional banking experiences. Over 94% of employees from our Solutions Centers are local hires.



*“Citi continues to uphold its strong commitment to Malaysia, a critical market for many years. Our two Solutions Centers in Kuala Lumpur and Penang are essential in providing top-notch services to over 50 countries worldwide, help build scale and capacity for growth, and establish world class processing standards.”*

## • Treasury and Trade Solutions

In 2022, Citi Malaysia's Treasury and Trade Solutions business continued to deliver innovative solutions and exceptional client experiences. As a market leader in digital payments, we support over 140 currencies across more than 200 corridors on our global proprietary network. We also enabled new cross-border instant payment options and payments into digital wallets and cards. Our commitment to meeting clients' needs is reflected in our adoption rate of 99.99% for digital/ electronic corporate payments.

Moreover, the relevance of our digital solutions is evident with a 545% increase in Commercial Card purchases over the internet and a 168% increase in contactless payments. Citi Malaysia is clearly keeping pace with the trend of corporations digitising their payments and exploring alternative payment tools.

We significantly improved CitiDirect, our online banking platform, with its domain-driven design organised by core Treasury and Trade Solutions and seamless integration with other systems via APIs. The enhanced platform is more user-friendly, intuitive, and customisable to meet the specific needs of our users.

The new architecture offers benefits such as zero downtime during system updates, faster response times, and improved access to real-time data. It also allows us to introduce new functionality and enhancements more quickly. User feedback has been overwhelmingly positive, with many describing the new CitiDirect as tailored to their job functions and offering exactly what they need.

Citi aims to provide more seamless digital access to our clients, enabling them to transact from anywhere, anytime. Our digital touchpoints, including APIs, CitiManager for Commercial Cards, Citi® Payment Outlier Detection tool, and Citi Payment Insights, are secure and accessible through biometric authentication and the use of BioCatch, a behavioural biometrics tool for detecting anomalous activity and preventing cyber threats.

In the realm of trade digitisation, we sought to support our clients with end-to-end digital banking services, from account opening to transactions. With Citi's Digital Trade, many clients can digitise all their trade-related transactions, eliminating the need for paper-based activities.

Citi's leadership in the Treasury and Trade Solutions space is widely recognised, with numerous accolades. The Euromoney Trade Finance Survey 2022 ranked Citi in 11 top rankings in the market leader and best service provider categories.

Our dominance in the corporate e-payments space is unmatched, with a 23% market share in transaction value, solidifying our position as the leading foreign bank for such services. In addition, we stand among the top three banks in Malaysia for direct debit services and actively work with local clearing institutions and corporate clients on innovative direct debit migration initiatives.

## • Securities Services

In 2022, various geopolitical challenges, increasing inflationary pressures, interest rate hikes, and the possibility of a global economic slowdown cast a shadow on investor sentiment. Yet, despite these challenges, Citi's investor business displayed remarkable resilience, marked by a steady increase in new client acquisition, as well as in transaction volumes throughout the year.

## • Global Markets

Citi's Global Markets franchise continues to lead the way in providing sustainable and customised risk management solutions. Our Corporate Sales and Solutions business in Malaysia recorded substantial growth, with a 13% increase in flow revenue and a 43% increase in solutions compared to the previous year. We also strengthened our digital capabilities by offering in-depth analysis and innovative cash and forex risk management solutions.

We enhanced and automated internal processes in line with our drive to improve efficiencies. As a result, we saw higher penetration in e-FX end-to-end solutions beyond Citi FX Pulse, which remains an award-winning global platform. Our efforts to support Asia-to-Asia business transactions have also paid off, yielding a year-over-year growth rate of 11%, driven by flows mainly from China, Taiwan, Korea, and Japan.

In recognition of our excellence, Citi was awarded Best Single-dealer Platform and Best Liquidity Provider for Corporates at the 2022 FX Markets e-FX awards.

- ## Working for and In the Community

Community engagement is core to Citi and a responsibility shared by all our businesses, clients, suppliers, and communities. We have long been committed to promoting financial inclusion, creating job opportunities, especially for youth, and fostering vibrant cities.

In 2022, we entered the fourth year of our partnership with the Asia School of Business, where we support the Rapid Youth Success Entrepreneurship (RYSE) program. This program empowers low-income students in community colleges with skills in innovation, design thinking, social entrepreneurship, and e-commerce aimed at reducing urban youth unemployment.

In addition, Citi joined forces with Think City, a subsidiary of Khazanah Nasional Berhad, to tackle public housing issues and increase advocacy in this area. The Rights to the City program, developed by Think City, seeks to create inclusive community solutions through collaboration with stakeholders across various sectors.

To build future leaders, Citi worked with Teach for Malaysia to provide a student leadership program. Participants receive training based on the Student Leadership Development Framework, which emphasises social and emotional learning, communication skills, resilience, and entrepreneurship.

Furthermore, Citi partnered with the Young Women's Christian Association of Kuala Lumpur to enhance employability and provide entrepreneurial training for girls and marginalised women. This program aims to equip women with the necessary skills to become successful entrepreneurs and boost their self-esteem and confidence.

Citi volunteers, consisting of dedicated employees, serve as ambassadors to our community programs. Their generosity and commitment have made a tremendous positive impact, having raised RM250,000 during the annual Global Community Day. These funds were channelled towards supporting the low-income communities and the environment.

- ## Our People

The Covid-19 pandemic has fundamentally changed how we work and our workplace environment. In 2022, we leveraged the lessons and insights gained over the past three years to introduce the "How We Work" model for all employees. This model comprises three role designations: Hybrid, Resident, and Remote, with 95% of employees falling under the Hybrid designation, which entails working in the office three days a week and remotely the rest of the week.

"How We Work" offers greater flexibility and a better work-life balance. Our earlier efforts to equip managers with the necessary skills to succeed in a hybrid working environment have been successful. Employees can thrive in the new work model and reap the emotional and psychological benefits of our culture, connectivity, collaboration, training, and apprenticeship programmes.

In 2022, our Performance Management Process was centred on ethics and excellence to foster a sustainable, high-performing workplace culture. Employees were encouraged to uphold standards in what they do — client servicing & organisation success, risk & control, and financial results, and how they do it — embodying leadership principles of taking ownership, delivering with pride, and succeeding together.

Furthermore, during the divestiture of our consumer banking business, our priority was to act in the best interest of our employees and ensure a smooth transition. Accordingly, we organised multiple communication sessions, leader forums, town hall meetings, and workshops throughout the year. As a result, 1,223 employees successfully transitioned to UOB Group, and we are proud of their dedication to our clients and franchise. We wish them all the best in their new endeavours.

At Citi, we are unwavering in our commitment to fostering a diverse and inclusive workplace. We also remain dedicated to providing all employees with growth and career advancement opportunities.

## • 2023 Business Priorities

Divestiture of our consumer banking business allows Citi Malaysia to redirect resources, energy, and expertise towards growing our institutional business. With unwavering focus, we are determined to further enhance our offerings and become the preferred banking partner for our clients.

We will also invest in the growth and potential of our solution centres in Kuala Lumpur and Penang. Moreover, we will continue to enhance our technological capabilities and digital offerings to meet the evolving needs of our clients.

We have long believed in taking a responsible approach to business and have a long-standing commitment to environmental, social, and governance (ESG) principles. Our focus on ESG initiatives reflects our commitment to addressing some of society's biggest challenges while positively impacting the communities we operate in.

We want to thank our dedicated employees and management team for their hard work and unwavering support. Thank you for your continued support, and together, we can create the best outcomes for our clients, our franchise, and the communities where we operate.

In today's complex and competitive world, we have taken the necessary measures to remain a robust and dynamic financial institution. We are excited and ready to fulfil our mission to responsibly provide financial services that drive growth and support economic progress in the coming years, as well as being the preeminent banking partner for institutions with cross-border needs.

**Vikram Singh**
Chief Executive Officer

# Board of Directors Profile

## MARK FORDYCE HART

- Independent Non-Executive Director/Chairman
- 68 years of age
- American

### Appointment

- 28 February 2020 (Appointed as Chairman on 18 August 2021)

### Qualification

- Bachelor of Science degree in Business, University of Maryland, USA
- Masters in Business Administration, Fordham University, USA

### Working Experience and Directorships

Mr. Mark Fordyce Hart began his career with Citi in 1976 as a financial analyst and in his 41 years with Citi, Mr. Mark Hart has held a number of key senior finance positions, both at the country and regional levels.

He was based in Japan from December 1983 until March 1995 when he led the Corporate Bank and the Consumer Bank Financial Planning units before he was appointed as the Citi Japan Franchise Chief Financial Officer ("CFO"). Between April 1995 to February 2009, he assumed a number of senior financial appointments including: Citi CFO Hong Kong and China; Citi North Asia Corporate Bank CFO; Citi Asia Corporate Bank and Investment Bank, CFO; Citi Asia Franchise Controller.

He was then appointed the CFO of Citi Japan, Institutional Clients Group and Consumer Banking Group in March 2009 and held the position until February 2012. Prior to his retirement from Citi in August 2017, he was the CFO of Citi Asia Pacific.

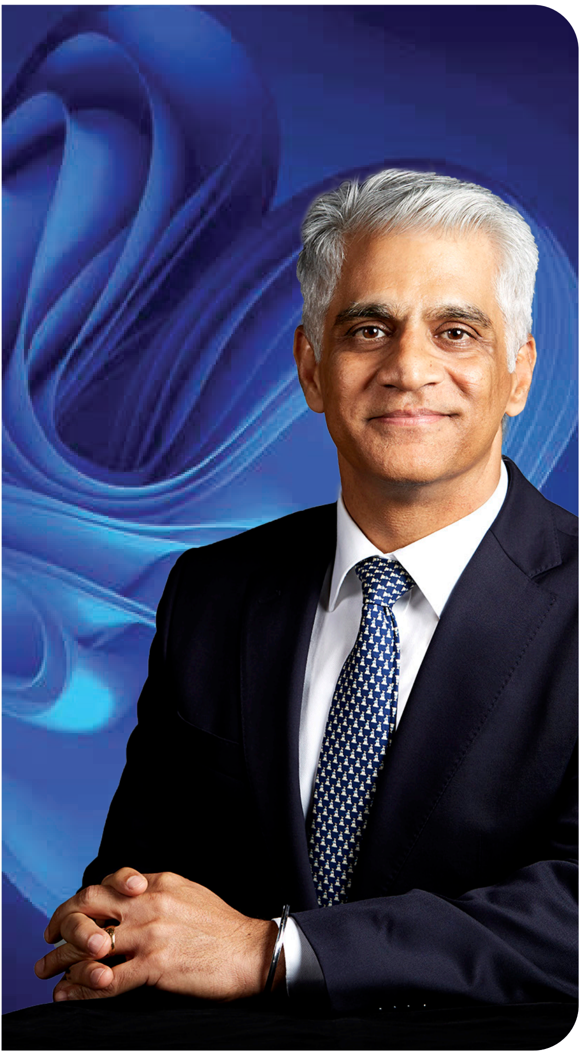
He is currently an Independent Non-Executive Director of Citicorp International Limited, Hong Kong.

### Membership of Board Committees In Citibank:

- Audit Committee (Member)
- Risk Management Committee (Member)
- Nominations and Compensation Committee (Member)

### Shareholdings In Citibank

- Nil



## VIKRAM SINGH

- Non-Independent Executive Director/Chief Executive Officer
- 52 years of age
- Indian

### Appointment

- 1 May 2023

### Qualification

- Bachelor's Degree in Economics, Delhi University, New Delhi
- Master's Degree in Management, International Management Education, New Delhi

### Working Experience and Directorships

Mr. Vikram Singh joined Citi in 1999 as Head of Risk for Commercial Bank, Asset-Based Finance for North India. From 2004 to 2015, he held various leadership roles in India, covering large local corporates.

During his role as Head of Corporate and Investment Banking in the Philippines from 2016 to 2021, Mr. Vikram Singh accomplished double-digit revenue growth by devising and deploying robust business strategies. He developed and administered training programs for bankers across Asia to support account planning.

He was appointed Head of Asia Pacific Regional Account Management, Global Subsidiaries Group in 2021, where he managed top 200 multinational corporation relationships in Asia Pacific including Japan.

### Membership of Board Committees in Citibank

- Nil

### Shareholdings in citibank

- Nil

## ABHIJIT DATTANAND KUMTA

- Non-Independent Executive Director
- 50 years of age
- Indian

### Appointment

- 3 January 2022

### Qualification

- Bachelor's Degree in Business Communication, University of Bombay, India
- Masters in Business Administration, Institute of Management Education, Pune, India

### Working Experience and Directorships

Mr Abhijit Dattanand Kumta is a seasoned Operations and Technology ("O&T") professional in Citigroup with proven track record in leadership roles managing large teams, reducing operating costs, improving service quality, and maintaining operating controls through process re-engineering, process standardisation and leveraging technology.

He is currently the Managing Director, Singapore O&T and Citi Solutions Center ("CSC") Head, ASEAN Lead responsible for managing O&T for Citibank Singapore across the Institutional Clients Group ("ICG") and Global Consumer Banking ("GCB") business. Prior to this, he was the Managing Director, O&T, Philippines and CSC Head, ASEAN Lead from 2014 to 2018.

He started his career with Citibank India Mumbai branch in 1995 and has held numerous operational roles in settlement, cash, branch operations and credit risk until 2008 with the posting to Kuala Lumpur, Malaysia for the position of ICG O&T Head Malaysia. From 2011 to 2013, he was the O&T Head of Citibank Berhad responsible for the O&T operations.

He currently serves on the board of three (3) other companies incorporated in Singapore. They are namely, Singapore Clearing House Pte Ltd, Citigroup Global Markets Singapore Holdings Pte Ltd and Citigroup Business Process Solutions Pte Ltd.

He is also a representative of Citibank N.A. in the Singapore Clearing House Association as a committee member.

### Membership of Board Committees in Citibank

- Nil

### Shareholdings in Citibank

- Nil

# PHILIP TAN PUAY KOON

- Independent Non-Executive Director
- 66 years of age
- Malaysian

## Appointment

- 9 October 2015

## Qualification

- First Class Honours in Bachelor of Arts (CNAA) degree in Business Studies (Accounting and Finance) from North-East London Polytechnic, United Kingdom
- Fellow of the Institute of Corporate Directors Malaysia
- Associate Fellow of Asian Institute of Chartered Bankers ("AICB")

## Working Experience and Directorships

Mr. Philip Tan Puay Koon is a treasury and professional training consultant with close to 30 years of experience in banking and finance, principally in the areas of treasury and risk management. He was formerly a Managing Director and the Chief Financial Officer of Emerging Market Sales and Trading, Asia-Pacific of Citibank N.A. He was also the Financial Markets Head and Country Treasurer of Citibank Berhad from 1995 to 2001. He was a Director of Citibank Malaysia (L) Ltd from 2000 to 2001.

Mr. Philip Tan currently serves as a Senior Independent Non-Executive Director on the board of SP Setia Bhd. He is a Non-Public Interest Director of Private Pension Administrator Malaysia and an Independent Director on the board of AIG Malaysia Insurance Berhad. He also serves on the board of Qinzhou Development (Malaysia) Consortium Sdn. Bhd. and China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co. Ltd. He is the Chairman of the Corporate Debt Restructuring Committee (established by Bank Negara Malaysia).

## Membership of Board Committees in Citibank

- Risk Management Committee (Chairman)
- Audit Committee (Member)
- Nominations and Compensation Committee (Chairman)

## Shareholdings in Citibank

- Nil

## NORAZILLA BINTI MD TAHIR

- Independent Non-Executive Director
- 57 years of age
- Malaysian

### Appointment

- 6 May 2023

### Qualification

- Fellow Chartered Accountant, Institute of Chartered Accountants in England and Wales, United Kingdom
- Chartered Accountant, Malaysian Institute of Accountants, Malaysia
- Bachelor of Arts (Honours) in Accounting, University of Stirling, Scotland, United Kingdom

### Working Experience and Directorships

Puan Norazilla binti Md Tahir ("Puan Nora") has more than 25 years of experience in financial management, notably in financial institutions and capital markets.

Prior to her early retirement in 2020, Puan Nora was the Chief Financial Officer of Cagamas Berhad group of companies ("Cagamas Group"). She spearheaded the financial leadership of the group and was responsible for upholding strong financial management and governance while providing timely, accurate and reliable financial information and enhancing internal control.

Apart from the Cagamas Group, Puan Nora had held other Chief Financial Officer/Head of Finance positions at three (3) Islamic financial institutions, namely RHB Islamic Bank Berhad, Asian Finance Bank Berhad, Al Rajhi Banking and Investment Corporation (Malaysia) Berhad.

Besides banking, Puan Nora is also experienced in fast moving consumer goods, having been involved in sales logistic chain management while at L'Oreal Malaysia Sdn Bhd and Universal Music Sdn Bhd in the early years of her career.

Puan Nora currently sits on the boards of several public and private companies such as Bank Pembangunan Malaysia Berhad and its subsidiaries namely, Global Maritime Ventures Berhad, Pembangunan Leasing Corporation Sdn Bhd, BI Credit & Leasing Berhad and PLC Credit & Factoring Sdn Bhd. She was a former board member of Etiqa Life Insurance Berhad.

### Membership of Board Committees in Citibank

- Audit Committee (Chairperson)
- Nominations and Compensation Committee (Member)
- Risk Management Committee (Member)

### Shareholdings in Citibank

- Nil

# Statement of Corporate Governance

## Introduction

Citibank Berhad (the “Bank” or “Citibank”) aspires to the highest standards of corporate governance and ethical conduct: doing what we say; reporting results with accuracy and transparency; and maintaining full compliance with the laws, rules and regulations that govern the Bank’s businesses.

Citibank was incorporated in Malaysia on 22 April 1994. Since 1 July 1994, Citibank has been licensed by the Minister of Finance Malaysia as a licensed financial institution to engage in banking business in Malaysia. Citibank is wholly owned by Citigroup Holding (Singapore) Pte Ltd and is ultimately owned by Citigroup, Inc. (“Citigroup”).

As a licensed financial institution, Citibank’s corporate governance practices have to comply with Bank Negara Malaysia’s (“BNM”) policy document on Corporate Governance ("BNM Policy") and the Bank is also guided by the Malaysian Code of Corporate Governance which reflects globally accepted practices of corporate governance in addition to those prescribed by BNM. In this statement, Citibank describes its corporate governance practices for 2022/2023 with respect to the BNM Policy.

## Board Governance

### Board Composition

A number of changes in Directors occurred in the course of 2022 and 2023. The Bank appointed Mr. Abhijit Dattanand Kumta to the Board for a term of three years with effect from 3 January 2022 while Datuk Bazlan bin Osman resigned with effect on the same day. Mr. Usman Ahmed who was appointed to the Board in February 2021 resigned from the Board with effect from 10 December 2022. On 1 May 2023, Citibank appointed Mr. Vikram Singh as the Bank’s new Chief Executive Officer (“CEO”) and Executive Director.

One of our senior Directors, Datuk Ali bin Abdul Kadir has completed his term of appointment on 5 May 2023 and the vacancy was filled by Puan Norazilla binti Md Tahir with effect from 6 May 2023.

Taking into account the changes, the Bank’s Board of Directors comprises the following Directors:

| | |
|---|---|
| **Mr. Mark Fordyce Hart** | Independent Non-Executive Director/ Chairman |
| **Mr. Vikram Singh** | Non-Independent Executive Director/ Chief Executive Officer |
| **Mr. Abhijit Dattanand Kumta** | Non-Independent Executive Director |
| **Mr. Philip Tan Puay Koon** | Independent Non-Executive Director |
| **Puan Norazilla binti Md Tahir** | Independent Non-Executive Director |

The Board agreed that its size of five (5) Directors was appropriate for the Bank’s ongoing needs. The Board represented a good mix of skills and experience.

More information on the Directors is set out on pages 9 to 13 of this report.

## Roles and Responsibilities

The Board has formalised the division of responsibilities between the Board and the Bank’s management.

The primary responsibility of the Board is to provide effective governance over the Bank’s affairs for the benefit of its shareholders, and to consider the interests of its diverse constituencies, including customers, employees, suppliers and the local community.

Working in consultation with the Bank’s management team, the Board provides oversight for the overall management of the Bank’s business. As the Bank is a wholly-owned subsidiary, the organisational structure of the Bank is determined by Citigroup based on its corporate objectives. The Board is kept informed of the organisational structure and its feedback is taken back to group level for consideration. The Board reviews and approves the strategic business plans set by Citigroup for the Bank and has overall responsibility for risk management, financial reporting and corporate governance issues. Matters that specifically require Board approval include the financial statements and the acquisition and disposal of businesses.

The Board also ensures that the Bank upholds Citigroup's core values including the values set out in Citigroup's Code of Conduct and the Code of Ethics for Financial Professionals, and adopts Citi policies to comply with the laws, rules and regulations that govern Citi's business operations.

In addition, the Board carries out various other functions and responsibilities as stipulated in the guidelines, policies and directives issued by BNM from time to time.

## Board Meetings And Activities

The table below sets out the meetings attendance record for the financial year ended 31 December 2022.

| Director | Meetings Attendance Record (1 January to 31 December 2022) | | | |
|---|---|---|---|---|
| | BOD (1) | AC (2) | RMC (3) | NCC (4) |
| No. of Meetings Held in 2022 | 9 | 5 | 4 | 6 |
| Mark Fordyce Hart | 9 | 5 | 4 | 6 |
| Abhijit Dattanand Kumta | 9 | - | - | - |
| Datuk Ali bin Abdul Kadir | 9 | 5 | 4 | 6 |
| Philip Tan Puay Koon | 9 | 5 | 4 | 6 |
| Usman Ahmed (5) | 8 | - | - | - |

(1) Board of Directors (BOD)
(2) Audit Committee (AC)
(3) Risk Management Committee (RMC)
(4) Nominations and Compensation Committee (NCC)
(5) Usman Ahmed resigned as Director on 10 December 2022.

There are six (6) scheduled Board meetings each year. Ad-hoc meetings are also held when necessary. There were three (3) ad-hoc Board meetings held in 2022. With COVID-19, the Board meetings were conducted virtually in the first half of 2022 and changed to hybrid mode in the second half of the year.

For the Board meetings, the Directors are provided with an agenda, discussion decks on the Bank's financial performance, risk management reports, budgets, new business initiatives, Board committees' meeting minutes and updates on industry regulations or policy changes. The Board also receives business presentations on topical matters, subject to such requests.

For all meetings and where necessary, papers are circulated sufficiently in advance to allow proper consideration of all matters for discussion and/or decision.

The Board Chairman promotes open and frank debates by all Directors at every Board meeting. If there is a conflict of interest, the Director in question will declare his interest and recuse himself from the discussions and abstain from participating in any Board decision. Directors have the discretion to engage external advisers. In-house subject matter experts may also be invited to present key topics to the Board.

The proceedings of all Board meetings are taken down as official minutes and the meeting minutes are later circulated for the Directors' perusal prior to confirmation during the following meetings.

## Director Independence and Length of Service

An independent Board has the benefit of providing objective judgement and constructive challenge to the viewpoints presented by management. Non-executive Directors' independence is assessed by the Nominations and Compensation Committee upon appointment, annually and at any other time where the circumstances warrant reconsideration. Under BNM Policy, a Director is considered independent if he is independent from substantial shareholders, management and significant business or other contractual relationships and if the Director has not served on the Board for a continuous period of nine (9) years or longer.

All the non-executive Directors of the Bank (Mr. Mark Fordyce Hart, Datuk Ali bin Abdul Kadir and Mr. Philip Tan Puay Koon) are considered to be independent from management relationships with the Bank, substantial shareholder and significant business or other contractual relationship with the Bank. Two of the non-executive Directors have served fewer than nine (9) years on the Board while Datuk Ali bin Abdul Kadir has completed his nine-(9) year tenure and retired from the Board with effect from 6 May 2023. The Board Chairman is an independent Director. Each independent Director is required to inform Citibank as soon as practicable if there is any change in his own personal particulars that may affect his independence. No such notification was received during 2022.

## Director Training and On-going Development

The Nominations and Compensation Committee exercises oversight of the training and continuous development programme for Directors and ensures that Directors undergo the relevant mandatory training programmes for directors of a licensed financial institution.

The new executive Director, Mr. Abhijit Dattanand Kumta, completed the mandatory Islamic Finance for Board Programme in 2022 and the Financial Institutions Directors' Education Programme ("FIDE") Core Programme in 2023. Mr Abhijit Kumta also attended an induction programme which provides him with the information about his role, the Board and Board committees, and Citibank.

The Bank organises briefing sessions for Directors given by members of senior management or subject matter experts on the various businesses of the Bank and its supporting functions. In addition, a training budget is being set aside to provide the Directors with the opportunity to attend webinars, seminars, or forums conducted by external professionals. Training topics are selected by the Board members based on relevance. Board members also contribute by highlighting areas of interest and possible topics.

The topics presented to the Board in 2022 as part of the continuous development programme included: climate risk management, technology risk assessment, corporate governance and sustainability, Anti-Money Laundering and Counter Financing of Terrorism refresher, fintech related development, Citi's transformation programme and ESG programme.

## Evaluation of Board Performance

The Board and the Board committees assess their performance annually. The results of these self-assessments are discussed and reviewed by the Nominations and Compensation Committee, which then makes its report to the Board on area of concerns where applicable. The Nomination and Compensation Committee further reviewed the Chief Executive Officer's performance as part of the annual review. Individual Director conducts peer review to assess each Director's continuing suitability for office and the results of the individual Director's evaluation are reported to the Chairman of the Board.

The annual evaluation process is useful in allowing the Board to evaluate its effectiveness and to provide Directors with a formal forum to make suggestions for improvement.

On annual basis, all Directors will also be requested to complete fit and proper declarations confirming their fit and proper status.

## Board Committees

The Board has established several Board committees to assist the Board in fulfilling its diverse range of responsibilities.

The committee members are appointed by the Board based on recommendation of the Nominations and Compensation Committee.

Each committee has its own written charter approved by the Board, clearly outlining the mission and responsibilities of the respective committees, as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure, operations and reporting to the Board. The Board monitors the responsibilities delegated to the Board committees to ensure proper and effective oversight and control of the Bank's activities.

The agenda for each committee meeting is furnished to all Directors in advance of the meeting, and each Director may attend any meeting of any committee, whether or not he is a member of that committee. Each Board committee maintains records of all its meetings, including discussions on key deliberations and decisions taken.

The Board and each committee have the power to hire independent legal, financial or other advisors, as they may deem necessary.

Pursuant to BNM Corporate Governance policy, the following prescribed committees have been set up in the Bank:

- Audit Committee
- Nominations and Compensation Committee
- Risk Management Committee

## Audit Committee Composition

The Audit Committee was established in 1994. The Audit Committee comprises the Committee Chairman (Datuk Ali bin Abdul Kadir) and two (2) independent non-executive Directors (Mr. Philip Tan Puay Koon and Mr. Mark Fordyce Hart).

## Key Responsibilities of the Audit Committee

The Board has approved the written charter for the Audit Committee.

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibility relating to (i) the integrity of the Bank's financial statements, financial reporting process and systems of internal accounting and financial controls; (ii) the performance of the Bank's internal audit function ("Internal Audit"); (iii) the Bank's compliance with legal and regulatory requirements; and (iv) the fulfillment of the other responsibilities set out in the Audit Committee Charter ("Charter").

While the Audit Committee has the responsibilities and powers set forth in the Charter, it is not the duty of the Audit Committee to (a) plan or conduct integrated audits which is the responsibility of the Independent Auditors or (b) to determine that the Bank's financial statements and disclosures are complete and accurate and are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable rules and regulations, which is the responsibility of the management. The Committee may take into consideration the Independent Auditor's views and matters communicated to it by the Independent Auditors when reporting to the Board.

The Audit Committee shall have full discretion to call on any staff of the Bank for explanation, authority to investigate any matter within its terms of reference, reasonable resources which are required to perform its duties, and full and unrestricted access to any information pertaining to the Bank.

The Audit Committee also shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Audit Committee.

The Bank shall provide funding, as recommended by the Audit Committee, for payment of compensation to the Independent Auditors and to any advisors or consultants engaged by the Committee for services relating to the Bank.

The Audit Committee's main duties and responsibilities are as follows:

## Financial Statements and Disclosure Matters

(a) Review with management the Bank's financial results, review and discuss with management and the Independent Auditors the annual audited financial statements of the Bank.

(b) Review the accuracy and adequacy of the Chairman's statement in the Directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

(c) Review and discuss with management about (1) any significant deficiencies or material weaknesses in the design or operation of the Bank's internal control over financial reporting, and (2) any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

(d) Review and discuss periodically reports on, among other things:

- Critical accounting policies and estimates and practices to be used;
- Alternative treatments of the Bank's financial information in conformance with locally accepted accounting principles;
- Significant unusual transactions;
- New accounting pronouncements;
- Schedules of uncorrected audit misstatements;
- Other material written communications between the Independent Auditors and management, such as any management letter and the Bank's response to such letter or schedule of unadjusted differences; and

- Difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, any significant disagreements with management, and communications between the audit team and the audit firm's national office, (if relevant), with respect to difficult auditing or accounting issues presented by the engagement as it relates to the Bank.

(e) Review and discuss with management and the Independent Auditors, at least annually:

- Developments and issues with respect to loan loss reserves and other reserves;
- Regulatory and accounting initiatives, as well as off-balance sheet structures, and their effect on the Bank's financial statements; and
- Accounting policies used in the preparation of the Bank's financial statements and, in particular, those policies for which management is required to exercise discretion or judgement regarding the implementation thereof.

(f) Review with management its evaluation of the Bank's internal control structure and procedures for financial reporting and review periodically, but in no event less frequently than annually, management's conclusions about the efficacy of such internal controls and procedures, including any significant deficiencies or material weaknesses in such controls and procedures.

(g) Annually review and discuss with management and the Independent Auditors (1) management's assessment of the effectiveness of the Bank's internal control structure and procedures for financial reporting and (2) the Independent Auditors' report on the effectiveness of the Bank's internal control over financial reporting.

(h) Ensure that prior to publication of the annual report, a complete review is done to comply with the regulatory requirements.

(i) To monitor related party transactions and conflict of interest situation that may arise within the Bank including any transactions, procedure or course of conduct that raises questions on management integrity.

## Oversight of the Bank's Relationship with the Independent Auditors

(a) Make recommendations to the Board on the appointment, removal and remuneration of the Independent Auditors.

(b) Monitor and assess the independence of the Independent Auditors including by approving the provision of non-audit services by the Independent Auditors.

(c) Review and discuss the scope and plan of the independent audit.

(d) Maintain regular, timely, open and honest communication with the Independent Auditors, and requiring the Independent Auditors to report on significant matters.

(e) Monitor and assess the effectiveness of the independent audit, including by meeting with the Independent Auditors without the presence of senior management at least annually.

(f) Ensure the senior management is taking necessary actions in a timely manner to address external audit findings and recommendations.

## Oversight of Internal Audit

(a) In consultation with the Chief Auditor of Citigroup or his/her designee, review and recommend to the Board for approval the appointment and replacement of the Chief Internal Auditor who shall report directly to the Audit Committee and to the Chief Auditor of Citigroup or his/her designee; and, in consultation with the Chief Auditor of Citigroup or his/her designee discuss the Chief Internal Auditor's base compensation, adjustments and incentive compensation.

(b) Review and discuss any significant Internal Audit findings that have been reported to management, management's responses, and the progress of the related corrective action plans.

(c) Review and evaluate on at least an annual basis the adequacy of the work performed by the Chief Internal

Auditor and Internal Audit, and ensure that Internal Audit is independent and has adequate resources to fulfill its duties, including implementation of the annual audit plan.

(d) Review on at least on bi-annual basis the effectiveness of the internal technology audit function.

(e) Approve all significant aspects of outsourcing arrangements for Internal Audit. Internal Audit will retain oversight of its outsourced arrangements and will report identified audit deficiencies in a manner consistent with those provided by Internal Audit.

(f) Review and recommend the Internal Audit Charter to the Board for approval.

## Compliance and Regulatory Oversight Responsibilities

In 2022, the Audit Committee held separate discussion sessions with Internal Audit and the Independent Auditors without the presence of management.

Audit Committee members keep abreast of changes to accounting standards and issues which have a direct impact on financial statements through briefings and updates by the Independent Auditors and the Finance function.

The Audit Committee monitors the Board members' compliance with the Board's conflicts of interest policy.

## Nominations and Compensation Committee Composition

The Nominating Committee was established in 2006. It was subsequently renamed to Nominations and Compensation Committee in 2016. The Nominations and Compensation Committee comprises the Committee Chairman (Datuk Ali bin Abdul Kadir) and two (2) independent non-executive Directors (Mr. Philip Tan Puay Koon and Mr. Mark Fordyce Hart).

## Key responsibilities of the Nominations and Compensation Committee

The Board has approved the written charter for the Nominations and Compensation Committee.

The main objective of the Nominations and Compensation Committee is to provide a formal and transparent procedure for the appointment of directors as well as assessing the effectiveness of individual directors, the Board committees,the Board as a whole and also the performance of the Chief Executive Officer along with other key senior management staff. The Nominations and Compensation Committee has broad oversight over compliance with bank regulatory guidance governing the Bank’s remuneration system.

The Nominations and Compensation Committee’s main responsibilities are as follows:

- Review and assess the adequacy of the Bank's Code of Conduct and other internal policies and guidelines and monitor that the principles described therein are being incorporated into the Bank's culture and business practices.

- Establish the minimum requirements for the Board, i.e. required mix of skills, experience, qualification and other core competencies required of a Director. The Committee is also responsible for establishing minimum requirements for the CEO. The requirements and criteria should be approved by the full Board.

- Review the appropriateness of the size of the Board relative to its various responsibilities. Review the overall composition of the Board, taking into consideration factors such as business experience and specific areas of expertise of each Board member and make recommendations to the Board as necessary.

- Review and assess that the Directors do not have any directorship(s) that could potentially result in conflict of interest(s).

- Recommend to the Board the number, identify responsibilities of Board committees and the Chair and members of each committee. This includes advising the Board on committee appointments and removal from committees or from the Board, rotation of the committee members and Chairs and committee structures and operations.

- Assist the Board in developing criteria to identify and select qualified individuals who may be nominated for election to the Board, which shall reflect, at a minimum, all applicable laws, rules and governing regulations. This includes assessing Directors for re-appointment before an application for approval is submitted to BNM. The actual decision as to who shall be nominated should be the responsibility of the full Board.

- As the need arises to fill vacancies, actively seek individuals qualified to become Board members for recommendation to the Board.

- Periodically review and recommend to the Board the compensation structure for non-executive directors for Board and committee service.

- Recommend to the Board the removal of a Director/CEO from the Board/Shariah Committee member/senior management member, if the Director/CEO/Shariah Committee/senior management member is ineffective, errant and negligent in discharging his responsibilities.

- Annually assess the effectiveness of the Board of Directors as a whole in meeting its responsibilities and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO.

- Leveraging on the Bank's Performance Management and Talent Inventory development process in overseeing the appointment, management succession planning and performance evaluation of key senior management officers, except that (as recommended by BNM) the Committee shall play an active role in reviewing and recommending the nominees for the position of CEO, Chief Compliance Officer, Chief Risk Officer and Chief Internal Auditor.

- Assess the composition, appointment and reappointment of Shariah committee members and Chairman of the Shariah committee for recommendation to the Board.

- Support the Board in actively overseeing the design and operation of the Bank's remuneration system.

- Assess annually to ensure the Directors and key senior management officers are not disqualified under the Financial Services Act 2013.

- Plan and ensure all Directors receive appropriate and continuous training programme in order to keep abreast with the latest developments in the industry.

- Perform any other duties and responsibilities expressly delegated to the Nominations and Compensation Committee by the Board from time to time.

## Risk Management Committee Composition

The Risk Management Committee was established in 2006. The Risk Management Committee comprises the Committee Chairman (Mr. Philip Tan Puay Koon) and two (2) independent non-executive Directors (Datuk Ali bin Abdul Kadir and Mr. Mark Fordyce Hart).

## Key responsibilities of the Risk Management Committee

The Board has approved the written charter for the Risk Management Committee.

The main objective of the Risk Management Committee is to oversee the senior management's activities in managing credit, market, liquidity, operational, legal, reputational and certain other franchise risks while ensuring robust risk management processes are properly in place and functioning well.

The Risk Management Committee's main responsibilities are as follows:

## Oversight of Overall Risk Management

(a) As the Bank falls under the global structure of Citigroup Inc., the Risk Management Committee reviews the adoption of Citi's1 risk management strategies, policies and risk tolerance and recommends for the Board's approval.

(b) Discuss with management the Bank's major credit, market, liquidity and operational risk exposures and steps that the management has taken to monitor and control such exposures, including significant processes for the Bank's risk assessment and risk management.

(c) Assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively.

(d) Ensure infrastructure, resources and systems are in place for risk management, i.e. ensure that staff responsible for implementing risk management systems perform those duties independently of the Bank's risk taking activities.

(e) Annually review and consider for approval the Bank's credit risk framework.

(f) Periodic review of management reports on risk exposure, risk portfolio, composition and other risk management activities.

(g) Review periodically with management, including Chief Risk Officer ("CRO"), Chief Compliance Officer and Legal Counsel, any correspondence with or action by, regulators or governmental agencies, any material legal affairs of the Bank and the Bank's compliance with applicable laws and regulations.

(h) Review the risk strategy and recommend the risk appetite to the Board for approval.

(i) Provide oversight to the strategic forecasting and stress testing processes including forecasting framework, models and non-model analyses and forecast results.

## Oversight of Market Risk and Risks Related to Capital Management

(a) Review the Bank's balance sheet, capital, funding, interest rate and liquidity management framework, including significant policies, processes, and systems that management uses to manage exposures.

(b) Review reports from management concerning the Bank's regulatory capital levels and capital structure and metrics, as well as sufficiency relative to management's and/or regulatory standards.

## Other duties

(a) Ensure that the Bank's CRO reports and has direct and unimpeded access to the Risk Management Committee.

(b) Review and recommend to the Board for approval with respect to the appointment, transfer, removal, or other changes to the CRO position.

(c) Provide oversight over technology-related matters, including the review of technology-related frameworks for Board's approval and ensure that risk assessments undertaken in relation to material technology applications submitted to the Bank are robust and comprehensive.

(d) To perform any other duties or responsibilities expressly delegated to the Risk management Committee by the Board from time to time.

(e) Receive updates, as necessary and appropriate, from management on climate risk.

1 'Citi' means Citigroup Inc and/or Citibank Berhad

# Risk Management

Please refer to Pillar 3 disclosure.

# Statement of Internal Audit and Internal Control

Citibank Berhad's Board of Directors is responsible to establish and maintain adequate internal control over financial reporting standards and related issues.

The Bank's internal control system is designed to provide reasonable assurance to the Bank's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with the provisions under the Companies Act 2016 and other applicable approved standards in Malaysia.

All internal control systems no matter how well designed and implemented have inherent limitations.

In view of the limitations, therefore, even the best of systems determined to be effective can only provide a reasonable assurance in relation to the preparation and presentation of financial statements.

A comprehensive system of controls is maintained to ensure that all transactions are executed in accordance with the management's authorisation, assets are safeguarded and that the financial records are reliable.

The management also takes relevant steps to see that information and communication flows are effective and monitor the performance of internal control procedures.

Citibank Berhad's risk management policies, procedures and practices set out the foundation to the risk architecture governing its business activities.

The management conducts business monitoring initiatives and continuously assesses their significant processes and controls in accordance with the Manager's Control Assessment Procedures/Operational Risk policy for all applicable businesses.

Control system weaknesses resulting in corrective actions will be documented, escalated to the management and tracked to closure.

Citibank Berhad's Internal Audit reports to the Audit Committee. The role of Internal Audit is to provide independent, objective, reliable, valued and timely assurance to the Board of Directors of Citigroup and Citibank Berhad, the Audit Committees, senior management and regulators over the effectiveness of governance, risk management, and controls that mitigate current and evolving risks and enhance the control culture within Citigroup and Citibank Berhad.

While audits are carried out on a risk-based approach, audit activities and plan are reviewed and endorsed by the Audit Committee to provide independent and objective reports on control activities.

The Audit Committee regularly reviews and deliberates with management on the actions taken on internal control issues identified in reports prepared by Internal Audit, Independent Auditors, regulatory authorities and the management themselves.

The management of Citibank Berhad has also set up a Country Coordinating Committee, Business Risk Compliance and Control Committee, Asset and Liability Committee, Country Regulatory Change Management Governance Committee and Management Committee as part of its monitoring function to ensure effective management and supervision of the areas under the respective Committee's purview.

Citibank Berhad has also adopted the Citi Code of Conduct which expresses the values that each employee is expected to appreciate and apply in their respective working life.

Ethics hotlines are made available to employees who wish to voice concerns about suspected violations of law or industry regulation as well as actions that may fail to live up to the Bank's high standards of ethical conduct.

The Bank has an internal policy prohibiting retaliatory actions against any individual for raising legitimate concerns or questions regarding ethical matters, or for reporting suspected violations.

# Citibank Berhad's Remuneration Policy

The following policy covers all employees in Citibank Berhad:

## Compensation Philosophy

Employee compensation is a critical strategic tool in the successful execution of our goals. As long-term value creation requires balancing strategic goals, so does developing compensation programmes that invent balanced behaviours. The Group's and the Bank's Compensation Philosophy describes our approach to balancing the five primary objectives that our compensation programmes and structures are designed to achieve.

## Objectives

Our compensation objectives, as outlined below, have been developed globally and approved by the Nominations and Compensation Committee of the Board of Directors (the "Committee"), in consultation with management, independent consultants and the Group's and the Bank's senior risk officers. They have been specifically created to encourage prudent risk-taking, while attracting the world-class talent necessary to see the Bank through to success and 'Be the Best for Our Clients'.

*Compensation Objectives:*

1. Align compensation programmes, structure and decisions with shareholder and other stakeholder interests;
2. Reinforce a business culture based on the highest ethical standards;
3. Manage risks by encouraging prudent decision-making;
4. Reflect regulatory guidance in compensation programmes; and
5. Attract and retain the best talent to lead the Bank to success.

## Shareholder/Stakeholder Alignment

- Compensate executives through an objective framework that aims to strengthen the link between pay and performance by using a balanced scorecard approach with financial metrics and non-financial objectives that, in combination, are expected to improve risk-adjusted returns to shareholders;

- Provide meaningful portions of incentive compensation in the form of equity to help build a culture of ownership and to align employee interests with those of shareholders and other stakeholders;

- Defer the delivery of significant portions of incentive compensation with vesting over a number of years and tie the amounts delivered to longer-term performance of the Bank to better link long-term shareholder value creation to the interests of management and to enhance alignment with risk outcome;

- Provide for clawbacks in cases of improper risk-taking and material adverse outcomes in the years following the awarding of incentive compensation;

  Size incentive compensation to reflect company performance as well as industry and environmental factors, while maintaining strong capital levels; and

- Recognise capital planning outcomes in senior management incentive compensation awards, to improve alignment with both shareholder interests and regulatory guidance.

## Ethics and Culture

- Promote conduct based on the highest ethical standards through performance assessments, incentive compensation programmes and, where appropriate, disciplinary actions, and communicate throughout the organisation that acting with integrity at all times is the foundation of our business; and

- Enhance a business culture that supports accountability and a zero-tolerance environment for unethical conduct, through appropriate compensation and employment decisions.

## Risk Management

- Develop and enforce risk management controls that reduce incentives to create imprudent risks for the Group and the Bank and its businesses, and that reward a thoughtful balance of risk and return.
- Exercise discretion within a framework designed to make appropriate trade-offs between risk and reward.
- Encourage prudent risk-taking through multiple incentive compensation programme processes for all employees who manage or influence material risks, including:

  a. rigorous performance management processes;
  b. bonus pool funding and individual bonus determination processes that reflect risk adjusted performance; and
  c. deferrals that keep a meaningful portion of incentives at risk for future performance outcomes.

- Evaluate incentive compensation programme results on an iterative basis, recognising that validation and monitoring may result in future changes.
- Communicate clearly to all employees that poor risk management practices and imprudent risk-taking activity will lead to an adverse impact on incentive compensation, including the loss of incentive compensation and the reduction or elimination of previously awarded incentive compensation.
- Differentiate compensation decisions based on demonstrated risk management behaviours.
- Appoint only independent Directors to the Committee, to provide independent review and approval of the firm's overall compensation philosophy.
- Involve the Group's and the Bank's control functions, including Independent Risk, Compliance and Internal Audit, in compensation governance and oversight.

## Regulatory Guidance

- Design incentive compensation programmes with the recognition that global regulation of bank incentive compensation is evolving and that the programmes must be responsive to emerging trends and best practices.
- Where appropriate, develop innovative and industry-leading approaches that reconcile regulatory considerations and other stakeholder interests in compensation structures and designs.
- Promote understanding of the design and implementation of incentive compensation programmes by outlining compensation policies, procedures and practices in public disclosures.

## Attract and Retain Talent

- Compensate employees based on ability, contributions and risk-adjusted performance demonstrated over time, balanced with appropriate recognition for short-term results and contributions.
- Provide compensation programmes that are competitive within global financial services to attract the best talent to successfully execute the Bank's strategy.
- Differentiate individual compensation to reflect employees' current or prospective contributions, based on both financial and non-financial performance such as risk and compliance behaviour, and to reward those employees who demonstrate ingenuity and leadership.
- Provide discretionary incentive compensation, including equity awards, that is variable within guidelines prescribed by management and the Committee using a rigorous objective framework of goal-setting and performance evaluation for all highly paid professionals.
- Clearly and consistently communicate the approach to compensation throughout the year, cascading such communications broadly to employees through key value statements such as the Code of Conduct and the statements and actions of senior management and managers generally.

## Guiding Principles on Remuneration

## General

1. As part of a global organisation, the Group's and the Bank's policy on remuneration follows mostly the global policies, programmes, or directions/guidelines where it is applicable to the local context. In formulating this remuneration policy, references are made to the respective global policies/practices where necessary while local consideration will also be included.

2. Fixed remuneration should be sufficiently competitive against our competitors in order to support the Group and the Bank to attract and retain talent based on individual circumstances and performance level.

3. Variable remuneration will be structured to encourage behaviour that supports the Group's and the Bank's long-term objectives and business strategies, and will not encourage excessive risk-taking that would otherwise jeopardise the Group's and the Bank's risk tolerance and long term financial soundness, while balancing the needs to attract and retain talent with the relevant skills, knowledge and expertise to discharge their specific functions.

4. The mix between fixed and variable remuneration depends on the importance of the employee's role within the organisation. In general, highly compensated employees will receive a greater percentage of their total annual compensation as variable remuneration. Of the variable remuneration awarded to highly compensated employees, a percentage, currently ranging from 15% to 60%, will be awarded as deferred variable remuneration under the Discretionary Incentive and Retention Award Plan (the "DIRA plan"). Currently, all employees, who receive annual variable remuneration that equals or exceeds the local currency of USD 75,000 will receive deferred variable remuneration under the DIRA plan. Employees who receive annual variable remuneration of greater than USD 75,000 will have a deferral of between 15% to 60% of the variable award in stock and the remainder in cash. Generally, deferred variable remuneration awarded under the DIRA plan is granted in the form of an equity award that vests in four equal annual instalments.

5. The payment or distribution of deferred variable remuneration requires that the employee satisfy pre-defined vesting conditions (and performance - based vesting conditions for Covered Employees). The pre-defined vesting conditions generally require that an employee remains actively employed by the Group and the Bank over the vesting period applicable to the award.

6. Generally, unvested deferred variable remuneration is subject to forfeiture upon employee's voluntary resignation. In addition, irrespective of an employee's employment status, an unvested deferred variable remuneration award is subject to forfeiture, in whole or in part, if the following Clawback provision is triggered:

   a. The award is based on materially inaccurate publicly reported financial statements; or
   b. Employee knowingly engaged in providing materially inaccurate information relating to publicly reported financial statements; or
   c. Employee materially violated any risk limits established or revised by senior management and/or risk management; or
   d. The employee engaged in misconduct resulting in summary dismissal or a material breach of the Code of Conduct.

7. It is important to differentiate performance among employees in order to support a pay for performance culture. In general, employees with a higher performance rating should be given a relatively higher reward as compared to employees with a lower performance rating, and employees with unsatisfactory performance rating should not be given any reward.

8. Risk adjustment to the variable remuneration awarded to an individual employee will take any adverse performance in non-financial measures into account, and any adverse performance may result in a reduction or elimination of the variable remuneration awarded to an individual employee.

9. To avoid conflicts of interest, individual employees are not involved in the decision-making process in respect of their own remuneration.

## Senior Management and Individual Key Personnel

1. The determination of the remuneration package of Senior Management and Key Personnel is reviewed and approved independent of the local management. With respect to the determination of the annual variable

remuneration for Senior Management and Key Personnel, the process begins at the Regional Office of Asia Pacific Region, which initially reviews and approves annual variable remuneration for all countries in the region.

2. The determination and approval of bonus pool size and the respective allocation to the regional products and functions are conducted at the global level. In addition to financial performance, the pool calculations are based on a business scorecard approach which takes account of risk with increasing degrees of sophistication. Bonus pool amounts are reviewed and approved internally by the Global CEO and presented to the Personnel and Compensation Committee for final approval.

3. Once the pool allocations are released to the region, regional management (which is independent of local management) will review the annual variable remuneration of the Senior Management and Key Personnel. The review will focus on linking performance to variable compensation. These recommendations will be reviewed and approved by the regional CEO before submitting to the global head office for further review and approval.

4. At the global level, the annual variable remuneration for Senior Management and Key Personnel will be reviewed and approved by the respective global management before they are presented to the Personnel and Compensation Committee for final review.

5. The annual variable remuneration for Senior Management and Key Personnel who are identified as Covered Employees will be subjected to the Group's and the Bank's global policy on Covered Employees for determination of annual variable remuneration.

6. The ultimate approval of incentive pools will be by the Country Nominations and Compensation Committee of the Board of Directors before any compensation decisions are communicated to the employees.

## Disclosure Requirement

Aggregated quantitative information on remuneration for Senior Management and Key Personnel, as well as key information on decision making process and plan characteristics of the remuneration system, as required under the local law shall also be disclosed to the public or to Bank Negara Malaysia ("BNM") as the case may be in a timely manner.

This information will be prepared for disclosure on an annual basis after the completion of the year-end process. Timeframe is usually around the end of the first quarter.

## Annual Independent Self-Assessment

An annual independent self-assessment will be conducted by the Nominations and Compensation Committee of the Board of Directors to demonstrate that the Group and the Bank comply with BNM's Corporate Governance Guidelines. Such assessment is usually performed around the fourth quarter of the year.

# Management Reports

The pre-set agenda, management reports and other ad-hoc proposals or applications are circulated to the Directors prior to the actual Board and Board committee meetings.

This enables the Board of Directors to assess the overall performance of the Bank and make sound management decisions.

Management reports presented to the Board and Board committees include, among others, the following:

- Economic and market trends
- Strategy and Business Plan
- Financial Performance
- Performance Scorecard
- Stress Scenarios and Stress Tests Results
- Internal Capital Adequacy Assessment Process (ICAAP)
- Deep dive presentation from the business/functions
- ESG presentation
- Outsourcing Framework, Annual Outsourcing Plan and updates
- Business continuity programme
- Credit Risk Management Report
- Liquidity and Market Risk Management Reports
- Operational Risk Update
- Performance Management Relating to Senior Management
- Pay Review
- Regulatory Reporting Update
- Compliance Monitoring Report
- Whistle Blower and Ethics Cases
- Regulatory directives changes
- Shariah Update
- Technology Risk Management and Cyber Resilience Report
- Information Security Update

# Ratings Statement

RAM Rating Services Berhad ("RAM") has, on 30 November 2022, reaffirmed the AAA/Stable/P1 financial institution ratings ("FIR") of Citibank Berhad.

The reaffirmation of Citibank Berhad's financial institution ratings incorporate its strategic importance to Citigroup Inc., and the expectation that support will be readily extended if required. The ratings also reflect the Bank's robust capitalisation and sturdy funding and liquidity profile, which have remained within our expectations. Meanwhile, the Bank's asset quality remained moderate given its sizeable unsecured consumer lending portfolio.

**Bank Rating Symbols and Definitions:**

**AAA** A financial institution rated AAA has a superior capacity to meet its financial obligations.
This is the highest long-term FIR assigned by RAM Ratings.

**P1** A financial institution rated P1 has a strong capacity to meet its short-term financial obligations.
This is the highest short-term FIR assigned by RAM Ratings.

# Shariah Committee

Citibank Berhad's Shariah Committee is responsible for the provision of Shariah oversight in relation to Citibank Berhad's Islamic Banking business operations. The duties and responsibilities of the Shariah Committee are governed by the Shariah Governance Policy Document for Islamic Financial Institution as issued by the Bank Negara Malaysia.

For the year 2022, the Shariah Committee convened 3 times. Additionally, individual Shariah Committee members have participated in various business discussions where Shariah advice was required prior to submission to the full Shariah Committee.

Citibank Berhad's Islamic Banking business operations were subjected to a full Shariah audit conducted jointly by Citibank Berhad's Internal Audit together with Citi's Global Islamic Control unit. The Shariah Committee reviewed the findings of the Shariah audit and was satisfied with the report and its findings.

Citibank Berhad's Shariah Committee included the following distinguished members:

### Prof. Dr. Muhammad Ridhwan bin Ab. Aziz

Professor Dr Muhammad Ridhwan Ab. Aziz is a Professor of Islamic Banking and Finance at the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia ("USIM"). He received his Bachelor's Degree of Business Administration (Hons.) in 2001, Master Degree in Islamic Studies, specialising in Islamic Banking in 2008 and Doctorate in Islamic Banking in 2011 from University of Malaya. He is an Assessor for academic program accreditation of Malaysian Qualification Agency (MQA) and Finance Accreditation Agency (FAA) in the field of Islamic banking and Islamic finance. He is also an Arbitrator (Hakam) for Negeri Sembilan Syariah Judiciary Department and Shariah Committee Member for EXIM Bank.

He is an Associate Research Fellow for Accounting Research Institute ("ARI"), Universiti Teknologi MARA ("UiTM"). He is also Academic Advisor for Islamic finance program in various colleges, university colleges and university as well as Member of Editorial Boards for local and international journals. He is also involved as Panel of Interviewer for Biasiswa Yang Dipertuan Agong, Public Service Department/Jabatan Perkhidmatan Awam (JPA), Malaysia and Biasiswa Kementerian Pendidikan Malaysia, Ministry of Education Malaysia. He is actively involved in popular writing in various platforms such as Islamic Finance News (IFN), Harian Metro, Berita Harian, BERNAMA, Utusan Malaysia, Dewan Ekonomi and The Newsletter of Muamalat. His area of expertise is in the field of Islamic banking and finance, Islamic commercial law, Islamic money and capital markets as well as Islamic social finance. Until now, he has supervised and graduated sixteen (16) master's and PhD graduates mainly in the field of Islamic banking and finance as well as in Islamic social finance. He is involved as an examiner in thesis examinations for twenty-nine (29) master's and PhD candidates in his area of expertise. He has been invited as speaker for keynote speaker, guest speaker, guest lecture, public lecture as well as inaugural lectures from local and international universities and institutions.

He has been awarded for various research and innovation awards such as best paper award, USIM top 100 researchers award, award for best selling book, publication award for prolific writer in social science cluster, active book writer award for English category as well as best research award in social science and ihtisas arts. He also won gold and silver medal awards in local and international research and innovation competitions. He obtained certificate of copyright from Intellectual Property Corporation of Malaysia or Perbadanan Harta Intelek Malaysia for two innovative products namely Bank Wakaf and Wakaf Kepakaran Profesional for duration of 100 years. He is also involved in various consultancy projects with external parties and collaborators such as Islamic Banking & Finance Institute Malaysia (IBFIM), Association of Islamic Banking Institutions Malaysia (AIBIM), Malaysia Productivity Corporation (MPC) and Perbadanan Wakaf Negeri Sembilan Sdn. Bhd. (PWNS/MAINS).

Until now, he has authored twenty-eight (28) books and thirty (30) chapters in books. He has also presented thirty-three (33) papers and published one hundred and thirty (130) articles in various national and international conferences and indexed journals. He is actively conducting research in forty-five (45) research projects in his area of expertise and is funded by various internal and external parties such as Ministry of Higher Education Malaysia, Majlis Agama Islam Negeri Sembilan (MAINS), Pusat Zakat Negeri Sembilan (PZNS), Yayasan Tun Ismail Ali, Permodalan Nasional Berhad (YTI/PNB), Yayasan Pembangunan Ekonomi Islam Malaysia (YAPEIM) and Albukhary International University ("AIU").

### Dato' Prof. Dr Noor Inayah binti Yaakub

Dato' Professor Dr. Noor Inayah is the President and Vice-Chancellor of Infrastructure University Kuala Lumpur since 1 July 2021. She previously served as the Chief Executive Officer/Rector of BaitulMal Professional College, wholly owned by Majlis Agama Islam Wilayah Persekutuan, and the Professor (Comparative Law & Shariah) as well as the Director of Centre for Corporate Planning & Leadership at Universiti Kebangsaan Malaysia.

She carries with her vast experience in academic fields. Her areas of interest include Islamic Law, Islamic finance, Takaful & Insurance Law, Equity & Trust Law and Business Law and Ethics. She has published various impactful research papers and articles as policy papers for waqf economic development at international level.

Dato' Professor Dr. Noor Inayah holds a double degree of a Bachelor of Shariah Law (Hons) and Bachelor of Law (Hons) Degree from the International Islamic University Malaysia. She obtained her LLM (Master of Comparative Civil & Banking Law) from the University of Bristol, United Kingdom and she received a PhD in Law from Faculty of Law, University of Manchester, United Kingdom. She is a resource expert of waqf in Malaysia and at international level.

She received 5th QS-Apple-Asia Pacific Professional Leaders in Education Expert Certificate in 2009. During the same year, she also received Advanced Certificate Technology Transfer and Project Management from the University of Oxford. In 2012, she received United Nation Professional Certificate for Selected Higher Learning Corporate Planning Leaders for University Research and Teaching Components. In 2019, she then received Advanced Certificate for Leaders in Education, Innovation and Strategy for the future of Higher Education, School of Executive Education, Cambridge Judge Business School, University of Cambridge.

Dato' Professor Dr. Noor Inayah was awarded as the Best Business Law Professor by the Golden Globe Tigers Award Malaysia 2019, an association of world federation of education and academic institution. In the same year, she was awarded the prestigious Tokoh Maal Hijrah Wilayah Persekutuan for the scholar category. She was also ranked Number 22 in the Top 300 Most Influential Women for Islamic Finance by UK Cambridge Financial Association for two consecutive years, in 2019 and 2020.

She currently sits on the Board of International Islamic College of Technology Penang, owned by the State Religious Council. Dato' Professor Dr Noor Inayah Yaakub was also recently appointed by the Council of Rulers as the Main Committee for Islamic Law Malaysia.

In summary, Citibank Berhad's Shariah Committee comprises of the following qualified members and attendance to the Shariah Committee meetings during FY 2022 is as follows:

| Member | No. of meetings |
|---|---|
| Prof. Dr. Muhammad Ridhwan Ab. Aziz | 3/3 |
| Dr. Fuadah Johari<br>(tenure expired on 30th November 2022) | 3/3 |
| Dato Prof. Dr Noor Inayah binti Yaakub<br>( newly appointed effective 1 June 2022, resigned effective 4 June 2023 ) | 2/3 |

# Customer Engagement and Service Delivery

Innovation has always been Citi's frontier as part of its core pillars, to continuously deliver the best for our clients.

One of Citi's recent initiatives is the Proactive Accurate Controlled Timely (PACT). PACT is a global client-centric platform that drives a consistent end-to-end service experience, increases controls, and promotes proactive client communication. It leverages out-of-the-box platform capabilities wherever possible allowing for a system that enables our users to be Proactive, Accurate, Controlled and Timely. In November 2022, PACT was successfully rolled out in Malaysia, making it the first country to have both Service & Digital Client Service live on PACT which is a major milestone.

In 2022, client satisfaction was a key focus while Citi continued to make improvements through regular internal and client engagements in order to understand and meet client expectations. This has resulted in an improved VOC (Voice of Client) Pulse scoring, especially in the Very Satisfied rating. The average VOC pulse score for 2022 was 96% and the average Very Satisfied rating was 70% versus 95% and 65% respectively for 2021. The Citi Payment Insight (CPI) is a tool in CitiDirect BE which enables clients to monitor and track their cross border payments from end-to-end without the need to contact Citi for the information. Through continued client engagement, we also saw an increase in CPI adoption by clients, which rose to 84% in 2022 as compared to only 53% in 2021.

CitiDirect Virtual Classroom offers various interactive live trainings to CitiDirect users of all levels. The training schedule is published in the Client Knowledge Center (CKC) which is accessible by clients and is also communicated to clients on a monthly basis via email. About 579 users attended the monthly digital training in 2022.

# Community Engagement at Citi

Community Engagement is core to Citi and a responsibility shared by all of our businesses, clients, suppliers and communities. We continuously invest in initiatives that enhance financial inclusion, create job opportunities for youth and empower women and girls.

In the area of Youth Entrepreneurship, Citi is in its fourth year of partnership with the Asia School of Business supporting The Rapid Youth Success Entrepreneurship (RYSE) Program to improve youth unemployment rates in urban Malaysia. Low-income students in the country are taught innovation and design thinking by the Asia School of Business team in addition to social entrepreneurship skills and e-commerce.

In 2022, RYSE continued its flagship programme RYSE Online, a series of online courses to equip Malaysian youths in starting their small businesses. The online series saw 389 youths from across Malaysia signing up to take part. Three teams with the best business ideas competed for cash prizes from a pool of RM5,000 to help grow their small business.

2022 also saw the introduction of RYSE to Work, an employability programme that aims to provide fresh Malaysian graduates soft-skills training, support and paid work placements to ease their transitions into the workplace. 10 Malaysian youths underwent the two-week bootcamp and completed three-month work placements at impact-focused organisations.

RYSE with Us !is a series of 24 webinars and workshops to upskill Malaysian youth with transferable soft skills such as how to communicate effectively, personal branding, and project management. The programme has trained over 160 youths in urban and rural Malaysia.


In 2022, Citi worked with Think City, a subsidiary of Khazanah Nasional Berhad. This community-based urban regeneration body seeks to create more sustainable and liveable cities.

Malaysia's first Public Housing Liveability Conference was held in June 2022 under Think City's Rights to the City Programme. The Conference ignited ideas and enabled effective support and collaboration towards developing liveable and resilient public housing system in Malaysia.

This conference brought together policymakers, independent organisations, and community leaders to gain better understanding of the issues and challenges faced by residents at public housing and leverage on each other's strengths and expertise to be more responsive in creating meaningful solutions and agile policies for improvement.

In the area of women empowerment, Citi is working with Young Women's Christian Association (YWCA) of Kuala Lumpur to improve employability and provide entrepreneurial training for girls and marginalised women. The programme aims to equip women with skills to be entrepreneurs as well as build their self-esteem and confidence.

In 2022, the programme Power Up Young Women Entrepreneurs was rolled out for 70 underprivileged women and girls from the urban poor and the indigenous community. The program comprised six modules ranging from the basics of starting a business to branding, product development, marketing, and business planning, to equip the women to start their business or grow their existing businesses. Four teams with the best business ideas were supported with seed funding amounting to RM56,000 to grow their businesses.

The YWCA KL Career Fair was held in November 2022, supported by eight participating employers. Over 35 disadvantaged young women and girls successfully secured internships for two months, in hopes of increasing their employability once they graduate. Over 75% of these young women and girls are expected to be employed within three months upon graduating in 2023.

## Global Community Day

In conjunction with Citi's annual Global Community Day, Citi Malaysia and its volunteers successfully raised RM250,000 in funds which were distributed to nine People's Housing Project (PPR) locations around the Klang Valley, Penang and Johor Bahru in support of the recovery and renewal of low-income communities. The funds were also distributed to two environment-focused NGO beneficiaries - What A Waste, a social enterprise that fights food waste; and Free Tree Society, an NGO that spreads the environmental stewardship message through giving away trees for free.

Citi volunteers gathered across numerous weekends throughout the month of June 2022 to host a range of activities at the PPR communities, with a focus on environmental and social initiatives. Activities included ESG-themed games and competitions for children, clean-ups and refurbishment of facilities, recycle bins for the residents, recreation and gardening activities.

In addition, PPR residents also received food and essentials packages purchased by volunteers with the funds raised. The food packages comprised basic essentials frequently used by families for their daily needs.

# Developing our People

### Capability Building in both Leadership & Technical Skills

At Citi Malaysia, we continue to ramp up our efforts in ensuring our high potential employees are continually engaged, growing and ready to take on complex leadership positions in the future. We have approached this development initiative by building clear pathways for different employee levels based on their respective needs.

At the most senior level, our Managing Directors were nominated to participate in either one of the development programs customised globally across Citi:

- Citi Leadership Summit: Six Citi Malaysia Managing Directors attended this summit with participants from around the world to discuss on tomorrow's challenges, share ideas on leadership, learn through fireside chats and masterclasses taught by renowned experts.

- Executive Online Education: This is a 3–6-week online program consisting of self-learn, lecture series, interactive live sessions, live projects with executives around the globe in partnership with elite universities such as MIT, Berkeley, and Yale amongst others. Citi Malaysia nominated one participant in the Leading & Managing Globally, IMD School in 2022.

The rest of our high potential employees are developed through their respective talent programs within each business function,for example high potential talent within the Institutional Clients Group (ICG) are invited to the Global Emerging MarketsAccelerator (GEMA) program which is a two-year program with a rotation across our ICG front-office businesses located in different geographies. Two talents from Citi Malaysia participated in this program.

We also launched a new initiative in 2022; a mentoring program where select Assistant Vice President & Vice President Employees were assigned a mentor from amongst the Senior Management Committee, including the CEO. This one-on-one program intended to provide our talent guidance on their development and help them build a successful long-term career at Citi.

Aside from high potential employee development, we continue our efforts in professional development by ensuring our bankers gained the necessary professional certifications from reputable organizations:

- Collaboration with Asian Banking School (ABS): Nine senior leaders attended various professional education in the space of sustainability in finance, agile banking human resource leaders, banking leaders in the post pandemic amongst others by attending a 1–2-week professional education abroad.
- Collaboration with Asian Institute of Chartered Bankers (AICB): Two senior leaders completed the Chartered Banker certifications and Advance Certification in Regulatory Compliance respectively.

## Commitment to Diversity, Equity & Inclusion

Recognizing that a diverse workforce enhances our competitiveness as an organization, we were committed to developing female talent from the middle manager pool, tapping on two of our signature diverse talent global development program:

- Inspiring Diverse Leadership Program (IDLP) : A six-month program for high performing female talent at Vice President level and newly promoted Senior Vice Presidents focusing on developing their brand presence, resilience, change management and influence others. Seven Citi Malaysia talent attended this program
- Emerging Diverse Leadership Program (EDLP) : A three-month program for emerging female talent at Assistant Vice President level focusing on deepening connection of personal values to work, developing


personal brand and strategies to maximize value from their team members. Three talents attended this program in 2022

The continued effort in developing our female talent has resulted in a 55.5% representation of women leadership in the organization from the overall middle managers and above population.

We believe that having the ability to create impact is one of the key driving factors in creating a meaningful employee experience in their professional journey. To achieve this, Citi encouraged its employees through the setting of internal networks where impact is created in areas that meant the most to them. At Citi Malaysia, we have two active internal employee networks:

Citi Malaysia's Women Network which was created to promote Diversity & Inclusion in women participation at the workplace. In 2022, several activities were organised by the network:

- A series of 5 #breakthebias talks were organised in conjunction with International Women Day (IWD) on the topic of Empowerment and Juggling Career; Women in Banking, Charity, and Fintech; Managing Stress and Anxiety; Women Wellness
- An online learning program on Boosting Your Online Presence
- Take your Professional Corporate Photos; with the return-to-work initiative in 2022, the network took the opportunity to get employees to retake their professional photos. 65 women members participated in this event

Citi Malaysia Generations Network which was created to promote inclusion of employees from all generations and support members to engage with each other to reach their full potential at every stage of their career. Several activities were also organised by this network:

- A two-phase fitness challenge named "Mission It's Possible Challenge" to encourage employees to remain active and fit whilst enhancing teamwork
- Virtual learning on latest market updates such as fungible tokens, digital currencies, blockchain and digital asset management

## Connecting with External Talent

Whilst developing and growing internal talent sits at the core of Citi's human capital efforts, bringing in fresh perspective by hiring external talent offers many benefits to the organization. As our Institutional Clients Group (ICG) continue its effort to grow, we saw an 18% growth in hiring for these units.

We also continued to bring in fresh talent through our Summer Analyst and Full Time Analyst programmes with 11 Analysts undergoing training to be ready as the next generation leaders. Our Full Time Analysts are also given the opportunity to experience a rotation at our New York Office.

We enhanced our engagement with university students by participating in the annual Graduan Virtual Career Fair, gaining 1,170 views during Citi's Live Panel Discussion. Our story on "Kickstart Your Career With Citi" on LinkedIn also gained approximately 10,000 impressions within just 72 hours.

We continue to make efforts to enhance our Employer Brand and showcase Citi's unique Employer Value Proposition to attract the best talent to Citi.

# Contents

## Financial Statements

# Directors' Report for the year ended 31 December 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Bank for the financial year ended 31 December 2022.

## Principal Activities

The Bank is principally engaged in banking and related financial services that also include Islamic Banking business whilst the principal activities of the subsidiaries are stated in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## Immediate and Ultimate Holding Companies

The Bank's immediate holding company and ultimate holding company as regarded by the Directors during the financial year and until the date of this report are Citigroup Holding (Singapore) Pte. Ltd. and Citigroup Inc. respectively. Both are incorporated in Singapore and the United States of America respectively.

## Subsidiaries

The details of the Bank's subsidiaries are disclosed in Note 11 to the financial statements.

## Results

| | Group and Bank RM'000 |
|---|---|
| Profit before taxation | 630,673 |
| Tax expense | ( 211,967 ) |
| Profit from continuing operations | 418,706 |
| Profit from discontinued operation, net of tax | 571,878 |
| Profit for the year | 990,584 |

## Reserves and Provisions

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

## Dividends

Since the end of the previous financial year, the Bank paid a final ordinary dividend of 1,027.1 sen per ordinary share totalling RM1,250,000,000 in respect of the financial year ended 31 December 2021 on 30 June 2022.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2022 is 862.8 sen per ordinary share totalling RM1,050,000,000.

## Bad and Doubtful Debts and Financing

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

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

## Current Assets

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that the value of any current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business, as shown in the accounting records of the Group and the Bank, have been written down to an amount which they might be expected to realise.

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

## Valuation Methods

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

## Contingent And Other Liabilities

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

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

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

No contingent or other liability of the Group and the Bank have 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 the Bank to meet their obligations as and when they fall due.

### Change of Circumstances

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

### Items of An Unusual Nature

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature, other than sale of its Consumer Banking Business as disclosed in Notes 25 and 37 of the financial statements.

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

### Compliance With Bank Negara Malaysia's Expectations On Financial Reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting.

### Directors of The Bank

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

- Mark Fordyce Hart
- Philip Tan Puay Koon
- Abhijit Dattanand Kumta (Appointed on 3 January 2022)
- Vikram Singh (Appointed on 1 May 2023)
- Norazilla binti Md Tahir (Appointed on 6 May 2023)
- Datuk Bazlan bin Osman (Resigned on 3 January 2022)
- Usman Ahmed (Resigned on 10 December 2022)
- Datuk Ali bin Abdul Kadir (Retired on 6 May 2023)

### Directors' Interests In Shares

The interests in the ordinary shares and options over shares of the Bank and of its related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of USD1 each | | | |
|---|---|---|---|---|
| | At 1.1.2022/ Date of Appointment | Bought/ Vested | Sold | At 31.12.2022 |
| **Shares in Citigroup Inc.** | | | | |
| **Direct interests** | | | | |
| Mark Fordyce Hart | 22,993 | - | - | 22,993 |
| Abhijit Dattanand Kumta[1] | 2,298 | 787 | - | 3,085 |
| Philip Tan Puay Koon | 916 | - | - | 916 |

| | Number of ordinary shares of USD1 each | | | |
|---|---|---|---|---|
| | At 1.1.2022/ Date of Appointment | Granted | Vested | At 31.12.2022 |
| **Capital Accumulation Programme/ Supplementary CAP/SEA in Citigroup Inc.** | | | | |
| Abhijit Dattanand Kumta[1] | 2,071 | 1,047 | (787) | 2,331 |

[1]Abhijit Dattanand Kumta appointed as Director on 3 January 2022

None of the other Directors holding office at 31 December 2022 had any interest in the ordinary shares and options over ordinary shares of the Bank and of its related corporations during the financial year.

## Directors' Benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2022 are as follows:

| | From the Group and the Bank RM'000 |
|---|---|
| **Directors of the Bank:** | |
| Fees | 541 |
| Remuneration | 2,457 |
| Benefits-in-kind | 357 |
| | 3,355 |

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate except for certain Directors who have participated in a discretionary incentive and retention award programme that provides the Directors (in their capacity as employees of Citigroup subsidiaries) with shares of Citigroup Inc.'s common stock in the form of restricted stock awards.

## Issue of Shares and Debentures

There were no changes in the issued and paid-up capital of the Bank during the financial year.

There were no debentures issued during the financial year.

## Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Bank during the financial year.

## Indemnity And Insurance Costs

During the financial year, the total amount of insurance cost effected for Directors and officers of the Bank is RM24,744.

There is no indemnity and insurance cost effected for auditors of the Bank.

## Significant Event

On 1 November 2022, the Bank completed the sale of its Consumer Banking business in Malaysia.

The sale included the Bank's retail banking and consumer credit card businesses, including the transfer of related staff. The sale excluded the Bank's institutional businesses.

## Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and of the Bank during the year are RM621,000 and RM618,000 respectively.

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

**Vikram Singh**
Director

**Philip Tan Puay Koon**
Director

Kuala Lumpur

Date: 19 June 2023

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

In the opinion of the Directors, the financial statements set out on pages 48 to 144 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

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

**Vikram Singh**
Director

**Philip Tan Puay Koon**
Director

Kuala Lumpur

Date: 19 June 2023

# Statutory Declaration

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

I, **Tang Wan Chee**, the officer primarily responsible for the financial management of Citibank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 48 to 144 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Tang Wan Chee, NRIC: 640901-10-7346, MIA CA12894, at Kuala Lumpur in the Federal Territory on 19 June 2023.

**Tang Wan Chee**

Before me:

**Commissioner for Oaths**

# Shariah Committee's Report

in the name of Allah, the Most Beneficent, the Most Merciful

We, members of Citibank Berhad's Shariah Committee hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by Citibank Berhad's Islamic Banking division during the financial year ended 31 December 2022.

We have also conducted our review to form an opinion as to whether Citibank Berhad's Islamic Banking division has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah resolutions decided by us.

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

We have assessed the work carried out by Shariah Control Officer and internal Shariah audit which included, but not limited to, examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Citibank Berhad's Islamic Banking division.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Citibank Berhad's Islamic Banking division has not violated the Shariah principles.

In our opinion, for the financial year ended 31 December 2022, nothing has come to the Shariah Committee's attention that causes the Shariah Committee to believe that the operations, business, affairs and activities of Citibank Berhad involve any material Shariah non-compliances.

We, the members of Citibank Berhad's Shariah Committee, do hereby confirm that we have no personal interest in any dealings or transactions approved by Citbank Berhad and the operations of the Citibank Berhad's Islamic Banking division for the year ended 31 December 2022 have been conducted in conformity with the Shariah principles.

We beg Allah the Almighty to grant us success and lead us on the right path.

Wassalamu Alaikum Wa Rahmatullahi Wa Barakatuh.

**Prof. Dr. Muhammad Ridhwan bin Ab. Aziz**
Member of the Shariah Committee

**Dato Prof. Dr Noor Inayah binti Yaakub**
Member of the Shariah Committee

Kuala Lumpur

Date: 2 June 2023

# Independent Auditors' Report

to the members of Citibank Berhad and its subsidiaries

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Citibank Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

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

*Independence and Other Ethical Responsibilities*

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

### Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Bank does not cover the Corporate Information, Directors' Report and Shariah Committee's Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the Corporate Information, Directors' Report and Shariah Committee's Report and, in doing so, consider whether the Corporate Information, Directors' Report and Shariah Committee's Report is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Corporate Information, Directors' Report and Shariah Committee's Report, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

## Other Matters

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

**KPMG PLT**
(LLP0010081-LCA & AF 0758)
Chartered Accountants

**Foo Siak Chung**
Approval Number: 03184/02/2024 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 19 June 2023

# Statements of Financial Position as at 31 December 2022

| | Note | Group 2022 RM'000 | Group 2021 RM'000 | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and short-term funds | 3 | 10,970,624 | 9,092,638 | 10,970,604 | 9,092,618 |
| Deposits and placements with banks and other financial institutions | 4 | 500,586 | 742,818 | 500,586 | 742,818 |
| Securities purchased under resale agreements | | 894,451 | 396,522 | 894,451 | 396,522 |
| Investment securities | 5 | 14,714,302 | 8,860,080 | 14,714,302 | 8,860,080 |
| Loans, advances and financing | 6 | 5,596,124 | 18,306,181 | 5,596,124 | 18,306,181 |
| Other assets | 8 | 1,266,185 | 1,458,813 | 1,266,185 | 1,458,813 |
| Statutory deposits with Bank Negara Malaysia | 9 | 177,702 | 159,643 | 177,702 | 159,643 |
| Deferred tax assets | 10 | 44,379 | 113,168 | 44,379 | 113,168 |
| Investments in subsidiaries | 11 | - | - | 20 | 20 |
| Plant and equipment (including right-of-use assets) | 12 | 60,322 | 126,821 | 60,322 | 126,821 |
| **Total assets** | | 34,224,675 | 39,256,684 | 34,224,675 | 39,256,684 |
| **Liabilities** | | | | | |
| Deposits from customers | 13 | 19,797,999 | 26,621,054 | 19,797,999 | 26,621,054 |
| Deposits and placements of banks and other financial institutions | 14 | 7,065,236 | 5,497,208 | 7,065,236 | 5,497,208 |
| Other liabilities | 15 | 2,353,983 | 1,948,951 | 2,353,983 | 1,948,951 |
| Provision for taxation | | 101,896 | 2,126 | 101,896 | 2,126 |
| **Total liabilities** | | 29,319,114 | 34,069,339 | 29,319,114 | 34,069,339 |
| **Equity** | | | | | |
| Share capital | 16 | 502,000 | 502,000 | 502,000 | 502,000 |
| Reserves | 17 | 4,403,561 | 4,685,345 | 4,403,561 | 4,685,345 |
| **Total equity attributable to owner of the Bank** | | 4,905,561 | 5,187,345 | 4,905,561 | 5,187,345 |
| **Total liabilities and equity** | | 34,224,675 | 39,256,684 | 34,224,675 | 39,256,684 |
| **Commitments and contingencies** | 35 | 230,687,214 | 231,292,194 | 230,687,214 | 231,292,194 |

The notes on pages 53 to 144 are an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2022

| | Note | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2(b) | 1,423,704 | 935,582 |
| Interest income | 19 | 694,663 | 509,409 |
| Interest expense | 20 | (179,703) | (107,636) |
| **Net interest income** | | 514,960 | 401,773 |
| Net income from Islamic Banking operations | 38(n) | 33,369 | 54,040 |
| Other operating income | 21 | 695,672 | 372,133 |
| **Total net income** | | 1,244,001 | 827,946 |
| Other operating expenses | 22 | (657,139) | (589,974) |
| **Operating profit** | | 586,862 | 237,972 |
| Write back of/(Allowance for) impairment on loans, advances and financing | 23 | 42,169 | (39,180) |
| Write back of impairment on other assets | | 1,642 | 4,231 |
| **Profit before taxation** | | 630,673 | 203,023 |
| Tax expense | 24 | (211,967) | (64,146) |
| **Profit from continuing operations** | | 418,706 | 138,877 |
| **Discontinued operation** | | | |
| Profit from discontinued operation, net of tax | 25 | 571,878 | 469,208 |
| **Profit for the year** | | 990,584 | 608,085 |
| **Other comprehensive (loss)/income, net of tax** | | | |
| *Items that are or may be reclassified subsequently to profit or loss* | | | |
| **Debt investment securities measured at FVOCI** | | | |
| - Net change in fair value | | (23,167) | (58,468) |
| - Net transfer to profit or loss | | 799 | 525 |
| **Total other comprehensive loss for the year** | | (22,368) | (57,943) |
| **Total comprehensive income for the year** | | 968,216 | 550,142 |
| **Profit for the year attributable to:** | | | |
| Owner of the Bank | | 990,584 | 608,085 |
| **Total comprehensive income attributable to:** | | | |
| Owner of the Bank | | 968,216 | 550,142 |
| **Earnings per ordinary share – basic (sen):** | | | |
| From continuing operations | | 344.1 | 114.1 |
| From discontinued operation | | 469.9 | 385.6 |
| | 26 | 814.0 | 499.7 |

The notes on pages 53 to 144 are an integral part of these financial statements.

# Statements of Changes in Equity for the financial year ended 31 December 2022

| Group and Bank | Note | Share capital RM'000 | Regulatory reserve RM'000 | Other reserve RM'000 | Retained profits RM'000 | Total reserves RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| | | *Non-distributable* | | | *Distributable* | | |
| | | **Attributable to owner of the Bank** | | | | | |
| At 1 January 2021 | | 502,000 | - | 14,298 | 4,650,106 | 4,664,404 | 5,166,404 |
| Fair value reserve on investment securities: | | | | | | | |
| - Net change in fair value | | - | - | (58,468) | - | (58,468) | (58,468) |
| - Net change transferred to profit or loss | | - | - | 525 | - | 525 | 525 |
| Total other comprehensive (loss)/ income for the year | | - | - | (57,943) | - | (57,943) | (57,943) |
| Profit for the year | | - | - | - | 608,085 | 608,085 | 608,085 |
| **Total comprehensive (loss)/ income for the year** | | - | - | (57,943) | 608,085 | 550,142 | 550,142 |
| Dividends to owner of the Bank | 27 | - | - | - | (529,201) | (529,201) | (529,201) |
| **Total contribution to owner** | | - | - | - | (529,201) | (529,201) | (529,201) |
| **At 31 December 2021** | | 502,000 | - | (43,645) | 4,728,990 | 4,685,345 | 5,187,345 |
| | | Note 16 | | | | Note 17 | |

| Group and Bank | Note | Share capital RM'000 | Regulatory reserve RM'000 | Other reserve RM'000 | Retained profits RM'000 | Total reserves RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| | | *Non-distributable* | | | *Distributable* | | |
| | | **Attributable to owner of the Bank** | | | | | |
| At 1 January 2022 | | 502,000 | - | (43,645) | 4,728,990 | 4,685,345 | 5,187,345 |
| Fair value reserve on investment securities: | | | | | | | |
| - Net change in fair value | | - | - | (23,167) | - | (23,167) | (23,167) |
| - Net change transferred to profit or loss | | - | - | 799 | - | 799 | 799 |
| Total other comprehensive (loss)/ income for the year | | - | - | (22,368) | - | (22,368) | (22,368) |
| Transfer to regulatory reserve | | - | 105,000 | - | (105,000) | - | - |
| Profit for the year | | - | - | - | 990,584 | 990,584 | 990,584 |
| **Total comprehensive income/ (loss) for the year** | | - | 105,000 | (22,368) | 885,584 | 968,216 | 968,216 |
| Dividends to owner of the Bank | 27 | - | - | - | (1,250,000) | (1,250,000) | (1,250,000) |
| **Total contribution to owner** | | - | - | - | (1,250,000) | (1,250,000) | (1,250,000) |
| **At 31 December 2022** | | 502,000 | 105,000 | (66,013) | 4,364,574 | 4,403,561 | 4,905,561 |
| | | Note 16 | | | | Note 17 | |

The notes on pages 53 to 144 are an integral part of these financial statements.

# Statements of Cash Flows for the financial year ended 31 December 2022

| | Group 2022 RM'000 | Group 2021 RM'000 | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before taxation from: | | | | |
| Continuing operations | 630,673 | 203,023 | 630,673 | 203,023 |
| Discontinued operation | 669,012 | 568,369 | 669,012 | 568,369 |
| | 1,299,685 | 771,392 | 1,299,685 | 771,392 |
| *Adjustments for:* | | | | |
| Accretion of discount less amortisation of premium of investment securities | 32,735 | 83,598 | 32,735 | 83,598 |
| Write back of loans, advances and financing | (42,169) | (50,749) | (42,169) | (50,749) |
| Write back for other assets | (1,642) | (4,338) | (1,642) | (4,338) |
| Depreciation of plant and equipment | 16,044 | 15,403 | 16,044 | 15,403 |
| Depreciation of right-of-use assets | 11,358 | 13,907 | 11,358 | 13,907 |
| Interest expense on lease liabilities | (1,877) | (2,325) | (1,877) | (2,325) |
| Unrealised loss from revaluation of investment securities at FVTPL - debt instruments | 1,920 | 2,096 | 1,920 | 2,096 |
| Net gain from sales of investment securities at FVTPL - debt instruments | 14,769 | 7,633 | 14,769 | 7,633 |
| Loss/(Gain) from sales of investment securities at FVOCI | 2,977 | (26,290) | 2,977 | (26,290) |
| Gain on revaluation of investment securities at FVTPL - equity instruments | (916) | (1) | (916) | (1) |
| Plant and equipment written off | 1,599 | 66 | 1,599 | 66 |
| Share-based compensation | 781 | 912 | 781 | 912 |
| Gain on sale of discontinued operation | (381,689) | - | (381,689) | - |
| **Operating profit before working capital changes** | 953,575 | 811,304 | 953,575 | 811,304 |
| Changes in working capital: | | | | |
| Deposits and placements with banks and other financial institutions | 242,232 | (532,299) | 242,232 | (532,299) |
| Securities purchased under resale agreements | (497,929) | (140,131) | (497,929) | (140,131) |
| Investment securities at FVTPL | (121,269) | 402,170 | (121,269) | 402,170 |
| Loans, advances and financing | (213,017) | 980,289 | (213,017) | 980,289 |
| Other assets | 86,414 | 350,842 | 86,414 | 350,842 |
| Statutory deposits with Bank Negara Malaysia | (18,059) | (75,490) | (18,059) | (75,490) |
| Deposits from customers | 3,263,477 | 223,174 | 3,263,477 | 223,174 |
| Deposits and placements of banks and other financial institutions | 1,568,028 | (981,250) | 1,568,028 | (981,250) |
| Other liabilities | 322,519 | (599,612) | 322,519 | (599,612) |
| **Cash generated from operating activities** | 5,585,971 | 438,997 | 5,585,971 | 438,997 |
| Income taxes paid | (207,875) | (167,688) | (207,875) | (167,688) |
| Income taxes refunded | - | 3,750 | - | 3,750 |
| **Net cash generated from operating activities** | 5,378,096 | 275,059 | 5,378,096 | 275,059 |

| | Group | | Bank | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **Cash flows from investing activities** | | | | |
| Purchase of plant and equipment | (19,743) | (17,240) | (19,743) | (17,240) |
| Purchase of investment securities at FVOCI | (13,064,684) | (13,195,039) | (13,064,684) | (13,195,039) |
| Redemption of investment securities at FVOCI | 5,145,917 | 2,922,845 | 5,145,917 | 2,922,845 |
| Proceeds from disposal of investment securities at FVOCI | 2,038,389 | 9,027,826 | 2,038,389 | 9,027,826 |
| Proceeds for disposal of discontinued operation, net of cash and cash equivalents disposed off and transaction cost (Note 25) | 3,662,661 | - | 3,662,661 | - |
| **Net cash used in investing activities** | (2,237,460) | (1,261,608) | (2,237,460) | (1,261,608) |
| **Cash flows from financing activities** | | | | |
| Dividends paid to owner | (1,250,000) | (529,201) | (1,250,000) | (529,201) |
| Payment of lease liabilities | (12,650) | (15,422) | (12,650) | (15,422) |
| **Net cash used in financing activities** | (1,262,650) | (544,623) | (1,262,650) | (544,623) |
| **Net increase/(decrease) in cash and short-term funds** | 1,877,986 | (1,531,172) | 1,877,986 | (1,531,172) |
| Cash and short-term funds at 1 January | 9,092,638 | 10,623,810 | 9,092,618 | 10,623,790 |
| **Cash and short-term funds at 31 December (Note 3)** | 10,970,624 | 9,092,638 | 10,970,604 | 9,092,618 |
| **Cash outflows for leases as a lessee** | | | | |
| **Included in net cash from operating activities:** | | | | |
| Interest paid in relation to lease liabilities | (1,877) | (2,325) | (1,877) | (2,325) |
| **Included in net cash from financing activities:** | | | | |
| Payment of lease liabilities | (12,650) | (15,422) | (12,650) | (15,422) |
| **Total cash outflows for leases** | (14,527) | (17,747) | (14,527) | (17,747) |

The notes on pages 53 to 144 are an integral part of these financial statements.

# Notes to the Financial Statements

Citibank Berhad ("the Bank") is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office are as follows:

**Principal place of business**
45th Floor, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

**Registered office**
44th Floor, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

The consolidated financial statements of the Bank as at and for the year ended 31 December 2022 comprise the Bank and its subsidiaries (together referred to as the "Group").

The Bank is principally engaged in banking and related financial services that also include Islamic Banking business whilst the principal activities of the subsidiaries are as stated in Note 11 to the financial statements.

The immediate holding company is Citigroup Holding (Singapore) Pte. Ltd., a company incorporated in Singapore and the ultimate holding company is Citigroup Inc., a company incorporated in the United States of America.

The financial statements were authorised for issue by the Board of Directors on 19 June 2023.

## 1. Basis of preparation

### (a) Statement of compliance

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

The financial statements also incorporate those activities relating to Islamic Banking which have been undertaken by the Bank. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The following are accounting standards, interpretations and amendments of the MFRSs 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 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 and International Tax Reform - Pillar Two Model Rules*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024***

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

***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 Group and the Bank plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, and
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The Group and the Bank do not plan to apply MFRS 17, *Insurance Contracts* and its amendments that are effective for annual periods beginning on or after 1 January 2023 as they are not applicable to the Group and the Bank.

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

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis other than those disclosed in Note 2.

**(c) Functional and presentation of currencies**

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Bank's functional currencies. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

- Note 2(f)(vi) - Fair value estimation for financial assets and liabilities

  The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy in Note 2(f)(vi).

- Note 2(g)(i) - Impairment of financial assets

  The Group and the Bank use internal credit risk grading system ("ORR") and external risk rating to assess deterioration in credit quality of a financial asset. The concept and estimation of ECL is based on the likelihood and severity of credit events and their impact on cash shortfalls, which comprises the Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD"), and discount rate using Effective Interest Rate ("EIR").

- Note 10 – Deferred tax assets

  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.

- Note 12 - Extension options and incremental borrowing rate in relation to leases.

## 2. Significant accounting policies

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

### (a) Basis of consolidation

**(i) Subsidiaries**

Subsidiaries are investees, including unincorporated entities, controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

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

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (i) Subsidiaries (continued)

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.

#### (ii) Transactions eliminated on consolidation

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

### (b) Revenue

Revenue comprises of gross interest income, other income derived from banking operations and net income from Islamic Banking operations.

### (c) Interest and financing income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group and the Bank estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs include incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statements of profit or loss and other comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis; and
- Interest on investment securities measured at FVTPL and FVOCI on an effective interest rate basis.

Interest income is recognised at gross basis for financial assets under Stage 1 and Stage 2 classification in the expected credit loss impairment model. However, interest income is recognised at net basis for financial assets under Stage 3 classification in the expected credit loss impairment model.

### (d) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see Note 2(c)).

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period. When it is probable that a loan commitment will result in a specific lending arrangement, commitment fees are included in the measurement of the effective interest rate.

A contract with a customer that results in a recognised financial instrument in the Group's and the Bank's financial statements may be partially in the scope of MFRS 9 and partially in the scope of MFRS 15. If this is the case, then the Group and the Bank first apply MFRS 9 to separate and measure the part of the contract that is in the scope of MFRS 9 and then apply MFRS 15 to the residual.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

### (e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, dividends and foreign exchange differences.

### (f) Financial assets and financial liabilities

#### (i) Recognition and initial measurement

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract

## 2. Significant accounting policies (continued)

### (f) Financial assets and financial liabilities (continued)

#### (i) Recognition and initial measuremen (continued)

and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Bank categorise financial instruments as follows:

*Financial assets*

On initial recognition, a financial asset is classified and measured at: amortised cost; fair value through other comprehensive income ("FVOCI") - debt investment; FVOCI - equity investment; or fair value through profit or loss ("FVTPL").

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

*(a) Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest.

These assets are subsequently measured at amortised cost using effective interest rate method. These assets are stated net of unearned income and any impairment loss.

*(b) Financial assets measured at FVOCI*

**FVOCI – debt investments**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest.

These assets are subsequently measured at fair value. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss.

On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

**FVOCI – equity investments**

On initial recognition of an equity investment that is not held for trading, the Group and the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for dividends that are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income are not reclassified to profit or loss.

*(c) Financial assets measured at FVTPL*

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

## 2. Significant accounting policies (continued)

### (f) Financial assets and financial liabilities (continued)

#### (ii) Financial instrument categories and subsequent measurement (continued)

*Financial assets (continued)*

*(c) Financial assets measured at FVTPL (continued)*

These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

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

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with the gain or loss recognised in profit or loss.

#### (iii) Regular way purchase or sale of financial assets

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

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

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

#### (iv) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### (v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group and the Bank have a legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's and the Bank's trading activity.

#### (vi) Fair value measurement

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

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

## 2. Significant accounting policies (continued)

### (f) Financial assets and financial liabilities (continued)

#### (vi) Fair value measurement (continued)

The determination of fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotation, for financial instruments traded in active markets without any deduction for transaction cost. The Group and the Bank also use widely recognised valuation models for determining the fair value of common and simpler financial instruments such as options, interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

The Group and the Bank use valuation techniques to determine the fair value of financial assets and liabilities where quoted prices in an active market are not available. The valuation techniques used for different financial instruments are selected to reflect how the market would be expected to price the instruments, using inputs that reasonably reflect risk-return factors inherent in the instruments. Depending upon the characteristics of the financial instruments, observable market factors are available for use in most valuations, while other valuations may involve a greater degree of judgement and estimation.

The value produced by a model or other valuation techniques is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statements of financial position.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Bank can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

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

### (g) Impairment

#### (i) Financial assets

*Impairment of financial assets*

The Group and the Bank recognise loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost, contract assets and debt investments measured at FVOCI, but not to investments in equity instruments.

Under MFRS 9, credit loss allowances will be measured on each reporting date according to a three-stage expected credit loss impairment model under which each financial asset is classified in one of the stages below. The internal credit risk grading system ("ORR") and external risk rating are used to assess deterioration in credit quality of a financial asset. There is an established Credit Rating mapping framework that enables accurate risk rating reporting across portfolio reports used by credit risk management. The assessment of whether credit risk has increased/decreased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group and the Bank assume that the credit risk on a financial asset has increased significantly when it is more than 30 days past due.

(i) Stage 1: 12-months ECL

From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults expected over the next 12 months. These are obligors which have not shown a significant deterioration in their ORR. Generally, performing financial assets (<30 days past due) are classified in this stage.

(ii) Stage 2: Lifetime ECL – not credit-impaired

Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognised equal to the full credit losses expected over the remaining life of the asset. These are obligors rated ORR 7 and those where there is a significant deterioration in ORR. Generally, underperforming financial assets (30-89 days past due and credit quality deteriorated with significant increase in credit risk compared to Stage 1) are classified under this stage.

## 2. Significant accounting policies (continued)

### (g) Impairment (continued)

#### (i) Financial assets (continued)

*Impairment of financial assets (continued)*

(iii) Stage 3: Lifetime ECL – credit-impaired

When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognised. These are generally obligors rated ORR 9 or 10. Generally, non-performing financial assets (>90 days past due) are considered to be credit-impaired account.

*Measurement of ECL*

The concept and estimation of ECL is based on the likelihood and severity of credit events and their impact on cash shortfalls, which comprises the Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD"), and discount rate using Effective Interest Rate ("EIR"). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contractual cash flows and the cash flows that the Group and the Bank expect to receive. As expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due. For a financial asset in Stage 1, the Group and the Bank will utilise a 12-months PD, whereas a financial asset within Stage 2 and Stage 3 will utilise a lifetime PD in order to estimate an impairment allowance.

The Group and the Bank measure the ECL measurement for retail products under Stage 1 by estimating the 12-months forward looking loss rate. For financial assets within Stage 2 and Stage 3, the Group and the Bank measure the impairment allowance after taking into consideration of recoveries.

*Credit-impaired financial assets*

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost and debt securities measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or past due event;
- the restructuring of a loan or advance by the Group and the Bank on terms that the Group and the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Under the revised policy issued by BNM on Financial Reporting, if the repayment conduct of the loan is past due for more than 90 days or 3 months of either principal, interest or both, the loan shall be classified as impaired. The Group and the Bank apply this policy in addition to the above when determining if a loan is impaired.

*Presentation of allowance for ECL in the statements of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, no loss allowance is recognised in the statements of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in profit or loss and other comprehensive income.

*Write-off*

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group and the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Bank's procedures for recovery of amounts due.

For wholesale, loans are written-off after all legal avenues for recovery have been fully exhausted, i.e. litigation completed against both the borrower and guarantor/s if any (foreclosure, winding-up, liquidation and/or bankruptcy as the case may be).

For secured loans, they are generally written-off after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisation value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

## 2. Significant accounting policies (continued)

### (g) Impairment (continued)

#### (i) Financial assets (continued)

*Write-off (continued)*

For credit cards, the balances and related allowance for credit losses are generally written-off when payment is 180 days past due. Personal loans are generally written-off at 120 days past due.

#### (ii) Other assets

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

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the unit (or a group of units) on a pro rata basis.

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

### (h) Repurchase and resale agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the securities in its entirety are reflected as a liability on the statements of financial position. The securities sold under repurchase agreements are treated as pledged assets and continue to be recognised as assets in the statements of financial position.

Securities purchased under resale agreements are measured at amortised cost in the statements of financial position in accordance to the accounting policy stated in Note 2(f)(ii)(a).

### (i) Cash and short-term funds

Cash and short-term funds consist of cash and bank balances and short-term funds that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, with original maturity within one month.

Cash and short-term funds are measured at amortised cost in the statements of financial position in accordance to the accounting policy stated in Note 2(f)(ii)(a).

### (j) Plant and equipment

#### (i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the assets and restoring the site on which they are located.

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

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

## 2. Significant accounting policies (continued)

### (j) Plant and equipment (continued)

#### (i) Recognition and measurement (continued)

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

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

| | |
|---|---|
| building improvements | 8 years - 14 years |
| furniture and equipment | 2 years - 10 years |

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

### (k) Leases

#### (i) Definition of a lease

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

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

At inception or on reassessment of a contract that contains a lease component, the Group and the Bank allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Bank are a lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

#### (ii) Recognition and initial measurement

**As a lessee**

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivables;

## 2. Significant accounting policies (continued)

### (k) Leases (continued)

#### (ii) Recognition and initial measurement (continued)

**As a lessee (continued)**

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Bank are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Bank are reasonably certain not to terminate early.

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

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

#### (iii) Subsequent measurement

**As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those plant and equipment as follows:

- right-of-use assets 2 years - 10 years

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

### (l) Bills and acceptances payable

Bills and acceptances payable measured at amortised cost represents the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

### (m) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group and the Bank at the exchange rates at the date of the transactions.

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

### (n) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial

## 2. Significant accounting policies (continued)

### (n) Income tax (continued)

recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

### (o) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

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

The Group and the Bank contribute to the Employees' Provident Fund ("EPF") for eligible employees on a monthly basis. Obligations for contributions to EPF are recognised as an expense in profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

The Group and the Bank participate in equity-settled and cash-settled share-based compensation plan for the employees that is offered by the ultimate holding company, Citigroup Inc.. The fair value of the services received in exchange for the grant of the options is recognised as an expense in profit or loss over the vesting periods of the grant.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group and the Bank revise their estimates of the number of options that are expected to vest and recognise the impact of the revision of original estimates, if any, in profit or loss.

### (p) Provisions

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

### (q) Commitments and contingencies

The Bank issues financial guarantees, letter of credit and financing commitments but the norminal values of these instruments are not recorded in the statement of financial position. The same assessment criteria are used by the Group and the Bank in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet financing assets.

The measurement of credit loss for these irrecoverable off-balance sheet assets is based on a three-stage ECL model as described in Note 2(g)(i).

### (r) Deposits from customers and deposits and placements of banks and other financial institutions

Deposits from customers are stated at placement values and adjusted for accrued interest. Deposits and placements of banks and other financial institutions are stated at placement values.

### (s) Discontinued operation

A discontinued operation is a component of the Group's and the Bank's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

## 2. Significant accounting policies (continued)

### (t) Share capital

Ordinary shares are classified as equity.

## 3. Cash and short-term funds

| | Group | | Bank | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Cash and balances with banks and other financial institutions | 3,291 | 42,655 | 3,271 | 42,635 |
| Money at call and deposit placements maturing within one month | 10,967,333 | 9,049,983 | 10,967,333 | 9,049,983 |
| | 10,970,624 | 9,092,638 | 10,970,604 | 9,092,618 |

## 4. Deposits and placements with banks and other financial institutions

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Licensed banks | 500,586 | 742,818 |

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

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| More than one month and less than three months | - | 7,076 |
| More than three months | 500,586 | 735,742 |
| | 500,586 | 742,818 |

## 5. Investment securities

### (i) By measurement

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| **At fair value** | | |
| Investment securities measured at FVTPL | | |
| - Debt instruments | 1,023,688 | 919,115 |
| - Equity instruments | 8,311 | 7,388 |
| | 1,031,999 | 926,503 |
| Investment securities measured at FVOCI | | |
| - Debt instruments | 13,682,303 | 7,933,577 |
| | 14,714,302 | 8,860,080 |

The carrying amount of investment securities measured at FVOCI is its fair value. Accordingly, the recognition of a loss allowance does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings, and credit to other comprehensive income.

Movement of loss allowance by stage for investment securities measured at FVOCI is as follows:

| Group and Bank | 12-months ECL RM'000 |
|---|---|
| At 1 January 2021 | 1,779 |
| Changes in credit risk | 525 |
| At 31 December 2021/1 January 2022 | 2,304 |
| Changes in credit risk | 799 |
| At 31 December 2022 | 3,103 |

### (ii) By type

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Malaysian Government Treasury Bills | 2,396,066 | 1,728,466 |
| Malaysian Government Securities | 6,173,649 | 3,400,995 |
| Malaysian Government Investment Issues | 4,850,157 | 3,345,401 |
| U.S. Treasury Notes | 1,286,119 | 377,830 |
| Unquoted securities | 8,311 | 7,388 |
| | 14,714,302 | 8,860,080 |

## 6. Loans, advances and financing

### (i) By measurement

| | | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|---|
| Loans, advances and financing measured at amortised cost | | 5,618,013 | 18,696,502 |
| Gross loans, advances and financing | | 5,618,013 | 18,696,502 |
| Less: Loss allowance | Note (7)(iv) | (21,889) | (390,321) |
| Net loans, advances and financing | | 5,596,124 | 18,306,181 |

### (ii) By type

| | | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|---|
| Overdrafts | | 244,809 | 156,441 |
| Term loans/financing | | | |
| - Housing loans/financing | | - | 7,842,767 |
| - Other term loans/financing | | 356,567 | 1,569,221 |
| Bills receivable | | 777,605 | 818,682 |
| Trust receipts | | 567,647 | 584,703 |
| Claims on customers under acceptance credits | | 547,244 | 577,144 |
| Staff loans | | - | 24,640 |
| Credit cards receivables | | 159,086 | 4,889,754 |
| Revolving credit | | 2,969,467 | 2,240,970 |
| | | 5,622,425 | 18,704,322 |
| Unearned interest and income | | (4,412) | (7,820) |
| Gross loans, advances and financing | | 5,618,013 | 18,696,502 |
| Less: Loss allowance | Note (7)(iv) | (21,889) | (390,321) |
| Net loans, advances and financing | | 5,596,124 | 18,306,181 |

## 6. Loans, advances and financing (continued)

### (iii) By type of customer

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Domestic non-bank financial institutions | | |
| - Others | 446,058 | 467,999 |
| Domestic business enterprises | | |
| - Small and medium enterprises | 230,301 | 371,016 |
| - Others | 4,704,474 | 3,734,654 |
| Individuals | - | 13,202,069 |
| Foreign entities | 237,180 | 920,764 |
| | 5,618,013 | 18,696,502 |

### (iv) By interest/profit rate sensitivity

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Fixed rate | | |
| - Housing loans/financing | - | 374,877 |
| - Other fixed rate loans/financing | 4,645,635 | 9,813,145 |
| Variable rate | | |
| - Base rate/Base Lending Rate plus | 175,042 | 7,819,389 |
| - Cost plus | 797,336 | 689,091 |
| | 5,618,013 | 18,696,502 |

## 6. Loans, advances and financing (continued)

### (v) By sector

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Primary agriculture | 56 | 2,333 |
| Mining and quarrying | 66,852 | 46,350 |
| Manufacturing (including agriculture based) | 3,160,924 | 2,565,926 |
| Electricity, gas and water | 7,649 | 7,920 |
| Construction | 6,791 | 15,011 |
| Wholesale, retail trade, restaurants and hotels | 1,417,157 | 1,089,803 |
| Transport, storage and communication | 51,693 | 45,957 |
| Finance, insurance, real estate and business services | 788,700 | 956,042 |
| Social and community services | 108 | 9,734 |
| Household | | |
| - Consumption credit | - | 5,873,991 |
| - Residential | - | 7,263,201 |
| - Others | - | 64,877 |
| Other sectors | 118,083 | 755,357 |
| | 5,618,013 | 18,696,502 |

### (vi) Residual contractual maturity

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Maturing within one year | 5,272,859 | 9,685,821 |
| One to five years | 336,959 | 910,752 |
| Over five years | 8,195 | 8,099,929 |
| | 5,618,013 | 18,696,502 |

### (vii) By geographical distribution

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Within Malaysia | 5,618,013 | 18,696,502 |

## 7. Impaired loans, advances and financing

### (i) Movements in impaired loans, advances and financing are as follows:

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| At 1 January | 276,393 | 199,965 |
| Effect of disposal of Consumer Banking business | (252,939) | - |
| Classified as impaired during the year | 21,424 | 722,893 |
| Reclassified as performing during the year | (4,378) | (306,484) |
| Amount recovered | (25,027) | (149,421) |
| Amount written off | - | (155,978) |
| Others | (1,664) | (34,582) |
| At 31 December | 13,809 | 276,393 |
| Lifetime ECL credit impairment | (10,912) | (111,498) |
| Net impaired loans, advances and financing | 2,897 | 164,895 |
| Ratio of net impaired loans, advances and financing to gross loans, advances and financing less lifetime ECL credit impairment | 0.05% | 0.89% |

### (ii) Impaired loans, advances and financing by sector

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Primary agriculture | 56 | - |
| Mining and quarrying | 31 | 897 |
| Manufacturing (including agriculture based) | 3,398 | 6,199 |
| Construction | - | 492 |
| Wholesale, retail trade, restaurants and hotels | 7,543 | 7,120 |
| Transport, storage and communication | 168 | 10,136 |
| Finance, insurance, real estate and business services | 2,613 | 2,989 |
| Household | | |
| - Consumption credit | - | 50,276 |
| - Residential | - | 181,518 |
| Other sectors | - | 16,766 |
| | 13,809 | 276,393 |

## 7. Impaired loans, advances and financing (continued)

### (iii) Impaired loans, advances and financing by geographical distribution

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Within Malaysia | 13,809 | 276,393 |

### (iv) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

| Group and Bank | 12-months ECL RM'000 | Lifetime ECL not credit-impaired RM'000 | Lifetime ECL credit-impaired RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2022** | | | | |
| At 1 January | 174,639 | 104,184 | 111,498 | 390,321 |
| Effect of disposal of Consumer Banking business | (133,308) | (101,083) | (91,872) | (326,263) |
| Transfer to 12-months ECL | 532 | (532) | - | - |
| Transfer to lifetime ECL not credit-impaired | (146) | 146 | - | - |
| Transfer to lifetime ECL credit-impaired | (2) | - | 2 | - |
| Loans/financing derecognised during the year (other than write-offs) | (12,558) | (6,476) | (19,753) | (38,787) |
| New loans/financing originated or purchased | 16,707 | 8,082 | 13,403 | 38,192 |
| Net remeasurement of loss allowance | (1,890) | 3,344 | 81 | 1,535 |
| Changes due to change credit risk | (39,807) | (855) | (2,447) | (43,109) |
| At 31 December | 4,167 | 6,810 | 10,912 | 21,889 |

## 7. Impaired loans, advances and financing (continued)

### (iv) Loss allowance (continued)

| Group and Bank | 12-months ECL RM'000 | Lifetime ECL not credit-impaired RM'000 | Lifetime ECL credit-impaired RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2021** | | | | |
| At 1 January | 73,453 | 453,083 | 89,428 | 615,964 |
| Transfer to 12-months ECL | 662,252 | (605,532) | (56,720) | - |
| Transfer to lifetime ECL not credit-impaired | (13,983) | 79,752 | (65,769) | - |
| Transfer to lifetime ECL credit-impaired | (239) | (262,569) | 262,808 | - |
| Loans/financing derecognised during the year (other than write-offs) | (9,204) | (13,302) | (33,668) | (56,174) |
| New loans/financing originated or purchased | 11,811 | 7,340 | 23,379 | 42,530 |
| Net remeasurement of loss allowance | (651,390) | 592,741 | 19,464 | (39,185) |
| Modifications to contractual cash flows of financial assets | - | 67,462 | 6,580 | 74,042 |
| Changes in model/risk parameters | 503 | (103,128) | 11,191 | (91,434) |
| Write-offs | 465 | (8,144) | (140,354) | (148,033) |
| Others | 100,971 | (103,519) | (4,841) | (7,389) |
| At 31 December | 174,639 | 104,184 | 111,498 | 390,321 |

## 8. Other assets

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Interest/Profit receivable | 106,494 | 76,478 |
| Other debtors, deposits and prepayments | 272,325 | 707,038 |
| Derivative assets (Note 30) | 888,519 | 675,900 |
| | 1,267,338 | 1,459,416 |
| Less: Loss allowance | (1,153) | (603) |
| | 1,266,185 | 1,458,813 |

## 9. Statutory deposits with Bank Negara Malaysia

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

Effective 20 March 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021. Subsequently, BNM had made an announcement on 20 January 2021 that the flexibility is extended until 31 December 2022. As at 31 December 2022, there were no MGS measured at FVTPL and FVOCI recognised as part of SRR compliance (2021: RM140 million).

## 10. Deferred tax assets

Recognised deferred tax assets/(liabilities) are attributable to the following:

| Group and Bank | Plant and equipment-Capital allowances RM'000 | Right-of-use assets RM'000 | Provisions RM'000 | Reserves-Investment securities RM'000 | Lease liabilities RM'000 | Loss allowance RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2021 | (1,439) | (23,752) | 29,270 | (3,713) | 24,069 | 74,063 | 98,498 |
| Recognised in profit or loss (Note 24) | (2,872) | 3,859 | (5,636) | - | (3,876) | (18,389) | (26,914) |
| Recognised in profit or loss (Note 24) - Change of rate due to Cukai Makmur | (740) | (2,487) | 3,580 | - | 2,524 | 17,998 | 20,875 |
| Recognised in other comprehensive income | - | - | - | 18,821 | - | - | 18,821 |
| Recognised in other comprehensive income - Change of rate due to Cukai Makmur | - | - | - | 1,888 | - | - | 1,888 |
| At 31 December 2021/1 January 2022 | (5,051) | (22,380) | 27,214 | 16,996 | 22,717 | 73,672 | 113,168 |
| Recognised in profit or loss (Note 24) | 467 | 14,808 | 8,548 | - | (14,419) | (6,864) | 2,540 |
| Recognised in profit or loss (Note 24) - Change of rate due to Cukai Makmur | 509 | 841 | (3,941) | - | (922) | (483) | (3,996) |
| Effect of disposal of Consumer Banking business | - | - | (9,706) | - | - | (62,459) | (72,165) |
| Recognised in other comprehensive income | - | - | - | 7,560 | - | - | 7,560 |
| Recognised in other comprehensive income - Change of rate due to Cukai Makmur | - | - | - | (2,728) | - | - | (2,728) |
| At 31 December 2022 | (4,075) | (6,731) | 22,115 | 21,828 | 7,376 | 3,866 | 44,379 |

Deferred tax assets and liabilities are offset above as there is a legally enforceable right to set off current tax assets against current tax liabilities.

The Cukai Makmur is a one-off tax introduced by the Malaysian Government in Budget 2022, whereby taxable profits above RM100 million will be taxed at a rate of 33% instead of 24% rate prevailing for the year of assessment 2022.

## 11. Investments in subsidiaries

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| Unquoted shares at cost - in Malaysia | 20 | 20 |

Details of the wholly owned subsidiaries are as follows:

| Name of subsidiary | Principal activity | Principal place of business/ Country of incorporation | Effective ownership interest 2022 % | Effective ownership interest 2021 % |
|---|---|---|---|---|
| Citigroup Nominees (Tempatan) Sdn. Bhd. | Nominee company | Malaysia | 100 | 100 |
| Citigroup Nominees (Asing) Sdn. Bhd. | Nominee company | Malaysia | 100 | 100 |

All income and expenditure arising from the activities of the subsidiaries have been recognised in the Bank's statement of profit or loss and other comprehensive income.

The subsidiaries are audited by KPMG PLT.

## 12. Plant and equipment

| Group and Bank | Building improvements RM'000 | Right-of-use assets RM'000 | Furniture and equipment RM'000 | Total RM'000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At 1 January 2021 | 109,038 | 135,127 | 169,073 | 413,238 |
| Additions | 5,522 | 2,364 | 11,718 | 19,604 |
| Reclassification | 1,188 | - | (1,188) | - |
| Termination | - | (3,129) | - | (3,129) |
| Adjustments | - | (5,376) | - | (5,376) |
| Write-offs | (6,990) | - | (12,592) | (19,582) |
| At 31 December 2021/ 1 January 2022 | 108,758 | 128,986 | 167,011 | 404,755 |
| Additions | 5,830 | 602 | 13,913 | 20,345 |
| Reclassification | 410 | - | (410) | - |
| Adjustments | - | (3,808) | - | (3,808) |
| Effect of disposal of Consumer Banking business | (28,795) | (71,885) | (18,711) | (119,391) |
| Write-offs | (67,356) | - | (34,831) | (102,187) |
| At 31 December 2022 | 18,847 | 53,895 | 126,972 | 199,714 |
| ***Accumulated depreciation*** | | | | |
| At 1 January 2021 | 98,513 | 36,162 | 137,437 | 272,112 |
| Charge for the year | 4,301 | 13,907 | 11,102 | 29,310 |
| Reclassification | 82 | - | (82) | - |
| Termination | - | (1,461) | - | (1,461) |
| Adjustments | - | (2,511) | - | (2,511) |
| Write-offs | (6,978) | - | (12,538) | (19,516) |
| At 31 December 2021/ 1 January 2022 | 95,918 | 46,097 | 135,919 | 277,934 |
| Charge for the year | 5,010 | 11,358 | 11,034 | 27,402 |
| Reclassification | 146 | - | (146) | - |
| Effect of disposal of Consumer Banking business | (21,395) | (31,606) | (12,355) | (65,356) |
| Write-offs | (66,659) | - | (33,929) | (100,588) |
| At 31 December 2022 | 13,020 | 25,849 | 100,523 | 139,392 |
| ***Carrying amounts*** | | | | |
| At 1 January 2021 | 10,525 | 98,965 | 31,636 | 141,126 |
| At 31 December 2021/ 1 January 2022 | 12,840 | 82,889 | 31,092 | 126,821 |
| At 31 December 2022 | 5,827 | 28,046 | 26,449 | 60,322 |

## 12. Plant and equipment (continued)

### Right-of-use assets

The carrying amounts of the right-of-use assets comprise office buildings of RM27.65 million (2021: RM82.3 million) and vehicles of RM0.4 million (2021: RM0.6 million).

### Extension options

Some leases of office premises contain extension options exercisable by the Group and the Bank up to one year 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 the Bank 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.

### Significant judgements and assumptions in relation to leases

The Group and the Bank assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Bank also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

## 13. Deposits from customers

### (i) By type of deposits

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Demand deposits | 18,110,406 | 18,642,836 |
| Saving deposits | - | 1,931,287 |
| Fixed deposits | 1,687,593 | 6,046,931 |
| | 19,797,999 | 26,621,054 |

### (ii) Maturity structure of fixed deposits are as follows:

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Due within six months | 1,651,944 | 4,774,776 |
| Six months to one year | 18,075 | 1,268,935 |
| One year to five years | 17,574 | 3,220 |
| | 1,687,593 | 6,046,931 |

### (iii) By type of customer

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Government and statutory bodies | 2,022,087 | 1,004,446 |
| Business enterprises | 17,375,474 | 15,181,607 |
| Individuals | - | 10,295,685 |
| Others | 400,438 | 139,316 |
| | 19,797,999 | 26,621,054 |

## 14. Deposits and placements of banks and other financial institutions

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Bank Negara Malaysia | 5,666 | 607 |
| Licensed banks | 3,037,083 | 2,071,142 |
| Licensed financial institutions | 4,022,487 | 3,425,459 |
| | 7,065,236 | 5,497,208 |

## 15. Other liabilities

| | Note | Group and Bank 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Interest/Profit payable | | 10,900 | 22,489 |
| Other creditors and accruals | (a) | 1,309,198 | 1,156,553 |
| Structured products | | - | 67,399 |
| Provision for commitments and contingencies | | 8,728 | 11,846 |
| Derivative liabilities (Note 30) | | 994,418 | 605,615 |
| Lease liabilities | | 30,739 | 85,049 |
| | | 2,353,983 | 1,948,951 |

(a) Included in other creditors and accruals of the Group and the Bank is an amount refundable of RM277,536,000 to the Purchaser of the Consumer Banking business upon finalisation of the closing statement of the disposed Consumer Banking business in February 2023. The effects of the disposal are disclosed in Note 25(b).

## 16. Share capital

| | Group and Bank Amount 2022 RM'000 | Number of shares 2022 '000 | Amount 2021 RM'000 | Number of shares 2021 '000 |
|---|---|---|---|---|
| Issued and fully paid shares with no par value classified as equity instruments: | | | | |
| Ordinary shares | 502,000 | 121,697 | 502,000 | 121,697 |

The holders of ordinary shares are entitled to receive dividend from time to time, as and when declared by the Bank, after obtaining the regulatory approval from Bank Negara Malaysia prior to the declaration of dividend. All ordinary shares are entitled to one vote per share at meetings of the Bank.

## 17. Reserves

| | Note | Group and Bank 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Retained profits | | 4,364,574 | 4,728,990 |
| Regulatory reserve | (a) | 105,000 | - |
| Other reserve | | | |
| - Fair value reserve | (b) | (66,013) | (43,645) |
| Total reserves | | 4,403,561 | 4,685,345 |

**(a) Regulatory reserve**

The regulatory reserve is maintained in accordance with Bank Negara Malaysia's policy on Financial Reporting to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserve of no less than 1% (2021: no less than 1%) of total credit exposures, net of loss allowance for credit-impaired exposures.

**(b) Fair value reserve**

The fair value reserve is in respect of unrealised fair value gains and losses on investment securities at fair value through other comprehensive income.

## 18. Employee benefits

### Share capital accumulation plan (CAP)

The Group and the Bank have a number of capital accumulation programmes for the officers and employees. The Core CAP is a discretionary award of restricted shares. The number of CAP shares in a Core CAP award is calculated using a 25% discount from the market price of Citigroup common stock. Supplemental CAP is a discretionary retention award programme composed of an award of CAP shares. The difference between Supplemental CAP award and a Core CAP award is that generally, a Supplementary CAP is given in addition to the discretionary award package and the number of shares awarded will not be based on a discount from the market price of Citigroup common stock.

CAP granted in 2021 typically vest 25% each year for four years, with the first vesting date occurring 12 months after the grant date. Shares acquired upon exercise of a CAP option generally may not be sold for two years following the exercise date.

| | Group and Bank | |
|---|---|---|
| | 2022<br>'000 | 2021<br>'000 |
| **Number of shares** | | |
| Outstanding at 1 January | 19,569 | 22,577 |
| Granted | 10,637 | 7,460 |
| Vested | (7,578) | (10,377) |
| Net transferred out | (20) | 1,376 |
| Cancelled | (26) | (1,467) |
| Outstanding at 31 December | 22,582 | 19,569 |

Details of CAP granted during the year:

| | Group and Bank | |
|---|---|---|
| | 2022 | 2021 |
| Expiry dates | Feb 9, 2026 | Feb 10, 2025 |
| Average grant price per ordinary share (RM) | 292.24 | 262.87 |
| Aggregated proceeds if shares are issued (RM'000) | 3,109 | 1,961 |
| Details of CAP vested during the year: | | |
| Average exercise price per ordinary share (RM) | 282.17 | 274.13 |
| Aggregated issue proceeds (RM'000) | 2,314 | 2,285 |
| Fair value at date of vesting (RM'000) | 2,138 | 2,213 |

## 18. Employee benefits (continued)

### Share capital accumulation plan (CAP (continued))

Terms of the CAP outstanding at 31 December:

| | | | Group and Bank | |
|---|---|---|---|---|
| | | | 2022 | 2021 |
| | | | '000 | '000 |
| Grant year | Year of expiry | Grant price | | |
| Feb 2018 | Feb 2022 | RM326.98 | 248 | - |
| Feb 2018 | Feb 2022 | RM310.23 | - | 2,191 |
| Feb 2019 | Feb 2023 | RM274.21 | 2,604 | - |
| Feb 2019 | Feb 2023 | RM260.17 | - | 4,601 |
| Feb 2020 | Feb 2024 | RM346.62 | 3,544 | - |
| Feb 2020 | Feb 2024 | RM328.87 | - | 5,317 |
| Feb 2021 | Feb 2025 | RM277.06 | 5,595 | - |
| Feb 2021 | Feb 2025 | RM262.87 | - | 7,460 |
| Feb 2022 | Feb 2026 | RM292.24 | 10,591 | - |
| | | | 22,582 | 19,569 |

## 19. Interest income

### Group and Bank

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans and advances | | | | | | |
| - Interest income other than recoveries from impaired loans | 212,894 | 221,060 | 487,493 | 562,925 | 700,387 | 783,985 |
| - Recoveries from impaired loans | 5 | 9 | 47,894 | 57,809 | 47,899 | 57,818 |
| | 212,899 | 221,069 | 535,387 | 620,734 | 748,286 | 841,803 |
| Money at call and deposit placements with financial institutions | 206,012 | 108,672 | 15 | 37 | 206,027 | 108,709 |
| Investment securities | | | | | | |
| - Investment securities measured at FVTPL | 13,097 | 42,674 | - | - | 13,097 | 42,674 |
| - Investment securities measured at FVOCI | 259,640 | 203,200 | - | - | 259,640 | 203,200 |
| | 272,737 | 245,874 | - | - | 272,737 | 245,874 |
| Securities purchased under resale agreements | 11,094 | 6,277 | - | - | 11,094 | 6,277 |
| | 702,742 | 581,892 | 535,402 | 620,771 | 1,238,144 | 1,202,663 |
| Accretion of discount less amortisation of premium | (8,079) | (72,483) | - | - | (8,079) | (72,483) |
| Total interest income | 694,663 | 509,409 | 535,402 | 620,771 | 1,230,065 | 1,130,180 |

## 20. Interest expense

### Group and Bank

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Deposits and placements of banks and other financial institutions | 72,728 | 34,165 | 14 | 43 | 72,742 | 34,208 |
| Deposits from customers | 100,886 | 70,658 | 103,570 | 101,292 | 204,456 | 171,950 |
| Others | 6,089 | 2,813 | - | - | 6,089 | 2,813 |
| | 179,703 | 107,636 | 103,584 | 101,335 | 283,287 | 208,971 |

The amounts reported above are interest expense calculated using the effective interest rate method that relate to financial liabilities measured at amortised cost.

## 21. Other operating income

### Group and Bank

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Fee income: | | | | | | |
| - Commission | 37,876 | 29,992 | 19,472 | 59,035 | 57,348 | 89,027 |
| - Service charges and fees | 61,979 | 60,126 | 1,152 | 1,460 | 63,131 | 61,586 |
| - Guarantee fees | 8,201 | 8,258 | - | - | 8,201 | 8,258 |
| - Bankcard fees | 17,686 | 5,630 | 145,499 | 159,438 | 163,185 | 165,068 |
| - Insurance premium and referral | 1,595 | - | 17,919 | 27,247 | 19,514 | 27,247 |
| - Other fee income | 89,121 | 41,910 | 30,824 | 37,803 | 119,945 | 79,713 |
| | 216,458 | 145,916 | 214,866 | 284,983 | 431,324 | 430,899 |
| Trading income: | | | | | | |
| - Net unrealised loss from revaluation of investment securities at FVTPL - debt instruments | (1,920) | (2,096) | - | - | (1,920) | (2,096) |
| - Net gain from sales of investment securities at FVTPL - debt instruments | 14,771 | 7,604 | - | - | 14,771 | 7,604 |
| - Net (loss)/gain from sales of investment securities at FVOCI - debt instruments | (3,229) | 17,143 | - | - | (3,229) | 17,143 |
| | 9,622 | 22,651 | - | - | 9,622 | 22,651 |
| Other income: | | | | | | |
| - Foreign exchange gain, net | 569,982 | 85,277 | 12,697 | 12,018 | 582,679 | 97,295 |
| - (Loss)/gain from derivatives | (137,504) | 118,687 | 1,165 | 836 | (136,339) | 119,523 |
| - Net gain on revaluation of investment securities at FVTPL - equity instruments | 916 | 1 | - | - | 916 | 1 |
| - Gain on sale of discontinued operation (Note 25) | - | - | 381,689 | - | 381,689 | - |
| - Others | 36,198 | (399) | (2,035) | (3,872) | 34,163 | (4,271) |
| | 469,592 | 203,566 | 393,516 | 8,982 | 863,108 | 212,548 |
| | 695,672 | 372,133 | 608,382 | 293,965 | 1,304,054 | 666,098 |

## 22. Other operating expenses

### Group and Bank

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Personnel costs: | | | | | | |
| - Salaries, allowances and bonuses | 115,620 | 111,314 | 161,250 | 175,607 | 276,870 | 286,921 |
| - Contributions to Employees' Provident Fund | 19,798 | 16,952 | 25,209 | 28,327 | 45,007 | 45,279 |
| - Staff benefits and other compensations | 14,841 | 15,805 | 20,119 | 20,063 | 34,960 | 35,868 |
| - Others | 2,957 | 1,879 | 766 | 748 | 3,723 | 2,627 |
| | 153,216 | 145,950 | 207,344 | 224,745 | 360,560 | 370,695 |
| Establishment costs: | | | | | | |
| - Depreciation of plant and equipment | 12,754 | 12,867 | 3,290 | 2,506 | 16,044 | 15,373 |
| - Depreciation of right-of-use assets | 11,358 | 13,907 | - | - | 11,358 | 13,907 |
| - Interest expense on lease liabilities | 1,877 | 2,325 | - | - | 1,877 | 2,325 |
| - Hire of equipments relating to short-term leases | 328 | 271 | 110 | 162 | 438 | 433 |
| - Utilities | 3,553 | 3,233 | - | - | 3,553 | 3,233 |
| - Repairs and maintenance | 4,416 | 2,935 | 4,463 | 5,010 | 8,879 | 7,945 |
| - Plant and equipment written off | 1,599 | 44 | - | 22 | 1,599 | 66 |
| - Others | 14,533 | 13,365 | 1,981 | 886 | 16,514 | 14,251 |
| | 50,418 | 48,947 | 9,844 | 8,586 | 60,262 | 57,533 |
| Marketing expenses: | | | | | | |
| - Advertisement and promotional expenses | 2,219 | 759 | 26,977 | 31,908 | 29,196 | 32,667 |
| - Others | 167 | 1 | 8 | - | 175 | 1 |
| | 2,386 | 760 | 26,985 | 31,908 | 29,371 | 32,668 |
| Administrative and general expenses: | | | | | | |
| - Processing cost | 402,006 | 364,994 | 2,903 | 2,003 | 404,909 | 366,997 |
| - Auditors' remuneration: | | | | | | |
| - Statutory audit - Bank | 558 | 488 | - | - | 558 | 488 |
| - Statutory audit - subsidiaries | 3 | 3 | - | - | 3 | 3 |
| - Non-audit fee to local affiliate of KPMG Malaysia | 60 | 60 | - | - | 60 | 60 |
| - Stationeries and supplies | 1,034 | 961 | 3,258 | 3,037 | 4,292 | 3,998 |
| - Communication expenses | 4,417 | 1,272 | 12,611 | 6,581 | 17,028 | 7,853 |
| - Others | 43,041 | 26,539 | 46,985 | 62,503 | 90,026 | 89,042 |
| | 451,119 | 394,317 | 65,757 | 74,124 | 516,876 | 468,441 |
| Total other operating expenses | 657,139 | 589,974 | 309,930 | 339,363 | 967,069 | 929,337 |

## 22. Other operating expenses (continued)

### (i) CEO and Directors' remuneration

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Executive Director (including CEO) | | |
| Salary and other remuneration, including meeting allowances | 2,343 | 2,590 |
| Bonuses | 114 | 868 |
| Benefits-in-kind | 357 | 340 |
| Non-executive Directors | | |
| Fees | 541 | 821 |
| | 3,355 | 4,619 |

### (ii) Other key management personnel

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| Short-term employee salary and benefits | 1,636 | 2,696 |

| Group and Bank 2022 | Salary and other remuneration RM'000 | Fees RM'000 | Bonuses RM'000 | Benefits -in-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Executive Director and CEO** | | | | | |
| Usman Ahmed(1) | 2,343 | - | 114 | 357 | 2,814 |
| **Non-executive Directors** | | | | | |
| Mark Fordyce Hart | - | 180 | - | - | 180 |
| Datuk Ali bin Abdul Kadir | - | 180 | - | - | 180 |
| Philip Tan Puay Koon | - | 180 | - | - | 180 |
| Datuk Bazlan bin Osman(2) | - | 1 | - | - | 1 |
| | 2,343 | 541 | 114 | 357 | 3,355 |

(1) Usman Ahmed resigned as Director on 10 December 2022
(2) Datuk Bazlan bin Osman resigned as Director on 3 January 2022

| Group and Bank 2021 | Salary and other remuneration RM'000 | Fees RM'000 | Bonuses RM'000 | Benefits -in-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Executive Director and CEO** | | | | | |
| Usman Ahmed | 2,590 | - | 868 | 340 | 3,798 |
| **Non-executive Directors** | | | | | |
| Mark Fordyce Hart | - | 180 | - | - | 180 |
| Datuk Ali bin Abdul Kadir | - | 180 | - | - | 180 |
| Philip Tan Puay Koon | - | 180 | - | - | 180 |
| Terence Kent Cuddyre | - | 101 | - | - | 101 |
| Datuk Bazlan bin Osman | - | 180 | - | - | 180 |
| | 2,590 | 821 | 868 | 340 | 4,619 |

## 23. (Write back of)/Allowance for impairment on loans, advances and financing

### Group and Bank

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| 12-months ECL | (37,162) | 37,068 | 7,792 | 64,118 | (29,370) | 101,186 |
| Lifetime ECL not credit-impaired | 3,709 | (3,137) | (4,748) | (345,762) | (1,039) | (348,899) |
| Lifetime ECL credit-impaired | (8,716) | 4,935 | (16,779) | 17,135 | (25,495) | 22,070 |
| Impaired loans, advances and financing: | | | | | | |
| - Written off | - | 314 | 172,734 | 268,566 | 172,734 | 268,880 |
| - Recovered | - | - | (95,566) | (93,986) | (95,566) | (93,986) |
| | (42,169) | 39,180 | 63,433 | (89,929) | 21,264 | (50,749) |

## 24. Tax expense

### Recognised in profit or loss

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Income tax expense on continuing operations | 211,967 | 64,146 |
| Income tax expense on discontinued operation (Note 25) | 97,134 | 99,161 |
| Total income tax expense | 309,101 | 163,307 |
| Major components of income tax expense include: | | |
| **Current tax expense** | | |
| Malaysian income tax | | |
| - current year | 301,896 | 161,329 |
| - prior year under/(over) provision | 5,749 | (4,061) |
| Total current tax recognised in profit or loss | 307,645 | 157,268 |
| **Deferred tax expense** | | |
| - origination and reversal of temporary differences | 2,087 | 4,693 |
| - prior year (over)/under provision | (631) | 1,346 |
| Total deferred tax recognised in profit or loss | 1,456 | 6,039 |
| Total income tax expense | 309,101 | 163,307 |

### Reconciliation of tax expense

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Profit before taxation | | |
| - Continuing operations | 630,673 | 203,023 |
| - Discontinued operation | 669,012 | 568,369 |
| | 1,299,685 | 771,392 |
| Income tax using Malaysian tax rate of 24% | 24,000 | 185,134 |
| Income tax using Malaysian tax rate of 33% | 395,896 | - |
| Non-deductible expenses | 8,464 | 1,763 |
| Non-taxable income | (124,315) | - |
| Others | (62) | (20,875) |
| | 303,983 | 166,022 |
| Under/(Over) provision in prior year | 5,118 | (2,715) |
| | 309,101 | 163,307 |

## 25. Discontinued operation

In November 2022, the Group disposed of its Consumer Banking business to a third party ("the Purchaser"). The segment was not a discontinued operation or classified as held for sale as at 31 December 2021 and the comparative statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Profit attributable to the discontinued operation was as follows:

| | | Group and Bank | |
|---|---|---|---|
| **Recognised in profit or loss** | **Note** | **2022 RM'000** | **2021 RM'000** |
| Interest income | 19 | 535,402 | 620,771 |
| Interest expense | 20 | (103,584) | (101,335) |
| **Net interest income** | | 431,818 | 519,436 |
| Net income from Islamic Banking operations | 38(n) | 2,248 | 4,295 |
| Other operating income | 21 | 608,382 | 293,965 |
| **Total net income** | | 1,042,448 | 817,696 |
| Other operating expenses | 22 | (309,930) | (339,363) |
| **Operating profit** | | 732,518 | 478,333 |
| (Allowance for)/Write back of impairment on loans, advances and financing | 23 | (63,433) | 89,929 |
| (Allowance for)/Write back of impairment on other assets | | (73) | 107 |
| **Profit before taxation** | | 669,012 | 568,369 |
| Tax expense | 24 | (97,134) | (99,161) |
| **Profit for the year** | | 571,878 | 469,208 |

The profit for the year from discontinued operation of RM572 million (2021: RM469 million) is attributable entirely to the owners of the Bank.

| | Group 2022 RM'000 |
|---|---|
| **Cash flows from discontinued operation** | |
| Net cash from operating activities | 608,265 |
| Net cash from investing activities | 3,403,977 |
| Net cash from financing activities | - |
| Effect on cash flows | 4,012,242 |

## 25. Discontinued operation (continued)

### Effect of disposal on the financial position of the Group

| | Note | Group 31.10.2022 RM'000 |
|---|---|---|
| Cash and cash equivalents | | 17,134 |
| Loans, advances and financing | | 12,965,243 |
| Other assets | | 174,202 |
| Deferred tax assets | | 9,706 |
| Plant and equipment (including right-of-use assets) | | 54,035 |
| Deposits from customers | | (10,086,532) |
| Other liabilities | | (175,677) |
| Net assets and liabilities | | 2,958,111 |
| Business premium | (a) | 463,000 |
| Net consideration received, satisfied in cash | (b) | 3,421,111 |
| Cash and cash equivalents disposed of | | (17,134) |
| Net cash inflow | | 3,403,977 |

### (a) Gain on sale of discontinued operation

| | Group 2022 RM'000 |
|---|---|
| Business premium | 463,000 |
| *Less:* Transaction costs | (18,852) |
| *Less:* Adjustment to deferred tax assets arising from ECL on loans, advances and financing disposed | (62,459) |
| Net gain on sale of discontinued operation | 381,689 |

### (b) Net consideration received, satisfied in cash

| | Note | Group 2022 RM'000 |
|---|---|---|
| Initial consideration received | | 3,698,647 |
| *Less:* Amount refundable | 15 | (277,536) |
| Net consideration received, satisfied in cash | | 3,421,111 |

### (c) Reconciliation to statements of cash flows

| | Group 2022 RM'000 |
|---|---|
| Initial consideration received | 3,698,647 |
| *Less:* Cash and cash equivalents disposed of | (17,134) |
| *Less:* Transaction costs paid | (18,852) |
| Proceeds for disposal of discontinued operation, net of cash and cash equivalents disposed of and transaction cost | 3,662,661 |

## 26. Earnings per share

Basic earnings per share has been calculated based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year, calculated as follows:

| | Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Profit attributable to ordinary shareholders: | | |
| - Continuing operations | 418,706 | 138,877 |
| - Discontinued operation | 571,878 | 469,208 |
| | 990,584 | 608,085 |

| | Group | |
|---|---|---|
| | 2022 '000 | 2021 '000 |
| Number of ordinary shares at 31 December | 121,697 | 121,697 |

| | Group | |
|---|---|---|
| | 2022 sen | 2021 sen |
| Continuing operations | 344.1 | 114.1 |
| Discontinued operation | 469.9 | 385.6 |
| Basic earnings per share | 814.0 | 499.7 |

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

## 27. Dividends

Dividends recognised by the Bank are:

| | Sen per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2022** | | | |
| Final 2021 ordinary | 1027.1 | 1,250,000 | 30 June 2022 |
| **2021** | | | |
| Final 2020 ordinary | 434.9 | 529,201 | 29 June 2021 |

After the reporting date, the Directors proposed final dividend of 862.8 sen per ordinary share totalling RM1,050,000,000 in respect of the financial year ended 31 December 2022. This dividend will be recognised in subsequent financial period upon approval by the equity holder of the Bank.

## 28. Significant related party transactions and balances

For the purpose of these financial statements, parties are considered to be related to the Group or the Bank if the Group or the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control. Related parties may be individuals or other entities.

The related parties of the Group and the Bank are:

(i) Parent companies

Parent companies of the Group and the Bank are Citigroup Holding (Singapore) Pte. Ltd. and Citigroup Inc..

## 28. Significant related party transactions and balances (continued)

The related parties of the Group and the Bank are: (continued)

(ii) Other related companies

Entities which are related by virtue of having Citigroup Holding (Singapore) Pte. Ltd. as the holding company or having Citigroup Inc. as the ultimate holding company.

(iii) 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 or the Bank either directly or indirectly. The key management personnel of the Group or the Bank include all the Directors and certain members of senior management of the Group or the Bank. Key management personnel compensation is disclosed in Note 22(i) and (ii).

### (i) Transactions and balances with parent companies and other related companies

| | Group and Bank | | | |
|---|---|---|---|---|
| | Parent companies 2022 RM'000 | Other related companies 2022 RM'000 | Parent companies 2021 RM'000 | Other related companies 2021 RM'000 |
| **Income** | | | | |
| Interest on interest bearing deposits | 1,511 | 7,470 | 60 | 3,802 |
| Other income | 70,514 | - | 23,196 | 14,898 |
| | 72,025 | 7,470 | 23,256 | 18,700 |
| **Expenditure** | | | | |
| Interest on interest bearing deposits | - | 5,527 | - | 1,396 |
| Other expenses | 126,227 | 278,683 | 101,654 | 265,343 |
| | 126,227 | 284,210 | 101,654 | 266,739 |
| **Amount due from** | | | | |
| Interest bearing deposits | - | 500,955 | - | 788,421 |
| Current account balances | 4,408 | 253,658 | 4,168 | 278,345 |
| Other balances | 122,283 | 193,300 | 10,603 | 510,436 |
| | 126,691 | 947,913 | 14,771 | 1,577,202 |
| **Amount due to** | | | | |
| Interest bearing deposits | - | 373,279 | - | 276,951 |
| Current account balances | 1,447,168 | 472,814 | 879,137 | 379,301 |
| Other balances | 70,500 | 57,502 | 11,940 | 289,055 |
| | 1,517,668 | 903,595 | 891,077 | 945,307 |

All related party transactions are conducted at arm's length basis and on normal commercial terms which are not more favourable than those generally available to public.

## 28. Significant related party transactions and balances (continued)

### (ii) Intercompany charges with a breakdown by type of services received and geographical distribution

| | Group and Bank | | | | |
|---|---|---|---|---|---|
| | Asia Pacific RM'000 | North America RM'000 | Europe, the Middle East and Africa RM'000 | Latin America RM'000 | Total RM'000 |
| **2022** | | | | | |
| System & technology | 131,415 | 11,961 | 724 | 14 | 144,114 |
| Operation & technology support | 56,019 | 22,584 | 497 | - | 79,100 |
| Global functions | (3,517) | 62,003 | - | - | 58,486 |
| Data center | 65,481 | 12,344 | 431 | - | 78,256 |
| Global/Regional Business | 21,545 | 22,743 | 384 | - | 44,672 |
| Others | (17) | 298 | - | - | 281 |
| | 270,926 | 131,933 | 2,036 | 14 | 404,909 |
| **2021** | | | | | |
| System & technology | 120,804 | 17,011 | 943 | 3 | 138,761 |
| Operation & technology support | 55,552 | 15,078 | 898 | - | 71,528 |
| Global functions | (1,785) | 48,023 | - | - | 46,238 |
| Data center | 53,095 | 9,850 | 326 | - | 63,271 |
| Global/Regional Business | 32,046 | 14,610 | 381 | - | 47,037 |
| Others | (119) | 280 | 1 | - | 162 |
| | 259,593 | 104,852 | 2,549 | 3 | 366,997 |

## 29. Credit transactions and exposures with connected parties

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Outstanding credit exposures with connected parties | 1,642,052 | 2,065,618 |
| Total credit exposure which is non-performing or in default | - | - |
| Total credit exposures | 37,727,920 | 47,210,392 |
| Percentage of outstanding credit exposures to connected parties | | |
| - as a proportion of total credit exposures | 4.35% | 4.38% |
| - as a proportion of capital base | 33.69% | 38.77% |
| - which is non-performing or in default | 0.00% | 0.00% |

The disclosure on Credit Transactions and Exposures with Connected Parties above are presented in accordance with paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 16 July 2014.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive Officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. They also include holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and creditworthiness. Due care has been taken to ensure that the creditworthiness of the connected party is not less than that normally required of other persons.

## 30. Derivative financial instruments

| | Contract amount RM'000 | Positive fair value RM'000 | Negative fair value RM'000 |
|---|---|---|---|
| **2022** | | | |
| Foreign exchange related contracts: | | | |
| - Forwards | 79,734,807 | 372,581 | 578,585 |
| - Cross currency interest rate swaps | 5,167,642 | 44,708 | 15,667 |
| - Options | 1,259,883 | 4,061 | 2,531 |
| Interest/Profit rate contracts: | | | |
| - Swaps | 104,510,980 | 384,144 | 302,770 |
| - Options | 90,000 | - | - |
| - Forwards | 5,263,533 | 569 | 6,711 |
| Equity related contracts | 83,044 | 1,387 | 1,499 |
| Others | 17,389,859 | 81,069 | 86,655 |
| | 213,499,748 | 888,519 | 994,418 |
| | | Note 8 | Note 15 |
| **2021** | | | |
| Foreign exchange related contracts: | | | |
| - Forwards | 69,581,180 | 158,441 | 173,865 |
| - Cross currency interest rate swaps | 3,985,060 | 17,366 | 5,678 |
| - Options | 1,167,176 | 1,739 | 1,359 |
| Interest/Profit rate contracts: | | | |
| - Swaps | 103,001,845 | 107,783 | 26,324 |
| - Options | 2,700,206 | - | - |
| Others | 15,512,558 | 390,571 | 398,389 |
| | 195,948,025 | 675,900 | 605,615 |
| | | Note 8 | Note 15 |

## 31. Financial risk management

The Group's and the Bank's risk management framework are designed to monitor, evaluate and manage the principal risk they assume in conducting their activities. These risks include the following:

- Credit risk
- Market risk
- Operational risk

### (1) Credit Risk

Credit risk is the risk of financial loss to the Group and the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and the Bank's loans and advances to customers and other banks, and investment in debt securities and when the Group or the Bank acts as an intermediary on behalf of its clients and other third parties.

The credit risk management process of the Group and the Bank relies on corporate-wide standards to ensure consistency and integrity, with business-specific policies and practices to ensure applicability and ownership. While business managers and independent risk management are jointly responsible for managing risk/return trade-offs as well as establishing limits and risk management practices, the origination and approval roles are clearly defined and segregated. In addition to conforming to established corporate standards, independent credit risk management is responsible for establishing policies that comply with local regulations and any other relevant legal requirements.

Independent credit risk management is also responsible for implementing portfolio limits, including obligor limits through risk rating, maturity and business segments limits to ensure diversification of portfolios, monitoring business risk management performance, providing on-going assessment of portfolio credit risk and approving new products.

Continuous monitoring of credit behaviour and portfolio delinquency performance allows independent credit risk management to constantly assess the health of the credit portfolio.

The Group and the Bank secure various forms of collateral to mitigate credit risk exposures. The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- for commercial property loans - charges over the properties being financed
- for other loans - charges over business assets such as premises, inventories, trade receivables or deposits

#### Risk Concentration

***Wholesale***

Credit concentration risk refers to the risk of material loss due to large exposures to individual counterparties or groups of counterparties whose likelihood of default is driven by common underlying factors. The Group and the Bank have processes in place to identify and measure credit concentration risk.

- Obligor concentration - Obligors are aggregated to relationship groups on the basis of ownership and/or management control. The resulting total exposure within each relationship group is required to remain within the Total Credit Facilities approved for that obligor and Obligor Limit of the relationship group, based on an aggregate notional exposure limit, tenor notional limits and credit and cross-border risk capital limits. Total exposure used for the purposes of measuring against obligor limits contains the aggregate of direct, contingent and market sensitive exposure outstanding's across all tenor buckets. Risk capital includes the Credit Risk Capital and Cross Border Risk Capital associated with all facilities to an entity.

## 31. Financial risk management (continued)

### (1) Credit Risk (continued)

#### Risk Concentration (continued)

*Wholesale (continued)*

- Industry concentration - Industry limits are managed on an overall global basis under an industry limit framework/model which incorporates historical risk, return and concentration metrics. The goal of industry limit setting is to establish a framework for managing industry risk to improve the overall return on the Group's and the Bank's capital by doing the following:

  - Reduce industry concentration risk, particularly to those industries with fat tail risk.
  - Allocate capital to those industries that have historically had higher returns on capital.
  - Reduce concentrations in industries based on capital intensity, total size, and portfolio dispersion.

  Concentration risk is assessed on a quarterly basis through review of exposure class by single counterparty and industry. These concentrations are presented and discussed regularly at Board and Risk Management Committee meetings.

- Counterparty concentration - The Group and the Bank assess large exposures to single counterparty groups of connected obligors, either through common ownership or control, or through financial and economic interdependencies, in compliance with the Single Counterparty Exposure Limit ("SCEL") policy. Risk concentration to a single counterparty may arise through direct exposures to the counterparty and indirectly through exposures to guarantors and protection providers. In order to manage and contain large exposure to single counterparties, there are a series of checks and balances, as defined in the SCEL policy, to ensure that exposure to a single counterparty does not exceed 25% of the Bank's qualifying capital.

- Industry concentration - Concentration risk is assessed using the Herfindahl-Hirschman Index ("HHI"). HHI is used as an overarching tool to measure and quantify the extent of portfolio wide concentration by industry sector. HHI of more than 25% indicates high concentration. Methodology is applied on total wholesale's exposures on an extending unit basis and using the Obligor Risk Management Industry. The Industry Concentration is reviewed on a bi-monthly basis and presented quarterly to the Country Coordinating Committee ("CCC"). In the event that industry concentration exceeds 25% of gross outstanding and unused commitment ("OSUC"), the Country Risk Manager will present an exposure management plan that includes a timeframe to contain the said exposure in that specific industry and/or address the excess by highlighting mitigants to the concentration issue.

#### Risk Mitigation

*Wholesale*

Hedging and mitigating credit risk are performed through eligible collateral, personal and/or corporate guarantees, targeted exposure reduction, loan sales and derivatives. Hedges and risk mitigation are subject to applicable credit policies. To the extent permissible by local law, cross-product netting and cross-product margining can be achieved through a qualifying master netting agreement that provides for termination, cross-default, and close-out netting across multiple types of financial transactions documented under multiple agreements. Close-out netting occurs when termination values of all transactions documented under a single agreement are calculated and netted to determine a single lump sum close-out amount that is either due to, or by, a counterparty. Determination on whether a margin can function as a legally recognisable risk mitigant against exposure and thereby decrease the Group's and the Bank's exposure is made on a counterparty by counterparty, agreement by agreement basis, giving consideration to such factors as the place of organisation of the counterparty, the insolvency laws applicable, the location of the margin, and the relevant documentation. Margining must be covered by an International Swaps and Derivative Association ("ISDA"), Credit Support Agreement (where appropriate) or equivalent Master Agreements if required by local law.

## 31. Financial risk management (continued)

### (1) Credit Risk (continued)

#### Risk Mitigation (continued)

***Wholesale (continued)***

Collateral and other secured assets should have perfected first priority security interest. This includes physical collateral (evaluated by an approved external appraiser) as well as cash and financial collateral. All qualifying collateral that is pledged to support direct and contingent risk exposures must be legally enforceable and documented with insurance coverage as applicable. An approved technology system for collateral data collection and aggregation is used to track current collateral values for regulatory capital treatment. Collateral is reviewed annually or more often as deemed appropriate. The Group and the Bank accept physical collateral such as equipment, inventory, and real estate in addition to cash and financial collateral. Acceptable guarantees are personal, third-party, and corporate guarantees. Risk from collateral is mitigated by accepting only approved assets. Guarantees are primarily from qualified parties that are related to obligors or acceptable third parties in the form of standby letter of credit.

#### Risk Assessment

***Wholesale***

Credit risk can be divided into two broad categories namely, Lending Risk (which consists of Direct & Contingent lending risks) and Counterparty Risk (Pre-settlement & Settlement Risks).

- Direct lending risk is the risk that actual customer obligations (loans and overdrafts) cannot be settled on time while Contingent lending risk is the potential claims against customer or potential customer obligations (letter of credit, guarantees) that will become actual obligations when not be settled on time.

- Pre-settlement risk is the risk that a counterparty may default on a contractual obligation to the back before the settlement date (current mark-to-market + maximum likely increase in value) while Settlement Risk occurs on the maturity date when the Bank has delivered its side of the transaction, but do not receive simultaneous delivery (due to time zone difference etc).

The Credit Approval process covers credit reviews and approvals. Credit lines are proposed or recommended for renewal by the Business Sponsor and approved by Independent Risk according to the credit policy standards.

Credit Risk Assessment (credit evaluation) of an obligor includes i) regular review of risk ratings and classifications and ii) incorporates quantitative and qualitative factors, including financial and non-financial disclosures or metrics, idiosyncratic events or changes to the competitive, regulatory or macroeconomic environment.

The credit limits and product offering are based on the end-to-end credit assessment, including relationship strategy and risk-returns assessment.

The Risk Rating process is a vital component of risk management measures and a key variable in the returns calculations. Risk Rating models, including Debt Rating Models (which takes into account an obligor's key financials) and Scorecard Models that determine an obligor's one year probability of default.

The credit approval sign-off is provided at various levels depending on the size and type of facility and may even include specific industry and cross border approvals as the case may be. The approval levels are governed by a credit approval grid which is based on Risk Appetite (facility limit based) and Concentration Risk (exposure based).

Early Problem Recognition is an inherent and critical tool of the wholesale risk management process. Repayment capacity and financial strength are two key components in determining the classification of an obligor.

## 31. Financial risk management (continued)

### (1) Credit Risk (continued)

#### Risk Assessment (continued)

***Wholesale (continued)***

All facilities are accorded classification grades as follows:

- Pass - indicating no evident weakness.
- Pass Watch-list - indicating potential weakness but mitigated by the current and projected financial and operating strength of the obligor.
- Special Mention - indicating potential weaknesses that deserve management's close attention.
- Sub-standard - facilities that are inadequately protected by the current sound worth and paying capacity of the obligor indicating well-defined weakness, or weaknesses, that jeopardise the liquidation of the debt.
- Doubtful - facilities with weakness in credit making collection or liquidation in full highly questionable.

Classifications in addition to Risk Ratings are used to evaluate the overall portfolio quality of the business.

## 31. Financial risk management (continued)

### (A) Credit risk exposures and credit risk concentration

The following tables present the Group's maximum exposure to credit risk of its on and off balance sheet financial instruments at each reporting date, by industry and geographical analysis, before taking into account collateral held or other credit enhancements.

#### *(i) By industry analysis*

| Group 2022 | Government and Central banks RM'000 | Financial services, insurance, real estate & business services RM'000 | Primary agriculture RM'000 | Mining and quarrying RM'000 | Manufacturing RM'000 | Electricity, gas and water supply RM'000 | Construction RM'000 | Wholesale, retail trade, restaurants & hotels RM'000 | Transport, storage & communication RM'000 | Social and community services RM'000 | Other sectors RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| On-Balance Sheet | | | | | | | | | | | | |
| Cash and short-term funds | 10,698,100 | 272,524 | - | - | - | - | - | - | - | - | - | 10,970,624 |
| Deposits and placements with banks and other financial institutions | - | 500,586 | - | - | - | - | - | - | - | - | - | 500,586 |
| Securities purchased under resale agreements | 301,988 | 592,463 | - | - | - | - | - | - | - | - | - | 894,451 |
| Investment securities | 14,705,991 | - | - | - | - | - | - | - | - | - | 8,311 | 14,714,302 |
| Loans, advances and financing | - | 785,785 | - | 66,776 | 3,155,999 | 7,645 | 6,778 | 1,403,752 | 51,313 | 76 | 118,000 | 5,596,124 |
| Other assets | - | 1,044,283 | - | 341 | 28,542 | 89 | 23 | 32,044 | 2,209 | 93,633 | 65,021 | 1,266,185 |
| Statutory deposits with Bank Negara Malaysia | 177,702 | - | - | - | - | - | - | - | - | - | - | 177,702 |
| | 25,883,781 | 3,195,641 | - | 67,117 | 3,184,541 | 7,734 | 6,801 | 1,435,796 | 53,522 | 93,709 | 191,332 | 34,119,974 |
| Contingent liabilities (Note 35) | - | 274,690 | 5 | 393,071 | 862,446 | 388,769 | 12,190 | 361,225 | 309,396 | 1,055 | 88,905 | 2,691,752 |
| Commitments^ (Note 35) | - | 2,621,295 | 164,818 | 282,661 | 6,223,235 | 199,121 | 99,100 | 3,929,495 | 767,126 | 2,192 | 206,672 | 14,495,715 |
| Total Credit Exposures | 25,883,781 | 6,091,626 | 164,823 | 742,849 | 10,270,222 | 595,624 | 118,091 | 5,726,516 | 1,130,044 | 96,956 | 486,909 | 51,307,441 |

^ Commitments excluding derivatives

## 31. Financial risk management (continued)

### (A) Credit risk exposures and credit risk concentration (continued)

#### *(i) By industry analysis (continued)*

| Group 2021 | Government and Central banks RM'000 | House-hold loans RM'000 | Financial services, insurance, real estate & business services RM'000 | Primary agriculture RM'000 | Mining and quarrying RM'000 | Manufacturing RM'000 | Electricity, gas and water supply RM'000 | Construction RM'000 | Wholesale, retail trade, restaurants & hotels RM'000 | Transport, storage & communication RM'000 | Social and community services RM'000 | Other sectors RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| On-Balance Sheet | | | | | | | | | | | | | |
| Cash and short-term funds | 8,679,100 | - | 413,538 | - | - | - | - | - | - | - | - | - | 9,092,638 |
| Deposits and placements with banks and other financial institutions | - | - | 742,818 | - | - | - | - | - | - | - | - | - | 742,818 |
| Securities purchased under resale agreements | 396,522 | - | - | - | - | - | - | - | - | - | - | - | 396,522 |
| Investment securities | 8,852,692 | - | - | - | - | - | - | - | - | - | - | 7,388 | 8,860,080 |
| Loans, advances and financing | - | 12,876,688 | 915,245 | 2,287 | 46,342 | 2,558,266 | 7,795 | 14,857 | 1,080,102 | 39,529 | 9,713 | 755,357 | 18,306,181 |
| Other assets | - | - | 1,042,825 | - | 5,315 | 112,243 | 7,912 | 47 | 13,657 | (2,102) | 49,656 | 229,260 | 1,458,813 |
| Statutory deposits with Bank Negara Malaysia | 159,643 | - | - | - | - | - | - | - | - | - | - | - | 159,643 |
| | 18,087,957 | 12,876,688 | 3,114,426 | 2,287 | 51,657 | 2,670,509 | 15,707 | 14,904 | 1,093,759 | 37,427 | 59,369 | 992,005 | 39,016,695 |
| Contingent liabilities (Note 35) | - | - | 420,276 | 5 | 406,783 | 939,200 | 732,812 | 37,015 | 309,322 | 92,055 | 1,106 | 58,617 | 2,997,191 |
| Commitments^ (Note 35) | - | 18,194,611 | 2,581,262 | 145,613 | 497,029 | 7,000,941 | 189,917 | 117,991 | 2,923,092 | 594,256 | 2,237 | 100,029 | 32,346,978 |
| Total Credit Exposures | 18,087,957 | 31,071,299 | 6,115,964 | 147,905 | 955,469 | 10,610,650 | 938,436 | 169,910 | 4,326,173 | 723,738 | 62,712 | 1,150,651 | 74,360,864 |

^ Commitments excluding derivatives

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents deposited by the subsidiaries which were eliminated in the above tables.

## 31. Financial risk management (continued)

### (A) Credit risk exposures and credit risk concentration (continued)

#### *(ii) By geographical analysis*

| Group 2022 | Malaysia RM'000 | Singapore RM'000 | Hong Kong & China PRC RM'000 | Japan RM'000 | Australasia RM'000 | North America RM'000 | United Kingdom RM'000 | Other countries RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| On-Balance Sheet | | | | | | | | | |
| Cash and short-term funds | 10,701,797 | 29,504 | 30,663 | 55,866 | 52,765 | 4,951 | 39 | 95,039 | 10,970,624 |
| Deposits and placements with banks and other financial institutions | 500,586 | - | - | - | - | - | - | - | 500,586 |
| Securities purchased under resale agreements | 894,451 | - | - | - | - | - | - | - | 894,451 |
| Investment securities | 14,672,666 | - | - | - | - | 41,636 | - | - | 14,714,302 |
| Loans, advances and financing | 5,596,124 | - | - | - | - | - | - | - | 5,596,124 |
| Other assets | 967,572 | 38,681 | 18,215 | 1 | 10,111 | 93,633 | 123,283 | 14,689 | 1,266,185 |
| Statutory deposits with Bank Negara Malaysia | 177,702 | - | - | - | - | - | - | - | 177,702 |
| | 33,510,898 | 68,185 | 48,878 | 55,867 | 62,876 | 140,220 | 123,322 | 109,728 | 34,119,974 |
| Contingent liabilities (Note 35) | 2,512,077 | 78,317 | - | - | 4,974 | 45,388 | 12,346 | 38,650 | 2,691,752 |
| Commitments^ (Note 35) | 14,495,715 | - | - | - | - | - | - | - | 14,495,715 |
| Total Credit Exposures | 50,518,690 | 146,502 | 48,878 | 55,867 | 67,850 | 185,608 | 135,668 | 148,378 | 51,307,441 |

^ Commitments excluding derivatives

## 31. Financial risk management (continued)

### (A) Credit risk exposures and credit risk concentration (continued)

#### *(ii) By geographical analysis (continued)*

| Group 2021 | Malaysia RM'000 | Singapore RM'000 | Hong Kong & China PRC RM'000 | Japan RM'000 | Australasia RM'000 | North America RM'000 | United Kingdom RM'000 | Other countries RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| On-Balance Sheet | | | | | | | | | |
| Cash and short-term funds | 8,726,327 | 72,286 | 53,001 | - | 64,856 | 2,130 | 36,259 | 137,779 | 9,092,638 |
| Deposits and placements with banks and other financial institutions | 732,844 | 9,974 | - | - | - | - | - | - | 742,818 |
| Securities purchased under resale agreements | 396,522 | - | - | - | - | - | - | - | 396,522 |
| Investment securities | 8,860,080 | - | - | - | - | - | - | - | 8,860,080 |
| Loans, advances and financing | 18,306,181 | - | - | - | - | - | - | - | 18,306,181 |
| Other assets | 291,470 | 6,271 | (449) | 2 | (690) | 568,496 | 237,749 | 355,964 | 1,458,813 |
| Statutory deposits with Bank Negara Malaysia | 159,643 | - | - | - | - | - | - | - | 159,643 |
| | 37,473,067 | 88,531 | 52,552 | 2 | 64,166 | 570,626 | 274,008 | 493,743 | 39,016,695 |
| Contingent liabilities (Note 35) | 2,782,327 | 14,056 | - | - | 4,126 | 30,132 | 13,915 | 152,635 | 2,997,191 |
| Commitments^ (Note 35) | 32,346,978 | - | - | - | - | - | - | - | 32,346,978 |
| Total Credit Exposures | 72,602,372 | 102,587 | 52,552 | 2 | 68,292 | 600,758 | 287,923 | 646,378 | 74,360,864 |

^ Commitments excluding derivatives

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents deposited by the subsidiaries which were eliminated in the above tables.

## 31. Financial risk management (continued)

### (B) Deposits and placements with banks and other financial institutions

#### *(i) Deposits and placements with banks and other financial institutions analysis by credit rating*

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| A+ | - | 9,787 |
| Unrated | 500,586 | 733,031 |
| | 500,586 | 742,818 |

#### *(ii) Deposits and placements with banks and other financial institutions analysis by geographical location where the credit risk of issuers reside, regardless of where the assets are booked, is as follows:*

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Malaysia | 500,586 | 732,844 |
| Other | - | 9,974 |
| | 500,586 | 742,818 |

### (C) Other securities

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Investment securities | 14,714,302 | 8,860,080 |

## 31. Financial risk management (continued)

### (C) Other securities (continued)

#### *(i) Other securities analysis by credit rating*

At the reporting date, the credit quality of investment in other securities by designation of an external credit assessment institution is as follows:

| | Group and Bank | |
|---|---|---|
| | 2022<br>RM'000 | 2021<br>RM'000 |
| AAA | 41,636 | - |
| A+ to A- | 13,418,800 | 8,135,586 |
| BBB+ | 1,245,555 | 717,106 |
| Unrated | 8,311 | 7,388 |
| | 14,714,302 | 8,860,080 |

#### *(ii) Other securities analysis by geographical location where the credit risk of issuers reside, regardless of where the assets are booked, is as follows:*

| | Group and Bank | |
|---|---|---|
| | 2022<br>RM'000 | 2021<br>RM'000 |
| Malaysia | 14,672,666 | 8,860,080 |
| North America | 41,636 | - |
| | 14,714,302 | 8,860,080 |

### (D) Credit quality of loans, advances and financing

Neither past due nor impaired

Included in the total loans, advances and financing of neither past due nor impaired are renegotiated loans. The analysis below represents the carrying amount of loans that would otherwise be past due or impaired if their terms had not been renegotiated. These renegotiated loans are considered neither past due nor impaired after they have been monitored as impaired loans until a minimum number of payments have been received under the new terms.

| | Group and Bank | |
|---|---|---|
| | 2022<br>RM'000 | 2021<br>RM'000 |
| Renegotiated loans | - | 195,508 |

## 31. Financial risk management (continued)

### (D) Credit quality of loans, advances and financing (continued)

#### Impaired

Loans, advances and financing are classified as impaired when they meet one of the following criteria:

(i) principal or interest or both are past due for 90 days or more;

(ii) significant financial difficulty;

(iii) enter bankruptcy or other financial reorganisation;

(iv) adverse changes in the payment status;

(v) national or economic conditions that correlate with defaults on the assets; and

(vi) disappearance of an active market for a security.

Estimated value of collaterals against past due but not impaired and impaired loans are Nil (2021: RM316.8 million).

| | | Group and Bank | |
|---|---|---|---|
| | | 2022 RM'000 | 2021 RM'000 |
| Loans, advances and financing | | | |
| Stage 1 | | 5,528,049 | 17,608,937 |
| Stage 2 | | 76,155 | 811,172 |
| Stage 3 | | 13,809 | 276,393 |
| Gross amount | | 5,618,013 | 18,696,502 |
| Less: Loss allowance | Note (7)(iv) | (21,889) | (390,321) |
| Carrying amount | | 5,596,124 | 18,306,181 |

### (E) Exposures to COVID-19 impacted sectors

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Loans, advances and financing - Non-retail | | |
| On-balance sheet (net of impairment): | | |
| Retail and wholesale/trading, accommodation, travel agencies/tourism, airline/aviation | 1,444,137 | 1,093,800 |

## 31. Financial risk management (continued)

### (F) COVID-19 customer relief and support measures

#### Group and Bank

| | Retail Customers | | | | Non-retail Customers | |
|---|---|---|---|---|---|---|
| | Mortgages RM'000 | Credit card RM'000 | Personal Financing RM'000 | Total RM'000 | Total RM'000 | Grand Total RM'000 |
| **2021** | | | | | | |
| Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted | 7,740,025 | 182,184 | 820,839 | 8,743,048 | 19,120 | 8,762,168 |
| Of which: | | | | | | |
| Resumed repayments | 5,815,674 | 22,640 | 339,434 | 6,177,748 | 7,793 | 6,185,541 |
| Extended and repaying as per revised schedules | 1,656,445 | 126,597 | 379,223 | 2,162,265 | 11,327 | 2,173,592 |
| Missed payments | 267,906 | 32,947 | 102,182 | 403,035 | - | 403,035 |
| | 7,740,025 | 182,184 | 820,839 | 8,743,048 | 19,120 | 8,762,168 |
| As a percentage of total: | | | | | | |
| Resumed repayments | 75% | 12% | 41% | 71% | 41% | 71% |
| Extended and repaying as per revised schedules | 21% | 70% | 46% | 25% | 59% | 25% |
| Missed payments | 4% | 18% | 13% | 4% | - | 4% |
| | 100% | 100% | 100% | 100% | 100% | 100% |

## 31. Financial risk management (continued)

### (2) Market Risk

Market risk is the potential loss resulting from a change in the current economic value of a position, due to changes in the associated underlying market risk factors. Market risk encompasses price risk and liquidity risk, both arising in the normal course of business operations in a global financial intermediary. At Citibank Berhad, market risk is managed through corporate-wide standards, business policies and procedures with the help of responsible personnel and committees delegated by the Board of Directors (for example, the Asset and Liability Committee, Country Coordinating Committee and Market Risk Management).

Market risk is measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk. The business is required to establish, with approval from independent market risk management, a market risk limit framework for identified risk factors, clearly defining approved risk profiles within the parameters of the Bank's overall risk appetite. The result of every risk assessment and review exercise is then presented to the Board of Directors for feedback and recommended action (if necessary).

In terms of internal controls, Market Risk Management, an independent group, oversees market and liquidity risks and ensures that the approved risk profile is consistent with Citibank Berhad's overall risk appetite. Price risk limits are monitored on a daily basis. Limit excesses are highlighted to the Asset and Liability Committee, Country Coordinating Committee and the Risk Management Committee.

***Price Risk***

Price risk is the risk associated to earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices, credit spread and in their implied volatilities. Price risk arises in trading portfolios as well as non-trading portfolios.

Price risk in trading portfolios is measured through a complementary set of tools such as factor sensitivities, value-at-risk, loss trigger and stress testing.

It is the responsibility of the independent market risk management to ensure that factor sensitivities are calculated, monitored and in most cases limited, for all relevant risks taken in a trading portfolio. In addition, stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements.

Interest rate risk in non-trading portfolios is inherent in many client-related activities, primarily lending and deposit taking from both individuals and corporations. Interest rate risk arises due to factors including the timing of rate resetting and maturity period between assets and liabilities, change in the profile of assets and liabilities whereby the maturity period differs in response to movements in market interest rates, changes in the yield curve and spread between various market rate indices.

Interest Rate Exposure (income metrics) is used as a tool to monitor interest rate risk and is calculated as the pre-tax impact on net interest revenue for banking book positions, premised upon defined shifts in interest rates over a specified reporting period. Economic Value of Equity / Economic Value Sensitivity (valuation metric) measures the impact of interest rate changes on the firm's capital. This impact can be measured using stress test, EVS and/or DV01 risk metrics to capture the impact of interest rate changes on the economic value of assets and liabilities.

## 31. Financial risk management (continued)

### (2) Market Risk (continued)

*Trading Portfolio*

The capital charge for the Trading portfolio by risk factors is as follows:-

| Capital Charge Requirement | Standardised Approach 2022 RM'000 | Standardised Approach 2021 RM'000 |
|---|---|---|
| Interest Rate Risk | 96,940 | 55,822 |
| Foreign Exchange Risk | 10,229 | 3,981 |
| Options | 6,254 | 2,859 |
| Total | 113,423 | 62,662 |

*Interest Rate Risk in the Banking Book*

Interest Rate Risk in Banking Book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. IRRBB risk arises from gapping mismatch from both interest bearing and non-interest bearing assets and liabilities.

Potential interest rate risk in the Banking Book is monitored, among others, through interest rate exposure at 150 basis points parallel move in interest rates.

Interest rate exposures at each major currency level for the Banking Book are as follows:

| | Group and Bank | | | |
|---|---|---|---|---|
| | Impact on Positions as at 31 December 2022 ± 150 bps (Parallel Shift)* | | Impact on Positions as at 31 December 2021 ± 150 bps (Parallel Shift) | |
| Currency | Increase / (Decline) in Earnings RM'000 | Increase / (Decline) in Economic Value RM'000 | Increase / (Decline) in Earnings RM'000 | Increase / (Decline) in Economic Value RM'000 |
| MYR | 142,997 | (9,295) | 135,026 | (60,009) |
| USD | (12,912) | 75,371 | (12,854) | 73,564 |
| Others | 1,679 | (18,494) | 1,752 | (22,286) |

*per the updated BNM template.

## 31. Financial risk management (continued)

### (2) Market Risk (continued)

#### *Liquidity Risk*

Liquidity is the ability of a financial institution to fund increases in assets and meet obligations as they come due at a reasonable cost. Liquidity risk represents the potential loss arising from the inability to access liquidity to meet all obligations as and when due without adversely affecting daily operations or the financial condition of the firm.

The Group and the Bank comply with both Citi's liquidity and funding policy as well as BNM's liquidity requirements, in the management, monitoring and measurement of liquidity risk within a high effective process. The Group and the Bank have established a robust control framework which ensures that liquidity risk is effectively managed within predefined and agreed risk tolerances. The control framework is being integrated into the overall Citi liquidity and funding process, and the liquidity monitoring framework where under the Liquidity Risk Management Policy, there is a single set of standards for the measurement, reporting and management of liquidity risk in order to ensure consistency across businesses, stability in methodologies, and transparency of risk and the establishment of appropriate risk appetite.

The control framework consists of a Horizontal Liquidity Review Process ("LRP") which incorporates the following annual review requirements:

- Funding and Liquidity Metrics Forecasting
- Limits and Triggers
- Contingency Funding Plan
- Policy and Standard Exceptions
- Term Liquidity Stress Testing (TLST) FX Capacity
- Internal Liquidity Stress Test (ILST) Highly Liquid Asset (HLA) Capacity
- U.S. Liquidity Coverage Ratio (LCR) Highly Qualified Liquid Asset (HQLA) Test – Liquid & Readily Marketable Testing, HQLA Sample Monetization and HQLA Monetization Plan
- Local Liquidity Requirements
- Intraday Monitoring, Management and Reserving Document (IMMRD)
- Cash-Flow Projection
- Higher Risk Assessment Questionnaire ("HRAQ")
- Central Bank Facility Inventory

## 31. Financial risk management (continued)

The following table indicates the effective interest/profit rate at the reporting dates and periods in which the financial instruments reprice or mature, whichever is earlier.

### (i) Interest/Profit rate risk

| Group 2022 | Up to 1 month RM'000 | > 1 - 3 months RM'000 | > 3 - 12 months RM'000 | > 1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 | Effective interest rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 10,970,604 | - | - | - | - | 20 | - | 10,970,624 | 1.83 |
| Deposits and placements with banks and other financial institutions | - | - | - | 500,586 | - | - | - | 500,586 | 3.44 |
| Securities purchased under resale agreements | 301,988 | 150,310 | 442,153 | - | - | - | - | 894,451 | 5.1 |
| Investment securities | 684,845 | 2,469,882 | 3,918,785 | 6,558,799 | 49,992 | - | 1,031,999 | 14,714,302 | 3.16 |
| Loans, advances and financing | | | | | | | | | |
| - performing | 2,959,020 | 1,720,743 | 579,288 | 336,958 | 8,195 | (10,977) | - | 5,593,227 | 4.4 |
| - credit-impaired | - | - | - | - | - | 2,897 | - | 2,897 | - |
| Other assets | - | - | - | - | - | 377,558 | 888,627 | 1,266,185 | - |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 177,702 | - | 177,702 | - |
| **Total financial assets** | 14,916,457 | 4,340,935 | 4,940,226 | 7,396,343 | 58,187 | 547,200 | 1,920,626 | 34,119,974 | |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 19,692,494 | 27,299 | 60,632 | 17,574 | - | - | - | 19,797,999 | 0.69 |
| Deposits and placements with banks and other financial institutions | 7,028,714 | 3,801 | - | 32,721 | - | - | - | 7,065,236 | 0.7 |
| Other liabilities | - | - | - | - | - | 1,359,566 | 994,417 | 2,353,983 | - |
| **Total financial liabilities** | 26,721,208 | 31,100 | 60,632 | 50,295 | - | 1,359,566 | 994,417 | 29,217,218 | - |
| On-balance sheet interest sensitivity gap | (11,804,751) | 4,309,835 | 4,879,594 | 7,346,048 | 58,187 | (812,366) | 926,209 | | |
| Off-balance sheet interest sensitivity gap | 5,276,992 | 2,724,312 | 5,429 | 1,393,220 | (109,025) | - | - | | |
| | (6,527,759) | 7,034,147 | 4,885,023 | 8,739,268 | (50,838) | (812,366) | 926,209 | | |

## 31. Financial risk management (continued)

### (i) Interest/Profit rate risk

| Group 2021 | Up to 1 month RM'000 | > 1 - 3 months RM'000 | > 3 - 12 months RM'000 | > 1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 | Effective interest rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 9,049,983 | - | - | - | - | 42,655 | - | 9,092,638 | 1.33 |
| Deposits and placements with banks and other financial institutions | - | 7,075 | 2,898 | 349,828 | 383,017 | - | - | 742,818 | 0.48 |
| Securities purchased under resale agreements | 396,522 | - | - | - | - | - | - | 396,522 | 1.59 |
| Investment securities | 683,934 | 467,822 | 1,002,855 | 5,596,596 | 182,370 | - | 926,503 | 8,860,080 | 2.49 |
| Loans, advances and financing | | | | | | | | | |
| - performing | 8,346,463 | 1,039,757 | 1,063,292 | 289,991 | 7,680,606 | (278,823) | - | 18,141,286 | 4.53 |
| - credit-impaired | - | - | - | - | - | 164,895 | - | 164,895 | - |
| Other assets | - | - | - | - | - | 782,780 | 676,033 | 1,458,813 | - |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 159,643 | - | 159,643 | - |
| **Total financial assets** | 18,476,902 | 1,514,654 | 2,069,045 | 6,236,415 | 8,245,993 | 871,150 | 1,602,536 | 39,016,695 | |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 22,983,361 | 1,272,046 | 2,362,427 | 3,220 | - | - | - | 26,621,054 | 0.65 |
| Deposits and placements with banks and other financial institutions | 5,467,208 | - | 30,000 | - | - | - | - | 5,497,208 | 0.50 |
| Other liabilities | - | - | - | - | - | 1,343,336 | 605,615 | 1,948,951 | - |
| **Total financial liabilities** | 28,450,569 | 1,272,046 | 2,392,427 | 3,220 | - | 1,343,336 | 605,615 | 34,067,213 | - |
| On-balance sheet interest sensitivity gap | (9,973,667) | 242,608 | (323,382) | 6,233,195 | 8,245,993 | (472,186) | 996,921 | | |
| Off-balance sheet interest sensitivity gap | (246,734) | 297,842 | 84,376 | 1,665,491 | 34,949 | - | - | | |
| | (10,220,401) | 540,450 | (239,006) | 7,898,686 | 8,280,942 | (472,186) | 996,921 | | |

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents (2021: RM20,000 cash and cash equivalents) deposited by the subsidiaries which were eliminated in the above tables.

## 31. Financial risk management (continued)

### (ii) Foreign currency risk

Foreign currency risk results in the Group's exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The tables below summarise the RM equivalent amount of the Group's and the Bank's exposure to foreign currency risk as at the reporting date:

| Group<br>2022 | MYR<br>RM'000 | USD<br>RM'000 | JPY<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and short-term funds | 10,701,797 | 4,778 | 55,866 | 208,183 | 10,970,624 |
| Deposits and placements with banks and other financial institutions | - | - | - | 500,586 | 500,586 |
| Securities purchased under resale agreements | 894,451 | - | - | - | 894,451 |
| Investment securities | 13,428,184 | 1,286,118 | - | - | 14,714,302 |
| Loans, advances and financing | 2,528,035 | 2,818,770 | 90,229 | 159,090 | 5,596,124 |
| Other assets | 949,428 | 222,126 | 7,745 | 86,886 | 1,266,185 |
| Statutory deposits with Bank Negara Malaysia | 177,702 | - | - | - | 177,702 |
| **Total financial assets** | 28,679,597 | 4,331,792 | 153,840 | 954,745 | 34,119,974 |
| **Financial liabilities** | | | | | |
| Deposits from customers | 12,734,184 | 6,643,585 | 55,179 | 365,051 | 19,797,999 |
| Deposits and placements of banks and other financial institutions | 4,688,020 | 2,053,668 | 6,307 | 317,241 | 7,065,236 |
| Other liabilities | 1,815,409 | 451,911 | 6,465 | 80,198 | 2,353,983 |
| **Total financial liabilities** | 19,237,613 | 9,149,164 | 67,951 | 762,490 | 29,217,218 |

## 31. Financial risk management (continued)

### (ii) Foreign currency risk (continued)

| Group<br>2021 | MYR<br>RM'000 | USD<br>RM'000 | JPY<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and short-term funds | 8,717,202 | 16,387 | - | 359,049 | 9,092,638 |
| Deposits and placements with banks and other financial institutions | - | 212,049 | - | 530,769 | 742,818 |
| Securities purchased under resale agreements | 396,522 | - | - | - | 396,522 |
| Investment securities | 8,482,250 | 377,830 | - | - | 8,860,080 |
| Loans, advances and financing | 16,064,857 | 2,039,874 | 189,977 | 11,473 | 18,306,181 |
| Other assets | 737,032 | 618,527 | 25 | 103,229 | 1,458,813 |
| Statutory deposits with Bank Negara Malaysia | 159,643 | - | - | - | 159,643 |
| **Total financial assets** | 34,557,506 | 3,264,667 | 190,002 | 1,004,520 | 39,016,695 |
| **Financial liabilities** | | | | | |
| Deposits from customers | 20,421,471 | 5,223,909 | 47,221 | 928,453 | 26,621,054 |
| Deposits and placements of banks and other financial institutions | 3,785,625 | 1,486,970 | 16,913 | 207,700 | 5,497,208 |
| Other liabilities | 1,287,921 | 538,017 | 1,649 | 121,364 | 1,948,951 |
| **Total financial liabilities** | 25,495,017 | 7,248,896 | 65,783 | 1,257,517 | 34,067,213 |

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents (2021: RM20,000 cash and cash equivalents) being deposited by the subsidiaries were eliminated in the above tables.

## 31. Financial risk management (continued)

### (iii) Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period to the contractual maturity at the reporting date.

| Group 2022 | Less than 7 days RM'000 | 7 days to 1 month RM'000 | 1 to 3 months RM'000 | 3 to 6 months RM'000 | 6 to 12 months RM'000 | 1 to 3 years RM'000 | 3 to 5 years RM'000 | Over 5 years RM'000 | No specific maturity RM'000 | Loss allowance RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | | | |
| Cash and short-term funds | 5,054,800 | 5,643,300 | - | - | - | - | - | - | 272,524 | - | 10,970,624 |
| Deposits and placements with banks and other financial institutions | - | - | - | - | - | 140,485 | 360,101 | - | - | - | 500,586 |
| Securities purchased under resale agreements | 95,745 | 206,243 | 150,310 | 442,153 | - | - | - | - | - | - | 894,451 |
| Investment securities | 8,395 | 684,819 | 2,793,245 | 2,580,800 | 1,767,409 | 6,476,150 | 236,014 | 167,470 | - | - | 14,714,302 |
| Loans, advances and financing | 899,442 | 2,073,386 | 1,720,743 | 303,796 | 275,492 | 327,766 | 9,193 | 8,195 | - | (21,889) | 5,596,124 |
| Other assets | 136,350 | 121,087 | 91,041 | 112,548 | 127,937 | 280,212 | 341,285 | 56,878 | - | (1,153) | 1,266,185 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | - | - | - | 177,702 | - | 177,702 |
| **Total financial assets** | 6,194,732 | 8,728,835 | 4,755,339 | 3,439,297 | 2,170,838 | 7,224,613 | 946,593 | 232,5443 | 450,226 | (23,042) | 34,119,974 |

| Group 2022 | Less than 7 days RM'000 | 7 days to 1 month RM'000 | 1 to 3 months RM'000 | 3 to 6 months RM'000 | 6 to 12 months RM'000 | 1 to 3 years RM'000 | 3 to 5 years RM'000 | Over 5 years RM'000 | Loss allowance RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | | | |
| Deposits from customers | 18,544,341 | 1,148,153 | 27,299 | 42,557 | 18,075 | 17,574 | - | - | - | 19,797,999 |
| Deposits and placements of banks and other financial institutions | 6,999,325 | 29,388 | 3,801 | - | - | 32,722 | - | - | - | 7,065,236 |
| Other liabilities | 1,189,468 | 159,169 | 294,596 | 74,023 | 113,754 | 220,882 | 268,366 | 24,997 | 8,728 | 2,353,983 |
| **Total financial liabilities** | 26,733,134 | 1,336,710 | 325,696 | 116,580 | 131,829 | 271,178 | 268,366 | 24,997 | 8,728 | 29,217,218 |

## 31. Financial risk management (continued)

### (iii) Analysis of assets and liabilities by remaining maturity (continued)

| Group 2021 | Less than 7 days RM'000 | 7 days to 1 month RM'000 | 1 to 3 months RM'000 | 3 to 6 months RM'000 | 6 to 12 months RM'000 | 1 to 3 years RM'000 | 3 to 5 years RM'000 | Over 5 years RM'000 | No specific maturity RM'000 | Loss allowance RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | | | |
| Cash and short-term funds | 3,962,399 | 4,761,954 | - | - | - | - | - | - | 368,285 | - | 9,092,638 |
| Deposits and placements with banks and other financial institutions | - | - | 7,075 | 1,693 | 1,205 | 349,828 | - | 383,017 | - | - | 742,818 |
| Securities purchased under resale agreements | 396,522 | - | - | - | - | - | - | - | - | - | 396,522 |
| Investment securities | 7,388 | 880,638 | 528,622 | 994,719 | 336,016 | 5,664,781 | 110,283 | 337,633 | - | - | 8,860,080 |
| Loans, advances and financing | 6,555,345 | 1,886,040 | 1,073,965 | 660,432 | 490,401 | 130,460 | 201,871 | 7,697,988 | - | (390,321) | 18,306,181 |
| Other assets | 497,572 | 61,234 | 138,290 | 80,431 | 103,124 | 406,444 | 109,507 | 62,814 | - | (603) | 1,458,813 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | - | - | - | 159,643 | - | 159,643 |
| **Total financial assets** | 11,419,226 | 7,589,866 | 1,747,952 | 1,737,275 | 930,746 | 6,551,513 | 421,661 | 8,481,452 | 527,928 | (390,924) | 39,016,695 |

| Group 2021 | Less than 7 days RM'000 | 7 days to 1 month RM'000 | 1 to 3 months RM'000 | 3 to 6 months RM'000 | 6 to 12 months RM'000 | 1 to 3 years RM'000 | 3 to 5 years RM'000 | Over 5 years RM'000 | Loss allowance RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | | | |
| Deposits from customers | 21,006,508 | 1,976,854 | 1,272,046 | 1,093,492 | 1,268,934 | 3,010 | 210 | - | - | 26,621,054 |
| Deposits and placements of banks and other financial institutions | 5,443,381 | 23,827 | - | 30,000 | - | - | - | - | - | 5,497,208 |
| Other liabilities | 1,119,111 | 49,152 | 136,395 | 57,109 | 99,565 | 336,175 | 109,044 | 30,554 | 11,846 | 1,948,951 |
| **Total financial liabilities** | 27,569,000 | 2,049,833 | 1,408,441 | 1,180,601 | 1,368,499 | 339,185 | 109,254 | 30,554 | 11,846 | 34,067,213 |

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents (2021: RM20,000 cash and cash equivalents) being deposited by the subsidiaries were eliminated in the above tables.

## 31. Financial risk management (continued)

### (iv) Analysis of financial liabilities by contractual undiscounted cash flows

The table below details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on current rates at the reporting date) and the earliest date the Group can be required to pay.

| Group<br>2022 | Carrying Amount<br>RM'000 | Total contractual undiscounted cash flows<br>RM'000 | 1 month or less<br>RM'000 | Over 1 month to 3 months<br>RM'000 | Over 3 months to 1 year<br>RM'000 | Over 1 year to 5 years<br>RM'000 | Over 5 years<br>RM'000 |
|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | |
| Deposits from customers | 19,797,999 | 19,803,109 | 19,695,842 | 27,411 | 61,443 | 18,413 | - |
| Deposits and placements of banks and other financial institutions | 7,065,236 | 7,067,712 | 7,029,479 | 3,810 | - | 34,423 | - |
| Other liabilities | 2,353,983 | 2,353,983 | 1,357,365 | 294,596 | 187,777 | 489,248 | 24,997 |
| **Total financial liabilities** | 29,217,218 | 29,224,804 | 28,082,686 | 325,817 | 249,220 | 542,084 | 24,997 |
| **2021** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| Deposits from customers | 26,621,054 | 26,644,880 | 22,991,897 | 1,277,672 | 2,372,076 | 3,235 | - |
| Deposits and placements of banks and other financial institutions | 5,497,208 | 5,497,616 | 5,467,409 | - | 30,207 | - | - |
| Other liabilities | 1,948,951 | 1,948,951 | 1,180,109 | 136,395 | 156,674 | 445,219 | 30,554 |
| **Total financial liabilities** | 34,067,213 | 34,091,447 | 29,639,415 | 1,414,067 | 2,558,957 | 448,454 | 30,554 |

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents (2021: RM20,000 cash and cash equivalents) being deposited by the subsidiaries were eliminated in the above tables.

## 31. Financial risk management (continued)

### (3) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition of operational risk includes legal risk – which is the risk of loss (including litigation costs, settlements, and regulatory fines) resulting from the failure of the bank to comply with laws, regulations, prudent ethical standards, and contractual obligations in any aspect of the Bank's business – but excludes strategic and reputation risks. Citi also recognizes the impact of Operational Risk on the reputation risk associated with Citi's business activities.

Operational risk is inherent in the Group's and the Bank's business activities, as well as related support functions, and can result in losses. Citi maintains a comprehensive risk taxonomy to classify operational risks that it faces using standardized definitions across Citi's Operational Risk Management Framework.

Citi's Independent Operational Risk Management group has established an Operational Risk Management Framework with policies and practices for identification, measurement, monitoring, managing and reporting operational risks and the overall operating effectiveness of the internal control environment.

The Framework defines the concept of the three Lines of Defense. The high-level roles and responsibilities for operational risk management are as follows:

- The First Line of Defense is responsible for implementing and maintaining effective controls to reduce the operational risks they are exposed to within operational risk appetite in accordance with the requirements of the Operational Risk Management Framework.
- The Second Line of Defense is responsible for setting requirements around operational risk management, challenging the implementation of the overall Operational Risk Management Framework, and challenging the quality and outcomes of 1st Line of Defense operational risk management activities.
- The Third Line of Defense is responsible for providing senior management with independent opinions on the effectiveness of the Operational Risk Management Framework as a whole.

The Operational Risk Management Policy and ORM Framework collectively enable effective management of Operational Risks across Citi, by amongst other things, bringing or maintaining Operational Risk exposures within Operational Risk Appetite, adhering to regulatory requirements, and providing an enterprise-wide assessment framework for significant current and emerging Operational Risks. The ORM Policy, underlying Standards and Procedures, apply to all Operational Risks including Compliance Risk, Conduct Risk, and Legal Risk (GRC Risks) as well as all the Level 1 Risk Categories of the Governance Risk and Compliance (GRC) Taxonomy. The Operational Risks are classified using GRC Taxonomy to facilitate consistent risk identification across the Bank and to provide an integrated view on reporting of Operational Risks.

Risk and control identification, assessment, monitoring, and mitigation are done at an Assessment Unit ("AU") level as defined in the Governance, Risk & Compliance and Manager's Control Assessment Central Procedures, covering Business and Functions.

Additionally, Citi has a governance structure for the oversight of operational risk exposures through the Business Risk and Controls Committee (BRCC). The BRCC provides escalation channels for senior management to review operational risk exposures including breaches of operational risk appetite, key indicators, operational risk events, and control issues. Membership includes senior business and functions leadership as well as members of the second line of defense.

## 32. Financial assets and liabilities

### 32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Amortised cost;

(b) Fair value through profit or loss ("FVTPL"); and

(c) Fair value through other comprehensive income ("FVOCI").

| Group<br>2022 | Carrying amount<br>RM'000 | Amortised cost<br>RM'000 | FVTPL<br>RM'000 | FVOCI<br>RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and short-term funds | 10,970,624 | 10,970,624 | - | - |
| Deposits and placements with banks and other financial institutions | 500,586 | 500,586 | - | - |
| Securities purchased under resale agreements | 894,451 | 894,451 | - | - |
| Investment securities | 14,714,302 | - | 1,031,999 | 13,682,303 |
| Loans, advances and financing | 5,596,124 | 5,596,124 | - | - |
| Statutory deposits with Bank Negara Malaysia | 177,702 | 177,702 | - | - |
| Derivative financial assets | 888,519 | - | 888,519 | - |
| Other debtors and deposits* | 251,273 | 251,273 | - | - |
| Interest/Profit receivable | 106,494 | 106,494 | - | - |
| **Total financial assets** | 34,100,075 | 18,497,254 | 1,920,518 | 13,682,303 |
| **Financial liabilities** | | | | |
| Deposits from customers | 19,797,999 | 19,797,999 | - | - |
| Deposits and placements of banks and other financial institutions | 7,065,236 | 7,065,236 | - | - |
| Derivative financial liabilities | 994,418 | - | 994,418 | - |
| Other creditors and accruals | 1,309,198 | 1,309,198 | - | - |
| Interest/Profit payable | 10,900 | 10,900 | - | - |
| **Total financial liabilities** | 29,177,751 | 28,183,333 | 994,418 | - |

*exclude prepayment of RM21,052,000.

## 32. Financial assets and liabilities (continued)

### 32.1 Categories of financial instruments (continued)

| Group<br>2021 | Carrying amount<br>RM'000 | Amortised cost<br>RM'000 | FVTPL<br>RM'000 | FVOCI<br>RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and short-term funds | 9,092,638 | 9,092,638 | - | - |
| Deposits and placements with banks and other financial institutions | 742,818 | 742,818 | - | - |
| Securities purchased under resale agreements | 396,522 | 396,522 | - | - |
| Investment securities | 8,860,080 | - | 926,503 | 7,933,577 |
| Loans, advances and financing | 18,306,181 | 18,306,181 | - | - |
| Statutory deposits with Bank Negara Malaysia | 159,643 | 159,643 | - | - |
| Derivative financial assets | 675,900 | - | 675,900 | - |
| Other debtors and deposits* | 653,349 | 653,349 | - | - |
| Interest/Profit receivable | 76,478 | 76,478 | - | - |
| **Total financial assets** | 38,963,609 | 29,427,629 | 1,602,403 | 7,933,577 |
| **Financial liabilities** | | | | |
| Deposits from customers | 26,621,054 | 26,621,054 | - | - |
| Deposits and placements of banks and other financial institutions | 5,497,208 | 5,497,208 | - | - |
| Derivative financial liabilities | 605,615 | - | 605,615 | - |
| Other creditors and accruals | 1,156,553 | 1,156,553 | - | - |
| Interest/Profit payable | 22,489 | 22,489 | - | - |
| Structured products | 67,399 | 67,399 | - | - |
| **Total financial liabilities** | 33,970,318 | 33,364,703 | 605,615 | - |

*exclude prepayment of RM53,689,000.

The disclosures represented the Bank's exposures except for RM20,000 cash and short-term funds (2021: RM20,000 cash and short-term funds) deposited by the subsidiaries which were eliminated in the above tables.

## 32. Financial assets and liabilities (continued)

### 32.2 Net gains and losses arising from financial instruments

**Group and Bank**

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **Net gain/(loss) arising from:** | | | | | | |
| Financial instruments measured at amortised cost: | | | | | | |
| - Interest income | 430,005 | 336,018 | 535,402 | 620,771 | 965,407 | 956,789 |
| - Interest expenses | (179,703) | (107,636) | (103,584) | (101,335) | (283,287) | (208,971) |
| - Fees income | 216,458 | 145,916 | 214,866 | 284,983 | 431,324 | 430,899 |
| | 466,760 | 374,298 | 646,684 | 804,419 | 1,113,444 | 1,178,717 |
| Financial instruments measured at FVTPL: | | | | | | |
| - Interest income | 13,097 | 42,674 | - | - | 13,097 | 42,674 |
| - Net unrealised loss from revaluation of investment securities at FVTPL - debt instruments | (1,920) | (2,096) | - | - | (1,920) | (2,096) |
| - Net gain from sales of investment securities at FVTPL - debt instruments | 14,771 | 7,604 | - | - | 14,771 | 7,604 |
| - (Loss)/gain from derivatives | (137,504) | 118,687 | 1,165 | 836 | (136,339) | 119,523 |
| - Net gain on revaluation of investment securities at FVTPL - equity instruments | 916 | 1 | - | - | 916 | 1 |
| | (110,640) | 166,870 | 1,165 | 836 | (109,475) | 167,706 |
| Financial instruments measured at FVOCI: | | | | | | |
| - Interest income | 259,640 | 203,200 | - | - | 259,640 | 203,200 |
| - Net (loss)/gain from sales of investment securities at FVOCI - debt instruments | (3,229) | 17,143 | - | - | (3,229) | 17,143 |
| | 256,411 | 220,343 | - | - | 256,411 | 220,343 |
| Net gains arising from financial instruments | 612,531 | 761,511 | 647,849 | 805,255 | 1,260,380 | 1,566,766 |

## 32. Financial assets and liabilities (continued)

### 32.3 Determination of fair value and fair value hierarchy

MFRS 13, *Fair Value Measurement* requires each class of assets and liabilities measured at fair value in the statements of financial position after initial recognition to be categorised according to hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable as discussed in Note 2(f)(vi).

### 32.3.1 Financial instruments carried at fair value

| Group and Bank | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2022** | | | | |
| **Financial assets** | | | | |
| Investment securities | 10,293,728 | 4,412,263 | 8,311 | 14,714,302 |
| Derivative financial assets | - | 775,629 | 112,890 | 888,519 |
| | 10,293,728 | 5,187,892 | 121,201 | 15,602,821 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 988,095 | 6,323 | 994,418 |
| **2021** | | | | |
| **Financial assets** | | | | |
| Investment securities | 4,098,361 | 4,754,331 | 7,388 | 8,860,080 |
| Derivative financial assets | - | 629,607 | 46,293 | 675,900 |
| | 4,098,361 | 5,383,938 | 53,681 | 9,535,980 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 588,487 | 17,128 | 605,615 |

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

*Transfers between Level 1 and Level 2 fair values*

On 31 December 2022, investment securities measured at fair value with a carrying amount of RM4.41 billion (2021: RM4.75 billion) was reported as Level 2 because of the implementation of the Fair Value Hierarchy Levelling Procedure.

On 31 December 2022, investment securities measured at fair value with carrying amount of RM3.34 billion (2021: Nil) were transferred from Level 2 to Level 1 due to availability of quoted prices in the market. In turn, there was a transfer of RM0.30 billion (2021: RM1.86 billion) in investment securities measured at fair value with carrying amount from Level 1 to Level 2 due to quoted prices in the market for such debt securities became no longer available. In order to determine the fair value of such debt securities, the Bank used a valuation technique in which all significant inputs were based on observable market data.

## 32. Financial assets and liabilities (continued)

### 32.3 Determination of fair value and fair value hierarchy (continued)

#### 32.3.1 Financial instruments carried at fair value (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| **Financial assets** | | |
| Balance at 1 January | 53,681 | 77,116 |
| Addition | 58,933 | 7,978 |
| Total gains/(losses) recognised in profit or loss: | | |
| *Attributable to gains/(losses relating to assets that have not been realised* | 8,587 | (31,118) |
| Repayment | - | (295) |
| Balance at 31 December | 121,201 | 53,681 |
| **Financial liabilities** | | |
| Balance at 1 January | 17,128 | 69,425 |
| Settled | (365) | (31,927) |
| Total losses recognised in profit or loss: | | |
| *Attributable to losses relating to liabilities that have not been realised* | (10,440) | (20,370) |
| Balance at 31 December | 6,323 | 17,128 |

The following shows the valuation techniques used in the determination of fair values within Level 3:

a) Investment securities

The fair value of non-marketable equity securities under the measurement alternative is based on observed transaction prices for identical or similar investments of the same issuer, or an internal valuation technique in the case of an impairment. Where significant adjustments are made to the observed transaction price or when an internal valuation technique is used, the security is classified as Level 3. Fair value may differ from the observed transaction price due to a number of factors, including the book value of the underlying investment and marketability adjustments when the observed transaction is not for the identical investment held by the Group and the Bank.

b) Derivative financial assets and liabilities

Fair values of financial instruments classified at Level 3 are determined using appropriate valuation technique which includes the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable.

## 32. Financial assets and liabilities (continued)

### 32.3 Determination of fair value and fair value hierarchy (continued)

### 32.3.2 Financial instruments not carried at fair value

In respect of cash and short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, other assets (excluding derivatives), bills and acceptances payable, and other liabilities (excluding derivatives), the carrying amounts in the statements of financial position approximate their fair values due to the relatively short-term/on demand nature of these financial instruments.

The fair values of other financial assets, together with the carrying amounts shown in the statements of financial position, are as follows:

| Group and Bank<br>2022 | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 | Carrying amount<br>RM'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Loans, advances and financing | - | - | 5,592,011 | 5,592,011 | 5,596,124 |
| **Financial liabilities** | | | | | |
| Deposits from customers | - | - | 19,803,109 | 19,803,109 | 19,797,999 |
| Deposits and placements of banks and other financial institutions | - | - | 7,067,712 | 7,067,712 | 7,065,236 |
| **2021** | | | | | |
| **Financial assets** | | | | | |
| Loans, advances and financing | - | - | 17,963,175 | 17,963,175 | 18,306,181 |
| **Financial liabilities** | | | | | |
| Deposits from customers | - | - | 26,644,880 | 26,644,880 | 26,621,054 |
| Deposits and placements of banks and other financial institutions | - | - | 5,497,616 | 5,497,616 | 5,497,208 |

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values at statements of financial position date. The fair value for loans, advances and financing, deposits from customers and deposits and placements of banks and other financial institutions are estimated with similar methodology as discussed in Note 32.3.1(a) and (b).

## 32. Financial assets and liabilities (continued)

### 32.4 Offsetting of financial assets and liabilities

The Group and the Bank enter into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding agreements are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statements of financial position. This is because the Group and the Bank currently do not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default by the counterparty.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

| Group and Bank<br>2022 | Gross amount recognised/ Amount presented in the statements of financial position<br>RM'000 | Related financial instruments that are not offset but subject to netting agreement<br>RM'000 | Net amount<br>RM'000 |
|---|---|---|---|
| **Derivative financial assets** | | | |
| Foreign exchange related contracts | 421,350 | (240,827) | 180,523 |
| Interest rate contracts | 384,713 | (143,356) | 241,357 |
| Equity related contracts | 1,387 | (1,387) | - |
| Other contracts | 81,069 | (81,069) | - |
| | 888,519 | (466,639) | 421,880 |
| **Derivative financial liabilities** | | | |
| Foreign exchange related contracts | (596,782) | 240,827 | (355,955) |
| Interest rate contracts | (309,481) | 143,356 | (166,125) |
| Equity related contracts | (1,499) | 1,387 | (112) |
| Other contracts | (86,656) | 81,069 | (5,587) |
| | (994,418) | 466,639 | (527,779) |

## 32. Financial assets and liabilities (continued)

### 32.4 Offsetting of financial assets and liabilities (continued)

| Group and Bank<br>2021 | Gross amount recognised/ Amount presented in the statements of financial position<br>RM'000 | Related financial instruments that are not offset but subject to netting agreement<br>RM'000 | Net amount<br>RM'000 |
|---|---|---|---|
| **Derivative financial assets** | | | |
| Foreign exchange related contracts | 177,548 | (60,918) | 116,630 |
| Interest rate contracts | 107,783 | (10,225) | 97,558 |
| Other contracts | 390,569 | (2,746) | 387,823 |
| | 675,900 | (73,889) | 602,011 |
| **Derivative financial liabilities** | | | |
| Foreign exchange related contracts | (180,903) | 60,918 | (119,985) |
| Interest rate contracts | (26,324) | 10,225 | (16,099) |
| Other contracts | (398,388) | 2,746 | (395,642) |
| | (605,615) | 73,889 | (531,726) |

## 33. Capital commitments

| | Group and Bank | |
|---|---|---|
| | 2022<br>RM'000 | 2021<br>RM'000 |
| Contracted but not provided for | 5,571 | 3,042 |

## 34. Capital adequacy

(a) The capital adequacy ratios are as follows:

| | Group and Bank 2022 RM'000 | Group and Bank 2021 RM'000 |
|---|---|---|
| **Computation of Total Risk-Weighted Assets ("RWA")** | | |
| Total credit RWA | 13,050,866 | 20,338,462 |
| Total market RWA | 1,417,781 | 783,271 |
| Total operational RWA | 3,315,567 | 3,407,147 |
| **Total Risk-Weighted Assets** | 17,784,214 | 24,528,880 |
| **Computation of Capital Ratios** | | |
| Common Equity Tier (1) ("CET 1") Capital | 4,756,182 | 5,074,177 |
| Tier 1 Capital | 4,756,182 | 5,074,177 |
| Total Capital | 4,873,313 | 5,328,407 |

| | Group and Bank 2022 | Group and Bank 2021 |
|---|---|---|
| **Before deducting proposed dividends:** | | |
| CET 1 Capital ratio | 26.744% | 20.687% |
| Total Tier 1 Capital ratio | 26.744% | 20.687% |
| Total Capital ratio | 27.402% | 21.723% |
| **After deducting proposed dividends:** | | |
| CET 1 Capital ratio | 20.840% | 15.591% |
| Total Tier 1 Capital ratio | 20.840% | 15.591% |
| Total Capital ratio | 21.498% | 16.627% |

Detailed information on the risk exposures above are disclosed in the Pillar 3 disclosures of the annual report as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosures requirements (Pillar 3).

## 34. Capital adequacy

(a) The capital adequacy ratios are as follows (continued):

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II – Risk-Weighted Assets) dated 9 December 2020 and 3 May 2019 respectively. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio are 4.5%, 6.0% and 8.0% respectively for year 2022 before including capital conservation buffer and countercyclical capital buffer ("CCyB").

Banking institutions are required to maintain a capital conservation buffer of 2.5% and CCyB above the minimum regulatory capital adequacy ratios above.

(b) The components of CET 1, Tier 1 and Tier 2 Capital are as follows:

| | Group and Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Paid up ordinary share capital | 502,000 | 502,000 |
| Retained profits | 4,364,574 | 4,728,990 |
| Other reserves | 38,987 | (43,645) |
| Less: Regulatory reserves | (105,000) | - |
| Less: Deferred tax assets | (44,379) | (113,168) |
| **Total CET 1 Capital/Tier 1 Capital** | 4,756,182 | 5,074,177 |
| **Tier 2 Capital** | | |
| Loss allowance and regulatory reserves* | 117,131 | 254,230 |
| **Total Tier 2 Capital** | 117,131 | 254,230 |
| **Total Eligible Tier 2 Capital** | 117,131 | 254,230 |
| **Total Capital** | 4,873,313 | 5,328,407 |

*Excludes loss allowance restricted from Tier 2 Capital by BNM of Nil (2021: RM25.2million).

## 35. Commitments and contingencies

The off-balance sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

| Group and Bank 2022 | Principal amount RM'000 | Credit equivalent amount RM'000 | Risk weighted assets RM'000 |
|---|---|---|---|
| **Nature of item** | | | |
| Direct credit substitutes | 1,403,436 | 1,403,436 | 1,358,573 |
| Transaction related contingent items | 767,808 | 383,904 | 372,997 |
| Short-term self-liquidating trade related contingencies | 499,250 | 99,850 | 99,496 |
| Forward asset purchases | 21,258 | 21,258 | 21,258 |
| Foreign exchange related contracts: | | | |
| One year or less | 80,844,713 | 856,418 | 466,112 |
| Over one year to five years | 5,184,350 | 231,544 | 132,103 |
| Over five years | 133,268 | 9,440 | 4,022 |
| Interest/Profit rate related contracts: | | | |
| One year or less | 38,545,233 | 64,654 | 47,629 |
| Over one year to five years | 66,359,140 | 1,039,387 | 503,578 |
| Over five years | 4,960,140 | 197,413 | 95,982 |
| Equity related contracts: | | | |
| One year or less | 83,044 | 3,872 | 3,872 |
| Debt security contracts and other commodity contracts: | | | |
| One year or less | 17,250,059 | 937,248 | 675,501 |
| Over one year to five years | 139,800 | 12,069 | 8,014 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 107,616 | 53,808 | 53,808 |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 13,720,544 | - | - |
| Unutilised credit card lines | 667,555 | 133,511 | 133,399 |
| **Total** | 230,687,214 | 5,447,812 | 3,976,344 |

## 35. Commitments and contingencies (continued)

| Group and Bank 2021 | Principal amount RM'000 | Credit equivalent amount RM'000 | Risk weighted assets RM'000 |
|---|---|---|---|
| **Nature of item** | | | |
| Direct credit substitutes | 1,607,292 | 1,607,292 | 1,585,674 |
| Transaction related contingent items | 674,407 | 337,204 | 329,175 |
| Short term self-liquidating trade related contingencies | 604,565 | 120,913 | 111,419 |
| Forward asset purchases | 110,927 | 110,927 | 22,110 |
| Foreign exchange related contracts: | | | |
| One year or less | 72,918,603 | 673,413 | 358,376 |
| Over one year to five years | 1,131,497 | 59,613 | 32,864 |
| Over five years | 683,316 | 36,847 | 16,200 |
| Interest/Profit rate related contracts: | | | |
| One year or less | 56,545,792 | 36,431 | 14,984 |
| Over one year to five years | 47,306,259 | 661,760 | 211,774 |
| Over five years | 1,850,000 | 130,227 | 38,947 |
| Debt security contracts and other commodity contracts: | | | |
| One year or less | 15,512,558 | 1,605,126 | 963,406 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 397,449 | 198,725 | 199,266 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 483,700 | 96,740 | 72,650 |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 12,928,920 | - | - |
| Unutilised credit card lines | 18,536,909 | 3,707,382 | 2,805,635 |
| **Total** | 231,292,194 | 9,382,600 | 6,762,480 |

## 36. Interest rate benchmark reform

### Managing interest rate benchmark reform and associated risks

LIBOR and other rates or indices deemed to be benchmarks have been subject of ongoing regulatory scrutiny and reform. The LIBOR administrator ceased publication of non-USD LIBOR and one week and two-month USD LIBOR on a representative basis on December 31, 2021, with plans to cease publication of all other USD LIBOR tenors on June 30, 2023. As a result, Citi ceased entering into new contracts referencing USD LIBOR as of January 1, 2022, other than for limited circumstances where regulators recognized that it may be appropriate for banks to enter into new USD LIBOR contracts, including with respect to market-making, hedging or novations of USD transactions executed before January 1, 2022.

LIBOR and other benchmarks have been used in a substantial number of the Citi's outstanding (securities and products, including, among others, derivatives, corporate loans). Citi recognizes that a transition away from and discontinuance of LIBOR, also the replacement of some interbank offered rates (IBORs) presents various risks and challenges that could significantly impact financial markets and market participants, including Citi. Accordingly, Citi has continued its efforts to identify and manage its interest rate benchmark reform risks. Citi has established a LIBOR governance and implementation program focused on identifying and addressing the impact of LIBOR transition on Citi's clients, operational capabilities and financial contracts. The program operates globally across Citi's businesses and functions and includes active involvement of senior management. As part of the program, Citi has continued to implement its LIBOR transition action plans and associated roadmaps under the following key workstreams: program management; transition strategy and risk management; customer management, including internal communications and training, legal/contract management and product management; financial exposures and risk management; regulatory and industry engagement; operations and technology; and finance, risk, tax and treasury.

During 2022, Citi continued its efforts to manage its interest rate benchmark reform risks. Citi has been focused on further reducing its LIBOR exposure and remediating its remaining outstanding LIBOR-linked contracts. In addition, Citi has continued to monitor and engage on legislative, regulatory and other initiatives and developments related to interest rate benchmark reform matters.

Citi has also continued to use alternative reference rates in certain newly issued financial instruments. Citi has issued floating rate benchmark and customer-related debt linked to SOFR and originated and arranged loans linked to SOFR. Citi's derivatives contracts are generally linked to SOFR and other global alternative reference rates. Citi also provides term SOFR-linked products to clients in accordance with industry best practices and recommendations.

As of 31 December 2022, Citi has completed the transition from all required LIBORs and other IBORs to new benchmark rates and remediated contracts on 2 and 12 months KLIBOR.

## 37. Significant event

On 1 November 2022, the Bank completed the sale of its Consumer Banking business in Malaysia.

The sale included the Bank's retail banking and consumer credit card businesses, including the transfer of related staff. The sale excluded the Bank's institutional businesses.

The Bank's Consumer Banking business included the following:

### Retail Bank

- Deposits (CASA, TD)
- Investments (Mutual fund, fixed income, FX/DCA)
- Insurance
- Mortgage (residential and commercial)

### Cards and Unsecured Lending

- Credit Cards
- Instalments
- Personal Loans
- Ready Credit
- Commercial Cards

The effects of the disposal have been disclosed in Note 25 to the financial statements.

## 38. The operations of Islamic Banking

**Statement of financial position as at 31 December 2022**

| | Note | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short-term funds | (a) | 1,176,716 | 2,430,720 |
| Investment securities | (b) | 761,390 | 592,971 |
| Financing, advances and others | (c) | - | 109,789 |
| Deferred tax assets | | 994 | 1,336 |
| Other assets | (e) | 5,928 | 3,816 |
| **Total assets** | | 1,945,028 | 3,138,632 |
| **Liabilities** | | | |
| Deposits and funds from customers | (f) | 553,875 | 548,909 |
| Deposits and placements of banks and other financial institutions | (g) | 651,090 | 1,909,266 |
| Other liabilities | (h) | 53,833 | 13,323 |
| Provision for taxation | | 27,385 | 31,038 |
| **Total liabilities** | | 1,286,183 | 2,502,536 |
| Islamic Banking funds | (i) | 658,845 | 636,096 |
| **Total liabilities and Islamic Banking funds** | | 1,945,028 | 3,138,632 |

## 38. The operations of Islamic Banking (continued)

**Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022**

| | Note | Bank 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Income derived from investment of depositors' funds and others | (j) | 40,247 | 57,190 |
| Income attributable to depositors and others | (l) | (7,300) | (6,770) |
| Total attributable to the Bank | | 32,947 | 50,420 |
| Income derived from investment of Islamic Banking funds | (m) | 422 | 3,620 |
| **Total net income** | | 33,369 | 54,040 |
| Other operating expenses | (o) | (450) | (621) |
| Write back of impairment on other assets | | (5) | 39 |
| **Profit before taxation** | | 32,914 | 53,458 |
| Tax expense | (p) | (10,500) | (12,976) |
| **Profit from continuing operations** | | 22,414 | 40,482 |
| **Discontinued operation** | | | |
| Profit from discontinued operation, net of tax | | 1,789 | 5,314 |
| **Profit before taxation** | | 24,203 | 45,796 |
| **Other comprehensive loss, net of tax** | | | |
| *Items that are or may be reclassified ssubsequently to profit or loss* | | | |
| **Debt investment securities measured at FVOCI** | | | |
| - Net change in fair value | | (1,454) | (8,985) |
| **Total other comprehensive loss for the year** | | (1,454) | (8,985) |
| **Total comprehensive income for the year** | | 22,749 | 36,811 |
| **Profit for the year attributable to:** | | | |
| Owner of the Bank | | 24,203 | 45,796 |
| **Total comprehensive income attributable to:** | | | |
| Owner of the Bank | | 22,749 | 36,811 |

## 38. The operations of Islamic Banking (continued)

**Statement of changes in Islamic Banking funds for the financial year ended 31 December 2022**

| | Capital funds RM'000 | Fair value reserve RM'000 | Retained profits RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 1 January 2021** | 20,000 | 7,297 | 571,988 | 599,285 |
| Fair value reserve on investment securities: | | | | |
| - Net change in fair value | - | (8,985) | - | (8,985) |
| Profit for the year | - | - | 45,796 | 45,796 |
| **Total comprehensive (loss)/income for the year** | - | (8,985) | 45,796 | 36,811 |
| **At 31 December 2021/1 January 2022** | 20,000 | (1,688) | 617,784 | 636,096 |
| Fair value reserve on investment securities: | | | | |
| - Net change in fair value | - | (1,454) | - | (1,454) |
| Profit for the year | - | - | 24,203 | 24,203 |
| **Total comprehensive (loss)/income for the year** | - | (1,454) | 24,203 | 22,749 |
| **At 31 December 2022** | 20,000 | (3,142) | 641,987 | 658,845 |

Note 38(i)

## 38. The operations of Islamic Banking (continued)

**Statement of cash flows for the financial year ended 31 December 2022**

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation from: | | |
| Continuing operations | 32,914 | 53,458 |
| Discontinued operation | 2,522 | 6,805 |
| | 35,436 | 60,263 |
| *Adjustments for:* | | |
| Accretion of discount less amortisation of premium of investment securities | (27,958) | 11,115 |
| Write back of impairment on financing, advances and others | - | (2,771) |
| Allowance for/(Write back of) impairment on other assets | 5 | (35) |
| Gain from sale of investment securities at FVOCI | (251) | (9,147) |
| **Operating profit before working capital changes** | 7,232 | 59,425 |
| Changes in working capital: | | |
| Investment securities | 133,452 | (24,845) |
| Financing, advances and others | 109,789 | 15,631 |
| Other assets | (2,117) | 119,264 |
| Deposits and funds from customers | 4,966 | (707,277) |
| Deposits and placements of banks and other financial institutions | (1,258,175) | 223,551 |
| Other liabilities | 40,142 | 4,228 |
| **Cash used in operating activities** | (964,711) | (310,023) |
| Income taxes | (14,175) | - |
| **Net cash used in operating activities** | (978,886) | (310,023) |
| **Cash flows from investing activities** | | |
| Purchase of investment securities | (470,449) | (1,160,019) |
| Proceeds from disposal of investment securities | 195,331 | 2,548,321 |
| **Net cash (used in)/generated from investing activities** | (275,118) | 1,388,302 |
| **Net (decrease)/increase in cash and short-term funds** | (1,254,004) | 1,078,279 |
| Cash and short-term funds at 1 January | 2,430,720 | 1,352,441 |
| **Cash and short-term funds at 31 December (Note 38(a))** | 1,176,716 | 2,430,720 |

## 38. The operations of Islamic Banking (continued)

### (a) Cash and short term funds

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| Cash and balances with banks and other financial institutions | - | 2,720 |
| Money at call and deposit placements maturing within one month | 1,176,716 | 2,428,000 |
| | 1,176,716 | 2,430,720 |

### (b) Investment securities

#### (i) By measurement

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| Investment securities measured at FVTPL | - | 99,951 |
| Investment securities measured at FVOCI | 761,390 | 493,020 |
| | 761,390 | 592,971 |

#### (ii) By type

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| Malaysian Government Investment Issues | 761,390 | 592,971 |

### (c) Financing, advances and others

#### (i) By measurement

| | | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|---|
| Financing, advances and others measured at amortised cost | | - | 111,464 |
| Gross financing, advances and others | | - | 111,464 |
| Less: Loss allowance | Note (38)(d)(iii) | - | (1,675) |
| Total net financing, advances and others | | - | 109,789 |

## 38. The operations of Islamic Banking (continued)

### (c) Financing, advances and others (continued)

#### (ii) By type

| | | Bank | |
|---|---|---|---|
| | | 2022 RM'000 | 2021 RM'000 |
| Term financing | | | |
| - Housing financing | | - | 114,055 |
| | | - | 114,055 |
| Unearned income | | - | (2,591) |
| Gross financing, advances and others | | - | 111,464 |
| Less: Loss allowance | Note (38)(d)(iii) | - | (1,675) |
| Total net financing, advances and others | | - | 109,789 |

#### (iii) By contract

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Bai' Bithaman Ajil | - | 7,557 |
| Diminishing Musharakah | - | 103,907 |
| | - | 111,464 |

#### (iv) By type of customer

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Domestic business enterprises | - | 262 |
| Individuals | - | 111,202 |
| | - | 111,464 |

#### (v) By profit rate sensitivity

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Fixed rate | | |
| - Housing financing | - | 7,557 |
| Variable rate | | |
| - Base rate/Base Financing Rate | - | 103,907 |
| | - | 111,464 |

## 38. The operations of Islamic Banking (continued)

### (c) Financing, advances and others (continued)

**(vi) By sector**

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Household - residential | - | 111,202 |
| Other sectors | - | 262 |
| | - | 111,464 |

### (d) Impaired financing, advances and others

**(i) Movements in impaired financing, advances and others are as follows:**

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| At 1 January | 4,422 | 3,865 |
| Effect of disposal of Consumer Banking business | (4,422) | - |
| Classified as impaired during the year | - | 9,332 |
| Reclassified as performing during the year | - | (8,008) |
| Amount recovered | - | (24) |
| Amount written off | - | (10) |
| Others | - | (733) |
| At 31 December | - | 4,422 |
| Lifetime ECL credit-impaired | - | (905) |
| Net impaired financing, advances and others | - | 3,517 |
| Ratio of net impaired financing, advances and others to total gross financing, advances and others less lifetime ECL credit impairment | - | 3.18% |

**(ii) Impaired financing, advances and others by sector**

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Household - residential | - | 4,422 |

## 38. The operations of Islamic Banking (continued)

### (d) Impaired financing, advances and others (continued)

#### (iii) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

| Bank | 12-months ECL RM'000 | Lifetime ECL not credit-impaired RM'000 | Lifetime ECL credit-impaired RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2022** | | | | |
| At 1 January | 135 | 635 | 905 | 1,675 |
| Effect of disposal of Consumer Banking business | (135) | (635) | (905) | (1,675) |
| At 31 December | - | - | - | - |

| Bank | 12-months ECL RM'000 | Lifetime ECL not credit-impaired RM'000 | Lifetime ECL credit-impaired RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2021** | | | | |
| At 1 January | 501 | 2,897 | 1,037 | 4,435 |
| Transfer to 12-months ECL | 6,552 | (5,848) | (704) | - |
| Transfer to lifetime ECL not credit-impaired | (123) | 1,833 | (1,710) | - |
| Transfer to lifetime ECL credit-impaired | (7) | (2,204) | 2,211 | - |
| Less: Financing derecognised during the period (other than write-offs) | (23) | (48) | (1) | (72) |
| Net remeasurement of loss allowance | (6,448) | 5,254 | 259 | (935) |
| Others | (317) | (1,249) | (187) | (1,753) |
| At 31 December | 135 | 635 | 905 | 1,675 |

## 38. The operations of Islamic Banking (continued)

### (e) Other assets

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| Profit receivables | 5,212 | 3,020 |
| Other debtors, deposits and prepayments | 722 | 797 |
| | 5,934 | 3,817 |
| Less: Loss allowance | (6) | (1) |
| | 5,928 | 3,816 |

### (f) Deposits and funds from customers

#### (i) By type of deposits and funds

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| Non-Mudarabah Fund | | |
| Demand deposits | 553,875 | 501,158 |
| Saving deposits | - | 47,751 |
| | 553,875 | 548,909 |

#### (ii) By type of customer

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| Government and statutory bodies | 514,865 | 361,904 |
| Business enterprises | 39,010 | 133,777 |
| Individuals | - | 53,228 |
| | 553,875 | 548,909 |

## 38. The operations of Islamic Banking (continued)

### (g) Deposits and placements of banks and other financial institutions

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Bank Negara Malaysia | 83,765 | 1,405,979 |
| Licensed banks | 90,618 | 34,003 |
| Licensed financial institutions | 476,707 | 469,284 |
| | 651,090 | 1,909,266 |

### (h) Other liabilities

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Other creditors and accruals | 53,833 | 13,323 |

### (i) Islamic Banking funds

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Capital funds | 20,000 | 20,000 |
| Fair value reserve | (3,142) | (1,688) |
| Retained profits | 641,987 | 617,784 |
| | 658,845 | 636,096 |

### (j) Income derived from investment of depositors' funds and others

**Bank**

| | | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|---|
| | | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Income derived from investment of: | | | | | | | |
| General investment funds | (i) | 40,247 | 57,190 | 2,720 | 3,884 | 42,967 | 61,074 |

## 38. The operations of Islamic Banking (continued)

### (j) Income derived from investment of depositors' funds and others (continued)

#### (i) Income derived from investment of general investment funds

**Bank**

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **Finance income and hibah** | | | | | | |
| Financing, advances and others | - | - | 2,720 | 3,365 | 2,720 | 3,365 |
| Money at call and placements with financial institutions | 24,875 | 28,898 | - | 518 | 24,875 | 29,416 |
| Investment securities at FVOCI | 15,334 | 26,352 | - | - | 15,334 | 26,352 |
| | 40,209 | 55,250 | 2,720 | 3,883 | 42,929 | 59,133 |
| Accretion of discount less amortisation of premium | 38 | 1,940 | - | - | 38 | 1,940 |
| Total finance income and hibah | 40,247 | 57,190 | 2,720 | 3,883 | 42,967 | 61,073 |
| **Other operating income** | | | | | | |
| Fee income | - | - | - | 1 | - | 1 |
| Income from general investment funds | 40,247 | 57,190 | 2,720 | 3,884 | 42,967 | 61,074 |

### (k) Write back of impairment on financing, advances and others

**Bank**

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| 12-months ECL | - | - | (40) | (367) | (40) | (367) |
| Lifetime ECL not credit-impaired | - | - | (106) | (2,262) | (106) | (2,262) |
| Lifetime ECL credit-impaired | - | - | (245) | (132) | (245) | (132) |
| Impaired financing, advances and others: | | | | | | |
| - written off | - | - | 31 | 37 | 31 | 37 |
| - recovered | - | - | 10 | (47) | 10 | (47) |
| | - | - | (350) | (2,771) | (350) | (2,771) |

### (l) Income attributable to depositors and others

**Bank**

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Deposits and funds from customers | | | | | | |
| - Non-Mudarabah Fund | 7,300 | 6,770 | 1,430 | 1,794 | 8,730 | 8,564 |

## 38. The operations of Islamic Banking (continued)

### (m) Income/(Loss) derived from investment of Islamic Banking funds

**Bank**

| | Continuing operations 2022 RM'000 | Continuing operations 2021 RM'000 | Discontinued operation 2022 RM'000 | Discontinued operation 2021 RM'000 | Total 2022 RM'000 | Total 2021 RM'000 |
|---|---|---|---|---|---|---|
| Financing, advances and others | - | - | 825 | 639 | 825 | 639 |
| Money at call and placements with financial institutions | 7,543 | 5,484 | - | 98 | 7,543 | 5,582 |
| Investment securities at FVOCI | 4,650 | 5,001 | - | - | 4,650 | 5,001 |
| | 12,193 | 10,485 | 825 | 737 | 13,018 | 11,222 |
| Accretion of discount less amortisation of premium | (6,508) | (13,055) | - | - | (6,508) | (13,055) |
| Total finance loss and hibah | 5,685 | (2,570) | 825 | 737 | 6,510 | (1,833) |
| **Other operating income** | | | | | | |
| Gain from investment securities at FVOCI | 252 | 9,147 | - | - | 252 | 9,147 |
| (Loss)/Gain from investment securities at FVTPL | (2) | 29 | - | - | (2) | 29 |
| Fee income | 99 | 45 | 133 | 1,468 | 232 | 1,513 |
| Foreign exchange loss, net | (5,612) | (3,031) | - | - | (5,612) | (3,031) |
| | (5,263) | 6,190 | 133 | 1,468 | (5,130) | 7,658 |
| | 422 | 3,620 | 958 | 2,205 | 1,380 | 5,825 |

### (n) Net income from Islamic Banking operations

For consolidation with the conventional operations, income from Islamic Banking operations comprises the following:

**Bank**

| | | Continuing operations 2022 RM'000 | Continuing operations 2021 RM'000 | Discontinued operation 2022 RM'000 | Discontinued operation 2021 RM'000 | Total 2022 RM'000 | Total 2021 RM'000 |
|---|---|---|---|---|---|---|---|
| Income derived from investment of depositors' funds and others | (j) | 40,247 | 57,190 | 2,720 | 3,884 | 42,967 | 61,074 |
| Income attributable to depositors and others | (l) | (7,300) | (6,770) | (1,430) | (1,794) | (8,730) | (8,564) |
| Income derived from investment of Islamic Banking funds | (m) | 422 | 3,620 | 958 | 2,205 | 1,380 | 5,825 |
| | | 33,369 | 54,040 | 2,248 | 4,295 | 35,617 | 58,335 |

## 38. The operations of Islamic Banking (continued)

### (o) Other operating expenses

**Bank**

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Personnel costs | | | | | | |
| - Salaries, allowances and bonuses | - | 480 | - | - | - | 480 |
| - Contributions to Employees' Provident Fund | - | 71 | - | - | - | 71 |
| - Staff allowances and benefits | - | 59 | 24 | 10 | 24 | 69 |
| Establishment costs | | | | | | |
| - Others | - | 6 | - | - | - | 6 |
| Administrative and general expenses | | | | | | |
| - Others | 450 | 5 | 51 | 247 | 501 | 252 |
| | 450 | 621 | 75 | 257 | 525 | 878 |

Included in other operating expenses is the Shariah Committee's remuneration. The total remuneration of the Shariah committee members are as follows:

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Dr. Mat Noor Mat Zain | - | 25 |
| Prof. Dr. Abdul Ghafar Ismail | - | 34 |
| Prof. Dr. Muhammad Ridhwan Ab Aziz | 48 | 28 |
| Dr. Fuadah Johari | 44 | 28 |
| Dato' Prof Dr Noor Inayah | 28 | - |
| | 120 | 115 |

### (p) Taxation

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Income tax expense on continuing operations | 10,500 | 12,976 |
| Income tax expense on discontinued operation | 733 | 1,491 |
| Total income tax expense | 11,233 | 14,467 |
| Malaysian income tax | | |
| - Current tax expense | 10,522 | 14,175 |
| - Deferred tax expense | 711 | 292 |
| | 11,233 | 14,467 |

## 38. The operations of Islamic Banking (continued)

### (p) Taxation (continued)

**Reconciliation of tax expense**

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| Profit before taxation | | |
| - Continuing operations | 32,914 | 53,458 |
| - Discontinued operation | 2,522 | 6,805 |
| | 35,436 | 60,263 |
| Income tax using Malaysian tax rate of 24% | 8,505 | 14,463 |
| Income tax using Malaysian tax rate of 33% | 2,728 | - |
| Others | - | 4 |
| | 11,233 | 14,467 |

### (q) Zakat

Zakat is compulsory for business activities. According to the principles of Shariah, Muslim shareholders of the Bank are obliged to make payment. Thus, the Bank is not obliged for the collection or payment of zakat on behalf of its Muslim depositors and shareholders as resolved by its Shariah Committee.

As of 31 December 2022, the shareholding of Citibank Berhad is 100% owned by Citigroup Holding (Singapore) Pte. Ltd., hence no assessment was made on zakat payable.

### (r) Capital adequacy

(i) The capital adequacy ratios are as follows:

| | Bank 2022 RM'000 | Bank 2021 RM'000 |
|---|---|---|
| **Computation of Total Risk-Weighted Assets ("RWA")** | | |
| Total credit RWA | 730 | 41,976 |
| Total market RWA | - | - |
| Total operational RWA | 89,432 | 140,166 |
| **Total Risk-Weighted Assets** | 90,162 | 182,142 |
| **Computation of Capital Ratios** | | |
| Common Equity Tier (1) ("CET 1") Capital | 657,851 | 634,760 |
| Tier 1 Capital | 657,851 | 634,760 |
| Total Capital | 657,857 | 635,285 |
| CET 1 Capital Ratio | 729.632% | 348.497% |
| Total Tier 1 Capital Ratio | 729.632% | 348.497% |
| Total Capital Ratio | 729.639% | 348.786% |

## 38. The operations of Islamic Banking (continued)

### (r) Capital adequacy (continued)

The total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets) dated 9 December 2020 and 3 May 2019 respectively. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio are 4.0% and 5.5% respectively for year 2022 and 2021. The minimum regulatory capital adequacy requirement remains at 8.0% (2021: 8.0%) for Total Capital Ratio.

Islamic financial institutions are required to maintain a capital conservation buffer of 2.5% and CCyB above the minimum regulatory capital adequacy ratios above.

(ii) The components of CET 1, Tier 1 and Tier 2 Capital are as follows:

| | Bank | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Capital funds | 20,000 | 20,000 |
| Retained profits | 641,987 | 617,784 |
| Other reserves | (3,142) | (1,688) |
| Less: Deferred tax assets | (994) | (1,336) |
| **Total CET 1 Capital/Tier 1 Capital** | 657,851 | 634,760 |
| **Tier 2 Capital** | | |
| Loss allowance and regulatory reserve* | 6 | 525 |
| **Total Tier 2 Capital** | 6 | 525 |
| **Total Capital** | 657,857 | 635,285 |

* Excludes loss allowance restricted from Tier 2 Capital by BNM of Nil (2021: RM0.3 million).

## 38. The operations of Islamic Banking (continued)

### (s) Profit rate risk

| Bank<br>2022 | Up to 1 month RM'000 | > 1 - 3 months RM'000 | > 3 - 12 months RM'000 | > 1 - 5 years RM'000 | Over 5 years RM'000 | Non-profit sensitive RM'000 | Trading book RM'000 | Total RM'000 | Effective profit rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 1,176,716 | - | - | - | - | - | - | 1,176,716 | 1.65 |
| Investment securities | - | - | 485,288 | 276,102 | - | - | - | 761,390 | - |
| Financing, advances and others | | | | | | | | | |
| Others assets | - | - | - | - | - | 5,928 | - | 5,928 | - |
| **Total financial assets** | 1,176,716 | - | 485,288 | 276,102 | - | 5,928 | - | 1,944,034 | |
| **Financial liabilities** | | | | | | | | | |
| Deposits and funds from customers | 553,875 | - | - | - | - | - | - | 553,875 | 0.87 |
| Deposits and placements of banks and other financial institutions | 651,090 | - | - | - | - | - | - | 651,090 | 0.54 |
| Other liabilities | - | - | - | - | - | 53,833 | - | 53,833 | - |
| **Total financial liabilities** | 1,204,965 | - | - | - | - | 53,833 | - | 1,258,798 | |
| On-balance sheet profit sensitivity gap | (28,249) | - | 485,288 | 276,102 | - | (47,905) | - | | |

## 38. The operations of Islamic Banking (continued)

### (s) Profit rate risk (continued)

| Bank 2021 | Up to 1 month RM'000 | > 1 - 3 months RM'000 | > 3 - 12 months RM'000 | > 1 - 5 years RM'000 | Over 5 years RM'000 | Non-profit sensitive RM'000 | Trading book RM'000 | Total RM'000 | Effective profit rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 2,428,000 | - | - | - | - | 2,720 | - | 2,430,720 | 1.54 |
| Investment securities | - | 18,585 | 79,728 | 394,707 | - | - | 99,951 | 592,971 | - |
| Financing, advances and others | | | | | | | | | |
| - performing | 19 | 4 | 164 | 6,153 | 100,702 | (770) | - | 106,272 | 3.51 |
| - impaired | - | - | - | - | - | 3,517 | - | 3,517 | - |
| Others assets | - | - | - | - | - | 3,816 | - | 3,816 | - |
| **Total financial assets** | 2,428,019 | 18,589 | 79,892 | 400,860 | 100,702 | 9,283 | 99,951 | 3,137,296 | |
| **Financial liabilities** | | | | | | | | | |
| Deposits and funds from customers | 548,909 | - | - | - | - | - | - | 548,909 | 0.56 |
| Deposits and placements of banks and other financial institutions | 1,909,266 | - | - | - | - | - | - | 1,909,266 | 0.37 |
| Other liabilities | - | - | - | - | - | 13,323 | - | 13,323 | - |
| **Total financial liabilities** | 2,458,175 | - | - | - | - | 13,323 | - | 2,471,498 | |
| On-balance sheet profit sensitivity gap | (30,156) | 18,589 | 79,892 | 400,860 | 100,702 | (4,040) | 99,951 | | |

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