

CIMB INVESTMENT BANK BERHAD
Registration No: 197401001266 (18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	The Group	
		30 June 2023 RM'000	31 December 2022 RM'000
Assets			
Cash and short term funds		318,058	308,042
Reverse repurchase agreements		194,590	243,391
Deposits and placements with banks and other financial institutions		10	10
Equity instruments at fair value through other comprehensive income	A7	824	824
Other assets	A8	54,874	27,151
Amounts due from ultimate holding company		566	188
Amounts due from related companies		11,719	15,258
Tax recoverable		24,634	21,367
Deferred taxation		8,545	14,642
Statutory deposits with Bank Negara Malaysia		50	50
Investment in associates		4,083	3,573
Property, plant and equipment		2,958	5,178
Right-of-use assets		2,914	3,542
Intangible assets		31,304	30,063
Total assets		655,129	673,279
Liabilities			
Other liabilities	A9	53,986	61,782
Lease liabilities		3,177	3,865
Amounts due to related companies		13,041	11,877
Provision for taxation		-	3
Total liabilities		70,204	77,527
Capital and reserves attributable to equity holder of the Bank			
Ordinary share capital		100,000	100,000
Redeemable preference shares		10	10
Reserves		484,915	495,742
Total equity		584,925	595,752
Total equity and liabilities		655,129	673,279
Commitments and contingencies	A15	-	87,500
Net assets per ordinary share (RM)		5.85	5.96

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2022.

CIMB INVESTMENT BANK BERHAD
Registration No: 197401001266 (18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	The Bank	
		30 June 2023 RM'000	31 December 2022 RM'000
Assets			
Cash and short term funds		313,754	303,736
Reverse repurchase agreements		194,590	243,391
Other assets	A8	54,063	26,339
Amounts due from ultimate holding company		566	188
Amounts due from related companies		11,704	15,258
Tax recoverable		24,633	21,367
Deferred taxation		8,545	14,642
Statutory deposits with Bank Negara Malaysia		50	50
Investment in subsidiaries		30	30
Property, plant and equipment		2,958	5,178
Right-of-use assets		2,914	3,542
Intangible assets		31,304	30,063
Total assets		645,111	663,784
Liabilities			
Other liabilities	A9	53,950	61,769
Lease liabilities		3,177	3,865
Amounts due to related companies		13,041	11,850
Total liabilities		70,168	77,484
Capital and reserves attributable to equity holder of the Bank			
Ordinary share capital		100,000	100,000
Redeemable preference shares		10	10
Reserves		474,933	486,290
Total equity		574,943	586,300
Total equity and liabilities		645,111	663,784
Commitments and contingencies	A15	-	87,500
Net assets per ordinary share (RM)		5.75	5.86

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2022.

CIMB INVESTMENT BANK BERHAD

Registration No: 197401001266 (18417-M)

CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

	Notes	The Group			
		2nd quarter ended		Six months ended	
		30 June	30 June	30 June	30 June
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Interest income	A10	3,338	2,367	6,672	4,860
Interest expense	A11	(47)	(199)	(96)	(564)
Net interest income		3,291	2,168	6,576	4,296
Income from Islamic Banking operations	A18b	9,366	12,012	17,517	16,333
Non-interest income	A12	50,812	26,166	87,098	67,544
Total income		63,469	40,346	111,191	88,173
Overheads	A13	(58,904)	(34,575)	(102,950)	(78,582)
Profit before expected credit losses		4,565	5,771	8,241	9,591
Other expected credit losses and impairment allowances	A14	2,455	(2,681)	104	(5,249)
		7,020	3,090	8,345	4,342
Share of results of associates		26	33	511	104
Profit before taxation		7,046	3,123	8,856	4,446
Taxation		(1,741)	(1,416)	(2,838)	(2,274)
Profit and total comprehensive income for the financial period, attributable to the equity holder of the Bank		5,305	1,707	6,018	2,172
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank	B3	5.31	1.71	6.02	2.17

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2022.

CIMB INVESTMENT BANK BERHAD
Registration No: 197401001266 (18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

	Notes	The Bank			
		2nd quarter ended		Six months ended	
		30 June	30 June	30 June	30 June
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Interest income	A10	3,312	2,350	6,623	4,827
Interest expense	A11	(47)	(199)	(96)	(564)
Net interest income		3,265	2,151	6,527	4,263
Income from Islamic Banking operations	A18b	9,366	12,012	17,517	16,333
Non-interest income	A12	50,812	26,166	87,098	67,544
Total income		63,443	40,329	111,142	88,140
Overheads	A13	(58,910)	(34,565)	(102,926)	(78,573)
Profit before expected credit losses		4,533	5,764	8,216	9,567
Other expected credit losses and impairment allowances	A14	2,455	(2,681)	104	(5,249)
Profit before taxation		6,988	3,083	8,320	4,318
Taxation		(1,741)	(1,412)	(2,832)	(2,266)
Profit and total comprehensive income for the financial period, attributable to the equity holder of the Bank		5,247	1,671	5,488	2,052
Basic and diluted earnings per share (sen), attributable to equity holder of the Bank	B3	5.25	1.67	5.49	2.05

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2022.

CIMB INVESTMENT BANK BERHAD
Registration No: 197401001266 (18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

The Group 30 June 2023	← Attributable to Equity Holder of The Bank →							Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Reserve - equity instruments at fair value through other comprehensive income RM'000	Share-based payment reserve RM'000	Capital contribution by ultimate holding company RM'000	Regulatory reserve RM'000	Retained profits RM'000	
At 1 January 2023	100,000	10	(6,011)	126	2,282	-	499,345	595,752
Net profit and total comprehensive income for the financial period	-	-	-	-	-	-	6,018	6,018
Share-based payment expense	-	-	-	135	848	-	-	983
Shares released under Equity Ownership Plan	-	-	-	(108)	-	-	-	(108)
Interim dividend paid in respect of financial year ended 31 December 2022	-	-	-	-	-	-	(17,720)	(17,720)
At 30 June 2023	100,000	10	(6,011)	153	3,130	-	487,643	584,925

The Group 30 June 2022	← Attributable to Equity Holder of The Bank →							Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Reserve - equity instruments at fair value through other comprehensive income RM'000	Share-based payment reserve RM'000	Capital contribution by ultimate holding company RM'000	Regulatory reserve RM'000	Retained profits RM'000	
At 1 January 2022	100,000	10	(5,968)	1,237	643	93	514,693	610,708
Net profit and total comprehensive income for the financial period	-	-	-	-	-	-	2,172	2,172
Share-based payment expense	-	-	-	1,105	792	-	-	1,897
Shares released under Equity Ownership Plan	-	-	-	(1,679)	-	-	-	(1,679)
Transfer to regulatory reserve	-	-	-	-	-	(93)	93	-
Interim dividend paid in respect of financial year ended 31 December 2021	-	-	-	-	-	-	(30,480)	(30,480)
At 30 June 2022	100,000	10	(5,968)	663	1,435	-	486,478	582,618

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2022.

CIMB INVESTMENT BANK BERHAD
Registration No: 197401001266 (18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

Strictly Private & Confidential

The Bank	← Attributable to Equity Holder of The Bank →							Total
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Share-based payment reserve RM'000	Capital contribution by ultimate holding company RM'000	Reserve - equity instruments at fair value through other comprehensive income RM'000	Regulatory reserve RM'000	Retained profits RM'000	
30 June 2023								
At 1 January 2023	100,000	10	126	2,282	(6,331)	-	490,213	586,300
Net profit and total comprehensive income for the financial period	-	-	-	-	-	-	5,488	5,488
Share-based payment expense	-	-	135	848	-	-	-	983
Shares released under Equity Ownership Plan	-	-	(108)	-	-	-	-	(108)
Transfer from regulatory reserve	-	-	-	-	-	-	-	-
Interim dividend paid in respect of financial year ended 31 December 2022	-	-	-	-	-	-	(17,720)	(17,720)
At 30 June 2023	100,000	10	153	3,130	(6,331)	-	477,981	574,943

The Bank	← Attributable to Equity Holder of The Bank →							Total
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Share-based payment reserve RM'000	Capital contribution by ultimate holding company RM'000	Reserve - equity instruments at fair value through other comprehensive income RM'000	Regulatory reserve RM'000	Retained profits RM'000	
30 June 2022								
At 1 January 2022	100,000	10	1,237	643	(6,331)	93	502,871	598,523
Net profit/total comprehensive income for the financial period	-	-	-	-	-	-	2,052	2,052
Share-based payment expense	-	-	1,105	792	-	-	-	1,897
Share released under Equity Ownership Plan	-	-	(1,679)	-	-	-	-	(1,679)
Transfer to regulatory reserve	-	-	-	-	-	(93)	93	-
Interim dividend paid in respect of financial year ended 31 December 2021	-	-	-	-	-	-	(30,480)	(30,480)
At 30 June 2022	100,000	10	663	1,435	(6,331)	-	474,536	570,313

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2022.

CIMB INVESTMENT BANK BERHAD
Registration No: 197401001266 (18417-M)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

	The Group		The Bank	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Operating activities				
Profit before taxation	8,856	4,446	8,320	4,318
Adjustments for non-operating and non-cash items	4,497	12,998	5,008	13,102
Cash flow from operating profit before changes in operating assets and liabilities	13,353	17,444	13,328	17,420
Net changes in operating assets	41,464	(16,648)	41,480	(16,648)
Net changes in operating liabilities	(6,329)	(5,821)	(6,328)	(5,802)
Cash generated from/(used in) operating activities	48,488	(5,025)	48,480	(5,030)
Taxation paid	(10)	(2,190)	-	(2,186)
Net cash generated from/(used in) operating activities	48,478	(7,215)	48,480	(7,216)
Investing activities				
Net purchase of property, plant and equipment	(213)	(967)	(213)	(967)
Net purchase of intangible assets	(3,827)	(1,456)	(3,827)	(1,456)
Payment of deposit in relation to Proposed Acquisition	(14,794)	-	(14,794)	-
Net cash used in investing activities	(18,834)	(2,423)	(18,834)	(2,423)
Financing activities				
Net repayment of lease liabilities	(1,040)	959	(1,040)	959
Dividends paid	(17,720)	(30,480)	(17,720)	(30,480)
Net cash used in financing activities	(18,760)	(29,521)	(18,760)	(29,521)
Net increase/(decrease) in cash and cash equivalents during the financial period	10,884	(39,159)	10,886	(39,160)
Cash and cash equivalents at the beginning of the financial period	308,043	593,251	303,737	588,973
Effects of exchange rate changes	(869)	(587)	(869)	(587)
Cash and cash equivalents at the end of the financial period	318,058	553,505	313,754	549,226
Cash and cash equivalents comprise the following:				
Cash and short term funds	318,058	553,505	313,754	549,226
Deposits and placements with banks and other financial institutions	10	10	-	-
	318,068	553,515	313,754	549,226
Less : Cash and short-term funds and deposits and placements with financial institutions, with original maturity of more than three months	(10)	(10)	-	-
Cash and cash equivalents at the end of the financial period	318,058	553,505	313,754	549,226

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statement of the Group and the Bank for the year ended 31 December 2022.

A1. Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2023 have been prepared under the historical cost convention, except for equity instruments at fair value through other comprehensive income that are measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the financial year ended 31 December 2022.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2022, except for adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRS") which are effective for annual periods beginning on or after 1 January 2023:

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates

The adoption of the above amendments to published standards did not give rise to material impact to the financial statements of the Group and of the Bank.

The unaudited condensed interim financial statements include those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the provision of investment banking and related financial services which comply with Shariah principles.

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

A2. Changes in estimates

There were no material changes in estimates during the second quarter ended 30 June 2023.

A3. Dividends paid and proposed

An interim dividend of 17.72 sen per ordinary share, amounting to RM17,720,000 in respect of the financial year ended 31 December 2022, which was approved by the Board of Directors on 27 January 2023, was paid on 16 March 2023.

No dividend has been proposed during the financial period ended 30 June 2023.

PART A - EXPLANATORY NOTES (CONTINUED)**A4. Significant events during the financial period**

Other than that disclosed in Note A6 Status of Corporate Proposal, there were no other significant events that had occurred during the current reporting period.

A5. Significant events after the financial period

There were no significant events that had occurred between 30 June 2023 and the date of this announcement.

A6. Status of Corporate Proposal**Proposed acquisition of 80,000,000 ordinary shares in KAF Equities Sdn Bhd (“KESB”), representing 100% equity interest in KESB (“Proposed Acquisition”)**

On 7 April 2023, the Bank entered into a conditional Share Purchase Agreement (“SPA”) with KAF-Seagroatt & Campbell Berhad (“KAFSC”) for a proposed acquisition by the Bank of 80,000,000 ordinary shares in KESB, representing 100% of the equity interest in KESB, from KAFSC, for an indicative cash consideration of RM147.936 million subject to, amongst others, certain price adjustments at the completion date as well as the terms and conditions of the SPA.

The completion of the SPA is subject to fulfilment of certain conditions precedent, including but not limited to, obtaining written approvals of Bank Negara Malaysia (“BNM”) and the Securities Commission of Malaysia. On 2 August 2023, the Bank received an approval from BNM for the Proposed Acquisition.

The Proposed Acquisition is not expected to have any effect on the earnings and earnings per share of the Group for the financial period ended 30 June 2023 as the Proposed Acquisition is expected to be completed by the 4th quarter of 2023. Upon completion of the Proposed Acquisition, KESB will be a wholly owned subsidiary of the Bank.

A7. Equity instruments at fair value through other comprehensive income

	The Group		The Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
<u>At fair value</u>				
Unquoted securities :				
<i>Outside Malaysia</i>				
Shares	824	824	-	-
Total equity instruments at fair value through other comprehensive income	824	824	-	-

PART A - EXPLANATORY NOTES (CONTINUED)

	The Group		The Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
A8. Other assets				
Trade and other receivables, net of expected credit losses of RM13,405,000 (2022: RM13,509,000)	31,127	23,351	31,127	23,351
Deposits, prepayments and others #	23,747	3,800	22,936	2,988
	54,874	27,151	54,063	26,339

Included within deposits, prepayment and others is a deposit of RM14,793,600 paid by the Bank to an escrow account in relation to the Proposed Acquisition.

	The Group		The Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
A9. Other liabilities				
Trade and sundry creditors	18,975	10,458	18,975	10,458
Expenditure payable	29,593	45,001	29,558	44,989
Others	5,418	6,323	5,417	6,322
	53,986	61,782	53,950	61,769

PART A - EXPLANATORY NOTES (CONTINUED)

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
A10. Interest income				
<u>The Group</u>				
Money at call and deposits placements with banks and other financial institutions	1,926	2,367	3,931	4,860
Reverse repurchase agreements	1,412	-	2,741	-
	3,338	2,367	6,672	4,860
<u>The Bank</u>				
Money at call and deposits placements with banks and other financial institutions	1,900	2,350	3,882	4,827
Reverse repurchase agreements	1,412	-	2,741	-
	3,312	2,350	6,623	4,827
A11. Interest expense				
<u>The Group and The Bank</u>				
Deposits and placements of banks and other financial institutions	24	42	46	113
Deposits from customers	-	118	-	385
Lease liabilities	23	39	50	66
	47	199	96	564

PART A - EXPLANATORY NOTES (CONTINUED)

	2nd quarter ended		Six months ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
A12. Non-interest income				
<u>The Group and the Bank</u>				
a) Net fee income and commission income:				
Commissions	7,738	8,222	15,297	18,937
Service charges and fees	21,961	16,016	39,063	30,664
Advisory and arrangement fees	6,333	1,596	15,271	5,334
Placement, book running and related fees	14,887	(4,089)	17,768	3,774
Other fee income	3,382	932	4,001	1,576
	54,301	22,677	91,400	60,285
Less : Fee, commission expense and direct expenses	(5,657)	(1,083)	(8,201)	(3,198)
	48,644	21,594	83,199	57,087
b) Net gain arising from derivative financial instrument :				
- realised gain	8	-	8	-
	8	-	8	-
c) Other income:				
Income from securities services	1,565	1,624	3,020	3,121
Foreign exchange gain and other non-operating income	595	2,948	871	7,336
	2,160	4,572	3,891	10,457
Total non-interest income	50,812	26,166	87,098	67,544

A13. Overheads	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
<u>The Group</u>	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonus	38,751	13,865	56,983	37,610
- Pension cost (defined contribution plan)	3,700	2,823	6,492	5,600
- Transformation initiative expenses	-	1,358	835	1,358
- Share-based expense ¹	424	424	848	792
- Others	1,318	1,151	2,682	2,692
	44,193	19,621	67,840	48,052
Establishment costs				
- Depreciation of property, plant and equipment	1,203	1,198	2,431	2,393
- Depreciation of right-of-use assets	465	503	931	954
- Amortisation of intangible assets	1,224	1,843	2,586	3,239
- Equipment and other rental	1,187	986	2,313	1,979
- Others	2,406	2,135	4,181	3,154
	6,485	6,665	12,442	11,719
Marketing expenses				
- Advertisement and entertainment expenses	530	413	1,228	833
- Others	194	119	352	219
	724	532	1,580	1,052
Administration and general expenses				
- Legal and professional fees	272	288	511	662
- Service expenses	4,780	5,578	15,678	13,324
- Others	2,450	1,891	4,899	3,773
	7,502	7,757	21,088	17,759
Total overhead expenses	58,904	34,575	102,950	78,582

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

A13. Overheads (Continued)

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<u>The Bank</u>				
Personnel costs				
- Salaries, allowances and bonus	38,751	13,865	56,983	37,610
- Pension cost (defined contribution plan)	3,700	2,823	6,492	5,600
- Transformation initiative expenses	-	1,358	835	1,358
- Share-based expense ¹	424	424	848	792
- Others	1,318	1,151	2,682	2,692
	44,193	19,621	67,840	48,052
Establishment costs				
- Depreciation of property, plant and equipment	1,203	1,198	2,431	2,393
- Depreciation of right-of-use assets	465	503	931	954
- Amortisation of intangible assets	1,224	1,843	2,586	3,239
- Equipment and other rental	1,187	986	2,313	1,979
- Others	2,406	2,135	4,181	3,154
	6,485	6,665	12,442	11,719
Marketing expenses				
- Advertisement and entertainment expenses	530	413	1,228	833
- Others	194	119	352	219
	724	532	1,580	1,052
Administration and general expenses				
- Legal and professional fees	269	285	505	658
- Service expenses	4,788	5,570	15,660	13,309
- Others	2,451	1,892	4,899	3,783
	7,508	7,747	21,064	17,750
Total overhead expenses	58,910	34,565	102,926	78,573

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

A14. Other expected credit losses and impairment allowances

The Group and the Bank

Other expected credit losses and impairment allowances (written back)/made on:

- Other assets	(2,455)	2,681	(104)	5,249
	(2,455)	2,681	(104)	5,249

PART A - EXPLANATORY NOTES (CONTINUED)

A15. Commitment and contingencies

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

These commitments and contingencies are not secured over the assets of the Group and the Bank.

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

	The Group and the Bank	
	30 June 2023	31 December 2022
	Principal amount RM'000	Principal amount RM'000
<u>Credit-related</u>		
Obligations under underwriting agreement	-	87,500
	-	87,500

A16. Capital Adequacy

The capital adequacy ratios of the Bank and the Group are calculated based on BNM's Capital Adequacy Framework (Capital Components) of which the latest revision was issued on 9 December 2020. The revised guidelines took effect on 9 December 2020. The revised guideline sets up the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Group and The Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk Weighted Assets) of which the latest revision was issued on 3 May 2019.

The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

a) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Before deducting proposed dividend				
Common Equity Tier ("CET") 1 ratio	99.779%	97.816%	99.281%	97.235%
Tier 1 ratio	99.779%	97.816%	99.281%	97.235%
Total capital ratio	99.779%	97.816%	99.281%	97.235%
After deducting proposed dividend				
Common Equity Tier 1 ratio	99.779%	94.645%	99.281%	94.053%
Tier 1 ratio	99.779%	94.645%	99.281%	94.053%
Total capital ratio	99.779%	94.645%	99.281%	94.053%

(b) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group		The Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
Credit risk	107,337	134,947	105,548	133,164
Market risk	25,034	24,341	25,034	24,341
Operational risk	402,956	399,559	402,853	399,482
Total risk-weighted assets	535,327	558,847	533,435	556,987

c) Components of the Group and the Bank capital are as follows :

	The Group		The Bank	
	30 June 2023 RM'000	31 December 2022 RM'000	30 June 2023 RM'000	31 December 2022 RM'000
CET 1 capital				
Ordinary share capital	100,000	100,000	100,000	100,000
Other reserves	478,897	495,742	469,445	486,290
Less : Proposed dividends	-	(17,720)	-	(17,720)
CET 1 capital before regulatory adjustments	578,897	578,022	569,445	568,570
<u>Less: Regulatory adjustments</u>				
Deferred tax assets	(11,590)	(14,642)	(11,590)	(14,642)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(4,906)	(4,395)	-	-
Intangible assets	(28,258)	(30,063)	(28,258)	(30,063)
CET 1 capital/Total Tier 1 Capital	534,143	528,922	529,597	523,865
Total capital	534,143	528,922	529,597	523,865

PART A - EXPLANATORY NOTES (CONTINUED)

A17. FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters.

The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Valuation model review and approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of rate reasonableness verification;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative Analysts before submitting to the Group Market Risk Committee for approval;
- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Regional Head, Market Risk Management and/or the Group Market Risk Committee;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are

PART A - EXPLANATORY NOTES (CONTINUED)**A17. FAIR VALUE ESTIMATION (CONTINUED)**

The following table represents The Group's and The Bank's financial assets measured at fair value and classified by level with the following fair value measurement hierarchy as at 30 June 2023 and 31 December 2022.

	Fair Value			Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>The Group</u>				
30 June 2023				
<i>Recurring fair value measurement</i>				
<u>Financial assets</u>				
Equity instruments at fair value through other comprehensive income				
- Unquoted securities	-	-	824	824
Total	-	-	824	824

	Fair Value			Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>The Group</u>				
31 December 2022				
<i>Recurring fair value measurement</i>				
<u>Financial assets</u>				
Equity instruments at fair value through other comprehensive income				
- Unquoted securities	-	-	824	824
Total	-	-	824	824

PART A - EXPLANATORY NOTES (CONTINUED)

A17. FAIR VALUE ESTIMATION (CONTINUED)

The following represents the changes in Level 3 instruments for the financial period/year ended 30 June 2023 and 31 December 2022 for The Group and The Bank.

The Group	Financial Investments - Equity instruments at fair value through other comprehensive income RM'000	Total RM'000
<u>30 June 2023</u>		
At 1 January 2023/30 June 2023	824	824
	Financial Investments - Equity instruments at fair value through other comprehensive income RM'000	Total RM'000
The Group		
<u>31 December 2022</u>		
At 1 January 2022	867	867
Total loss recognised in other comprehensive income	(43)	(43)
At 31 December 2022	824	824

PART A - EXPLANATORY NOTES (CONTINUED)*Strictly Private & Confidential***A18. The operations of Islamic Banking****A18a. Unaudited Statements of Financial Position as at 30 June 2023**

	The Group and The Bank	
	30 June	31 December
	2023	2022
	RM'000	RM'000
Assets		
Cash and short-term funds	75,503	92,812
Other assets	1,117	1,996
Amount due from ultimate holding company	82	-
Amount due from related companies	29	264
Deferred tax assets	-	169
Property, plant and equipment	-	1
Intangible assets	-	-
Total assets	76,731	95,242
Liabilities and Islamic Banking capital funds		
Other liabilities	1,679	10,872
Amount due to related companies	1,668	5,100
Deferred tax liabilities	2,111	-
Total liabilities	5,458	15,972
Islamic Banking capital funds	55,696	55,696
Reserves	15,577	23,574
Total Islamic Banking capital funds	71,273	79,270
	76,731	95,242

A18. The operations of Islamic Banking (Continued)

A18b. Unaudited Statements of Comprehensive Income for the financial period ended 30 June 2023

	The Group and The Bank			
	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	-	411	-	559
Income derived from investment of shareholders' funds	9,366	11,613	17,517	15,788
Expected credit losses (made)/written back on trade receivables	(388)	6	(325)	11
Total attributable income	8,978	12,030	17,192	16,358
Income attributable to the depositors and others	-	(12)	-	(14)
Total net income	8,978	12,018	17,192	16,344
Personnel expenses	(59)	(72)	(96)	(144)
Other overheads and expenditures	(3,088)	(3,077)	(7,814)	(6,757)
Profit before taxation	5,831	8,869	9,282	9,443
Taxation	(1,433)	(2,128)	(2,280)	(2,298)
Profit after taxation/total comprehensive income for the period	4,398	6,741	7,002	7,145
<u>Income from Islamic operations (per page 3 and page 4)</u>				
Total net income	8,978	12,018	17,192	16,344
Less : Expected credit losses on other assets made/(written back)	388	(6)	325	(11)
	9,366	12,012	17,517	16,333

PART A - EXPLANATORY NOTES (CONTINUED)

A18c. Capital Adequacy

a) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group and The Bank	
	31 December	
	30 June 2023	2022
Before deducting proposed dividend		
CET 1 Ratio	83.092%	106.987%
Tier 1 ratio	83.092%	106.987%
Total capital ratio	83.092%	106.987%
After deducting proposed dividend		
CET 1 Ratio	83.092%	86.699%
Tier 1 ratio	83.092%	86.699%
Total capital ratio	83.092%	86.699%

(b) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group and The Bank	
	31 December	
	30 June 2023	2022
	RM'000	RM'000
Credit risk	15,386	18,702
Operational risk	61,962	55,233
Total risk-weighted assets	77,348	73,935

c) Components of capital for the Group and the Bank are as follows :

	The Group and The Bank	
	31 December	
	30 June 2023	2022
	RM'000	RM'000
Tier 1 capital		
Islamic Banking capital funds	55,696	55,696
Other reserves	8,574	23,574
Less : Proposed dividends	-	(15,000)
CET 1 capital before regulatory adjustments	64,270	64,270
<u>Less: Regulatory adjustments</u>		
Deferred Tax Assets	-	(169)
CET 1 capital / Total Tier 1 capital	64,270	64,101
Total capital base	64,270	64,101

A19. Credit transactions and exposures with connected parties

	The Group	
	30 June 2023	31 December 2022
	RM'000	RM'000
Outstanding credit exposures with connected parties	12,261	9,989
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	2.5%	1.7%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.0%	0.0%

PART B - EXPLANATORY NOTES**B1. Group Performance Review**

The Group reported a profit before taxation of RM8.9 million for the financial period ended 30 June 2023 compared to RM4.4 million for the same period in the preceding year. The higher profit before tax was mainly due to higher fee income, net interest income and share of results of associates, offset by higher overhead expenses during the current period.

B2. Prospects for the Current Financial Year

The Bank remains cautious on the outlook for the second half of the year given the tapering global economic growth prospects, sustained inflationary pressure, elevated policy rates and financial market volatility. Despite this, the Bank expects to continue generating ideas, curating Investment Banking solutions for our clients and expanding the Private Banking proposition in line with CIMB Group's Forward23+ focus on wealth management. This will be underpinned by strengthening client relationships and accelerating the development of the Bank's and the Group's regional capabilities transformation whilst achieving greater collaboration and alignment within CIMB Group.

B3. COMPUTATION OF EARNINGS PER SHARE (EPS)**a) Basic EPS**

Basic earnings per share of the Group and the Bank are calculated by dividing the net profit attributable to owners of the Group and the Bank by the weighted average number of ordinary shares issued during the financial period.

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Net profit (RM '000)	5,305	1,707	6,018	2,172
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Total basic earnings per share for profit attributable to equity holder of the Bank (expressed in sen per share)	5.31	1.71	6.02	2.17

PART B - EXPLANATORY NOTES (CONTINUED)

B3. COMPUTATION OF EARNINGS PER SHARE (EPS) (Continued)

a) Basic EPS (Continued)

Basic earnings per share of the Group and the Bank are calculated by dividing the net profit attributable to owners of the Group and the Bank by the weighted average number of ordinary shares issued during the financial period. (Continued)

	The Bank			
	2nd quarter ended		Six months ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Net profit (RM '000)	<u>5,247</u>	<u>1,671</u>	<u>5,488</u>	<u>2,052</u>
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Total basic earnings per share for profit attributable to equity holder of the Bank (expressed in sen per share)	<u>5.25</u>	<u>1.67</u>	<u>5.49</u>	<u>2.05</u>

b) Diluted EPS

There were no dilutive potential ordinary shares outstanding as at 30 June 2023 and 30 June 2022 respectively.