AFFIN BANK

DRIVING MOMENTUM

ANNUAL REPORT 2022

ABOUT THIS REPORT

Moving beyond our metamorphosis to realise a new level of banking, our purpose during the financial year under review was to seize momentum to build resilience for a future of sustainable inclusive growth. The evolution of a creative, innovative, and sustainable AFFIN Group would enable us to provide significant value to our customers, employees, and shareholders. To facilitate this purpose, we encompass principles of good governance, responsible banking and value-based intermediation (VBI) in all that we do. Our focus to fortify the trust of our various stakeholders had succeeded in addressing issues that mattered to them. As the curtain fell on AIM22, the AFFIN Group had demonstrated resilient leadership with exemplary service and innovative products that uphold our credo, 'always about you'.

Our inclusive policies, impactful programmes, digitalised financial solutions, and purpose-driven shareholder returns have positively impacted our financial performance.

This annual report imparts authentic explanation of the AFFIN Group's performance during the financial year under review, the progress attained by the AIM22 strategy and a Sustainability Roadmap. The achievements presented herein represent our clarion call to accelerate momentum as we continue to create value for all our stakeholders.

Driving Momentum

AFFIN Group's journey to be future-ready is gaining momentum, with our AIM22 strategic plan taking flight. Our vision has been redefined, our organisation restructured, our balance sheet reengineered, and our digital capabilities realised. This puts us in the driving seat as we push forward towards the next phase of growth.

Our focus for the year ahead will be driven by five strategic priorities that aim to provide unparalleled customer services and experiences. We remain steadfast in our commitment to achieving the desired outcomes within our business ecosystem, while integrating environmental, social, and governance (ESG) practices into our operations as part of our sustainability agenda.

As we strive to become a financial institution of the future, one that embraces innovation and technology to deliver unrivalled customer excellence in an ever-evolving business landscape, AFFIN Group's focus remains on delivering shared value and a sustainable future for all our stakeholders. Our momentum continues to accelerate and we are excited to see where it takes us next.

WE APPRECIATE YOUR FEEDBACK

As part of our commitment to reporting that better serves our stakeholders' needs, we value your feedback and welcome comments to improve our future reports. We will attempt to provide further clarity to our disclosure topics where necessary. Please share your comments, suggestions and feedback via email to ir@affinbank.com.my.

Our annual report can also be accessed on-line at: **https://affin.listedcompany.com/ar.html**

SCOPE AND BOUNDARY

This annual report covers AFFIN Group's financial and non-financial performance during the period 1st January to 31st December 2022.

This report is aimed at keeping our stakeholders in alignment with our mid to long-term achievements; key developments; market challenges and business solutions; programme initiatives; and the overall health of operations in 2022 in the various business segments where we operate. The report also presents forward-looking statements and interpretation on the initiatives and performance that we are planning for the year ahead.

Our Sustainability Statement has been prepared with care and forethought to provide stakeholders with a comprehensive and objective view of our economic, environmental, governance and social performance in a transparent and easy to understand manner.

The report was prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Malaysian Companies Act 2016. It also complies with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code of Corporate Governance 2017 issued by Securities Commission Malaysia. It is also guided by the FTSE4Good Bursa Malaysia Index's environment, social and governance (ESG) indicators and the United Nations Sustainable Development Goals (UNSDGs).

As part of the Group's strategy, we have prioritised several UNSDGs to ensure that our business is environmentally, economically and socially sustainable. These include SDG 8: decent work and economic growth; SDG 12: responsible consumption and production; SDG 13: climate action and SDG 17: partnerships for the goals.

The financial statements have been independently audited by PricewaterhouseCoopers PLT – whose unmodified report is available on pages 213 to 414. These statements provide in-depth and transparent disclosure of our financial performance. Unless indicated otherwise, all the data presented relates to the Group and our subsidiaries.

INDEPENDENT COMBINED ASSURANCE STATEMENT

The Group employs a coordinated assurance model to assess and assure various aspects of the business operations, including elements of external reporting. These assurances are provided by management and the Board, internal audit and independent external service providers.

FORWARD-LOOKING STATEMENTS

Forward-looking statements with regard to financial conditions and results of AFFIN Group's operations involves risks and uncertainties since they relate to events that may or may not occur in the future. These may include our future growth opportunities, priorities and strategies. They are based on expectations and projections that may be evolving and subject to change based on factors, operating environment and market conditions beyond our control. All forward-looking statements are not conclusive and have not been reviewed by the auditors.

MATERIALITY

The preparation of this annual report is guided by matters that are material to the Group's target audiences. Material matters are identified, prioritised and validated via a three-step materiality assessment. This report focuses on those matters that we perceive as being most material to our capacity to create value and to deliver on our core purpose.

These material issues are reviewed each year during the course of the Board's strategic planning process.

STATEMENT OF THE BOARD OF DIRECTORS OF AFFIN GROUP

The Board acknowledges its responsibility to ensure the integrity of the AFFIN Group Annual Report 2022. It is in the Board's opinion that the report addresses all issues that are material to the Group's ability to create value and presents fairly the Group's performance for financial year 2022.

Approved by the Board of Directors and signed on behalf of the Board.

Dato' Agil Natt
Chairman

Datuk Wan Razly Abdullah
President and Group Chief Executive Officer

INSIDE THIS REPORT

47th

ANNUAL GENERAL MEETING

Broadcast Venue

Level 26, Auditorium,
Menara AFFIN,
Lingkaran TRX,
Tun Razak Exchange,
55188 Kuala Lumpur,
Malaysia

Thursday, 25 May 2023

10.00 a.m.

OVERVIEW OF AFFIN BANK BERHAD

01

LEADERSHIP INSIGHTS

02

VALUE CREATION

03

MANAGEMENT DISCUSSION AND ANALYSIS

04

OUR LEADERSHIP

05

OUR GOVERNANCE

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OUR VISION

To be the most creative financial company in Malaysia

- Creative in terms of innovation and technology
- Creative in terms of unrivalled customer service
- Create value for our shareholders, customers and our people

OUR MISSION

Products & Services

To become an innovative organisation with unrivalled customer service

People

Our commitment and passion touches the hearts and minds of everyone in our world

Value

To always create value for our shareholders, customers and our people

WHO WE ARE

Affin Bank Berhad is a commercial bank and the financial holding company of Affin Islamic Bank Berhad, Affin Hwang Investment Bank Berhad and Affin Moneybrokers Sdn Bhd.

Generali Life Insurance Malaysia Berhad *(formerly known as AXA Affin Life Insurance Berhad)* and Generali Insurance Malaysia Berhad *(formerly known as AXA Affin General Insurance Berhad)* are the associate companies of Affin Bank Berhad.

AFFIN BANK provides a suite of financial products and services that is catered to both retail and corporate customers. The target business segments are categorised under key business units such as Group Community Banking, Group Enterprise Banking, Group Corporate Banking and Group Treasury.

CORE VALUES

A

Always innovating and adapting

F

Forever working as a team as we are one family

F

Fair treatment, diversity and sustainability

I

Integrity is our foundation

N

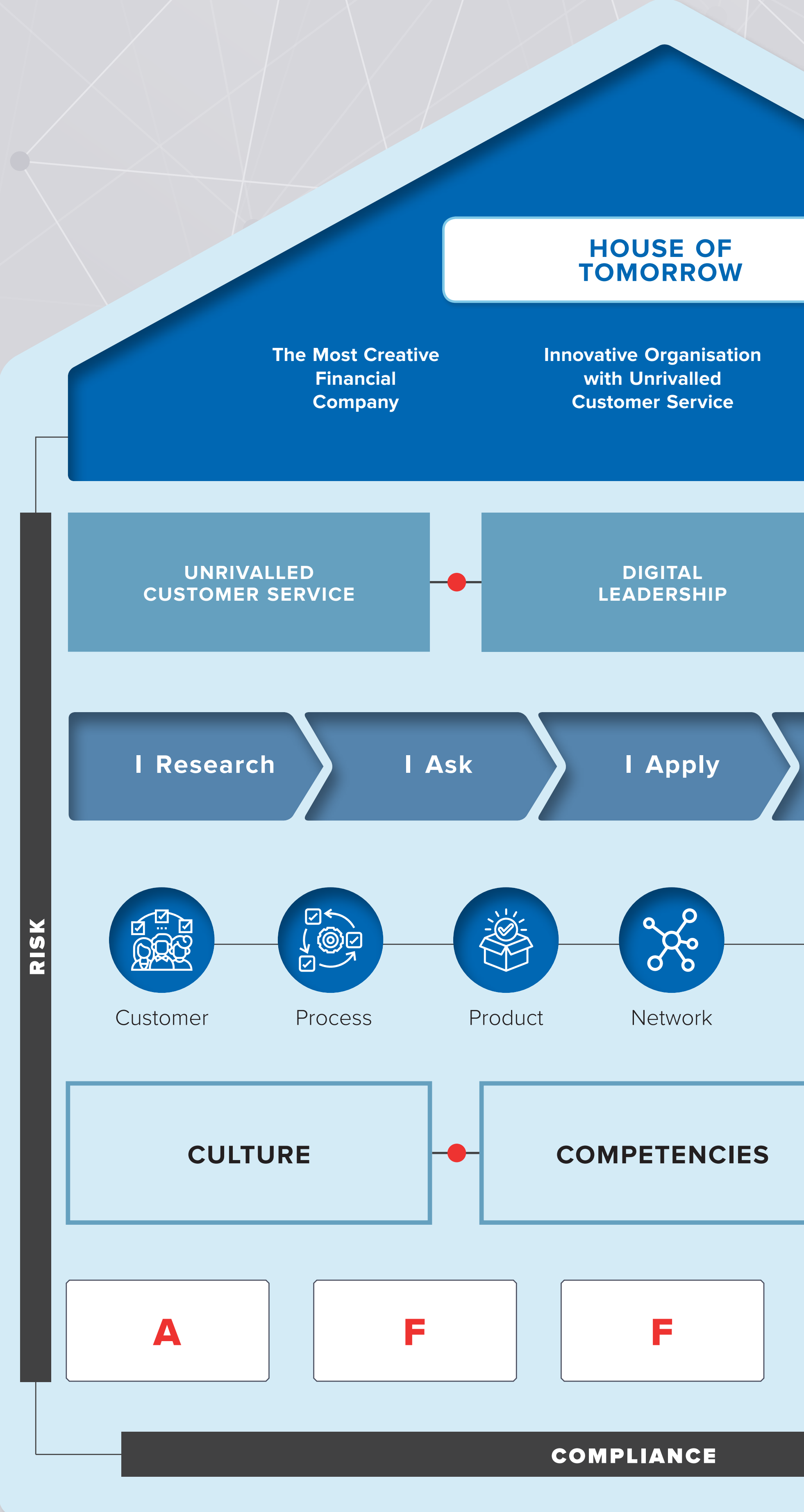
Never ending customer centricity


AFFIN

OUR STRATEGY SNAPSHOT

AIM22 Achievements

- Launched A1addin – eFD/eTD-i Promote Rate Module
- AffinMax Digital Payroll @ AFFIN BANK
- Opening of New AFC Branch | Bandar Baru Bangi, Sibu and Sandakan
- Launched A1addinbiz
- Rollout of Digital Imaging System (DIS)
- New Branch Opening | Kota SAS, Presint 15 Putrajaya, Balakong, Desa Park City and Kuantan Hub
- New INVIKTA Centre | Kemaman, Wisma Pelaut, Permas Jaya, SS2 Petaling Jaya, Desa Park City
- ADS Rollout Nationwide
- CRM 360 (Phase 2) Roll Out
- Launched Affin Mobile Branch
- Treasury FX Digital System roll out
- Rollout of AffinMax Phase 3
- Implementation of Cross – Sell Framework
- Opening of New Flagship Branch | KL Main Branch @ TRX
- Rollout of Islamic Variable Rate Financing Product (Auto Finance)
- Rollout of Straight-Through Process (Personal Financing Business)
- Rollout of Pricing Automation in LOS Production (Mortgage)
- Introduced various key Banca products
- Launched AFFIN Solar Financing-i and AFFIN BizSolar/-i Financing
- Introduction of Dinar Gold under AFFIN Emas Account-i
- AFFIN UKM Alumni Debit Card



HOUSE OF TOMORROW

The Most Creative Financial Company

Innovative Organisation with Unrivalled Customer Service

UNRIVALLED CUSTOMER SERVICE

DIGITAL LEADERSHIP

I Research

I Ask

I Apply

Customer

Process

Product

Network

CULTURE

COMPETENCIES

A

F

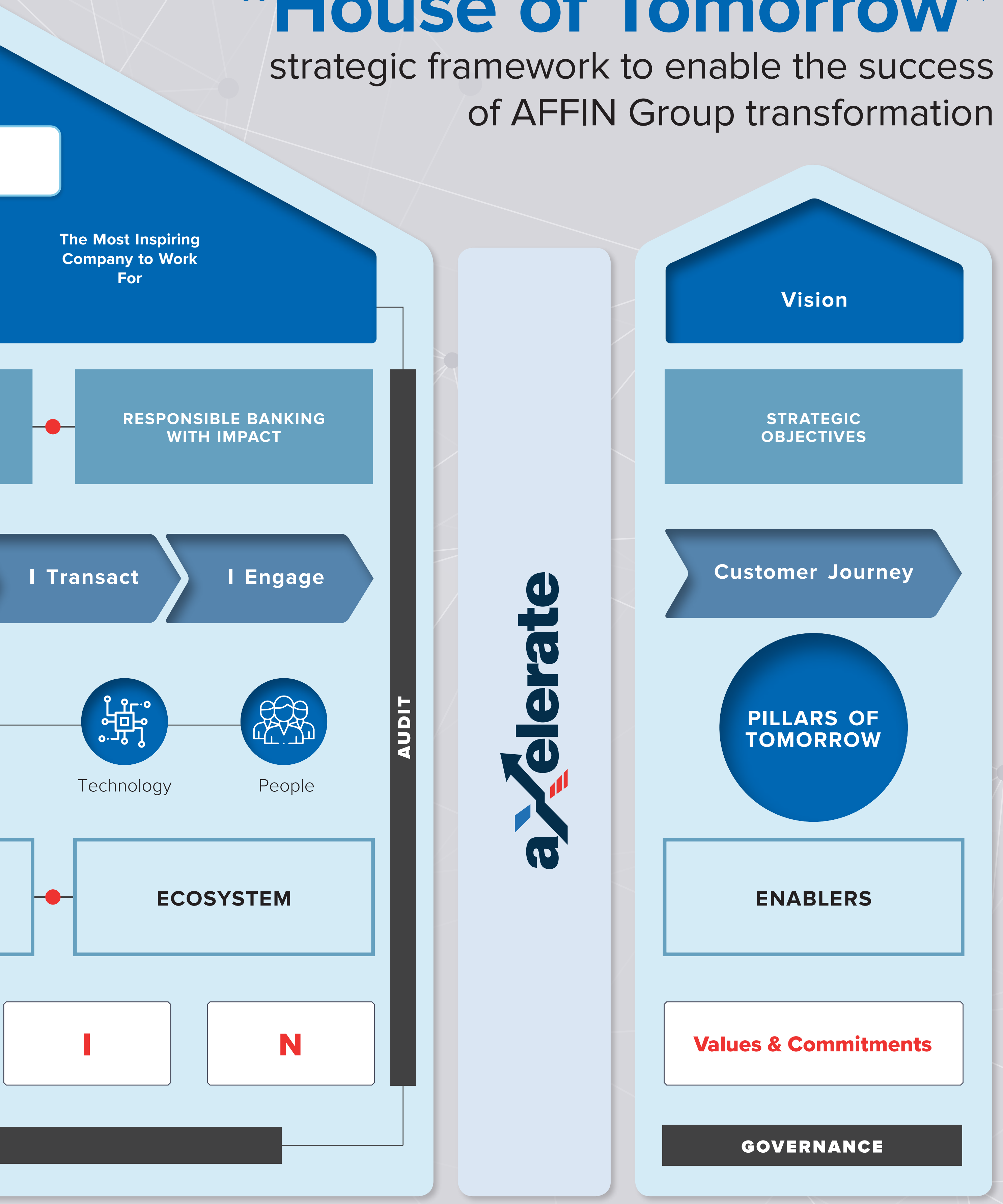
F

RISK

COMPLIANCE

“House of Tomorrow”

strategic framework to enable the success of AFFIN Group transformation



The Most Inspiring Company to Work For

RESPONSIBLE BANKING WITH IMPACT

I Transact

I Engage

Technology

People

ECOSYSTEM

I

N

AUDIT

axelerate

Vision

STRATEGIC OBJECTIVES

Customer Journey

PILLARS OF TOMORROW

ENABLERS

Values & Commitments

GOVERNANCE

OUR INVESTMENT CASE

• 2022 PERFORMANCE SNAPSHOT

BUSINESS HIGHLIGHTS

Highest dividend of RM677 million declared to reward our shareholders for their support and loyalty

Inclusion of two global indexes, namely **MSCI** and **FTSE** for the first time since listing

RAM RATINGS

RAM Ratings has upgraded our rating from AA_3 negative to AA_3 stable in November

GENERALI

New Joint Venture Partner with **Generali** – becoming Malaysia's second largest General Insurance provider

AFFIN BANK

Brand Finance reported that AFFIN BANK has emerged as the **fastest growing brand** in Malaysia with a brand value of USD232 million (+45% year on year)

AFFIN ISLAMIC

Affin Islamic Bank Berhad was a **significant contributor** to our Group, PBT (exclude one-off) recorded an increase of 52.8% or **RM131.3 million**, due to strong financing growth at 15.3% for FY2022

FINANCIAL HIGHLIGHTS

Revenue

RM 3,297 million +47.1%

2021:
RM2,241 million

Net Interest Margin

2.01% +0.04%

2021:
1.97%

Net Interest Income

RM 1,023 million +13.7%

2021:
RM900 million

Profit Before Taxation

RM 1,377 million

+95.6%

2021:
RM704 million

Earnings Per Share

54.4 sen

+117.6%

2021:
25.0 sen

Gross Loan

RM 59.3 billion

+15.4%

2021:
RM51.4 billion

SUSTAINABILITY HIGHLIGHTS

52 Hours total of staff volunteer time were attained

In 2022, 4.5% of sustainable financing went beyond the 4% threshold goal

Investments worth RM11.5 million was made in staff upskilling training

94 Hours have been allocated for staff upskilling training

1200 trees were planted as a part of our commitment

A donation of more than RM0.9 million was allocated to CSR projects

76635.08 kWh was generated from renewable energy for self-consumption

Relocation of the corporate headquarters to a building with a Green Building Index (GBI) certification and close proximity to a public transit hub

AWARDS & RECOGNITION

AFFIN BANK BERHAD

1. Winner: Outstanding Digital CX For Financial Inclusion 2022 by Digital CX Awards Singapore
   Entry: SME Colony mobile app

2. Financial Inclusion Initiative of the Year 2022 – Malaysia by Asian Banking & Finance Retail Banking Awards Singapore
   Entry: SME Colony mobile app

3. Most Innovative New SME Product of the Year – Malaysia 2022 by International Finance Awards UK
   Entry: AFFINWRKFZ

4. Best Bank for Digital Solutions, Malaysia 2022 by Asiamoney Awards
   Entry: SME Colony mobile app

5. Cloud-Banking Category by Malaysia Technology Excellence Awards 2022
   Entry: AffinNexus (Lead management system)

6. Mobile-Banking Category by Malaysia Technology Excellence Awards 2022
   Entry: A1addin (Digital Bank)

7. Digital Transformation of the Year – Malaysia by Asian Banking and Finance Awards 2022
   Entry: Robotics Process Automation (RPA)

8. Website of the Year – Malaysia by Asian Banking and Finance Awards 2022
   Entry: AffinAlways Website

9. Best Outbound Contact Centre (Inhouse Outbound) – Gold Award by Contact Centre Association of Malaysia (CCAM)
   Entry: AFFIN BANK Contact Centre (Virtual Banking)

10. Deals of 2022: Best Mergers & Acquisitions – AFFIN BANK's divestment of AHAM (The Edge)

11. "The Highest Purchase Volume Growth" from MasterCard International (32% YoY Growth vs industry 12% YoY)

12. CHT Excellence Award 2022 – First Financial Institution to offer automated SDB

13. Human Resource & Personal Development Leadership Branding Awards 2022 by The BrandLaureate

AFFIN HWANG INVESTMENT BERHAD

① Bursa Excellence Awards 2022

- Champion for Best Market Maker (Exchange-Traded Fund)
- 1st runner-up Malaysia's Broker Ranking
- 1st runner-up Best Institutional Equities Participating Organisation (Investment Bank)
- 2nd runner up Best Overall Equities Participating Organisation

② Islamic Finance Awards 2022

- Best New Sukuk as the Lead Manager for Bank Simpanan Nasional (BSN)'s RM750 million Triple Tranche Wakala Sukuk

INDICES REPRESENTATION

Constituent of the

FTSE Bursa Malaysia Mid 70 Index

MSCI

MSCI Global
Small Cap Index

CREDIT RATINGS

Rating Agency	Rating Classification	Rating Accorded	Outlook
AFFIN BANK BERHAD			
RAM Rating Services Berhad	i. Financial Institution Ratings: • Long term Financial Institution Rating • Short term Financial Institution Rating	AA_3 P1	Stable
	ii. RM6 bil Senior and Subordinated Medium-Term Notes Programme (2017/2117): • RM6 bil Senior Notes Programme* • RM6 bil Subordinated Medium-Term Notes Programme*	AA_3 A_1	
	iii. RM3 bil Additional Tier-1 Capital Securities Programme (2018/2118) ** Subject to a combined limit of RM6 bil.*	A_3	
AFFIN ISLAMIC BANK BERHAD			
RAM Rating Services Berhad	i. Financial Institution Ratings: • Long term Financial Institution Rating • Short term Financial Institution Rating	AA_3 P1	Stable
	ii. RM5 bil Islamic Medium Term Notes Programme (2018/2118): • RM5 bil Senior Sukuk Murabahah Programme^ • RM5 bil Tier-2 Sukuk Murabahah Programme^ • RM5 bil Additional Tier-1 Capital Sukuk Wakalah Programme^ *^ Subject to a combined limit of RM5 bil.*	AA_3 A_1 A_3	
AFFIN HWANG INVESTMENT BANK BERHAD			
RAM Rating Services Berhad	i. Financial Institution Ratings: • Long term Financial Institution Rating • Short term Financial Institution Rating	AA_3 P1	Stable

OUR STRATEGIC ALLIANCES

IOI GROUP

OSK PROPERTY

MdI

BERRYPAY

DPIM
BERIMAN DAN BERMUAMALAH

DEWAN PERNIAGAAN
USAHAWAN KECIL
MALAYSIA

MYTHEO

ATON

Boustead Properties

Universiti Kebangsaan Malaysia
The National University of Malaysia
ALUMNI
UKM

MERCHANTRADE

PKNS

UEM SUNRISE
A member of **UEM Group**

Setia

OUR MARKET SHARE AND RANKING

MARKET RANKING

✓ THE BEST MERGERS & ACQUISITIONS OF 2022	No. 1
✓ LOAN GROWTH	No. 1
✓ DEPOSIT GROWTH	No. 2
✓ CET 1	No. 3
✓ LOAN LOSS RESERVE	No. 3
✓ AUTO FINANCE	No. 5

MARKET DIFFERENTIATION

Mobile Financial Centres

Our mobile financial centres will be providing non-counter services to customers such as ATM/CDM, the opening of bank accounts, loan and credit card applications being on the go will gives us the flexibility to offer our services to underserved or unserved markets in selected areas. The aim of having mobile financial centres is to provide everyone access to our products. Given that we are mobile, AFFIN will be able to create new relationships with customers such as: startups; SMEs that have insufficient collateral; SMEs in high-growth sectors; the lower income segments; self-employed individuals; first-time borrowers; fresh graduates; and retirees. Our customers will benefit from being able to access our services in a convenient location that also saves them the time it takes to get to a physical AFFIN branch. This is a more inclusive way of banking and presents us as one of the more innovative banks in Malaysia.

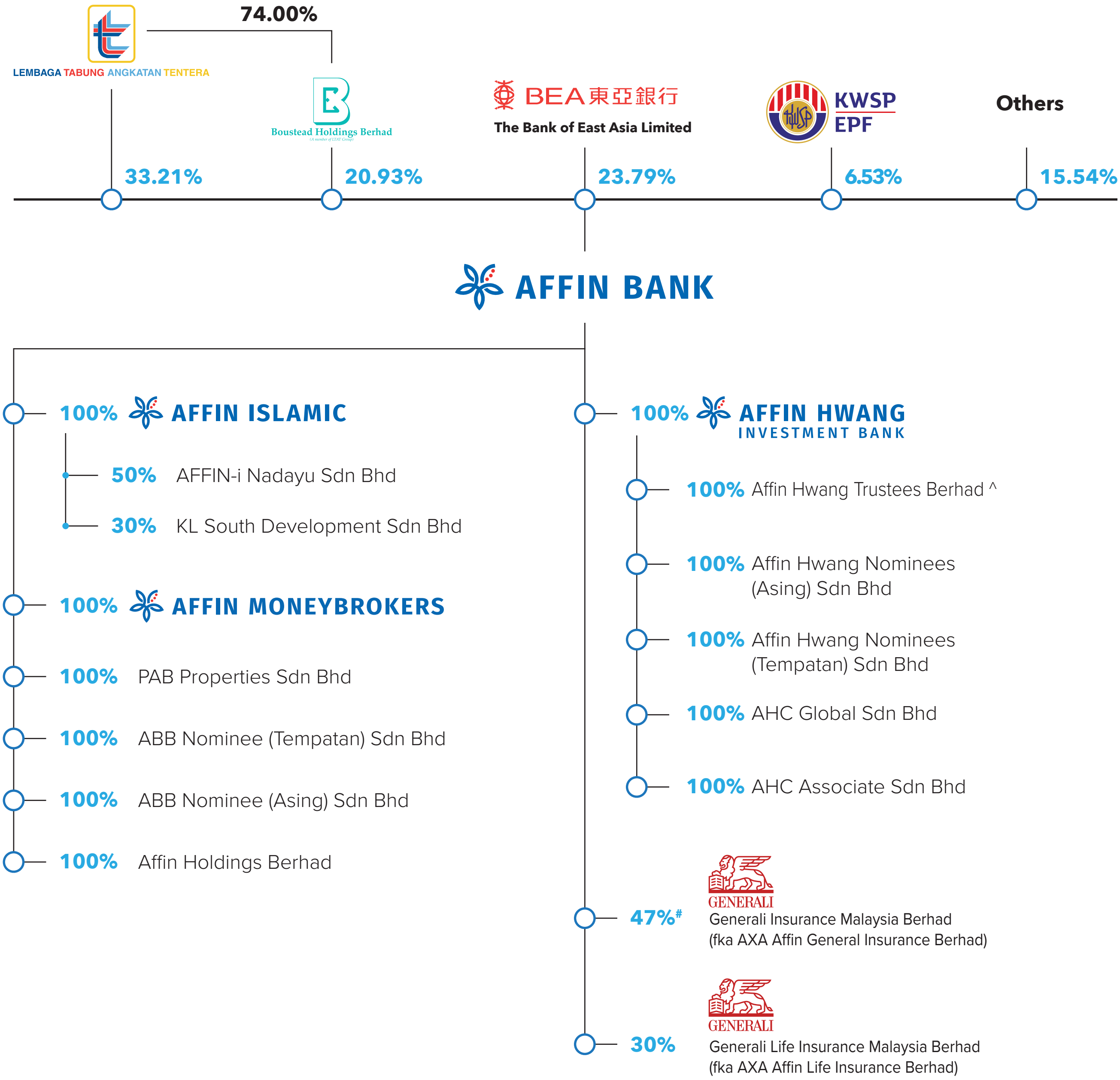
Triple-Banking

- Creating group synergy through triple banking model.
- Increased distribution network and brand awareness as a united front.
- Focused on products such as Stock Broking, Share Margin Financing, Credit Cards, CASA, Auto Loan, Mortgage and Wealth Management.

Branch:
- Taman Midah, Kuala Lumpur
- Bandar Bukit Tinggi, Klang
- Chulan Tower, Kuala Lumpur
- Lu Yang Commercial Center, Kota Kinabalu, Sabah

GROUP CORPORATE STRUCTURE

as at 31 March 2023



Shareholders of AFFIN BANK:

- LEMBAGA TABUNG ANGKATAN TENTERA **33.21%**
  - **74.00%** Boustead Holdings Berhad
- Boustead Holdings Berhad **20.93%**
- BEA 東亞銀行 The Bank of East Asia Limited **23.79%**
- KWSP EPF **6.53%**
- **Others** **15.54%**

AFFIN BANK

- **100%** **AFFIN ISLAMIC**
  - **50%** AFFIN-i Nadayu Sdn Bhd
  - **30%** KL South Development Sdn Bhd
- **100%** **AFFIN MONEYBROKERS**
- **100%** PAB Properties Sdn Bhd
- **100%** ABB Nominee (Tempatan) Sdn Bhd
- **100%** ABB Nominee (Asing) Sdn Bhd
- **100%** Affin Holdings Berhad
- **100%** **AFFIN HWANG INVESTMENT BANK**
  - **100%** Affin Hwang Trustees Berhad ^
  - **100%** Affin Hwang Nominees (Asing) Sdn Bhd
  - **100%** Affin Hwang Nominees (Tempatan) Sdn Bhd
  - **100%** AHC Global Sdn Bhd
  - **100%** AHC Associate Sdn Bhd
- **47%**# GENERALI Generali Insurance Malaysia Berhad (fka AXA Affin General Insurance Berhad)
- **30%** GENERALI Generali Life Insurance Malaysia Berhad (fka AXA Affin Life Insurance Berhad)

Notes:

1. The companies reflected above are operating subsidiaries and associates.
2. The full list of companies under the Affin Bank Group is set out in Notes 17 to 19 to the Financial Statements on page 284 to 289 in the Financial Statements section of this Annual Report.

^ Held by the following companies with direct shareholdings of 20% each
  a. Affin Hwang Investment Bank Berhad
  b. Affin Hwang Nominees (Tempatan) Sdn Bhd
  c. Affin Hwang Nominees (Asing) Sdn Bhd
  d. AHC Associates Sdn Bhd
  e. AHC Global Sdn Bhd

Pursuant to the merger between Generali Insurance Malaysia Berhad *(fka AXA Affin General Insurance Berhad)* and MPI Generali Insurans Berhad which was completed on 1 April 2023, the shareholdings has reduced to 30%.

WHAT WE DO: CORE BUSINESSES

Affin Bank Berhad is the holding company and listed entity for AFFIN GROUP.

Group Community Banking

Provides conventional and Shariah financial solutions for individuals and families. We support the community through our various offerings, namely debit/credit cards, mortgages, hire purchase and personal financing, ASB financing, wealth management and bancassurance/bancatakaful through our network of branches, call centres and digital platforms.

Asset Growth
22.76%

Income Growth
26.50%

Group Corporate Banking

Supports mid-sized and large corporations from various economic sectors and industries, with a deep focus on building strong customer relationships and cross-selling a wide range of products and services which include loans and financing, trade finance, cash management and deposits, insurance/takaful and treasury.

Asset Growth
-0.08%

Income Growth
19.23%

Group Enterprise Banking

Focuses on businesses from start-ups to enterprises and provides a comprehensive suite of financial solutions ranging from financing, transactional, protection and advisory & support. Products offered include working capital and Capex financing, trade facilities, deposit facilities, remittances, payments and business protection plans.

Asset Growth
12.52%

Income Growth
13.57%

Group Treasury

Offers a wide range of foreign exchange and money market products and services to cater to a broad range of corporate and institutional customers ranging from large multinationals, small and medium-sized companies as well as individuals. Our activities cover sales, trading, liquidity management and syndication. We offer our customers risk coverage and customised solutions from the simplest to the most complex products (derivatives) and for all kinds of financial assets/products – generally fixed income, interest rates, foreign exchange and money market for both the Conventional and Islamic segments.

Asset Growth
42.29%

Income Growth
14.54%

OUR SUBSIDIARIES

Affin Islamic Bank Berhad

Affin Islamic Bank Berhad is the Group's full-fledged Islamic bank that offers products and services to small and medium enterprises, institutional, corporate and retail customers based on the applicable Shariah contract and with the endorsement of the Shariah Committee. We have been at the forefront of introducing innovative and Shariah compliant products which adopt a variety of Shariah concepts ranging from Musyarakah Mutanaqisah, Mudarabah, Istisna', Ijarah, Murabahah and so forth.

Asset Growth
22.55%

Income Growth
25.20%

Affin Hwang Investment Bank Berhad

Affin Hwang Investment Bank Berhad (AHIBB) is a leading investment bank in Malaysia, which currently is at the top spot in Bursa ranking in stockbroking businesses. We serve the full spectrum of corporates, investment institutions, retail, high net worth individuals and capital market counterparties. Our comprehensive suite of products and solutions cover investment banking, securities, asset management and trustee services.

Asset Growth
-8.09%

Income Growth*
-25.34%

*Note: *continuing operations*

Affin Moneybrokers Sdn Bhd

Affin Moneybrokers Sdn Bhd (AMB) is an international money broker engaged in wholesale foreign exchange and money market broking service in the country. As an international money broker, AMB has business relationship with international money broking companies to act as an agent for transactions that involve foreign financial institutions.

Asset Growth
5.48%

Income Growth
5.19%

OUR ASSOCIATES

Generali Life Insurance Malaysia Berhad
(formerly known as AXA Affin Life Insurance Berhad)

Generali Asia N.V. and Affin Bank Berhad has completed the share sale transaction of a majority stake in AXA Affin joint ventures in Malaysia on 30th August 2022. Subsequent to the above mentioned exercise, AXA Affin Life Insurance Berhad had been rebranded under the name Generali Life Insurance Malaysia Berhad (GLIMB), emerging life insurer in Malaysia focusing on serving customers with a range of protection, medical, savings and legacy planning products.

Asset Growth
1.98%

Income Growth
-9.88%

Generali Insurance Malaysia Berhad
(formerly known as AXA Affin General Insurance Berhad)

Generali Insurance Malaysia Berhad *(formerly known as AXA Affin General Insurance Berhad)* (AAGI) is one of the fastest-growing general insurance companies in Malaysia and a leader in medical and health insurance. Our comprehensive offerings range from medical & health, travel & home, savings & life protection, and travel & personal accident protection solutions to individuals and businesses.

Asset Growth
-2.88%

Income Growth
3.99%

OUR PRODUCTS & SERVICES

PERSONAL

Deposits
- Savings
- Current
- Fixed Deposit (FD) / Term Deposit-i (TD-i)
- Foreign Currency

Cards
- Products
  - Debit Cards
  - Prepaid Card
  - Credit Cards
- Cards Plans

Loans & Financing
- Auto
- Home
- Business Premise
- Personal Consumption
- Personal
- Education

Protection
- Protect My Life
- Protect My Health
- Protect My Family
- Protect My Home
- Protect My Vehicle
- Protect My Travel

Investment
- Unit Trust
- Gold
- Share Trading

CORPORATE

Deposits
- Conventional Deposits
- Islamic Deposits

Loans & Financing
- Working Capital
- Capital Expenditure
- Corporate Hire Purchase

Trade Facilities
- Import
- Export
- Other Services
  - Financial Supply Chain (FSC)
  - Bank Guarantee (BG)

Cash Management solutions
- AFFINMAX

SME

- **Deposits**
  - Current Accounts
  - Fixed
  - Investment Account
- **Loans & Financing**
  - AFFIN Loans & Financing
  - Syarikat Jaminan Pembiayaan Perniagaan (SJPP) Guarantee Schemes
  - Bank Negara Malaysia (BNM) Funds
  - Green Financing
  - Special Program
- **Trade Facilities**
  - Import
  - Export
  - Other Services
    - Financial Supply Chain (FSC)
    - Bank Guarantee (BG)
- **Protection**
  - Business Financing Protection
  - General Protection
  - Life Protection
- **Digital Solutions**
- **All-in-One-Solutions**

DIGITAL BANK

- **A1addin**
  - Personal
    - A1addin
  - Business
    - A1addinbiz

PROFESSIONAL

- **AFFIN AVANCE**

PREMIER

- **AFFIN INVIKTA**

SST & BANK SERVICES

- **Self-Service Terminal**
- **Over-The-Counter Services**
- **Online Banking**
- **AffinQBOOKING**
- **Financial Assistance**
  - Reschedule Payment Program (RPP)
  - Rescheduling and restructuring (R&R)
  - AFFIN Natural Disaster Relief Program (FAIR-NDRP)

AFFIN HWANG INVESTMENT BANK BERHAD

- **Investment Banking**
- **Securities**
- **Trustee**
- **Treasury & Markets**

PRODUCTS

INVIKTA

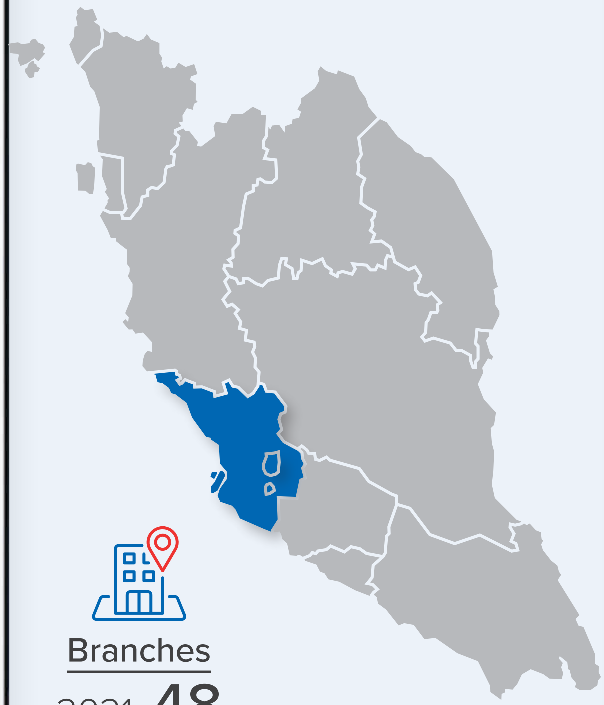
AVANCE

A1addin

OUR PRESENCE

Central Region

51 Branches



Branches

2021: **48**

Southern Region

21 Branches

Branches

2021: **21**

Northern Region

23 Branches

Branches

2021: **22**

Eastern Region

10 Branches

Branches

2021: 9

East Malaysia

11 Branches

Branches

2021: 11

Workforce
(ABB + AIBB + AHIBB)

>5,300

Workforce
(Region and Branches)

>1,132

116
Branches

Total Customers

>0.95 million

583
Total of Self-Service Terminals Nationwide

288
Automated Teller Machines

159
Cash Recycler Machines

26
Cash Deposit Machines

9
Coin Deposit Machines

101
Cheque Deposit Machines

BRANCH LOCATOR

Scan the QR code for the details of our BRANCH NETWORK or log on to **www.affinalways.com**

KEY MILESTONES 2018-2023

YEAR 2018

January 2018

- Signing of MOU for AFFIN Education Financing-i partnership between Affin Islamic Bank and Management and Science University

February 2018

- Listing of AFFIN BANK in place of Affin Holdings Berhad on the main board of Bursa Malaysia
- Signing of MOU for large scale solar project between Affin Islamic Bank and Gading Kencana Development Sdn Bhd

March 2018

- Launch of AFFIN DNA – Big Six as identity for AFFIN bankers
- Launch of new call centre in Kelana Jaya

April 2018

- Launch of first online medical card by AXA Affin Life Insurance
- Launch of first credit card-i by Affin Islamic Bank

May 2018

- Approval of the shareholders on the proposed establishment of a dividend reinvestment plan by AFFIN BANK

July 2018

- Launch of Merchantrade Insure, the 1st insurance protection that pays claims through remittances
- Signing of MOU for AFFIN Education Financing-i partnership between Affin Islamic Bank and SEGI university

August 2018

- Launch of first innovation branch in Malaysia at MyTown shopping centre

September 2018

- Signing of MOU with Small & Medium Enterprises Association (SAMENTA), Penang
- Issuance of Letter of Award to IJM Construction Sdn Bhd for the construction and completion of works at the proposed 47-storey office building at Tun Razak Exchange (TRX)

October 2018

- Signing of MOU with PMB Investment Berhad to distribute, promote and market Islamic trust funds
- Launch of AFFIN Emas-i, a new shariah compliant product by Affin Islamic Bank

December 2018

- Launch of AFFIN Visa Business Platinum credit card and credit card-i for business owners and SME sectors

YEAR 2019

February 2019

- MOU signing ceremony between Wallet2U EzPay and AFFIN BANK

April 2019

- MOU between Affin Islamic Bank and Malaysian Aviation Training Academy on AFFIN Education Financing-i

July 2019

- Launch of AFFIN Visa Signature credit card and Affinpay

August 2019

- Launch of Malaysia's 1st telematics commercial vehicle insurance & financing by AXA Affin General Insurance
- Signing of MOU on AFFIN Education Financing-i with Royal College of Surgeons, Ireland and University College Dublin

October 2019

- Signing of MOU for AFFIN Education Financing-i appointment agreement between Affin Islamic Bank and University Malaya
- Launch of AXA e-medic family plan by AXA Affin Life Insurance

November 2019

- Launch of the country's first Tradeplus Leveraged and Inverse Exchange Traded Fund by Affin Hwang Asset Management Berhad

YEAR 2020

June 2020

- Launch of AFFIN DUO, a dual credit card for millennials

July 2020

- AIM22 metamorphosis plan was launched for year 2020 to 2022

November 2020

- Launch of AFFIN AVANCE™ with unique benefits for tech-savvy, on-the-go professionals
- Launch of Affin's new logo and tagline – 'always about you'

December 2020

- Digital launch of AFFINMAX, AFFIN360 & AFFINWRKFZ, a new corporate banking platform for SME and corporate clients

YEAR 2021

February 2021

- Launch of the first end-to-end sales portal by AXA Affin Life Insurance which provides all-in-one solutions for sale process, essential for non-face-to-face digitalisation during the pandemic

March 2021

- Launch of new High-Net Worth segment AFFIN INVIKTA™
- Refreshed Affin Core Values & Commitments

April 2021

- Opening of the 111th branch, a new Café-concept branch at UiTM, Puncak Alam, in collaboration with TeaLive

May 2021

- Affin Hwang Investment Bank is the first financial institution in Malaysia selected by Capital Markets Malaysia to be the preferred Investment Bank for their ELEVATE programme

June 2021

- Signing of implementation agreement between AFFIN BANK, AXA Asia and Generali Asia N.V.
- Affin Hwang Investment Bank launched 'eInvest Go'; a fully online and seamless account opening service for prospective clients who are interested to trade and invest in more than 900 stocks listed on Bursa Malaysia

June 2021

- Announcement on proposed disposal of 21% equity interest in AXA Affin Life Insurance, proposed disposal of approximately 2.95% equity interest in AXA Affin General Insurance and proposed acquisition by AXA Affin General Insurance of certain assets and liabilities of MPI Generali Insurans Bhd via a business transfer to AXA Affin General Insurance

October 2021

- Launch of new AFFIN Merchantrade Multi-currency Prepaid Card with an E-wallet

November 2021

- Launch of A1addin, a new digital banking proposition
- Launch of first-in-market pandemic cover by AXA Affin General Insurance for overseas trips up to RM350,000
- Introduced a new biometric login method for AFFINMAX

December 2021

- Launch of new AFFIN DUO+ card

KEY MILESTONES 2018-2023

YEAR 2022

January 2022

- Announcement on proposed divestment of 63% of the equity interest in Affin Hwang Asset Management Berhad by Affin Hwang Investment Bank Berhad

February 2022

- Affin Bank Berhad and Affin Islamic Bank Berhad exchanged a MOU on the establishment of 'Kompleks At-Tijarah AFFIN-UiTM' with Universiti Teknologi MARA to provide entrepreneurship opportunities to its students and local communities

May 2022

- AFFIN x MYTHEO Launching Ceremony, first marketing collaboration with GAX MD SDN BHD (MYTHEO), an innovative robo-advisor licensed by Securities Commission Malaysia; an algorithm-driven and automated discretionary investment portfolio management services powered by Artificial Intelligence (AI) technology.
- Launched AFFIN Solar Financing-i, a sustainable and personal financing plan for its retail customers to purchase and install Solar Photovoltaic System at residential and non-residential properties.

July 2022

- Announcement on completion divestment of 63% of the equity interest in Affin Hwang Asset Management Berhad by Affin Hwang Investment Bank Berhad. Following the completion of the divestment, AHAM shall cease to be a subsidiary of Affin Hwang Investment Bank Berhad.

August 2022

- Announcement on completion of disposal of 21.00% equity interest in General Life Insurance Malaysia Berhad *(formerly known as AXA Affin Life Insurance Berhad)*; disposal of approximately 2.95% equity interest in Generali Insurance Malaysia Berhad *(formerly known as AXA Affin General Insurance Berhad)* (AAGI).
- The Official Launch of AFFIN Mobile Financial Centre

- The Launch of AFFIN Aspira a start-up banking proposition which provides comprehensive all-in-one solutions from transactional, financing, protection, advisory and support to support the aspiration of Malaysian start-up companies.
- The Launch of BizDana/BizDana-i Start-Up Financing Scheme between AFFIN and Credit Guarantee Corporation Malaysia Berhad (CGC).
- AFFIN BANK proposed establishment of a long-term incentive plan in the form of an employees Share Grant Scheme

September 2022

- Official Opening of AFFIN Balakong branch
- Official Launch of AFFIN Merchantrade Prepaid Card, enhanced E-Wallet in collaboration with Merchantrade Asia

November 2022

- Affin Bank Berhad and Affin Islamic Bank Berhad had entered into a tripartite collaboration with Malaysia Department of Insolvency (MDI) and Berry Pay (M) Sdn. Bhd. (BerryPay) launched the first and only new e-insolvency mobile application (app). The mobile app would allow the public and businesses to do bankruptcy searches, companies and insolvent individuals could perform monthly repayment/payment to MDI and make a petitioner 'pempetisyen' deposit via the app.
- Official Launch of AFFIN UKM Alumni Co-Brand Credit & Debit Cards.
- Introduced Dinar Gold under AFFIN Emas Account-i in November 2022.

YEAR 2023

January 2023

- Bancatakaful service arrangement between Affin Islamic Bank Berhad, a wholly-owned subsidiary of Affin Bank Berhad and Syarikat Takaful Malaysia Keluarga Berhad and its subsidiary, Syarikat Takaful Malaysia Am Berhad

April 2023

- Head Offices of Affin Bank Berhad and Affin Islamic Bank Berhad official relocation to our new own building at TRX.
- Announcement on completion of acquisition by AAGI of certain assets and liabilities of MPI Generali Insurans Berhad via a business transfer to AAGI.
- Pursuant to the merger between Generali Insurance Malaysia Berhad *(formerly known as AAGI)* and MPI Generali Insurans Berhad which was completed on 1 April 2023, the shareholdings has reduced to 30%.

CHAIRMAN'S

Letter to Shareholders

DEAR VALUED STAKEHOLDERS,

On behalf of the Board of Directors, I am privileged to present to you the AFFIN Group's performance report for the financial year ended 31st December 2022.

This being my fourth year as Chairman, I am heartened by the inspiring growth recorded by the Group these past years and the impetus gained as a result of the transition to the endemic phase post COVID-19 as Malaysia's economy continues to build on the momentum of economic recovery. I am delighted that our commitment to the AIM22 strategic plan delivered remarkable results, especially in this financial year under review. These were achieved through our energised vision and our focus on digitalisation as well as sustainability – with emphasis on environmental; social and governance goals - that steered the Group to greater levels of success.

As we drew the curtains on the end of the pandemic whilst operating within a revitalised environment of the 'new normal' during the financial year ended 2022, the Group had exhibited its competency as an adept and efficient financial institution that had stood the test. Our notable performance contributed to harness our long-term growth prospects as well as garner a buoyant financial position during this year under review.

The Malaysian economy's encouraging performance with strong GDP growth of 8.7% for 2022 has displayed recovery of business, consumer and investor confidence and is the highest annual growth recorded since 2000. The stronger GDP, contributed by robust domestic and external demand as well as improved labour market, had resulted in a recovery in private spending and investment.

Dato' Agil Natt
Chairman

CHAIRMAN'S LETTER TO SHAREHOLDERS

> FOR 2022, THE GROUP PERFORMED OUTSTANDINGLY AND IT IS WITH GREAT PLEASURE I ANNOUNCE THAT OUR PROFITS BEFORE TAX INCREASED 95.6% YEAR ON YEAR TO RM1.4 BILLION.

This had exceeded the previous year's profit before tax of RM703.9 million. These remarkable results are a reflection of our able leadership, resoluteness to focus on strategies that deliver sustainable returns despite exigent challenges and resilience to industry headwinds. Our balance sheet remains firm and its management is augmented by a three-year campaign, beginning 2022, to develop new capabilities of asset-liability management within the Group by investing in comprehensive cutting-edge solutions in the market.

Affin Hwang Investment (AHIBB) recorded a higher profit before tax (PBT) of RM1.4 billion, a more than 100.0% increase year on year on the back of the sale of their Asset Management business. The strong growth from the Share Margin Financing business surpassed RM1.0 billion in 2022.

Affin Islamic Bank (AIBB) revenue recorded robust growth that was derived from net profit income that grew 26.1% to RM604.0 million powered by the growth of financing at 15.3% to RM26.3 billion. However, AIBB captured PBT at RM173.1 million for the year under review compared to RM248.5 million in 2021, a 30.4% decrease year on year due to AIBB have decided to be more prudent to take in additional provision of RM206.7 million.

During the financial year under review, Generali Life Insurance Malaysia Berhad *(formerly known as AXA Affin Life Insurance Berhad)* and Generali Insurance Malaysia Berhad *(formerly known as AXA Affin General Insurance Berhad)* transitioned from being a 51.0% joint venture (JV) and 49.9% associate to 30.0% and 47.0% associate companies of ABB in August 2022. This resulted in a lower share of PBT year on year. However, I am confident that with Generali as our new insurance partner we would be witnessing growth in this segment in the near future.

AIM22 RECORDED SUCCESS

AIM22

The AIM22 Transformation Plan that commenced in mid-2020 was our strategic plan to address our two- and half-year transformation journey where focus was directed through five strategic imperatives. These encompassed accelerating digital transformations, strengthening CASA, increasing productivity and efficiency, strengthening teamwork to build a high-performance culture and ROE focus for value creation. Underscored by these five pillars, a total of 45 initiatives were planned for execution. As at end 2022, 42 initiatives (representing 93%) were successfully completed as the curtains fell on AIM22.

As at end 2022, 42 initiatives (representing 93%) were successfully completed as the curtains fell on AIM22.

ADDRESSING THE CHALLENGING ENVIRONMENT

Among the challenges that the Group presently faces include growth of assets in the form of loans. Intense competition to build deposits had waged a war on deposit-taking within all the financial institutions. The strategies implemented would need to address how to improve the deposit base. Towards this, the AFFIN Group continually strives to remain competitive and provide unrivalled customer service in structuring our products and delivering our service. At the same time, we are focused on driving the growth in revenue and customer base, increasing our fee base income and improving customer value.

In response to challenges and mitigating crises, key to the bank's resilience has been our astute investment in technology and leveraging on technology capabilities to reduce costs and increase efficiency. We exercised caution when selecting corporate banking customers and preferred to concentrate on SMEs, housing loans and consumer banking. Significant achievement in responsible lending and sourcing of funds during the year under review delivered 4.5% of Sustainable Financing that exceeded the Group target of 4% and plans are underway to grow it further to 10% in 2025.

TRX Soft Launch

On 3 April 2023, the AFFIN Group held a soft opening ceremony at our new headquarters, Menara AFFIN situated at Tun Razak Exchange. The event was officiated by the Chairman of ABB, YBhg. Dato' Agil Natt, Chairman of AIBB, Tuan Hj Musa Abdul Malek, Chairman of AHIBB, YM Tunku Afwida Tunku A.Malek, President & Group CEO of ABB, Datuk Wan Razly Abdullah and CEO of AIBB, YBhg. Dato' Paduka Syed Mashafuddin.

KEEPING AHEAD OF THE CURVE

Digitalisation is changing the dynamics of banking worldwide. In Malaysia, the recent pandemic has caused an acceleration in the pace of digital adoption as customers expect greater digital accessibility and connectivity to transact in the comfort of their homes and offices. Bank Negara Malaysia's awarding of five digital bank licences is expected to stimulate financial innovation in the industry as a new digital banking model emerges in the financial market in the next one to two years.

Seizing momentum for inclusive growth, the Group is maintaining our successful AffinAlways internet banking platform and we have also augmented banking experience with A1addin - the first digital bank that supports both conventional and Islamic banking propositions that was launched in 2021. In March 2022, it expanded its footprint to the business segment via A1addinbiz. This has opened up more opportunities for various partnerships and foster good relationships between SMEs and the bank. I am confident that the development of a comprehensive digital banking ecosystem, such as A1addin and A1addinbiz, positions the Group to capture a larger market share in the nation's banking industry

DRIVING ESG INTEGRATION

Social factors such as demographic changes and consumer behaviour are major influences in the banking sector. The increasing use of technology and social media has led to changes in consumer preferences and the way banking services are delivered. Digital banking, the Gig Economy, employees' preference to work from home (WFH) as well as a hybrid mode preference to work are some of the new challenges for banking services. Technology advances, including mobile Internet banking (MIB); artificial intelligence (AI) and blockchain have transformed the Malaysian banking landscape.

We are developing the Climate Risk Management and Scenario Analysis (CRMSA) as prescribed by Bank Negara Malaysia to enhance resilience against climate-related risk and facilitate an orderly transition to a low-carbon economy.

As a creative and innovative financial institution that embraces ESG principles, the Group is ready to face these challenges and adapt with the 'new normal'. Our flexibility to embrace and integrate new technologies provides us the competitive advantage over our peers. We are developing the Climate Risk Management and Scenario Analysis (CRMSA) as prescribed by Bank Negara Malaysia to enhance resilience against climate-related risk and facilitate an orderly transition to a low-carbon economy.

In our efforts to improve resiliency against ESG risks we classify all our transactions against ESG criteria as we become more aware of the impact of these risks. As a result, this drives the Group to be better prepared and ready for eventualities and improve in decision-making. The significant improvements in our ESG agenda include driving ESG integration as a dedicated function, adoption of the Climate Change and Principle-Based Taxonomy (CCPT) guidelines, engagement for the CRMSA, implementation of measures in Sustainable Financing, an appropriate sustainability governance structure and incorporating the ESG pillars in our A25 programme that is a development of the AIM22 strategic plan.

RESPONSIBLE BANKING

Stakeholders' demand for and expectation of transparency and accountability in relation to ESG have heightened in recent times. Regulatory authorities are increasingly focused on the need for financial institutions to expedite changes in governance, risk management and disclosure to properly account for climate-related risks and build them into decision-making processes. The absence of standardised disclosures, lack of data access and comparability as well as a scarcity of expertise are among the challenges we are mindful of as we gravitate toward achieving our ESG goals.

CHAIRMAN'S LETTER TO SHAREHOLDERS

FINTECH

Emerging technologies combined with ever-changing customer expectations and preferences have driven financial institutions to re-imagine customer banking customer experience. The Group recognises Fintech as a substantial disruptor and we pursue various partnerships with relevant Fintech specialists to fast-track innovation, adoption and re-invent our financial services. We leverage on eKYC technology to offer online on-boarding service through our A1addin digital bank. This has enabled our customers to open accounts digitally within just 10 minutes compared to the time-consuming method utilised previously.

Leveraging on MDEC's Islamic digital economy initiatives, we are in the midst of exploring initiatives with several of the Fintech companies within their programme. We are looking to expand our service offerings by providing bite-sized, on-demand insurance plans that are relevant to the customers' needs utilising our digital platform.

As we seize the momentum for digital banking excellence, we will continue to identify potential Fintech companies as our strategic partners to expand our digital capabilities.

GOVERNANCE

During 2022, the Group took several steps to strengthen its governance and risk management sustainability. The Group Credit Policy on Sustainable Financing is aimed at guiding the proliferation of sustainable financing/lending expectations. Initiatives include incorporating ESG considerations into the Group's financing activities to mitigate risks and leverage on new business opportunities. In the area of governance, focus is given to monitoring of operations, productivity and enforcement of industry requirements that are issued from time to time.

ESG factors have become global imperatives, placing companies under increasing scrutiny. As a result of this heightened stakeholder focus the Board is confronted with new expectations. As such, the Board is committed to help companies build a resilient business and thrive from Going Green – so that businesses can benefit from an ecosystem of resources, sustainability-linked solutions and ESG sustainability to navigate their transition to Net Zero.

Board members with specialised skills that can help steer the Bank through current challenges such as enterprise-wide digital transformation, developing and implementing enterprise-wide talent strategies and leading organisational change are a welcome addition to the Board.

The Board continues its commitment to maintain diversity and inclusion in its composition. In this regard, the Board's diversity ranges from various aspects namely gender, age, ethnicity, nationality, experience, skills and length of service. Currently, the Board's gender composition is 70% male and 30% female.

DIVIDEND

Single-tier dividend in respect of the financial year ended 31 December 2022 totalled RM500.4 million comprising interim dividend of RM100.2 million with the special dividend at RM400.2 million respectively. The total dividend per share amounted to 22.62 sen.

On 31 January 2023, the Board of Directors proposed a final dividend of RM176.7 million or 7.77 sen per share for 2022, bringing the total dividend to 30.39 sen per share.

The total dividend pay-out of
RM677.1
million

This represents a total dividend pay-out of RM677.1 million or 56.3% of the Group's net profit for 2022 based on the Bank's issued share capital of 2,273,889,127 ordinary shares as at 31 December 2022.

LOOKING AHEAD

The easing of domestic financial conditions is expected due to prospects of a slowdown in US monetary policy tightening and positive investor risk sentiment. Global financial conditions eased amid continued expectations for smaller interest rate increases by the US Federal Reserve moving forward, as inflation showed tentative signs of slowing down. Additionally, China's re-opening post COVID-19 and its expected positive spill-over to the global economy contribute to improved investors' risk sentiment.

The success of the AIM22 strategy has delivered sustainable shareholder returns and created long-term value for all stakeholders. The Group will build on this momentum with its next three-year strategic plan, the AFFIN 2025 Plan (A25 Plan), which will focus on the three main strategic objectives namely 1) Unrivalled Customer Service, 2) Digital Leadership, and 3) Responsible Banking with Impact. The goal is to continually focus on growing business segment-led strategy; in particular, Group Community Banking, Group Enterprise Banking, Islamic Banking, Group Treasury and AHIBB. For the Group to unlock its aspiration and achieve its targets, the A25 Plan framework was established and this strategic plan is steered by five (5) key Strategic Thrusts:

Sustainable ROE: Elevate the level to 10%;

Banking 4.0: Accessible banking services, anytime anywhere;

Efficiency x5: Maximise productivity through operational excellence;

Enhance Brand Value: Progressive and modern organisation; and

ESG Focus: Responsible banking with impact.

As for 2023, the Group has positioned itself effectively and set the RUN23 (Revolutionise Digital, Unrivalled Customer Services, Navigating Uncertainties 2023) chapter towards achieving the A25 aspirations. Key focus areas under RUN23 includes the following essential areas:

1) Maximising overall value creation and brand value proposition through branch transformation and expansion;
2) Enhancing and ramp-up technological infrastructure and digital capabilities;
3) Greater efforts on high margin businesses such as Credit Cards, Personal Financing, Share Margin Financing and High Net Worth segments;
4) Growing fee-based income such as Trade Finance, Cash Management, Foreign Exchange, Wealth Management, Bancassurance/Bancatakaful, Investment Banking & Advisory as well as Securities business;
5) Improving productivity and cost efficiency; and
6) Accelerating ESG agenda across the Group.

With strong fundamentals and a well-positioned strategy, the Group is committed to advancing its transformation journey to become a leading financial solution provider of the future by leveraging innovative technologies and features to deliver outstanding customer service and foster new business opportunities.

A WORD OF THANKS

The Group's remarkable performance for the financial year 2022 was the result of all parties working together in cohesion to ensure continual success. I would like to extend my deep appreciation to my fellow directors on the various boards within the Group for their invaluable counsel and support as we strived toward achieving our outstanding success. The Board joins me in conveying our gratitude to Associate Professor Dr Said Bouheraoua and Datuk Noor Azian Shaari who retired as Director and Chairman for AIBB and AHIBB respectively.

It gives me great pleasure to welcome to the Group, Mohammad Ashraf bin Md Radzi who joined the ABB Board, Tunku Afwida binti Tunku A.Malek as Chairman for AHIBB and Dato' Paduka Syed Mashafuddin bin Syed Badarudin Jamalullail as CEO of AIBB.

On behalf of the Board, I would like to accord my heartfelt appreciation to our shareholders and customers for their continued trust and steadfast support. I offer our deep appreciation to Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities for their most valued guidance and assistance. We are most gratified by the continued loyalty demonstrated by our business partners, our stakeholders and the immediate community where we serve.

Saving the best for last, my deep gratitude goes to our employees who performed remarkably with dedication; passion and professionalism, with special mention of our front-liners who continued to serve our customers selflessly, upholding our AFFIN values and vision, to be the most creative financial company in Malaysia. With the stewardship of a strong leadership team, I am confident that we are well-positioned to seize the momentum to build resilience for a future of sustainable inclusive growth.

A bouquet of thanks.

DATO' AGIL NATT
Chairman

Datuk Wan Razly Abdullah
President & Group Chief Executive Officer,
Affin Bank Berhad

Message from the
PRESIDENT
and Group Chief Executive Officer

Dear stakeholders,

As we bid farewell to the last remnants of the global pandemic, we reflect on the challenging year that was 2022. This year presented a range of difficulties, including heightened geopolitical tensions that led to a rapid rise in interest rates, aimed at addressing escalating inflation. These events caused concern for many mature and emerging economies, resulting in tectonic shifts in the global marketplace, from supply disruption, labour shortages, cost escalation, FOREX volatility to a high yield environment. However, these events also presented opportunities for AFFIN Group, with 'Blue Ocean' prospects where differentiation can open up new market space and create new demand.

During the year, we strengthened and grew our high-net-worth (HNW) business that has developed to become a significant contributor to the Group with an AUM of RM15 billion. This is testament that our customers value our investment advisory on where to place their monies during these market uncertainties. In addition, we have entered into new partnerships that share our vision of being a Modern and Progressive Bank. For example, the significant affiliation with our new bancassurance partner, the Generali Group, makes us the second largest general insurance provider in Malaysia.

In 2022, Malaysia recorded a GDP growth of 8.7% - a remarkable achievement - and the year ended with much optimism as a new government was inaugurated in late November 2022. This new unity government brings with it, a significant hope for transformative change that is aimed at delivering positive benefits to the economy, the nation and the Rakyat for the years ahead.

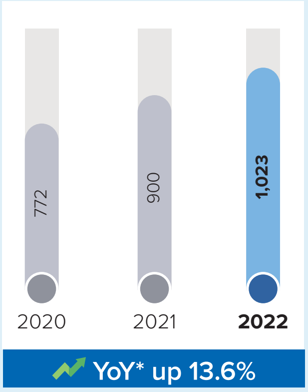
Steering Our Strategic Imperatives Towards Realisation

AFFIN Group recorded a Profit Before Tax (PBT) of RM1,376.8 million, an increase of 95.6% for the financial year ended 2022 (FY2022) compared to the previous financial year. The Group also recorded an increase in its net income for FY2022, which rose by 47.1% or RM1,056.1 million to RM3,297.3 million versus RM2,241.2 million in FY2021. The Return on Equity (ROE) has improved to 11.49% in FY2022, boosted by our extraordinary gain.

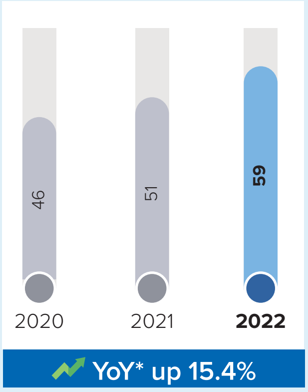
The improvement in PBT was supported by an increase in Net Interest Income (NII) which rose by 13.6% or RM122.7 million to RM1,022.6 million compared to FY2021. Our business engines, one by one are beginning to warm up. Although, I feel that we are only just beginning to build up our own momentum as our fee income business engine like FX, Trade and Investment Banking start firing up in 2023. Shareholders will see AFFIN Group's Driving Momentum forward of our new business engines in 2023 and beyond. The Group's capital has been strengthened by the gains from our divestment of Affin Hwang Asset Management Berhad (AHAM). This holds well with the A25 Plans that we have for the future which are exciting and bold.

Overall, the Group's loan and financing portfolios grew by 15.4% year-on-year with its Net Interest Margin (NIM) expanded to 2.01% from 1.97% in FY2021, as the Group focuses on growing its CASA franchise.

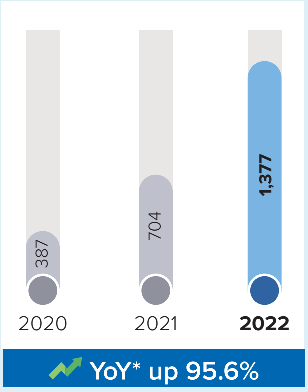
Net Interest Income
(RM' million)



Gross Loan
(RM' million)

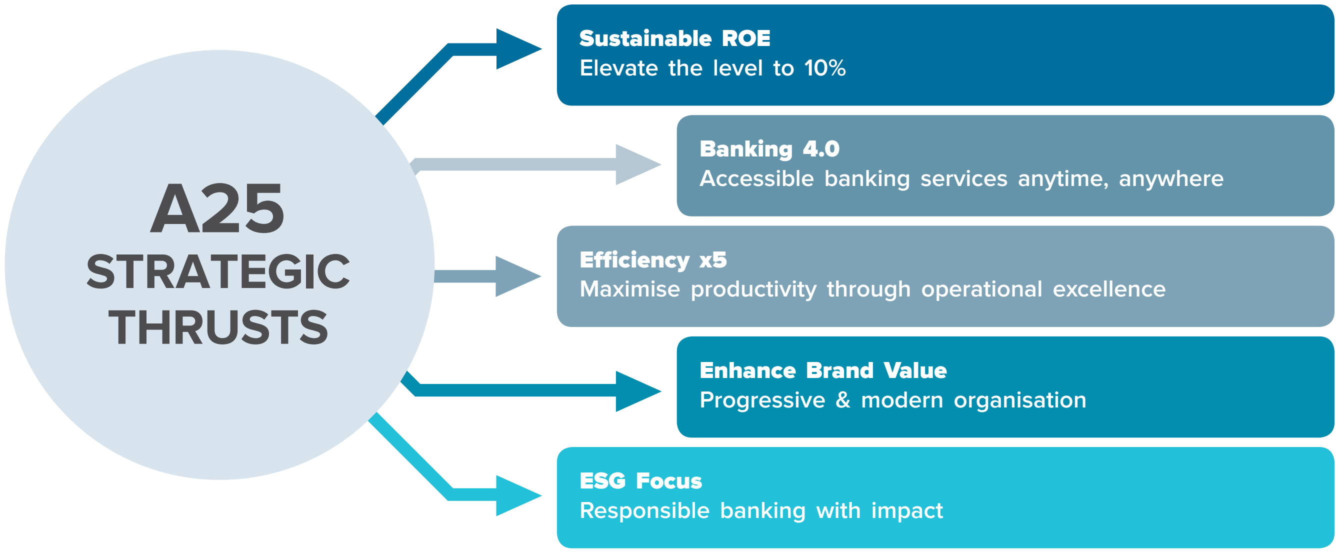


Profit Before Tax
(RM' million)



** Year-on-Year (YoY) growth*

MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER



A25 STRATEGIC THRUSTS

Sustainable ROE
Elevate the level to 10%

Banking 4.0
Accessible banking services anytime, anywhere

Efficiency x5
Maximise productivity through operational excellence

Enhance Brand Value
Progressive & modern organisation

ESG Focus
Responsible banking with impact

AIM22 Financial Report Card

The Group closed its FY22 performance with various positive results notwithstanding market volatility.

ITEMS	FY21	FY22	AIM22 Aspiration Target	INDICATOR (2022 vs AIM22 Aspiration Target)
Loan Growth	11.1%	15.4%	>12.0%	✓
NIM	1.97%	2.01%	>1.91%	✓
GIL	2.54%	1.97%	<2.30%	✓
CIR	60.5%	62.6%	<60.0%	X
LLC	72.5%	123.8%	100%	✓
LLR	130.2%	164.8%	>130%	✓

A25 KEY FINANCIALS TARGETS

PBT
RM1.5
BILLION

CASA
30%

ROE
10%

CIR
<53%

GIL
1.5%

The Group continued to show significant improvement in Gross Impaired Loan (GIL) ratio as GIL decreased to 1.97%, as compared to 2.54% in FY2021 due to strong recovery efforts and tighter underwriting standards. AFFIN Group continued to strengthen its reserves as evident by the increase in Loan Loss Coverage (LLC) and Loan Loss Reserve (LLR) at 123.8% and 164.8% respectively, as compared to LLC of 72.5% and LLR of 130.2% in FY2021. We have put the Group many levels better in terms of financial strength and risk buffers.

Our Cost to Income (CIR) ratio stood at 62.6% as at December 2022, a higher percentage YoY compared to the budgeted figure primarily due to absence of Treasury income in this rising interest rate environment. As such, a Group-wide ACE-5 Initiatives was introduced with five cost-efficiency strategies and 10 actions to further optimise the cost base. Whilst we initiate our business plans to grow our non-treasury fee income businesses, we are resolutely focussing to reduce our CIR to below 60% by the end of 2023.

> “THE BOARD OF DIRECTORS HAS ALSO PROPOSED A FINAL DIVIDEND OF RM176.7 MILLION OR 7.77 SEN PER SHARE FOR FY2022.”

AFFIN Group is now poised to embark on new targets set forth in the A25 Transformation Plan that focuses on the three main pillars, namely Unrivalled Customer Service, Digital Leadership and Responsible Banking with Impact and emerge as a contemporary and progressive financial group by 2025.

The Board of Directors has also proposed a final dividend of RM176.7 million or 7.77 sen per share for FY2022. This will bring the total dividend to 30.39 sen per share after the special and interim dividend of 22.62 sen that was paid to shareholders on 29 December 2022. This represents a record total dividend pay-out of RM677.1 million or 56% of the Group's net profit for FY2022. We are encouraged by the significant numbers of shareholders who continue to re-elect for the dividend reinvestment scheme to reinvest their dividends back into AFFIN Group.

Responsible Banking with Impact

It is with immense pleasure that I report the remarkable achievement of our sustainable financing journey that began in FY2022. We surpassed the initial target of 4% with the attainment of 4.5% sustainable financing, an inspiring start to our sustainable financing initiative.

In FY2023, the Group continued its initiatives of sustainable operations when it moved its headquarters to our Green building at Lingkaran TRX, Tun Razak Exchange in Kuala Lumpur. This state-of-the-art building is the pride of our achievement as sustainability is a key element in its development code. The building's energy-efficiency infrastructure contributes to lower operating cost and reduction in carbon footprint. Our buiding at TRX is certified with the Green Building Index (GBI) and has a gold certification in Leadership in Energy and Environmental Design (LEED).

Affin@TRX introduces energy and resource conservation features including water usage efficiency, energy efficiency to lower maintenance cost, indoor environmental quality that provides long-term health benefits for the well-being of employees and well-connected transportation accessibility with easy access to the only underground interchange station of the KL MRT 1 and 2. The building is strategically located within Tun Razak Exchange, a 17-acre integrated development set to become one of Asia's leading lifestyle hubs.

MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

Digital Leadership

The advent of greater customer sophistication and increasing demands for superior service is fuelled by the gaining advancement in technology. In its commitment to meet these demands and address the paradigm shift in the financial services industry, the Group has intensified the adoption of technology and accelerated the development of digital offerings to offer Digital Leadership.

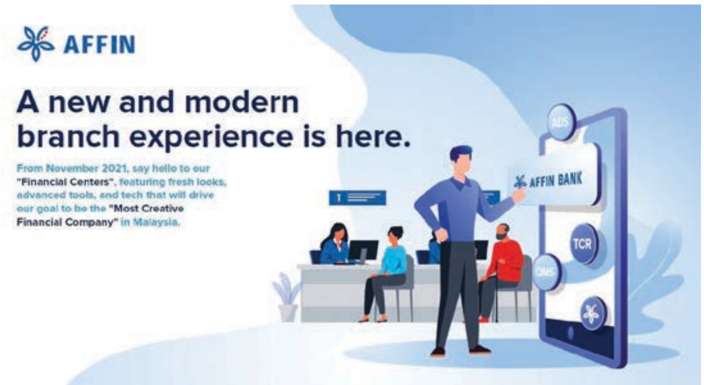
The success achieved by the Group through digital transformation has not only put us on par with our competitors, but the plan is to excel beyond the competition. This journey has begun, and is evidenced through the awards we have garnered in 2022 that include:

- Best Outbound Contact Centre (In-house Outbound) – Gold Award, by Contact Centre Association of Malaysia (CCAM)
  Entry: Affin Bank Contact Centre – Virtual Banking
- Cloud-Banking category by Malaysia Technology Excellence Awards 2022
  Entry: AffinNexus – CRM
- Digital Transformation of the Year – Malaysia, by Asian Banking and Finance Awards 2022
  Entry: Robotics Process Automation – RPA
- Mobile-Banking category by Malaysia Technology Excellence Awards 2022
  Entry: A1addin – Digital Bank
- Website of the Year – Malaysia, by Asian Banking and Finance Awards 2022
  Entry: AffinAlways – website

During the year under review, we rolled out the Customer Relationship Management (CRM) - Leads Management for Campaign Management that now empowers our marketing team and businesses to reach out and fulfil customers' demands with the right product, at the right time using various communication channels.

Our new AFFIN Delivery System (ADS) was successfully introduced to nationwide branches and auto finance centres in June 2022. With the launch of our new ADS, a customer is able to open an account in less than 8 minutes hence improving customer experience.

NEW AFFIN DELIVERY SYSTEM (ADS) LAUNCHED



Our Customers – It Is Always About You

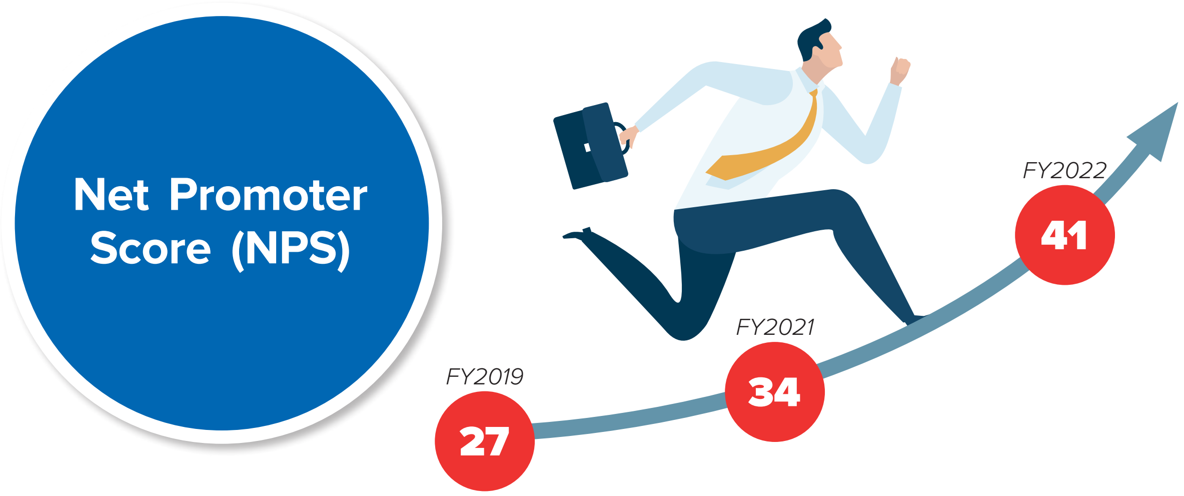
In 2022, we have seen an encouraging shift in the increase of loyal customers, evident from our improved Net Promoter Score (NPS) at +41, contributed by the following:

Improvements of our digital offerings to improve end-to-end customer experience.

Retail borrowing products, e.g., Personal Financing-i, Hire Purchase and Secured Financing obtaining higher NPS compared to other products.

People are our strength and they are the dependable drivers for customers to promote AFFIN, as we elevate our standard of service to become Unrivalled.

Launched in August 2022, the AFFIN Mobile Financial Centre (MFC) or *'Bank Bergerak'* provides the underserved segments with easier access to banking services especially in areas with no or minimal financial access points. The MFC is part of AFFIN's continual effort to expand our presence so as to provide unrivalled service for our business in the immediate community.



MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

Prospects

Looking ahead, Malaysia's banking sector needs to remain resilient against significant contagion risks emanating from the global banks' fall-out. Malaysian domestic banks remain well-capitalised (CET1 15.2%, TCR 18.9%), with healthy liquidity positions (LCR at 154%) and backed by robust domestic funding. The banking system capitalisation remains strong, with excess capital buffers of RM146.5 billion as at January 2023, preserving the banks against unexpected losses and buffer their capacity to support lending activity in the economy.

As the Malaysian economy evolves, despite geopolitical and market constraints as well as industry headwinds, at AFFIN we take the position of 'seeing the glass as half full'. The operational challenges we could encounter can take many forms, but with sustainability as our driving force we want to be future-ready to seize the momentum and undertake these challenges to offer unrivalled service to our clients and customers.

Since financial institutions need to be prepared to pivot business models to create competitive advantage and improvise operational efficiencies to adapt to changes, we are confident that we are sufficiently agile to circumvent these situations. We are ready to tackle the cultural shift with improvements in digitalisation and technology-based resolutions to address the changes and challenges in the dynamic banking industry.

The increasing demand for user-friendly products and services from Baby Boomers, Gen X and Millennials who have different requirements inspire us to deliver on their expectations. These smarter, savvier and well-informed customers demand convenience and personalisation in their banking experience. The transformation of our human capital into competitive advantage has produced excellence in service delivery that customers can benefit from. We continue to accumulate more awards and recognitions and our people are now in high demand from our competitors seeking the AFFIN DNA.

In addressing our priorities in the medium and long-term, we are exploring synergies within the AFFIN Group that can be mobilised to chart our future going forward to avoid dependence on the volatility of interest rates. We are determined to build a group that is future-ready and strong to withstand tremors in the industry and the market.

Appreciation

Notwithstanding the economic headwinds and industry challenges, there is a strong sense of achievement that we had surmounted these obstacles to successfully navigate the troubled waters. The Group had accomplished much that can be proud of during the financial year ended 31 December 2022.

I am honoured to be part of the AFFIN team that is passionate in doing and giving their best. It is my privilege to work with such a dedicated team and I acknowledge their hard work and commitment to excellence with deep appreciation. I would like to offer my heartfelt gratitude to the Chairman and the Board of Directors for their valued encouragement, ideas and wise counsel that has been expedient in guiding us on this inspirational journey of achievement.

I cannot conclude without expressing my sincere gratitude to our customers, business partners, shareholders and suppliers for your continued trust in us. We have transformed our performance to a competitive advantage and we remain committed to deliver greater value and unrivalled service excellence. It is always about you.

Thank you.

DATUK WAN RAZLY ABDULLAH
President & Group Chief Executive Officer

FINANCIAL REVIEW BY THE GROUP CHIEF FINANCIAL OFFICER

JOANNE RODRIGUES
Group Chief Financial Officer

The Group had a noteworthy year in 2022 with profits increasing 95.6% YoY to RM1.4 billion. As 2022 was our final year of AIM22 - our three-year metamorphosis plan, it was encouraging to see improvements throughout the Group that contributed to the increased profits.

Our Net interest income (NII) grew by 13.6% YoY powered by widening Net interest margins (NIM) and loan growth of 15.4%, a commendable growth that surpassed the industry average. The Group has seen a second year of strong NII growth as the focus continues to be on building core income for the Bank. The Non-interest income (NOII) declined by 33.9% in 2022 largely due to the loss of income from AHAM as well as lower YoY gains on financial instruments reduce by 49.2% as markets weakened after a strong rally in 2021.

Profits increasing
95.6% YoY to
RM1.4 billion

The Net interest income grew by 13.6% YoY powered by widening Net interest margins and loan growth of 15.4%

FINANCIAL REVIEW BY THE GROUP CHIEF FINANCIAL OFFICER

CASA is one of the five key focus areas of the AIM22 Metamorphosis Plan and in 2022 significant effort was expanded to ensure that we keep building on our CASA base. The Group's CASA ratio improved to 23.5% with CASA balances growing to RM15.3 billion from RM13.5 billion, delivering a 12.6% increase year-on-year. This helped to support the Group's strong loan growth that was driven driven by the increased productivity of the Group's sales channel as well as the opening up of the economy post COVID-19.

> **The Group's CASA ratio improved to 23.5% with CASA balances growing to RM15.3 billion from RM13.5 billion, delivering a 12.6% increase year-on-year.**

During the financial year under review, we saw that most of our customers were in a position to weather the global pandemic with the assistance of the government as well as the banking industry. By December 2022, 89.8% of those customers who opted for the Group's Repayment assistance programmes had exited the programme and 98.7% continued with their instalments with only 1.3% defaulting.

We are conscious of the need for the Group to have a strong position with regards to overall asset quality to ensure that it is able to withstand any possible economic recession. To that end, we focused on improving our loan underwriting standards and building our asset quality recovery teams. These efforts resulted in the Group Gross impaired ratio falling to 1.97% from 2.54% in FY2021. To ensure that the Group has sufficient reserves to protect it from any possible unexpected future credit deterioration, we raised our Loan Loss Coverage to 123.8% from 72.5% in 2021 and our Loan Loss Reserve to 164.8% from 130.2% in FY2021.

Affin Islamic Bank Berhad (AIBB) accomplished a strong finish to the year with its income growing 25.2% YoY to end at RM675.8 million compared to RM539.7 million in 2021. During the year, AIBB decided that it would be in the best interest of the bank to take up further management overlays which resulted in the profit before tax of the company closing lower at RM173.1 million for the year ended 2022, 30.4% lower than the PBT of 2021. If it were not for the one-off overlays that were taken, AIBB's profit before tax would have been RM379.8 million which was a 52.8% increase year on year. The Islamic bank's revenue saw strong growth derived largely from net profit income which grew 26.1% to RM604.0 million powered by the 15.3% growth of financing to RM26.3 billion. AIBB financing currently contributes 44.2% of total ABG loans.

AHIBB recorded a higher profit before tax of RM1.4 billion - a more than a 100% increase YoY on the back of the sale of their asset management business. The robust growth from the share margin financing business surpassed RM1 billion in 2022.

During the year under review, the insurance companies – AXA Affin Life and AXA Affin General, transitioned from being 51% JV and 49.95% Associate entities to 30% and 47% associate companies of ABB in August 2022. This resulted in lower share of PBT YoY but we remain confident that with Generali Asia NV as our new partner we will be seeing progression in this segment in the near future.

> **AHIBB recorded a higher profit before tax of RM1.4 billion - a more than a 100% increase YoY on the back of the sale of their asset management business.**

Our AIM22 transformation journey concluded with remarkable success, a testament to the unwavering dedication and tenacity of the entire AFFIN team.

We seized momentum from our transformation journey as we kept our eye on the five focus areas of the two and half years AIM22 transformation plan. In FY2022, we saw remarkable progress in all five areas. We achieved a ROE of 11.5% with the sale of Affin Hwang Asset Management Berhad (AHAM) and we improved our CASA ratio to 23.5% from RM23.0% in 2021.

As we continue to invest in the future we maintain the management of our cost to ensure the continual sustainability of the Group. Our focus would be on increasing overall productivity of the existing workforce whilst keeping cost growth low. Cost growth for 2022 was only 4.7%.

> “AFFIN ISLAMIC BANK BERHAD ACCOMPLISHED A STRONG FINISH TO THE YEAR WITH ITS INCOME GROWING 25.2% YOY TO END AT RM675.8 MILLION COMPARED TO RM539.7 MILLION IN 2021.”

Our A25 targets are firmly in place, and we are cognisant that accomplishing ESG goals will have far-reaching benefits. Currently, we are in the planning and growing stage and it will take time for the initiatives to translate into achievements. We are also working to collate all the necessary ESG disclosure requirements to ensure that the Group will be able to comply with Bursa Malaysia's enhanced sustainability reporting requirement.

The three banking divisions – Community, Enterprise and Corporate, performed well in FY2022

GROUP COMMUNITY BANKING

Group Community Banking had a remarkable year registering double digit income growth on the back of strong loan growth of 22.9% YoY. There was good traction from non-interest income mainly from the wealth segment and loan related fees. The effort put in to build its wealth segment - the INVIKTA segment, spelled success for Community Banking bringing in sturdy fees and sound deposits for the bank. The growth of the mortgage and auto finance product segments contributed to all the other products as cross-selling was encouraged across all sales teams. This is augmented by a strong asset quality team that keeps a close watch on the divisions' customers and ensures that the asset quality of the portfolio remains intact.

GROUP ENTERPRISE BANKING

Group Enterprise Banking saw their total income grow by 13.6% YoY largely from expanding NIMs coupled with strong loan growth at 13.3% YoY. NII increased as the business focused on Bancassurance/Bancatakaful and other fees that have helped boost their income. Provisions remain the same YoY but better recoveries were registered in FY2022. Together with expanded revenue levels, the division's profits improved overall by 21.0% YoY.

GROUP CORPORATE BANKING

Group Corporate Banking total income grew by 19.2% driven largely by better NIMs and higher non-interest income. Overall deposits grew by 20.8% and CASA by 16.7% YoY. This contributed to the overall improvement in our cost of fund. The asset quality team for corporate banking continuously monitors customer accounts ensuring that the asset quality is maintained.

GROUP TREASURY

Group Treasury continues to grow as they build their assets by 25.2% from RM16.7 billion in FY2021 to RM20.9 billion in FY2022. In addition to the stronger focus on flow and forex business, overall revenues for Group Treasury have improved.

This included an overall increase in productivity of our sales force and our branch network as well as corporate strategic activities. Some of the notable achievements during 2022 include two major corporate deals which unlocked value for the Group. These were the sale of AHAM to CVC Capital Partners and the sell-down of the Bank's stake in the insurance entities to a new shareholder, Generali Asia NV. The sale of AHAM and the reduction in shareholding in the insurance companies served to strengthen our Group CET-1 to 15.6% from 14.2% in FY2021.

RAM revised its outlook on ABB in November 2022, from AA_3 negative to AA_3 stable. This was on the back of improving asset quality trends as well as an acknowledgement that the Group competently managed the effects arising from the COVID-19 pandemic, resulting in an ability to weather any external shocks.

OUR APPROACH TO VALUE CREATION

OUR PURPOSE IS TO CREATE VALUE FOR EVERYONE IMPACTED BY OUR BUSINESS. TO ACHIEVE THIS, WE NEED TO ENSURE WE HAVE A ROBUST BUSINESS MODEL AND THAT OUR STRATEGY IS BOTH RESPONSIVE AND PROGRESSIVE. THIS REQUIRES AN INTEGRATED THINKING WHICH CONSIDERS THE CONNECTIVITY AND INTERDEPENDENCIES OF FACTORS THAT AFFECT OUR ABILITY TO CREATE STAKEHOLDER VALUE, HENCE AN INTEGRATED APPROACH TO VALUE CREATION.

ASSESS

ASSESS AND EVALUATE OUR OPERATING CONTEXT 01

See page 48

To develop and deliver responsible financial solutions that create value, we vigorously monitor and assess our operating environment to understand the context and landscape within which we are conducting our business. We keep track of global trends and issues such as geopolitical events, socio economic challenges, supply and demand disruptions arising from the external operating environment, and emerging and existing market trends. These are among the factors that would and could affect our ability to create value, and impact our performance and business continuity, risk management and our strategy.

IDENTIFY RISKS AND OPPORTUNITIES 02

See page 56

We identify risks as matters that may diminish value; and those that may create value are termed opportunities; while some represent both a risk and opportunity. The risks and possibilities inherent in the industries in which we operate have an influence on our value creation approach. We monitor all risks and mitigate them through comprehensive risk management.

Our key risks identified are:

- Credit risk
- Climate Risk
- Market risk
- Funding & Liquidity risk
- Operational risk
- Business continuity risk
- Technology risk/Cyber risk
- Sustainability risk

STRENGTHEN STAKEHOLDER ENGAGEMENTS 03

See page 46

To create long term sustainable value, we encapsulate in our philosophy the importance of communication as a proven strategy of reaching out to all our stakeholders. We regularly engage with key stakeholders to understand their perspectives and to create transparency of our strategies and objectives, and at the same time, align and balance their expectations with our business priorities.

Our key stakeholders are:

Internal Stakeholders
- Board of Directors
- Senior Management
- Employees

Internal Stakeholders
- Investors/Shareholders
- Regulators/Government Bodies
- Individual & Non-Individual Customers
- Analysts/Rating Agencies
- Media
- Business Partners/IT Outsource Partners
- Employee Unions
- Vendors/Suppliers/Contractors
- Industry/Trade Associations
- Local Communities/Non-Government Organisations (NGO)

IDENTIFY

IDENTIFY AND PRIORITISE OUR MATERIAL ISSUES

04

See page 186

"Material Matters" are those that substantively affect our ability to create value over time, be it short, medium or long term. They have an impact on our ability to create value and on the accomplishment of our plan. "Material matters" guide how we manage risks and take advantage of potential opportunities. We conduct materiality assessments to identify the issues that are crucial to our stakeholders.

During our materiality review, we identified and prioritised the following matters:

Sustainable Financial Services
- Digital Innovation
- Data Privacy & Security
- Ethics & Integrity
- Client/Customer Focus
- Responsible Marketing
- Responsible Financial Services
- Sustainable Procurement Practices

Socially Responsible Employer
- Fair Employment Practices
- Talent Development

Supportive Community Development
- Environmental Management
- Community Development

EMBEDDING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRACTICES

All the components of our value creation process are connected by ESG. It guides our everyday operations and strategic decisions, enabling us to make decisions that are in line with our values and strategic goals to enable the production of long-term value while maintaining transparency and accountability for our activities.

FORMULATE

FORMULATE BUSINESS STRATEGY 05 See page 61

We take into consideration the material matters, risks and opportunities in formulating our business strategy. A well-planned strategy is crucial for us to create sustainable value for our stakeholders.

To ensure a value-driven approach, we consider our Capitals that are essential in creating value for all our stakeholders.

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Social capital
- Natural capital

DISCIPLINED CAPITAL ALLOCATION

ALLOCATE OUR RESOURCE CAPITALS 06 See page 44

Our key capitals are important for us to create both financial and non-financial value for all our stakeholders. With ESG being embedded into our business strategy, we also consider our activities on each of the capitals in an integrated way in order to avoid 'trade-offs', and lead us to more sustainable outcomes.

FINANCIAL CAPITAL
Income from our core and recurring business segments ensures a healthy cash flow position for the Group to capitalise on its value propositions.

MANUFACTURED CAPITAL
Our business structure and operational processes, including digital infrastructure and IT assets that provide the mechanics of how we run our business.

INTELLECTUAL CAPITAL
The knowledge, processes, technologies and systems embedded in our operations nurture the capacity for innovation, which is key to maintaining our competitive edge.

HUMAN CAPITAL
Engaged workforce with the skills required to reinvent banking, in line with our vision, mission and culture.

SOCIAL AND RELATIONSHIP CAPITAL
Trusted relationships with our customers and the community are essential to our brand and reputation.

NATURAL CAPITAL
Included into our decision making in order to ensure the continuous and profitable use of our natural resources and to sustain environmental wellbeing.

CREATE VALUE

BUSINESS MODEL 07 See page 44

OUR VALUE CREATION BUSINESS MODEL
Our value creation journey is driven by a business model that draws on our six capitals and converts them into value for stakeholders. Guided by our Strategy, we use the capitals to create positive outcomes for both business and stakeholders. The process is underpinned by a strong governance system with oversight from our leadership team.

OUR VALUE CREATION BUSINESS MODEL

CORE VALUES

A **lways** innovating and adapting

F **orever** working as a team as we are one family

F **air** treatment, diversity and sustainability

I **ntegrity** is our foundation

N **ever**-ending customer centricity

OUR CAPITALS...

INPUTS

FINANCIAL

- Strong capital with Group CET1 capital ratio at **15.6%** from **14.2%** (FY2021)
- Market Capitalisation = **RM4.6 bil**
- Shareholders Equity = **RM10.6 bil**
- Deposit from Customers = **65.0 bil**
- Gross Banking Loans, Advances and Financing = **RM59.3 bil**
- CASA (Current Account/Savings Account) balances stood at **RM15.3 bil** for FY2022, contributing to a CASA ratio of **23.5%**

MANUFACTURED

- Increase of distribution channel from **111** branches to **116** branches and **8** AFFIN Hwang branches (including **4** triple banking) and **1** mobile branch.
- **583** self-service terminal machines which consist of:
  - **288** ATMs
  - **159** Cash recycler machines
  - **101** Cheque deposit machines
  - **26** Cash deposit machines
  - **9** Coin deposit machines

INTELLECTUAL

- Increase of IT staff from **50** (FY2021) to **300** (FY2022)
- Upskill in certification for Associate Qualification in Islamic Finance (AQIF), Islamic Professional Credit Certificate (IPCC) and Asian Institute of Chartered Bankers (AICB)
- AFFINMAX, A1addin, Treasury FX Digital System, SME Colony, eInvest Go, improved RIB
- Digital Imaging System (DIS)
- Affin Delivery System (ADS) – 5 minute to open account
- Rating upgrade from AA_3/Negative to AA_3/Stable
- Partnership with Generali – Malaysia 2nd largest general insurance provider from number **5**
- Collaboration with Syarikat Takaful Malaysia Berhad (STMB)

HUMAN

- **5,237** employee
- **RM11.5 mil** amount invested for training program (ABB, AIBB & AHIBB)

SOCIAL AND RELATIONSHIP

- Active engagement with various parties to provide community support

NATURAL

- TTDI & Bangsar branch on solar installation (Solar panel installation for 2 branches, TTDI and Bangsar)

...ACTIVITIES THAT CREATE...

AIM22

Affinity in Motion (AIM22)

KEY FOCUS AREA

- ROE focus
- Turbo charged CASA
- Digital Transformation Acceleration
- Productivity & Efficiency
- People: Team High-Performance Organisation (THPO)

KEY TRENDS

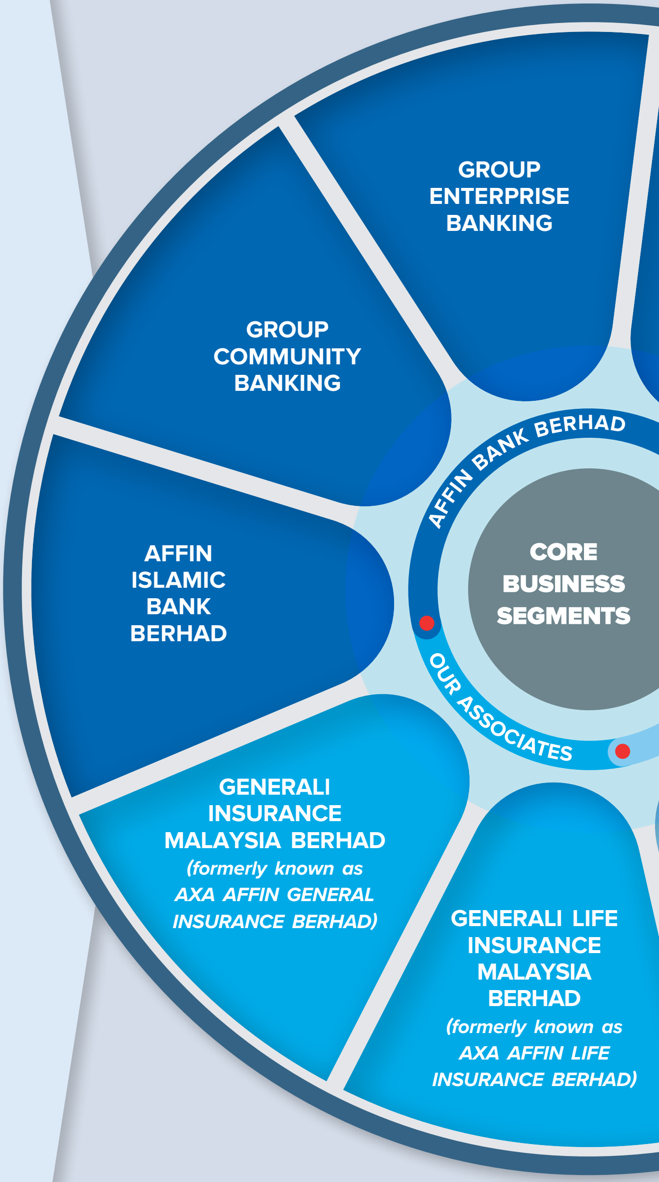
- Moderate Economic Recovery
- Interest Rates and Other Financial Consequences
- Digitalisation
- Workforce Challenges
- Sustainability Concern and Climate Change
- Geopolitics

KEY DRIVERS

- Net interest margin
- Fee-based income increase
- Cost of fund reduction
- Cost management
- Digital capability expansion
- Risk management improvement through enhanced Asset Quality Management, Liquidity risk and capital management initiatives.

MATERIAL MATTERS

- Digital Innovation
- Data Privacy & Security
- Ethics & Integrity
- Client/Customer Focus
- Responsible Marketing
- Responsible Financial Services
- Sustainable Procurement Practices
- Fair Employment Practices
- Talent Development
- Environmental Management
- Community Development



CORE BUSINESS SEGMENTS

AFFIN BANK BERHAD

GROUP ENTERPRISE BANKING

GROUP COMMUNITY BANKING

AFFIN ISLAMIC BANK BERHAD

OUR ASSOCIATES

GENERALI INSURANCE MALAYSIA BERHAD *(formerly known as AXA AFFIN GENERAL INSURANCE BERHAD)*

GENERALI LIFE INSURANCE MALAYSIA BERHAD *(formerly known as AXA AFFIN LIFE INSURANCE BERHAD)*

EMBEDDING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

FINANCIAL OUTCOMES

REVENUE
RM3,297
Million

TOTAL ASSETS
RM90,121
Million

SHAREHOLDER EQUITY
RM10,629
Million

OUR VISION

To be the most creative financial company in Malaysia

- Creative in terms of innovation and technology
- Creative in terms of unrivalled customer service
- Create value for our shareholders, customers and our people

OUR MISSION

Products & Services

- To become an innovative organisation with unrivalled customer service

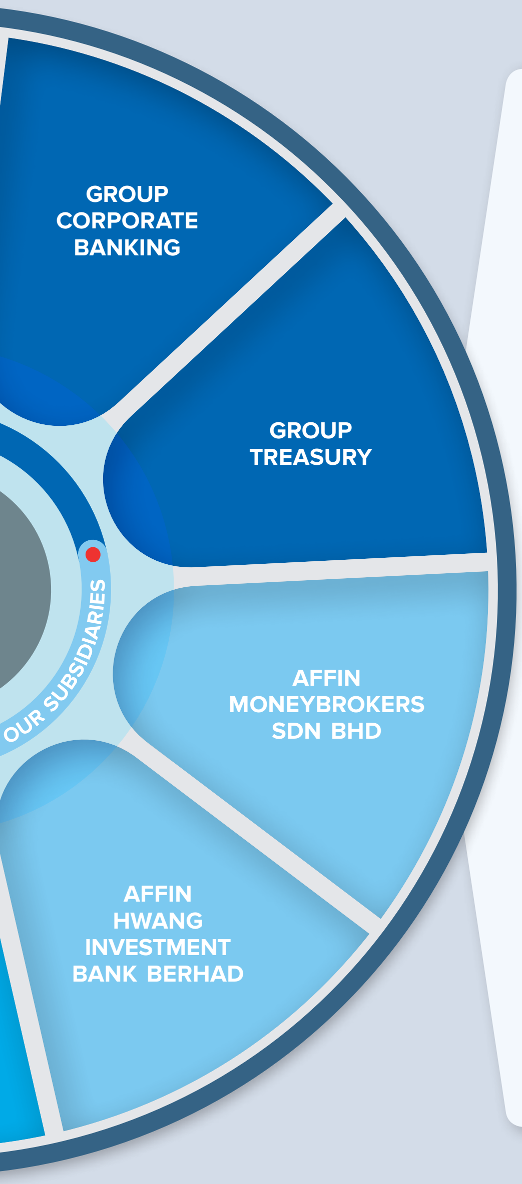
People

- Our commitment and passion touch the hearts and minds of everyone in our world

Value

- To always create value for our shareholders, customers and our people

...VALUE FOR OUR STAKEHOLDERS.



OUTPUTS

Wide product offering (AFFIN DUO, Merchantrade card, Hire purchase i-variable rate etc)

Loan Loss Coverage increased from **72.5%** (FY21) to **124%**

Loan Loss Reserve increased from **130.2%** (FY21) to **165%**

OUTCOMES

FINANCIAL

- CASA increased **12.6%** from **RM13.5 bil** to **RM15.3 bil**
- Casa ratio improved **23.5%** from **23.0%** in 2021
- Group Gross Impaired improved from **2.54%** to **1.97%**
- Loan growth surpassed industry average at **15.4%**
- Return on Equity = **11.5%** from **5.4%** (FY2021)

MANUFACTURED

- Digital Customer base = **1.4** mil
- Transaction on online platform = **66** mil per annum

INTELLECTUAL

- **844** employees certified with professional industry certification
- CSAT for digital experience = **78% from 77% (FY21)**
- SME Colony downloaded **72,394** times in Google Playstore, Apple Appstore and Huawei AppGallery.

HUMAN

- Employee engagement score = **79%**
- **30%** female Board representation
- **461** employees sponsored for training

SOCIAL AND RELATIONSHIP

- Zakat contribution of **RM4.2 mil**
- Net promoter score = **+41** increased from **+34**
- Customer satisfaction Score = **85%** increased from **81%**
- Product Holding Ratio = **2.18%** as compared to **2.03%** (FY2021)
- CSR contribution of **RM960,912** involving **86** staff act as volunteers.
- Community Development (Soup Kitchen CSR with PERTIWI for the homeless)

NATURAL

- Tree planting (**1,200** tree samplings physically planted through programme with several parties
- ESG financing target = **4.5%** exceeding beyond the threshold of **4%** target
- A total of **38,317kwh** renewable energy generated for self-consumption
- Group wide paper usage (HQ) = **23,482kg** (FY22) from **45,170kg** (FY21)

SUPPORTED BY ROBUST GOVERNANCE FRAMEWORK

PBT	EPS	DIVIDENDS PER SHARE
RM1,377 Million	**54.4** Sen	**30.39** Sen

STAKEHOLDER ENGAGEMENT

We define our stakeholders by their respective roles, level of participation and contribution in our value chain as well as their ability to influence and impact our business. They are our employees, customers, shareholders and investing community including analysts and rating agencies, supply chain partners, government and regulators, industry/trade associations, media, and the communities. We strive to strengthen our relationship with them, and to understand their key concerns and matters of interest.

Stakeholders	How we engage	Key concerns	How we respond
Employees	• Employee engagement surveys • Performance assessment and feedback • Intranet messaging • Department meetings • Townhall sessions • Group corporate events • Grievance handling systems	• Talent and succession planning • Employee welfare • Career progression • Ethical business practices • Information and data security • Environmental practices	• Sustainable Financial Services • Socially Responsible Employer • Supportive Community Development
Investors/ Shareholders	• Roadshows • Investor Relations sessions • Annual General Meetings • Corporate website	• Overall performance and strategic direction of the Group • Impact of products and services • Corporate governance practices • Strategic collaborations/ partnerships	• Sustainable Financial Services • Socially Responsible Employer
Government and regulators	• Meetings • Regulatory briefings • Programmes organised by government/regulators	• Products & services • Ethical business practices • Overall performance • Regulatory compliance • Information & data security • Corporate governance practices	• Socially Responsible Employer Service • Sustainable Financial Services
Individual and Non-Individual Customers	• Customer Satisfaction Surveys • Customer service channels • Meetings/site visits • Social media • Corporate website	• Products & services • Streamlined customer services • Ethical business practices • Personal data protection • Transparency in sales & marketing	• Sustainable Financial Services • Socially Responsible Employer

Stakeholders	How we engage	Key concerns	How we respond
Analysts/Rating Agencies	• Meetings • Analysts briefings/forums	• Products & services • Ethical business practices • Regulatory compliance • Financial performance	• Sustainable Financial Services
Media	• Meetings • Media releases • Press conferences • Corporate events	• Good governance practices • Societal impact • Open and transparent communication	• Sustainable Financial Services • Supportive Community Development
Business Partners/IT Outsource Partners	• Corporate website • Meetings • Corporate events	• Strategic collaborations/ partnerships • Products and services • Transparency in sales and marketing • Regulatory compliance • Financial performance	• Sustainable Financial Services
Employee Unions	• Meetings • Townhall sessions • Group corporate events	• Regulatory compliance • Financial performance • Human capital development • Fair employment practices	• Socially Responsible Employer
Vendors/ Suppliers/ Contractors	• Meetings • Corporate website	• Regulatory compliance • Financial performance • Supply chain management	• Sustainable Financial Services
Industry/Trade Associations	• Meetings • Public partnerships	• Strategic collaborations/ partnerships • Products & services	• Sustainable Financial Services
Local Communities/ Non-Government Organisations	• Meetings • Volunteer activities • Forums • Corporate social responsibility programmes	• Ethical business practices • Societal and environmental impact • Indirect economic contribution	• Sustainable Financial Services • Supportive Community Development

STRATEGIC REVIEW

OPERATING ENVIRONMENT: ECONOMIC REVIEW & OUTLOOK 2023

The turbulent operating environment of the past year has only reinforced our commitment to AFFIN's vision, "To be the most creative financial company in Malaysia" is at the heart of our strategy. Our reliable brand, our impactful innovation capabilities and our operational execution have helped us continue to deliver.

At the start of 2022, the extreme challenges of the COVID-19 pandemic seemed to be waning. The unexpected invasion of Ukraine at the end of February changed the course of the year. Global supply chain issues proliferated and inflation became rampant.

We faced a choice this past year in how to react to these challenges. There was little handwringing as it was clear to us that we could not lose sight of our long term strategy. We continued to invest in technology and digitalisation as well as on sustainability initiatives.

To stay on course required a constant rebalancing between growth and meeting our commitments to shareholders and other stakeholders. There were no easy solutions, but we did not waver in our resolve to deliver on short term expectations, progress on our long term ambitions and remain true to the core of our strategic vision.

ECONOMIC REVIEW AND OUTLOOK

Malaysia's economy has shown resilience despite the challenges posed by market uncertainties. Having gathered momentum in 2022, Malaysia registered a yearly growth rate of 8.7%. The high growth rate indicated that the Malaysian economy was recovering from the smothering effects of the pandemic. Private consumption has recovered where the labour market also showed signs of improvement as the year progressed with unemployment figures moderated over the course of the year.

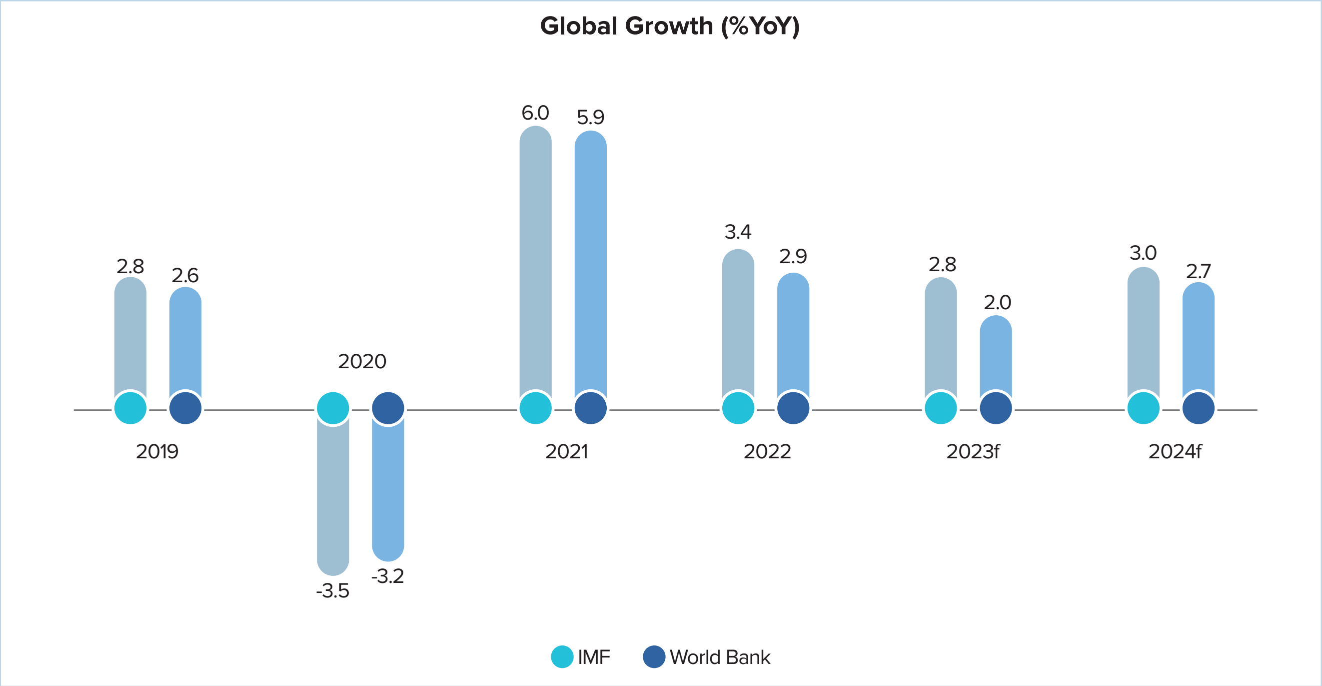
Global Outlook

The International Monetary Fund (IMF) in its April "World Economic Outlook" forecasts a slower global growth of 2.8% in 2023, down slightly from its initial projection of 2.9% mainly affected by the recent financial market uncertainty in the United States and European countries, as well as the ongoing war in Ukraine. However, growth is still supported by China's economic reopening as well as the softening global inflationary pressures.

The World Bank has revised its 2023 global growth outlook to 2.0% from a January projection of 1.7% due to a better outlook from China's recovery from COVID-19 lockdown but warned that turmoil in the banking sector and higher oil prices could put pressure on growth prospects in the second half of 2023. The World Bank maintains global growth at 2.7% in 2024.

Against the backdrop of a weak global economic outlook for 2023, Asia's economies may defy the trend and deliver robust growth through increased domestic demand for goods and services despite the challenges of high inflation, rising interest rates, fuel price volatility and geopolitical tensions.

Asia's growth prospects continue to hinge on an acceleration in digital transformation, greater regional coordination, and striking the right balance in broader monetary policy across the region.



Malaysia's Outlook

Despite a softening world economic growth and trade activities, the Malaysian economy is projected to grow by 4.5% in 2023, supported by steady domestic demand, a vibrant services sector, implementation of new and ongoing high multiplier infrastructure projects and sustained exports.

Domestic demand will remain the prime driver for growth as household spending is underpinned by the continued improvement in the labour market and existing policy support measures.

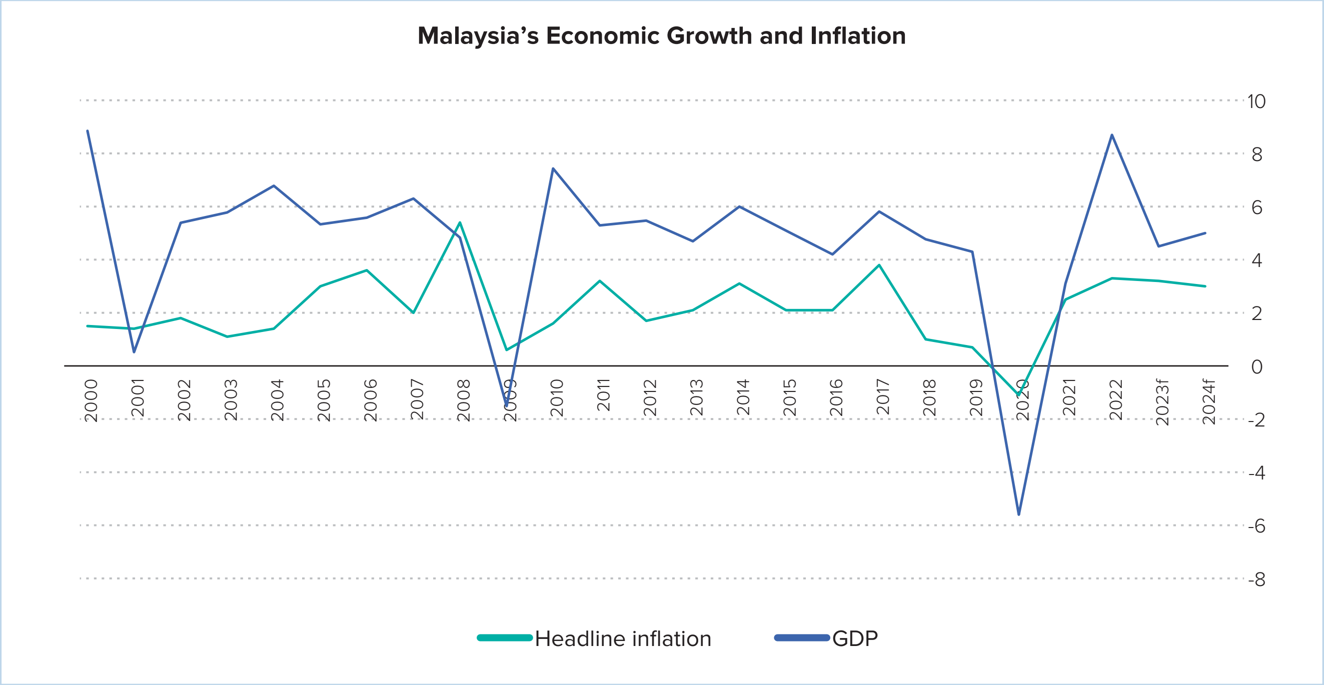
The growth forecast will continue to be supported by robust economic and social activities particularly the tourism-related activities.

To accelerate growth, steady focus should be emphasised on attracting high-quality investment, skilled labours, raising SMEs productivity and competitiveness and adoption of digitilisation and technology in all industries.

Investment will be supported by realising infrastructure projects and improved domestic conditions to attract foreign direct investment.

STRATEGIC REVIEW

OPERATING ENVIRONMENT: ECONOMIC REVIEW & OUTLOOK



Headline inflation is expected to range between 2.8% and 3.8% in 2023. Existing price controls and fuel subsidies will continue to partly contain the upwards pressure to inflation. Headline and core inflation are expected to remain elevated, amid both demand and cost pressures although this was still subject to policy changes in domestic subsidies and global commodity prices.

While we are optimistic of the economic growth, we remain cautious over existing global conflicts and the probability of escalation such as in the Russia-Ukraine war as well as inflation rate in the country.

However, although recession fears are still looming, the worst is over for many as the majority of markets have shown strong signs of economic rebound driven by China's economic reopening after a long closure due to its zero-Covid policy.

BANKING SECTOR REVIEW AND OUTLOOK

Bank's capital

The Malaysian banking system continues to be resilient with ample capacity to absorb losses despite severe downside scenarios. According to Bank Negara Malaysia (BNM), the banking system is well capitalised. At the end of 2022, total capital ratio of the banking system stood at 18.8% with capital buffers of RM134.8 billion in excess of the regulatory minimum.

Notwithstanding the positive outlook, banks remain vigilant over downside risks that could result from weaker than expected economic growth and rising cost pressure affecting loan performance as well as heightened financial market volatility.

LOAN GROWTH IN 2023

2023 is forecast to normalise between 4.0% to 5.0%

BNM's banking sector statistics for February indicated continued robustness in the system with loan growth accelerated to 5.2% year-on-year (January: 4.9%) with a rebound in financing demand recorded. The improvement was attributed to the pick-up in business loan growth from 2.1% year-on-year at end of January 2023 to 2.3% year-on-year at end of February 2023. Household loan momentum sustained at 5.3% year-on-year at end of January 2023 and end of February 2023.

In the next two to three months loan growth is expected to accelerate further, looking at the strong recovery in loan applications and approvals in February 2023.

Nevertheless, long term projection for 2023 is forecast to normalise between 4.0% to 5.0% due to elevated living costs and increased costs of borrowing.

LOAN APPLICATIONS

All three major loan segments, namely residential mortgage; auto loans and working capital, presented a double-digit growth in loan applications.

The banking industry's loan application saw a turnaround in growth from a decline of 13.3% year-on-year in January 2023 to an expansion of 34.2% year-on-year in February 2023. This expansion could be due to the Chinese New Year (CNY) effect that was similarly experienced in February 2022. As the celebration fell in January 2023 there were fewer working days in the particular month.

Nonetheless, total loan application was high at RM109.8 billion in February 2023 compared to the levels in the preceding two months (RM92.6 billion in December 2022 and RM84.9 billion in January 2023). This was the highest achievement since October 2022. Given that the month of February has the least number of days in any year, the positive growth in loan application reflects a potential improvement in credit demand for banks.

All three major loan segments, namely residential mortgage, auto loans and working capital, presented a double-digit growth in loan applications.

Other lending indicators continued to show solid numbers, with approvals and disbursements up 49% and 19% year-on-year (month-on-month: +27% and -8%) respectively.

STRATEGIC REVIEW
OPERATING ENVIRONMENT: ECONOMIC REVIEW & OUTLOOK

DEPOSIT GROWTH

The CASA ratio remained at 40.5%, down from 42% in the previous year.

The banking system deposit growth registered at 5.9% in 2022, above pre-pandemic levels (2015-19 CAGR: 4.4%). Deposits from individuals (36%) and businesses (33%) account for the bulk of banking system deposits.

System deposits continued its strong momentum, adding 7.5% year-on-year (month-on-month: +1.7%) in February. Deposit growth is largely driven by FDs, with CASA staging a slight return. This was the first time CASA saw positive sequential month growth since October 2022.

Month-on-month growth was balanced between CASA and fixed deposits, although year-on-year, CASA deposits growth was flat while fixed deposits grew 7%. The CASA ratio remained at 40.5%, down from 42% in the previous year.

GROSS IMPAIRED LOANS

Household GIL ratio increased moderately to 1.28%

The banking system's gross impaired loan (GIL) recorded a 2% month-on-month rise (year-on-year: +10%) mainly due to the increase in residential mortgages GIL at 4% month-on-month, (year-on-year: +17%) and personal loans increased 7% month-on-month (year-on-year: +15%).

Household GIL ratio increased moderately to 1.28% at end-February 2023 from 1.23% the previous month (Feb 2022: 1.16%) whereas business GIL ratio growth was flat month-on-month and year-on-year at 2.46%. Overall banking system GIL ratio increased slightly to 1.76% in February 2023 as compared to 1.73% in January 2023.

BNM studies indicate that the debt servicing capacity of household borrowers was mostly affected by income and employment shocks rather than increases in borrowing costs. As such, future interest rate hike would not affect household borrower repayment and household debt-servicing capability is expected to remain healthy.

Furthermore, the banking system’s Loan Loss Coverage (LLC) poised at 95.8% at end-February 2023 (January: 97.4%, Feb 2022: 108.0%) is considered sufficient to protect the bank against any future losses.

LIQUIDITY

Liquidity coverage ratio stands at an extremely healthy 153%.

The banking system continued to be liquid and well capitalised, with a Loan to Deposit Ratio (LDR) of 84.5% and Common Equity Tier 1 (CET-1) ratio of 14.8%, implying ample room for growth within the banking system.

Liquidity coverage ratio stands at an extremely healthy 153%.

2023 outlook

Going into 2023, Malaysian banks are likely to remain cautious amidst higher interest rates and an expected global recession downturn.

The banking industry is not expected to be affected as drastically as other sectors. This is result of their diversified exposure, with continual stress testing being conducted to strengthen preparedness.

Malaysia's strong and broad economic recovery, supported by positive employment numbers would support borrowers and boost the banking sector's financial performance in 2023. It is also forecast that Malaysian banks' credit costs would remain flat at 30-40 basis points (bps) in 2023, higher than the pre-pandemic average of 15 bps.

Banks are also envisaging some downside risks from the following:

- Weaker-than-expected economic growth in FY2023 (especially with the potential risk of recession in the US and Europe) as this could cause banks to register higher-than-expected loan loss provisioning and softer loan growth;
- Heightened inflation and interest rate hikes could be detrimental to banks' loan growth and asset quality; and
- A pick-up in deposit competition within the banking industry, with most banks running campaigns to offer attractive rates for fixed deposits. Should this intensify, it will lead to a further increase in banks' cost of funds and dilute the positive impact from the hikes in overnight policy rates.

Notwithstanding, Malaysian banks are well placed to weather challenges in 2023, as the banking sector's capitalisation and stable retail deposit base continue to be key credit strengths.

STRATEGIC REVIEW

OPERATING ENVIRONMENT: KEY TRENDS & MARKET OUTLOOK

TRENDS	DESCRIPTION	IMPACT
Trend 1 **MODERATE ECONOMIC RECOVERY**	• The global economy grew by 3.4% (source: IMF) in 2022 after facing several major headwinds during the year such as the Ukraine war that led to surging global energy prices and disruptions in the global supply-chain. This leads to high global inflation that causes central banks to tighten their monetary policy and raise interest rates. • In Malaysia, the economy recorded a robust growth of 8.7% in 2022 due to low base in 2021 with domestic demand remaining the key driver of growth.	• Price of essential goods such as food & energy has skyrocketed, causing disruption to supply-chain and impacting global trade. • The high inflation rates, tighter monetary policy and financial stress weighed down by the Ukraine-Russia war has caused the global economy to slow by end of the year.
Trend 2 **INTEREST RATES AND OTHER FINANCIAL CONSEQUENCES**	• Following soaring global inflation, developed economies especially US and the European countries have raised their interest rates as a way to stabilise the inflation to a more sustainable level. Since May 2022, the US Fed has been raising their Federal Fund Rate (FFR) aggressively, and followed by the European Central Banks.	• Rising interest rate hikes have hit the most vulnerable countries and have affected borrowing cost, reducing disposable income and therefore limiting growth in consumer spending. It has also affected heavily indebted firms, households and governments.
Trend 3 **DIGITALISATION**	• Digital banking saw high demand in Malaysia, given the numerous advantages that it offers to consumers and enterprises and the rising digital literacy. Almost half the population are using online services, and about 29% of Malaysian adults have a digital bank account. • Financial technology or fintech, is having a greater role in tilting the competitive playing field towards areas that change lives and economies. • Rapid digitalisation has also seen a rise in cybersecurity risks, with the total number of cyber-attacks reaching a new global all-time high in 2022.	• The rise of online and mobile banking by customers to pay bills, transfer money and apply for loans anywhere. • Increase in customer interest in using digital payment method such as e-wallets, mobile payments and contactless payments • The use of AI and automation to improve the efficiency of banking operations, sales and customer service. • Increase in Open banking concept, a banking practice that provides third-party financial service providers open access to consumer banking, transaction, and other financial data through the use of application programming interfaces (APIs). • Blockchain technology has the potential to transform banking by enabling secure and transparent transactions without the need for intermediaries. • Increase of scammers, fraud cases and data breaches.
Trend 4 **WORKFORCE CHALLENGES**	• The changing nature of work in the digital era, particularly concerning digitisation and automation. • Working remotely was a challenge as many people who work from home do not necessarily have a designated workspace, they experience a conflation between their living area and workplace, which affected productivity. • Different communication styles and generational preferences in a diverse and inclusive workforce hampered team productivity and business goals. • Cost of living pressures saw employees prepared to change jobs and as a result, widening skills gaps. • As life expectancy for both men and women generally increases, so does the aging workforce.	• A shift in banking workforce towards higher skilled, technology focused roles. • Since COVID-19, many banks have implemented remote work policies and invested in digital tools and infrastructure to support remote collaboration and communication. • The banking industry has an aging workforce, with many employees approaching retirement age. This presents challenges in terms of knowledge transfer and succession planning.
Trend 5 **SUSTAINABILITY CONCERNS AND CLIMATE CHANGE**	• Sustainability has been crystallised as part of the Bank's core value that shapes and defines Affin Bank's culture, and acts as the lens through which we drive efforts to serve our people and customers meaningfully.	• Approach to sustainability is focused on Environmental, Social & Governance (ESG). • Failure to embed ESG and climate risk may have impact on business through potential deterioration in credit risk of customers and clients. • We have become more technology-focused, hence our digital transformation.
Trend 6 **GEOPOLITICS**	• Prolonged unrest posed significant risk to the global economy. • Disruption in supply chain has caused inflated prices of energy and food prices, which led to cost issues. • The US-China trading relationship hit "record levels" in 2022, suggesting that the supposed economic "decoupling" of the world's two biggest economies has not yet arrived. • The Ukraine–Russia conflict, climate change, the Great Power Competition, reliance on outmoded international institutions, and other geopolitical issues, all marked a period of upheaval.	• Geopolitical risk presents severe systemic risks: a looming recession that strained the debt-servicing capacity of companies and households; and lingering asset-quality problems in the Bank. • Business and investor sentiments have been impacted, with some investors moving away from riskier assets like shares and towards perceived "safe" assets such as unit trusts, fixed deposits and bonds. • Impact on business continuity especially disruption in business processes and functions. Business disruptions would cause a huge financial loss to companies and the government.

OUR RESPONSES	OUTLOOK
• Monitored the macro and micro economic development and the impact to our business and individual customers. • Identified any risk that arises from businesses. • Continued to provide assistance to impacted groups through our various initiatives.	• The economic outlook continued to be challenging following continued elevated inflation albeit slowing down, tight monetary policy and challenging external environment. • The world economy is forecast to expand by a moderate growth of 2.9% in 2023 while Malaysia is looking at a 4% to 5% growth in tandem with projected slower global growth. • Meanwhile, Malaysia’s key growth drivers would continue from robust domestic demand, stable income and labour market, and resumption of investment projects.
• Strengthened our lending engines by building our sales and product development teams and reinforced our credit card segments and SME financing. • Offered attractive rates for deposits segments (CASA and FD)	• Global interest rates are projected to remain high this year albeit gradually declining as the economy improves. • BNM is dedicated to maintaining both, a stable prices and also sustainable economic growth and would stance its monetary policy to remain accommodative and supportive to economic growth.
• Developed a comprehensive digital banking ecosystem via modification of business models and processes, as well as cultural change such as using robotics process automation (RPA). • Enhanced product offerings, apps features and design • Explored adoption of Artificial Intelligence (AI) and Machine Learning (ML) technology. • Rolled out Campaign Management System by riding into Salesforce Marketing Cloud to empower marketing team and businesses to introduce the right product to the right customer at the right time using the right communication channel. • Use of AI-powered Chatbot to provide fast and real time response to customers. • On digital fraud, we applied cutting edge technology by constantly performing statistical analysis to identify suspicious transactions and eliminate threats before any damage gets done	• The digital transformation is expected to continue to have a significant impact on the economy and society, with the potential to drive innovation, create new business models and job opportunities, and improve the quality of life for people around the world. • It also poses challenges, such as the need to ensure digital security and privacy, address issues of digital exclusion, and regulate the use of emerging technologies.
• Training on technology skills • Triple Banking model where products from the conventional, Islamic and investment such as CASA, Hire Purchase, mortgage, credit cards, wealth management, stock broking is located at the same branch. • Maximised teamwork as one unified organisation in living our culture of Team High Performance (THIPO).	• The rapid pace of technological change, demographic shifts, and globalisation has created significant challenges for both employers and employees. • One of the most significant challenges facing the workforce is the ongoing digital transformation of the economy. The adoption of new technologies is changing the nature of work, creating new job categories, and rendering certain skills obsolete. As a result, many workers may need to acquire new skills or retrain to remain competitive in the job market • Demographic change, with the aging of the population and declining birth rates leading to a shrinking labour force in many countries. This trend is expected to exacerbate labour shortages and increase competition for skilled workers. • COVID-19 has brought new challenges such as the shift to remote work, the need for new health and safety measures, and disruptions to supply chains and business operations.
• Developed a five-year ESG roadmap to strengthen AFFIN Group’s Sustainability management and reporting. • Established 4 focus areas namely sustainable financing; sustainable operations, people and culture; and support for the community.	• Moving forward, we will continue to work hand-in-hand with customers and clients on climate risk issues and ESG challenges. • Greater support for global transition to a low-carbon economy with sustainable financing.
• Realigned the Bank’s business strategy taking into consideration the geopolitical issues. • Monitored the risk and/or impact to businesses and investors.	• Geopolitical tensions are expected to continue and may not subside in the near term. • Geopolitical tensions remain a downside risk to global economic growth and financial stability. • The recent trade tensions between US and China or Brazil, Russia, India, China and South Africa (BRICS) for example, have created significant uncertainty in global markets, with potential impact on economic growth, investments, and job creation. • The acceleration of de-dollarisation presents both advantages and disadvantages. Benefits include diversified risks, strengthened national currencies, increased monetary policy independence, and reduced vulnerability to US sanctions. Drawbacks encompass transition challenges, potential short-term instability, and limited global acceptance of alternative currencies.

KEY RISKS AND MITIGATION

Key Risk No. 1

CREDIT RISK

Description

Losses arising from the failure of counterparties to meet contractual obligations in accordance with agreed terms.

Mitigant Actions

- The Group has in place a robust credit risk policy framework to ensure effective and prudent credit risk management which aims to identify, assess, measure, control and monitor credit risk exposures with various counterparties.
- The management of credit risk is primarily the responsibility of Business Units with support by independent functions namely the Group Credit Management Division and the Group Risk Management Division in the form of independent and unbiased input as well as oversight of risk and controls pertaining to credit risk-taking activities. Delegated authority limits are appropriately managed with the involvement of various sub-committees at both senior management and Board level.
- In addition to periodic reviews, the Group proactively monitors its credit exposures through the establishment of the Group Early Alert Committee (GEAC). The GEAC is tasked to manage exposures which exhibit increases in credit risk with the aim to minimise potential credit losses.
- Tail-end risks emanating from the effects of the COVID-19 pandemic are managed by conducting regular reviews on exposures to counterparties to determine the appropriate intervening measures in achieving a balanced result for all stakeholders. In order to continuously protect its capital and liquidity position, The Group has also adopted a more cautious stance when initiating credit exposures to counterparties which are operating within industries or countries most affected by the pandemic.
- The Group practises diversification and adopts appropriate internal limits and controls through the Annual Credit Plan (ACP) which is aligned to the Group's Risk Appetite Statement. The ACP sets out the Group's key credit strategies for the year which include the setting of prudential targets and limits to manage the credit risk activities of the Group in order to support business growth in a prudent manner.
- To uphold and improve on existing credit risk practices and processes, the Group regularly conducts post-approval credit reviews and post mortem reviews which are communicated to both the Group Management Credit Committee (GMCC) and the Group Board Risk Management Committee (GBRMC).
- Data and data analytics are regularly used to analyse portfolios and identify potential areas of concern whether existing or developing in order to formulate an appropriate response in managing credit risk.

Key Risk No. 2

MARKET RISK

Description

Loss of earnings and capital due to volatile movements in rates and prices in foreign exchange, fixed income, credit instruments, equities, commodities and alternative assets.

Mitigant Actions

- Group Market Risk Management (GMRM) management adopts the latest approaches in line with Basel risk standards to manage balance sheet risks due to fluctuations in earnings and capital on the balance sheet.
- The Group imposes strict firm-wide loss control policies in each of our business lines to manage realised and unrealised losses arising from market risk taking activities. A Treasury Framework had been installed to separate the differentiated business risks associated with proprietary risk-taking, capital investments and liquidity management.
- The reporting and analytics infrastructure for market risk management have been modernised and upgraded in line with our vision to automate our risk processes and the increase the use of data and visual analytics to improve discovery of insights and communication of key risk concerns to management and the Board.
- All market risk-sensitive positions in the banking entities' balance sheet are monitored and assessed on a daily basis for any expected and unexpected impact to earnings and capital. Present performances are judged against the expected losses measured by our risk models that are regularly back-tested.
- GMRM employs forward-looking financial scenarios to constantly review key market risk developments with the management and the Board on a regular basis.

Key Risk No. 3

FUNDING AND LIQUIDITY RISK

Description

Loss of reputation, assets and capital because of failure to manage balance sheet solvency in efforts to satisfy obligations of the Group.

This can arise either from inability to fund increases in assets and meet obligations as they come due, or from the failure to liquidate assets quickly in the face of changing market conditions with minimal loss in value.

Mitigant Actions

- GMRM manages current and forward-looking liquidity risks arising from idiosyncratic and systematic risk events under a set of approved liquidity frameworks and policies.
- The Group's liquidity positions are subjected to a combination of forward-looking liquidity scenarios that are an integral part of our regular stress testing to identify worst-case possibilities including reverse stress test outcomes to help identify the point of non-viability and develop action plans to recover from such balance sheet failures.
- The Group employs a Strategic Funding Plan that is routinely reviewed and discussed at Group Asset Liability Committee (GALCO) to track realised performances against liquidity targets and approved board-risk appetites, and to ensure that our liquidity position are constantly assessed in line with market and economic developments.
- Liquidity positions on the balance sheet are monitored by their original currency and maturity breakdown and they have to comply to internal thresholds approved by management.
- The Group periodically performs a contingency funding plan crisis simulation exercise to evaluate and test the readiness and efficacy of our recovery options and crisis management plans to manage eventualities arising from unexpected liquidity events.
- The liquidity risk profile of the balance sheet is evaluated on a daily basis to ensure that our short- and medium-term liquidity position are sound. Liquidity risk concerns are flagged out in accordance with an approved escalation process involving management and the Board.

STRATEGIC REVIEW

KEY RISKS AND MITIGATION

Key Risk No. 4

OPERATIONAL RISK

Description

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

The definition includes legal risk, reputational risk and Shariah Non-Compliance risk but excludes strategic and business risk. Outsourcing risk is also managed under operational risk.

Mitigant Actions

- The Group has in place a robust operational risk management (ORM) policy to ensure an effective and prudent operational risk management which aims to identify, measure, monitor and control operational risk exposures with various counterparties.
- Design, implement and maintain the operational risk management policy which includes, communication of ORM policy, procedures processes, limits and validating Business Units and Support Units (BUs/SUs) compliance to the approved ORM policy.
- Review identification of major operational risk for all BUs/SUs within the Group, challenge their assessment and evaluate effectiveness of risk mitigation activities.
- Ensure effective coordination and communication with other risk management and control functions.
- Ensure material operational risk events are reported to the Board of Directors and Senior Management in a timely manner with a focus on operational risk developments to facilitate informed and sound decisions.
- Establishment of Business Risk and Compliance Manager (BRCM) and Designated Risk and Compliance Officer (DRCO) as part of as the first line of defense to undertake the roles and responsibilities of operational risk management.
- Group Compliance and Group Internal Audit shall act as independent reviewers and validators as part of the second and third line of defense in performing reviews and assessments on operational risk governance structure, processes, systems and assessing the effectiveness of senior management oversight.

Key Risk No. 5

BUSINESS CONTINUITY RISK

Description

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholders'/ customers' confidence due to the discontinuation of services in business operations.

Low resiliency to the following threats may lead to this risk resulting in irreconcilable losses to an organisation, given the high magnitude of the impact.

- Pandemic/Endemic
- Unanticipated technology and infrastructure outages
- Cyber attack
- Fire incidents
- Security breaches
- Data breaches
- Adverse condition of environment (natural disaster)
- Supply chain disruption
- Health and safety issues
- Acts of terrorism
- New laws and regulations
- Others

Mitigant Actions

- The Group Contingency Planning Framework (GCPF) and Group Business Continuity Management (BCM) Policy governs the management of business continuity risk across the group. In line with Bank Negara Malaysia Policy Document on Business Continuity Management, the framework provides principles that guide the policy statements and promote the BCM programme to be undertaken by the Group annually to reduce the likelihood of major losses and breaches of regulators' guidelines.
- GBRMC has oversight to review and monitor all matters pertaining to Business Continuity (BC) Risk.
- Group BCM Committee (GBCMC) supports GBRMC in the review and monitoring of Business Continuity Risk under the purview of BCM and provide the forum to discuss and manage all aspects of this risk and control lapses.
- The BCM Programme is made compulsory for each business unit in the Group to undertake. The outcome of this assessment will translate into risks listing, risk mitigation and controls, business continuity strategy and crises responses that require business units to document and create awareness of the strategy plans to ensure workability and sound practice of managing Business Continuity Risk.
- Risk control is established through adherence to GCPF, Group BCM Policy, Bank Negara Malaysia BCM policy document and adoption of ISO 22301 standards throughout the implementation of BCM programmes. Rigorous testing on business continuity plans is diligently done to ensure effective and smooth execution of the plan for resumption and recovery of the disrupted services.
- The established Crisis Management Team (CMT) has been officiated to enable BCM to manage crises arising from BC Risk. CMT is guided by the Enterprise Crisis Management Plan (ECMP) that guides the Group for sound crisis management and promotes high operational resiliency to BC Risk.

Key Risk No. 6

TECHNOLOGY RISK/CYBER RISK

Description

Major business disruption due to cyber-attacks, and financial loss due to unavailability of critical services.

Mitigant Actions

- The Group has in place a robust Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF), which are an integral part of the Group's enterprise risk management framework consisting of the leadership and organisational structures to ensure the alignment of IT strategy with business strategy, optimisation of resource, IT value delivery and performance management to achieve business objective and effective technology risk management implementation.
- TRMF and CRF cover the control objectives and minimum standards to guide AFFIN Group and entities' IT department, third-party service providers and other technology-related services/functions/departments in managing the technology risk involved in daily operations.
- Effective risk management depends on appropriate governance and oversight, and it covers both the risk management process as well as individual accountabilities for managing risk outcomes. The Group's technology risk management approach is effected through the Three Lines of Defense (LoD) model, which outlines the functional segregation and key responsibilities of the independent oversight functions, as well as the business and support units.
- The Board shall approve IT strategy covering overall design and plan of its operational framework including its vision and mission, stakeholders, business, workflow and processes, data processing, system access, security, and availability of IT resources. The Board is responsible for oversight and approval of TRMF, CRF and other associated information technology/cyber security policies for the Group, in addition to approval and monitoring of risk appetites, key performance and risk indicators, and corresponding risk tolerances for technology-related events.
- The Group proactively monitors the cyber threats through 24x7 Security Operations Center (SOC), investigating and mitigating the cyber threats in protecting the Group's IT environment from potential business disruption due to cyber-attacks. The Group manages the cyber hygiene through timely patch management, penetration testing, vulnerability scanning, IT assets management, user access reviews, employ device encryption, multi-factor authentication, strong passwords, back up, reputable antivirus and antimalware software, network firewalls and related security appliances as part of the compliance to BNM Risk Management in Technology (RMiT).
- The Group emphasises technology resiliency, where capacity utilisation monitoring has been enabled for the critical systems to ensure necessary capacity upgrades are performed timely when near threshold. During IT incidents, IT incident management is engaged with the respective subject matter experts (SMEs) on ensuring systems are restored back to normal operations according to the committed Maximum Tolerable Downtime (MTD) and Recovery Time Objective (RTO). Business Continuity Management ensures the recovery strategies are in place and tested periodically to ensure its effectiveness during crisis.
- The Group engages external Security specialists to perform periodic independent compromise assessment, cyber drill, and red team to ascertain the integrity of the IT environment remained intact and clean from cyber threats, with the simulation exercises to ensure the respective IT Security team remained vigilant and competent to detect, contain, eradicate and recover from different cyber scenarios injected. The Group covers its cyber risk exposure with Cyber Insurance renewed on an annual basis.
- The Group improves on its risk culture by enforcing mandatory e-learning and new staff onboarding risk awareness on Cyber Security and Threats, and phishing tests are conducted periodically to educate and test the effectiveness of the security awareness of the workforce. Technology risk-related monitoring and reviews are communicated to Group Management Committees, Group Board Information Technology Committee, and Group Board Risk Management Committee for oversight.
- The ongoing COVID-19 pandemic monitoring has been part of the Group's agenda to create a safer working environment and to reduce the spread of the COVID-19 virus to its workforce. Work from home is one of the initiatives the Group has taken to mitigate the risk, requiring 2-Factor Authentication via secured Virtual Private Network (VPN) to access the Group's systems. The Group has also adopted a more cautious stance when providing such access to third-party service providers with the least privilege and only by necessity.

STRATEGIC REVIEW
KEY RISKS AND MITIGATION

Key Risk No. 7

SUSTAINABILITY RISK

Description

Failure to create value for the business, society and environment over short, medium and long term and at risk of evolving non-financial impacts.

Sustainability risk also covers the climate risk posed to the bank.

Mitigant Actions

- The Sustainability Governance Structure that consists of the Board of Directors, GBRMC, Group Management Committee and Sustainability Working Group is responsible to manage and monitor the overall Sustainability risks and opportunities arising from the Group's operations.
- The Corporate Strategy Department has developed a Five-year Environmental, Social and Governance (ESG) Roadmap that encapsulates short, medium and long-term plans to strengthen the Group's Sustainability management and reporting across four criteria i.e., Governance, Strategy, Risk and Opportunities, and Metrics and Targets.
- AFFIN BANK has established four Focus Areas i.e., Sustainable Financing, Sustainable Operations, People and Culture, and Support the Community. These Focus Areas serve as our overarching strategy to identify, assess and respond to Sustainability risks and opportunities applicable to AFFIN BANK.

Key Risk No. 8

CLIMATE RISK

Description

The potential for climate change to create adverse consequences for human and/or ecological systems. This includes impacts on lives, livelihoods, health and wellbeing, economic and social assets.

Mitigant Actions

- Transition risk:

  In 2021, AFFIN BANK issued the Group Credit Policy on Sustainable Financing that adopts BNM Climate Change and Principle-based Taxonomy (CCPT) assessment and classification of economic activities. The GCPSF was issued as part of AFFIN BANK's efforts to manage and monitor the ESG aspects of the lending and financing activities.

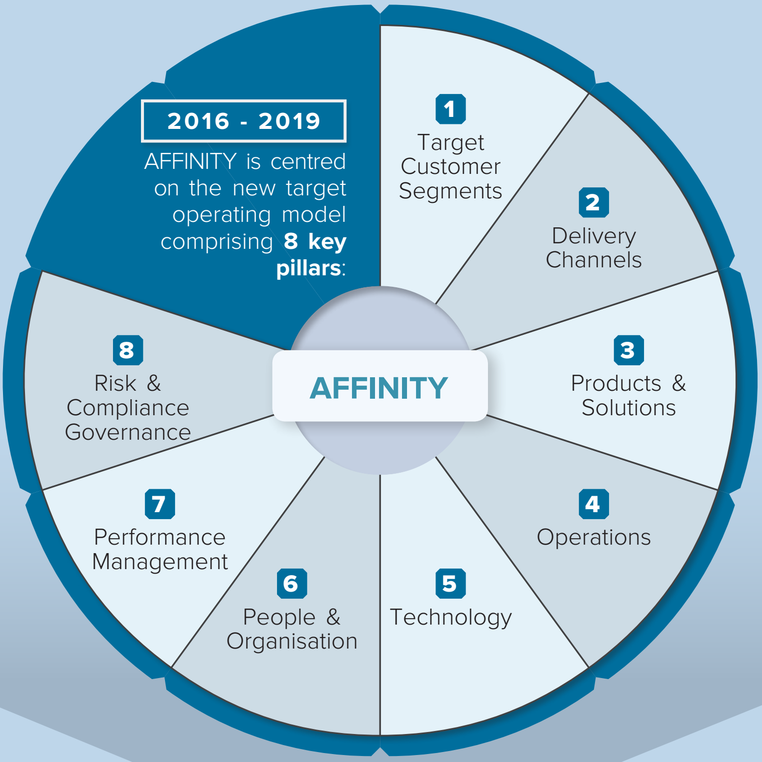
- Physical risk:

  BNM issued a Policy Document in November 2023 for Financial Institution to adopt Climate Risk Management Scenario Analysis (CRMSA). The first phase which includes gap analysis and recommendation shall be submitted by end of May 2023. AFFIN BANK is on a right path of completing this exercise in FY2023.

OUR STRATEGIC ROADMAP

AFFIN TRANSFORMATION JOURNEY

Evolving clients' expectations and market competitiveness intensify the need for AFFIN to continuously transform in order to remain relevant in the game



2016 - 2019

AFFINITY is centred on the new target operating model comprising **8 key pillars**:

AFFINITY

1. Target Customer Segments
2. Delivery Channels
3. Products & Solutions
4. Operations
5. Technology
6. People & Organisation
7. Performance Management
8. Risk & Compliance Governance

2020 – 2022

AIM22

Metamorphosis Plan, called Affinity in Motion (AIM22) emphasises on **5 key focus areas**:

1. ROE Focus: Value Creation
2. Turbo Charged CASA
3. Digital Transformation Acceleration
4. Productivity & Efficiency
5. People: Team High-Performance Organisation

STRATEGIC REVIEW
OUR STRATEGIC ROADMAP

GROUP KEY STRATEGIC INITIATIVES … in delivering 2025 targets via A25 Transformation Program

2023 – 2025

A25

"To Be The Most Creative Financial Company in Malaysia"

Gearing up profitability and growth through A25 that will be anchored to its **3 Key Strategic Objectives**:

- **Unrivalled Customer Service**
- **Digital Leadership**
- **Responsible Banking with Impact**

A25 STRATEGIC THRUSTS

SUSTAINABLE ROE
Elevate the level to 10%

BANKING 4.0
Accessible banking services
anytime, anywhere

Axelerate framework will anchor these three Strategic Objectives in forming a holistic view and approach via **6 pillars of tomorrow** including **ESG, Risk Management & Compliance** elements:

Customer

Process

3 PILLARS TO INCREASE CAPITAL EFFICIENCY AND UNLOCK LONG-TERM VALUE

A25 STRATEGIC OBJECTIVES

UNRIVALLED CUSTOMER SERVICE	DIGITAL LEADERSHIP	RESPONSIBLE BANKING WITH IMPACT
Net Promoter Score (NPS) **+50**	Digital customer base **1.4m**	ESG financing/loans portfolio **Up to 10%**
Customer Satisfaction Score (CSAT) **88%**	Transaction via online platform **68m** **per annum**	Events for local communities **100,000 Beneficiaries** **per annum**
Product Holding Ratio **3.0**	CSAT for digital experience **85%**	Reduction of **Electricity: ~ 220,000 kWh** **Paper: 15,000 kg/year**

EFFICIENCY X5
Maximise productivity through operational excellence

ENHANCED BRAND VALUE
Progressive & modern organisation

ESG FOCUS
Responsible banking with impact

Product

Network

Technology

People

A25 KEY FINANCIAL TARGETS

Profit Before Tax: **RM1.5 BILLION**

CASA RATIO	COST TO INCOME RATIO	RETURN ON EQUITY	GROSS IMPAIRED LOAN RATIO
30%	<53%	10%	1.5%

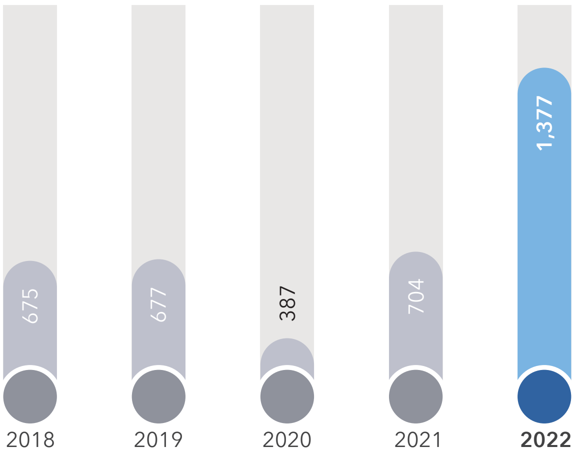
PERFORMANCE REVIEW

5-YEAR FINANCIAL SUMMARY

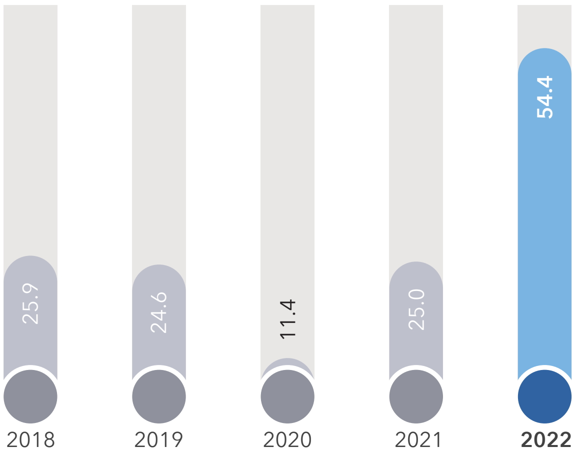
	2018	2019	2020	2021	2022
OPERATING RESULTS For the financial year ended 31 December (RM'million)					
Revenue	1,921	1,914	2,265	2,241	**3,297**
Profit before taxation	675	677	387	704	**1,377**
Net profit attributable to the equity holders of the Company	503	488	230	527	**1,179**
KEY BALANCE SHEET DATA As at 31 December (RM'million)					
Loans, advances and financing	48,392	45,388	45,493	50,528	**57,932**
Total assets	75,976	68,341	69,537	78,429	**90,121**
Deposits from customers	57,346	51,089	49,884	58,794	**64,995**
Total liabilities	67,235	58,945	59,899	68,495	**79,492**
Commitments and contingencies	30,873	30,851	36,250	45,197	**56,648**
Paid-up capital	4,685	4,775	4,902	4,969	**5,245**
Shareholders' equity attributable to the equity holders of the Company	8,672	9,337	9,567	9,889	**10,629**
FINANCIAL RATIOS (%)					
Net return on average shareholders' fund	5.94	5.42	2.44	5.42	**11.49**
Net return on average assets	0.69	0.68	0.33	0.71	**1.40**
Net return on average risk-weighted assets	1.02	1.01	0.49	1.07	**2.16**
Cost to income ratio	63.39	63.03	59.65	60.25	**42.99**
Gross impaired loans ratio	3.25	3.00	3.52	2.54	**1.97**
Net impaired loans ratio	2.59	2.28	2.57	1.89	**1.27**
Loan loss reserve ratio	97.08	96.88	98.23	130.23	**164.77**
SHARE INFORMATION - Per share (sen)					
Earnings - basic	25.89	24.59	11.43	24.96	**54.37**
Earnings - fully diluted	25.33	23.85	11.03	24.96	**54.37**
Gross dividend	5.00	7.00	3.50	12.50	**30.39**
Net assets	446	470	460	466	**467**
Share price - high	226	191	193	184	**205**
Share price - low	222	189	133	162	**202**
Share price as at 31 December	223	190	184	173	**203**
Market capitalisation (RM'million)	4,333	3,773	3,827	3,675	**4,616**
SHARE VALUATION					
Gross dividend yield (%)	2.24	2.63	1.90	7.23	**14.97**
Dividend payout ratio (%):-					
- based on Group's profit after tax	19.31	20.33	31.60	50.39	**57.45**
- based on Company's profit after tax	16.35	26.68	78.29	68.92	**53.29**
Price to earnings multiple (times)	8.61	7.73	16.10	6.93	**3.73**
SEGMENT INFORMATION Profit before taxation and zakat by activity (RM'million)					
Commercial banking	802	555	195	647	**1,511**
Investment banking	150	165	344	281	**1,197**
Insurance (net of tax)	47	30	41	45	**9**
Others	(320)	(67)	(186)	(264)	**(1,335)**
	679	**683**	**394**	**710**	**1,381**

5-YEAR FINANCIAL HIGHLIGHTS

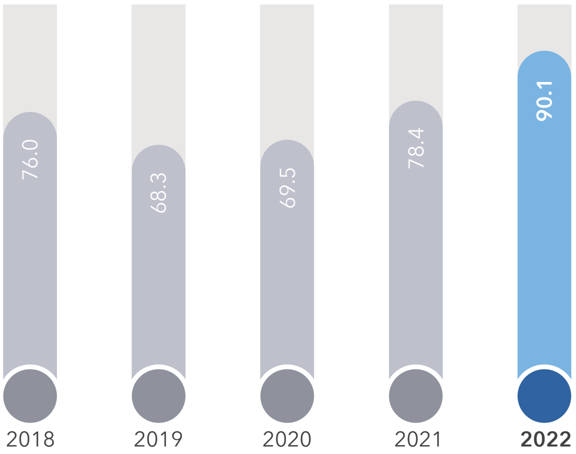
Profit Before Taxation
(RM' million)



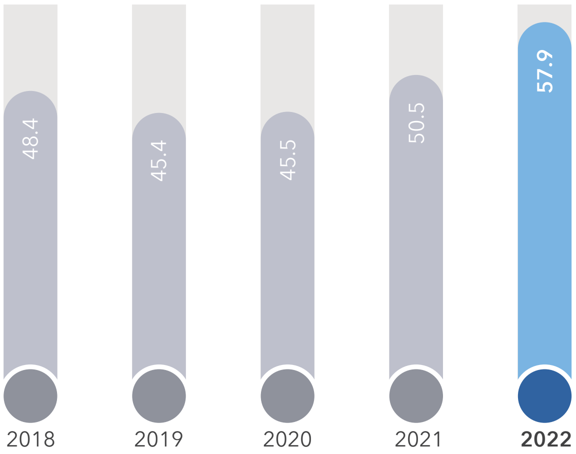
Earning Per Share (EPS)
(Sen)



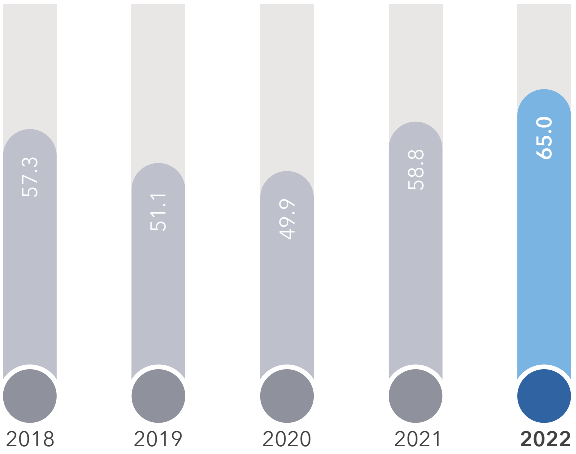
Total Assets
(RM' billion)



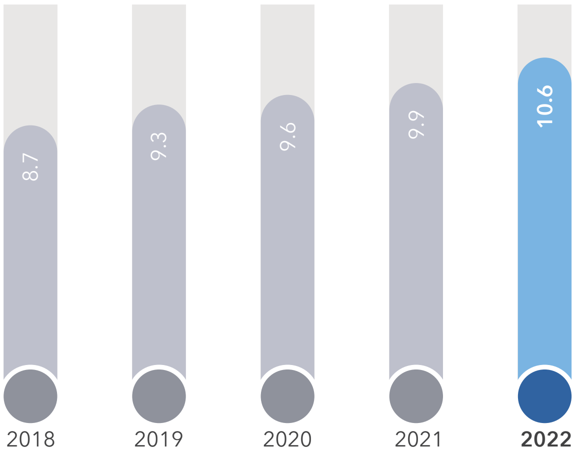
Loans, Advances & Financing
(RM' billion)



Deposits from Customers
(RM' billion)



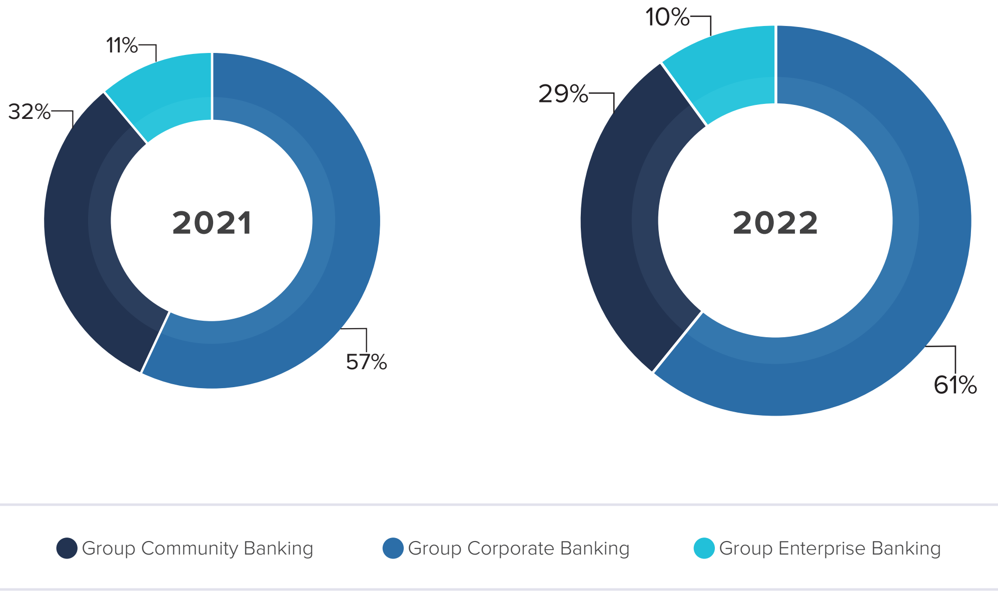
Shareholders' Equity
(RM' billion)



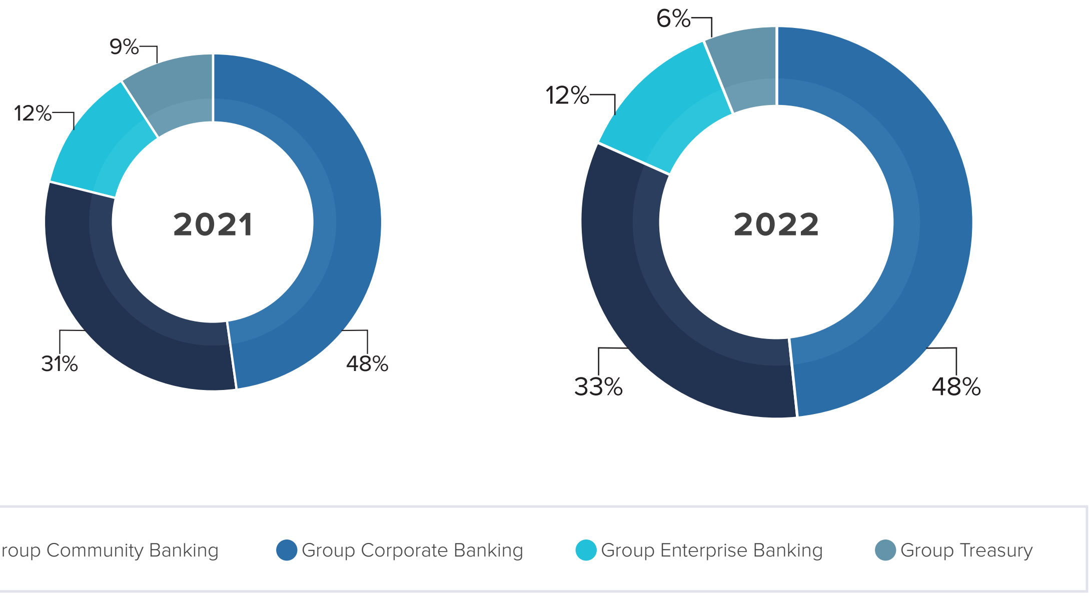
PERFORMANCE REVIEW

BUSINESS UNIT ANALYSIS

GROSS LOANS, ADVANCES & FINANCING

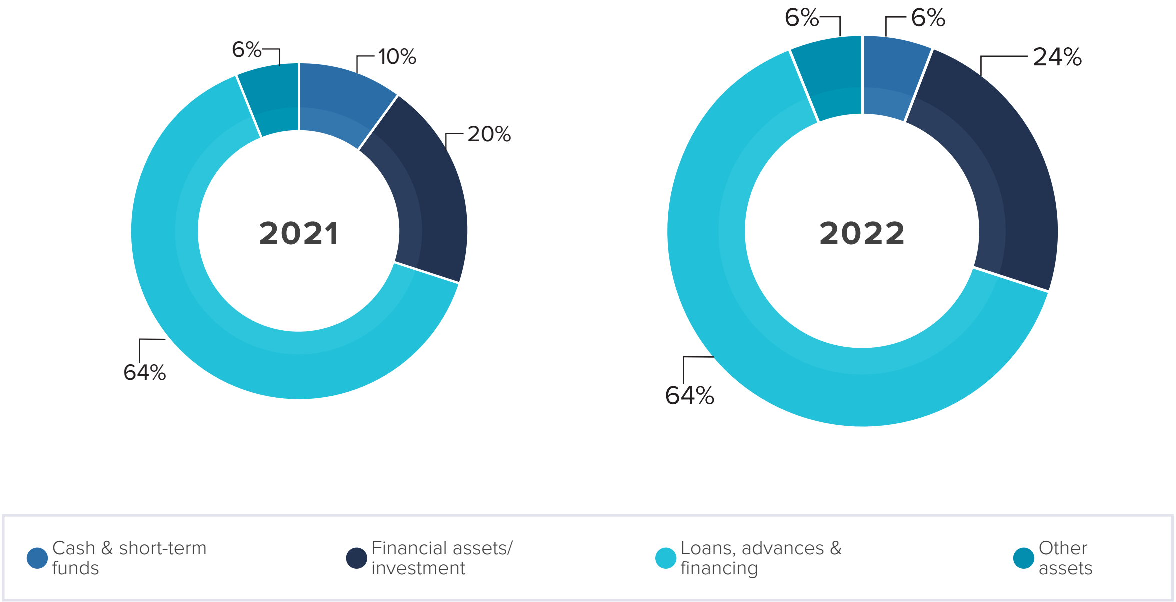


DEPOSIT FROM CUSTOMERS

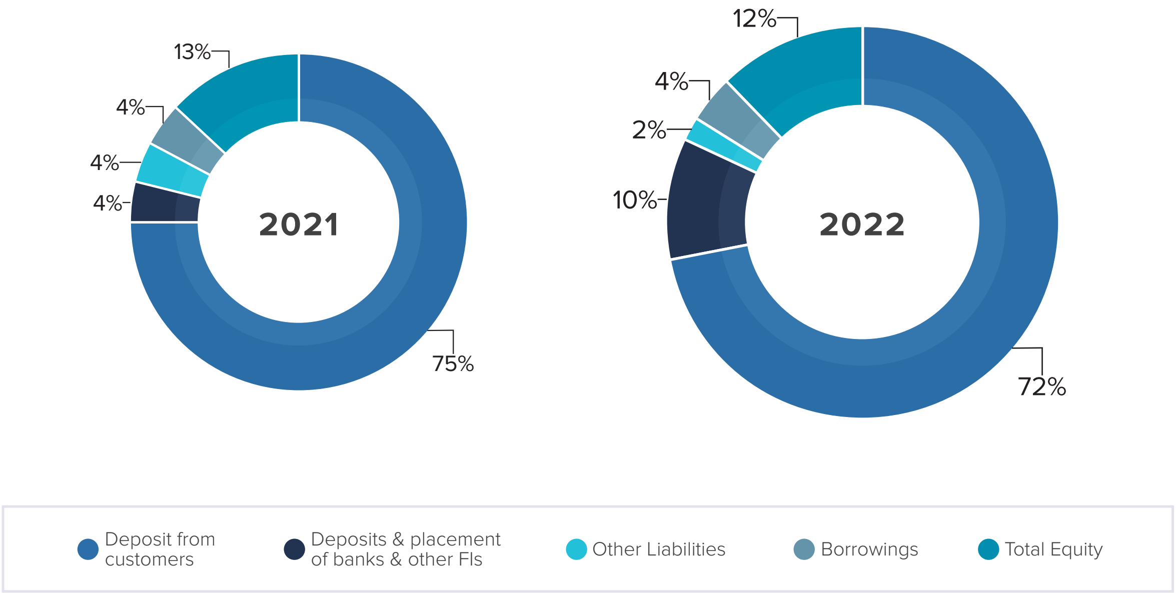


SIMPLIFIED STATEMENTS OF FINANCIAL POSITION

TOTAL ASSETS



TOTAL LIABILITIES & EQUITY



PERFORMANCE REVIEW

GROUP QUARTERLY PERFORMANCE

	2022			
RM'Million	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	449.5	503.6	534.5	567.0
Net interest income	229.1	259.6	266.5	267.4
Income from Islamic banking operation	148.9	164.5	190.2	184.7
Net non-interest income	71.5	79.5	77.8	115.0
Other operating expenses	295.9	309.5	368.3	343.1
Profit before taxation	165.5	173.9	(156.4)	52.3
Taxation	(39.6)	(45.1)	(37.1)	(35.4)
Profit from discontinued operations	26.6	29.0	1,070.1	(0.3)
Profit after taxation	152.6	157.7	876.6	16.6
Net profit attributable to equity holders of the Company	142.4	146.9	872.4	16.9

	2021			
RM'Million	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	447.5	464.1	466.8	466.7
Net interest income	192.8	227.7	233.6	240.3
Income from Islamic banking operation	128.9	126.8	134.2	159.7
Net non-interest income	125.8	109.7	99.1	66.8
Other operating expenses	292.4	281.6	273.4	291.9
Profit before taxation	66.5	118.4	154.2	184.0
Taxation	(20.0)	(28.1)	(37.9)	(3.5)
Profit from discontinued operations	35.1	43.2	26.6	41.8
Profit after taxation	81.6	133.5	142.9	222.4
Net profit attributable to equity holders of the Company	68.9	117.9	133.2	206.8

CAPITAL MANAGEMENT

OUR APPROACH TO CAPITAL MANAGEMENT AND PLANNING

Our capital management plan is designed to ensure that regulatory requirements are met at all times and that the Group and our banking subsidiaries are capitalised in line with our risk appetite and target ranges. Capital adequacy is actively managed to cover risks inherent in the business, retain sufficient financial strength and flexibility to support new business growth, while taking into consideration the Group's risk appetite as well as expectations of key stakeholders.

The AFFIN Group's approach to managing capital is detailed out in the Internal Capital Adequacy Assessment Process ("ICAAP"). The Group's ICAAP involves a comprehensive assessment of all material risks that the Group is exposed to as well as an evaluation of the adequacy of the Group's capital to support its business activities in relation to those risks.

The Group's capital management is also supplemented by the annual Capital Plan to facilitate efficient capital utilisation and with the focus on maintaining healthy capital ratios. The capital plan is tested for stress under a range of scenarios.

THE GROUP'S CAPITAL POSITION REMAINS STRONG AND IMPROVED SIGNIFICANTLY WITH GROUP CET 1 RATIO OF 15.597% AS OF 31 DECEMBER 2022. OUR CAPITAL WILL CONTINUE TO REMAIN RESILIENT TO SUPPORT OUR GROWTH PLANS AND ACHIEVE OUR A25 ASPIRATION.

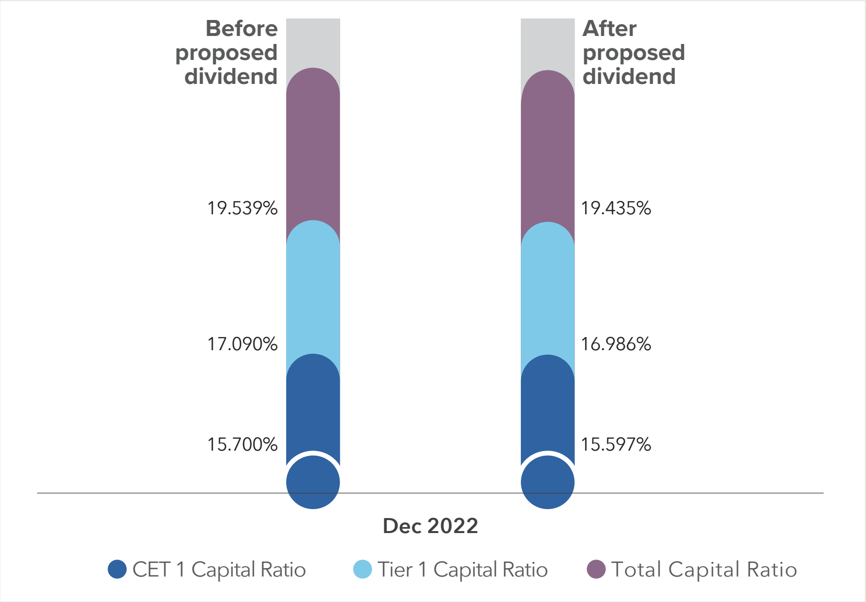
Our corporate objective is to deliver long-term capital growth. However, we recognise the value of an attractive income yield to shareholders and we strive to maintain or increase the dividend per share, subject to overriding capital preservation objective. For FYE 2022 a total dividend 22.62 sen per share was paid to shareholders and at the same time we are proposing a final dividend of 7.77 sen per share. These dividend payments totaling 30.39 sen per share is the highest dividend paid in the history of AFFIN and reflect our commitment to remunerate shareholders for their confidence, support and trust.

During 2022, we successfully redeemed our Tier 2 Medium Term Notes (MTNs) in nominal value of RM1.0 billion each and raised RM500.0 million third series Tier 2 MTNs.

The plan - which covers a three-year period - is updated annually and approved by the Board for implementation at the beginning of each financial year.

The Group Capital Management Committee is responsible to manage and monitor the capital position of Affin Bank Berhad (ABB), Affin Islamic Bank Berhad (AIBB) and Affin Hwang Investment Bank Berhad (AHIBB) to ensure that capital levels are maintained at an appropriate level in line with the overall strategy and risk profile.

Group Capital Ratio



Note: The minimum capital adequacy requirements (which include a Capital Conservation Buffer of 2.5%) under BNM's Policy Document: Capital Adequacy Framework (Capital Components) dated 9 December 2020 are as follows:

CET 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
7.0%	8.5%	10.5%

PERFORMANCE REVIEW

CAPITAL MANAGEMENT

The table below shows the relevant capital ratios of each of the regulated banking entities of the Group as at 31 December 2022.

	AFFIN Group %	ABB %	AIBB %	AHIBB %
As at 31.12.2022				
CET 1 capital ratio	15.597	14.588	12.965	55.446
Tier 1 capital ratio	16.986	15.968	14.502	55.446
Total capital ratio	19.435	17.169	19.363	56.214
As at 31.12.2021				
CET 1 capital ratio	14.198	13.209	12.138	45.802
Tier 1 capital ratio	15.820	14.791	13.873	45.802
Total capital ratio	21.085	20.467	19.027	46.578

LIST OF GROUP'S CAPITAL INSTRUMENTS WHICH QUALIFY AS COMPONENTS OF REGULATORY CAPITAL:

AFFIN BANK

- Issuance of RM500 million ATICS perpetual on non-callable 5 years basis on 31 July 2018, first callable date on 31 July 2023
- Issuance of RM500 million Subordinated MTN 10 years on non-callable 5 years basis on 26 July 2022, first callable date on 26 July 2027

AFFIN ISLAMIC

- Issuance of RM300 million AT1 Sukuk Wakalah perpetual on non-callable 5 years basis on 18 October 2018, first callable date on 18 October 2023
- Issuance of RM800 million Tier 2 Sukuk Murabahah 10 years on non-callable 5 years basis on 23 October 2018, first callable date on 23 October 2023

BALANCE SHEET MANAGEMENT

The Group adopts a balance sheet management posture that is robust and reflective of the Bank's transformation journey, one that continually seeks to optimise the balance sheet mix in order to strive for sustainable higher net interest income (NII) and net interest margin (NIM). Its key focus is to guide the structural funding of the Bank towards a path of sustainable growth.

The Balance Sheet Management (BSM) Department is a strategic department that supports the Group Asset Liability Management Committee as part of the transformation journey, for identifying, managing and controlling interest rate and liquidity risks in the execution of the business strategy of Affin Bank Berhad and Affin Islamic Bank Berhad.

BSM uses strategic management tools such as Funds Transfer Pricing (FTP) and Funding Plans to help steer the bank into the desired funding profile while cognisant of regulatory and compliance requirements such as Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR). The FTP pricing is consistently reviewed to ensure that it reflects the actual funding cost of the market. The BSM team continually seeks out innovative ways to deliver better solutions to the Bank and engagement with the front office is regularly held to have a pulse on the ground.

As furtherance to our metamorphosis journey, the department embarked on a three-year journey, beginning 2022, to develop new capabilities of asset-liability management within the bank by investing comprehensively into cutting-edge solutions in the market. The phased development of the project is expected to display benefits gradually over the next three years which would include improved automation, increased granularity and new forecasting frontiers. We are on track to complete the core components by end of 2023, with full roll-out in 2024.

New analytical capabilities such as interactive data visualisation, statistical portfolio analysis and iterative simulation method are part of planned transformative developments. Notably, the integrated platform for balance sheet management will provide significantly more clarity into the interactions and impact of various profitability and interest rate risk and liquidity risk measures with the speed required to navigate the ever-more challenging banking environment of the future.

PERFORMANCE REVIEW

FINANCIAL CALENDAR

2022

27 February 2022

Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2021.

25 April 2022

Notice of 46th Annual General Meeting (AGM) of Affin Bank Berhad (ABB).

25 April 2022

Notice of Extraordinary General Meeting (EGM) of ABB

26 April 2022

Issuance of Annual Report for the financial year ended 31 December 2021

25 May 2022

Single-tier final dividend in respect of the financial year ended 31 December 2021 of RM0.125 per ordinary share of ABB.

25 May 2022

The Board of Directors of ABB wishes to announce that all the resolutions set out in the Notice of the 46th AGM of the Company dated 26 April 2022 were duly passed by the shareholders of the Company at the 46th AGM held on 25 May 2022.

25 May 2022

Announcement of the ordinary resolution set out in the Notice of EGM dated 26 April 2022 was duly passed by shareholders at the EGM held on 25 May 2022.

27 May 2022

Announcement of the unaudited consolidated financial results for the first quarter and financial year ended 31 March 2022.

9 June 2022

Final dividend of 0.125 sen for the financial year ended 31 December 2021.

24 August 2022

Announcement of the unaudited consolidated financial results for the second quarter and financial year ended 30 June 2022.

28 October 2022

Notice of EGM of ABB.

15 November 2022

ABB wishes to announce that the ordinary resolution set out in the Notice of EGM dated 28 October 2022 was duly passed by shareholders at the EGM held on 15 November 2022.

16 November 2022

Notice of book closure for Single-tier interim dividend of RM0.0453 per ordinary share of ABB in respect of the financial year ending 31 December 2022 and single-tier special dividend of RM0.1809 per ordinary share of ABB.

25 November 2022

Announcement of the unaudited consolidated financial results for the third quarter and financial year ended 30 September 2022.

30 November 2022

Interim dividend of 0.0453 sen for the financial year ending 31 December 2022.

30 November 2022

Special dividend of 0.1809 sen for the financial year ending 31 December 2022.

5 December 2022

Notice of election in relation to the 5th dividend reinvestment plan that gives the shareholders of ABB the option to reinvest the electable portion of their special dividend and interim dividend in respect of the financial year ending 31 December 2022 into the new ordinary shares of ABB.

2023

27 February 2023

Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2022.

2023

31 May 2023

1Q 2023 Financial Results

30 August 2023

2Q 2023 Financial Results

30 November 2023

3Q 2023 Financial Results

29 February 2024

4Q 2023 Financial Results

PERFORMANCE REVIEW

INVESTOR RELATIONS

INVESTOR RELATIONS (IR) REFERS TO THE STRATEGIC FUNCTION WITHIN AFFIN BANK THAT IS RESPONSIBLE FOR COMMUNICATING WITH INVESTORS, ANALYSTS AND OTHER FINANCIAL STAKEHOLDERS. THE GOAL IS TO PROVIDE ACCURATE, RELEVANT AND TIMELY INFORMATION TO STAKEHOLDERS TO HELP THEM MAKE INFORMED DECISIONS ABOUT THEIR INVESTMENTS. IR IS AN INTEGRAL PART OF AFFIN BANK'S CORPORATE GOVERNANCE INITIATIVES.

We believe that effective stakeholder engagement and sound IR practices are key factors in building and maintaining investors' confidence in our company as well as helping us improve our strategies and policies, formulate sustainable business practices, reduce share price volatility while promoting transparency in our business and accountability of management.

46TH ANNUAL GENERAL MEETING (AGM)

In our effort to mitigate the risk of COVID-19 infection, the Group - Affin Bank Berhad (ABB), conducted its 46th AGM on 25 May 2022 virtually, broadcasted live from its new building at Level 26, Auditorium, Menara AFFIN, Lingkaran TRX, Tun Razak Exchange (TRX), Jalan Tun Razak, Kuala Lumpur.

A total of 930 shareholders, holding 1,306,536,065 ordinary shares (total shares: 2,124,062,412) representing 61.5% of the total issued shares of ABB, attended the virtual AGM.

The 46th AGM was chaired by Dato' Agil Natt (Dato' Agil) who welcomed and thanked shareholders and proxies for their participation at the ABB 46th AGM. The Chairman explained that as part of the Company's effort to safeguard the health and well-being of shareholders as well as employees, the 46th AGM was being held in a virtual manner in line with the latest Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia.

The Chairman expressed sincere appreciation to the shareholders and customers for their continued trust and support in the company as well as gratitude to Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities for their continual assistance and guidance.

The Chairman presented an overview on the company's performance in the following areas:-

- AIM22 journey and transformation plan;
- Customers' experience and assistance;
- Environmental, Social and Governance (ESG) journey;
- Corporate Governance; and
- Shareholder value.

PERFORMANCE REVIEW
INVESTOR RELATIONS

Datuk Wan Razly Abdullah (Datuk Wan), the President and Group CEO (PGCEO) presented AFFIN Group's performance for FY2021. Apart from presenting the financial highlights the PGCEO also shared AFFIN Group's strategic initiatives on AIM22 targets and focus areas, digital banking, mobile banking, the divestment of Affin Hwang Asset Management Berhad (AHAM), the merger with Generali Insurance, sub-debt bond redemption and ESG financing.

During the "Question and Answer" (Q&A) session, shareholders were invited to post their questions and/or provide their feedback to the Board via an online platform provided for the purpose. The in-house moderator facilitated the Q&A session to ensure a constructive discussion between the shareholders, the Board and the senior management of the Group.

The Minority Shareholders Watch Group (MSWG) had earlier sent a set of questions in relation to operational and financial matters.

(Full details of the MSWG questions and answers, PGCEO's presentation and the recording of the 46th AGM can be viewed from ABB's website at www.affingroup.com)

The AGM provided an avenue for shareholders to seek clarification and gain a deeper understanding of the Group's financial performance as well as corporate strategies. All resolutions that were proposed at the 46th AGM were duly passed. Questions that were not addressed at the AGM due to time constraint were addressed via email as well as recorded in the minutes under the Q&A section. The 46th AGM minutes are available on the corporate website, *www.affingroup.com*

Analyst & Media Briefings

Analyst and media briefings are important tools for the ABB to communicate with key stakeholders and the public. These briefings allow ABB to share essential information about the business such as financial results, strategic plans and other developments.

Analyst briefings are held as and when necessary for financial analysts and investors who follow the company and its industry. These briefings provide an opportunity for the company to present its financial performance and discuss future prospects, as well as answer questions from analysts. The table below lists the research houses that cover ABB:

RESEARCH COVERAGE:

No.	Research House
1.	CIMB
2.	DBS
3.	Hong Leong
4.	Kenanga Investment Bank
5.	MIDF
6.	RHB
7.	TA Securities
8.	UOB

Media briefings are organised for journalists and reporters who cover the company and its industry. These briefings may cover a wider range of topics, such as new product launches, marketing campaigns and corporate social responsibility initiatives. Media briefings may also include interviews with company executives and subject matter experts.

However, media conferences are held for major announcements in relation to the Group's activities. ABB organises media conferences during the Annual General Meeting (AGM) and Extraordinary General Meeting (EGM).

Both of these media inter-facing events are essential for companies to communicate effectively with their stakeholders and the public. By providing timely and accurate information, companies can build credibility and trust with their target audience, ultimately achieving their business objectives.

The following is the list of engagements that ABB had with stakeholders during the release of financial results and during presentation of new business direction and performance of ABB:

Date	Result Announcement	Analyst Briefing	Investor Presentation	Financial Statement	Media Release
FY22 Results	27 Feb 2023	27 Feb 2023	√	√	√
3Q22 Results	25 Nov 2022	25 Nov 2022	√	√	√
1H22 Results	24 Aug 2022	24 Aug 2022	√	√	√
1Q22 Results	27 May 2022	27 May 2022	√	√	√
FY21 Results	27 Feb 2022	1 Mar 2022	√	√	√

Note: The presentation slides can be viewed from ABB's website at www.affingroup.com

Date	Programmes	Details
28 January 2022	Presentation to analysts and fund managers	Presentation on the divestment of Affin Hwang Asset Management Berhad (AHAM) and sub debt bond redemption
21 March 2022	AFFIN Group Corporate Day which was hosted by Hong Leong Investment Bank	Explaining the AIM22 key focus areas and targets, strategic initiatives, digital banking and the new dividend policy.
12 July 2022	AFFIN Group non-deal roadshow hosted by CGS-CIMB	The latest performance of AIM22, unrivalled customer service offered to customers, digital banking leadership, responsible banking with impact and ABB strategic initiatives

Note: The presentation slides can be viewed from ABB's website at www.affingroup.com

SHARE PRICE AND VOLUME

Source: https://affin.listedcompany.com/stock_chart_interactive.html

MSCI

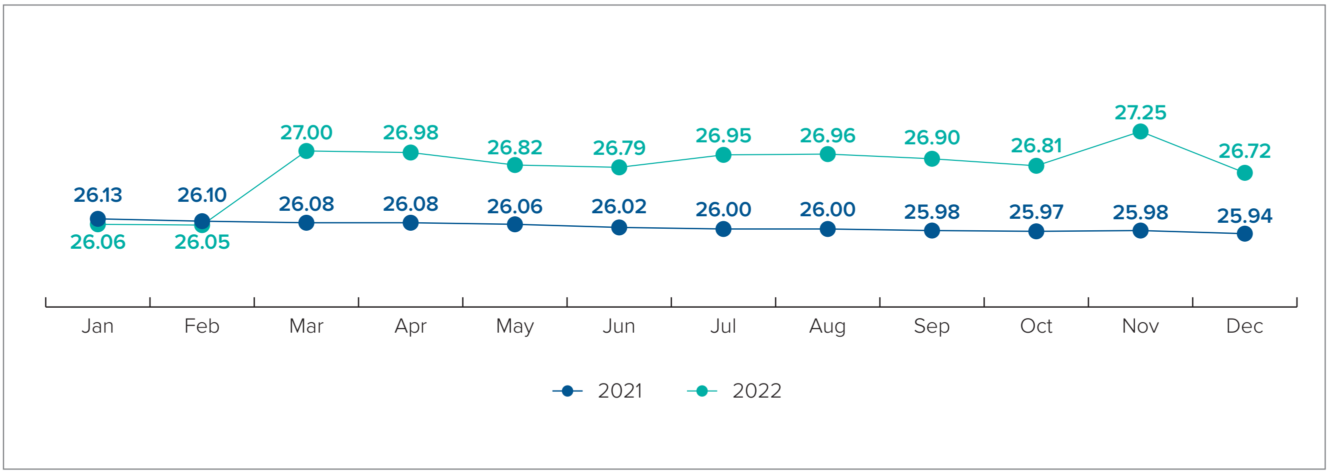
On 30 November 2022, Affin Bank Berhad was included in the MSCI Global Small Cap Index - a first for the company since its public listing on 6 May 1991.

The MSCI, an acronym for Morgan Stanley Capital International, is an investment research firm that provides stock indexes, portfolio risk and performance analytics as well as governance tools to institutional investors and hedge funds. Its findings are used as a common benchmark for 'world' or 'global' stock funds and represents a broad cross-section of global markets.

FTSE Bursa Malaysia

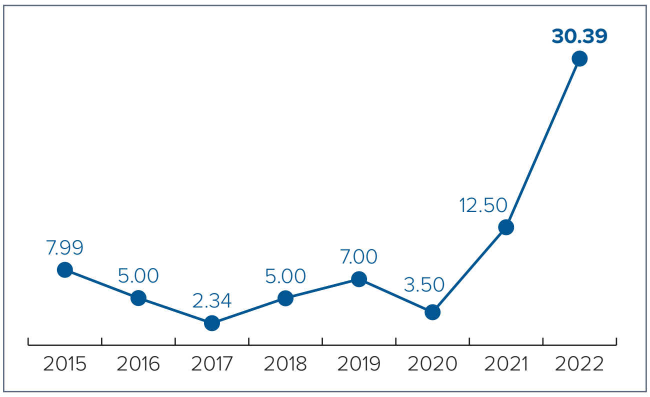
Affin Bank Berhad joined the **FTSE Bursa Malaysia Mid 70 Index** following its December 2022 semi-annual review of the FTSE Bursa Malaysia Index Series. This index series is reviewed semi-annually in June and December in accordance with the index ground rules.

AFFIN FOREIGN SHAREHOLDING (%)

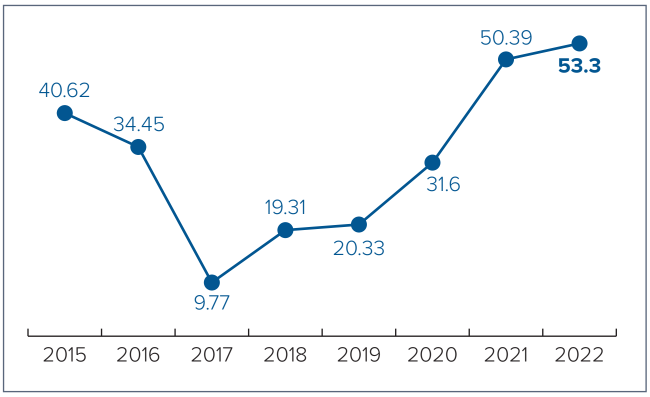


Month/ Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	26.06	26.05	27.00	26.98	26.82	26.79	26.95	26.96	26.90	26.81	27.25	26.72
2021	26.13	26.10	26.08	26.08	26.06	26.02	26.00	26.00	25.98	25.97	25.98	25.94

Gross Dividend Per Share (sen)



Dividend payout (%)



	2015	2016	2017	2018	2019	2020	2021	2022
Total (RM Million)	155.2	145.7	87.4	97.1	139.0	72.8	265.5	677.1

The Group Dividend Policy documents the guidelines on payment of dividends and sets out the key considerations for arriving at the dividend payment decision. The Board has the flexibility to determine the level of dividend based on considerations laid out in the policy and other relevant developments.

The Bank announced that a minimum Dividend Payout Ratio of 25% with a target range of payout between 40% to 60% would be maintained. Any dividend payout exercise shall be capped such that it would not result in the Internal Capital Threshold (ICT) being breached.

DIVIDEND POLICY AND RETURN TO SHAREHOLDERS

Financial Year	Type	Gross Dividend Per Share (sen)
2022	Final	7.77
	Special	18.09
	Interim	4.53
2021	Final	12.50
2020	Interim	3.50
2019	Interim	7.00
2018	Interim	5.00

In 2021, AFFIN Group declared 12.5 sen per share amounting to approximately RM265.5 million for the FY2021.

In respect of financial year ended 31 December 2022, the AFFIN Group paid dividends as follows:-

- Single-tier interim dividend of 4.53 sen per share paid on 29 December 2022 amounting to RM100.2 million
- Single-tier special dividend of 18.09 sen per share paid on 29 December 2022 RM400.2 million
- Single-tier final dividend of 7.77 sen per share amounting to RM176.7 million

For FY2022, the Board of Directors proposed a final dividend of RM176.7 million or 7.77 sen per share. This would bring the total dividend to 30.39 sen per share after the special and interim dividend of 22.62 sen that was paid to shareholders on 29 December 2022. This represents a total dividend pay-out of RM677.1 million or 53.3% of the Group's net profit for FY2022. The proposed final dividend of 7.77 sen per share is subject to shareholders' approval at the Bank's forthcoming Annual General Meeting.

Enclosed are the links that connect shareholders, analysts, investors and potential investors to the ABB Investor Relations team.

BUSINESS REVIEW

GROUP COMMUNITY BANKING

WHO WE ARE AND WHAT WE DO

Group Community Banking offers conventional and Shariah banking products and services to our customers who are individuals from a cross-section of the community. We offer a suite of financial solutions ranging from auto finance, bancassurance, credit cards, mortgages, personal financing and wealth management through our network of 116 branches throughout Malaysia and Internet banking through our award-winning digital platforms. Our premier banking products – the AFFIN INVIKTA offers personalised, premium banking services for high-net-worth individuals and the AFFIN AVANCE offers convenience; privileges and rewards for professionals who are busy climbing the corporate ladder. Our strategy to collaborate with external parties to offer cutting-edge products had delivered success for the Group and contributed to a positive positioning of the AFFIN brand.

Time to Win Campaign

AFFIN held a Time to Win Campaign Prize Giving Ceremony at the Hour Glass, Lot 10 Shopping Centre to reward 10 lucky winners of the deposit contest designed for high-net-worth customers.

KEY ACHIEVEMENTS/AWARDS

“Highest Purchase Volume Growth” from MasterCard International (32% YoY Growth vs industry 12% YoY).

MasterCard Best Islamic Credit Growth 2022.

CHT Excellence Award 2022 - First financial institution to offer automated safe deposit box.

Collaboration with MyTheo, which enables new and existing AFFIN AVANCE customers to accumulate wealth leveraging on the inherent benefits offered by MyTheo.

KEY FOCUS AREAS

1. Products

We offer specific products to meet the needs of the different customer segments. INVIKTA caters specifically to high-net-worth customers. Our financial and wealth segment, AVANCE offers personalised services with unique benefits for mass affluent segment of forward thinking on-the-go professionals.

To strengthen our CASA, we carried out targeted marketing programmes and customised products for our changing customer segments. We also continued with our Personal Financing-i to eligible customers who are pensioners under the government pension scheme.

2. Productivity

Having a competitive incentive scheme in place does not only motivate our sales staff to work harder and achieved beyond their sales targets, but also encourage healthy competition among our employees, ultimately resulting in increased sales and revenue for the Bank.

We focused on managing resources effectively and efficiently by implementing staff optimisation strategies so that we can make better use of our resources, minimise costs and achieve improved outcomes. Such optimisation measures include identifying gaps in current employee skillsets and providing training, restructuring tasks to eliminate redundancies, and reallocating resources to focus on high value-add activities.

3. Collaboration

Understanding the significance of collaboration between our Enterprise and Corporate managers and Branches, we initiated cross-function KPIs, with an emphasis on growing payroll customer base, merchants and ancillary services. By working collaboratively, we can leverage our collective strengths, share resources and generate new ideas that will drive innovation and growth for the Bank. Moreover, collaboration also fosters a sense of teamwork, inclusivity and transparency within our organisation.

4. Process enhancement

For the Bank to benefit immensely from process improvement initiatives, we focused on having sales-centric branches, end-to-end straight-through-processing (E2E STP) for personal financing-i (PF-i), digitalisation and uberisation.

Such enhancement is necessary with the rapid increase of our customer base which means we must adapt to meet their changing needs. Improved processes have increased the quality of our customer service, reduce human error and lead to a better customer experience overall.

5. System enhancement

To better manage our customer data, streamline our operations, improving efficiencies while reducing costs, we invested in new and advanced technologies which include:

- Nationwide roll-out of Affin Delivery System (ADS) which is the new branch delivery system to digitally supplement and improve customer-centricity, offering mobility and more efficiencies to serve the ever-changing financial needs of our customers.
- Enhancements to our Loan Origination System (LOS) to improve loan processing capabilities, allowing us to provide faster, more secure and more efficient loan services to customers.
- Continuous enhancement to Retail Internet Banking (RIB) platform by introducing new features to elevate convenience to our retail customers while ensuring peak performance in terms of speed and security.
- Customer Relationship Management (CRM) with which we will be able to get a better insight into our customers’ needs and preferences, enabling us to offer tailored services and improve customer satisfaction.

6. Customer engagement

Because customers are the lifeblood of our business, it is essential that we focus on engaging them in building a long-lasting relationship. Our community banking model outlines a hands-on, personalised approach to banking. This means that we listen to our customers, understand their unique needs and work with them to create individualised solutions that best meet their financial goals.

BUSINESS REVIEW

GROUP COMMUNITY BANKING

7. Profitability

As part of our efforts to maintain our position among the leading banks, we have been focusing on a few key metrics that play a crucial role in our success. In 2022 we were thus set on achieving higher net interest margin (NIM) and non-interest income (NOII). We also looked to reducing our cost of funding so that we could reduce our borrowing costs and increase our NIM.

We constantly implement cost-efficient measures to lower our expenses, and at the same time offer more attractive rates to our customers. Finally, we remained focus on Recovery/Expected Credit Loss (ECL) by intensifying our recovery efforts and managing our expected credit losses.

OVERVIEW OF PERFORMANCE

The goals and objectives of Community Banking during the year were in alignment with Affin Bank's AIM22 transformation journey.

Goals	Objectives
Grow customer base	• To grow our customer base to 0.8 million • To provide scale, stability and sustainability
Turbo charge Current Account and Savings Account (CASA)	• To increase our CASA ratio by 1%
Improve cost-to-income ratio (CIR)	• To reduce our CIR to 71%. • Realign our revenue contribution to stakeholders.
Manage gross impaired loans (GIL)	• To ensure asset quality better than industry average. • To ensure responsible financing growth.
Establish Digital Leadership	• To provide faster, better, customer experience through digital reach at a more economical rate.
Enhance customer service	• To improve Net Promoter Score (NPS). • Provide unrivalled customer service.

Financial highlights	2021	2022
Loan balances	RM29.4 billion	RM36.2 billion
Deposit balances	RM28.4 billion	RM31.5 billion
Gross impaired loan ratio	0.85%	0.73%
Net interest income	RM430 million	RM542 million
Non-interest income	RM84 million	RM102 million
Profit before tax	RM91 million	RM211 million
Casa ratio	20.7%	21.9%
Cost to income ratio	69.95%	58.51%
Loan loss coverage ratio	93.31%	104.25%

Non-financial highlights	2021	2022
Customer base	796,255	852,055
Net Promoter Score (NPS) (CMBD)	+39	+57
Customer Satisfaction Score (CSAT) (CMBD)	+81%	+85%

ACHIEVEMENTS BY PORTFOLIO

SECURED FINANCING

ENR ▲ +23%
RM19.4 billion
vs Dec'21 **RM15.8 billion**

ENR ▲ +15%
RM13.2 billion
vs Dec'21 **RM11.5 billion**

ENR ▲ +38%
RM1.1 billion
vs Dec'21 **RM0.8 billion**

UNSECURED FINANCING: HIGH MARGIN PRODUCTS

PERSONAL FINANCING
▲ +112%
RM1.89 billion
vs Dec'21 **RM0.89 billion**

CREDIT CARD
ENR ▲ +38%
RM366 million
vs Dec'21 **RM265 million**

BUSINESS REVIEW
GROUP COMMUNITY BANKING

KEY CHALLENGES

The challenges	The consequences
Rising overnight policy rate (OPR) environment	Increase in the cost of borrowing for our customers, making it harder for us to attract new borrowers. Higher revision of OPR also translates to higher repayment requirement which increases the risk of default among existing borrowers.
Compression of net interest margin (NIM)	A tighter spread between our lending rate and cost of fund as a result of loan growth outpacing deposit growth.This would be addressed through diversification of product offerings, focusing on higher NIM loan products with high asset quality and elevating our CASA growth.
Looming global recession sentiment	A slowdown in demand for loan and wealth products as customers become more cautious about the state of the economy.
End of SST-exemption for new vehicles	With the Malaysian government's announcement on the end of the sales and service tax (SST) exemption for new vehicles, the prices of new cars are expected to increase. This could result in a decrease in demand for loans related to auto financing.
China's global supply chain disruption	Lower disbursement rate for auto financing and mortgage arising from disruption in the delivery of manufacturing of vehicles/auto parts and building materials.
Technological handicaps	Cause disruptions to our services, resulting in inconvenience to our customers.
Delay in opening of branches and availability of MIB (Management Information Booklet)	CASA growth strategy relies heavily on the widening of our branch footprint as well as the delivery of mobile internet banking.

KEY OPPORTUNITIES

The opportunites	The outcome
Normalisation of economic activity as we enter endemicity and reopening of borders	Increased business activities lead to a higher demand for banking products/ services.
Increased stamp duty exemption to 75% for property of RM500K to RM1M	More customers will opt for higher price properties that fall outside of the RM500K and RM1M range. This will lead to an increase in higher-priced property purchases, which in turn will generate more revenue for the Bank.
Increased total holding limit for ASB and ASB2	Customers can invest more in these funds, resulting in a potential increase in demand for our ASB Financing offering.
Duty exemption for imported Completely-Built-Up (CBU) Electric Vehicles (EVs)	A catalyst for higher demand of EVs which bodes well for our Green Vehicle Financing portfolio, in line with our commitment towards sustainability.
Rise of self-directed application through enablement of offsite onboarding	Expect improved convenience for our customers, while enabling us to reach a broader audience and expand customer base.

OUTLOOK FOR 2023

As the Malaysian economy continues to recover from the disruptions caused by the COVID-19 pandemic, the outlook for banks in the country remains cautiously optimistic going into 2023. While there are still challenges that must be addressed, the overall economic landscape is trending upwards, and banks are expected to play a critical role in supporting continued growth.

Banks are likely to remain the primary providers of housing finance in Malaysia. Although the pandemic has impacted the short-term economic performance, the government policies to foster home ownership and provide affordable housing will drive demand for loans.

The outlook for auto financing business looks optimistic, given the country's stable economic growth, rising income levels, and increased demand for cars. The government's initiatives such as the National Automotive Policy 2020, will help spur the auto financing industry. As for Affin Bank, we are also going to implement innovative strategies to stay ahead of our competitors. For example, we are going to offer digital auto financing to customers.

The COVID-19 pandemic has accelerated the shift towards digitalisation in the banking sector. We therefore will continue to invest heavily in technology to enhance our digital channels.

With the growing importance and popularity of e-commerce in Malaysia, we will play a critical role by providing payment solutions to support online transactions. We also anticipate an increased collaboration with Fintechs that have been disrupting the traditional banking industry.

As with other banks in Malaysia, we will expect to face changes in the regulatory landscape. The implementation of Basel III framework, for example, will have an impact on the Bank's capital adequacy and may require us to raise capital to meet regulatory requirements.

In the near term, we will also have to deal with higher rates, inflation, and lower growth. Net interest income will need to grow, while a loyal client base is demanding bespoke digital solutions, and tailored advice.

With all these in mind, and in line with the Bank's second phase of its transformation plan (A25), we will pursue our aspiration to be the preferred community bank. In the coming year, we shall chart a path through the current fog of uncertainty to strengthen our position for future growth.

ASPIRE TO BE THE PREFERRED COMMUNITY BANK BY HARNESSING OUR 6 FOCUS AREAS

Digitalisation & Automation Enhancing customers' onboarding experience with improved efficiency	**Grow Fee Incomes** Scaling up wealth management business and heightening cross-sell of fee based products
Higher NIM Products Focus growth on high yield loan/financing: PF, Cards and Edu-i	**Improving CIR** Through incresed productivity, branch cost management, process automation, and TOM implementation
Expand CASA Growing CASA through collaboration and payroll, branch transformation, digital enablement and new product	**Responsible Financing with Impact** Inproving GIL and contributing to the Group's aspiration for 10% ESG portfolio by 2025 (2023: 7%)

BUSINESS REVIEW

GROUP CORPORATE BANKING

WHO WE ARE AND WHAT WE DO

The mission of Group Corporate Banking is to be a strategic partner to emergent corporate entities that have promising growth potential and mature corporations that are continually flourishing. We offer a range of products such as cash management and deposits, loans and financing, trade finance and relevant support services to our clients who are key players in various economic sectors and industries.

AFFIN 2022 Road To Qatar Final Match

AFFIN held the AFFIN 2022 Road To Qatar Final Match Viewing Event and Campaign Prize Giving Ceremony at Menara AFFIN TRX to thank its customers and partners for participating in the campaign, which ran from 1 October to 30 November 2022.

OVERVIEW OF BUSINESS ENVIRONMENT

In 2022, Malaysia transitioned to the endemic phase and economic activities continued to normalise. Sentiment around growth was relatively optimistic. Trade performance improved due to strong domestic and external demand for Malaysian products and services. The country's exports recorded a double-digit growth for the second year at 25% in 2022.

Business optimism has been underlined by strong private consumption, and improved availability of financing. The recovery momentum was buoyed by the reopening of international borders and structural reforms, in line with the Twelfth Malaysia Plan 2021-2025, which reflects the government's commitment to boost the country's economic resilience, help businesses grow and achieve sustainability.

KEY FOCUS AREAS

Our strategic focus during the year was on five key areas which are in line with the Group's Affinity in Motion (AIM22) transformation journey.

1

Targeted loan growth

In line with our mission, we further strengthened relationships with selected customers to support their growth. Our plan also involved replacing weaker credits with healthy quality assets.

2

CASA growth

To achieve strong CASA growth, we leveraged on AFFINMAX proposition to provide customers with a comprehensive suite of cash management solutions.

3

Fee-based income growth

Aiming to grow fee-based income specifically on trade, by offering new products and services such as eTrade and Financial Supply Chain solutions which are competitive in the market.

4

Improved asset quality position

Committed to reduce gross impaired loan (GIL) ratio to 4.48% through active management and monitoring of distressed accounts by our dedicated Corporate Portfolio Management team. We also adopted more stringent credit screening processes in line with our revised customer underwriting standards and the Group's 2022 annual credit plan.

5

Creation of universal banker

Our ability to sell a broad range of products and services allows us to deliver more value to our customers by providing convenient and holistic solutions.

BUSINESS REVIEW

GROUP CORPORATE BANKING

OVERVIEW OF PERFORMANCE

Group Corporate Banking recorded better performance in 2022 compared to the two previous years following the country's transition to COVID-19 endemic phase.

Being a small bank enables us to provide unrivalled customer service; be more agile in making timely decisions and changes to address any emerging risks.

We also have better co-ordination and management of asset quality, as attested by the significant improvement in gross impairing loans (GIL) from 5.01% to 3.82% in 2022. When comparing against the industry (excluding SME loans and financing), we managed to reduce the GIL by 23.8% vs 12.2% year-on-year (YoY). This was attributed by repayment/settlement from impaired accounts and active asset quality management.

In addition, our loan loss coverage was healthy at 116%, well above 100% level (2021: 63.9%).

Next, AFFIN Bank's trade export volume for the year stood at RM3.5 billion (2021: RM3.3 billion). This was despite the economic uncertainties due to the high inflation environment, geopolitical tensions and the weakening of Ringgit against US Dollar, amongst others.

However, our trade income managed to grow by 32.4% YoY, to a record high of RM157 million (2021: RM118 million). Trade assets increased in tandem to RM3.3 billion (2021: RM2.9 billion). It represents as the major contributor to our non-interest income which improved by 36.09% YoY.

For our corporate internet banking platform, AFFINMAX, the registered subscribers grew 22% in 2022 to 34,980. As a result, average Current Account balance grew by 25% to RM6.4 billion which translated to a higher float income of RM17.3 million (2021: RM14.0 million).

In terms of liquidity, our Deposits also recorded a significant increase of about RM3.03 billion or 20.6% YoY which was higher than the industry average of ~5%. Our CASA ratio stood at 27.3%.

As part of our commitment towards sustainable financing, we continued to mobilise our funds in delivering financial support to customers who are engaged in ESG-related transactions. As at end December 2022, our sustainable loans and financing reached 7.90% of total Corporate Banking exposures.

Group Corporate Banking's revenue in 2022 increased despite assets being maintained at the same level as previous year. Furthermore, the income growth rate exceeded the expenses growth rate by about +9.7% (2021: -7%), which translated to a positive Jaws ratio for the year.

Indicators to measure our business performance

- **New-to-bank (NTB) customers**
  66% new-to-bank versus 34% existing-to-bank, through Corporate & Investment Banking (CIB) model
- **Shift in product compositions**
  Trade composition grew to 18% in 2022 from 9% in 2019, which translated to higher fee-based income.
- **Improvement in productivity**
  Group Corporate Banking productivity in 2022 as measured by the revenue per staff metric was RM1.39 million (2021: RM0.96 million).

KEY INITIATIVES

- Go-live Trade Financial Supply Chain solutions via Affinmax.
- Launch of Liquidity Management Solutions and virtual account solutions.
- Introduction of combined application AFFINMAX Mobile and AFFINMAX SECURE (soft token).
- Collaboration with customers such as Malaysian Department of Insolvency and E-Jamin as an acquiring bank.
- Introduction of Static & Dynamic QR to AFFINMAX customers, namely the merchants.

KEY OPPORTUNITIES AND CHALLENGES

Opportunities	Challenges
• ESG-related loans and financing in line with the Group's direction, national, regulatory bodies and global agenda. • On-going recovery of real estate, hotel and manufacturing sectors post-pandemic, which means a pick up in business activities, thus, higher demand for loans and financing is expected.	• Geopolitical tension and global economic downturn amidst rising inflation and interest rates • Climate risks • Fluctuation in commodity prices, namely oil and gas, palm oil

OUTLOOK FOR 2023

Our focus in 2023 remains on executing the Bank's A25 transformation programme, which entails leveraging on CIB model to onboard new-to-bank (NTB) customers from selected high growth economic sectors and ESG-related financing.

We will also work on reducing corporate debt-at-risk position and recovery. At the same time to grow stable CASA through agency model, targeting NTB, new market segments, and to cross-sell payroll accounts.

In view of the customers' growing desire for ease of doing business and access to financial services through digital channels, we will continue to: (1) leverage on technology enablement, data analytics tools and innovative solutions for more effective and efficient processes and services; and (2) invest in staff competencies to develop high performance universal corporate bankers.

The year 2023 presents some economic headwinds - fluctuation in commodity prices and the potential of a global recession which would lead to further slowdown in trade activities.

Nevertheless, whilst remaining cautious of macro and micro economic developments, we remain steadfast in our aspirations to be a strategic partner and catalyst for the growth of the corporate sector.

BUSINESS REVIEW

GROUP ENTERPRISE BANKING

WHO WE ARE AND WHAT WE DO

Group Enterprise Banking supports businesses, from start-ups to ACE market through a complete range of financial solutions - from financing, transactional and protection to advisory and support. Our offerings include working capital and capital expenditure (capex) financing, trade facilities, deposit facilities, remittances, payments and business protection plan.

SME Sustainability Conference and The Launch of AFFIN Aspira

AFFIN BANK hosted the SME Sustainability Conference where it launched AFFIN ASPIRA, a start-up banking proposition, and the BizDana/BizDana-i Start-Up Financing Scheme in collaboration with Credit Guarantee Corporation Malaysia Berhad (CGC). The conference also featured an SME BizChat session.

OVERVIEW OF BUSINESS ENVIRONMENT

Higher-than-expected inflation, especially in the United States and major European economies, triggered a tightening of global financial conditions in 2022. The COVID-19 impact and further negative spillovers from the war in Ukraine have resulted in contraction of global output during the year.

On the back of these factors, market recovery slowed through 2022 which has resulted in the need to strike a phygital interaction balance between customers and the Bank. In view of this, Group Enterprise Banking has further capitalised on our revitalised infrastructure by:

- expanding alternative methods to engage and interact with small and medium enterprises (SME) customers proactively;
- enhancing non-financial beyond banking solutions for SME customers; and
- increasing top-of-mind SME banking partner initiatives for AFFIN BANK and its offerings.

KEY FOCUS AREAS

Key areas	Our focus	Our initiatives
① **Market**	To meet the demands of the increasing entrepreneurial activities within high potential segments.	Rolled out and enhanced niche propositions (e.g. AFFIN ASPIRA, AFFINWRKFZ, AFFINGEM) targeted at start-ups, women entrepreneurs and other high potential segments.
	To strengthen customer interaction by pivoting to hybrid engagement.	Conducted numerous SME BizChat webinars and launched SME Sustainability Conference for market outlook and ESG knowledge sharing sessions, as well as numerous hybrid SME community-centric events.
② **Digital transformation and adoption**	Rapid increase of e-commerce activities/online presence among SMEs.	Expanded Rakaniaga base and empowered these SMEs to adopt e-commerce by listing their products and services on SME Colony mobile app.
	Introduced digital lead generation and customer engagement.	Rolled out SME Financing and Business Identifier on SME Colony mobile app (digital self-assessment questionnaires) to help build a basic customer profile for an attentive and faster customer experience (CX) journey.
③ **Portfolio management**	Businesses are at risk of folding due to market uncertainties related to global inflation rates and other factors.	Monitor and manage portfolio via asset quality management approach as an early alert measure.
④ **Business development support for SMEs**	A well-rounded support system (financial and non-financial) is needed to sustain the development growth of SMEs.	• Provide value-added "beyond banking" solutions with AFFINWRKFZ and its core 4Ps (Planning, Protection, Progress, Privilege) as an encompassing talent management and business development support. • Introduced Open Marine as a business risk management measure for SMEs cross-border trading.
⑤ **Cash management initiatives**	Support BNM's cashless society agenda.	0% transaction fee for Interbank Fund Transfer (IBFT) to encourage SME customers to adopt internet banking as a cost reduction measure for payments.
	Optimise SMEs short-term cash liquidity.	Increase AFFINMAX sign-up and utilisation by rolling out e-trade module and digital payroll campaign.

OVERVIEW OF PERFORMANCE

Financial

Overall financial achievements as the economy slowly recovered from challenges of the rising global inflation rates and spillover effects from COVID-19:

- growth in Profit before Tax of 22.7% (RM78.9 million);
- steady growth of financing and deposit base at 13.3% (approximately RM892 million) and 12.2% (approximately RM862.6 million) respectively;
- Loan-to-Deposit ratio remains steady at 75.0%, therefore business remains fully self-funded;
- competitive Net Interest Margin (NIM) and CASA ratio at 4.28% and 44.3% respectively;
- Loan Loss Coverage (LLC) strengthened to 89.3%; and
- achieved 10.1% of fee income growth.

BUSINESS REVIEW
GROUP ENTERPRISE BANKING

Non-financial	• Introduced 3rd tranche of BizDana-i Start-Up financing scheme and 1st tranche of BizDana Start-Up Financing Scheme with allocations of RM30 million and RM20 million respectively; • Launched AFFIN BizSolar/-i Financing, a financing scheme for the purchase and installation of Solar Panel Photovoltaic System (Solar PV System) for business properties in line with 12th Malaysia Plan for renewable and sustainable energy; • Launched NCIA – AFFIN BANK Entrepreneur Scheme (NABES) through a joint venture with Northern Corridor Implementation Authority (NCIA) aimed at assisting and supporting the development of entrepreneurs and business opportunities for new and existing entrepreneurs in the Northern Region (states of Perlis, Penang, Kedah and Perak); • Launched AFFIN ASPIRA, formerly known as AFFIN Start-Up Banking Initiative, an encompassing proposition targeted at start-ups through AFFIN BANK's tailored Transactional, Financing, Protection, and Advisory & Support solutions; • Rolled out further financial inclusion initiatives on SME Colony mobile app targeted at the SME community including ESG knowledge bank, SME Financing (self-assessment for SMEs interested in AFFIN BANK financing options) and Business Identifier (self-assessment advisory & support for SMEs at different stages of their business journey) as part of the Bank's ESG strategy; • Recognised as the Best Bank for Digital Solutions, Malaysia at the Asiamoney Awards 2022 for the Bank's flagship digital initiative SME Colony mobile app, spotlighting the Bank's position as a market leader when it comes to providing relevant digital solutions for the Malaysian SME community consistently by supporting their growth and sustainability through financial literacy and digital adoption. • 1st recognition for Outstanding Digital CX for Financial Inclusion at the Digital CX Awards for SME Colony mobile app serving the SME community through a digital ecosystem; • Organised SME Sustainability Conference – an event designed to support and nurture the SME community in different manners with relevance and inclusivity.

The commendable performance of Enterprise Banking can be attributed to its strengths.

Our strengths	How we succeeded
Niche market presence that surpasses market growth rate – "Bank of Choice" for SMEs and start-ups	• Increase market penetration via niche segmental propositions such as AFFINWRKFZ and AFFINGEM – AFFINRWKFZ is recognised for its inclusive efforts to help SMEs position themselves as an attractive long-term career prospect for talent retention and business development; – AFFINGEM is aimed at women entrepreneurs and women-led entitles to help them Grow, Empower, and Manage their business; – AFFIN ASPIRA (formerly known as AFFIN Start-Up Banking Initiative) continues to be AFFIN BANK's cornerstone proposition in supporting start-ups' development and growth
Active customer engagement strategy	• Dedicated sales team as AFFIN BANK's proactive approach to support SME customers • Participated as strategic speakers at various external SME community-centric events, including SME CEO Forum, Smart City & Digital Economy Convention (SDEC) 2022, Venture Grab's Business Opportunity e-Expo (BOeX) Business Summit 2022, and 36th ASEAN Innovation Business Platform (AIBP) Conference & Exhibit.
Strong external partnership approach	• Collaborated with notable partners, including Sidec and Mystartr, to develop and sponsor various events aimed at nurturing the SME community such as – 5th Selangor Accelerator Programme, – 7th Malaysia Top E-Commerce Merchant Awards (with AFFIN Rising Star Awards dedicated for start-ups), – 6th Dream Factory Startup Contest and – The 100 Most Influential Young Entrepreneurs 2022 (100 MIYE). • Conducted SME BizChat webinars and to promote financial literacy, business growth resources and uplift ESG-focused industries through bilingual medium • Launch of SME Sustainability Conference for market outlook & ESG knowledge sharing session
Maintaining digitalisation transformation momentum	• Rolled out SME Financing and Business Identifier on SME Colony mobile app (digital self-assessment questionnaires) to help build a basic customer profile for an attentive and faster CX journey as alternative lead generation channels. • Encourage adoption of internet banking among SME customers through AFFINMAX.

KEY INITIATIVES

- Launch of AFFINGEM Awards（女創業家獎）and AFFINGEM Women Trailblazer Awards at the Dream Factory Startup Contest and Top E-Commerce Merchant Awards respectively to honour and celebrate Malaysian women entrepreneurs who have shown remarkable achievements, exceptional leadership skills and outstanding commitment in their own field.
- Introduction of Low Carbon Transition Facility/-i (LCTF/-i) to encourage SMEs to adopt sustainable practices for business resilience.
- Further disbursement of BNM COVID-19 funds and MOF funds including extension of Target Relief Recovery Facility/-i (TRRF/-i) and Penjana Tourism Facility/-i (PTF/-i), PEMULIH Government Guarantee Scheme/-i (PGGS/-i), and Disaster Relief Facility/-i (DRF/-i) 2022.

KEY ACHIEVEMENTS/AWARDS

Best Bank for Digital Solutions, Malaysia 2022 by Asiamoney Awards
Entry: SME Colony mobile app

Winner: Outstanding Digital CX for Financial Inclusion 2022 by Digital CX Awards Singapore
Entry: SME Colony mobile app

Most Innovative New SME Product of the Year – Malaysia 2022 by International Finance Awards UK
Entry: AFFINWRKFZ

Financial Inclusion Initiative of the Year 2022 – Malaysia by Asian Banking & Finance Retail Banking Awards Singapore
Entry: SME Colony mobile app

KEY RISKS

Our risks		How we manage (our strategies)
• Default risk due to market uncertainties • Competitions from banking alternatives • Price war with other financial institutions	❯	• **Strengthen** asset quality management • **Introduce and enhance financial solutions with inclusivity** and accessibility implicitly embedded • **Competitive advantage** by being a niche leader in high potential segments with relevant tailored products while rolling out ESG awareness campaigns and solutions

KEY OPPORTUNITIES AND CHALLENGES

Opportunities	Challenges
• New-to-Bank attraction with segmental proposition • Enhancement of partnership network • Expansion of touchpoints • ESG products as niche	• Competition with disruptive alternatives (e.g. FinTech) • Poor economic environment making SMEs more vulnerable • Commodisation of SME banking facilities + price war

OUTLOOK FOR 2023

Moving into 2023, we identified possible prospects in terms of niche market presence in the unserved and underserved segments to further our goal to become a "Bank of Choice" for SMEs and start-ups.

We will focus on our strategies to:

- Increase customer accessibility through continuous expansion and upgrading of Business Centres;
- Intensify digital adoption and transformation among SME customers as part of AFFIN BANK's digitalisation strategy as well as offering relevant inclusive digital products & services;
- Introduce further ESG-centric products and services as part of the Bank's sustainability agenda; and
- Further strengthen customer engagement approach through meaningful networking initiatives and proactive support.

BUSINESS REVIEW

GROUP TREASURY

WHO WE ARE AND WHAT WE DO

Group Treasury offers a wide range of foreign exchange and money market products and services to cater to a broad range of corporate and institutional customers ranging from large multinationals, small and medium-sized companies as well as individuals. Our activities cover sales, trading, liquidity management and syndication. We offer our customers risk coverage and customised solutions from the simplest to the most complex products (derivatives) and for all kinds of financial assets/products – generally fixed income, interest rates, foreign exchange and money market for both the Conventional and Islamic segments.

OVERVIEW OF BUSINESS ENVIRONMENT

In 2022, Group Treasury, as with other businesses, has had to contend with the consequences of shifts from fiscal policy stimulus to restraint, rising interest rates and tightening credit conditions.

Major rate hikes by the Federal Reserve and Bank Negara Malaysia had a direct impact on interest rates and the management of our Banking Book's investment portfolio.

Notwithstanding, Group Treasury set a new direction to have full engagement with our business partners, including Group Corporate Banking, Group Enterprise Banking and Group Community Banking. This resulted in the initiation of a FX Revenue Shadowing model, which raised awareness towards the importance of FX in generating fee income, as well as a collaboration with Wealth Management to generate a new line of FX business, which contributed to 10% of the total FX business during the year.

We revised our business model to focus on growing more consistent income stream from amortised cost (AC) strategy. The new model is also to help increase the use of accounting hedges to stabilise earnings and manage cost of fund.

KEY FOCUS AREAS

1. Diversification of funding strategies through the REPO market and the expansion of foreign currency assets, including a mix of high-yielding fixed rate assets and floating rate notes from both sovereigns and financial institutions to broaden the horizon beyond the MYR space.
2. Capitalise on capital market opportunities offered by the AFFIN Group's enlarged balance sheet.
3. Broaden our footprint in the domestic fixed income market by tapping into our wealth team as a new distribution pillar.
4. Enhance the trading function to not just trade, but to manufacture a diverse range of sophisticated risk management product suites for sales to customers.
5. Constant upskilling of our dealers to strengthen the facilitation on customers' business requirements and digital enhancements.

OVERVIEW OF PERFORMANCE

Despite the challenging year of 2022, Group Treasury has performed well. By diversifying our funding strategies through the REPO market, we successfully, albeit steadily, grew our asset size. To broaden the horizon beyond MYR space, we expanded our foreign currency to combine both high-yielding fixed rate assets and floating rate notes. As a result, our foreign currency asset size grew more than doubled as compared to FY2021, which contribute 100bps per month on average throughout the year.

Financial

- Total income increased by 15% from previous year, in line with the budgeted target for total income for Treasury;
- Gains from interest income and non-interest income increased by 4% and 52% respectively;
- FX revenue reported 25% higher compared to FY2021;
- Higher fee income from capital market activities such as joint lead manager fees;
- Asset size grew by 28% while keeping portfolio duration below six years; and
- Foreign currency asset size grew more than doubled compared to FY2021, which contribute 100bps spread per month on average throughout the year.

In 2022, we delivered exceptional service to unique client segments and provided a higher level of personalised service. This is the driving force for us and in our constant ambition to foster client loyalty through incomparable service quality and effective product solutions. Aside from having the expertise and capacity to offer competitive price to customers, our Sales teams are experienced in their respective market segments.

BUSINESS REVIEW

GROUP TREASURY

KEY INITIATIVES

Treasury's initiatives are aligned with the Bank's transformation journey. Central to these initiatives is the efforts to upgrade our treasury solutions to serve existing and new customer base with more sophistication.

- Extended offering in the underdeveloped derivative business by introducing new products.
- Centralisation of treasury service following the merger of AHIBB Treasury and ABB-AIBB Treasury
- Expanded Treasury sales business through restructuring and introduction of new sales departments beyond FX Sales, namely Fixed Income/Institutional Sales, Syndication and Derivative Sales.
- Restructured trading book business by refocusing trading strategies towards flow-trading and increased use of interest rate derivatives to optimise interest rate risk on the balance sheet
- Exercised care and diligence in selecting and purchasing assets for our banking book, to ensure growth in portfolio size and contribute to the Bank's net interest income.

KEY ACHIEVEMENTS

- Significant growth in terms of financial performance;
- Significant increase in FX volume and corresponding revenue growth;
- Expansion into new client segments, thus diversifying our revenue streams and reducing dependency on a limited number of clients which resulted in greater stability and resilience in revenue base; and
- Addition of new revenue line items to better serve our clients' evolving needs.

KEY OPPORTUNITIES AND CHALLENGES

Opportunities	Challenges
• Sale of fixed income investments to the Bank's high net worth clients • Collaboration efforts to unlock the Group's potential in generating profit • Digitalisation to improve customer experience through our Treasury FX Digital System (TFXDS)	• Uncertain interest rate outlooks • Rising cost of fund • Disruptions in client business

OUTLOOK FOR 2023

- Malaysia's economic growth is expected to rebound in 2023 amidst an expected slowdown in external demand. Group Treasury will therefore focus on a more disciplined trading and increased client flows which will lead to superior customer services. Our ongoing effort in this area will be further enhanced by our business-driven risk management framework and a renewed commitment to customer-centricity.

- Our priority is to maintain key ratios and align our foreign currency deposit strategy to improve efficiency. Therefore, we will leverage on the Bank's balance sheet, particularly with fixed income issuers. Through our collaboration with Group Corporate Banking, Client Coverage and Debt Capital Markets, we aim to provide our clients with comprehensive solutions and deepen our relationship with them.

Propelling Malaysia Forward

AFFIN Group Treasury held its first Market Outlook in 2023, titled "Propelling Malaysia Forward," on 14 March 2023

- We anticipate greater volatility in the financial markets as global interest rates are expected to trend upwards on stronger economic growth and higher inflation. Treasury is well positioned to be persistent and consistent to recover from the impacts of the COVID-19 pandemic and towards a normalisation of market forces and a stabilising global economy.

BUSINESS REVIEW

AFFIN ISLAMIC BANK BERHAD

WHO WE ARE AND WHAT WE DO

Affin Islamic Bank Berhad (AFFIN ISLAMIC) is the Group's full-fledged Islamic bank that offers products and services to Small and Medium Enterprises (SMEs), Institutional, Corporate and Retail customers based on the applicable Shariah contract and with the endorsement of the Shariah Committee. We have been at the forefront of introducing innovative and Shariah compliant products which adopt variety of Shariah concepts ranging from Musyarakah Mutanaqisah, Mudarabah, Istisna', Ijarah, Murabahah and so forth.

AFFIN Solar Financing-i Official Launch

AFFIN BANK launched AFFIN Solar Financing-i, a sustainable and personal financing plan for customers to purchase and install solar panels at their properties. The launch event took place at Menara AFFIN @TRX

Global Islamic Finance Forum 2022 (GIFF2022)

AFFIN ISLAMIC participated in the Global Islamic Finance Forum 2022 (GIFF2022) organised by AIBIM and Bank Negara Malaysia.

BUSINESS REVIEW

AFFIN ISLAMIC BANK BERHAD

KEY FOCUS AREAS

AFFIN ISLAMIC is currently operating under leverage model (Triple Banking Model) and therefore, all business strategies and initiatives are established and driven by the business distribution channel at the Group Business Division. Our focus areas have thus been in line with the Group's strategic objectives and priorities.

Strategic Objectives		Focus Area	Desired Outcome
Unrivalled Customer Services Provider	Niche player in Islamic Products & Solutions under various Shariah Contracts & Offerings	Reinvent Customer Journey & Branding Visibility	To provide differentiated customer experience that drives customer loyalty and focusing on specific customer segment
		Specific Target Segment/ Industry with Innovative Product Offerings	Desirable ROE, efficient services, high productivity, cost optimisation and elevated fee income
		Strengthening & Upskilling of People on Sales & Shariah Product Knowledge	Developing talent and skillful islamic experts with professional certification
Digital Leadership	Digital-driven Product Offerings	Build a Digital Driven Organisation	Adoption of latest technology of banking capabilities via digitalisation of internet to internal process, mobile banking and collaboration with digital players

OVERVIEW OF PERFORMANCE

In FY2022, net income increased by 25.2% to RM675.8 million from the previous year. However, profit before tax was lower than FY2021 at RM173.1 million as the Group took a prudent view with sizeable management overlays. Overall, we achieved a constant growth in financing, and at the same time adopted an effective cost structure.

Our financing increased by 15.3% YoY to RM26.3 billion driven by SMEs and personal financing. CASA balance stood at RM6.4 billion and we maintained a good CASA ratio of more than 25%.

KEY PERFORMANCE HIGHLIGHTS (FY2022 vs FY2021)

Registered profit before tax of **RM173.1 million** for the year ended 31 December 2022, down by RM75.4 million or 30.4% compared to RM248.5 million for the previous year.

Total assets increased by **RM6.4 billion** or 22.6%, mainly due to the increase in gross financing of RM3.5 billion or 15.3%. The increase in financing portfolio was mainly in Group Community Banking (RM3.0 billion), Group Corporate Banking (RM0.3 billion) and Group Enterprise Banking (RM0.2 billion).

Gross impaired financing ratio improved from 1.11% as at December 2021 to 0.9% as at December 2022, mainly attributed to the **RM3.5 billion** increase in financing.

Customer deposit expanded by **RM3.2 billion** or 14.4%, with overall CASA ratio of more than 25%. Overall deposit expansion was led by Corporate Banking (RM2.3 billion), Community Banking (RM1.1 billion), and Enterprise Banking (RM0.02 billion).

Cost to income ratio improved to **37.05%** from 45.83%.

Net profit margin (earning assets) improved at **1.92%** from 1.76% (+0.16%).

ROE at **3.91%**

KEY INVOLVEMENT

AFFIN ISLAMIC is a member of the Value-Based Intermediation (VBI) Community of Practitioners (COP) that drives the implementation of the sustainability agenda pioneered by BNM together with other Islamic banking institutions. VBI aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community, and environment, consistent with the shareholders' sustainable returns and long-term interests.

VBI COP MEMBER SINCE 2021	
Benefit of VBI adoption	Help us enhance our practices and offerings beyond Shariah-compliance, to positively contribute and add value to our community, the environment, and the shareholders.
Our initiatives	Working towards the integration of broader sustainability considerations into our financing practices.
Our pertinent area	Actively contributed to the development of the sectoral guide for the manufacturing, agriculture, forestry, and fishing industry, which provides in-depth impact-based risk management toolkit for financial institutions to implement Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) at a more granular and transactional level.

KEY OPPORTUNITIES AND CHALLENGES

Opportunities	Challenges
• Leveraging on strong brand of AFFIN Group such as Brand Finance Award *(The Fastest-growing Malaysian Brand in 2022).*	• Sluggish global economy and disruptions in global economic landscape due to prolonged geopolitical tension.
• Diversified Islamic financial solutions to our valued customers – AFFIN ISLAMIC is categorised as notable Islamic Finance by Euromoney.	• High dependency on corporate funding and concentration on Sovereign segment.
• Strong partnership with Takaful operators, which contributes to fee income through better product and service offerings.	• On-going digital transformation and upliftment of digital capabilities.

BUSINESS REVIEW

AFFIN ISLAMIC BANK BERHAD

OUTLOOK FOR 2023

The higher rate environment, coupled with a decelerating economy and the absence of COVID-19 pandemic-era consumer relief are likely to weigh on customers' debt servicing capacity, thus potentially weakening Islamic banks' asset quality.

Nevertheless, AFFIN ISLAMIC embraces this with confidence and has its future direction set in line with the Group's A25 strategic objectives. We aim to enhance our capability on:

- unrivalled customer service in fulfilling our ambition to be a niche player in Islamic Banking.
- digital leadership in offering digitally driven products and services; and
- responsible banking for positive impact to the society.

Digital product innovation, automation initiatives and Bancatakaful will remain a priority in our strategy to increase our revenue and market share. We will further our Shariah initiatives through various collaborations such as Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) on MyWakaf, and religious councils to provide business assistance to entrepreneurs and aid for eligible indebted.

We will also continue to train and upskill our people by collaborating with Affin Management Institute for Islamic Banking certification programme, namely Associate Qualification in Islamic Finance (AQIF) and Islamic Professional Credit Certificate (IPCC) under the Islamic Banking & Finance Institute Malaysia (IBFIM), compliance training and awareness.

BUSINESS REVIEW

AFFIN HWANG INVESTMENT BANK BERHAD

WHO WE ARE AND WHAT WE DO

Affin Hwang Investment Bank Berhad (AHIBB) is a leading investment bank in Malaysia. As at December 2022, AHIBB was at the second spot in Bursa ranking of stockbroking businesses. We serve the full spectrum of corporates, investment institutions, retail, high net worth individuals and capital market counterparties. Our comprehensive suite of products and solutions cover investment banking, securities, asset management and trustee services.

KEY FOCUS AREAS

AHIBB has been accelerating its transformation journey, in line with AIM22 initiatives and aspirations. Our key focus is on client-centricity and towards sustainable growth. This is being supported through our innovation, digital initiatives, and greater collaboration with AFFIN Group.

OVERVIEW OF PERFORMANCE

During the year, the Group completed the divestment of its 63% equity interest in Affin Hwang Asset Management Berhad (AHAM). Following this, AHAM ceased to be a subsidiary of the Group and thus, was deconsolidated from the Group's financial statements on 29 July 2022. The proceeds from the divestment amounted to a substantial RM1.39 billion, while the gain netted was RM1.27 billion.

	Group		Bank	
	2022 (RM '000)	**2021 (RM '000)**	**2022 (RM '000)**	**2021 (RM '000)**
Net income	228.5	306.1	1,560.3	417.6
Profit before zakat and tax	55.2	103.0	1,367.4	215.2
Net profit	1,336.9	227.2	1,346.9	193.3
Total assets	7,460.3	8,116.8	7,458.9	7,166.4
Profit attributable to equity holders	1,311.9	173.8		
Earnings per share	168.19 sen	22.28 sen		
Return on equity	94.6%	14.8%		

BUSINESS REVIEW

AFFIN HWANG INVESTMENT BANK BERHAD

The Group, however, recorded a lower net income in 2022. This was mainly due to lower investment income, lower net foreign exchange gains, lower net brokerage income and lower fee income; partially mitigated by higher net interest income.

The higher net income for the Bank was mainly due to gains on the divestment of AHAM and higher net interest income, partially offset by lower investment income, lower net brokerage income and lower fee income.

Gains from the divestment of AHAM also contributed significantly to the Bank's substantial increase of more than 100% in its profit before zakat and tax (PBZT).

Excluding the contribution from the asset management business, the Securities business contributed 60.1% (2021: 68.5%) to the Group's overall net income, while Investment Banking and Treasury & Markets businesses contributed about 7.9% and 29.5% (2021: 5.8% and 25.4%) of the Group's total net income, respectively.

Our Securities business (stockbroking and proprietary trading) ended the year in Top 2 on the Bursa Malaysia's Broker Ranking for 2022.

Treasury & Markets performance, however, was adversely affected by the government bonds yield surge during the financial year. Notwithstanding, the investment banking's advisory mandated and pipeline deals remain robust as at reporting date.

KEY ACHIEVEMENTS/AWARDS

Successfully secured and executed a few notable capital market deals, such as the initial public offering of UMedic Group Berhad which was listed on Bursa Malaysia's ACE Market on 26 July 2022, where the Bank was the Principal Adviser, Sponsor, Sole Placement Agent, and Sole Underwriter.

Participated as a joint underwriter in Farm Fresh's IPO which was the largest listing on Bursa Malaysia since July 2021.

The Bank acted as a joint lead manager in Point Zone (M) Sdn Bhd "Sukuk Wakalah" programme for business expansion, working capital, and general corporate purposes relating to healthcare for KPJ Group.

The Bank was awarded Champion for Best Institutional Bursa Malaysia-i Participating Organisation and first runner-up of Best Overall Equities Participating Organisation and Best Institutional Equities Participating Organisation - Investment Bank (Bursa Excellence Awards 2021) held in March 2022.

The Bank was accorded Best New Sukuk for its part as the Lead Manager for Bank Simpanan Nasional's RM750 million Triple Tranche Wakala Sukuk (Islamic Finance Awards 2022) held in September 2022.

KEY OPPORTUNITIES AND CHALLENGES

Opportunities	Challenges
• Continuous innovation and digitalisation initiatives • Further diversification of products and services through synergy within AFFIN Group • Fee income growth via Tri-Banking model	• Monetary policy tightening of major advanced economies, and prolonged geopolitical tension • Stagnant global demand • Elevated inflationary pressures

OUTLOOK FOR 2023

Global economy is likely to experience a mild recession amidst stagnation in major advanced economies (eg. US, Eurozone and UK) on the impact of high inflation and the resultant high interest rates.

However, several factors mitigate the downside risks to the domestic economic outlook:

- drawdown of excess individual/household savings built since Jan 2020 amidst lockdowns and economic stimulus measures provide a buffer to consumer spending; and
- recovery in inbound tourism provides the next leg for the growth tailwinds from full economic opening.

Investment outlook is positive amidst a technology-driven surge in approved investment/FDI since 2021 such as capital expenditure in electronics industry and data centres; automation and digitalisation; and 5G infrastructure rollout.

Overall, Malaysia's banking sector is expected to remain insulated from significant contagion risks emanating from the global banks fallout. Malaysian domestic banks remain well capitalised (CET1 15.2%, TCR 18.9%), with healthy liquidity positions (LCR at 154%) and backed by robust domestic funding.

Even under the most adverse stress-testing scenarios, banks are expected to remain resilient to macroeconomic and financial shocks.

In the coming year, AHIBB aims to defend its #1 Bursa Ranking in stockbroking and to win more investment banking landmark deals by continuously intensifying its innovations and digitalisation initiatives.

Through synergy and collaboration within AFFIN Group, we are expected to capture a plethora of opportunities and to further diversify our products and services to our clients. New businesses are being explored to augment current business model, and subsequently exploit and contribute to future deal pipelines. By leveraging the collaboration with AFFIN Group, we are well-positioned to grow our fee income driven via Tri-Banking model and benefitting from latest technology in generating new products and services.

For Investment Banking and Advisory segment, we will continue to focus on strengthening the Corporate and Investment Banking operating model to offer unified solutions to our corporate and institutional clients from across AFFIN Group. This will accelerate our transformation journey, primarily from a product-centric approach to a more holistic client-centric model.

In addition, ESG-related products and services will also be our core focus such as Green bonds or Sukuk and ESG advisory, in alignment with our ESG commitment.

For Securities business, we will continue to elevate our digital and technology capabilities through *eInvest Go* platform in offering comprehensive retail market solutions.

In accelerating the A25 journey, we target to explore new potential business through high-frequency trading that will leverage sophisticated technological tools and computer algorithms.

Additionally, we aim to grow our share margin financing to increase overall market share. On top of that, we plan to roll out our new structured warrant in 2023 to diversify our source of income, as we realise our ambition to be a market leader.

BUSINESS REVIEW

AFFIN MONEYBROKERS SDN BHD

WHO WE ARE AND WHAT WE DO

Affin Moneybrokers Sdn Bhd (AMB) is an international money broker engaged in wholesale foreign exchange and money market broking service in the country. As an international money broker, AMB has business relationship with international money broking companies to act as an agent for transactions that involves foreign financial institutions.

As a money broking company, our principal activity is to act as intermediaries or arrangers of deals between authorised financial institutions in foreign exchange and domestic money market. In return for this service, we receive payment in the form of brokerage commission when deals between two parties are concluded. Our clients are financial institutions and insurance companies.

OVERVIEW OF BUSINESS ENVIRONMENT

Inflation was the headline globally throughout 2022. As it edged higher central banks around the world sprang into action to manage inflation. The plan was to remove monetary accommodation and at the same time, to increase policy rate. The strategy to tighten financial conditions would eventually lead to reducing demand and subsequently ease inflation.

Bank Negara Malaysia raised interest rates four times during the year, raising the overnight policy rate (OPR) from 1.75% to 2.75%.

Trading volume in interest rate products were severely affected by the policy of the local central bank. Interest rate derivatives however benefited as the instrument could be used to manage risks. In foreign exchange, the dollar benefited greatly from outsize hikes at the expense of the local currency.

STRATEGIC PRIORITIES

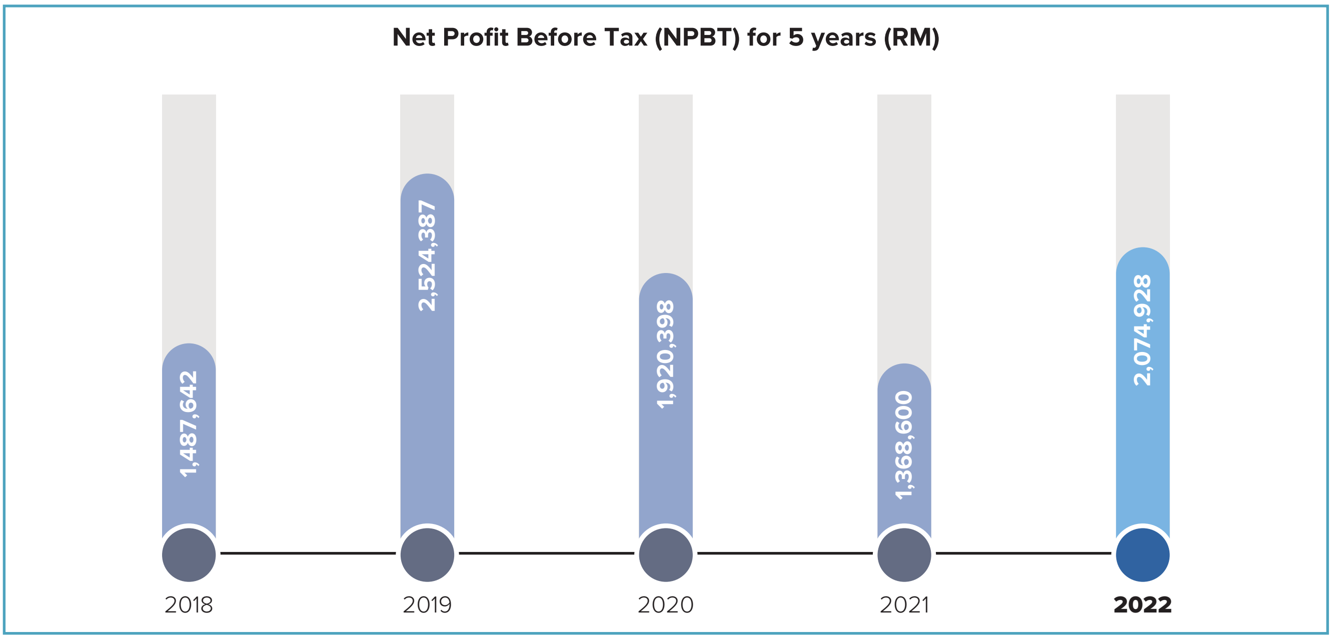
The 2022 strategic priorities were on maintaining dividend payment at 90% at net profit, increasing revenue through various initiatives, strengthening the foundation for growth through people and technology, and building new opportunities.

We are committed to staying relevant in the ever-changing financial landscape, and we do this by providing service excellence to our clients and being a partner to them. We invested and built digital touchpoints to cater to the changing customer needs and requirements as we move into a hybrid voice-electronic business model. We leveraged data mining and analytics to understand our clients and their needs better.

We also focused on building strong relationships with our clients, maintaining a high level of professionalism, and staying ahead of the competition.

OVERVIEW OF PERFORMANCE

The brokerage income and net profit before tax (NPBT) performance of AMB has been consistently strong over the years.



KEY OPPORTUNITY AND CHALLENGE

Talent remains a major issue in the industry. The declining pool of talent continue as investment in human capital remain elusive amongst industry participants. The problem will exacerbate in the coming years due to aging demography of existing operators. Nevertheless, AMB remains steadfast in developing in-house talent that fits its strategic objectives.

Financial markets volatility is expected in the coming year. Peak interest rate is still inconclusive. The speculative element on when that peak is reached will be the fuel for market volatility. This will happen periodically until peak interest rate is established. Historically, once established, economic slowdown will follow. The cyclical nature of the market will provide the roadmap, not only for the financial markets but also to AMB to optimise market opportunities throughout the financial year.

OUTLOOK FOR 2023

- Our strategic priorities for 2023 remain the same as in the previous year. We are furthering our ambition to be a top money broker in Malaysia. The primary objective is to increase the dividend payment through growth in revenue while keeping fiscal discipline on cost.
- Our focus will remain on money broking to increase market share. To achieve this, we will advance specialist and technical courses to build skills and develop our talent across the company.
- We will continue with what we started - the journey to introduce technology in various areas of our business. This on-going project is work in progress to improve internal processes that will result in more efficient service delivery to our clients.
- In addition, we will further implement and improve our governance and compliance in the coming year which would lay the foundation for a sustainable growth

BUSINESS REVIEW

GENERALI INSURANCE MALAYSIA BERHAD (GIMB)

(FORMERLY KNOWN AS AXA AFFIN GENERAL INSURANCE BERHAD)

WHO WE ARE AND WHAT WE DO

Generali Insurance Malaysia Berhad (GIMB) is one of the fastest-growing general insurance companies in Malaysia and a leader in medical and health insurance. Our comprehensive offerings range from medical & health, travel & home, savings & life protection, and travel & personal accident protection solutions to individuals and businesses.

OVERVIEW OF BUSINESS ENVIRONMENT

The insurance industry, general insurance included, is changing rapidly, with 2022 witnessing some of the biggest shifts in recent years.

As the world navigated the pandemic, more people seek for insurance protection while demanding better digital solutions. The digitalisation trend that has been gradually gaining ground in the centuries-old insurance industry which saw GIMB responding proactively.

KEY DEVELOPMENT IN 2022

Affin Bank Berhad (ABB) inked a business transfer agreement to integrate its general insurance business in Malaysia under GIMB with Generali Asia NV's, resulting in ABB holding a 30% stake in the enlarged insurance company, with Generali controlling the remaining 70%.

The agreement came after ABB completed the partial disposals of its equity interests in the joint ventures GIMB and AAGI to Generali, which acquired a 70% stake in the former (49% from AXA and 21% from ABB) and 53% in the latter (49.99% from AXA and 2.95% from ABB).

The disposals saw the exit of AXA from the Joint Ventures (JV) and made Generali the new JV partner for ABB in the insurance operations.

KEY STRATEGIES

Following the acquisition of shares by Generali Asia NV, our focus is on the integration with MPI Generali Insurans Berhad (MPI Generali). The specific areas for integration are people, systems, processes and products. At the same time, we continued to ensure that our profitable growth ambition is on track.

As part of the integration plan, GIMB carried out product rationalisation process to streamline and harmonise similar products from both GIMB and MPI Generali. This is to ensure that GIMB will be able to better address its customers' ever-changing needs and to continue to deliver convenience, whilst balancing overall operation costs to provide optimal capital planning.

We started a branch optimisation exercise through a thorough review of all our branches and those of MPI Generali's. This was to ensure they remain relevant to customer needs. Any decision to consolidate certain branches (typically where two branches are located within a short distance from each other) were to be carried out with careful considerations to minimise disruption to our customers and agents.

OVERVIEW OF PERFORMANCE

2022 saw a rebound in the general insurance market which registered a growth of 10% against a slower 2.5% growth in the previous year.

The growth was mainly driven by Personal Accident and Motor classes of business. The full year 2022 GDP growth of 8.7%, increasing awareness and demand for insurance products and the government's efforts to promote insurance penetration have been the main drivers for the double-digit growth in 2022.

GIMB ended the financial year 2022 with gross written premium (GWP) of RM1.43 billion and net profit of RM71.9 million.

KEY OPPORTUNITY AND CHALLENGE

Opportunity	Challenge
• The integration of GIMB and MPI Generali will position the enlarged entity as one of the leading general insurers in Malaysia. It will combine the talents and resources of both entities to create a unified brand that will have the scale, breadth, and capabilities to compete more effectively and profitably in the Malaysian insurance market, and provide greater value for its customers.	• Catastrophes are growing global concern and risk for the insurance industry including in Malaysia. The general insurance industry is potentially facing high claims from medical and flood-related exposure, more from the latter arising from the extraordinary floods that ravaged several parts of the country towards the end of the year.

OUTLOOK FOR 2023

- The general insurance industry has undergone numerous transformations in 2022. The pandemic has accelerated the pace of rapid digitalisation of the industry, reflected an increased demand for health insurance, created the need for new products and more. Stiff competition in the sector has pushed many insurance companies to adopt strategies to remain relevant in a digital-first economy.
- With the environment evolving, we see a need to strengthen our IT capabilities to keep up with the new changes and protect data integrity. We will continue to strengthen our digitalisation efforts to further elevate sales and distribution strategy and create an omnichannel experience for our customers.
- We will maintain our growth momentum through significant transformations which include culture and engagement. People development will remain a priority to achieve GIMB ambition. We will continue implementing the Smart Working framework and various initiatives to upskill our employees and mould future leaders. We will leverage on the shifting industry landscape to help boost the future growth of GIMB.

BUSINESS REVIEW

GENERALI LIFE INSURANCE MALAYSIA BERHAD (GLIMB)

(FORMERLY KNOWN AS AXA AFFIN LIFE INSURANCE BERHAD)

WHO WE ARE AND WHAT WE DO

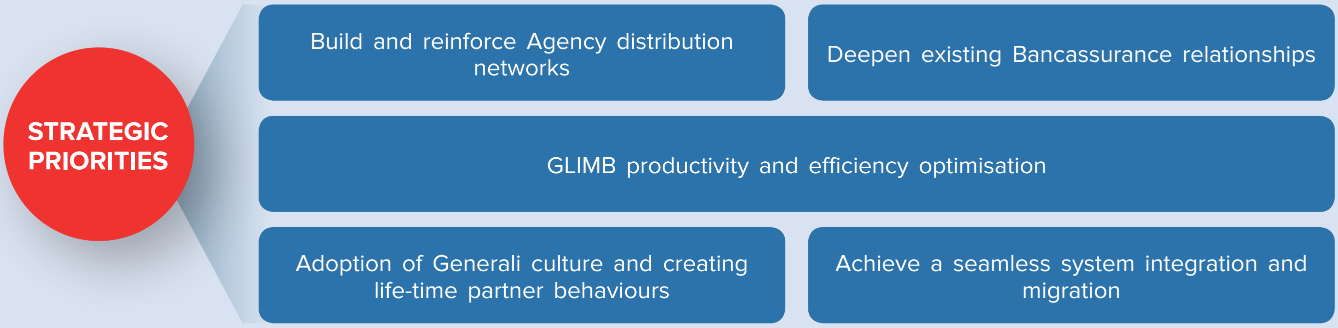
Generali Asia N.V. and Affin Bank Berhad has completed the share sale transaction of a majority stake in AXA Affin joint ventures in Malaysia on 30th August 2022.

Subsequent to the above mentioned exercise, AXA Affin Life Insurance Berhad had been rebranded under the name Generali Life Insurance Malaysia Berhad (GLIMB), emerging life insurer in Malaysia focusing on serving customers with a range of protection, medical, savings and legacy planning products.

OVERVIEW OF BUSINESS ENVIRONMENT

Growth of the insurance/takaful industry remained generally strong in 2022, as the impact of favourable macroeconomic factors affecting the industry has offset the impact of unfavourable factors. However, the life insurance market recorded an overall negative new business growth of -8.8% in 2022.

Globally, we have seen the highest inflation rate in decades. Additionally, there has also been wage, healthcare and social inflationary pressures during the year. Consequently, this has impacted the entire value chain, from customer acquisition costs to claims and compensation costs of the insurance industry.



STRATEGIC PRIORITIES

- Build and reinforce Agency distribution networks
- Deepen existing Bancassurance relationships
- GLIMB productivity and efficiency optimisation
- Adoption of Generali culture and creating life-time partner behaviours
- Achieve a seamless system integration and migration

OVERVIEW OF PERFORMANCE

In 2022, GLIMB recorded 25.7% growth in ABB's new business. Annualised premium equivalent (APE) grew 5.5%, while gross revenue in Protection & Health increased 3.9% from the previous year. The bancassurance segment posted strong business growth of more than 25%, while our capital adequacy ratio (CAR) remains well above required level.

We also achieved significant progress in customer centricity scoring. This is contributed by the encouragement and education to customers on the convenience of customer portal self service, which gives customers stress-free and streamlined access to important information.

MYR millions	2022 Actual (RM 'Mil)	2021 Actual (RM 'Mil)	Growth vs LY (%)
Life & Savings/Protection (including Health)			
Gross revenue (incl. COI & admin fee)	532.8	521.7	2.1%
Gross revenue-P&H (excl. COI & admin fee)	426.8	410.7	3.9%
Annual premium equivalent	65.6	62.2	5.5%
Profit after tax	(50.2)	5.1	(1,077.6)%

Investment-linked business remains our key business segment. In terms of new business, GLIMB ranks 13th in the Life Insurance marketplace. We achieved a 5.5% growth despite the negative industry growth during the year.

We address three key considerations namely people, process and technology. In doing so, we become more digitally effective. With people living a new normal post-pandemic, digitalisation has become key to driving business growth. The COVID-19 pandemic also has brought an upside to the demand for life insurance where people look for financial protection for their health.

In 2022, GLIMB also embarked on an integration journey following the completion of Generali's acquisition of the majority stakes in the AXA-AFFIN joint ventures in Malaysia. Generali Group, one of the largest global insurance providers with a heritage that dates back to 1831, spans a long history in Malaysia. MPI Generali, its joint venture partnership with Multi-Purpose Capital Holdings Berhad, can trace its history back to 2015.

Pursuant to the successful acquisition of interest in shares by Generali of MPI Generali Insurans Berhad and AXA Affin joint ventures, the businesses have been integrated under the launch of a single, unified brand - Generali Malaysia on 1st April 2023.

Our new milestone marks our renewed drive and commitment to be trusted Lifetime Partner to our customers. With an expanded scale, touchpoint and partner network, we will continue to uphold the trust customers have in us to shape a safer and more sustainable future.

BUSINESS REVIEW

GENERALI LIFE INSURANCE MALAYSIA BERHAD

KEY ACHIEVEMENT/AWARD

GLIMB received the Insurance Asia Awards 2022 for Customer Service Initiative of the Year, featuring MyAXA Customer Portal. MyAXA was first developed towards the end of 2019, the portal recorded less than 1,000 logins monthly. The numbers then surged in 2020 during the movement control order period. We further expanded the self-service facilities availability and functions within six months, and the move has garnered us more than 30,000 logins within two years.

KEY OPPORTUNITIES AND CHALLENGES

Opportunities	Challenges
• The COVID-19 pandemic has accelerated Malaysia's digital revolution – digitalisation will be the key driver/opportunities of business growth. • Greater offering and better utilisation of insurance solutions continues to be a key focus to increase insurance penetration rate, aligned with BNM's direction. • Growth of diverse micro-insurance market – BNM will continue to promote greater innovation and provide access to more granular demand-side information as per Financial Sector Blueprint 2022-2026. • Introduction of key regulatory policy documents to promote enhancement on market practices, transparency, and innovation. • Integration with Generali elevates the company's position in the industry, which also includes enhanced customer experience, building strong offering in the market and strategic synergies for business optimisation.	• Economic impact caused by global economic uncertainty and volatile financial markets. • Increasing competition from traditional and new players (e.g. InsurTech) as global trends of consolidation and specialisation create international insurers that are larger, more advanced, better skilled and more focused on core areas of competence. • Adapting to technological advances such as Artificial Intelligence (AI) that have fundamentally changed the way business is conducted. • Meeting the needs of more sophisticated and more informed consumers by being able to enhance the ability of traditional distributors and digitally enabled the channels to address the emerging needs of emerging customer segments. • Increasing scrutiny and stakeholder expectations on sustainability/climate agenda in business activities.

While we capitalised on the opportunities abound for us to further grow our business, we identified and took appropriate steps to address the challenges by:

- focusing on product innovation and continuous improvement through robotics process automation (RPA) and synergies across the Group to improve efficiency and processes;
- enhancing digitalisation initiatives which includes its front-end system, customer portal and AXAPay to increase sales and operational process as well as customer experience;
- monitoring closely our investment portfolio;
- monitoring our products regularly and proactively conducting customer need-based assessment to provide comprehensive insurance solutions such as extending COVID-19 hospitalisation coverage to GLIMB customers;
- strengthening governance and risk management standards, particularly in view of the changing regulatory environment, business models and greater adoption of technology;
- ensuring seamless integration with no/minimal impact to business; and
- adopting the high-performance culture to strengthen the company's position in the market.

OUTLOOK FOR 2023

- 2022 has seen central banks being on a synchronised interest rate hikes to tackle inflation. Despite this, the insurance industry in Malaysia is constantly changing and growing. We expect 2023 to be a recovery year with the easing economic headwinds.

- On the back of this positive outlook, we will further nurture the culture of Treating Customer Fairly (TCF) across the company in line with our ambition to be the preferred insurer. Embedded in this TCF culture is the commitment to identify and support vulnerable group of customers.

- The increased health awareness amongst Malaysians, brought about by the COVID-19 pandemic, has motivated us to continue to advance digital technology as we fulfil the growing appetite for insurance.

- With customer centricity in mind, we will continue to enhance our transformation journey through innovative tools and platforms. These include front end system, customer portal and AXAPay to provide seamless customer experience and facilitate customers' needs assessment better.

- Our focus will also be on prioritising a seamless integration process to complete the rebranding and ensure business plans/new businesses remain supported with no/minimal impact.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Dato' Agil Natt
Independent Non-Executive Director

DIRECTORS

Dato' Mohd Hata Robani
Independent Non-Executive Director

Dato' Abdul Aziz Abu Bakar
Independent Non-Executive Director

Chan Tze Ching, Ignatius
Non-Independent Non-Executive Director

Dato' Rozalila Abdul Rahman
Independent Non-Executive Director

Yuen Wai Hung, Peter
Non-Independent Non-Executive Director

Marzida Mohd Noor
Independent Non-Executive Director

Gregory Jerome Gerald Fernandes
Independent Non-Executive Director

Chan Wai Yu
Independent Non-Executive Director

Mohammad Ashraf Md Radzi
Non-Independent Non-Executive Director
(appointed w.e.f. 3 October 2022)

COMPANY SECRETARY

Nimma Safira Khalid
LS0009015
(SSM PC No. 201908001266)
Tel : 603-2302 1000
E-mail : nimma@affingroup.com

REGISTERED OFFICE

Level 19, Menara AFFIN
Lingkaran TRX
Tun Razak Exchange
55188 Kuala Lumpur
Malaysia
Tel : 603-2302 1000

HEAD OFFICE

Menara AFFIN
Lingkaran TRX
Tun Razak Exchange
55188 Kuala Lumpur
Malaysia
Tel : 603-2302 1000

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel : 603-2783 9299
Fax : 603-2783 9222
Email : is.enquiry@my.tricorglobal.com
Website : www.tricorglobal.com

Tricor Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium Avenue 3
Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

EXTERNAL AUDITORS

PricewaterhouseCoopers PLT
LLP0014401-LCA & AF1146
Level 10, Menara TH 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

WEBSITE

www.affingroup.com

SOCIAL MEDIA CHANNEL

https://www.facebook.com/AffinMy
https://www.instagram.com/affinmy/
https://twitter.com/AffinMy
https://www.youtube.com/c/affin

INVESTOR RELATIONS

Tel : 603-2302 1030 (ext : 921030)
Email : isman@affingroup.com

AGM HELPDESK

Tel : 603-2783 9299
(Tricor Investor & Issuing House Services Sdn Bhd)

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
Stock Code : 5185
Stock Name : AFFIN
Listed on Main Market of Bursa Malaysia Securities Berhad on 2 February 2018

FINANCIAL YEAR END

31 December

GROUP ORGANISATION STRUCTURE

DATUK WAN RAZLY ABDULLAH
President & Group Chief Executive Officer

BUSINESSES

GROUP COMMUNITY BANKING
Nazri Othman
Executive Director
Group Community Banking

GROUP CORPORATE BANKING
Hanif Mohd Yusof
Executive Director
Group Corporate Banking

GROUP ENTERPRISE BANKING
Lim Kee Yeong
Executive Director
Group Enterprise Banking

GROUP TREASURY
Hanif Ghulam Mohammed
Executive Director
Group Treasury

ISLAMIC BANKING
Dato' Paduka Syed Mashafuddin Syed Badarudin Jamalullail
Chief Executive Officer
Affin Islamic Bank Berhad

INVESTMENT BANKING
Ng Meng Wah
Managing Director, Securities
cum Officer in Charge for
Affin Hwang Investment Bank Berhad

MONEYBROKING
Ng Seow Pang
Chief Executive Officer
Affin Moneybrokers Sdn Bhd

GENERAL INSURANCE
Fabrice Bernard
Chief Executive Officer
Generali Insurance Malaysia Berhad
(formerly known as AXA Affin General Insurance Berhad)

LIFE INSURANCE
Rebecca Tan
Chief Executive Officer
Generali Life Insurance Malaysia Berhad
(formerly known as AXA Affin Life Insurance Berhad)

ENABLERS

GROUP CORPORATE STRATEGY
Abdul Malek Mohamed Said
Group Chief Corporate Strategy Officer

GROUP FINANCE
Joanne Rodrigues
Group Chief Financial Officer

GROUP OPERATIONS & STRATEGIC SERVICES
Risham Akashah Kamaruzaman
Group Chief Operating Officer

GROUP CREDIT MANAGEMENT
Norhazlizawati Mohd Razali
Group Chief Credit Officer

GROUP PEOPLE OFFICE
Mohd Syukri Ahmad Sudari
Group Chief People Officer

GROUP LEGAL & SECRETARIAL
Nimma Safira Khalid
Group Chief Legal Officer and Company Secretary

CONTROL

GROUP RISK MANAGEMENT
Ricky Dang Cheong Min
Group Chief Risk Officer

GROUP COMPLIANCE
Adzamimah Adzmi
Group Chief Compliance Officer

GROUP INTERNAL AUDIT
Wahdania Mohd Khir
Group Chief Internal Auditor

BOARD OF DIRECTORS

DATO' AGIL NATT
Chairman/Independent Non-Executive Director

DATO' ABDUL AZIZ ABU BAKAR
Independent Non-Executive Director

MOHAMMAD ASHRAF MD RADZI
Non-Independent Non-Executive (Nominee Director of LTAT)

MARZIDA MOHD NOOR
Independent Non-Executive Director

CHAN WAI YU
Independent Non-Executive Director

COMPOSITION (% AND TOTAL)

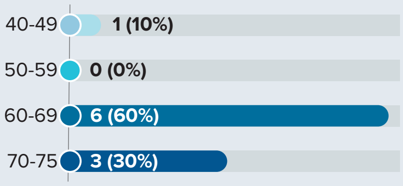
Independent Non-Executive Directors

7 (**70%**)

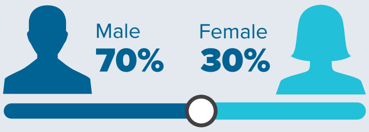
Non-Independent Non-Executive Directors

3 (**30%**)

AGE



GENDER



Save as disclosed, none of the Directors have:

- *Any family relationship with any Director and/or major shareholders of AFFIN*
- *Any conflict of interest with AFFIN*
- *Any conviction for offences within the past 5 years*
- *Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2022*

DATO' MOHD HATA ROBANI
Independent Non-Executive Director

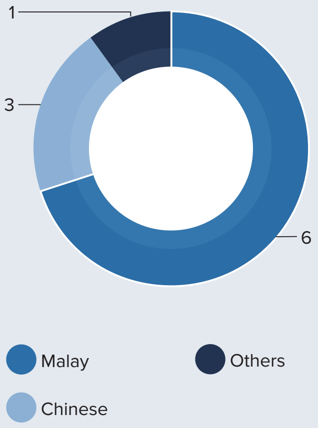
CHAN TZE CHING, IGNATIUS
Non-Independent Non-Executive (Nominee Director of BEA)

DATO' ROZALILA ABDUL RAHMAN
Independent Non-Executive Director

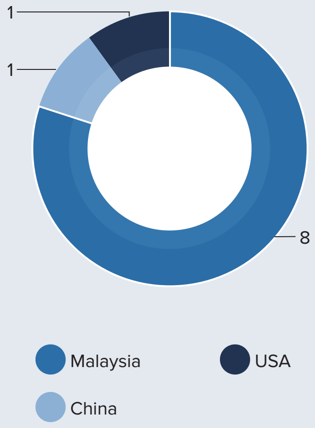
GREGORY JEROME GERALD FERNANDES
Independent Non-Executive Director

YUEN WAI HUNG, PETER
Non-Independent Non-Executive (Nominee Director of BEA)

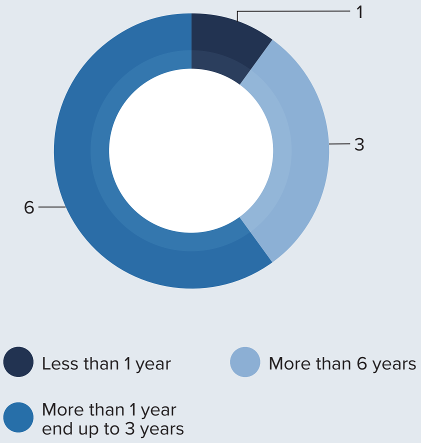
RACE/ETHNICITY



NATIONALITY



TENURE



PROFILE OF BOARD OF DIRECTORS

11/11 7/7

DATO' AGIL NATT

Chairman/Independent Non-Executive Director

Malaysian

Male

72 years old

8 November 2019

Academic/Professional Qualification

- Advanced Management Program (AMP163), Harvard Business School, USA
- Master of Science in Finance, Bayes Business School, City, University of London, UK
- Bachelor of Science in Economics (Hons), Brunel University, UK

Relevant Experience

Dato' Agil Natt possesses in-depth banking knowledge and corporate experience in the areas of Corporate Banking, Investment Banking as well as Islamic Finance. He started his career in Corporate Finance with Bumiputra Merchant Bankers Berhad in 1977 and in 1982 he moved to Island & Peninsular Bhd where his last position was as the Senior General Manager (Finance). He was also the Regional Chief Representative of Kleinwort Benson Limited, a UK based investment bank, before joining the Maybank Group in 1995. In Maybank he served as Senior General Manager of Corporate Banking, Managing Director/Chief Executive Officer of Aseambankers Berhad (now known as Maybank Investment Bank Berhad), and Deputy President/Executive Director of Maybank. He left the Maybank Group in 2006 to assume the position of President and Chief Executive Officer of The International Centre for Education in Islamic Finance (INCEIF), (now known as INCEIF University), established by Bank Negara in 2005.

Directorship(s) in Other Public Companies

- Nil

Directorship(s) in Public Listed Companies

- Nil

External Professional Commitment

- Nil

Membership of Board Committees

- Chairman of Affin Group Chairmen Committee (previously known as Affin Group Oversight Committee)
- Member, Group Board Credit Review and Recovery Committee
- Member, Group Board Information Technology Committee

Main skillsets:

B Banking
E Economics
F Finance
BA Business Admin
H Human Capital
R Risk Management
T Telecommunication
IT Information Technology
AC Accountancy/Audit
O Operations
eC e-Commerce
CA Corporate Advisory

Attendance in 2022:

● Scheduled meetings
● Special meetings

11/11 7/7

DATO’ MOHD HATA ROBANI

Independent
Non-Executive Director

B BA T R

Malaysian

Male

71 years old

17 October 2017

Academic/Professional Qualification

- Bachelor of Economics (Business Administration), University of Malaya
- Management Development Programme, University of Harvard, USA

Relevant Experience

Dato’ Mohd Hata served Bank Negara Malaysia for 20 years from 1975 to 1994. Senior positions held include Senior Assistant Manager of Bank Inspection Department, Director of IT Department and Director of Banking Department. In 1994, he joined Amanah Capital Partners Group as General Manager of Financial Services Division. He was appointed as the Group Chief Operating Officer in 1997. In 1998, he joined BSNC Commercial Bank as Executive Director, representing the interest of Danamodal Nasional Berhad. In 2000, Dato’ Mohd Hata joined Malaysian Electronic Payment System Sdn Bhd (MEPS) as Managing Director. Upon retiring from MEPS in 2009, he provides consulting services in Smartcards, E-payment, Banking solutions and Payments switching solutions in Malaysia and Indonesia.

Directorship(s) in Other Public Companies

- Director, Affin Holdings Berhad

Directorship(s) in Public Listed Companies

- Nil

External Professional Commitment

- Member, Investment Committee, Perbadanan Wakaf Selangor

Membership of Board Committees

- Chairman, Group Board Compliance Committee
- Member, Group Board Audit Committee

11/11 7/7

DATO’ ABDUL AZIZ ABU BAKAR

Independent
Non-Executive Director

B H

Malaysian

Male

70 years old

17 October 2017

Academic/Professional Qualification

- Bachelor of Economics (Hons.), University of Malaya
- Senior Management Development Programme (SMDP), Harvard Business School

Relevant Experience

Dato’ Abdul Aziz has held several senior positions across a number of industries including aviation, oil & gas, construction, banking and telecommunication. Prior to his appointment as CEO/ED of MINDA, he was the Chief Human Capital Officer of Telekom Malaysia Berhad and Executive VP, Human Resources of RHB Bank Berhad. Before that, he was attached to Shell Malaysia for 20 years in various management positions which included Internal & IT Audit, Marketing Economics, Sales & Distribution, Supply & Planning and Human Resource. Thereafter, he was appointed as MD, Intria Berhad (currently known as UEM Builders). In 1994, he was assigned to an international posting to Shell Group HQ in London where he held the position of the shareholders’ representative overseeing Shell’s business interests in Hong Kong and China.

Directorship(s) in Other Public Companies

- Nil

Directorship(s) in Public Listed Companies

- Nil

Other Appointment(s)

- Director, Institute of Corporate Directors Malaysia (ICDM)
- Director, Merchantrade Asia Sdn Bhd
- Director, AKIIM Sdn Bhd (previously known as Alkhair International Islamic Bank)

External Professional Commitment

- Fellow of Institute of Corporate Directors Malaysia (ICDM)
- Member of the Nomination and Remuneration Committee of Razak School of Government (RSOG)

Membership of Board Committees

- Chairman, Group Board Nomination and Remuneration Committee

PROFILE OF BOARD OF DIRECTORS

11/11 6/7

CHAN TZE CHING, IGNATIUS

Non-Independent Non-Executive Nominee Director of BEA

B R A

Chinese

Male

66 years old

1 December 2017

Academic/Professional Qualification

- Bachelor of Business Administration, University of Hawaii, USA
- Master of Business Administration, University of Hawaii, USA
- Certified Public Accountant, American Institute of Certified Public Accountants

Relevant Experience

Ignatius Chan brings with him over 40 years of vast experience in Corporate and Investment banking. Ignatius Chan started his career in banking industry with Citibank, Hong Kong as a Management Associate in 1980. He was posted to Japan from 1986 to 1994.

In 1994, he returned to Hong Kong to become Country Treasurer and Head of Sales and Trading. In 1997, he became the Head of Citibank's Corporate banking business for Hong Kong. In 1999, he became Citigroup Country Officer for Hong Kong.

In 2003, Ignatius Chan was posted to Taiwan as Citigroup Country Officer. In 2004, he assumed the additional role of Chief Operating Officer for Greater China. In 2005, he returned from Taiwan to Hong Kong as Citigroup Country Officer for Hong Kong and Head of Corporate and Investment Banking Business for Greater China, a position he held until his retirement from Citibank in 2007.

Thereafter, Ignatius Chan worked briefly as Deputy Chief Executive for Bank of China (Hong Kong) in 2008. Ignatius Chan is currently holding the position of Senior Advisor at The Bank of East Asia, Limited (BEA).

Directorship(s) in Other Public Companies

- Director, East Asia Futures Limited
- Director, East Asia Securities Company Limited
- Director, Portofino (165) Limited

Directorship(s) in Public Listed Companies

- Director, Mongolian Mining Corporation (MMC)

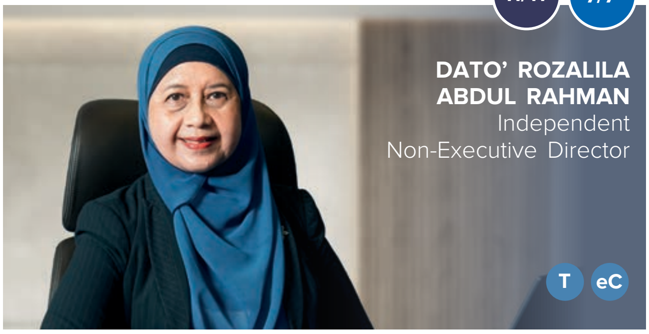
External Professional Commitment

- Senior Advisor, BEA

Membership of Board Committees

- Nil

11/11 7/7



DATO' ROZALILA ABDUL RAHMAN

Independent Non-Executive Director

T eC

Malaysian

Female

61 years old

4 February 2019

Academic/Professional Qualification

- Bachelor of Science, Food Science & Technology, Universiti Pertanian Malaysia
- Certificate of Merit from Sophia University, Tokyo, Japan
- Diploma of Science with Education (Math Major), Universiti Pertanian Malaysia

Relevant Experience

Dato' Rozalila has over 30 years of working experience at renowned multi-national companies of fast moving consumer goods (FMCG) and reputable large Malaysian public listed companies in the area of technical, marketing and management in Malaysia and South East Asia. Her area of expertise include R&D and Quality Assurance, business and strategic marketing, consumer lifestyle and brand management, product lifecycle management and customer service management.

Dato' Rozalila was the Chief Executive Officer of Astro GS Shop Sdn. Bhd., Chief Marketing Officer of Telekom Malaysia Berhad, General Manager of Maxis Communications Berhad and Director of Sales & Marketing at Bank Simpanan Nasional.

Dato' Rozalila had previously assumed numerous managerial positions at Reckitt Benckiser (Malaysia) Sdn. Bhd., Kellogg Asia Marketing Inc., Unilever Malaysia (Holdings) Sdn. Bhd. and Perwira Niaga Malaysia Sdn. Bhd. (PERNAMA).

Directorship(s) in Other Public Companies

- Chairman/Director of AGX Group Berhad

Directorship(s) in Public Listed Companies

- Director of MISC Berhad

External Professional Commitment

- Nil

Membership of Board Committees

- Chairperson, Group Board Risk Management Committee
- Member, Group Board Information Technology Committee

11/11 7/7

YUEN WAI HUNG, PETER

Non-Independent Non-Executive (Nominee Director of BEA)

BA B

American

Male

61 years old

1 November 2019

Academic/Professional Qualification

- Master of Business Administration, University of Houston, USA
- Bachelor of Business Administration (Major in Finance), University of Hawaii, USA

Relevant Experience

Peter Yuen brings with him over 35 years of extensive banking experience with BEA. He started his career with BEA in 1985 as a Management Trainee and among the managerial positions held at BEA were Head of Financial Institutions Department and General Manager & Head of International Division.

Directorship(s) in Other Public Companies

- Nil

Directorship(s) in Public Listed Companies

- Nil

External Professional Commitment

- Advisor, BEA

Membership of Board Committees

- Member, Group Board Compliance Committee

10/11 7/7

MARZIDA MOHD NOOR

Independent Non-Executive Director

IT O

Malaysian

Female

60 years old

1 March 2020

Academic/Professional Qualification

- Master of Science in Management Information Systems, United States International University, San Diego, California, USA
- Bachelor of Science in Business, Indiana University Bloomington, Indiana, USA

Relevant Experience

Marzida has extensive experience in leading information technology business change and transformation, IT management and operations, programme management, outsourcing and management consulting. She started her professional career with a merchant bank and subsequently as an IT Management Consultant with KPMG Peat Marwick. She then joined Malaysia Airlines in 1992 and held various leadership and management positions including in the Corporate Planning Division, the Chairman's Office and subsequently as the Chief Information Officer in 2001. In 2007, she joined Shell Malaysia as the Head of IT Strategy and Planning and subsequently as the Head of Programme Delivery for SAP Human Resources System globally.

Directorship(s) in Other Public Companies

- Nil

Directorship(s) in Public Listed Companies

- Nil

External Professional Commitment

- A volunteer member of 30% Club Malaysia, a platform which is set up to improve gender diversity on the board of public listed companies

Membership of Board Committees

- Chairperson, Group Board Information Technology Committee
- Member, Group Board Nomination and Remuneration Committee

PROFILE OF BOARD OF DIRECTORS

11/11 7/7

GREGORY JEROME GERALD FERNANDES
Independent
Non-Executive Director

AC

Malaysian | Male
68 years old | 1 April 2020

Academic/Professional Qualification
- Registered Accountant, Malaysian Institute of Accountants
- Associate, Institute of Chartered Accountants in England & Wales
- Fundamentals of Accounting, North East London Polytechnic, United Kingdom

Relevant Experience
Gregory Fernandes has over 20 years of experience in audit and consultancy. He began his career in London with Ernst & Young and has since served in executive positions in various corporations, the most recent as a Board Member, Chief Financial Officer and Senior Vice President (Global Marketing) in a public company involved in transport and engineering logistics. Gregory Fernandes is currently a Corporate Advisor specialising in strategy, fund raising and other finance related services.

Directorship(s) in Other Public Companies
- Nil

Directorship(s) in Public Listed Companies
- Nil

External Professional Commitment
- Advocate/Mentor of 30% Club Malaysia, a platform which is setup to improve gender diversity on the board of public listed companies

Membership of Board Committees
- Chairman, Group Board Audit Committee
- Member, Group Board Compliance Committee

11/11 7/7

CHAN WAI YU
Independent
Non-Executive Director

B R

Malaysian | Female
65 years old | 1 April 2021

Academic/Professional Qualification
- BEcons (Analytical Economics), 2nd Class Upper Hons, University of Malaya

Relevant Experience
Chan Wai Yu has 33 years of banking and risk management experience covering credit risk management, operational risk management and Basel II implementation. She started her career with Malayan Banking Berhad (Maybank) in 1981. Among the senior positions held include Executive Vice President/Head, Credit Risk Management of Maybank; Vice President/Head, Risk Portfolio Management, OCBC Bank (Malaysia) Berhad; Vice President/Head, Operational Risk Management of OCBC Bank (Malaysia) Berhad and Director/Head, Operational Risk Management, Bank of Singapore.

Directorship(s) in Other Public Companies
- Nil

Directorship(s) in Public Listed Companies
- Nil

External Professional Commitment
- Nil

Membership of Board Committees
- Chairperson, Group Board Credit Review and Recovery Committee
- Member, Group Board Risk Management Committee

1/1 2/3

MOHAMMAD ASHRAF MD RADZI
Non-Independent Non-Executive (Nominee Director of LTAT)

AC F CA

Malaysian

Male

45 years old

3 October 2022

Academic/Professional Qualification

- Capital Markets Services Representative License Modules 12 & 19, Security Commission
- Chartered Accountant, Malaysian Institute of Accountants
- Member Association of Chartered Certified Accountants, United Kingdom
- Bachelor of Accountancy (Hons), Universiti Tenaga Nasional
- A-Levels, MARA Institute of Technology

Relevant Experience

Ashraf has more than 19 years of working experience in Malaysia and Europe in the area of auditing, financial management, accounting and reporting, treasury management, corporate planning and providing advisory support in the areas of investment and privatisation.

He started his career at Ernst and Young (Dublin) as an Audit Senior, thereafter he worked in several companies in Europe namely CUNA Mutual Life Assurance (Europe) Limited (Dublin) as Financial Accountant European Region and UBS Investment Bank (London) as Regulatory Reporting Analyst.

He is currently the Chief Financial Officer (CFO) of LTAT. He had also held various senior management positions prior to his position as CFO in LTAT, namely Associate Director of Prokhas Sdn Bhd, General Manager, Finance Special Projects at Johawaki Holdings Sdn Bhd, Associate Director, Corporate Advisory and Structuring at MIDF Amanah Investment Bank and Chief Financial Officer of Ahmad Zaki Resources.

Directorship(s) in Other Public Companies

- Nil

Directorship(s) in Public Listed Companies

- Nil

External Professional Commitment

- CFO, LTAT

Membership of Board Committees

- Member of Group Board Risk Management Committee

Note: Full profiles of the Directors can be found in Section B of CG Report published on the Group's website @ www.affingroup.com.

GROUP MANAGEMENT COMMITTEE

Note: None of the Group Management Committee has any direct/indirect interest in the shares of the Bank and its related companies, except for Datuk Wan Razly, En. Abdul Malek, En. Nazri Othman, En. Mohd Shukri and Mr. Ng Meng Wah.

DATUK WAN RAZLY ABDULLAH
President & Group Chief Executive Officer,
Affin Bank Berhad

Malaysian	Male
52 years old	2 April 2020

Academic/Professional Qualification

- Bachelor of Arts in Law and Accounting, University of Manchester, United Kingdom
- Member of Institute of Chartered Accountants in England and Wales (ICAEW)

Past Working Experiences

- Senior Managing Director, with a leading Bank Group in Malaysia
- Chief Financial Officer, CIMB Niaga
- CIMB Investment Bank as Director, Corporate Client Solutions
- Head, Business Development, Aseambankers Malaysia (now known as Maybank Investment Bank Berhad)
- Audit Services Department Northern Trust, London, United Kingdom PricewaterhouseCoopers, London, United Kingdom

Other Appointments

- Non-Independent Executive Director, Affin Hwang Investment Bank
- Director, ABM Investments Sdn Bhd
- Alternate Director, Payments Network Malaysia Sdn Bhd

DATO' PADUKA SYED MASHAFUDDIN SYED BADARUDIN JAMALULLAIL

Chief Executive Officer,
Affin Islamic Bank Berhad

Malaysian

Male

49 years old

8 November 2022

Academic/Professional Qualification

- Joint Honours Degree in Computer Science and Accounting (B.Sc. Honours) from the University of Manchester, United Kingdom
- Master of Science Degree (MSc) in International Banking from the University of Manchester institute of Science and Technology (UMIST), United Kingdom
- Diploma in Islamic Finance, Chartered Institute of Management Accountants
- Chartered Financial Analyst (CFA)

Past Working Experiences

- CEO of Principal Islamic Asset Management
- Head of International and Institutional Business, CIMB-Principal Asset Management
- Managing Director, Investment Banking, CIMB Investment Bank Berhad
- Manager, Corporate Finance Dept, Commerce International Merchant Bankers Berhad

Other Appointments

- Council Member – Association of Islamic Banking and Financial Institutions Malaysia (AIBIM)

NAZRI OTHMAN

Executive Director,
Group Community Banking

Malaysian

Male

61 years old

23 October 2019

Academic/Professional Qualification

- Bachelor of Science (Hons.) in Civil Engineering, University of Leeds, United Kingdom
- Senior Leadership Development Programme, INSEAD
- Summer School Programme, Judge Business School, University of Cambridge, England
- Old Putera of RMC (1977-1979)

Past Working Experiences

- More than 29 years of experience in consumer banking business with both local and foreign banks at various levels of management
- Chief Operations Officer of a local bank

Other Appointments

- Nil

GROUP MANAGEMENT COMMITTEE

HANIF MOHD YUSOF
Executive Director,
Group Corporate Banking

Malaysian
Male
51 years old
1 June 2022

Academic/Professional Qualification

- Bachelor of Science in Finance, Iowa State University, United States of America
- Certificate of Islamic Law, International Islamic University Malaysia

Past Working Experiences

- Over 21 years of experience in banking and finance, primarily in Corporate Banking
- Head, Public Sector, Affin Bank Berhad
- Senior Vice President & Head, GLC, Wholesale Banking Coverage, AmBank Group
- Head, Corporate Amanah, HSBC Amanah

Other Appointments

- Nil

LIM KEE YEONG
Executive Director,
Group Enterprise Banking

Malaysian
Male
54 years old
1 September 2016

Academic/Professional Qualification

- Bachelor of Business Administration, Wichita State University, Kansas, United States
- Master of Business Administration, Wichita State University, Kansas,United States

Past Working Experiences

- Over 20 years of experience in banking and finance, primarily in Commercial and SME business at both local and foreign banks
- Vice-President of SME and Commercial Banking member of the Board of Directors of a Singapore-based Financial Holdings company
- Senior Vice-President of SME Business at a local bank

Other Appointments

- Nil

ABDUL MALEK MOHAMED SAID
Group Chief Corporate Strategy Officer

Malaysian

Male

52 years old

17 August 2020

Academic/Professional Qualification

- Bachelor's degree in mathematics with Applied Mathematics/Mathematical Physics, Imperial College of Science Technology & Medicine, University of London
- Certificate of Fellowship, Institute of Chartered Accountants in England and Wales (ICAEW)
- Member of Malaysian Institute of Accountants
- Member of Insolvency Practitioners Association of Malaysia

Past Working Experiences

- More than 21 years of working experiences, primarily in the strategic management and corporate planning and insolvency
- Served in various advisory firms and assumed various roles including as Partner at Deloitte and Executive Director at PwC

Other Appointments

- Director for AXA Affin Life Insurance Berhad (appointed w.e.f. 30 August 2022)

JOANNE RODRIGUES
Group Chief Financial Officer

Malaysian

Female

49 years old

1 June 2020

Academic/Professional Qualification

- Bachelor of Science, majoring in Economics and Accounting, University of Bristol, United Kingdom
- Global Master of Business Administration, Manchester Business School, University of Manchester
- Fellow Chartered Accountant (FCA) of The Institute of Chartered Accountants in England And Wales (ICAEW)

Past Working Experiences

- More than 20 years of working experience in the financial services industry with various senior roles, such as Chief Financial Officer (Wholesale Banking), Chief Internal Auditor and Regional Head, Strategy & Business Analytics

Other Appointments

- Non-Independent Non-Executive Director, AXA Affin General Insurance Berhad (appointed w.e.f. 30 August 2022)
- Director, Affin-i Nadayu Sdn Bhd (resigned w.e.f. 21 December 2022)
- ABB Nominee (Asing) Sdn Bhd and ABB Nominee (Tempatan) Sdn Bhd (appointed w.e.f. 1 March 2023)

GROUP MANAGEMENT COMMITTEE

RISHAM AKASHAH KAMARUZAMAN

Group Chief Operating Officer

Malaysian

Male

51 years old

1 December 2020

Academic/Professional Qualification

- Bachelor of Science in Electrical/Electronics Engineering, California State University, Chico

Past Working Experiences

- More than 21 years of working experience in various industries, primarily in information technology, digital banking and banking operations
- Served major financial services and assumed various roles as, among others Chief Technology Officer, Chief Digital Officer and Chief Information Officer

Other Appointments

- Nil

NORHAZLIZAWATI MOHD RAZALI

Group Chief Credit Officer

Malaysian

Female

55 years old

1 August 2015

Academic/Professional Qualification

- Bachelor of Arts (Hons) in Business Studies majoring in Accounting and Statistics, Leeds Metropolitan University, United Kingdom
- Certified Credit Professional, Asian Institute of Chartered Bankers
- Leadership Certificate in Islamic Banking and Finance, Cambridge IFA, UK

Past Working Experiences

- More than 25 years of banking experience, primarily in credit risk management and business lending

Other Appointments

- Director of Affin Moneybrokers Sdn Bhd

HANIF GHULAM MOHAMMED
Executive Director,
Group Treasury

Malaysian
Male
44 years old
1 December 2021

Academic/Professional Qualification

- Bachelor's degree in Science, majoring in Economics & Management, London School of Economics, University of London
- Professional Certificate in Islamic Finance, INCEIF

Past Working Experiences

- 20 years of working experience in the banking industry, particularly in treasury and held roles as Regional Head of Islamic Treasury and Director Fixed Income in a renowned Bank in Malaysia

Other Appointments

- Chairman of Treasury & Markets Committee for AIBIM
- Member of Financial Markets Committee

MOHD SYUKRI AHMAD SUDARI
Group Chief People Officer

Malaysian
Male
51 years old
20 October 2020

Academic/Professional Qualification

- Bachelor of Human Sciences, International Islamic University Malaysia
- Master of Business Administration, Universiti Kebangsaan Malaysia

Past Working Experiences

- More than 24 years of working experience in human resources, which covers a diversified industry including financial, telecommunications, aerospace, engineering and insurance sectors

Other Appointments

- Board Member of Human Resource Development Corporation (HRDCORP) – Representing Employers
- Vice President and Council Members of Malaysian Employers Federation (MEF)
- Member for National Labor Advisory Council (NLAC)
- EXCO Members of Malayan Commercial Bank's Association (MCBA)

GROUP MANAGEMENT COMMITTEE

NIMMA SAFIRA KHALID
Group Chief Legal Officer and Company Secretary

Malaysian

Female

54 years old

1 January 2012

Academic/Professional Qualification

- Bachelor of Laws (Hons), International Islamic University, Malaysia
- Bachelor of Laws (Shariah) (Hons), International Islamic University, Malaysia
- Professional Postgraduate Diploma in Governance, Risk and Compliance, International Compliance Association (ICA), UK
- Certificate of Mediation and Advanced Mediation by The Accord Group, Australia
- Leadership Certificate in Islamic Banking and Finance, Cambridge IFA, UK

Past Working Experiences

- More than 25 years of experience in the banking industry as in-house counsel and Company Secretary for commercial and Islamic bank
- Advocate and Solicitor of the High Court of Malaya

Other Appointments

- Affiliate member of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA)

ADZAMIMAH ADZMI
Group Chief Compliance Officer

Malaysian

Female

46 years old

17 July 2018

Academic/Professional Qualification

- Bachelor of Science in Business Administration, Bryant University in Rhode Island, USA
- Certificate in Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia
- Certificate in Islamic Law, International Islamic University Malaysia

Past Working Experiences

- More than 19 years experience in the financial services industry, primarily in managing and leading the compliance unit at both local and foreign banks such as MUFG Bank, MBSB Bank and Standard Chartered Bank

Other Appointment

- Nil

WAHDANIA MOHD KHIR
Group Chief Internal Auditor

Malaysian
Female
53 years old
1 May 2020

Academic/Professional Qualification

- Bachelor of Business in Accountancy, Queensland University of Technology, Australia
- Master of Science in Quantitative Finance, University of Westminster, London
- Chartered Banker, Chartered Banker Institute & Asian Institute of Chartered Bankers
- Malaysian Financial Markets Certificate, Financial Markets Association Malaysia
- Certificate of Islamic Law, International Islamic University Malaysia

Past Working Experiences

- More than 25 years of working experience in the financial services industry, serving both the banking industry, as well as the market operator & frontline market regulator, Bursa Malaysia
- Head of Global Market Compliance & Treasury Operations and Senior Director (Wholesale Banking) of Group Audit at a major financial institution

Other Appointments

- Member of the Financial Markets Association Malaysia
- Chartered Banker

RICKY DANG CHEONG MIN
Group Chief Risk Officer

Malaysian
Male
50 years old
28 April 2022

Academic/Professional Qualification

- Master of Business Administration from University of South Australia
- Association of Chartered Certified Accountants (ACCA)
- Chartered Financial Analyst (CFA)
- Financial Risk Manager (FRM)
- Chartered Banker (CB)
- Member of Malaysian Institute of Accountants (MIA)

Past Working Experiences

- More than 25 years of experience in risk management, regulatory supervision and audit
- He was attached to various organisations including Bank Negara Malaysia, various financial institutions and audit firm. Prior to joining Affin Bank Berhad, he was the Chief Risk Officer at Cagamas Berhad

Other Appointments

- Nil

BOARD OF DIRECTORS
AFFIN ISLAMIC BANK BERHAD

1

MUSA ABDUL MALEK
Chairman/Independent
Non-Executive Director

2

SUFFIAN BAHARUDDIN
Independent Non-Executive Director

3

DATUK MOHD FARID MOHD ADNAN
Independent Non-Executive Director

4

TAN LER CHIN, CINDY
Independent Non-Executive Director

5

MUHAMMAD FITRI OTHMAN
Non-Independent
Non-Executive Director
(Nominee Director of LTAT)

1

MUSA ABDUL MALEK
Chairman/Independent Non-Executive Director

Malaysian
Male
68 years old
1 April 2022 (as Chairman)
1 August 2019 (as INED)

Academic/Professional Qualification

- Bachelor of Business Administration (Honours), University of Ohio/Mara Institute of Technology, USA/Malaysia
- Diploma in Tourism Administration (Dean's List), Mara Institute of Technology, Malaysia

Relevant Experiences

Musa has over 37 years of working experience in banking. During his 31-year career with HSBC Group, he held several management positions in various departments/functions. He assumed the role of Deputy Managing Director of HSBC Amanah Malaysia in 2007 and was subsequently appointed as Executive Director and Chief Executive Officer in 2008.

He then joined Bank Muamalat Malaysia Berhad in 2010 as Deputy Chief Executive Officer. During the three (3) years tenure in Bank Muamalat, he was responsible for managing the business functions of the Bank and assisting the CEO in other operational matters. Prior to his retirement in 2016, Musa was with CIMB Islamic Bank Berhad as the Managing Director overseeing the Islamic banking business in CIMB Niaga, Indonesia and subsequently as the Group Head of Islamic Banking, Consumer Banking.

Directorship(s) in Other Public Companies

- Nil

Directorship(s) in Public Listed Companies

- Nil

External Professional Commitment

- Nil

Membership of Board Committees

- Member of Group Board Credit Review and Recovery Committee
- Member of Group Board Information Technology Committee

2

SUFFIAN BAHARUDDIN
Independent Non-Executive Director

Malaysian
Male
54 years old
1 July 2020

Academic/Professional Qualification

- Bachelor of Science (Hons) in Accounting, University of East Anglia
- Chartered Accountant (Member), Malaysian Institute of Accountants (MIA)
- Chartered Certified Accountant (Fellow), The Association of Chartered Certified Accountants (ACCA)

Relevant Experiences

Suffian has held various corporate positions over the last 25 years in a wide range of companies. He has an extensive industry experience in the area of Transport and Logistics, having held positions in companies involved in aviation, road and rail public transport and sea ports.

He has vast experience in strategy and operations, including the formulation and implementation of business plans, business turnaround plans, corporate and financial restructuring, privatisation exercises, fund raising, mergers & acquisitions, strategic divestments, business appraisals and feasibility studies.

Directorship(s) in Other Public Companies

- Nil

Directorship(s) in Public Listed Companies

- Nil

External Professional Commitment

- Nil

Membership of Board Committees

- Member of Group Board Audit Committee
- Member of Group Board Risk Management Committee

BOARD OF DIRECTORS
AFFIN ISLAMIC BANK BERHAD

3

DATUK MOHD FARID MOHD ADNAN

Independent Non-Executive Director

Malaysian

Male

61 years old

1 March 2021

Academic/Professional Qualification

- Master of International Business Studies (MIBS), University of South Carolina at Columbia, USA
- Bachelor of Science Chemical Engineering, University of Tennessee at Knoxville, USA

Relevant Experiences

Datuk Farid has more than 30 years of being in the oil and gas industry, and he brings with him extensive knowledge and experience in the management and transformation of organisations.

He has a strong track record of creating shareholder value through integration of businesses and organisational turnaround, operation optimisation, process simplification and growth into new markets.

He started his professional career with Petronas by holding various Senior Managerial positions in Petronas organisations since 1985. Datuk Farid was appointed as Vice President Oil Business of Petronas from 2010 to 2015. Thereafter, he was appointed to lead as Managing Director/Chief Executive Officer of Engen Limited at South Africa in 2015 to 2017.

Directorship(s) in Other Public Companies

- Director, Prasarana Berhad

Directorship(s) in Public Listed Companies

- Director, Ancom Logistics Berhad

External Professional Commitment

- Nil

Membership of Board Committees

- Member of Group Board Nomination and Remuneration Committee
- Member of Group Board Compliance Committee

4

TAN LER CHIN, CINDY

Independent Non-Executive Director

Malaysian

Female

63 years old

1 October 2021

Academic/Professional Qualification

- Certified Diploma in Accounting and Finance, Chartered Association of Certified Accountants
- Diploma in Investment Analysis, Malaysian Association of Productivity
- Honours degree in Economics (Majoring in Statistics), Universiti Kebangsaan Malaysia

Relevant Experience

Cindy Tan has 37 years of experience in overseeing funds of the oldest and largest retirement funds in the world, the Employees Provident Fund (EPF).

In 2009, she was appointed as the Head of Investment Compliance and was responsible for ensuring all investment settlements were undertaken in compliance with internal policies/guidelines and other related legal requirements.

Thereafter, she was appointed as the Head of Risk Department in 2019 where she oversaw the management of amongst others, the operational risks, technology risks, investment risks and investment market risks of EPF. She retired from EPF in April 2021.

Directorship(s) in Other Public Companies

- Director, Sengheng New Retail Berhad

Directorship(s) in Public Listed Companies

- Director, Sunway Construction Group Berhad
- Director, QL Resources Berhad

External Professional Commitment

- Nil

Membership of Board Committees

- Member of Group Board Risk Management Committee
- Member of Group Board Information Technology Committee

5

MUHAMMAD FITRI OTHMAN

Non-Independent Non-Executive Director
(Nominee Director of LTAT)

Malaysian	Male
40 years old	21 March 2022

Academic/Professional Qualification

- BSc Economics and Finance with First Class Honours, University of Southampton, United Kingdom
- MSc Economics, London School of Economics and Political Science (LSE), United Kingdom
- Chartered Financial Analyst (CFA), CFA Institute, United States

Relevant Experiences

Muhammad Fitri began his career at Permodalan Nasional Berhad (PNB) as an Investment Analyst before progressing to become a Portfolio Manager.

He served PNB for 12 years including stints at PNB (UK) Limited and PNB Asset Management (Japan). Prior to joining LTAT, he was the Head of Foreign Equity Investment at Social Security Organisation (SOCSO).

Muhammad Fitri is currently the Chief Investment Officer of LTAT. He is responsible for the overall direction, strategy and operations of the Investment Division.

Directorship(s) in Other Public Companies

- Director, Minority Shareholders Watch Group (MSWG) (Representing LTAT)

Directorship(s) in Public Listed Companies

- Director, Boustead Holdings Berhad (Representing LTAT)

External Professional Commitment

- Nil

Membership of Board Committees

- Member of Group Board Compliance Committee

SHARIAH COMMITTEE

DR. MOHAMMAD MAHBUBI ALI
Chairman, Shariah Committee

Indonesian
Male
40 years old
1 June 2014
12/12

Qualification(s)

- Bachelor's Degree in Shari'ah and Finance, Tazkia University College, Bogor Indonesia
- Chartered Islamic Finance Professional (CIFP), International Center for Education in Islamic Finance (INCEIF), Malaysia
- Doctoral Degree, Islamic Banking and Finance, IIUM Institute of Islamic Banking and Finance (IIBF), Malaysia
- Certified Shariah Advisor (CSA), Association of Shariah Advisors, Malaysia

Relevant Working Experience(s)

- Former Head of Economics, Finance, Awqaf and Zakat cum Associate Principal Fellow, International Institute of Advanced Islamic Studies (IAIS) Malaysia
- Former Lecturer for Master Islamic Finance Practices Program, INCEIF The Global University of Islamic Finance
- Former Lecturer (Postgraduate), Gajah Mada University, Indonesia
- Former Researcher at International Shari'ah Research Academy for Islamic Finance (ISRA), Malaysia

Other Appointments

- Islamic Finance Expert at Brunei Darussalam Central Bank
- Adjunct Fellow, International Institute of Advanced Islamic Studies (IAIS) Malaysia
- Member, Shariah Committee of FWD Takaful Sdn Bhd
- Registered Shariah Adviser for Securities Commission Malaysia
- Director, AIFA Consulting
- Shariah Advisor, Dar al-Muraja'ah al-Shar'iyyah, Bahrain
- Shariah Advisor, Masryef Advisory
- Member of Working Group, Curriculum Review Committee (CRC), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)
- Board of Council and Shariah Advisory Board, iBantu Solusi Syariah
- Visiting Professor at Universitas Pendidikan Indonesia
- Lecturer (Postgraduate), University of Airlangga Indonesia, Indonesia
- Lecturer (Postgraduate), Tazkia University College, Indonesia

EN. MOHAMAD SALIHIN DERIS
Member, Shariah Committee

Malaysian
Male
47 years old
1 April 2021
12/12

Qualification(s)

- Bachelor Degree of Laws LLB (Hons) from International Islamic University Malaysia
- Bachelor Degree of Laws (Shariah) (Hons) from International Islamic University Malaysia
- Certified Shariah Advisor (CSA) from Association of Shariah Advisors in Islamic Finance
- Associate Qualification in Islamic Finance (AQIF) from Islamic Banking and Finance Institute Malaysia (IBFIM)

Relevant Working Experience(s)

- Former Senior Executive, Islamic Banking and Takaful Department, Bank Negara Malaysia
- Former Senior Manager, Shariah Advisory & Research, CIMB Group
- Former Head, Shariah Review, Hong Leong Islamic Bank Berhad
- Former Director, Association of Islamic Banking & Financial Institutions Malaysia
- Former Group Head, Shariah Management, Bank Pembangunan Malaysia Berhad
- Former EXCO & Chairman, Professional Practice Committee, Association of Shariah Advisors in Islamic Finance

Other Appointments

- Chairman, AmMetLife Takaful Berhad Shariah Committee
- Director, Business Advisory, Islamic Banking and Finance Institute Malaysia (IBFIM) and designated by IBFIM as a registered Shariah Adviser with the Securities Commission of Malaysia
- Member, Association of Shariah Advisors in Islamic Finance
- Member, Institute of Corporate Directors Malaysia
- Affiliate Member, Asian Institute of Chartered Bankers

ASSOC. PROF. DR. ASMAK AB RAHMAN
Member, Shariah Committee

Malaysian
Female
49 years old
1 July 2022
6/6

Qualification(s)

- Bachelor Degree in Shariah (Hons), Universiti Malaya (UM)
- Master in Shariah, Universiti Malaya (UM)
- Doctoral Degree (PhD) in Islamic Economics, Universiti Malaya (UM)

Relevant Working Experience(s)

- Associate Professor in the Department of Shariah and Economics, Academy of Islamic Studies, Universiti of Malaya
- Former Head of Department, Shariah and Economics, Academy of Islamic Studies, Universiti of Malaya (UM)
- Former Exco, International Council of Islamic Finance Educators (ICIFE)
- Visiting Lecturer for Faculty of Islamic Studies, Universitas Islam Indonesia
- Adjunct Professor, Faculty of Economics and Business, Universitas Airlangga
- Former Member of Shariah Commitee for Ambank Islamic Bank Berhad
- Former Shariah Panel for BIMB Investment Management Berhad
- Former Member of Shariah Committee AIA AFG Takaful
- Former Member of Syariah Supervisory Council for Bank Islam Malaysia Berhad

Other Appointments

- Associate Professor in the Department of Shariah and Economics, Academy of Islamic Studies, Universiti of Malaya
- Member of Shariah Committee for SME Bank
- Member of Shariah Committee for Hong Leong MSIG Takaful
- Member of Shariah Advisory Committee for Lembaga Tabung Haji
- Member of Shariah Committee for Perbadanan Usahawan Nasional Berhad (PUNB)
- Registered Shariah Advisor with Securities Commission Malaysia
- Member for Association of Shariah Advisors in Islamic Finance Malaysia (ASAS)
- Member of Qualitative Research Association of Malaysia (QRAM)

DR. NOR FAHIMAH MOHD RAZIF
Member, Shariah Committee

Malaysian
Female
37 years old
1 February 2021
12/12

Qualification(s)

- Bachelor Degree in Fiqh and Usul (Hons), Universiti Malaya (UM)
- Doctoral Degree (PhD) in Fiqh Al-Muamalat, Universiti Malaya (UM)

Relevant Working Experience(s)

- Senior Lecturer at Department of Fiqh and Usul, University of Malaya (UM)
- Independent Shariah Advisor at Masryef Sdn Bhd
- Shariah Advisor Committee Member at Dana Peladang Kebangsaan, Pertubuhan Peladang Kebangsaan
- Member, Association of Shariah Advisor in Islamic Finance Malaysia (ASAS)
- Writer of articles, books and journals in the field of Islamic banking, Islamic wealth management, Islamic finance, sukuk, debt, Islamic franchise and derivatives products
- Presenter for international and local conferences in Islamic banking, finance and capital market
- Former Committee Member of Curriculum for Master in Islamic Finance Programme, Universiti Malaya

Other Appointments

- Senior Lecturer at Department of Fiqh and Usul, University of Malaya (UM)
- Independent Shariah Advisor at Masryef Sdn Bhd
- Shariah Advisor Committee Member at Dana Peladang Kebangsaan, Pertubuhan Peladang Kebangsaan
- Member, Association of Shariah Advisor in Islamic Finance Malaysia (ASAS)

EN. AHMAD HUSNI DATO' ABD RAHMAN
Member, Shariah Committee

Malaysian
Male
44 years old
1 April 2021
12/12

Qualification(s)

- Bachelor's Degree (B.A) in Shariah Islamiyyah, Islamic University of Madinah Munawwarah, Kingdom of Saudi Arabia
- Candidate of Postgraduate Studies (M.A), Halal Science, Universiti Teknologi Malaysia, Skudai, Malaysia
- Candidate of Certified Shariah Advisor by Association of Shariah Advisor in Islamic Finance (ASAS)

Relevant Working Experience(s)

- General Secretary of Pertubuhan Multaqa Asatizah & Du'at (MURSHID)
- Columnist of SOLUSI, GenQ and alUstaz Magazine
- Panelist for Tanyalah Ustaz TV3 and SuriaFM talk show

Other Appointments

- Senior Manager, Shariah & International Relation Unit, Pusat Pungutan Zakat - MAIWP
- Chairman of Shariah Advisors for AWARIS (Amanah Warisan Berhad)
- Member, Shariah Committee for SME Bank Berhad
- Member of Wakalah Zakat Distribution Committee, Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN)
- Member of Wakalah Zakat Distribution Committee, Malaysia External Trade Development Corporation (MATRADE)
- Committee of Jawatankuasa Penyelidikan Korporat dan Syariah Pusat Pungutan Zakat (PPZ)
- Member of Association of Shariah Advisors (ASAS), Malaysia
- Member of International Union for Muslim Scholars (Ittihad al-'Alami li 'Ulama' al-Muslimin), Qatar

EN. LOKMANULHAKIM HUSSAIN
Member, Shariah Committee

Malaysian
Male
44 years old
3 January 2023
Not applicable for FY2022

Qualification(s)

- Bachelor in Syariah (Hons), Islamic University of Madinah, Kingdom of Saudi Arabia
- Masters in Syariah (Fiqh), Islamic University of Madinah, Kingdom of Saudi Arabia

Relevant Working Experience(s)

- Former Shariah Committee Member, Al Rajhi Bank Malaysia
- Former Shariah Committee Member, Deutsche Bank (Malaysia) Berhad
- Former Shariah Committee Member, TEKUN Nasional
- Former Researcher, International Shari'ah Research Academy for Islamic Finance (ISRA)
- Former Fellow for the Fatwa Committee of the National Council for Islamic Religious Affairs Malaysia
- Former Fatwa Think-tank Panel, the Department of Islamic Development Malaysia (JAKIM)

Other Appointments

- Member of Shariah Committee for FWD Takaful Berhad
- Member of Shariah Committee for Bank Pembangunan Malaysia Berhad
- Member of Shariah Committee for Co-opbank Pertama Malaysia Berhad
- Member, Committee of Fatwa Research and Management, JAKIM
- Member of Shariah Advisory Committee for BIMB Securities Sdn Bhd

BOARD OF DIRECTORS
AFFIN HWANG INVESTMENT BANK BERHAD

TUNKU AFWIDA TUNKU A.MALEK
Chairman/Independent Non-Executive Director

Malaysian
Female
58 years old
9 May 2022

Academic/Professional Qualification
- Degree of Bachelor of Science (Honours) in Economics and Accounting from the City University, London, UK
- She is qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales and is a member of the Malaysian Institute of Accountants.

Tunku Afwida is an investment banker, assumed senior roles in investment banks and has vast financial, analytical, capital markets and risk management experience.

From 1995 to 2003, she was an Executive Director/Chief Investment Officer of Commerce Asset Fund Managers Sdn. Bhd. before serving as Chief Executive Officer and Executive Director of MIMB Investment Bank Berhad until 2006. Thereafter, she was appointed as Chief Executive Officer and Executive Director of Kenanga Investment Bank Berhad until 2008.

Currently, Tunku Afwida sits on the Boards of Telekom Berhad (TM), SAM Engineering & Equipment (M) Berhad, ENRA Group Berhad and DXN Holdings Berhad.

She is also the Chairman of TM Technology Services Sdn. Bhd. (formerly known as Webe Digital Sdn. Bhd.) and Director of GITN Sdn. Bhd, a wholly-owned subsidiaries of TM.

DATUK WAN RAZLY ABDULLAH
Non-Independent Executive Director

Malaysian
Male
52 years old
12 March 2021

Academic/Professional Qualification
- Bachelor of Arts in Law and Accounting, University of Manchester, United Kingdom
- Member of Institute of Chartered Accountants in England and Wales (ICAEW)

Datuk Wan Razly is an experienced banker, having had solid banking experience in commercial and investment banks, both in Malaysia and Indonesia. He has more than 24 years of experience in corporate strategy, finance, investment banking, consumer banking, accounting and audit services.

Note: Complete profile of Datuk Wan Razly is at page 120 of the Annual Report.

EUGENE HON KAH WENG
Independent Non-Executive Director

Malaysian
Male
65 years old
1 March 2021

Academic/Professional Qualification
- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants

Eugene is an accountant by profession and he has extensive experience in auditing, investment banking, finance, insurance, leasing, money broking, consumer financing as well as central banking.

He was in the auditing profession for 13 years and thereafter, was appointed as Group Financial Controller of a financial services group. He served 16 years with the financial services group where he held various senior management positions over the years. In 2011, he joined as Finance Director of the Central Bank until his retirement in 2018.

Presently, Eugene is an Independent Non-Executive Director of Kawan Food Berhad which is listed on the Main Board of Bursa Malaysia Securities Berhad.

HASLI HASHIM

Independent Non-Executive Director

Malaysian | Male

62 years old | 1 April 2021

Academic/Professional Qualification

- Bachelor of Science in Finance and Economics, Indiana State University, USA
- Alumnus of Royal Military College, Sungai Besi, Kuala Lumpur

En. Hasli has 35 years of banking experience. He was a Branch Manager at United Malayan Banking Corp Bhd and Pacific Bank Bhd before moving to OCBC Bank (M) Bhd to take the position of Head, Public & Institutional Banking in 2000.

Hasli joined Malayan Banking Berhad in 2007 as the Head of Corporate Investment Banking. At Maybank as well as Maybank Investment Bank Berhad he was involved in Corporate Investment Banking, Client Coverage and Corporate Banking. Hasli was part of various advisory teams in mergers/acquisitions, Initial Public Offerings fund raising (loans, bonds) both Islamic and Conventional. He was also a member of Group Credit Committee and Group Management Committee.

Presently, Hasli is an Independent Non-Executive Chairman of Hektar Real Estate Investment Trust which is listed on the Main Board of Bursa Malaysia Securities Berhad. He is also a member of Bank Negara Malaysia's Corporate Debt Restructuring Committee.

DATO' ABDUL WAHAB ABU BAKAR

Independent Non-Executive Director

Malaysian | Male

70 years old | 22 November 2021

Academic/Professional Qualification

- Bachelor in Economics (Hons) (Applied Economics), University of Malaya
- Alumni of International Management Development, Lausanne, Switzerland and London Business School

Dato' Abdul Wahab has more than 35 years of substantive corporate experience in General Management with focus on Human Capital, Talent and Organisational Transformation. His tenure of employment covering both local corporations and multinational companies ranging from airlines, oil & gas, mining, financial institution, and fast-moving consumer goods.

Dato' Abdul Wahab's former active corporate stint was with Nestle Malaysia/Singapore, where he retired as Executive Director on 1 January 2011. He served on the Executive Committee, which oversaw the business strategy and direction of the company, ensuring long-term sustainable and profitable growth.

Dato'Abdul Wahab is currently on the Board of Directors of Perbadanan Wakaf Selangor and UNIPEQ of University Kebangsaan Malaysia.

Dato'Abdul Wahab was a Council Member and Vice President of the Malaysian Employers Federation and also served as Business/Corporate/Human Capital Advisor to few other companies.

KONG YUEN LING

Non-Independent Non-Executive Director

Malaysian | Female

50 years old | 27 December 2021

Academic/Professional Qualification

- Bachelor of Business (Management), Monash University.

Kong Yuen Ling is the nominee of The Bank of East Asia, Limited (BEA).

She has experience working in the banking industry in Malaysia over the past 27 years ranging from a local bank to foreign banks. She has amassed strong experience and acumen in the key areas of banking which include business development, relationship management, compliance and risk management.

Presently, Kong Yuen Ling is the Country Manager & Chief Representative of BEA Malaysia.

CEO OF SUBSIDIARIES

DATO’ PADUKA SYED MASHAFUDDIN SYED BADARUDIN JAMALULLAIL
Chief Executive Officer,
Affin Islamic Bank Berhad

Malaysian
Male
49 years old
8 November 2022

Academic/Professional Qualification

- Joint Honours Degree in Computer Science and Accounting (B.Sc. Honours) from the University of Manchester, United Kingdom
- Master of Science Degree (MSc) in International Banking from the University of Manchester institute of Science and Technology (UMIST), United Kingdom
- Diploma in Islamic Finance, Chartered Institute of Management Accountants
- Chartered Financial Analyst (CFA)

Past Working Experiences

- More than 25 years’ experience in the financial sector. He started his career in the Corporate Finance Department of Commerce International Merchant Bankers Berhad back in 1997 and in 2002 went on to serve its Investment Banking department where he was involved in numerous fund-raising exercises, restructurings, merger and acquisitions

Note: Complete profile of Dato’ Paduka Syed Mashafuddin is at page 121 of the Annual Report

Other Appointments

- Council Member – Association of Islamic Banking and Financial Institutions Malaysia (AIBIM)

NG MENG WAH
Managing Director, Securities
(cum Officer-in-Charge),
Affin Hwang Investment Bank Berhad

Malaysian

Male

53 years old

12 September 2022

Academic/Professional Qualification

- Bachelor of Accountancy from University Utara Malaysia in 1995

Past Working Experiences

- He brings with him more than 27 years of working experience in the audit, banking, and stockbroking industry. Meng Wah has made significant contributions toward improving the operational and business governance, driving business performance, as well as expanding the breadth of products and services to valued clients

Other Appointments

- Nil

NG SEOW PANG
Chief Executive Officer
Affin Moneybrokers Sdn Bhd

Malaysian

Male

58 years old

15 April 2021

Academic/Professional Qualification

- Bachelor of Science, Computer Science and Management Science, Keele University, United Kingdom
- Master of Science, Management Science, Imperial College, United Kingdom

Past Working Experiences

- More than 28 years of banking experience particularly in treasury and money market broking in various financial institutions which include OCBC Bank Berhad (Malaysia), Standard Chartered Bank (Philippines, Singapore and Malaysia), Malaysia French Bank Berhad (Malaysia)
- Prior to join Affin Moneybrokers, he was attached with Pronex Management for 5 years

Other Appointments

- Nil

CORPORATE GOVERNANCE OVERVIEW STATEMENT

*The Board of Affin Bank Berhad (ABB) strongly promotes and supports the principles of good Corporate Governance. The Board continuously strives to enhance and strengthen the Group's governance system and processes to ensure that Corporate Governance best practices are adopted Group-wide. The Board acknowledges that Corporate Governance standards help to establish a culture of **accountability, transparency,** and **ethical behaviour**, which in turn enhances shareholders and stakeholders' trust and confidence in the Bank as well as the Group.*

This Corporate Governance Overview Statement (CG Statement) provides insights into the corporate governance (CG) practices of AFFIN during the financial year ended 31 December 2022 and up to the date of publication of this Annual Report 2022 (year under review). This CG statement outlines the Bank's compliance to the three (3) principles set out in the Malaysian Code of Corporate Governance 2021 issued by the Securities Commission (MCCG 2021) as follows:-

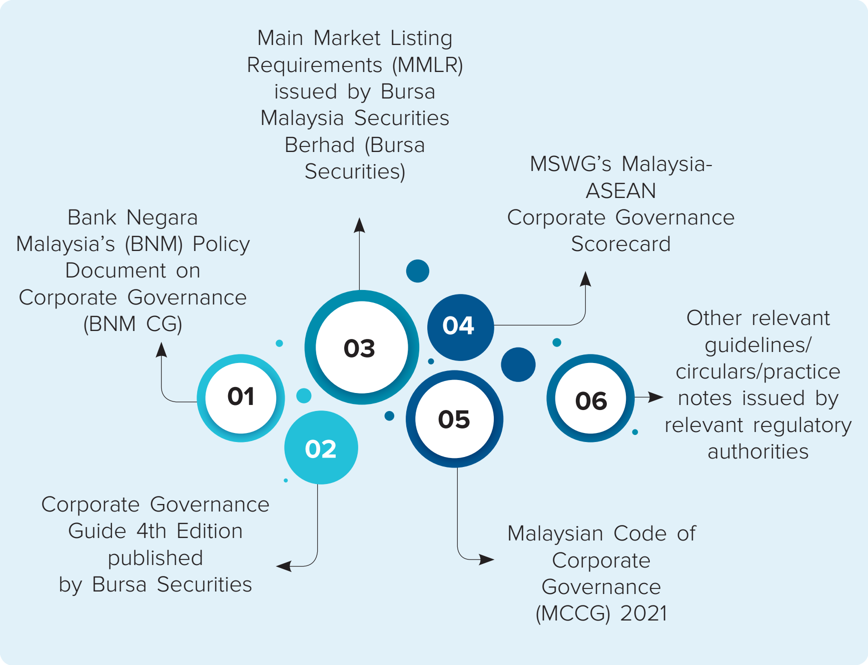
Board leadership and effectiveness
27 practices, 3 step-ups

Effective audit and risk management
8 practices, 2 step-ups

Integrity in corporate reporting and meaningful relationship with stakeholders
8 practices

To ensure compliance with the most recent applicable Corporate Governance and regulatory obligations, the Board regularly reviews its governance procedures and processes. Throughout the year in review, the Bank has complied with all the provisions of the MCCG 2021 save for Practices 8.2 (disclosure of senior management's remuneration) and 12.2 (integrated reporting). This includes the adoption of four (4) out of five (5) step ups, which are considered exemplary practices. A more thorough description of the manner in which the Bank is addressing these departures is set out in the Corporate Governance Report (CG Report) which is available on AFFIN Group's corporate website at www.affingroup.com or the Bursa Malaysia announcement web page.

The Bank adopts best corporate governance approaches based on the following guidelines and best practices:-



This CG statement is to be read in tandem with the CG Report based on the prescribed format by Bursa Securities pursuant to paragraph 15.25 of the MMLR, Statement on Risk Management and Internal Control (SORMIC) and Group Board Audit Committee (BAC) Report as well as other information in the Audited Financial Statements 2022.

The Bank's commitment towards upholding high standards of Corporate Governance was recognised when it received the following awards in 2022 by the Minority Shareholders Watch Group (MSWG) via MSWG-ASEAN CG Award 2021 during the financial year ended 31 December 2021 (FY2021) and ASEAN Asset Class PLCs (Malaysia) at the 2021 ASEAN Corporate Governance Scorecard Award:-

INDUSTRY EXCELLENCE AWARD FOR FINANCIAL SERVICES 2021

RANKED NO: 16 (IN THE TOP 100 COMPANIES FOR CG DISCLOSURE)

ASEAN ASSET CLASS PLCS (MALAYSIA)

The Bank is grateful for the above recognitions and endeavours to improve its corporate governance disclosure, as well as to continue adopting good corporate governance practices.

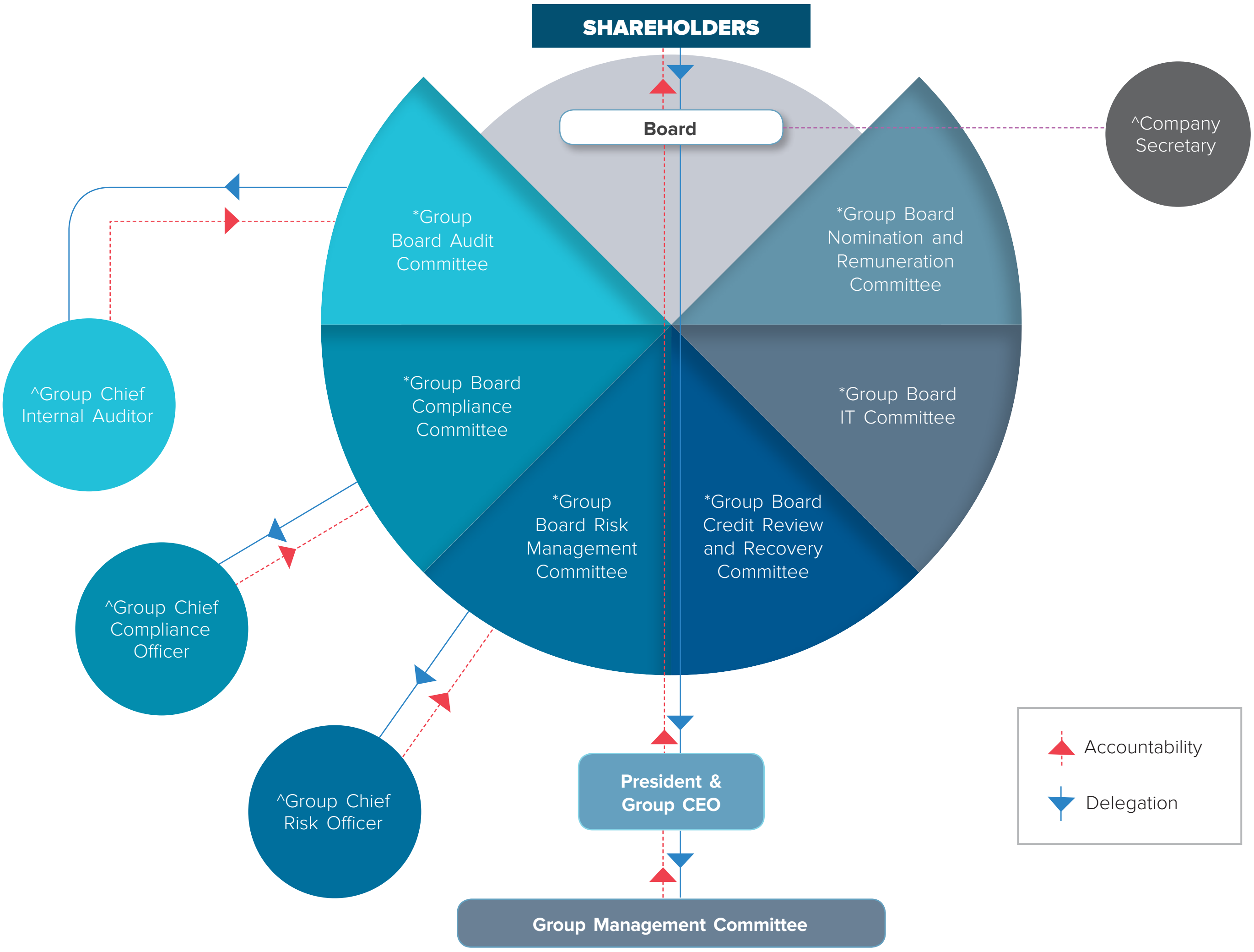
Governance Structure and Framework

In line with AFFIN Group's harmonisation initiatives, the Board encourages its subsidiaries to ensure their adoption and alignment with MCCG 2021.

The Board works continuously to maintain and develop its governance framework to ensure the Group is provided with good Corporate Governance environment that guides the decision-making process and setting of direction in the interest of the Group, its shareholders and other stakeholders.

Taking cognisance of the importance of embracing the best governance practices, Affin Corporate Governance Framework was established to set out an overview of the principles, standards and requirements to be adopted by the Group as the foundation for sound corporate governance practices.

The Group's governance structure allows the Board to delegate specific functions and responsibilities to its Board Committees, with the ultimate oversight and full accountability remaining with the Board.



* *Established on Group basis with fair representation from Affin Bank Berhad (ABB), Affin Islamic Bank Berhad (AIBB) and Affin Hwang Investment Bank Berhad (AHIBB)*

^ *The Group Chief Internal Auditor, Group Chief Compliance Officer, Group Chief Risk Officer and Company Secretary report administratively to the President & Group CEO.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible to provide effective oversight on the management and direction of the Bank. Their primary role is to act in the best interests of the Bank and its stakeholders, as well as to ensure that the Bank operates in accordance with applicable laws and regulations.

The roles and responsibilities of the Board are set out in the Bank's Board Charter which was recently revised in July 2022. The Board Charter sets out, amongst others, the following:-

- Mandate, roles and responsibilities of the Board.
- Procedures of the Board and Board Committees (both individually and collectively).
- The direction, management and control of the Bank.
- Matters reserved for the Board.

The above is guided by the principles of good corporate governance as prescribed in the policy documents and guidelines issued by BNM and relevant regulatory authorities.

The Bank's Board Charter is available on the Bank's website at https://affin.listedcompany.com/others.html.

Amongst the key responsibilities of the Board are, but not limited to, the following:-

- Establish the corporate vision and mission as well as the philosophy of the Bank
- Set and oversee the implementation of business and risk objectives as well as strategies
- Ensure and oversee the effective design and implementation of sound internal controls, compliance and risk management processes
- Oversee the performance of the Senior Management in managing the business and affairs of the Bank
- Ensure reliable and transparent financial reporting process within the Bank
- Promote sustainable growth and financial soundness of the Bank
- Promote timely and effective communications between the Bank and regulators on matters affecting or that may affect the safety and viability of the Bank
- Consider the significant matters reserved for the Board

The Board and Senior Management strive to ensure that greater vigilance is in place amidst the challenging operating environment. It ensures effective leadership through oversight on management and robust monitoring of the performance, initiatives and internal controls within the Bank.

Leadership and Management

CHAIRMAN

The Bank is headed by the Chairman, whose roles are strictly separated and distinct from the PGCEO. The respective roles of the Chairman and PGCEO are clearly defined and documented in the Board Charter so as to promote accountability and facilitate division of responsibilities between them and to further ensure a balance of power and authority.

The Chairman is responsible for leading the Board in its collective oversight of Senior Management. He ensures the smooth functioning of the Board and that procedures and processes are in place to facilitate effective conduct of business by the Board.

PGCEO

The PGCEO focuses on the business and day-to-day management of the Bank and is responsible for developing business strategies and ensuring implementation of such strategies and policies. The balance of responsibilities between the Chairman and PGCEO is regularly reviewed to ensure the division of functions remains appropriate to the needs of the Bank.

NUMBER OF MEETINGS AND BOARD ATTENDANCE IN 2022

DIRECTORS	DESIGNATION	BOARD	BOARD COMMITTEES					
		AFFIN BANK BERHAD	GBNRC	GBCRRC	GBAC	GBITC	GBRMC	GBCC
Dato' Agil Natt	Chairman/INED	18/18	-	23/23	-	13/13	-	-
Dato' Abdul Aziz Abu Bakar	INED	18/18	11/11 (C)	-	-	-	-	12/12
Dato' Mohd Hata Robani	INED	18/18	-	-	14/14	-	-	12/12 (C)
Ignatius Chan Tze Ching	NINED (BEA representative)	17/18	-	-	-	-	-	-
Dato' Rozalila Abdul Rahman	INED	18/18	-	-	-	12/13	11/11 (C)	-
Peter Yuen Wai Hung	NINED (BEA representative)	18/18	-	-	-	-	11/11	-
Marzida Mohd Noor	INED	17/18	11/11	-	-	13/13 (C)	-	-
Gregory Jerome Gerald Fernandes	INED	18/18	-	-	14/14 (C)	-	-	12/12
Chan Wai Yu	INED	18/18	-	23/23 (C)	-	-	11/11	-
Mohammad Ashraf Md Radzi (appointed w.e.f. 3 October 2022)	NINED (LTAT representative)	3/4	-		-	-	-	-
Musa Abdul Malek (assumed the position of Chairman w.e.f. 22 June 2022)	INED	-	3/3	23/23	-	13/13	-	-
Suffian Baharuddin	INED	-	-	-	14/14	-	11/11	-
Datuk Mohd Farid Mohd Adnan	INED	-	11/11	-	-	-	-	12/12
Cindy Tan Ler Chin	INED	-	-	-	-	12/13	11/11	
Muhammad Fitri Othman (appointed w.e.f 21 March 2022)	NINED (LTAT representative)	-	-	-	-	-	-	2/2
Dato' Mohd Ali Mohd Tahir (passed away on 12 February 2022)	INED	-	-	2/2	-	-	-	-
Assoc Prof Dr. Said (completed tenure on 3 July 2022)	INED	-	-		7/7	-	-	-
Tunku Afwida Tunku A.Malek (appointed w.e.f. 9 May 2022)	INED	-	-			3/4		
Eugene Hon Kah Meng	INED	-	-	22/23	13/14	9/9		
Datuk Wan Razly Abdullah	NIED (ABB representative)	-	-					
Hasli Hashim	INED	-	-	22/23	8/11	-	11/11	-
Dato' Abdul Wahab Abu Bakar	INED	-	11/11	-	-	12/13	-	-
Kong Yuen Ling	NINED (BEA representative)	-	-	-	-	-	8/9	11/12
Datuk Noor Azian Shaari (completed tenure on 4 October 2022)	INED		1/1					9/9

INED :
Independent Non-Executive Director

NINED :
Non-Independent Non-Executive Director

NIED :
Non-Independent Executive Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

BOARD AND BOARD COMMITTEES DELIBERATIONS

The highlights of matters reviewed, deliberated and approved by the Board and Board Committees during FY2022 were as follows:-

Board

Key Activities of the Board and Board Committee in 2022

STRATEGY, TECHNOLOGY & ESG

- Relocation of the Bank's Head Office to Menara AFFIN @ TRX
- Project Synergy – Harmonisation of Group matters
- Corporate Exercises namely the divestment of Affin Hwang Asset Management Berhad and the Joint Venture with Generali Asia N. V. on General and Life Insurance
- Business strategy of various sectors within the Group Budget and Business Plan for the Group for FY2023
- Group A25 Plan
- Capital Position & Capital Plan
- Contents of Annual Report 2022
- Dividend payment for 2022 and Dividend Reinvestment Plan
- The Bank's Climate Risk Management Plan
- Bursa Malaysia's enhanced Sustainability Reporting Framework with New Climate Change Reporting
- BNM's Exposure Draft on "Climate Risk Management and Scenario Analysis" and Climate Risk Management Plan
- Consumer Behavioural Scorecard
- Proposed relocation of branches and opening of new branches
- RMiT Update and Compromise Assessment
- Digital Core Banking System Implementation
- Updates on market conditions and business performance
- The market challenges and opportunities faced by the Group during the year.

GOVERNANCE, RISK & COMPLIANCE

- BNM Composite Risk Rating findings
- Re-appointment of external auditors for the Group
- Group Board and Board Committee Composition
- Revision of Board Charter
- Board Effectiveness Evaluation
- Fit and Proper Assessment
- Group Risk Appetite Statement
- Recovery Plan
- Crisis Communication Plan
- Annual Credit Plan
- Group Enterprise Risk Dashboard
- Interest Rate outlook and risk assessment
- Various revision of policies/frameworks but not limited to - Group Stress Test Policy, Group Contingency Planning Framework (GCPF), Group Business Continuity Management Policy, Treasury Framework Limits FY2022, Technology Risk Management, Group Compliance Framework
- Legal Opinion on Directors Duties & Obligations Under Malaysian Law in the Climate Change Risks and Considerations
- Monthly updates from Group Compliance, Group Internal Audit and Group Risk Management

FINANCIALS & PERFORMANCE

- AFFIN Group Budget FY2023 (Including CAPEX Budget) and Forecast FY2024 to FY2026 and FY2023 Business Plan & Strategy
- Authority Limit
- Group ICAAP Framework
- Group Dividend Policy
- Outsourcing Plan
- Group Internal Capital Threshold and Stress Test Results

CSR, CULTURE & PEOPLE

- Bank Bergerak Initiative (BBI) and Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH)
- Sponsorship of Badminton Association Malaysia
- Proposed Establishment of Affin Foundation
- Financial Assistance and Instalment Relief (FAIR) Program
- Group Organisational Structure
- Overview of Consequence Management
- Review of Wage Band for Affin Bank Group
- Revision to the Directors Remuneration and Benefits for Affin Bank Group
- Directors and Shariah Training Plan 2022
- Updates on employees' engagement surveys - Lenses
- Appointment and contract renewal of senior management

GROUP BOARD AUDIT COMMITTEE

BOARD COMMITTEES

TOTAL MEETINGS IN 2022:	SCHEDULED **12 MEETINGS**	SPECIAL **2 MEETINGS**

Members
(Note : Adopted Practice 1.4 and Step Up 9.4 of MCCG 2021)

1. Gregory Jerome Gerald Fernandes (Chairman) *(representing ABB)*
2. Dato' Mohd Hata Bin Robani *(representing ABB)*
3. Suffian Baharuddin *(representing AIBB)*
4. Eugene Hon Kah Weng *(representing AHIBB)* (appointed as member w.e.f. 6 January 2022)
5. Associate Prof. Dr. Said Bouheraoua *(representing AIBB)* (resigned as member w.e.f. 2 July 2022)
6. Hasli Hashim *(representing AHIBB)* (resigned as member w.e.f. 1 October 2022)

MAIN ROLES & RESPONSIBILITIES

- To establish the framework and oversee the audit function of AFFIN Group;
- To provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that good corporate governance, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the Group;
- To implement and support the function of the Board by reinforcing the independence and objectivity of the Group Internal Audit Division ("GIA"); and
- To ensure that internal and external audit functions are properly conducted, and audit recommendations are implemented timely and effectively.

MATTERS DISCUSSED IN 2022

- Approval of the GIA Annual Audit Plan for 2022.
- Review of audit reports and findings by GIA as scheduled in the Annual Audit Plan as well as ad-hoc audit reports/special reviews.
- Deliberation on monthly financial results and endorsements of quarterly and year-end financial statements prepared by Group Finance Division.
- Review of internal investigation reports as directed by the Board or requested by Management.
- Review of the risks and controls culture pulse assessment that were embedded as part of the audit assessments.
- Monitoring of the corrective actions taken by Management on findings from regulators, internal and external auditors.
- Provide oversight over audit matters of the Group's subsidiaries, discussing and providing recommendations to subsidiaries' Board Audit Committees as and when deemed necessary on matters of significant governance, risk management, and controls issues.
- Review of audit reports and internal control recommendations by the external auditors, including key audit matters and significant accounting issues.
- Review and recommendation on the re-appointment and fees of external auditors.
- Review and recommendation on the appointment of external auditors for non-audit related services.
- Revision of GBAC Terms of Reference.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

GROUP BOARD RISK MANAGEMENT COMMITTEE

BOARD COMMITTEES

TOTAL MEETINGS IN 2022:	SCHEDULED **11 MEETINGS**	SPECIAL **2 MEETINGS (JOINT GBAC & GBRMC – 30 JUNE & 30 NOVEMBER 2022)**

Members
(Adopted Step Up 10.3 of MCCG 2021)

1. Dato' Rozalila Abdul Rahman (Chairperson) *(representing ABB)*
2. Yuen Wai Hung, Peter *(representing ABB)* *(resigned w.e.f. 1 January 2023)*
3. Chan Wai Yu *(representing ABB)*
4. Suffian Baharuddin *(representing AIBB)*
5. Tan Ler Chin, Cindy *(representing AIBB)*
6. Hasli Hashim *(representing AHIBB)*
7. Mohammad Ashraf Md Radzi *(representing ABB)* *(appointed w.e.f. 1 January 2023)*
8. Kong Yuen Ling *(representing AHIBB)* *(resigned w.e.f. 1 October 2022)*

MAIN ROLES & RESPONSIBILITIES

The GBRMC is established to assist the Board of Directors in respect of the following:-

- Ensuring that the Group wide enterprise risk management framework, policies and guidelines adequately protect the Group against all relevant risks, comprising but not limited to, Credit Risk, Market, Liquidity and Interest Rate Risk, Operational Risk including Legal Risk, Regulatory Risks, Reputational Risk, Technology Risk, Shariah Non-Compliance (SNC) Risk as well as Environmental, Social and Governance (ESG) risk.
- Review and recommend the Group's enterprise-wide risk strategy, risk appetite and risk management framework for approval by the respective entities' Board of Directors.
- Providing oversight on the Group's sustainability matters to build the Bank's resilience against the adverse impacts of ESG and climate-related risks.
- The primary role of the GBRMC is to oversee, review, assess and examine the adequacy of Group risk management frameworks covering the policies, methodologies, procedures & processes and risk reports of the Bank and its subsidiaries.

MATTERS DISCUSSED IN 2022

- Review and endorse risk-related frameworks, policies (including risk controls and thresholds), standards, guidelines and strategies for recommendation to the Board for approval.
- Review and evaluate risk reporting by the Chief Risk Officers (CRO) of the respective subsidiaries to the GBRMC on risks that may have financial and non-financial impact to the entities and/or Group.
- Review the reports and findings by Independent Credit Review whether the quality of Credit Risk assessment and credit decision-making remain consistent with the Bank and its respective subsidiaries overall Credit Risk management.
- Review the capital and liquidity management of the Group.
- Review the overall implementation and management of the Group's sustainability matters.
- Review and endorse the Group Recovery Plan, including the Key Recovery Indicators, Scenario Analysis and Recovery Options.
- Other risk management matters reviewed include:-
  - New product and services (and variances where applicable).
  - Half yearly/ad-hoc Stress Test (mandated by BNM).
  - Annual ICAAP Framework and Internal Capital Threshold (ICT) review.
  - Annual Risk Appetite Statement (RAS).
  - Annual Business Continuity Management (BCM)/Business Continuity Plan (BCP).
  - Annual Outsourcing Plan.
  - Annual Credit Plan.
  - Independent Validation report on MFRS 9 and credit models.
  - Independent Credit Review's (ICR), Post-Mortem Review (PMR) and Post-Approval Credit Review (PACR) reports.
  - Connected Party Transaction reports.
  - Update on the Mortgage Portfolio Asset Quality.
  - Credit portfolio report of Corporate Banking Division (CBD), Enterprise Banking Division (EBD) and Community Banking Division (CmD).
  - BNM's Risk Management in Technology (RMiT) Remediation Action Status/Cybersecurity update.
  - Shariah related developments involving banking products.
  - Rescheduled and Restructured (R&R) loans/financing reports.
  - ESG Climate-related Risk updates.

GROUP BOARD COMPLIANCE COMMITTEE

BOARD COMMITTEES

TOTAL MEETINGS IN 2022:	SCHEDULED **12 MEETINGS**	SPECIAL **NIL**

Members

1. Dato' Mohd Hata Robani (Chairman) *(representing ABB)*
2. Gregory Jerome Gerald Fernandes *(representing ABB)*
3. Yuen Wai Hung, Peter *(representing ABB)*
   (appointed w.e.f. 1 January 2023)
4. Datuk Mohd Farid Mohd Adnan *(representing AIBB)*
5. Kong Yuen Ling *(representing AHIBB)*
6. Muhammad Fitri Othman *(representing AIBB)*
   (appointed w.e.f. 4 October 2022)
7. Dato' Abdul Aziz Abu Bakar *(representing ABB)*
   (resigned w.e.f. 1 January 2023)

MAIN ROLES & RESPONSIBILITIES

- Assess and examine the adequacy of Group compliance and integrity as well as governance frameworks for the Group.
- Support the Board to fulfil its responsibilities to:-
  - Oversee the management of compliance risk by ensuring compliance process is in place and functioning in line with the expectations of regulators.
  - Oversee integrity and governance matters inclusive of corruption, fraud, malpractice, unethical conduct and abuse of power within the organisation that are guided by applicable laws and regulations and make the necessary recommendations to align to the Group's long-term strategy.
  - Oversee management of climate-related risks to safeguard the Bank's resilience against the adverse impacts of ESG including climate change.
  - Review and recommend risk management and corruption risk management philosophy and strategy for the Board's approval.
  - Ensure clear and independent reporting lines and responsibilities for the overall business activities, compliance functions and integrity & governance function.
  - Ensure the practice of excellent work culture among employees, with strong morals and ethics within the organisation.
- The role and responsibilities of the GBCC may be supported by the Board Risk Management Committee at subsidiaries.
- Monitor the Bank's management of compliance risk through periodic reporting on AML/CFT Updates, outcome from compliance review exercise, statistic of whistleblowing cases as well as non-compliance incidences report.

MATTERS DISCUSSED IN 2022

- Review the revised Group Compliance Framework and other relevant policies such as Management of Customer Information and Permitted Disclosure ("MCIPID")' and Foreign Exchange Administration Master Policies.
- Monitor the status of remediation Action on BNM Composite Risk Rating for Compliance related issues.
- Reviewed the Annual Compliance Attestation for Board of Directors.
- Review the revised Group Compliance Structure of Affin Bank Group.
- Review the Annual Compliance Risk Assessment conducted on ABB, AIBB and AHIBB.
- Review the revision on Term of Reference for GBCC.
- Review the Bank wide AML/CFT risk assessment & risk appetite.
- Review the Annual Compliance Plan for 2023.
- Monitor ESG related Climate Risk Exposure Draft feedback.
- Deliberation of regulatory breaches.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

GROUP BOARD NOMINATION AND REMUNERATION COMMITTEE

BOARD COMMITTEES

TOTAL MEETINGS IN 2022: SCHEDULED **8 MEETINGS** | SPECIAL **3 MEETINGS**

Members
(Adopted Practice 1.4 of MCCG 2021)

1. Dato' Abdul Aziz Abu Bakar (Chairman) *(representing ABB)*
2. Marzida Mohd Noor *(representing ABB)*
3. Datuk Mohd Farid Mohd Adnan *(representing AIBB)*
4. Dato' Abdul Wahab Abu Bakar *(representing AHIBB)* (appointed as member w.e.f. 6 January 2022)
5. Musa Abdul Malek *(representing AIBB)* (resigned as member w.e.f. 1 April 2022)
6. Dato' Noor Azian Shaari *(representing AHIBB)* (resigned as member w.e.f. 27 January 2022)

MAIN ROLES & RESPONSIBILITIES

- To provide a centralised platform in setting the Group principles, procedures and framework relating to the composition of the Board and Management including their appointment/re-appointment, effectiveness and performance as well as remuneration policy for the Board, Management and the Group as a whole. This Group approach would promote compensation philosophy which would drive performance of the Group as a whole.
- To review the diversity, matrix skills of the Board and Management from broader perspective to ensure that it aligns with the Group's strategy and placement of human capital at entity level with the right skills set.
- The GBNRC is set-up with the following objectives:-
  - The selection and appointment of new Directors and PGCEO as well as assessment of effectiveness of individual Directors, Board as a whole, Board Committees and performance of PGCEO and Key Senior Management Officers (KSMO); and
  - Develop remuneration policy for Directors, PGCEO and and KSMO and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategies.

MATTERS DISCUSSED IN 2022

- Review the overall composition of the Board and Board Committees.
- Board and Management Succession Plan
- Setting up of KPIs and Scorecard for FY2022.
- Performance assessment of KSMO for new appointment and contract renewal of ABB, AIBB and AHIBB.
- Assessment of fitness and propriety of Directors and Key Responsible Persons.
- Assess suitability of candidates for appointment and re-appointment of Directors and Shariah Committee members
- Review the remuneration of Directors, Shariah Committee and KSMO.
- Outcome of the Board Effectiveness Evaluation exercise for FY2021.
- Appointment of external independent expert to undertake BEE2022.
- Review of policies and structure for Group implementation under Project Synergy – Organisation Structure, Job Grade, Wage Band and Benefits.
- Directors and Shariah Committee Training Plan.
- Revision to Board Charter.

GROUP BOARD CREDIT REVIEW AND RECOVERY COMMITTEE

BOARD COMMITTEES

TOTAL MEETINGS IN 2022: SCHEDULED **20 MEETINGS** | SPECIAL **3 MEETINGS**

Members

1. Chan Wai Yu (Chairperson)
   (representing ABB)
2. Dato' Agil Natt
   (representing ABB)
3. Musa Abdul Malek
   (representing AIBB)
4. Hasli Hashim
   (representing AHIBB)
5. Eugene Hon Kah Weng
   (representing AHIBB)
6. Dato' Mohd Ali Mohd Tahir
   (representing AIBB) (passed away on 12 February 2022)

MAIN ROLES & RESPONSIBILITIES

The Group Board Credit Review and Recovery Committee is established to assist the functions of the Board in respect of its inherent authority over approval on loan/financing application/proposals which are considered by the Group Management Credit Committee (GMCC).

The duties and responsibilities of the Committee shall include the following:

- Critically review credit facilities application, after due process of checking, analysis, review and recommendation by the Group Credit Management Division to GMCC, and if found necessary, to exercise the power of veto on behalf of the Board, on credit applications that have been approved by the GMCC.
- Assisting the Board of Directors in performing oversight function and provide recommendations in respect of investment strategies, credit risk assessment, management and performance of partnership investment accounts under Islamic Banking such as Musyarakah financing/ventures or Mudharabah financing/ventures.
- To consider whether to affirm/veto credit/underwriting proposal, impose additional terms or modify the terms approved by the GMCC thereof.
- To set and review recovery targets as well as monitor the progress of recovery efforts.
- To ensure that the GMCC has discharged its responsibilities in a timely and proper manner.
- To offer advice and directions relating to credit portfolio.

MATTERS DISCUSSED IN 2022

- Single Counterparty Exposures Limit (SCEL) Status Report.
- Enterprise Banking Repayment Assistance.
- Review of Credit Policies.
- Climate Change & Principle-based Taxonomy ("CCPT") reporting and training.
- Annual Credit Plan (ACP) formulation and review.
- New Repayment Assistance (NRA) Program under PEMULIH and FAIR Program.
- Portfolio Monitoring.
- Revision of Terms of Reference for GMCC (Management level Committee) and GBCRRC.
- Review of written-off accounts, recoveries, impaired loans.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

GROUP BOARD INFORMATION TECHNOLOGY COMMITTEE

BOARD COMMITTEES

TOTAL MEETINGS IN 2022: SCHEDULED **11 MEETINGS** | SPECIAL **2 MEETINGS**

Members

1. Marzida Mohd Noor (Chairperson) *(representing ABB)*
2. Dato' Agil Natt *(representing ABB)*
3. Dato' Rozalila Abdul Rahman *(representing ABB)*
4. Musa Abdul Malek *(representing AIBB)*
5. Tan Ler Chin, Cindy *(representing AIBB)* (appointed w.e.f. 1 December 2021)
6. Tunku Afwida Tunku A.Malek *(representing AHIBB)* (appointed w.e.f. 1 August 2022)
7. Eugene Hon Kah Weng *(representing AHIBB)* (resigned as member w.e.f. 1 August 2022)
8. Dato' Abdul Wahab Abu Bakar *(representing AHIBB)* (resigned as member w.e.f 1 January 2023)

MAIN ROLES & RESPONSIBILITIES

- Oversee the overall development, risk management, integration and alignment of the Information Technology (IT) strategies and plans with the Group's strategic business directions.
- Ensure that IT has the right talent and culture to develop organisational capabilities which are agile, innovative, adaptable and most importantly focused on business value creation.
- Oversee the overall Group strategic transformation programme, ensure alignment with business strategic objectives and goals, as well as ensure strategic initiatives are being implemented effectively and in a timely manner.

MATTERS DISCUSSED IN 2022

- Deliberation of investment proposals for technology transformation involving core systems, channels, and support systems for the Group.
- Review of productivity and efficiency in technology and resources in managing the Group's technology.
- Review and monitoring of the AIM22 transformation plan and the evolution into the next phase of transformation as encapsulated in the A25 plan.
- Compliance to regulations stipulated by regulatory bodies.
- Technology and transformation risk management covering operational, cyber security, and emerging risks.

BOARD COMPOSITION

Board Composition, Independence and Diversity

The Bank ensures on going review is being conducted on the Board composition so that the Bank complies with the relevant regulatory requirements and recommendations made by BNM, Bursa Securities as well as SC.

The Board, through the GBNRC, took cognisance that the composition, independence, and diversity are important aspects of corporate governance that can have a significant impact on the Bank's performance, reputation, and long-term success.

The Board composition of the Bank consists of individuals who possess relevant and diverse set of skills, knowledge, and experience that can guide the Bank towards achieving its strategic goals. The review undertaken by GBNRC on Board composition took into consideration the Bank's size, desired skillsets as well as specific challenges and opportunities.

The Bank's Board composition comprises majority Independent Directors with 70% Independent Non-Executive Directors whilst the remaining 30% consist of Non-Independent Non-Executive Directors (all whom are appointed via nomination by major shareholders namely Lembaga Tabung Angkatan Tentera and The Bank of East Asia, Limited). Therefore, majority Independent Directors serves as a check and balance on the potential influence of the nominees from the Bank's largest shareholders which would provide assurance that the interest of the minority shareholders is not compromised.

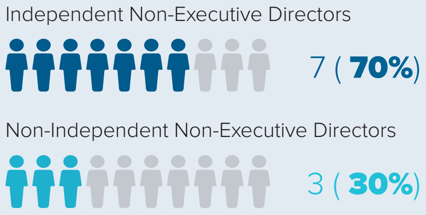
A diverse Board can foster innovation and creativity. In this regard, the Board is committed in ensuring that it upholds and maintains the recommendation on diversity and inclusion in its composition and decision-making process. The Board recognises diversity from a variety of different perspectives, including but not limited to gender, age, race/ethnicity, nationality, experience, skills and length of service. Moving forward the focus is to onboard Director with relevant skills and background to support the Bank in achieving its sustainability agenda.

The Bank wishes to affirm that:-

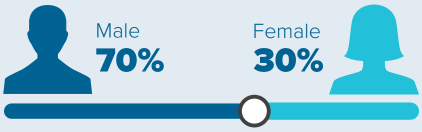
- The current Board composition in which the majority are Independent Directors, exceeds the MMLR and BNM CG requirements.
- The Board had adopted the maximum tenure of nine (9) years of service for Independent Directors within the Group to ensure the Board's independence as well as to encourage fresh views and ideas, However, the Board retains the flexibility for Independent Directors, upon reaching the maximum tenure of nine (9) years of service and subject to the approval of BNM for his/her re-appointment as Director, to remain as a Director but shall be re-designated as Non-Independent Non-Executive Director.

As at 31 December 2022, the Board composition, independence and diversity for the Bank is depicted below:-

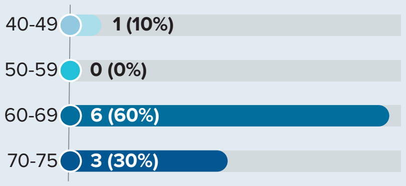
COMPOSITION (% AND TOTAL)



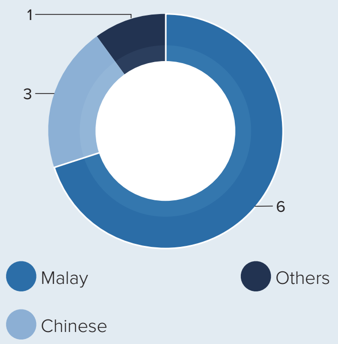
GENDER



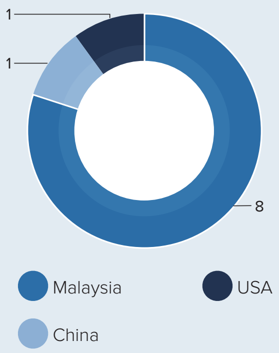
AGE



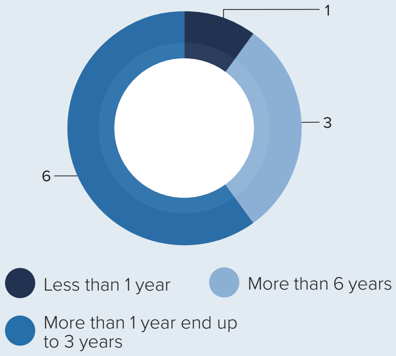
RACE/ETHNICITY



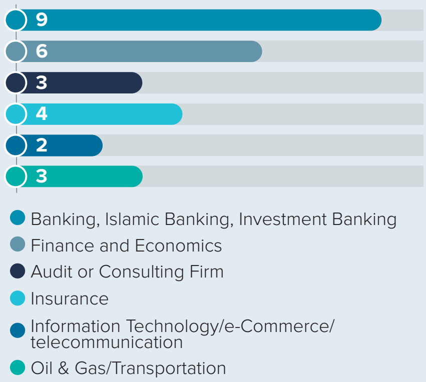
NATIONALITY



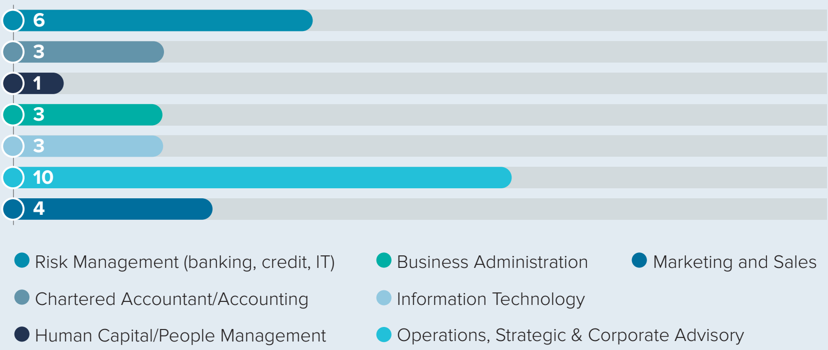
TENURE



INDUSTRY EXPERIENCE



FUNCTIONAL EXPERIENCE



The existing size and composition of the Board are able to promote effective deliberation, encourage the active participation of all Directors and allow the work to be discharged without giving rise to an over-extension of Directors who are required to serve on multiple Board Committees. The Board acknowledges that Board refresh exercise is important to ensure effective Board composition to better able the Bank to weather challenges and take advantage of opportunities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board and Senior Management Appointments, Removals and Re-election of Directors

NEW APPOINTMENTS OR RE-APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

New appointments of Directors and Senior Management require careful consideration and planning to ensure that the Bank has the right leadership team in place to achieve its strategic objectives.

The GBNRC identifies prospective Board and Senior Management candidates from various sources such as referrals from existing Directors or officers maintained in the Bank's internal Directors' list, recommendation by major shareholders, Directors' Register maintained by Institute of Corporate Directors Malaysia, FIDE or other leadership development and consulting organisations.

When making assessment(s) on new appointments of Directors and Senior Management, the GBNRC will take into account the following considerations:-

Board

- The desired skillsets as reviewed and approved by the Board (in terms of qualification, diversity, alignment with the Bank's strategic direction/focus).
- Candidate(s)' knowledge and experiences in order to evaluate whether candidate will be a strategic and effective fit for the Board
- Outcome of the due diligence process to ascertain candidate's fitness and propriety to assume the role based on the minimum requirements as set out in relevant regulatory requirements.

Senior Management

Candidate's fitness and propriety to assume the role based on the minimum requirements as set out in relevant regulatory requirements. In determining whether a person is fit and proper, the Bank shall consider the following:

- Probity, personal integrity, and reputation
- Competence and capability
- Financial integrity
- Health Assessment

For re-appointment of Director(s), GBNRC is to ensure that submission is made to BNM at least three (3) months prior to the expiry of his/her current term of appointment. The same assessment process will be undertaken with additional emphasis be given on Directors' contribution during his tenure with the Bank.

After undertaking the due process and being fully satisfied, based on their objective assessment, that the candidate meets the minimum requirements, the GBNRC will then submit its recommendation to the Board for a decision and onward submission to BNM for approval, if applicable (for Directors and CEO level position). (Note: All appointments of Directors and CEOs are subject to the approval of BNM which is for a specific term of appointment).

New Appointment of Director	There was only one (1) new appointment of Director namely Mohammad Ashraf Md Radzi, Non-Independent Non-Executive Director (Nominee Director of LTAT) who joined the Bank on 3 October 2022.
Re-appointment of Directors	There were four (4) re-appointment of Directors namely Dato' Agil Natt (Chairman – 2nd term), Dato' Abdul Aziz Abu Bakar (INED – 2nd term), Yuen Wai Hung, Peter (NINED – 2nd term) and Marzida Mohd Noor (INED – 2nd term).
New Appointment of Senior Management	There was only one (1) new appointment of Senior Management namely Ricky Dang Cheong Min as Group Chief Risk Officer who joined the Bank on 28 April 2022.

REMOVAL OF DIRECTORS AND SENIOR MANAGEMENT

Each Director and Senior Management shall be assessed for compliance with the BNM Policy on Fit & Proper Criteria, their performance and effectiveness. Should any of them are found no longer fit and proper or is underperforming, the GBNRC will take corrective measures to manage such event accordingly.

RE-ELECTION OF DIRECTORS

The Constitution of the Bank provides that at every Annual General Meeting, at least one-third of the Directors are subject to retirement by rotation or, if their number is not three (3) or a multiple of three (3), the number nearest to one-third shall retire from office, but shall be eligible for re-election. The Constitution of the Bank further provides that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

Fit and Proper Assessment

The Board, through the GBNRC, assessed the fitness and propriety of the Directors in accordance with the Bank's Fit and Proper Policy on Key Responsible Persons as well as Declaration by Independent Directors on annual basis.

The Annual Fit and Proper Declaration by the Directors are verified against independent sources such as credit reporting agencies and/or reference check agencies. For FY2022, the Board was satisfied that each of the Directors have met the required standard of fitness and propriety as required under relevant regulations.

Time Commitment

Any Director, while holding office, may accept other Board appointments (outside the Group) so long as the appointment is not in conflict with the business of the Bank and does not detrimentally affect the Director's performance as a director. When a Director has multiple board representations, he must ensure sufficient time and attention are given to the affairs of the Bank.

The Board values the experience and perspective that the Directors may gain from external appointment with other companies, organisations or associations. However, prior to the acceptance of any relevant external appointments, Directors should first consult with the Chairman of the Board and Chairman of GBNRC on such proposed appointment. In situation where such external appointment falls under potential of conflict situations as stated in the Bank's Board Charter, the matter would need to be escalated to GBNRC for deliberation.

To ensure full commitment and sufficient time is given to the affairs of the Bank, a Non-Executive Director ("NED") of the Bank must not hold more than five (5) directorships in listed and ten (10) directorships in non-listed companies (Pursuant to paragraph 15.06 (1) of the MMLR and Practice 5.5 of MCCG 2021).

The Board is satisfied that each Director has demonstrated sufficient time to the Bank as evident from the Directors' record of attendance at Board and Board Committee meetings held in the financial year ended 31 December 2022 as stated above.

Board Evaluation

When companies conduct regular Board Effectiveness Evaluation (BEE), this reinforces the Board's commitment towards the highest level of performance by their directors when fulfilling their responsibilities to stakeholders, and the continuous strive for excellence in governance.

The Bank had previously undertaken the BEE exercise internally with the assistance from the Company Secretarial team. For the 2022 Board Effectiveness Evaluation (BEE 2022), the Board approved the appointment of an external independent expert to conduct the said exercise for the Bank, as well as for AiBB and AHIBB.

The appointment of the external independent expert is in line with the requirement under BNM CG and recommendation by MCCG 2021 for them to be engaged periodically. The formal and objective evaluation undertaken comprises of a comprehensive process and methodology in assessing performance across the three focus levels – the Board, Board Committees and Individual Directors.

Step by Step Approach and Methodology

Process

Documentation Review

Selected documents were reviewed by the external independent expert to identify focus areas and corroborate preliminary observations.

Online Questionnaires

Customised questionnaires were circulated by the external independent expert to Directors and selected Senior Management for evaluation of the Boards, Board Committees, and Individual Directors to gather insights and feedback across the 10 key evaluation parameters.

Confidential Interviews

All Board members and CEOs were interviewed by the external independent expert for more in-depth conversations to solicit specific feedback that can contribute towards practical and actionable plans.

Observations

A Final Report outlining the findings and observations from the evaluation, supported by recommendations and action/improvement plans which was presented to the GBNRC and the Boards.

Facilitated Dialogue

Debrief and presentation to the Board by the independent BEE facilitator who is experienced, skillful and a highly trusted governance and corporate practitioner, where there will be facilitated deliberations to strategise and prioritise next action points.

Note: A Director must have served on the Board/Board Committees for at least six (6) months to be able to participate in the BEE.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

Overall, the Boards of ABB, AIBB and AHIBB can be viewed as being formal, professional and cohesive boards under the respective Chairmen, and has undertaken the various board duties, roles and responsibilities well. The ABB Chairman has managed to steer the ABB group to new heights since he came on board in November 2019. Affin's Affinity in Motion 2022 ("AIM22") growth plan was well executed, with the transformation exercise continuing with Affin 2025 ("A25") Plans currently in progress.

The overall average rating is HIGH (average score of 4.20 in line with external independent expert's benchmark), particularly on the key parameters such as Board Dynamics and Culture, Board Composition as well as the Board Governance, Oversights and Processes.

The main highlights of the results are as follows:-

Areas of Strength

Board governance oversight & processes - Received one of the highest ratings from the Board and Management Team with emphasis on adoption of relevant laws, regulations and best practices such as Section 17A of MACC Act, AMLA, MCCG 2021 and dealing with potential conflicts of interest and confidential information.

Board dynamics & culture - Committed to promoting ethical business conduct professional and respectful of one another, and the Board has been able to work as a team with emphasis on honest open communication, trust, respect as well as driving the right level of accountability and integrity. The Board is highly engaged, and Board members are given plenty of room to air their views and opinions.

Considerations for Improvement

Board Composition, Skills and Development - To prioritise a Board Succession Plan, based on a board skills matrix. Areas of need – banking, innovation, sustainability and/or digital experience.

Board Agenda, Meetings & Information – To better align the board meeting agenda to provide more airtime on a periodical basis to discuss issues pertaining to strategic and transformation updates.

Stakeholder Engagement – To adopt integrated reporting and utilise technology in enhancing communication with the relevant stakeholder

Board Sustainability Matters – To appoint a skilled and experienced ESG champion, both at the Board and SMT to drive the agenda more proactively across the organisation, as well as establishing a dedicated Sustainability Committee to address sustainability matters in a more holistic and robust manner.

The Board and GBNRC will look into formulating action plans to address the above based on their priorities, with support from relevant Board Committees. The outcome of the BEE will also be taken into consideration in the re-appointment of the Directors and Board Committees' membership appointment, where applicable.

Supply of information to the Board

The Board meetings are held on a monthly basis with option to convene special meeting(s) as and when necessary to consider urgent proposals that require the Board's review or consideration. The Board and Board Committee meetings are scheduled in advance before the year end in order for the Directors to be able to plan ahead and ensure their full attendance at the meetings.

Under normal circumstances, the Bank ensures that attendance at a Board meeting, by way other than physical presence, remains the exception rather than the norm.

However, the circumstances following COVID-19 pandemic has allowed the Board to leverage on technology to convene Board and Board Committee meetings, subject to appropriate safeguards to preserve the confidentiality of deliberations. The Board adopted internal Guiding Principles and Protocols for Board, Board Committees and Management as part of the Business Continuity Plan.

The Board has full and timely access to information on Board matters via materials distributed in advance at least 5 business days from the date of meeting to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed prior to the meetings.

Access to Third Party Experts

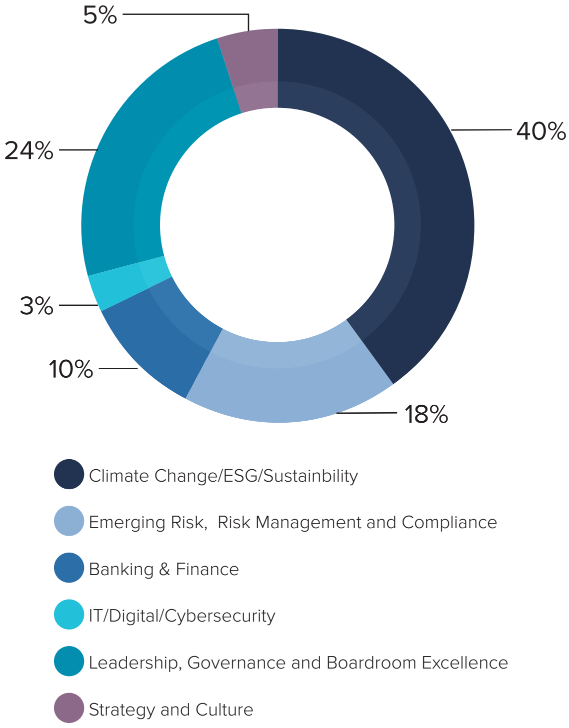
The Board may seek independent professional advice at the Bank's expense on specific issues to enable the Board to discharge its duties in relation to the matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties subject to relevant approval as prescribed in the Board Charter.

Continuing Education and Development

Directors play a critical role in guiding the strategy and operations of organisations, therefore, on-going education and development ensures that Directors are kept up-to-date on emerging trends, best practices, and regulatory requirements.

During FY2022, all the Board members attended various training programmes relevant to areas of development as highlighted in BEE 2021 , among others includes (1) Climate change, Sustainability and ESG; (2) Emerging Risk; (3) Digitalisation, future ready and technology; and (Technical skills relevant to the Bank (Banking, Compliance and Risk Management).

The breakdown of training hours by topic follows:-



Details on the training programmes attended by Directors are as per Part B of the CG Report.

Induction Programme

An induction programme will be conducted to ready new Directors into their role and to assist them in their understanding of the Group's business strategy and operations. New Directors are to attend the programme upon their appointment. The programme consists of session with members of the Group Management Committees, wherein new Directors will be briefed on the business operations and structure.

BOARD REMUNERATION

Board Remuneration

The Board acknowledges that MCCG 2021 emphasises that *Directors' remuneration, which is well structured, clearly linked to the strategic objectives of a company, and which rewards contribution to the long-term success of the company is important in promoting business stability and growth.*

In line with the above practice, ABB had in March 2022, engaged an external consultant, Willis Towers Watson Malaysia (WTW) to conduct an independent review of the Non-Executive Directors' fees of the Board and Board Committees of Affin Banking Entities.

In its review, WTW had adopted comparators which include public and non-public listed financial institutions. Based on the outcome of the review, WTW recommended the revision of the Directors' remuneration to be streamlined and aligned with peers in the market.

The fees review was necessary to commensurate with the Directors' heightened responsibilities, accountabilities, commitment and contribution with reference to their statutory duties, the complexity of the Group's businesses and the increased expectations from various stakeholders.

Further, the review was crucial to determine the Board's competitiveness to attract as well as retain individuals with strong credentials and high calibre to serve on the Board of Affin Banking Entities.

The revised fees were duly approved by the respective Board and Annual General Meetings of Affin Banking Entities in April 2022 and May 2022, respectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Generally, the remuneration package for the Directors of the Bank comprises the following:-

Directors' Fee	The Directors are entitled to Annual Directors' fees.
Re-appointment of Directors	Directors who sit on Board Committees are entitled to receive Board Committee fees.
Meeting Allowances	Directors are also entitled to Meeting allowances when they attend any Board/Board Committee meetings.

The Directors' fees and benefits-in-kind payable to Directors are subject to shareholders' approval at the Annual General Meeting. The details of the Directors' remuneration are set out in the Financial Statements in this Annual Report 2022.

Senior Management Remuneration

The policy also observed Bank Negara Malaysia's (BNM) Corporate Governance Policy Document, BNM's Risk Governance Policy Document and the Bank's risk appetite.

The Bank also adopts a mix compensation that is competitive to market, in the form of fixed pay and variable component which provide a balanced approach between fixed and variable components that correlates to the performance of the Bank, Divisions and the accountability level of the individual. It also provides for reward adjustment (malus and clawback) in cases involving breaches, bad performance of the business unit or the Bank, attributable to the individual or if he/she commits serious legal, regulatory, or internal policy breaches or misconduct which are not aligned to the Bank's standard.

The Group's Remuneration Policy acts as a guiding principle in relation to the design and management of the Group's remuneration and is reviewed periodically to ensure its adequacy and mandates are carried out in-line with the regulatory requirements.

The Group's remuneration philosophy is established to provide a competitive level of total compensation to attract and retain qualified and competent staff and is driven primarily based on performance whilst appropriately balanced with prudent risk-taking across its business practices in support of the Group's strategies and its long-term vision.

The remuneration policy is developed based on the following guiding principles:-

A. SUPPORT STRATEGIC OBJECTIVES:

Remuneration and reward framework shall be developed in a manner that is consistent with, supports and reinforces the achievement of the Bank's vision and strategy.

B. PERFORMANCE-DRIVEN REMUNERATION:

The Bank shall develop a performance-driven workforce, with remuneration driven through the Bank's Performance Management System. Rewards will be differentiated based on performance of the Bank, the Division, the Department/ Centre/Hub/Branch and the individual employee.

C. CONSEQUENCE MANAGEMENT:

To inculcate a culture of ethics, risk and compliance, employees who have been disciplined for misconduct, negligence, and/or non-compliance will have their rewards reduced, held-back, deferred, clawed-back or forfeited. Staff who are under performing shall be enrolled in the Bank's Performance Improvement Programme and their rewards forfeited.

D. INTERNAL EQUITY:

The Bank shall remunerate all staff fairly in terms of their roles within the organisation.

E. MARKET-RELATED REMUNERATION:

The Bank shall measure its remuneration practices against both local and global market through use of remuneration surveys and benchmarking with other similar institutions.

F. AFFORDABILITY AND SUSTAINABILITY:

The Bank shall ensure that remuneration is affordable and sustainable for the future growth.

G. FLEXIBILITY:

Remuneration and reward offerings shall be sufficiently flexible to meet both the needs of employees while complying with relevant statutory requirements and other legislations.

H. TRANSPARENCY:

The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.

Leading Sustainability

The Board together with Senior Management takes responsibility for the governance of sustainability in the Bank including setting the company's sustainability strategies, priorities and targets. Further, the Board is mindful on the philosophy promoted by MCCG 2021, effective board leadership and oversight also require the integration of sustainability considerations in corporate strategy, governance and decision-making.

As ESG is gaining importance, the GBCC and GBRMC have been mandated with oversight function on ESG including climate change risk.

The Bank has established a sustainability team under the Group Chief Strategy Officer, as the designated person to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Bank.

Further, the sustainability risks have been embedded in the performance evaluations at the Board and Management in line with Practice 4.4 of the MCCG 2021. The Board also ensures that they stay abreast with and understand the sustainability issues which are depicted in the list of training programmes attended by the Board under CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

Code of Ethics, Conduct and Whistleblowing Policy

The Board understands that the responsibility for good corporate governance and ethics rest with them and therefore strives to follow the principles and best practices of corporate governance and adopts a "zero tolerance" approach on all forms of corruption, and bribery which is enumerated under the Bank's Anti-Bribery and Corruption Policy.

The Bank has put in place a Code of Ethics and Standard of Professional Conduct. The Code of Ethics is to ensure that staff consistently adhere to a high standard of professionalism and ethics in the conduct of business and professional activities to serve the legitimate interest of the Bank's customers clients with high standards of professional and ethical behaviour. The Standard of Professional Conduct specifies the minimum standards of conduct expected of the Bank's staff in demonstrating a high level of integrity and professionalism at all times.

All Directors and employees of the Bank are expected to exercise caution and due care in safeguarding confidential and price- sensitive information of the Bank and its business associates from being misused including for personal benefits, at all times. The Directors and Senior Management are reminded periodically of the prohibition of insider trading and the dealings in securities during closed periods in accordance with the relevant provisions of the MMLR.

The Board has also in place Whistleblowing Policy to promote whistleblowing in a positive manner that provides an avenue to escalate concerns on improper conduct and to handle such concerns appropriately, in line with the fundamental objectives of Whistleblower Protection Act 2010.

The relevant policies and code can be found at AFFIN website https://www.affingroup.com/en/affin-bank-berhad

Board Administration

The Board is supported by a qualified Company Secretary in discharging its functions. The Company Secretary plays an advisory role to the Board and is qualified under Section 235(2) of the Companies Act, 2016, experienced and competent in performing her duties.

The Board has direct access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that all governance matters and the Board procedures are followed, and that applicable laws and regulations are complied with. The Company Secretary attends the Board, selected Board Committees' as well as Management Committee meetings which she is the appointed Secretary and is responsible for supporting the effective functioning of the Board.

Details on the roles and responsibilities of the Company Secretary is enumerated in CG Report.

PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

The Group has a comprehensive and effective system of risk management and internal controls to ensure that risks are adequately managed and mitigated in achieving the Group's strategic goals.

The Board recognises its responsibility for the effective governance and oversight of the Bank's risk management framework and internal controls system. Further, the Board took cognisance of its responsibility towards oversight of the Group's internal and external auditors activities as well as the risk management function which have been delegated to the GBAC and GBRMC.

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INDEPENDENCE OF EXTERNAL AUDITORS

The Group's External Auditors play an essential role to the shareholders by enhancing the reliability of the Group's financial statements and giving such reliability assurance to users of these financial statements. The GBAC manages the relationship with the External Auditors on behalf of the Board. The GBAC reviews and considers the re-appointment, remuneration and terms of engagement of the External Auditors annually.

The GBAC meets with the External Auditors regularly to discuss their audit plans and audit findings in relation to the Group's financial statements. Private sessions between the GBAC and the External Auditors were held without the presence of Management at least twice a year to discuss any other matters the external auditors may wish to highlight and to ensure that there were no restrictions in the scope and performance of their audit activities. In addition, the External Auditors are invited to attend the Annual General Meeting of the Bank and be available to answer shareholders' enquiries on the conduct of the statutory audit and preparation of their audit report.

The External Auditors have confirmed their independence and that there were no circumstances and relationship that create threats to their independence and that the ethical requirements have been complied with. The GBAC has also reviewed the nature and extent of non-audit services rendered by the External Auditors and ascertained that there is no conflict of interest.

The amount of non-audit fees payable to the external auditors and their associates during the financial year 2022 is set out in the Financial Statements in this Annual Report 2022.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Group recognises the importance of maintaining a sound system of internal controls and risk management practices. The Board affirms its overall responsibility for the effectiveness of the Group's risk management and internal controls framework.

The Statement on Risk Management and Internal Control which provides an overview of the state of internal controls of the Group is set out on pages 169 to 179.

INTERNAL AUDIT FUNCTION

The Group has an internal audit function that is supported by the Group Internal Audit (GIA) Division. GIA provides independent and objective assurance of the adequacy and effectiveness of the Bank's risk management, internal controls and governance processes. To preserve the independence and objectivity of GIA, the Group Chief Internal Auditor reports functionally to the GBAC and administratively to the PGCEO.

Further details on the Audit, Risk and Compliance Committees' roles are as per the Statement on Risk Management and Internal Control on pages 169 to 179.

PRINCIPLE C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

Effective Communication with Shareholders

In order to promote disclosure and transparency, the Board and Senior Management are dedicated to delivering effective and open two-way communication. This would provide the Bank a platform to maintain good relationships with shareholders and stakeholders.

Investor Relations Engagements

The Bank continuously ensure that timely, complete, transparent and accurate disclosures are made to the shareholders and stakeholders in accordance with the requirements of BNM CG and MMLR. Various communication channels are used to promote effective communication between the Bank and its stakeholders which includes quarterly results announcement, analyst briefing, general meetings and issuance of Annual Report.

Presentation materials used for the investor relations engagements are available on AFFIN Group's corporate website at https://affin.listedcompany.com/financials.html where investors are able to engage with the Group and provide feedback through the Investor Relations team, whose contact details are available on AFFIN Group's corporate website.

General Meetings

Annual General Meeting (AGM) is an important platform for the shareholders to interact with the Board and Management and have a robust discussion on the Bank's financials, non-financials as well as long-term strategies. Shareholders are furnished with the Bank's Annual Report which include amongst others, Directors' Report, Financial Statements and operational performance of the Bank.

The AGM notice was dispatched to shareholders not less than twenty-eight (28) days before the AGM. Shareholders were given ample time to consider the resolutions that will be discussed at Annual General Meetings and are given the opportunity to raise questions or seek clarifications on the agenda items as well as other matters concerning the Bank.

The Bank continues to leverage on technology to conduct AGM with assurance that it has in place the required infrastructure to support proactive interactions with shareholders and smooth broadcast of the Annual General Meeting. The Bank has adopted Practice 13.5 of the MCCG where questions posed by shareholders were made visible to all meeting participants during the meeting itself.

The Bank conducted fully virtual AGM and Extraordinary General Meetings (EGMs) in 2022 where the said events were broadcasted live from Menara AFFIN with participation by shareholders, through live streaming and online remote voting via the Remote Participation and Voting (RPV) facilities provided by the Bank's appointed share registrar.

At that AGM and EGMs, voting on each resolution was undertaken through e-polling and the poll results were immediately announced.

Corporate Governance Priorities

The Bank has applied all recommended practices in MCCG save Practice 8.2 and 12.2. The Board has reviewed the Bank's readiness to adopt the practices and identified the following forward-looking action to achieve its corporate governance objectives:-

PRACTICE 8.2

Disclosure of Remuneration of Top 5 Key Senior Management

ABB disclosed that the Board is of the opinion that such disclosure would be disadvantageous to the Bank's business interest, given the highly competitive conditions in the banking industry where poaching of executives is common. Nevertheless, the Board wishes to give assurance that the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration of the Bank's performance as it is benchmarked against the market. The remuneration packages of Senior Management are based on experience, expertise, skills and industry benchmark. Total remuneration of its employees is also set out in the Audited Financial Statements for financial year ended 31 December 2022 which allow shareholders to assess whether the remuneration of Directors and Senior Management commensurate with their performance taking into consideration of the Bank's performance. The Board is committed to consider disclosing the aggregate of the top 5 Senior Management's remuneration component including salary, bonus, benefits in-kinds and other emoluments.

PRACTICE 12.2

Integrated Reporting

The Bank has yet to adopt an integrated reporting. Nevertheless, the Bank is committed to the adoption of integrated reporting.

THE BANK'S FUTURE PRIORITIES

With global market conditions expected to remain challenging and the world still in the grips of the pandemic, active corporate governance and robust systems of oversight are essential given the anticipated challenging global market environment. Therefore, the Board has identified the following key areas for future priorities:-

Effective implementation of A25 Plan

Focus efforts in enhancing the Bank as well as Group awareness and implementation of ESG/ Sustainability initiatives and considerations

Ensuring effective succession planning for the Directors and Senior Management within the Bank and Group

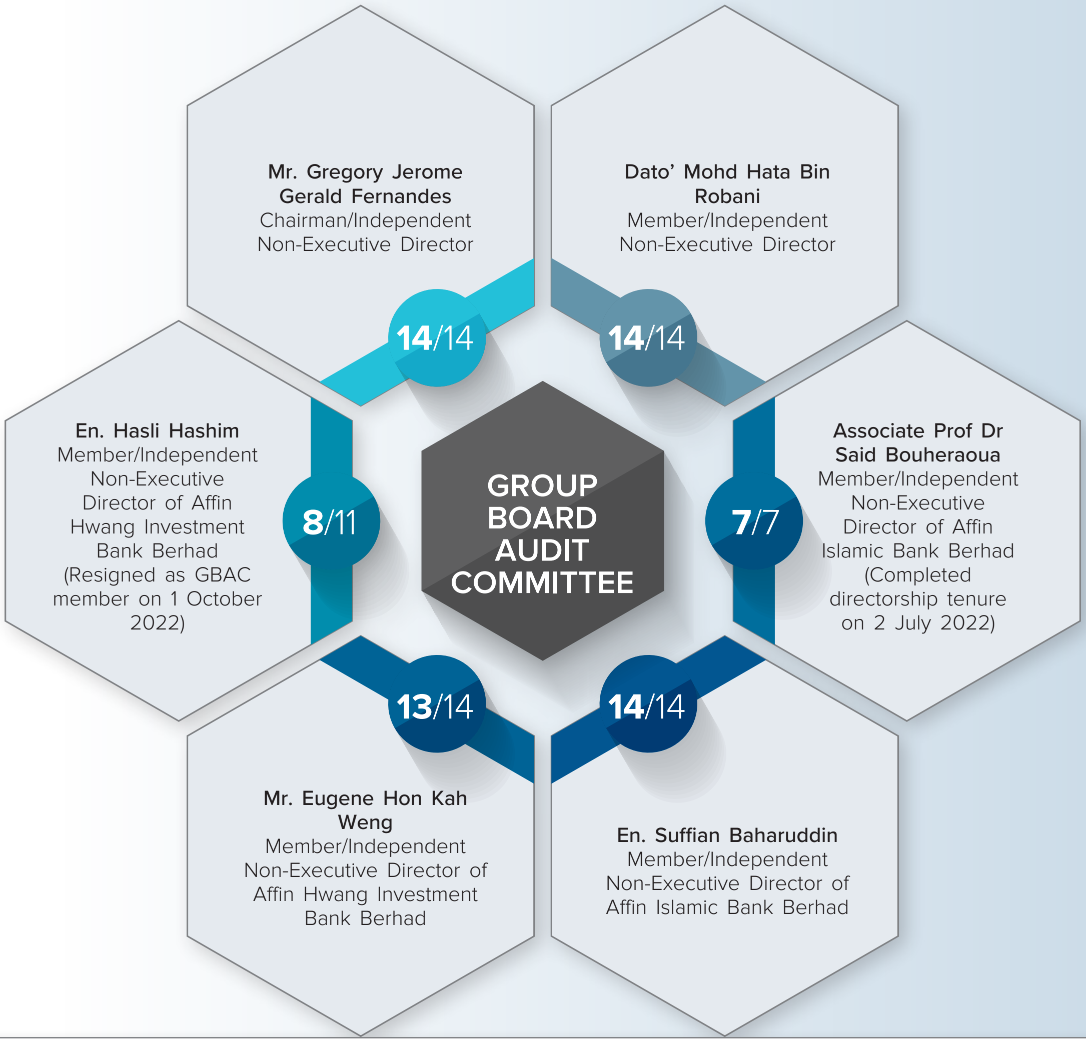
GROUP BOARD AUDIT COMMITTEE REPORT

MR. GREGORY JEROME GERALD FERNANDES
Chairman
Group Board Audit Committee

The Board of AFFIN Group is pleased to present the Report on Group Board Audit Committee ("GBAC") for the Financial Year ended 31 December 2022.

COMPOSITION AND ATTENDANCE OF MEETINGS

The GBAC comprises the following Directors, with current members all being Independent Non-Executive Directors. The Board-appointed Chairman of the GBAC is not the Chairman of the Board of Directors. A total of fourteen (14) GBAC meetings were held for the financial year ended 31 December 2022, comprising planned and special meetings. The details of the GBAC membership and meetings attended are as follows:



Mr. Gregory Jerome Gerald Fernandes Chairman/Independent Non-Executive Director	**14**/14
Dato' Mohd Hata Bin Robani Member/Independent Non-Executive Director	**14**/14
En. Hasli Hashim Member/Independent Non-Executive Director of Affin Hwang Investment Bank Berhad (Resigned as GBAC member on 1 October 2022)	**8**/11
Associate Prof Dr Said Bouheraoua Member/Independent Non-Executive Director of Affin Islamic Bank Berhad (Completed directorship tenure on 2 July 2022)	**7**/7
Mr. Eugene Hon Kah Weng Member/Independent Non-Executive Director of Affin Hwang Investment Bank Berhad	**13**/14
En. Suffian Baharuddin Member/Independent Non-Executive Director of Affin Islamic Bank Berhad	**14**/14

The Group Board Audit Committee (GBAC or "the Committee") consists of four Independent Non-Executive Directors. The GBAC supports the Board in monitoring and assessing the reliability and integrity of the financial reporting process and reviewing the effectiveness of the overall internal controls system of AFFIN Group

The composition of the GBAC is in line with the listing requirements of Bursa Malaysia Securities Berhad and the principles and best practices set out in the Malaysian Code on Corporate Governance promulgated by the Securities Commission Malaysia. The GBAC membership encompasses individuals of varied expertise, proficiencies and calibre, which enables them to provide independent, objective, and effective oversight in discharging their roles and responsibilities.

The GBAC is authorised by the Board to, amongst others, review and investigate any matters within its Terms of Reference, communicate directly with the external and internal auditors as well as regulators, obtain independent professional advice when needed, and have access to Management and resources to effectively carry out its responsibilities.

The full terms of reference of the GBAC are available on the Bank's corporate website at https://affin.listedcompany.com/others.html

The GBAC meetings were attended by the Group Chief Internal Auditor ("GCIA") together with the Chief Internal Auditor ("CIA") of Affin Hwang Investment Bank Berhad, while the attendance of other Senior Management is by invitation according to the matters deliberated by the GBAC, to provide explanations on financials, audit issues and remediation measures undertaken.

Key matters deliberated at the GBAC meetings together with the GBAC's recommendations and decisions are summarised and presented in the same month, to the Board for information and action by the Board, if necessary.

TRAININGS

The GBAC members attended various seminars/training programmes in the financial year ended 2022, to keep abreast of the latest developments within the banking industry. The seminars/training programmes attended by the GBAC members are disclosed in Section A of the Corporate Governance Report.

GROUP BOARD AUDIT COMMITTEE REPORT

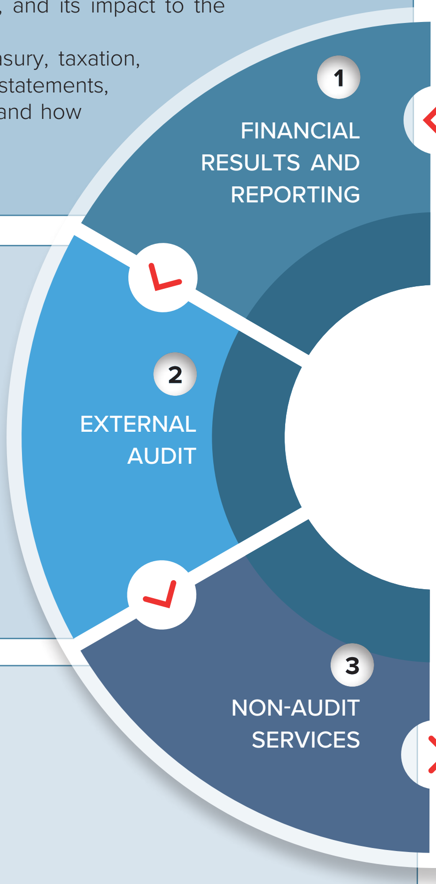
SUMMARY OF THE GBAC'S ACTIVITIES IN 2022

The GBAC carried out the following activities in discharging its duties and responsibilities for the financial year ended 31 December 2022:-

1

a. Reviewed with Senior Management the unaudited quarterly and interim unaudited financial results as well as the annual audited financial statements of the Bank and the Group before recommending them to the Board for approval. The reviews focused on compliance with salient regulatory requirements set out in the following Acts and Standards:
   - Provisions of the Companies Act 2016;
   - Financial Services Act and Islamic Financial Services Act 2013;
   - Applicable approved accounting standards in Malaysia; and
   - Other relevant legal and regulatory requirements.

b. In reviewing the financial reporting and disclosure requirements of the Group, the GBAC discussed and made enquiries on, among others:
   - Changes in major accounting policy and adoption of new or updated accounting standards, and its impact to the financial statements;
   - Significant accounting and audit matters highlighted; including financial reporting, credit, treasury, taxation, impairment related matters, information technology, summary of corrected and uncorrected misstatements, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed; and
   - Compliance with accounting standards and other legal requirements.



2

a. Reviewed and approved the 2022 Audit Plan, covering significant risk areas and activities of AFFIN Group, in line with developments in related laws and regulations. The Audit Plan comprised the detailed terms of the external auditors' responsibilities and affirmation of their independence as external auditors, audit strategy, the engagement team, risk assessment, and areas of audit emphasis for the financial year;

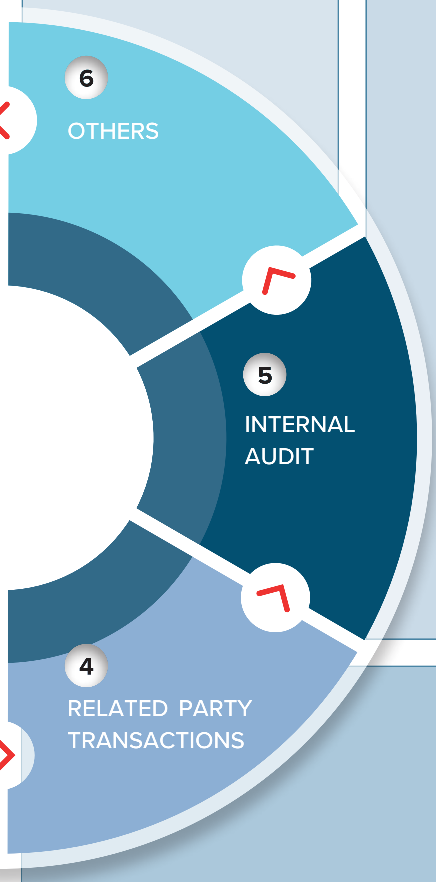
b. Held five (5) meetings with the External Auditors to deliberate on matters pertaining to results of financial reviews and audits. The GBAC also held two private sessions with the External Auditors in January and August 2022, without the presence of the Senior Management and the GCIA to enable the External Auditors to discuss any matters the External Auditors may wish to highlight and to ensure that there were no restrictions in the scope and performance of their audit activities;

c. In its meeting held on 25 January 2023, the GBAC was briefed by the External Auditors on the key audit matters included in their Independent Auditors' Report of the financial statements for the financial year ended 31 December 2022. Overall, the GBAC is satisfied that based on the audit procedures performed by the External Auditors, no material exceptions were noted on these key audit matters;

d. Evaluated and satisfied itself with the independence, performance and effectiveness of the External Auditors based on the criteria set out in BNM's Policy Document on External Auditors and recommended to the Board for the reappointment of the external auditors. Among the criteria evaluated and taken into consideration by the GBAC were:
   - Independence, Objectivity, Familiarity Threats and Professional Scepticism;
   - Ability to demonstrate an unbiased stance when interpreting the standards/policies adopted by the licensed institutions;
   - Qualification criteria;
   - Level of knowledge, capabilities, experience and quality of previous work;
   - Level of engagement with the Board and GBAC;
   - Ability to provide constructive observations, implications and recommendations in areas which require improvements;
   - Appropriateness of audit approach, adequacy of resources and the effectiveness of overall audit planning; and
   - Ability to perform the audit work within the agreed duration given.

3

Reviewed and recommended to the Board for approval on non-audit services rendered by the External Auditors and the fees involved. The Group has an internal policy for the appointment of the Group's External Auditor to provide non-audit services where the criteria and threshold has been set for such fees, to maintain the independence and objectivity of the External Auditors.



6

a. Reviewed the Statement on Risk Management and Internal Control for inclusion in the FY2022 Annual Report before recommending to the Board for approval; and

b. Reviewed the Group Board Audit Committee Report for inclusion in the FY2022 Annual Report.

5

a. Reviewed and approved the Group Internal Audit ("GIA") Annual Audit Plan ("AAP") for 2022, to ensure the adequacy of scope and coverage of critical risk areas and activities of the Group based on GIA's risk assessment methodology;

b. Deliberated on and approved revisions made to GIA's AAP during the year, in alignment with the dynamic risk profiles of the respective auditable areas/ functions, due to the dynamic changes in the business, operations and regulatory environment;

c. Reviewed and deliberated on significant internal control issues (including fraud) identified by GIA, as well as Management's responses to audit recommendations and implementation of agreed action plans;

d. Reviewed and deliberated on internal investigation reports conducted by GIA and directed Management to institute immediate remedial actions to strengthen the risk and control environment of the Group;

e. Reviewed and monitored the corrective actions undertaken by Management to rectify deficiencies identified by GIA, regulatory authorities' as well as external auditors to ensure that all gaps highlighted were adequately resolved in a timely manner;

f. Reviewed the risk and controls culture pulse assessment that were embedded as part of the audit assessments, with the aim to improve the Bank's overall risk and control environment;

g. Exercised oversight over audit matters of the Group's subsidiaries, discussing and providing recommendations to those subsidiaries' Board Audit Committees as and when deemed necessary on matters of significant governance, risk management, and controls issues;

h. Conducted two (2) joint meetings with Group Board Risk Management Committee ("GBRMC") to deliberate on the overall Group's control environment via the internal controls health check dashboard based on audits conducted in 2022;

i. Reviewed and recommended to the Board for approval the revised Group Board Audit Committee Terms of Reference;

j. Reviewed and approved the revisions to the Audit Charter, in line with the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF);

k. Approved the KPI of the GCIA for 2022 and assessed performance of the GCIA with feedback provided for improvement;

l. Reviewed, monitored and assessed the overall performance of GIA, including its progress of achievement against the approved annual audit plan and other key audit activities;

m. Reviewed the adequacy and efficiency of GIA's resources and collective competencies of GIA's staff for effective deployment of resources to execute the audit plan;

n. Deliberated on the results of the Internal Quality Assurance and Improvement Programme (QAIP) to ensure GIA's continuous conformance with the IPPF.

4

a. Reviewed the adequacy of the internal control processes and procedures pertaining to identification, monitoring, reporting of related party transactions (RPTs) and recurrent related party transactions (RRPTs) in ensuring the RPTs and RRPTs are carried out in a fair and reasonable manner as well as in the best interest of the Bank; and

b. Reviewed the periodic reports on RPTs and RRPTs to ensure that the transactions are in line with abovementioned internal policies and procedures.

GROUP BOARD AUDIT COMMITTEE REPORT

GROUP INTERNAL AUDIT FUNCTION

Building on its momentum for 2022, the Group Internal Audit ("GIA") Division took another step forward in its mission to become a future-proofed internal audit function. Seeking innovation through leading approaches and practices, the GIA is an agent of progress, empowering continuous learning and transformation. Collaborating closely alongside other divisions, the GIA strives to further propel the Bank towards a more resilient future. While being a digitally-enabled internal audit function through the use of the Pentana Audit Management System and computer-aided audit tools (CAATs), GIA undertook several other initiatives in its journey of transformation:

1

- As part of the Group's ongoing centralisation efforts, the GIA continued to further integrate the internal audit function of Affin Hwang Investment Bank Berhad ("AHIBB") with the AFFIN Group.
- As part of the consolidation, gaps in methodology and processes are being bridged with the goal of full synchronisation. This has brought about a more streamlined process, utilising a consistent framework to conduct audits across the Group.

2

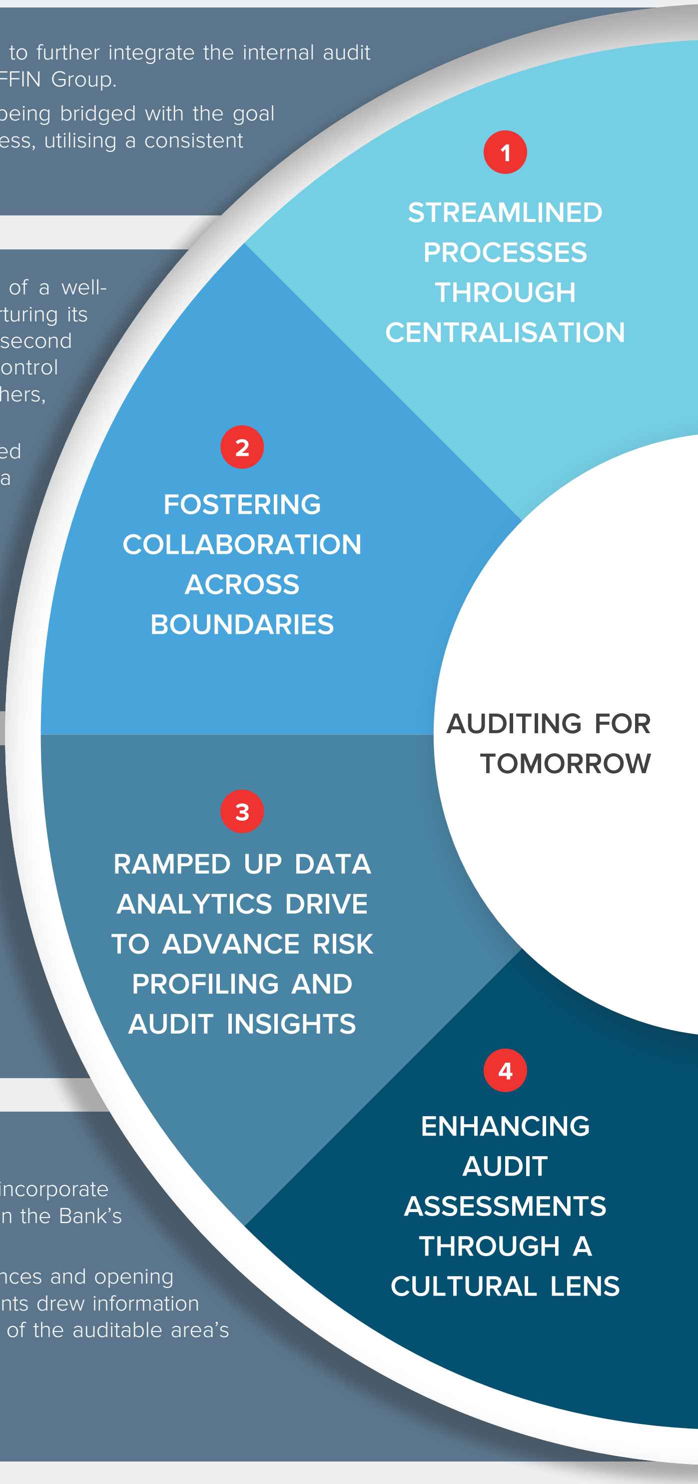
- As the third line of defence, GIA is keenly aware of the importance of a well-established risk control culture on all levels, as well as the value in nurturing its improvement – namely by collaboration efforts with both the first and second lines of defence in promoting enterprise-wide awareness of risk control practices. This enhanced collaboration took the form of, amongst others, the following:
  - Continuing the Guest Auditor Programme ("GAP"), the GAP is aimed at heightening staff's internal controls awareness and reinforcing a strong risk control culture within the Bank;
  - Six (6) engagement sessions with Regional Offices and Branches across five regions were conducted, where GIA shared common audit findings to raise staff awareness on common internal control issues across the Bank;
  - Joint reviews with Group Compliance Division.

3

- The increased use of data analytics covering more areas within the Bank to enable continuous auditing;
- Successful implementation of data analytics projects in GIA are shared with divisions/ department to aid the monitoring activities of Management.

4

- A first for the Bank, GIA expanded its audit scope and methodology to incorporate a discrete cultural element, recognising culture's incontrovertible effect on the Bank's overall risk and control environment.
- Aimed at accurately identifying less tangible root causes of non-compliances and opening up avenues for more effective improvement strategies, culture assessments drew information from multiple sources of data, which will be used to form an evaluation of the auditable area's alignment with the Bank's desired culture.



GROUP BOARD AUDIT COMMITTEE REPORT

INDEPENDENCE

- The GIA function is established by the Board to provide independent and objective assessment of the adequacy and operating effectiveness of governance, risk management, and internal control processes implemented by Management. GIA reports functionally to the GBAC and administratively to the PGCEO.
- The GIA function is guided by its Audit Charter, which was approved by the GBAC and reviewed annually. The Audit Charter spells out the mission, purpose, authority, independence, and responsibilities of GIA in the Group.

PROFILE AND QUALIFICATION

GIA is headed by Puan Wahdania Mohd Khir, who has more than 27 years of extensive experience in the financial services industry, as well as in the market operator & frontline market regulator Bursa Malaysia. Wahdania, who holds a Master of Science in Quantitative Finance from the University of Westminster London, is also a Chartered Banker and a member of the Financial Markets Association Malaysia. In the financial services industry, she has held various senior roles such as the Head of Global Market Compliance & Treasury Operations and Senior Director of Group Audit at a major financial institution.

- As of 28 February 2023, GIA has a total staff strength of 51 qualified internal auditors from diverse backgrounds and disciplines, mainly specialising in credit, information technology, risk management, Islamic Banking, fraud and investigation, treasury, finance/ accounting, investment banking, and stockbroking.
- For greater, more effective audit assurance and insights, the internal auditors have continuously developed their competences and skillsets via regular structured on-the-job trainings and external trainings by accredited training providers. A majority of the internal auditors are certified with professional qualifications such as Certified Bank Auditors (CBA), Certified Information Systems Auditor (CISA), Chartered/ Certified Accountants (e.g. ACCA, MICPA) and others.
- The total GIA's cost for year 2022 is approximately RM10.1 million, comprising mainly salaries, staff training and development, information technology costs and other audit-related operating costs.
- As part of the Quality Assurance and Improvement Programme (QAIP), GIA conducts periodic internal quality assurance reviews (QAR) and external QAR is carried out once every five years by qualified professionals from an external organisation. The last external QAR was in 2019 and GIA was accorded full conformance with IIA's IPPF.

RESPONSIBILITY

- The primary role/responsibility of GIA is to assist the GBAC in discharging its duties and responsibilities by independently reviewing and assessing the adequacy and effectiveness of the Group's risk management, internal controls, and governance processes to ensure that the overall internal control system continues to operate efficiently and effectively and in line with the relevant regulatory requirements.
- GIA's processes and activities conform with the International Professional Practices Framework ("IPPF") issued by The Institute of Internal Auditors ("IIA"), as well as, standards and requirements set out by regulators on the internal audit function.

- GIA adopts the 5 components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Besides COSO, GIA also incorporates the Control Objectives for Information and Related Technologies (COBIT) framework into its Information Technology (IT) audits. The Framework defines the components required for effective governance and management of an IT environment.
- The scope of GIA's coverage is identified and prioritised based on its structured and periodic risk assessment of all key business and support units within the Group. Areas audited comprised amongst others, retail and non-retail banking, Islamic banking, treasury related areas, IT infrastructure and operations, support functions, subsidiaries and special focus areas such as AML/CFT, regulatory compliance reviews, and business continuity management.
- GIA also undertakes investigations into suspected fraudulent activities, staff misconduct, whistleblowing cases, and other incidences as and when required, and recommends appropriate improvements to the internal control system to prevent recurrence.
- GIA closely monitors the rectification of audit findings and implementation status of audit recommendations via the Pentana Audit Management System, to obtain assurance that all major risk and control concerns have been duly addressed. GIA regularly tables to the GBAC all significant audit issues until such audit issues are satisfactorily resolved.
- GIA works closely with the external auditors and regulators to ensure that significant issues identified by them are duly addressed and resolved on a timely basis.

SHARIAH COMMITTEE'S REPORT

DR. MOHAMMAD MAHBUBI ALI
Chairman, Shariah Committee

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

Praise be to Allah, the Lord of the Worlds, and peace and blessings upon our Prophet Muhammad and on his scion and companions

Introduction

In compliance with the Policy Document of Shariah Governance, Financial Reporting for Islamic Banking Institutions and other relevant guidelines issued by Bank Negara Malaysia, we affirm the following report:

We have reviewed the principles and the contracts underlying the transactions and applications offered by Affin Islamic Bank Berhad ('the Bank') during the financial period ended 31 December 2022. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

Management's Responsibility

The management of the Bank is responsible for ensuring that the Bank conducts its operations, businesses, affairs and activities in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on the review work carried out by the Shariah review and Shariah audit of the Bank and to provide our report.

Shariah Review and Shariah Audit

We have assessed the work carried out by the Shariah review and Shariah audit which included examining, on a sample testing basis, each type of transaction, the relevant documentation and procedures adopted by the Bank.

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

Engagement Sessions Board of Directors and Shariah Committee

We conducted two interactive sessions with the directors and senior management. The engagement sessions would be an avenue for discussion on, among others, the Bank's strategic direction, understanding key Shariah Committee resolutions, and issues in operationalisation Shariah Committee resolutions.

Key Research and Training of the Shariah Committee

Two Shariah Committee members presented research papers at the 14th Muzakarah Cendekiawan Syariah Nusantara 2022 ('MCSN 2022'), organised by International Shari'ah Research Academy for Islamic Finance ('ISRA').

The Shariah Committee also attended various conferences and seminars which includes 14th Muzakarah Cendekiawan Syariah Nusantara 2022 ('MCSN 2022'), 17th Kuala Lumpur Islamic Finance Forum 2022 ('KLIFF 2022'), Muzakarah Penasihat Syariah Kewangan Islam Kali Ke-15 ('KLIFF 2022'), and 17th International Shariah Scholar Forum 2022 ('ISSF 2022').

The Shariah Committee members enrolled into a certification programme i.e., Certified Shariah Advisors ('CSA') under the Association of Shariah Advisors in Islamic Finance ('ASAS'). Three (3) of the Bank's Shariah Committee members have completed the certification and the rest are in progress.

Key Shariah/Islamic Finance Trainings Attended by Staff

Periodic training for the Bank's staff (including staff of Affin Bank) has been conducted in order to provide adequate knowledge and competence in undertaking tasks for the Bank i.e., Shariah e-Learning and Assessment on Fundamentals of Islamic Banking. The Bank's staff (including staff of Affin Bank) also enrolled in certification programmes, i.e. Certified Professional Shariah Advisor ('CPSA'), Islamic Professional Credit Certification ('IPCC'), Fundamental of Shariah in Islamic Finance (FOSIF), Associate Qualification in Islamic Finance ('AQIF'), Intermediate Qualification in Islamic Finance ('IQIF'), i-Contract Series: Tawarruq and Certified Shariah Advisor ('CSA').

Zakat and Charity Fund

The calculation of zakat is based on 2.5775% of the prior year's working capital method, in accordance with the Shariah principles. The zakat fund is distributed through various channels i.e. States Zakat Authorities, non-governmental organisations and individuals under *asnaf* categories of poor, needy, *amil, riqab, gharimin, muallaf* and *fisabilillah*.

We have performed an oversight function over the management and distribution of the Bank's charity fund. The charity fund is allocated for individuals (Muslim or non-Muslims) which includes poor/needy, orphan and eligible beneficiaries not limited to asnaf zakat as well as charitable, society, organisation and institution.

Shariah Opinion:

1. The overall operations, business, affairs and activities carried out by the Bank during the year ended 31 December 2022 that we have reviewed are in compliance with the Shariah principles;

2. The allocation of profit and incurrence of losses relating to investment accounts conform to the basis that we have approved in accordance with Shariah principles;

3. No earning and purification were recorded from sources or by means that are prohibited by the Shariah principles for the financial year end 31 December 2022;

4. There are two (2) Shariah non-compliant events discovered involving Tawarruq financing and opening of Shariah non-compliant business accounts:

    i. Non-execution of Tawarruq trading prior to availability of the facility and profit has been charged on the utilisation. The rectification has successfully been carried out by immediately performing Tawarruq trading for the accounts involved. The Bank has also subsequently taken an additional preventive via the automation of Tawarruq trading by adoption of Straight Through Processing (STP) through platform provider.

    ii. The opening of three (3) non-individual current accounts for Shariah non-compliant business activities. The rectification measure was successfully carried out, i.e., closure of accounts. In addition to that, a preventive measure has been carried out to avoid similar event in the future i.e., issuance of reminder to relevant staff on adherence to the applicable Guidelines on Deposit and Financing.

During the financial year ended 31 December 2022, a total of 12 meetings were held. The Shariah Committee comprises the following members and the details of the following members and the details of attendance of each member at the Shariah Committee meetings held during the financial year are as follows:

Members	**Total Meetings Attended**
Dr. Mohammad Mahbubi Ali *Chairman*	12/12
Dr. Nor Fahimah binti Mohd Razif *Member*	12/12
Encik Mohamad Salihin bin Deris *Member*	12/12
Encik Ahmad Husni bin Abd Rahman *Member*	12/12
Associate Professor Dr. Asmak Ab Rahman *Member (appointed w.e.f. 1 July 2022)*	6/6
Associate Professor Dr. Said Bouheraoua *Member (completed tenure w.e.f. 31 March 2022)*	3/3
Associate Professor Datin Dr. Nurdianawati Irwani Abdullah *Member (completed tenure w.e.f. 31 March 2022)*	3/3

SHARIAH COMMITTEE'S REPORT

As the Shariah Committee of Affin Islamic Bank Berhad, we do hereby confirm that the operations, businesses, affairs and activities of the Bank for the financial year ended 31 December 2022 have been conducted in conformity with the Shariah principles.

DR. MOHAMMAD MAHBUBI ALI
Chairman, Shariah Committee

DR. NOR FAHIMAH BINTI MOHD RAZIF
Member, Shariah Committee

ASSOCIATE PROFESSOR DR. ASMAK AB RAHMAN
Member, Shariah Committee

MOHAMAD SALIHIN BIN DERIS
Member, Shariah Committee

AHMAD HUSNI BIN ABD RAHMAN
Member, Shariah Committee

Kuala Lumpur, Malaysia
10 March 2023

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide the Statement on Risk Management and Internal Control, pursuant to Chapter 15, Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Principle B of the Malaysian Code on Corporate Governance 2021, with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The Group's Key Risks are detailed on pages 56 to 60 of the Management Discussion and Analysis of this Annual Report.

BOARD'S RESPONSIBILITY & OVERSIGHT

The Board affirms its responsibility in promoting good corporate governance and oversight in ensuring that the Bank and its subsidiaries ("the Group") maintain a sound system of risk management and internal controls to manage the Group's relevant and material risks within its risk appetite in the Group's pursuit of its strategies and business objectives. For this purpose, the Board has ensured the establishment of key processes for reviewing the effectiveness, adequacy and integrity of the Group's risk management and system of internal controls. These provide reasonable assurance against the occurrence of any material misstatement, loss or fraud. In addition, regular testing on the adequacy, effectiveness, efficiency and integrity of the internal control systems and processes is conducted to ensure its viability and robustness.

The process for assessing the adequacy and effectiveness of the risk management and internal control system is regularly reviewed by the Board, with the assistance of the Group Board Risk Management Committee ("GBRMC"), Group Board Compliance Committee ("GBCC") and Group Board Audit Committee ("GBAC"), whose responsibilities have been extended to include the role of oversight of financial reporting, disclosures, internal controls, compliance and risk management strategies, policies and other risk related matters. Regular meetings are held with the GBRMC, GBCC and GBAC to discuss matters related to the system of internal controls which cover interalia financial, operational, compliance controls and risk management procedures.

The Board is of the view that the risk management and system of internal controls instituted by the Group's operating units for the year under review and up to the date of annual report is sound and sufficient to safeguard shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the overall implementation of the Group's policies and procedures in ensuring that the day-to-day management of the Group's activities is consistent with the Board-approved risk strategy, risk appetite and policies, as well as the effectiveness of the internal controls system to mitigate, manage and monitor risks. Regular senior management meetings are held to review, identify, discuss and resolve strategic, operational, financial and key management issues/risks. Comprehensive management reports and updates are made available to the Board on various frequencies, to keep the Board informed on any changes to risks or emerging risks and mitigating actions taken.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

RISK MANAGEMENT

The Group Risk Management Division ("GRM") was established to provide oversight of risk management on an enterprise-wide level. The roles and responsibilities of GRM encompass the following:

- Define strategies, policies, limits and guidelines in line with risk appetite and regulatory requirements
- Dynamically measure and monitor the risk profile
- Monitor and identify actual and potential breaches of the risk appetite
- Build, develop and monitor performance of risk models and tools
- Conduct validation and backtesting of risk models and tools
- Track corrective actions to remediate risk issues

Group Risk Management Framework ("GRMF")

The risk management approach of the Group is underpinned by a sound and robust GRMF which is periodically enhanced to remain relevant and resilient in ensuring the effective management of risks. The GRMF is supported by the following pillars:

KEY RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS (CONT'D.)

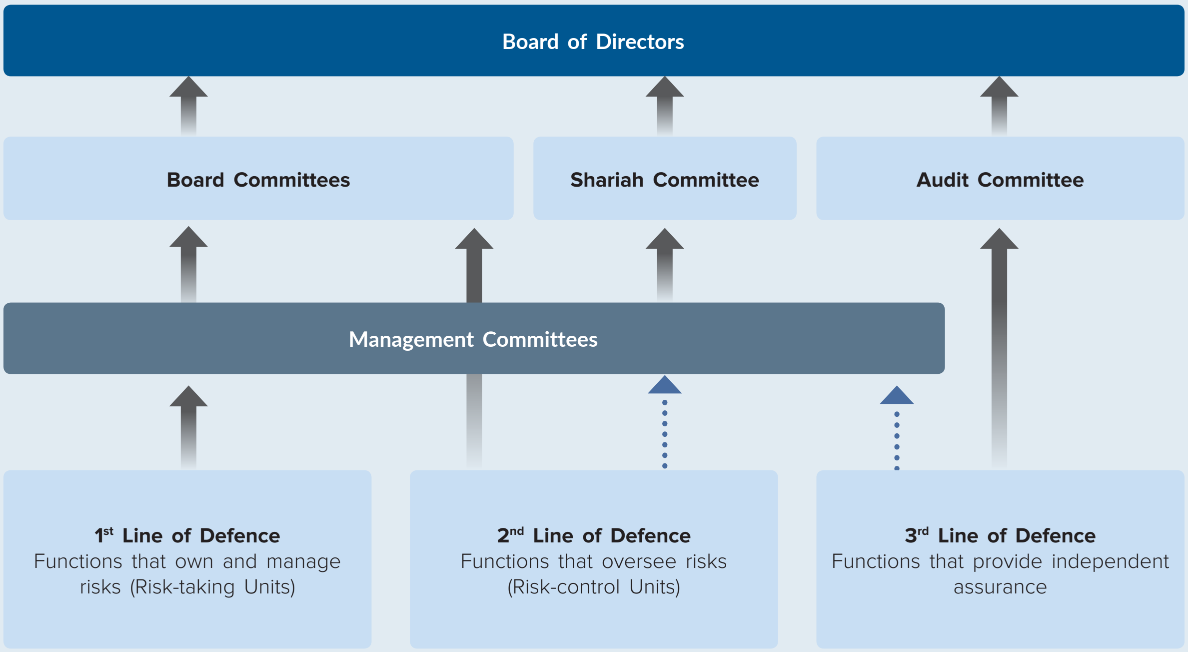
RISK MANAGEMENT (CONT'D.)

a. Risk Governance

Risk governance is the element through which the Board and Management establish the Group's strategy, articulate and monitor adherence to risk appetite and risk limits, as well as identify, measure and manage risks. The Group adopts the 13 Principles of Risk Governance as prescribed by Bank Negara Malaysia ("BNM") to promote sound governance for the assessment and management of risks. The governance of risk is further supported by the Three Lines of Defence ("3-LOD") model which outlines the functional segregation and key roles and responsibilities of the independent oversight functions as well as the business and support units within the organisation.

The 3-LOD Model demonstrates the relationship of the stakeholders in risk-taking activities to promote effective risk management control, assurance and governance at all levels of the organisation. The relevant parties involved in the 3-LOD for risk management consist of the business and support units as the first line of defence, risk management and compliance functions as the second line of defence and internal audit, as the third line of defence.

The operationalisation of the 3-LOD model is illustrated below:



Note: The dotted blue line (arrow) refers to indirect reporting to Management Committees.

KEY RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS (CONT'D.)

RISK MANAGEMENT (CONT'D.)

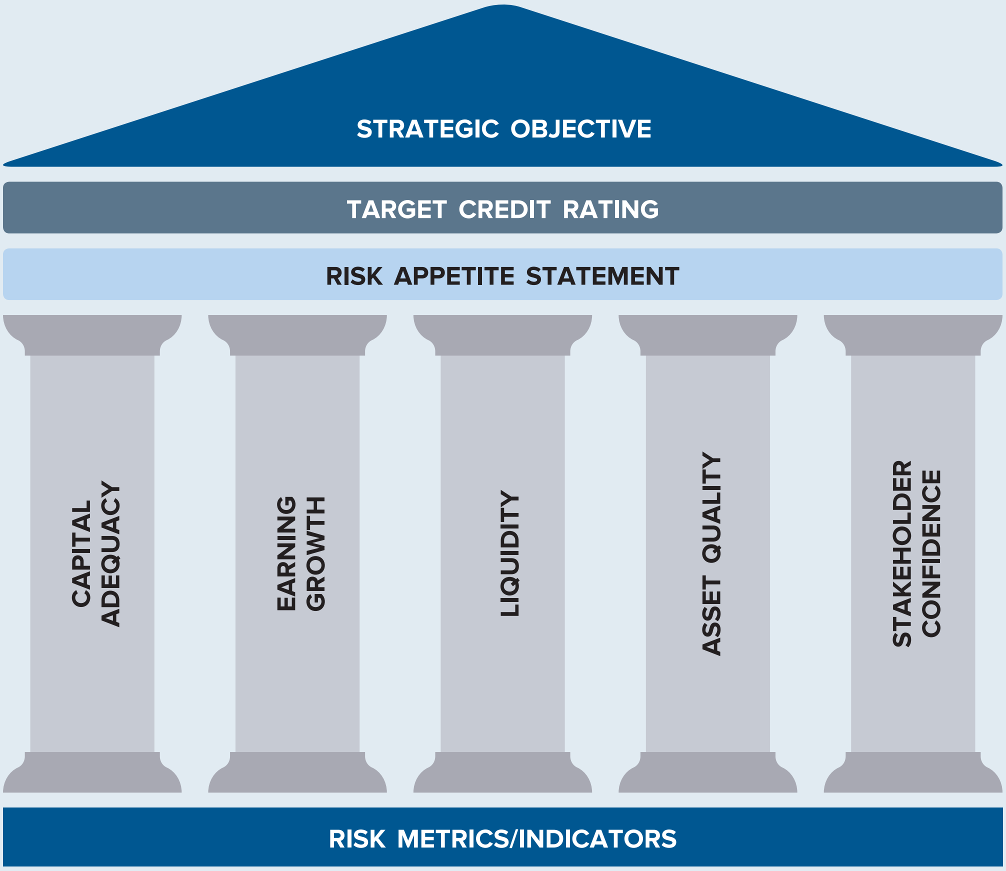
b. Risk Appetite

Risk Appetite demonstrates the risk-bearing capacity the Group and its subsidiaries are prepared to undertake and sustain whilst pursuing business objectives and strategic goals, which takes into consideration the potential adverse scenarios impacting the execution of its business plans.

It is established based on strategic directions set by the Board, combining a top-down view of the Group's capacity to take risk with a bottom-up view of the business risk profile associated with each business unit's short- and longer-term plans as well as taking into consideration other key risk areas.

The Group's strategic goals are aligned with the Risk Appetite through the Risk Appetite Framework ("RAF"); an integrated framework encompassing the components of setting the Risk Appetite Statement ("RAS") periodically for each subsidiary.

There are five pillars guiding the development of the RAS, grouped according to the risk types as well as qualitative and/or quantitative impact as follows:



KEY RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS (CONT'D.)

RISK MANAGEMENT (CONT'D.)

c. Risk Culture

Risk Culture stems from the values, beliefs, knowledge and understanding of risk shared by the employees within the Group. Effective implementation of the GRMF is grounded on a robust and healthy Risk Culture, achieved through components of Tone from the Top, accountability, effective communication and financial/ non-financial incentives.

d. Risk Management Policy

The Risk Management Policy is a statement of the Group's overall intentions and approach with respect to certain areas of risk management. Risk Management Policies should clearly state the objectives for, and commitment to risk management.

The GRMF is supported by several Risk Management Policies which address the respective risk areas in further detail. At a minimum, these policies would entail:

a) The rationale for managing the risk areas
b) Links between the Group's objectives and the Risk Management Policy
c) Accountabilities and responsibilities for managing risks
d) Commitment to make the necessary resources available to assist those accountable and responsible for managing risks
e) The way in which risk management performance will be measured and reported
f) Commitment to review and improve the Risk Management Policy periodically and in response to an event or regulatory changes

Adherence to Risk Management Policies is always mandatory. Any deviations or exceptions are required to be escalated to the appropriate approving authorities in support of good governance.

e. Risk Management Organisation

Risk Management Organisation indicates that the appropriate structure is in place to support risk management and risk ownership at all levels of the Group. The effectiveness of a Risk Management Organisation stems from the implementation of all elements within the GRMF.

KEY RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS (CONT'D.)

TECHNOLOGY RISK MANAGEMENT FRAMEWORK (TRMF)

The Technology Risk Management Framework ("TRMF") sets out the Group's expectations in managing technology risks and building technology resilience by providing a framework to ensure the confidentiality, integrity and availability of the Group's information infrastructure and the underlying data.

The TRMF covers the control objectives and minimum standards to guide the Group and subsidiaries' IT department, third-party service providers and other technology-related services/functions/departments in managing the technology risks involved in daily operations. It is imperative that employees at all levels understand their roles and responsibilities in managing technology risks to minimise disruptions to critical business operations.

As the second line of defense, the Technology Risk Management Department will provide oversight and risk monitoring on critical technology projects and ensuring critical issues that may have an impact on the financial institution's risk tolerance are adequately deliberated or escalated in a timely manner; and providing independent views to the board and senior management on third party assessments as per criticality.

GROUP COMPLIANCE FRAMEWORK

A Compliance Framework has been put in place to facilitate, educate and monitor the management of business and support units'/subsidiaries' activities to act in accordance with relevant laws, regulations and guidelines. In line with good governance, the Compliance Division reports independently to GBCC. The framework covers:

a. Policies and Procedures

Policies and Procedures are reviewed on a periodic basis or as and when required to reflect the changes in applicable legal/ regulatory requirements and business practices.

b. Compliance Culture

In line with the Group's risk culture, the compliance culture is driven with a strong tone from the top, complemented by clear accountabilities, and effective communication, to embed expected values and principles of conduct that shape the behaviour and attitude of employees at all level of business and activities across the Group.

c. Compliance Programme

The Compliance Programme consists of planned activities which include implementation of compliance related policies, compliance risk assessment, corruption risk assessment, regulatory gap analysis, compliance review plan, compliance matrix self-assessment, and the Integrity and Governance Unit ("IGU")'s review plans on anti-corruption measures. This programme is regularly reviewed and improved to incorporate regulatory and industry changes as well as regulatory expectations.

d. Compliance Risk Management

Compliance Risk Management methodology and tools are established as enablers to support and monitor the effectiveness of the identification and assessment of compliance risk associated with operations as well as requirements by regulators (including ESG and climate risk matters); whilst corruption risk assessment identifies business areas and employees having potential exposures to bribery and corruption.

e. Compliance Awareness

Scheduled compliance trainings, e-learning, communication and assessments are regularly conducted to continuously enhance compliance awareness and culture amongst the staff, Management and Board.

SHARIAH GOVERNANCE POLICY (“SGP”)

The Shariah Committee (“SC”) of Affin Islamic Bank Berhad is responsible for overseeing all Shariah matters of Affin Islamic Bank Berhad and the Islamic Banking business of Affin Bank Berhad, and primarily to ensure that the Shariah rulings relating to Islamic banking products, services and conducts comply with Shariah and resolutions by the relevant Shariah authorities. It acts as an advisor on Shariah matters to all business and support units within Affin Islamic Bank Berhad and Affin Bank Berhad in carrying out their Islamic financial activities.

The Shariah Governance Policy (“SGP”) is the Shariah governance mechanism to be undertaken by relevant sections across Affin Islamic Bank Berhad and Affin Bank Berhad. The implementation of the SGP is in line with BNM’s requirements effected through the following functions:

a. Shariah Research and Secretariat

Shariah Research is performed by qualified Shariah officers, mainly supporting the product development process in terms of application of Shariah concepts and in-depth research on Shariah principles. The Shariah Secretariat is the secretariat to the Shariah Committee and responsible to coordinate Shariah Committee meetings and dissemination of Shariah Committee resolutions.

b. Shariah Advisory

Shariah Advisory acts as an internal advisor on any Shariah related matters arising from operations, products, documentations, and systems and will propose applicable Shariah-compliant solutions, which would be deliberated and endorsed by the Shariah Committee. This function is performed by qualified Shariah officers.

c. Shariah Review

Shariah Review is conducted by qualified Shariah officers as a compliance function. The Shariah Review function encompasses regular assessment on Shariah compliance in the operations, business, affairs and activities of Affin Islamic Bank Berhad and the Islamic Banking business of Affin Bank Berhad, including examining and evaluating the level of Shariah compliance, rectification measures to resolve non-compliances and control mechanisms to avoid recurrences.

d. Shariah Risk Management

Shariah Non-Compliance (“SNC”) risk is identified as one of the material risks under the Islamic banking business. The Group Risk Management Division has established a dedicated Shariah Risk Management team to facilitate a systematic and consistent approach in managing SNC.

e. Shariah Audit

The Group Internal Audit Division (“GIA”) provides independent assurance on the adequacy and effectiveness of the internal control systems, as well as that of related policies and procedures, implemented by Management governing Islamic banking products and services. Findings related to SNC risks are reported to the Shariah Committee and the GBAC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROLS

The Board and Senior Management have established a system of internal controls based on segregation of duties, clearly defined roles and responsibilities and authority levels. Authority limits are imposed on the Management to govern the day-to-day risk-taking activities in matters relating to credit and treasury operations, acquisitions and disposals of assets and others.

Various Management Committees have been established to ensure oversight over the achievement of the overall Group strategic and business objectives. Channels of communication and procedures have been established for Management to review, discuss and resolve strategic, operational, financial and other key management issues/risks, including escalation of issues/risks to the Board.

The adequacy and effectiveness of internal controls as well as the level of compliance with relevant laws, regulations, policies and procedures are subject to ongoing assessment by the risk management, compliance and internal audit functions of the Bank and its major operating subsidiaries. These control functions assist the respective Boards at the company's level and Board Committees at the Group's level in discharging their oversight responsibilities on the adequacy and effectiveness of the risk management processes and internal control system.

Group Board Audit Committee ("GBAC")

The GBAC is a Board-delegated committee in charge of providing independent oversight on the reliability and integrity of the financial reporting and disclosure process, as well as reviewing the effectiveness of the overall internal controls system within the Group. The GBAC assists the Board to evaluate the adequacy and effectiveness of the Group's internal controls, risk management and governance processes through the Group Internal Audit function. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated policies and procedures that have a material impact on the Group.

Detailed information on GBAC is available on page 143 of this Annual Report.

Group Board Risk Management Committee ("GBRMC")

The Board is assisted by the GBRMC to oversee the sound management of all identified enterprise-wide risks including ensuring proper risk infrastructures, processes and controls are in place to proactively manage and monitor risks within the Group's risk appetite.

Detailed information on GBRMC is available on page 144 of this Annual Report.

Group Board Compliance Committee ("GBCC")

The GBCC assists the Board in the oversight and effective management of compliance risks across the Group as well as the integrity and governance matters for the Group.

Detailed information on GBCC is available on page 145 of this Annual Report.

Group Internal Audit Division ("GIA")

The Board established GIA as the third line of defence, positioned to support the GBAC in providing independent and objective assessment on the adequacy and effectiveness of internal controls, risk management and governance processes of the Group. It is led by a Group Chief Internal Auditor, who reports functionally to the GBAC and administratively to the President & Group Chief Executive Officer ("PGCEO"). Its purpose, authority and responsibilities are defined in the Audit Charter, which is reviewed and approved by the GBAC annually.

The GBAC oversees the activities of the GIA, its independence, adequacy of scope coverage and resources and approves the risk-based annual audit plan. All significant and material findings by GIA, external auditors and regulatory authorities are reported to the GBAC for review and deliberation and are subsequently escalated to the Board. Shariah related findings are escalated to the Shariah Committee. Through GIA, the GBAC monitors the status of remedial actions taken by Management to address issues identified by GIA, external auditors and regulatory authorities.

Detailed information on GIA is available on page 164 of this Annual Report.

Policies, Plans & Procedures

Policies and procedures are formulated to ensure compliance with internal controls, relevant laws and regulations and to govern the business and operations of the Group. Our policies and procedures undergo regular reviews through a structured governance process to ensure they remain relevant to changing business and regulatory requirements, as well as operational needs.

There is a clearly defined framework and empowerment approved by the main operating subsidiaries' respective Board for acquisitions and disposals of property, plant and equipment, awarding tenders, applications for capital expenditure, writing off operational and credit items, approving general expenses including donations, gift policy, etc.

INTERNAL CONTROLS (CONT'D.)

Some of the key policies, plans and procedures in place include:

- **People Office Policies and Procedures**

  People Office Policies and Procedures ("POPP") are in place and provide clarity to the organisation in all aspects of people management within the Group. The POPP are reviewed periodically to ensure policies and procedures remain relevant and appropriate controls are in place to manage operational risks. Updates and revisions to the POPP, if any, are communicated timely to all employees via the intranet.

  The Code of Ethics sets out sound guiding principles and standards of behaviour and conduct expected of all employees. It is aligned to the BNM's Code of Ethics for banking institutions in all its entities. It is the minimum code of conduct that is expected from all employees in the conduct of their daily business operations.

  Various initiatives and training programmes are conducted regularly to address ongoing human capital requirements and knowledge management. The e-learning facility at Affin Bank Berhad, Affin Islamic Bank Berhad and Affin Hwang Investment Bank Berhad provides employees with the freedom of time and space to continuously upskill and enhance their knowledge in building core technical competencies relevant to their area of work. A performance-based appraisal system is established to evaluate, develop and compensate/ reward its employees accordingly.

  A fair, transparent and consistent consequence management process is in place in dealing with staff who fail to ensure its conduct, behaviour and work performance to be in line with the Group's expected standards of internal control, compliance and Code of Ethics.

- **Business Continuity Management Policy**

  The Group has established the Business Continuity Management Policy which sets out the objectives, scope, strategies and response procedures as well as the lines of authority and responsibility for effective implementation of business continuity management throughout the organisation. In addition, Business Continuity Plans ("BCP") and Disaster Recovery Plans ("DRP") are established for critical business functions and critical application systems respectively and are regularly tested to ensure the preparedness of staff, the readiness of alternate worksites, the reliability of backup IT systems, and the effectiveness of communication, escalation and recovery procedures. Any changes in systems, applications and procedures are updated in the DRP.

- **Contingency Funding Plan**

  The Group's Contingency Funding Plan ("CFP") is a liquidity management tool that links the stress test results and other related information as inputs to the CFP governance, decision framework, and menu of contingent liquidity actions. The Group manages low-impact and high-probability events as part of our business-as-usual ("BAU") funding and liquidity risk management activities. On the other end, we use CFPs to address high-impact low-probability events. The Group uses CFPs to develop and implement our financial and operational strategies for effective management of contingent liquidity events.

- **Stress Test**

  The stress testing exercise conducted at AFFIN Group aims to identify possible events or future changes in the financial and economic conditions that could have unfavourable effects on the Group's exposure. This allows for the assessment of the Group's resilience against the potential downside risk due to financial and economic turmoil. These enable Management to be aware of the Group's capacity in terms of capital, earnings and liquidity to absorb potentially significant losses. Further, the stress test enables Management to understand the risk profile and risk drivers and strength of the Group's risk management practices to provide buffer for potential unfavourable economic or financial conditions. In 2022, Group Risk Management undertook concrete steps to improve the stress test process and methodologies including enhancing the clarity in the Stress Test Operating Manual (STOM) that provides stakeholders involved in the stress test with added clarity and guidance.

INTERNAL CONTROLS (CONT'D.)

Group Credit Policy on Sustainable Financing ("GCPSF")

The GCPSF was established as an internal framework and approach to managing the ESG aspects of financing and investment activities that the Group is involved in. It sets the standards for the recognition of ESG risks to be adopted by the respective business divisions within the Group.

The Group's commitment to sustainable lending/financing is guided by the following principles:

- The incorporation of ESG considerations into the Group's financing activities to effectively manage ESG risks and realise ESG opportunities;
- Engagement and dialogue with clients or counterparties to improve ESG awareness and compliance;
- Identifying opportunities to minimise the ESG impact of the Group's operations, products and services; and
- Avoiding financing activities which contravene any laws or regulations pertaining to environmental, social and governance matters.

The Group continues to develop its policies and approaches to manage the ESG aspects of financing and investment proposals it undertakes to cater for the dynamic changes demanded through regulation and market trends in general.

Anti-Money Laundering/Counter Financing Terrorism ("AML/CFT")

The Group continues to strengthen its enterprise-wide AML/CFT programme by adopting a risk-based approach to ensure that the key measures emplaced to prevent and mitigate money laundering and terrorist financing activities, commensurate with the business and compliance risks that have been identified and assessed. The Group remains vigilant over the level of compliance at all business divisions with regards to AML/CFT requirements and measures. Thematic audits are also carried out regularly at branches and subsidiaries to ensure continuous AML/CFT compliance.

Group Anti-Bribery and Corruption Policy

- In the Group's sustained efforts to ensure continuous compliance to applicable laws and regulations against bribery and corruption, the Group has put in place a Group Anti-Bribery and Corruption Policy ("ABC Policy") in May 2020, pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 that provides criminal liability (corporate liability) of an organisation for the corrupt practices of its associated persons. The ABC Policy adopts a zero-tolerance stance on bribery and corrupt activities amongst its associated persons. The Group is committed to conduct business dealings with the highest integrity and ethical principles and is against all forms of bribery and corruption, regardless of the amount involved. The Group's strong stance against such acts has been published on the corporate website.
- An Integrity and Governance Unit ("IGU") was established in 2020, in line with the Prime Minister's Directive Series 1 No. 1 of Year 2018, tasked to implement the required core functions as set out under the Malaysian Anti-Corruption Commission ("MACC") Guidelines on the Management of IGU 2018. The IGU monitors on complaints received in relation to bribery and corruption, if any. In addition, the IGU leads the implementation of the Group's anti-corruption plan which entails measures such as regular awareness programs, corruption risk assessment and other anti-bribery and corruption efforts in promoting good business ethics and integrity among staff.

Group Whistleblowing Policy

- The Group's Whistleblowing Policy ("GWB Policy") encapsulates the governance and standards to promote an ethical, responsible and secure whistleblowing practice. This is in line with the requirements in BNM's Corporate Governance Policy, MACC's Guidelines on the Management of IGU 2018 and the principles prescribed in the Whistleblower Protection Act 2010. The Policy is aimed to provide proper and secure avenue(s) for the Group's employees and/or members of the public who have knowledge of or is aware of any improper conduct to report any suspected bribery, corruption, fraud, and any other criminal activity. This does not exclude complaint on staff unethical conduct/behavior. The IGU was established to handle these whistleblowing cases and complaints in relation to suspected briberies or corruption.
- All whistleblowing cases are reported to the Group Whistleblowing Committee and oversight is performed by an independent non-executive director. The Group is wholly committed to ensure strict confidentiality and will not only protect the identity of the whistleblower but will also protect them from any harassment and victimisation due to the disclosure. Our whistleblowing channels are published on the corporate website.

INTERNAL CONTROLS (CONT'D.)

Annual Business and Capital Plan

Structured framework and processes are in place with regards to the development of annual business and capital plans. The significant operating entities' annual business plans and financial budgets are tabled and approved at their respective Boards, before consolidation at the Group's level and all internal capital targets are set on a yearly basis. Variances between the actual and targeted results are presented to the Board on a periodic basis to allow for timely responses and corrective actions to be taken to mitigate risks.

Anti-Fraud Policy

The Anti-Fraud Policy outlines the vision, principles and strategies for the Group to foster a culture of vigilance to effectively combat fraud which includes detection, escalation, remedy and deterrence of future occurrences. Robust and comprehensive tools and programmes are deployed to enforce the Policy, with clear roles and responsibilities outlined at every level of the organisation. The Group's Management has zero tolerance for fraud and demands high standards of integrity and professionalism in every employee, consistent with the Group's cultural beliefs. Appropriate disciplinary actions are taken against employees involved in fraudulent activities, in line with the Group's consequence management process.

CONCLUSION

The Board has received reasonable assurance from the President and Group Chief Executive Officer and Group Chief Financial Officer that the Group's risk management and systems of internal control are operating adequately and effectively in all material aspects during the financial year under review based on Shariah requirements, Risk Management and Internal Control system adopted by the Group.

Taking into consideration the assurance from the management and input from the relevant assurance providers, it is viewed that the Group's risk management and systems of internal control are operating adequately and effectively to safeguard shareholders' investments, customers' interests and the company's assets.

MATERIAL JOINT VENTURE AND ASSOCIATES

The disclosures in this statement do not include the risk management and internal control practice of AFFIN Group's material joint ventures and associates. The Group's interest in these entities are safeguarded through the appointment of representatives to the respective board of directors or through nominated representatives. Additionally, where necessary, key financial and other appropriate information on the performance of these entities are obtained and reviewed by the Board.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Note: AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

SUSTAINABILITY STATEMENT

Introduction

The impact resultant to the recent COVID-19 global pandemic had caused a manifest change in the emphasis that corporations now place in supporting their customers, employees, suppliers and the immediate communities they serve. At AFFIN Group we are cognisant of this positive development and have taken steps to weave sustainability into the fabric of our deliverables to key stakeholders. As a progressive financial group that subscribes to creativity and innovation, sustainability is at the core of all that we do. We are committed to aligning and integrating our business strategy and decision-making to balance growth with responsibility so we can deliver sustainable value that benefits our business and the demands of stakeholders in the long term.

As part of our integrated approach, our strategic decisions are aligned with the United Nations Sustainable Development Goals pillars and our policies with Bank Negara Malaysia's CCPT Framework. This enables us to remain competitive and resilient while addressing Economic, Environment, Social and Governance challenges to create a sustainable future going forward.

In this sustainability statement we present our achievements and key milestones as we progress on our transition toward delivering sustainability. Our approach is informed by our materiality assessment and stakeholder engagement that is conducted with regularity.

ABOUT THIS STATEMENT

Reporting scope, boundary and guidelines

Our Sustainability Statement showcases our commitment to addressing the Environmental, Social and Governance impacts of our business. It also presents our progress towards incorporating sustainable and responsible business practices into our operations.

The information and data disclosed are for the financial period of the AFFIN Bank Group – from 1st January 2022 to 31st December 2022.

To avoid repetition, we focused on highlighting the latest development of our ESG-related policies, governance and initiatives based on the reporting period. This Sustainability Statement should be read together with our previously published statements and other relevant parts of the annual reports which highlight our established ESG-related policies, governance and initiatives. We supplement our quantitative metrics performance for data comparability in the ESG Performance Data Summary below.

This Sustainability Statement covers our three main business segments which are the Commercial Banking (ABB and AIBB) Investment Banking (AHIBB) and Insurance (AALI and AAGI). The scope was determined based on the significant impact that our operations have on the economy, the environment and community.

This Sustainability Statement was prepared in alignment with the guidelines set out in the Main Market listing requirements on Sustainability Reporting by Bursa Malaysia and guided by best practices of global sustainability frameworks such as the Global Reporting Initiative Standards and the United Nations Sustainable Development Goals.

AFFIN Bank has in place internal reporting procedures for the review of the Sustainability Statement. Prior to the Board of Directors' review, this Statement was reviewed by our Group Board Risk Management Committee and the Group Management Committee. Our objective is to continually improve the quality of our Sustainability Statement. We will consider external assurance in due course.

Sustainability embedded in our core values

The principle of sustainability is vital to drive the Group's success in the long-term. This principle is crystallised in our set of core values that define and shape the Group's culture and initiatives. These core values are the lenses through which we propel our efforts to serve our customers better and motivate our people to be effective at what they do.

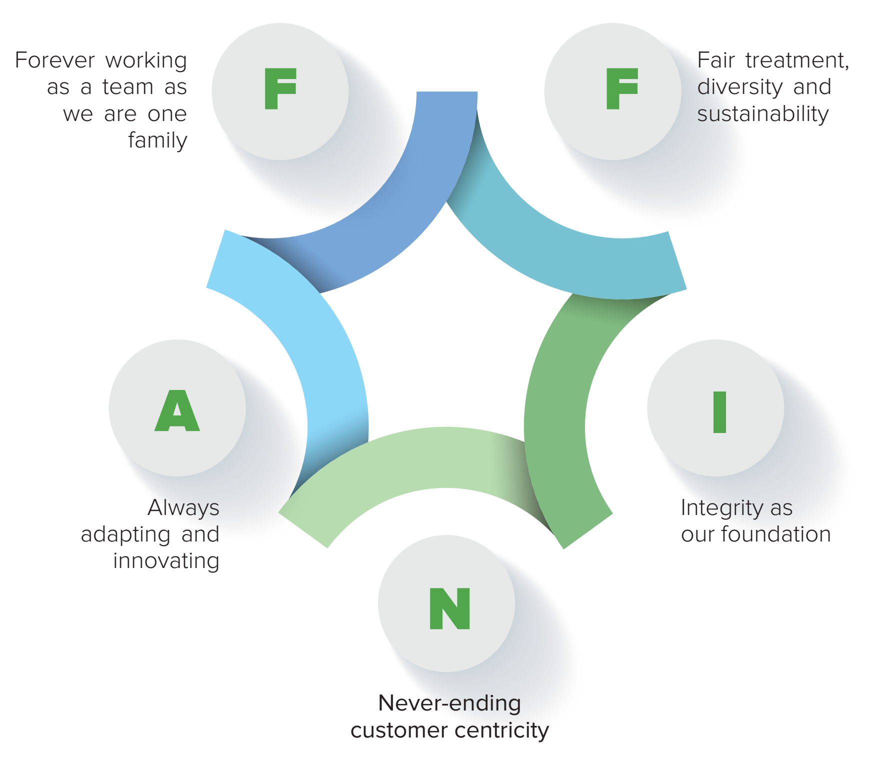
Our purpose

To develop and deliver responsible financial solutions that create value for individuals, businesses, the community and the environment.

Our purpose guides our actions, behaviour and strategy toward the delivery of value for the long term. We are cognisant that operating a sustainable business necessitates a thriving economy, a well-functioning society and a healthy environment. We are committed to delivering on this purpose in a manner that is consistent with our values.

ESG FOCUS AREAS

The Group's five-year ESG Roadmap established the foundation and identified key enablers to steer us on our transition to sustainability. The focus areas identified serve to facilitate our objective and integration of ESG implementation across all our business operations. These four focus areas provided a useful framework that serves as a guide in defining our goals and priorities - thereby aligning our actions towards our transition to a robust and sustainable financial services provider.



People & Culture

Embed sustainability DNA in our culture and our people

- Create a diverse and inclusive environment for our employees with opportunities for personal and professional advancement so as to enable them to reach their full potential
- Instil the sustainability DNA through the AFFIN core values

Sustainable Financing

Support the development of sustainable financial products and services

- Strengthen the implementation of ESG risks considerations into our financing risk assessment
- Explore opportunities in sustainable sectors for sustainable financing, i.e., environmental and social products and financing

Sustainable Operations

Promote sustainable operations

- Embrace technology to make processes more efficient and strive toward unrivalled customer service experience
- Transform internal processes and infrastructure to mitigate operational impact on the environment and across the value chain

Community Support

Support the immediate communities where we operate

- Optimise community contribution by investing in initiatives with maximum impact and programmes that are vital to supporting the community's important causes

AFFIN **5 YEAR** ESG ROADMAP

2022 – 2023
Planting the Seeds

PILLAR 1 | PROGRESS

Committed to increase our Sustainable Financing ratio within our portfolios while we strive to meet our financial targets

ABB & AIBB

4%
Environmental and Social Financing/Loan per total gross Financing/Loan per year

Group

50% - 70%
Client ESG Risk Assessment

50%
of meeting BNM's Climate Risk Management requirements

PILLAR 2 | PEOPLE

Committed towards instilling sound governance across AFFIN that is proficient in ESG risks and opportunities as well as to embrace the values of integrity, diversity and sustainable behavior

Group

Board & SM
ESG-Linked KPI

Min. 2
Number of trainings for Board, SM and Working levels

1,000
Number of CSR programmes beneficiaries

PILLAR 3 | PLANET

Committed towards environmental stewardship by reducing our operational environmental footprint and undertaking environmental conservation programmes

ABB & AIBB

~120,000 kWh
Reduction in electricity consumption (5 branches)

~RM 60,000
Amount of estimated electricity cost saved yearly

10%
Reduction in paper usage

33%
ESG Supplier Assessment

21.8 tonne of carbon sequestration From Environmental Conservation programme (1,000 trees)

2024 – 2025 Nurture	**2026 & Beyond** Harvest
7% - 10% Environmental and Social Financing/Loan per total gross Financing/Loan per year	**> 10%** Environmental and Social Financing/Loan per total gross Financing/Loan per year
100% Client ESG Risk Assessment	
100% of meeting BNM's Climate Risk Management requirements	
Board, SM & Working Level ESG-Linked KPI	**Board, SM, Working Level & Branches** ESG-Linked KPI
Quarterly Number of trainings for Board, SM and Working levels	**Monthly** Number of trainings for Board, SM and Working levels
2,000 Number of CSR programmes beneficiaries	**> 3,000** Number of CSR programmes beneficiaries
~220,000 kWh Reduction in electricity consumption (11 branches)	**~460,000 kWh** Reduction in electricity consumption (17 branches)
~RM 110,000 Amount of estimated electricity cost saved yearly	**~RM 230,000** Amount of estimated electricity cost saved yearly
10% Reduction in paper usage (from 2021-2023 baseline)	**10%** Reduction in paper usage (from 2024-2025 baseline
50% ESG Supplier Assessment	**100%** ESG Supplier Assessment
65.4 tonne of carbon sequestration From Environmental Conservation programme (2,000 trees)	**109 tonne** of carbon sequestration From Environmental Conservation programme (3,000 trees)

INTEGRATION WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

As a responsible corporate citizen, we are mindful of our responsibility to subscribe to the five pillars of sustainability – people, planet, partnership, prosperity and peace. In our effort to continue achievement in sustainable growth, we underwrite global efforts by integrating the UN Sustainable Development Goals (UNSDGs) to our four focus areas and deliver AFFIN's sustainability matters that align with the 12 UNSDG concepts. We do this to create value for our business, the economy, the environment and society at large.

These four focus areas encapsulate our commitment to manage and keep track of the 11 Sustainability Matters that are highlighted in the following sections of this Sustainability Statement.

Focus Area	UNSDGs	AFFIN BANK's Sustainability Matters
People & culture	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	• Ethics & integrity • Fair employment practices • Talent development
Sustainable financing	5 GENDER EQUALITY 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS	• Responsible financial services
Sustainable operations	5 GENDER EQUALITY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	• Digital innovation • Data privacy & security • Client focus • Responsible marketing • Sustainable procurement procedures • Environment management
Community support	1 NO POVERTY 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 11 SUSTAINABLE CITIES AND COMMUNITIES	• Community development

Achievements

4.5% sustainable financing surpassing the 4% target

Group-wide engagement on **CRMSA policy document** issued by Bank Negara Malaysia

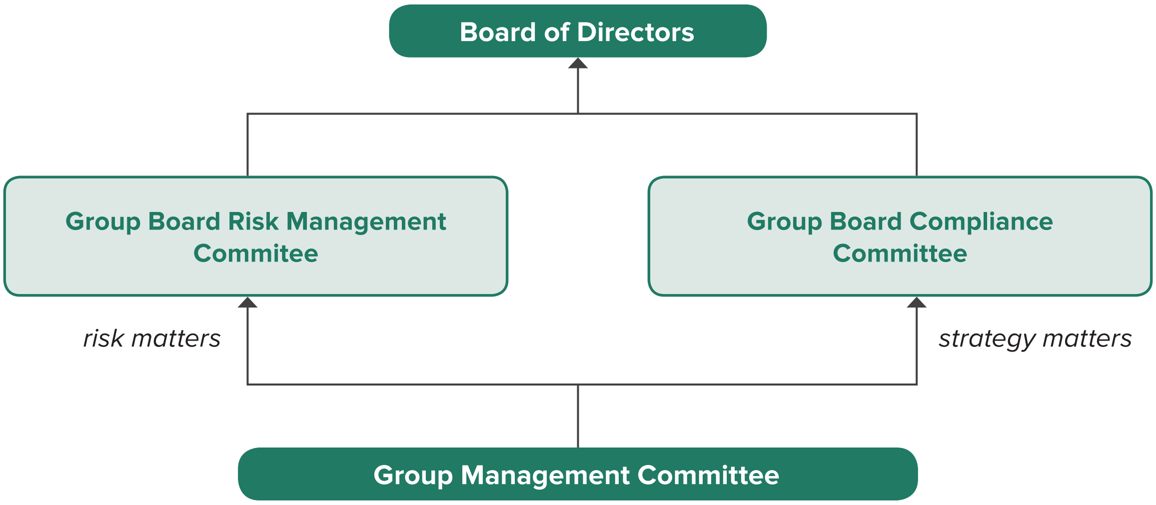
Relocation to TRX – our **'green building'** with cutting-edge technology

Rolled out **SME Financing** & business identifier on SME Colony application

RM3.68 million Zakat contribution to improve the lives of those in need

Sustainability Governance Structure

The commitment by our leadership to ensure success in our sustainability efforts is pivotal to the effective implementation of ESG matters throughout the Group. They play a vital role in setting the direction towards the entrenchment of AFFIN's five core values in every employee. The Sustainability Governance Structure that was launched in 2021 was further enhanced with the appointment of a dedicated ESG team led by a senior management personnel as the Group Head of Sustainability to focus on matters related to ESG across the group. The Head of Sustainability, Ahmad Nadjme Yusuf has a direct reporting line to the Group Chief Corporate Strategy Officer (GCCSO) Abdul Malek Mohamed Said. In matters relating to sustainability, ESG strategic matters come under the purview of the Group Board Compliance Committee (GBCC) whilst ESG risk management matters are discussed at the Group Board Risk Management Committee (GBRMC).



MATERIALITY ASSESSMENT

Our materiality assessment process involves a thorough review of the issues that affect the Bank's ability to generate returns, create value and ensure its sustainability. The assessment involves four steps:

STEP 1:
IDENTIFICATION OF SUSTAINABILITY MATTERS

Sustainability matters are identified by taking into account both internal and external factors, together with current as well as the emerging global risks and opportunities affecting the financial services industry. We also made cross references with industry-specific materials and publications such as the UN SDG Industry Matrix for Financial Services and sustainability disclosures by peer organisations.

STEP 2:
STAKEHOLDER ENGAGEMENT

We conducted Stakeholder Engagement sessions with both our internal and external stakeholders to gauge their perception on the identified sustainability matters. From this engagement, we are also able to ascertain their expectations on the management of each of the sustainability matters. For this reporting cycle, we have engaged over 120 stakeholders both internally and externally.

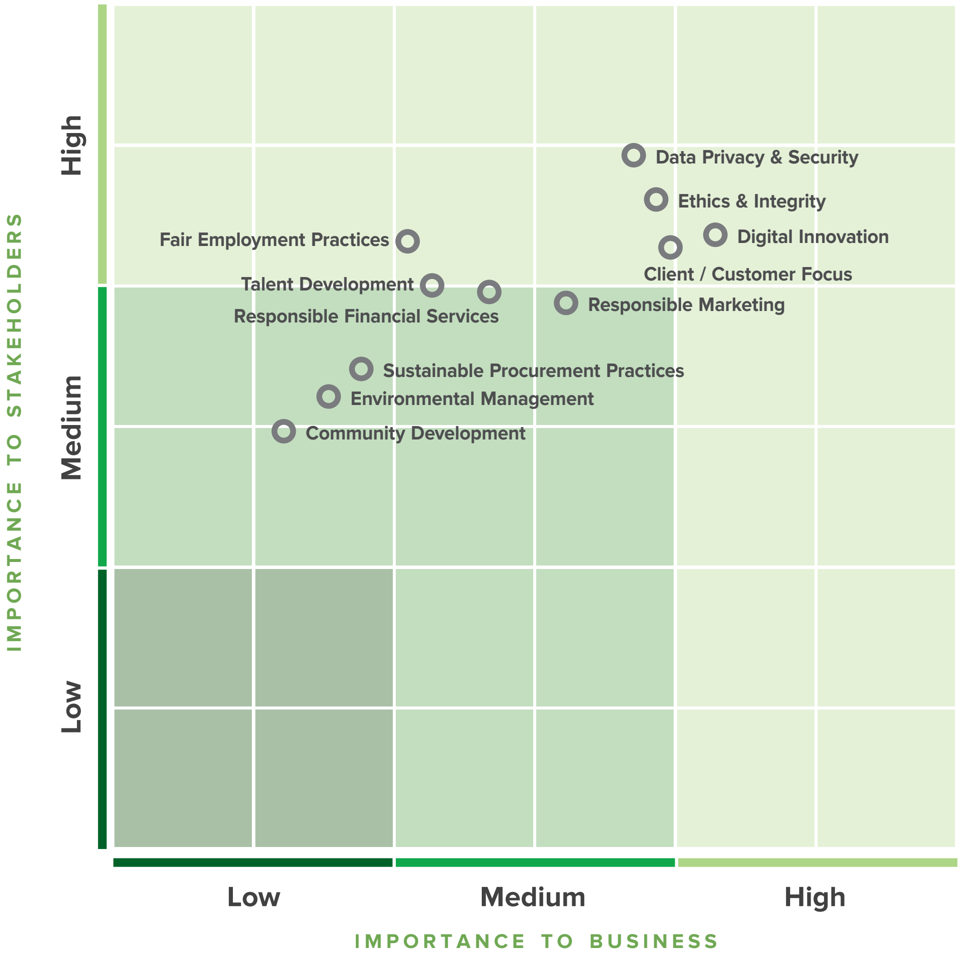
STEP 3:
SUSTAINABILITY IMPACT ASSESSMENT

The aim of this exercise was to determine the level of importance of the sustainability matters to the Group's business operations. Our SWG members and other key personnel from various functions across the Group participated in this exercise. We leveraged on our existing business risks evaluation parameters to rate the likelihood and impact of occurrences of risks events. We also performed assessments on the likelihood and impact of the materialisation of opportunities associated with these sustainability matters.

STEP 4:
PRIORITISATION OF SUSTAINABILITY MATTERS

Guided by Bursa Malaysia's Materiality Assessment Sustainability Toolkit, we have incorporated the findings of the steps to prioritise the top 11 topics that are important to our stakeholders and business. The result of this exercise is represented in our materiality matrix shown on the following page.

MATERIALITY MATRIX



The sustainability matters are subsequently grouped into the three (3) themes tabled below. The sustainability matters act as key focus areas for us to develop our holistic strategic vision, governance structure and operations to derive value to both our business and stakeholders. Efforts to manage and monitor the Group's performance of these sustainability matters are discussed in subsequent sections of this Report.

THEME 1

SUSTAINABLE FINANCIAL SERVICES

Our commitment towards integrating sustainability practices in delivering our products and services

- Digital Innovation
- Data Privacy & Security
- Ethics & Integrity
- Client/Customer Focus
- Responsible Marketing
- Responsible Financial Services
- Sustainable Procurement Practices

THEME 2

SOCIALLY-RESPONSIBLE EMPLOYER

Our commitment towards becoming a talent incubator and magnet that supports development and acts in the best interest of our employees through an inclusive workplace

- Fair Employment Practices
- Talent Development

THEME 3

SUPPORTIVE COMMUNITY DEVELOPMENT

Our commitment towards minimising the environmental impacts of our business activities and engaging positively with society at large

- Environmental Management
- Community Development

SUSTAINABILITY STATEMENT

Material matters are those that have the most impact on our ability to create long-term value. These matters influence how our Sustainability Governance steer the Group in managing the sustainability risks and opportunities.

IMPORTANCE TO OUR BUSINESS AND STAKEHOLDERS

Risks	Opportunities
Digital Innovation	
• BNM's issuance of the new Digital Bank Licenses will introduce a new range of competitors who are technologically more advanced and appeal to the customers of today and tomorrow • Failure to embrace and keep up with digitalisation would put the Group at risk of having products and services that are no longer relevant to our customers, slower and outdated processes and the Group having limited knowledge of our customers • Poor digital planning and implementation may result in substandard services, security concerns and frequent services downtimes	• A successful digital transformation will allow the Group to respond and innovate quickly to meet changes in the market and customer demands to remain relevant and competitive • Digitalisation will also enable us to provide more efficient services, reduce turnaround time and a more targeted sales and efficient marketing efforts • Digital banking will allow the Group to lower the cost of doing business as well as reach out to a wider customer demographics (i.e. the underserved or unserved markets)
Data Privacy & Security	
• Breaches of information and cyber security will result in loss in customers' trust, potential monetary losses and may attract regulatory redressals • Severe breaches may also result in damaging disciplinary actions or clamp-downs by the authorities • The pace in which technologies are developing makes it more difficult to protect information	• Established record in information and data security will help build customer trust and a positive reputation for the Group
Ethics & Integrity	
• Unethical conduct and poor corporate governance practices may result in monetary losses, reputation loss and disciplinary actions by the authorities	• Continuous strengthening of corporate governance will result in improvements in the Group's operations and performance • Established record in governance and integrity will help build customer trust and a positive image for the Group
Client / Customer Focus	
• Failure to establish robust customer/client management policies and programmes will lead to a loss in customers and business • Lack of understanding and ability to serve the needs of our customers/clients will result in significant business and financial risks	• Focusing on the following efforts will differentiate our products and services, hence creating customer loyalty: 1. To maintain high standards of customer engagement, experience and satisfaction; and 2. To remain agile in offering new products and services that cater to customers' needs
Responsible Marketing	
• Failure to observe fair marketing standards will give rise to compliance and reputational risks • Failure to deal with customers in a fair, transparent and ethical manner will adversely erode stakeholders' and customers' trust and lead to a loss in customer base, business and reputation	• Customers are more likely to do business with institutions that they trust • Institutions that are transparent, ethical and fair in their business conduct, products, services and marketing efforts will attract and retain customers and investors

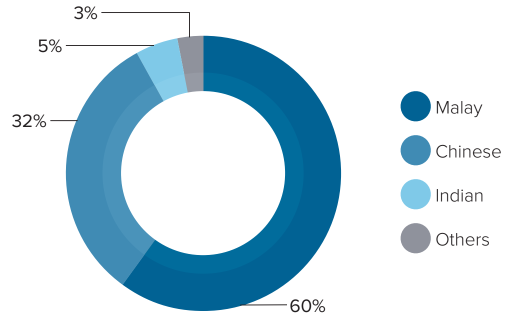
IMPORTANCE TO OUR BUSINESS AND STAKEHOLDERS

Risks	Opportunities
Responsible Financial Services	
• There has been a rise in public demands for financial institutions to provide financing towards more responsible corporate activities. This may have an impact on our potential customer base and compliance cost • Failure to adopt responsible financing practices may give rise to credit and reputational risks to the Group	• The Group may explore new areas such as renewable energy and energy-efficient financing • Lending and investment practices can be improved to avoid borrowers with poor ESG records
Fair Employment Practices	
• Failure to keep up with changes in employment practices and to provide safe working conditions may lead to low morale, low productivity and adverse loss of talent • Failure to promote communication between employees and management may give rise to workforce disputes and talent related risks	• Establishing a robust employee welfare and talent management framework will contribute to a productive working environment, increase staff morale, improve workforce productivity and operating efficiency
Talent Development	
• Failure to attract and retain talent impedes succession planning and business growth • Employees face the risk of obsolescence if they are not equipped with the required skill sets in today's operating environment	• Our workforce can be reskilled, upskilled and/or challenged to improve the quality of our services, efficiency of operations and increased output • Talent development practices will improve staff retention, employee morale and succession planning programmes
Sustainable Procurement Practices	
• Involvement and engagements with suppliers/vendors/contractors with poor ESG practices may give rise to reputational risks to the Group and loss of stakeholder confidence • Dealing with suppliers with poor ESG practices will also result in higher supply chain cost and potential operational disruptions	• ESG considerations in the Group's procurement practices will help ensure continuous supplies from responsible sources • Involvement in sustainable and responsible value chains will safeguard the Group's business image and bolster appeal to responsible investors
Environmental Management	
• Failure to effectively manage our environmental footprint may lead to unnecessary consumption of resources and wastage	• Sound management on energy consumption, water usage and waste management will help reduce operational costs and instill an environment-friendly culture amongst the workforce
Community Development	
• Failure to conduct effective local community engagements may lead to a breakdown in relationship with the surrounding community and potential loss in trust and business	• Engaging in strategic community programmes by integrating our core competencies to help resolve social or economic issues will improve the Group's image and reputation, gain trust from the local society and improve the Group's local business presence

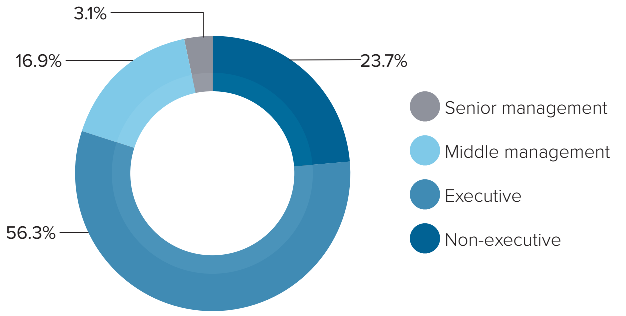
SUSTAINABILITY STATEMENT

FOCUS AREA 1 PEOPLE & CULTURE

Workforce by ethnicity



Workforce by position



Amount invested in employee training programmes

RM11.5 million

Number of employees sponsored for training

13,372 employees

Number of employees certified with professional industry certification

844 employees

Workforce by gender

Male **39%**

Female **61%**

Board gender composition

Male **70%**

Female **30%**

Workforce position

(males compared to females)

Senior management

Male **66%**

Female **34%**

Middle management

Male **46%**

Female **54%**

Executive

Male **37%**

Female **63%**

Non-executive

Male **35%**

Female **65%**

Employee training

- Group-wide amount of sponsorship for employee training
- Number of employees certified with professional industry certification
- Total training hours per employee

Sustainability DNA within our work-force

We aspire to be **'the most inspiring company to work for'**. Our journey towards this mission is guided by three transformation pillars:

Culture

High performance culture teams

People solutions

To be a trusted advisor and a credible business partner

Talent & development

Building talent & leadership bench for business sustainability

Note: *Our People transformation efforts are detailed in the Management Discussion and Analysis on page 73 of this annual report*

Headcount Trending

Category/ Movement	Senior Management (SM)	Middle Management (MM)	Junior Management (JM)	Sales	Non-Management (NM)	Total
New Hires	1	3	12	34	0	50

Enhancing Employees Capability

ITEMS (For FYE 2022)	ABB	AIBB	AHIBB
Amount invested in Employee Training Programmes* (*Inclusive of HRD Corp levy payment for FYE2022)	7,447,644.00	2,504,138.00	1,549,675.00
Number of employees sponsored for employee training** (**Total training participation excluding eLearning)	12,228	333	811
Types of employee training	Soft skills, Technical, Compliance, Leadership		
Number of employees certified with professional certificate	724	28	92
Total training hours per employee a year (Average training hours per employee/year – Classroom only excluding eLearning)	18	17	14

SUSTAINABILITY STATEMENT

OUR ESG LEADERSHIP

In the promotion of a culture of ethics and integrity throughout the Group, the senior leaders are the role models to maintain excellent standards of honesty, transparency and positive values through policies related to corporate governance.

Note: For more information on our policies related to corporate governance, please refer to the section on Corporate Governance Overview statement.

In FY2022, ESG topics continue to be uppermost on our leadership's agenda. The key topics rendered during this financial year under review include climate risk with compliance to Bank Negara Malaysia regulations as provided in the CCPT guidelines and the CRMSA policy document, meeting the sustainable finance target of 4% and community support where we participated in mangrove and tree planting.

ESG leadership demands that knowledge on governance is prevalent in our culture. Our people need to be mindful that their conduct during the execution of their duties contribute to maintain confidence and trust among our stakeholders. Towards this, the Group conducts regular training for all relevant employees on issues that are indispensable in the financial services industry. These include programmes on Anti-money laundering, Anti-terrorism financing and data privacy as well as security. Towards the development of a future-ready workforce, the Group also provides training on digitalisation that emphasises digital awareness and power-up programmes.

The Future of Work (FoW) programme provides a people-first approach that would future-proof employees to navigate an environment that is increasingly gravitating towards digitalisation. Employees are up-skilled and re-skilled to build an enterprising mindset and develop business skill set for emerging roles that are currently in demand across the Group. ABB also provides sponsorship for employees' personal development through certification and qualification offered by the Asian Institute of Chartered Bankers (AICB). Future-proofing jobs and facilitating our people with relevant skills are essential to foster a sustainable organisation.

A mandatory e-Learning programme on Introduction to Sustainability for all employees was rolled out in the second quarter of 2022. The programme is conducted in Bahasa Melayu and English to ensure awareness and comprehension. The topics addressed include ESG, the impact of climate change and the roles of financial institutions in achieving sustainable development.

Our people are our prized assets who enable the Group toward achieving success. As such, the Group is committed to building a dynamic and engaged workforce by embracing diversity, equality and inclusivity as well as developing meaningful engagement for continual improvement. As part of our equal opportunities and inclusivity in employment practices, we employ individuals with disabilities. However, during the financial year under review there was no new hire for people with disabilities.

Innovation is a significant tenet of sustainability and imperative for fit-for-future jobs. Across the Group, emphasis is given to continual improvement and a culture of innovation among all employees. ABB was the first to pilot a programme to encourage the simplification of ideas and celebrate small wins. The programme was branded the AXAHackathon.

The health and safety of our employees is always a priority, especially as we traversed the post-pandemic stage in 2022. Strict Standard Operating Procedures (SOPs) on preventing COVID-19 infection continue to be upheld to ensure employees keep each other safe while in their workplace.

> “OUR PEOPLE ARE OUR PRIZED ASSETS WHO ENABLE THE GROUP TOWARD ACHIEVING SUCCESS. AS SUCH, THE GROUP IS COMMITTED TO BUILDING A DYNAMIC AND ENGAGED WORKFORCE BY EMBRACING DIVERSITY, EQUALITY AND INCLUSIVITY AS WELL AS DEVELOPING MEANINGFUL ENGAGEMENT FOR CONTINUAL IMPROVEMENT.”

AFFIN

POLISI KESELAMATAN DAN KESIHATAN PEKERJAAN

Kumpulan AFFIN komited dalam memastikan semua pekerja, pelanggan dan pelawat yang berada di persekitaran premis kami dalam keadaan selamat dan bebas dari sebarang ancaman/bahaya.

Pihak Pengurusan dan Pekerja bertanggungjawab untuk:

- Menyediakan dan mengekalkan persekitaran tempat kerja yang selamat dan sihat bagi semua pekerja, pelanggan dan setiap individu yang menjalankan tugas dan urusan di premis kami.
- Membantu dalam mengenalpasti kawasan yang berbahaya di persekitaran tempat kerja dan premis kami dan memastikan bahaya yang dikenal pasti dihapuskan atau dikurangkan ke tahap yang boleh diterima.
- Mengadakan latihan dan program-program kesedaran berkaitan dengan keselamatan dan kesihatan pekerjaan dan melibatkan penyertaan pekerja dan perundingan mengenai perkara yang berkaitan dengan keselamatan dan kesihatan pekerjaan.
- Mengkaji semula Polisi Keselamatan dan Kesihatan Pekerjaan dari semasa ke semasa bagi menjamin keberkesanan polisi tersebut dan akan dimaklumkan kepada semua pekerja.

Adalah menjadi polisi kami untuk mematuhi semua peruntukan Akta Keselamatan dan Kesihatan Pekerjaan 1994 (Akta 514), Peraturan-Peraturan serta Tata Amalan. Dalam usaha mencapai objektif, semua pihak perlu mengambil bahagian dalam memastikan persekitaran tempat kerja yang selamat dan sihat untuk semua pekerja, pelanggan dan pelawat premis kami.

Kami menyambut baik cadangan dan idea-idea anda untuk menjadikan Kumpulan AFFIN sebuah tempat kerja yang lebih baik. Sila emel kami di affinpeopleoffice@affingroup.com

OCCUPATIONAL SAFETY & HEALTH POLICY

AFFIN Group is committed to ensure safe, healthy and hazard free environment for all employees, customers and visitors within our premises.

The Management and Employees are responsible to:

- *Provide and maintain a safe and healthy environment for all employees, customers and other persons who carry out duties and business at our premises.*
- *Assist in identifying hazardous areas and subsequent problem-solving processes within the workplace and premises and to ensure identified hazards being eliminated or reduced to acceptable level.*
- *Create occupational safety and health awareness enhancement training and programmes for the employees and to involve employees participation and consultation on matters related to occupational safety and health.*
- *Review Occupational Safety and Health Policy from time to time to ensure its effectiveness and will be communicated to all employees.*

It is our policy to comply with all provisions of the Occupational Safety and Health Act 1994 (Act 514), its Regulations and approved Codes of Practice. In order to achieve the objectives, all parties need to participate in ensuring a safe and healthy environment for all employees, customers and visitors within our premises.

We welcome your suggestions and inputs to make AFFIN Group a better workplace. Please email us at affinpeopleoffice@affingroup.com

DATUK WAN RAZLY ABDULLAH
Presiden & Ketua Pegawai Eksekutif Kumpulan
President & Group Chief Executive Officer

Tarikh/*Date*: 01 / 01 / 2023

SUSTAINABILITY STATEMENT

WALKING THE TALK IN SUSTAINABILITY

Our aim is to promote a healthy corporate culture where governance, superior standards and professionalism is embedded in the DNA of all our employees. We subscribe to the fact that a conducive corporate culture is key to attracting and keeping quality talent. Quality talent provides the Group with an edge in our objective to provide unsurpassed customer service. The Code of Ethics and Code of Conduct serve to guide employees in discharging their duties and sets out the standards of excellent banking practices.

The Code of Conduct outlines the business conduct and ethical business practices to promote compliance with the Group's coveted conduct of its employees, policies and procedures as well as applicable laws and regulations. These codes are introduced to new employees during induction programmes and distributed to all employees through the internal communication platforms on a regular basis.

In ensuring that all employees achieve buy-in in the principles of sustainability, the Group's five core values are regularly communicated via the Sustainability Digest – a weekly e-poster that showcases how sustainability can be achieved through contributable behaviour. The bilingual Digest is published in Bahasa Melayu and English to ensure better comprehension of the desired messages. Weekly quizzes are also introduced on these platforms to test awareness and make learning about sustainability fun. At every fourth issue of the publication, a 'Walk the Talk' slot shares sustainable behaviour practices observed by the AFFIN Family and senior management personnel also contribute their success stories.

Encouraging appreciation for the environment

Climate change, excessive carbon emission and wasteful energy consumption are major contributors to the rate of decline in the environment. As the Group gravitates toward 'green' consciousness and responsible banking, we rally our employees to be aware of the importance of conserving the environment. During the financial year under review, a mangrove planting and tree planting initiatives were organised to address the conservation of the environment.

AFFIN x UiTM GrowGrove was a mangrove planting programme that saw the replanting of 400 mangrove saplings at the Pusat Pendidikan Hutan Paya Laut, Sungai Acheh, Nibong Tebal, Pulau Pinang. The programme on 26th June 2022 involved 100 students and 15 AFFIN personnel.

> “AS THE GROUP GRAVITATES TOWARD 'GREEN' CONSCIOUSNESS AND RESPONSIBLE BANKING, WE RALLY OUR EMPLOYEES TO BE AWARE OF THE IMPORTANCE OF CONSERVING THE ENVIRONMENT”

On 11th November 2022, the AFFIN x MBJB tree planting programme was organised to raise public awareness on the importance of river conservation for protecting the surrounding eco-system and flood mitigation purposes. A total of 300 trees from the Raintree species – Samanea saman, were planted. These trees have deep roots, strong trunks and their branches canopy provide excellent shade. 100 trees were planted at the Sungai Sri Buntan area in Bandar Baru UDA and 200 trees were planted at Kampung Pasir and Jalan Abdul Samad, Johor Bharu, by the MBJB Landscape Department. Approximately 300 people, comprising AFFIN personnel, the local community and students from local schools attended the launch event that included activities such as tree-planting, gotong-royong to clean the area and a workshop on making products based on the micro-organism method.

On 24th November 2022, the AFFIN x FRIM tree planting programme that is aimed at raising public awareness on the importance of forest conservation was organised at the FRIM Research Station at Selandar, Melaka. 150 volunteers from AFFIN and FRIM planted 500 saplings of the Dipterocarpus and Eucalyptus – a fast-growing evergreen, species. The tall hardwood tropical trees of the Dipterocarpus species are the source of valuable timber; aromatic oils and resin while the fast-growing evergreen Eucalyptus species is a source for timber, pulpwood, honey production and essential oils.

FOCUS AREA 2

SUSTAINABLE FINANCING

COMMUNITY BANKING DIVISION

RM686 MILLION

CATEGORY OF FINANCING:
SOCIAL & ENVIRONMENT

ENTERPRISE BANKING DIVISION

RM729.43 MILLION

CATEGORY OF FINANCING:
SOCIAL & ENVIRONMENT

4.5% = RM2.6 BILLION

CORPORATE BANKING DIVISION

RM1.229 BILLION

CATEGORY OF FINANCING:
SOCIAL & ENVIRONMENT

Astute financing solutions to address climate risk issues and ESG challenges

Current upheavals in climate change due to global warming are real threats that can impact sustainability of the economy in the long term. As a caring financial services provider, we are cognisant of the challenges faced by our customers as they progress in their efforts to maintain sustainability as they transition to a low-carbon economy. As such, we work with clients and customers to respond to these climate risk issues and ESG challenges by developing financial solutions that support sustainable development.

Group credit policy on sustainable financing

This policy, that was designed according to the guidelines provided in the Climate Change and Principle-based Taxonomy (CCPT) document issued by Bank Negara Malaysia, was introduced in August 2021. It provided a robust frame-work to identify and classify customers and counter-parties. In FY2022, the commitment to uphold the principles of 'responsible lending' as championed in the Group Credit Policy continues and ESG considerations have now become part of the Group's credit culture.

Supporting transition to low carbon economy

For the financial year under review, we continued to support businesses that are moving towards a low carbon economy with sustainable financing for a 10MWac Large Scale Solar (LSS) at Nibong Tebal, Penang and a 3MW biogas plant at Maran, Pahang. The financing of these projects - 20MWac LSS and the 1.56MW biogas plant, have contributed to the avoidance of 14,600 tonnes and 1,138.8 tonnes of carbon emission respectively.

Going forward, the Group aims to increase investment in 'green' financing in congruence with the targets in the five-year ESG Road-map. Focus would be given to exploring opportunities in the Renewable and Energy Efficiency sector primarily on Large Scale Solar (LSS) and expansion of our green market segment that would include electric vehicle (EV) infrastructure.

Sri Senggora Biogas Power Plant

On 8th March 2023, the ESG team conducted a site visit to Kilang Kelapa Sawit Sri Senggora, at Kampung Belimbing in Maran, Pahang, a Biogas power plant financed by AFFIN. Sri Senggora complies to the Malaysian Sustainable Palm Oil (MPSO) standard throughout their operations with an average supply from approximately 30-40 sources. This plant generates 3MW of power, with 20% of output utilised for their own needs and 80% of output sold under the Feed-in Tariff (FiT) system as determined by the Sustainable Energy Development Authority (SEDA). Malaysia's FiT system obliges Distribution Licensees (DLs) to buy electricity produced from renewable resources (renewable energy) from Feed-in Approval Holders (FIAHs).

It was discovered that on average palm oil meal discharge (POME), a feedstock for biomethane production abundantly available at all palm oil mills, emits 15m^3 of methane per month whereas the Sri Senggora biogas power plant would emit only 0.8 tonne of POME which is equivalent to roughly 12m^3 of methane.

The climate change impact faced by the Sri Senggora plant include the La Nina phenomenon which caused heavy rainfall during usually normal weather in Malaysia and the El Nino that resulted in below-average rainfall causing a decline in palm oil yields and increase in global prices.

SUSTAINABILITY STATEMENT

Responsible investment role

In our role to influence change towards greater sustainability we encourage the market to espouse responsible investment strategies that integrate ESG elements. We are guided by the Securities Commission Malaysia's Sustainable & Responsible Investment (SRI) Sukuk framework and the ASEAN Green Bond Standards in developing ESG-related products and services via Affin Hwang Investment Bank Berhad (AHIBB). AHIBB aims to increase the share of green assets in our portfolio as well as improve and enhance our income stream for ESG assets.

Our Treasury division is committed to employing ESG risk level assessment as well as monitoring ESG-related exposure of our investments.

We continue to advance Bank Negara Malaysia's Value-Based Intermediation (VBI) principles that align with the creation of sustainable value and making a positive impact on the community and the environment. This includes collaborating with other industry players to strategically advance the VBI agenda among the Islamic financial institutions in Malaysia under the VBI Community of Practitioners platform. The collaboration is guided by the following mandates:

1. To serve as a single reference point to identify possible impediments related to VBI;
2. To spur industry-wide VBI initiatives;
3. To promote continuous industry-wide knowledge exchange; and
4. To expand the pool of expertise and talent in VBI in Malaysia

In early 2022, AIBB's participation in the sub-working group of the VBIAF second cohort of the Sectorial Guide Working Group (SGWG) to develop the sectorial guide for the manufacturing industry was published on the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) website. The listing was open for public consultation from 7th October 2021 till 7th January 2022.

Responsible investing policy

Our responsible investing policy aligns with the guidelines in Bank Negara Malaysia's CCPT framework. The drafting of the policy includes consideration for industry best practices as well as the investment objectives and risk profiles of our clients. Affin Hwang Asset Management's responsible investing policy applies to all internally-managed funds. The policy requires that ESG consideration be integrated into investing strategy, supplemented by two exclusion policies – the sanctioned countries and controversial weapons. Since we consider ESG as a risk management tool, applying ESG risk factors in investment assessment allows us to take a more holistic and integrated view of the companies we invest in. We focus on material ESG risks and opportunities that the investee company faces and assess their ability to manage these issues. We also consult external ESG ratings reports as well as utilise internal questionnaires and engagement with industry players to have a grasp of the material ESG issues.

> “WE FOCUS ON MATERIAL ESG RISKS AND OPPORTUNITIES THAT THE INVESTEE COMPANY FACES AND ASSESS THEIR ABILITY TO MANAGE THESE ISSUES.”

As ESG risk factors are continually evolving we conduct regular engagements with investee companies to facilitate information and knowledge exchange. This is aimed at encouraging the investee companies to uphold preferred standards of governance and sustainability.

The responsible investment (RI) approach also applies to our insurance business. We define RI as the integration of ESG considerations into our investment processes and ownership practices. Sector-based restrictions apply to companies that face acute environmental, ethical, human rights and social challenges. These include coal mining and coal-based power generation, controversial weapons, food commodity derivatives, palm oil, tar oil, sands and associated pipelines and tobacco. An underwriting and business exclusion (coal, controversial weapons, palm oil, tobacco and sanctions) guideline facilitates compliance in the under-writing process.

Continual efforts toward financial inclusion

The Group is committed to help businesses, especially SMEs and start-ups, to scale up and be part of the contributing economy. At the same time, we guide them on how to embrace ESG for greater sustainability. We are mindful to offer support to segments that are underserved – such as women entrepreneurs. The Enterprise Banking division offers financial solutions that point toward financial inclusion with a target of 10% of the total financing portfolio to be from sustainable products and services by 2025. Commencing in 2022, the division is expanding its sustainable finance portfolio to 'green' financing that includes BizSolar Financing as part of our offering.

Our award-winning SME Colony application supports the growth of SMEs and the underserved segments by helping the community improve their business knowledge, enhance financial well-being and expand commercial networks among business partners. As they are the backbone of Malaysia's economy, SMEs are the drivers of the nation's productivity and innovation with enormous upside potential. In line with the National Agenda for Entrepreneurship and the United Nations Sustainable Development Goals, the SME Colony application is the Group's digital technology solution to spur the growth of SMEs – with emphasis on the social component that is woven with intrinsic ESG elements.

> “THE GROUP IS COMMITTED TO HELP BUSINESSES, ESPECIALLY SMEs AND START-UPS, TO SCALE UP AND BE PART OF THE CONTRIBUTING ECONOMY.”

AFFIN Solar Financing-i Official Launch

AFFIN BANK launched AFFIN Solar Financing-i, a sustainable and personal financing plan for customers to purchase and install solar panels at their properties. The launch event, which took place at Menara AFFIN @TRX, included the exchange of MOU documents with eight solar panel companies and was witnessed by AFFIN ISLAMIC's CEO, Nazlee Khalifah and its Chairman, Haji Musa bin Abdul Malek.

FOCUS AREA 3 SUSTAINABLE OPERATIONS

WATER CONSUMPTION

90,726 M^3
(40% REDUCTION)

ENERGY CONSUMPTION

15,027,708 kWh

PAPER CONSUMPTION (AT HQ)

23,482 kg of paper usage = 10,035 reams
(30% REDUCTION)

INSTALLED SOLAR PANELS

12 AFFIN branches nationwide

NET PROMOTER SCORE

NPS Score: +41

Note: Figures only for ABB, AIBB & AHIBB

TRX – OUR GREEN BUILDING

TRX is a state-of-the art project where sustainability is a key element embedded into its Development Code. We have the Energy Efficiency infrastructure towards higher energy efficiency to lower operating cost and reduction in carbon footprint. AFFIN's new building is also certified with both Green Building Index (GBI) & Leadership in Energy and Environmental Design (LEED) – Gold, that signifies a certification for highly efficient, cost-saving green buildings.

TRX – Energy and Resource Conservation Features

WATER EFFICIENCY

Maximise the use of alternative water resources, while reducing potable water consumption

ENERGY EFFICIENCY

Infrastructure with higher energy efficiency to lower operating cost and reduce carbon footprint

INDOOR ENVIRONMENTAL QUALITY

Promotion of Green Education awareness and long-term benefits to the health and well-being of employees

TRANSPORTATION AVAILABILITY ALTERNATIVE

Well-connected development with easy access to the only underground interchange station of the KL MRT 1 & 2

EASY ACCESS TO BASIC SERVICES

Strategically located within the Tun Razak Exchange

PROMOTE SUSTAINABLE OPERATIONS

We spare no effort to operate in an environmentally-responsible manner by mitigating our operational environment footprint as well as ensuring sustainability across our value chain so as to accelerate operational sustainability.

Unrivalled Customer Service

One of the Group's strategic goals is to deliver unrivalled customer service. This is achieved by going above and beyond to exceed expectations as we traverse our customer satisfaction Journey. Innovation is one of the strategies to seek solutions that meet customers' needs. Therefore, it is imperative that we focus on the expectations and needs of our customers who demand up-to-date solutions to address their sophisticated requirements.

To accomplish this, we have to place our customers uppermost in our actions and business decisions, forge effective collaboration across the Group and employ technology to implement new as well as enhanced digital-centric efforts to ensure we exceed our customers' expectations.

Enabling customer-centricity

The development of a customer-centric culture begins with a change in behaviours and mindset for all in the AFFIN Family. Some of the initiatives introduced to inculcate customer-centricity at AFFIN Group are:

AFFIN **C.A.R.E.S.**

C.A.R.E.S. stands for, Customer Focused, Accountability, Responsive, Empathetic and Simplicity. These attributes are represented by five C.A.R.E.S. Superhero characters. The characters signify the hidden superpowers in every AFFIN Family and their ability to offer unrivalled customer experience for our customers. CX (customer experience) attributes act as guiding principles to create an environment where customers are always top-of-mind for everyone in the organisation. In 2022, our efforts were focused on:

CX Blue Seat	This programme was inspired by a technique utilised by Amazon, 'The World's Most Customer-Centric Company'. An empty blue seat that represents the customer is placed in all meetings. The focus of discussions and decisions made on customers is directed at that blue seat so that meeting participants are conscious of the customers' needs and requirements.
Customer Experience (CX) Day	In conjunction with Global CX Day, the event was held in October 2022 at the new Menara AFFIN TRX and branches nationwide. It was a celebration of the achievements of our unsung AFFIN Superheroes, peer recognition for those who exhibited the C.A.R.E.S. attributes, CX trivia and games as well as learning through CX talks and workshops.
Learning & Development	• **CX Talks** – Renowned experts were invited as guest speakers. A. Santhakumaran, Founder and CEO of CX Expert Asia, Lolitta Suffian, Head of Experience at Telekom Malaysia and K. Yasotha from Kay Management Consultancy, were among the experts who shared their expertise and best practices on delivering good experience. Topics included the importance of understanding customers and their preferences in products and services, driving CX change and delivering world-class service to customers. • **CX Workshops** – workshops for employees to learn basic and fundamental CX competencies were also conducted and facilitated by the CX department. Case studies and practical exercises in the form of role play were employed for participants to apply according to their business and work functions. • **Training programmes** – Delivering 'World-Class' Customer Service training was conducted to equip front-line employees with techniques for excellent customer service through simulations and role-play. The training was conducted nation-wide for branches and sales hubs. A total of 19 sessions were completed and 514 employees attended the programmes.

SUSTAINABILITY STATEMENT

ENHANCING CUSTOMER EXPERIENCE

Our understanding of the customer journey allows us to make the necessary improvements through the various touch-points. This has helped the Group to provide better customer service resulting in more positive customer experience. The improvements in our customer service indicators and Net Promoter Score (NPS) are testament to the improvement.

AFFIN Delivery System (ADS)	Raising our branch service standards further, the newly implemented ADS completed its nation-wide roll-out in May 2022. This state-of-the-art omni-channel web-based platform with paperless customer on-boarding capabilities for all banking products enhances employee productivity, reduces errors and monitors, optimises performance and improves compliance as well as controls.
Better Performance for Customer Service	• YoY increase in Contact Centre service levels (81% of calls answered within 30 seconds) • YoY reduction in the resolution of enquiries for complaints and enquiry handling (Complaints: increased by 1.72 working days, Queries: 2.22 working days)
Customer Loyalty	The scope of our Voice of Customers (VoC) programme also expanded to include more key touch-points and retail products to effectively capture customer sentiments. • Improvement initiatives were introduced through quick-wins and long-term measures to close the identified gaps from customer feedback. In 2022, we have seen an encouraging shift in the increase of loyal customers, evident from the +7 growth in our Net Promoter Score (NPS), contributed by the following: – Improvements of our digital offerings to improve end-to-end customer experience – Contact Centre performance shown significant improvements and at par with the industry benchmark – Retail borrowing products, e.g., Personal Financing-i, Hire Purchase and Secured Financing obtaining higher NPS compared to other products – People are our strength and they are the dependable drivers for customers to promote AFFIN

Customer Turnaround Time (TAT)

ABB & AIBB	Target TAT	Result
Acknowledgment of queries/ complaints	Immediate or within the same day	Actual Average TAT: Immediate or within the same day (Enquiries/ Requests/ Appeals) Actual Average TAT:1 working day (Complaints)
Addressing queries/complaints	Within 3 working days (Queries) and Within 2 working days (Complaints)	Actual Average TAT: 0.78 working days (Enquiries/ Requests/ Appeals) Actual Average TAT:1.94 working days (Complaints)
Resolution of queries/complaints	Within 3 working days (Queries) and Within 5 working days (Complaints)	Actual Average TAT: 0.78 working days (Enquiries/ Requests/ Appeals) Actual Average TAT: 6.72 working days (Complaints)

Customer Turnaround Time (TAT)

AHIBB	Target TAT	Result
Acknowledgment of queries/complaints	3 working days	1 working day
Inform the Complainant the Bank's Decision	90 working days	18.8 working days

<table>
<tr><th rowspan="3"></th><th colspan="6">AALI</th></tr>
<tr><th colspan="3">Target TAT</th><th colspan="3">Result</th></tr>
<tr><th>FY2020</th><th>FY2021</th><th>FY2022</th><th>FY2020</th><th>FY2021</th><th>FY2022</th></tr>
<tr><td>Service level</td><td>80% of calls to be answered within 30 seconds</td><td>80% of calls to be answered within 30 seconds</td><td>80% of calls to be answered within 30 seconds</td><td>86.6% of calls answered within 30 seconds</td><td>86.6% of calls answered within 30 seconds</td><td>86.6% of calls answered within 30 seconds</td></tr>
<tr><td>Email enquiry</td><td>Response within 3 days</td><td>Response within 3 days</td><td>Response within 3 days</td><td>39.9% within 3 days</td><td>32.98% within 3 days</td><td>38.8% answered within 3 days</td></tr>
<tr><td>Complaints resolution</td><td>Response within 14 days</td><td>Response within 14 days</td><td>Response within 14 days</td><td>58% within 14 days</td><td>49% within 14 days</td><td>50% within 14 days</td></tr>
<tr><td>MOTOR CLAIMS - Preferred workshops</td><td colspan="3">3 working days for claims below RM10,000
6 working days for claims RM10,000 & above</td><td colspan="3">89% resolved</td></tr>
<tr><td>AXA Panel & Franchise workshops</td><td colspan="3">4 working days for claims below RM5,000
6-8 working days for claims of RM5,000</td><td colspan="3">Panel = 88% resolved
Franchise = 81% resolved</td></tr>
</table>

SUSTAINABILITY STATEMENT

Handling complaints

Customer first is a strategic value for the Group. An effective complaint handling process results in engaged customers. Our processes are regularly reviewed and best practices are adopted to offer fair treatment to customers. Clients are engaged throughout the complaint-handling process to ensure that they are adequately informed of the progress as well as to ensure that their priorities are being given attention. Based on post-complaint handling surveys carried-out to gauge clients' satisfaction on the effectiveness of the complaint handling, we received a Customer Satisfaction Score of 89% in FY2022.

Our responses to customer feedback are immediately acknowledged and customers will be advised verbally and/or in writing on the next course of action to be taken. Our standard turn-around time in resolving complaints is five working days and 81% of all complaints received irrespective of its complexity were resolved within five working days. Complaints will be analysed to determine its root cause and measures will be established for improvement. We are determined to improve our turn-around time with a focus on First Time Resolution.

Percentage of Complaints Resolved

	FY2018	FY2019	FY2020	FY2021	FY2022
ABB & AIBB	99%	100%	99%	100%	100%
AHIBB	100%	100%	100%	66%	100%
AAGI	100%	100%	99%	100%	100%
AALI	100%	95%	93%	84%	98%

STRENGTHENING CUSTOMER VALUE PROPOSITION

Branch Network Expansion	• Expansion of branch network with the opening of new branches at various locations across Malaysia are to serve our local communities. • During FY2022, the total number of branches grew from 111 to 116 branches and this expansion effort will continue so as to generate brand presence in the years to come.
Underserved Segment	• Launched in August 2022, the AFFIN Mobile Financial Centre (MFC) or '*Bank Bergerak*' provides the underserved segments with easier access to banking services especially in areas with no or minimal financial access points. The MFC is part of AFFIN's continual effort to expand our presence so as to provide unrivalled service for our business in the immediate community.
Young Borrowers	• AFFIN Home Step Fast/-i is a lifestyle home financing solution that offers young borrowers the opportunity to realise their dream of owning their first property. With lower monthly instalments for the first five years, it frees up their cash flow while they are building their career or business. • Additionally, AFFIN established collaboration with more than 14 prominent property developers, such as Land & General (L&G Group), Malton Group, Setia Group, UEM Sunrise, Tropicana Group, etc – giving our customers more options in terms of location and designs for their first home.
Small Medium Enterprise (SME)/Start-ups	• AFFIN Aspira was launched to provide a comprehensive all-in-one solution for SMEs and start-ups. The platform offers a range of services including transactions, financing, protection and advisory, designed to support the aspirations of Malaysian startups.
ESG/Sustainability	• AFFIN Solar Financing-i, was launched to offer retail customers the opportunity to purchase and install a Solar Photovoltaic System (SPV) at their properties. The SPV solar panels help in reducing monthly energy consumption and lower carbon footprint. • As among the first islamic bank that launched a sustainable and personal financing plan, AFFIN's value proposition echoes the government's renewable energy aspiration and the Renewable Energy Transition Roadmap (RETR) 2035 for Malaysians to progress towards sustainable development.

As among the first Islamic bank that launched a sustainable and personal financing plan, AFFIN's value proposition echoes the government's renewable energy aspiration and the Renewable Energy Transition Roadmap (RETR) 2035 for Malaysians to progress towards sustainable development.

DIGITAL TRANSFORMATION TO ACHIEVE VALUE

Digitalisation

The COVID-19 pandemic – when movement and social activities were curtailed and people opted to work from home – had accelerated the adoption of digitalisation across all segments of society as contactless and remote engagements increased. This paradigm shift in actions has led to a drastic change in consumer behaviour. In our efforts to improve the way we operate we seized the momentum to re-imagine and transform service experience with digitalisation as the key enabler. Our AFFIN Digital Road-map was crafted to prioritise customer experience and service excellence.

The paradigm shift in the financial services industry has driven the Group to intensify the adoption of technology and accelerate the development of digital offerings to meet the amplified demand. As we fast-track our growth towards the pursuit of digital excellence, we continue to identify potential FinTech as our strategic partners in implementing more value-added digital initiatives for our customers.

> IN OUR EFFORTS TO IMPROVE THE WAY WE SEIZED THE MOMENTUM TO REIMAGINE AND TRANSFORM SERVICE EXPERIENCE WITH DIGITALISATION AS THE KEY ENABLER.

Ensuring the ease, efficiency and seamlessness of our digital offerings is key to our sustainability. The A1addin digital bank proposition is a product of our future-proof digital strategy to cater to the changing customer behaviour. This mobile-only banking application leverages on eKYC technology to enable customers to open an account digitally within ten minutes. Following the launch of A1addin - the first digital bank that supports both conventional and Islamic banking proposition in Malaysia in 2021, we have expanded A1addin's footprint to the business segment via the roll-out of A1addinbiz in March 2022. This has opened up more opportunities for various partnerships and fosters good relationship between SMEs and the Bank.

In line with the Bank's objective to increase efficiency, we have seized the momentum by leveraging the robotics process automation (RPA) to automate a total of 27 processes in 2022. This has translated to an impressive cost savings of approximately RM500K. As at end-December 2022, we successfully automated a total of 48 processes. With the creation of the RPA Academy, which is designed to help employees acquire new digital skills and knowledge, we are building a future-proof workforce for the AFFIN Group. We look forward to creating a culture of innovation and continuous learning within the organisation through the development of technical and problem-solving capabilities among the employees.

In FY2022, we rolled out CRM for Campaign Management that empowers our marketing team and businesses to reach and fulfil customers' demands with the right product, at the right time using the various communication channels. As a result of employing new technology, we have recorded an increase of 31% in lead volume and 5% in lead conversion in 2022 compared to the previous financial year.

Note: Our digital efforts are detailed in the Management Discussion and Analysis section of this annual report

Percentage of Local Suppliers

		2018	2019	2020	2021	2022
ABB & AIBB	IT	73%	79%	82%	92%	90%
	Non-IT	100%	100%	100%	100%	100%
AHIBB	IT	76%	77%	64%	78%	10%
	Non-IT	100%	100%	100%	100%	90%

Amount Spent on Local Suppliers (RM)

	2022	
	IT	Non-IT
ABB & AIBB	142,680,510.50	88,816,784.60
AHIBB	23,335,252	43,925,943

SUSTAINABILITY STATEMENT

Insurance Digital Transactions

	2020	2021	2022
AAGI	2,445,741	2,759,046	0
AALI	1,113,085	1,221,002	1,160,035

SME Colony Downloads 2022

Google Playstore	Apple AppStore	Huawei AppGallery
11,476	2,603	58,315

Social Media Followers (2022)

	Facebook	Twitter	Instagram	LinkedIn
ABB & AIBB	180,684	1,228	118,923	51,521
AHIBB	3,929	96	2,222	14,360
AALI	182,746	N/A	5,768	30,576

Data privacy is our priority

The protection of our customer data and accounts have always been our priority. Given that, we continue to reinforce our systems governing data privacy and security. Our security systems are in accordance with prescribed regulatory requirements. Security awareness campaigns are organised with regularity and these include periodic reminders and awareness e-mails as well as security information awareness bulletins to all employees. Mandatory annual training programmes and assessment programmes for all employees are conducting via e-learning to ensure that they keep abreast of industry trends and are updated on the importance of data privacy and security matters.

New hires participate in our on-boarding programmes where security awareness briefings with quizzes are included in their induction course. On-going surveys are conducted to assess their level of understanding on security matters. Cyber drill training is also conducted to fortify knowledge.

We also conduct compliance monitoring, regular vulnerability scans and assessments to ensure security and compliance levels of the implemented controls. This is done in tandem with an annual assessment and assurance review conducted by an independent party.

Data/Cyber security breaches

	FY2018	FY2019	FY2020	FY2021	FY2022
ABB	0	0	0	3	0
AIBB	0	0	0	0	0
AHIBB	0	0	0	0	0
AAGI	0	0	1	1	0
AALI	1	0	0	0	0

DIGITAL TRANSFORMATION TO ACHIEVE VALUE

AFFIN Branch Solar Panel Project

As part of our continuous effort to reduce energy consumption across 12 branches, a solar panel installation project has been undertaken. Our long-term commitment is to have 10% of our branches installed with solar panels by 2026.

TTDI Branch

Bangsar Branch

TOTAL RENEWABLE ENERGY GENERATED FOR SELF-CONSUMPTION

38,317 kWh

FOCUS AREA 4

COMMUNITY SUPPORT

NO. OF CSR CONTRIBUTION:

RM960,912

INVOLVING

86 STAFF

VOLUNTEERS

NO. OF ZAKAT CONTRIBUTION:

RM4.2 MILLION

CONTRIBUTION OF

RM32,150

TO ASNAFPRENEURS FROM YAYASAN PELANGI MALAYSIA

GENERAL DONATION:

RM902,373

ZAKAT BENEFICIARIES:

36

INSTITUTIONS

HELPING OUR COMMUNITIES TO THRIVE

We are committed to provide community support and social development programmes to empower and create positive impact for the immediate communities where we serve

Our aim is to support marginalised segments of our community by extending assistance through relevant and targeted initiatives. AFFIN carried out various community support initiatives throughout the year, with varying degrees of involvement from employees. Guided by the "always about you" ethos the benefits derived from the initiatives include:

Benefits	Remarks
i. Sense of Purpose	• An understanding that a career at AFFIN is more than just office work, but also the people that we serve • A collective aim for accomplishments that are meaningful and contribute towards the betterment of others (making a positive difference)
ii. Social Connections	• A chance to engage with the local communities throughout Malaysia to achieve trust and mind-share of AFFIN • Direct interactions and support to the underserved communities (homeless, orphans, the handicapped) as well as the middle-and lower-income groups (M40s and B40s) • Increased alertness to disasters and hardships, with speedy deployment of relief efforts through collaboration and teamwork • Increased camaraderie amongst employees – fostering friendships and mutual trust
iii. Work Resilience	• Mental, emotional and behavioural flexibility and adjustment to external and internal demands (especially in traversing the turbulent financial markets) • Increased motivation and sound-decision making (from experiences gained through exposures to the plight of others)
iv. Environmental	• Direct contribution to environmental protection and rehabilitation (via mangrove and tree planting, CSRs and more) • Improved sustainable green practices (via internal CSRs and conservation initiatives such as reduced energy consumption, recycling and proper waste management)
v. Financial Management	• Specifically on initiatives related to Financial Literacy – an increased awareness, knowledge and practices on various topics (investments, exemplary financial behaviours, scams and related activities)
vii. Improved Well-being	• Overall increase of employee well-being in various aspects/dimensions: Intellectual, Emotional, Spiritual, Physical, Social, Financial, Environmental and Occupational, resulting in happier and well-rounded employees who enjoy the improvement in their quality of life

SUSTAINABILITY STATEMENT

In January 2022, a visit to Yayasan Wardatul Jannah was aimed at presenting Zakat disbursement to 21 orphans. The Bank distributed RM30,000.00 to Pusat Jagaan Yayasan Wardatul Jannah, a home that houses orphans and the poor. The aim of the Yayasan is to educate the children to become individuals with exemplary behaviour and able to contribute meaningfully to society.

Chinese New Year 2022 charity luncheon & contribution in Melaka

In conjunction with Chinese New Year, ABB organised a charity visit to a Centre where its residents were treated to lunch. Chairman of ABB, Dato' Agil Natt, presented a monetary contribution to the Centre and distributed goodie bags to the children. The goodie bags contained colouring books, pencils, stationery, and healthy snacks.

International Women's Day 2022

ABB celebrated International Women's Day by hosting an event to honour its female employees.

In March 2022, AHIBB was invited to participate in the Malam Amal 888 TYT, a private dinner with the Yang di-Pertua Negeri Pulau Pinang, Tuan Yang Terutama Tun Dato' Seri Utama Ahmad Fuzi Haji Abdul Razak, as the guest of honour. AHIBB donated contributions to eight beneficiaries through the Yayasan Amal Tuan Yang Terutama Yang Dipertua Negeri Pulau Pinang. In the same month, AHIBB donated RM10,000.00 to SMK Seri Muda, Penaga Pulau Pinang, as sponsorship for refreshments during the school's Salon SPM for the 2021/2022 session.

AHIBB's corporate Zakat distribution involved a total of RM1,720,000.00 that were donated to 28 selected beneficiaries. This was the investment bank's Ramadhan Zakat distribution in April 2022.

In July 2022, SMK Seri Muda students were taken on an educational tour to the ViTrox Academy in Penang. This tour was a social development experience for the students and at the same time a 21st century skill exposure in the fields of Science, Technology, Engineering and Mathematics (STEM). AHIBB organised the tour to the ViTrox campus with a total expense of RM2,000.00.

In August 2022, Pengurusan Aset Air Berhad (PAAB) co-hosted with the Department of Irrigation and Drainage to organise a river cleaning initiative at Tasik Cempaka in Bangi, Selangor. The programme, Kutip Sampah Sambil Riadah (KUDAH), drew participation from approximately 100 people including 12 representatives from AFFIN.

In August 2022, the Yayasan Sultanah Bahiyah (YSB) organised a Golf Charity Tournament to collect funds for its charity initiatives. YSB are currently working on several projects that require on-going funding. These include the maintenance of three buses – for their blood donation drive, mobile clinic for free medical check-up in collaboration with the National Kidney Foundation and a mobile eye clinic for check-up, and two haemodialysis centres. The buses traverse all districts in Kedah throughout the year. On an average, the blood donation drive gathers approximately 100 packs of blood, 200 to 300 patients for free medical check-ups and 120 patients for the eye clinic. They are 39 patients at their Alor Star haemodialysis centre and 67 patients in the Kulim centre.

Iftar and Zakat at Pusat Bimbingan Raudhatus Sakinah
Dato' Agil Natt, Chairman of ABB and his wife, Datin Sharifah Fatmah, visited Pusat Bimbingan Raudhatus Sakinah to spend time with the teens for Iftar.

IJN Foundation Charity Golf Challenge 2022
AFFIN sponsored the IJN Foundation Charity Golf Challenge 2022 as one of the Gold Sponsors.

financial statements

DIRECTORS' REPORT

for the financial year ended 31 December 2022

The Directors hereby submit their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Bank during the financial year are banking and related financial services. The principal activities of the subsidiaries are Islamic banking business, investment banking and stock-broking, money-broking, property management services, nominee and trustee services. The principal activities of the joint venture is property development while the associates are principally engaged in the underwriting of general and life insurance business and investment holding.

Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The details of the subsidiary companies are disclosed in Note 17 of the financial statements.

During the year, the Group fully divested its interest in Affin Hwang Asset Management Berhad ('AHAM'), as a result, it has ceased to be a subsidiary of the Group. Details are included in the significant events during the financial year as disclosed in Note 59 to the financial statements.

There were no other significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group	The Bank
	RM'000	**RM'000**
Profit before zakat and taxation	239,391	1,333,660
Zakat	(4,150)	-
Profit before taxation	235,241	1,333,660
Taxation	(157,209)	(63,122)
Profit from continuing operations	78,032	1,270,538
Profit from discontinued operation	1,125,455	-
Net profit for the financial year	1,203,487	1,270,538

DIVIDENDS

The dividends on ordinary shares paid or declared by the Bank since 31 December 2021 and 31 December 2022 were as follows:

In respect of the financial year ended 31 December 2021:	**RM'000**
Single-tier final dividend of 12.5 sen per share paid on 7 July 2022	265,508
In respect of the financial year ended 31 December 2022:	
Single-tier interim dividend of 4.53 sen per share paid on 29 December 2022	100,219
Single-tier special dividend of 18.09 sen per share paid on 29 December 2022	400,210
	500,429

On 31 January 2023, the Board of Directors proposed a single-tier final dividend of 7.77 sen per share amounting to RM176,681,185 in respect of the financial year ended 31 December 2022, based on the Bank's issued share capital of 2,273,889,127 ordinary shares at 31 December 2022.

On the same day, the Board of Directors resolved that Dividend Reinvestment Plan as disclosed in Note Z be applied to the entire proposed final dividend, which can be elected and reinvested in new ordinary shares of the Bank.

DIRECTORS' REPORT

for the financial year ended 31 December 2022

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements and notes to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Other significant events during the financial year are disclosed in Note 59 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Event subsequent to the balance sheet date is disclosed in Note 60 to the financial statements.

DIRECTORS

The Directors of the Bank in office since the date of the last report and at the date of the report are:

Dato' Agil Natt
Chairman/Independent Non-Executive Director

Dato' Abdul Aziz bin Abu Bakar
Independent Non-Executive Director

Dato' Mohd Hata bin Robani
Independent Non-Executive Director

Ignatius Chan Tze Ching
Non-Independent Non-Executive Director

Dato' Rozalila binti Abdul Rahman
Independent Non-Executive Director

Peter Yuen Wai Hung
Non-Independent Non-Executive Director

Marzida binti Mohd Noor
Independent Non-Executive Director

Gregory Jerome Gerald Fernandes
Independent Non-Executive Director

Chan Wai Yu
Independent Non-Executive Director

Mohammad Ashraf bin Md Radzi
Non-Independent Non-Executive Director (appointed w.e.f. 3 October 2022)

DIRECTORS' REPORT

for the financial year ended 31 December 2022

DIRECTORS (CONTINUED)

The Directors of the Bank's subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of this report (not including those Directors listed above) are:

Affin Islamic Bank Berhad
Musa bin Abdul Malek
Dato' Mohd Ali bin Mohd Tahir (deceased on 12 February 2022)
Associate Professor Dr. Said Bouheraoua (completion of tenure on 2 July 2022)
Suffian bin Baharuddin
Datuk Mohd Farid bin Mohd Adnan
Tan Ler Chin, Cindy
Muhammad Fitri bin Othman (appointed w.e.f. 21 March 2022)

PAB Properties Sdn Bhd
Nazri Othman
Nimma Safira Khalid

ABB Nominee (Asing) Sdn Bhd and ABB Nominee (Tempatan) Sdn Bhd
Ferdaus Toh bin Abdullah (resigned w.e.f. 1 March 2023)
Nimma Safira Khalid
Joanne Rodrigues (appointed w.e.f. 1 March 2023)

Affin Hwang Investment Bank Berhad
Tunku Afwida binti Tunku A.Malek (appointed w.e.f. 9 May 2022)
Eugene Hon Kah Weng
Datuk Wan Razly Abdullah bin Wan Ali
Hasli bin Hashim
Dato' Abdul Wahab bin Abu Bakar
Kong Yuen Ling
Datuk Noor Azian binti Shaari

Affin Hwang Asset Management Berhad (Ceased as the Group's subsidiary on 29 July 2022)
Dato' Teng Chee Wai
Seet Oon Hui Eleanor
Raja Tan Sri Dato Seri Aman bin Raja Haji Ahmad (resigned w.e.f. 29 July 2022)
Faizal Sham bin Abu Mansor (resigned w.e.f. 29 July 2022)
Maj. Gen Dato Zulkiflee bin Maizan (resigned w.e.f. 29 July 2022)
Dato' Mona Suraya binti Kamaruddin (resigned w.e.f. 21 February 2022)
Kameel bin Abdul Halim (appointed w.e.f. 21 February 2022 and resigned w.e.f. 29 July 2022)

Affin Hwang Nominees (Asing) Sdn Bhd and Affin Hwang Nominees (Tempatan) Sdn Bhd
Keong Si Hark (resigned w.e.f. 3 October 2022)
The late Wong Yoke Weng (resigned w.e.f. 31 January 2022)
Liao Pieng Sin
Ng Meng Wah
Anita binti Talib
Kan Chew Gan
Ng Lye Chiang (resigned w.e.f. 3 October 2022)
Yeong Sook Kwan
Lee Seok Chin (resigned w.e.f. 3 October 2022)
Ang Swee Lean (appointed w.e.f. 3 October 2022)

DIRECTORS' REPORT

for the financial year ended 31 December 2022

DIRECTORS (CONTINUED)

The Directors of the Bank's subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of this report (not including those Directors listed above) are (continued):

AHC Global Sdn Bhd and AHC Associates Sdn Bhd
Dato' Mona Suraya binti Kamaruddin (resigned w.e.f. 14 February 2022)
Dato' Teng Chee Wai (resigned w.e.f. 11 February 2022)
Mustafa Shafiq bin Razalli (appointed w.e.f. 9 February 2022)
Ng Meng Wah (appointed w.e.f. 11 February 2022)

Affin Hwang Trustee Berhad
Wong Wan Theng (resigned w.e.f. 20 February 2023)
Mustafa Shafiq bin Razalli
Kameel bin Abdul Halim (appointed w.e.f. 2 February 2023)
Dato' Teng Chee Wai (resigned w.e.f. 25 January 2022)

Affin Moneybrokers Sdn Bhd
Admiral Tan Sri Dato' Seri Panglima Dr. Ahmad Kamarulzaman Hj Ahmad Badaruddin (R) (appointed w.e.f. 1 February 2023)
Y. Bhg. Jen. (R) Tan Sri Dato' Sri Roslan bin Saad (retired w.e.f. 1 September 2022)
Y. Bhg. Brig. Jen. (R) Dato' Pahlawan Ahmad Lathfi bin Kamarul Bahrim
Chandra a/l K.V. Sreedharan Nair
Norhazlizawati binti Mohd Razali (appointed w.e.f. 1 February 2022)

In accordance with Article 118 of the Bank's Constitution, the following Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election:

1. Dato' Md Agil bin Mohd Natt
2. Mr. Ignatius Chan Tze Ching
3. Dato' Rozalila binti Abdul Rahman

In accordance with Article 124 of the Bank's Constitution, the following Directors retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election:

1. Encik Mohammad Ashraf bin Md Radzi

The Directors' names of the subsidiaries and their remuneration details are set out in the subsidiaries' statutory accounts and the said names and details are deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' REPORT

for the financial year ended 31 December 2022

RESPONSIBILITY STATEMENT BY BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and of the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2022 and of the financial results and cash flows of the Group and of the Bank for the financial year then ended.

The financial statements are prepared on the going concern basis and the Directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group and of the Bank to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 409 of the financial statements.

DIRECTORS' INTERESTS

None of the Directors in office at the end of the financial year have interest in the shares in the Bank or its related companies during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no other arrangements subsisted to which the Bank or any of its subsidiaries is a party with the object or objects of enabling Directors of the Bank or any of its subsidiaries to acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than the fees and other emoluments shown in the Note 44 to the financial statements) by reason of a contract made by the Bank or by a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

OTHER STATUTORY INFORMATION

Statutory information regarding the Group and the Bank

(a) As at the end of the financial year

Before the financial statements of the Group and the Bank were prepared, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts and financing had been written-off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Bank had been written down to an amount which the current assets might be expected so to realise.

DIRECTORS' REPORT

for the financial year ended 31 December 2022

OTHER STATUTORY INFORMATION (CONTINUED)

(b) From the end of the financial year to the date of this report

The Directors are not aware of any circumstances:

- which would render the amounts written-off for bad debts and financing or the amount of the allowance for doubtful debts and financing inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of the Group and of the Bank misleading; and
- which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(c) As at the date of this report

- there are no charges on the assets of the Group and of the Bank which have arisen since the end of the financial year which secures the liabilities of any other person; and
- there are no contingent liabilities in the Group and in the Bank which have arisen since the end of the financial year other than in the ordinary course of banking business or activities of the Group.

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

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

(f) In the opinion of the Directors:

- the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except the item disclosed on Note 59; and
- there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

ECONOMIC AND BUSINESS OUTLOOK FOR 2023

AFFIN Group remains cautiously optimistic of its prospects for 2023 as the reopening of the economy following the end of the COVID-19 pandemic has spurred domestic demand and resulted in an improvement in the local labour market. This is expected to remain the key driver for growth in 2023 and further supported by the Government's efforts to enhance investment, stimulate growth and protect the lives and livelihood of Malaysians.

There are potential headwinds on the horizon as IMF, the World Bank and other international organisations have lowered their global growth forecast for 2023 in view of the impact of the rate hikes by Central Banks around the world, the continuing war between Russia and Ukraine and the threat of rising inflation. Malaysia's economic growth is expected to moderate in 2023 between 4% to 5% in tandem and for similar reasons, however, the growth is expected due to infrastructure stimulus to unlock infrastructure and tourism industries to cushion any economic headwinds.

DIRECTORS' REPORT

for the financial year ended 31 December 2022

BUSINESS STRATEGY MOVING FORWARD

The AFFIN Group has announced its next phase of its transformation journey with the A25 Plan ('A25') which will run from 2023 to 2025. The next 3 years will see the group focus on 3 key strategic objectives as part of A25 Plan namely, Unrivalled Customer Service, Digital Leadership and Responsible Banking with Impact with the vision of the Group to be the most creative financial company in Malaysia. The A25 Plan will see a continued focus on growing the Community Banking, Enterprise Banking and Islamic banking businesses, with new strategies for its Corporate Banking, Treasury and Investment Business, where the growth aspirations of the various businesses which will be supported by the increase in synergistic cooperation within the Group.

Despite the challenges faced by the banking industry, the Group's strong focus on customer service and innovation, as well as its enhanced and effective risk management practices, will help it to continue to grow and improve the services offered to its customers.

Group Community Banking Division ('CMBD') will continue to lead the growth of the bank by focusing on expanding its deposit base, with particular emphasis on building relationships with customers. CMBD is planning to expand its product offerings with a focus on providing more personalised and competitive products to customers. The division is investing in technology to improve the customer experience, such as developing mobile banking applications, automating processes and implementing artificial intelligence to improve the efficiency and accuracy of risk management. The Division will also be expanding its customer base by leveraging on collaborations and Group synergies whilst ensuring sustainable growth of assets and at the same time continue to manage cost prudently.

The Group Enterprise Banking Division ('EBD') will continue to support the Small & Medium Enterprise ('SMEs') by increasing its level of accessibility to customer through continuous expansion and upgrading of its Business Centers. The division's key strategy for 2023 is to focus on key targeted segments which contribute significantly to Malaysia's GDP. EBD's digital focus will be on enhancements and optimisation of its award-winning solution, SME Colony, to further encourage SME customers to adopt digital processes as part of their daily business needs. EBD plans also include strengthening customer engagement and collaboration through targeted networking initiatives whilst supporting the Bank's sustainability agenda.

The Group Corporate Banking Division's ('CBD') focus for 2023 is to be a strategic partner for mid-corporates with growth potential by leveraging on group synergies through the newly introduced Corporate Investment Banking ('CIB') model. CBD will continue to ensure that the asset quality is managed prudently by ensuring strong underwriting standards, robust monitoring of corporate debt-at-risk positions and effective recovery processes. CBD is investing in technology to build its digital capabilities to provide innovative solutions and analytics so as to provide greater value creation for its customers.

The Group Treasury Division will be concentrating on four key areas that include building the ability to generate stable and recurring Non-Interest Income ('NOII'), increasing the Group's Return on Assets, harnessing the benefits of the AFFIN Group synergy to deepen the treasury wallet share.

Affin Islamic Bank Berhad (AIBB) will play a significant role in the Group's 2023 plan as it continues to increase its overall contribution to the Group. Various key strategic initiatives will be in place throughout the year to expand its CASA base and to further strengthen its liquidity position. AIBB will increase efforts in setting up various key strategic partnerships to unlock value added and digital-driven Islamic product offerings to maximise its business proposition and opportunities. AIBB also plans to roll-out various shariah compliant initiatives as it continues to realise the benefits of a shared value organisation.

Affin Hwang Investment Bank Berhad (AHIBB) 2023 main aims are to defend its #1 Bursa Ranking in stockbroking and to win more investment banking landmark deals via numerous innovation and digitalisation initiatives. AHIBB will also focus on expanding its distribution channels by leveraging on the Group Synergy opportunities. AHIBB will continue to position itself to capture new business opportunities and diversify its products offerings to its clients.

AFFIN Group with its new partner for the insurance business; Generali Asia N.V ('Generali'), is excited with the prospects of leveraging and further expanding the insurance business's capabilities in Malaysia. The focus is to build a complete banking and wealth management platform for corporate and retail clients. Through this partnership, AFFIN Group would be able to continue to offer holistic financial solutions and simultaneously enhance the overall customer experience whilst providing greater value creations to its customers.

DIRECTORS' REPORT

for the financial year ended 31 December 2022

RATING BY EXTERNAL RATING AGENCY

The Bank has been rated by the following external rating agency:

Name of rating agency : RAM Rating Services Berhad ('RAM')
Date of rating : 14 November 2022
Rating classifications :
- Long-term : AA^3
- Short-term : P1

RAM has upgraded the Bank's long-term and short-term financial institution ratings, at AA^3 and P1, respectively, with stable outlook.

'AA' rating is defined by RAM as an entity which has a strong capacity to meets its financial obligations and is resilient against adverse changes in circumstances, economic condition and/or operating environment. The subscript 3 in this category indicates the lower end of its generic rating in the AA category.

A 'P1' rating is defined by RAM as obligations which are supported by superior ability with regards to timely payment of obligations.

ZAKAT OBLIGATION

The Bank's subsidiaries, Affin Islamic Bank Berhad ('AIBB') and Affin Hwang Investment Bank Berhad are obliged to pay zakat to comply with the principles of Shariah. AIBB does not pay zakat on behalf of its depositors.

HOLDING CORPORATE BODY

The holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

SUBSIDIARIES

Details of subsidiaries are set out in Note 17 to the financial statements.

DIRECTORS' REMUNERATION

The remuneration in aggregate for Directors of the Group and the Bank for the financial year are as follows:

	The Group	The Bank
	RM'000	RM'000
Directors of the Group and the Bank		
Director fees	3,330	3,330
Directors' other emoluments	108	108
Directors of the Bank's Subsidiaries		
Director fees	3,097	-
Directors' other emoluments	2,103	-

There was no amount paid to or receivable by any third party for services provided by Directors of the Bank and its subsidiaries.

DIRECTORS' REPORT

for the financial year ended 31 December 2022

DIRECTORS' REMUNERATION (CONTINUED)

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance/Takaful in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance/Takaful effected for the Directors & Officers of the holding company was RM40.0 million. The total amount of premium paid by the Group and the Bank was RM1,535,939 (2021: RM1,437,462) and RM200,350 (2021: RM190,810) respectively.

There were no professional fees paid to Directors or any firms, of which the Directors are members, for services rendered and no amount was paid to or receivable by any third party for services provided by Directors, except for director's fees paid and payable to the Bank amounting to RM5,752,000 for services provided by Datuk Wan Razly Abdullah bin Wan Ali during the financial year 2022 (2021: RM2,246,900).

The Bank maintained on a group basis, a Directors and Officers Liability Insurance against any Legal Liability incurred by the Directors in the discharge of their duties while holding office for the Bank. The Directors shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Details of Directors' remuneration and total amount of indemnity given are set out in Note 44 to the financial statements.

ISSUANCE OF SHARES

During the financial year ended 31 December 2022, the ordinary shares issued arising from Dividend Reinvestment Plan ('DRP'), as disclosed in Note 34 to the financial statements were as follows:

- On 7 July 2022, the Bank increased its issued ordinary shares from 2,124.1 million to 2,212.3 million via issuance of 88.3 million new ordinary shares amounting to RM162.4 million arising from the DRP relating to electable portion of the final dividend of 12.5 sen per ordinary share in respect of the financial year ended 31 December 2021.

- On 29 December 2022, the Bank again increased its issued ordinary shares from 2,212.3 million to 2,273.9 million via issuance of 61.6 million new ordinary shares amounting to RM113.9 million arising from the DRP relating to electable portion of the interim dividend and special dividend of 4.53 sen and 18.09 sen per ordinary share respectively in respect of the financial year ended 31 December 2022.

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Bank are RM2,848,000 (2021: RM3,086,000) and RM1,818,000 (2021: RM1,437,000) respectively. Details of auditors' remuneration are set out in Note 43 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

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

DATO' AGIL NATT
Independent Non-Executive Director (Chairman)

GREGORY JEROME GERALD FERNANDES
Independent Non-Executive Director

Kuala Lumpur
3 April 2023

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Cash and short-term funds	2	**4,903,601**	6,394,457	**1,986,132**	2,525,482
Deposits and placements with banks and other financial institutions	3	**301,438**	1,169,809	**251,389**	1,171,657
Investment accounts due from designated financial institutions	4	**-**	-	**2,719,680**	1,825,525
Financial assets at fair value through profit or loss ('FVTPL')	5	**544,503**	598,600	**508,433**	368,676
Derivative financial assets	6	**495,389**	186,881	**407,517**	104,640
Financial investments at fair value through other comprehensive income ('FVOCI')	7	**3,782,504**	3,877,622	**206,993**	198,148
Financial investments at amortised cost ('AC')	8	**16,853,101**	11,435,142	**12,229,974**	9,040,198
Loans, advances and financing	9	**57,931,856**	50,528,068	**30,557,921**	26,879,336
Trade receivables	10	**405,401**	527,166	**-**	-
Other assets	11	**460,851**	312,732	**265,246**	164,088
Amount due from subsidiaries	12	**-**	-	**5,835**	758,924
Amount due from joint ventures	13	**455**	15,737	**-**	-
Amount due from associates	14	**-**	30,888	**-**	30,888
Tax recoverable		**168,480**	144,638	**109,350**	117,036
Deferred tax assets	15	**233,973**	223,344	**125,964**	111,900
Statutory deposits with Bank Negara Malaysia	16	**1,250,872**	68,625	**749,272**	58,325
Investment in subsidiaries	17	**-**	-	**3,203,899**	3,053,899
Investment in joint ventures	18	**-**	181,853	**-**	194,240
Investment in associates	19	**794,779**	725,440	**642,679**	548,482
Property and equipment	20	**1,306,725**	1,066,826	**1,293,824**	1,044,020
Right-of-use assets	21	**57,580**	45,387	**51,937**	36,547
Intangible assets	22	**629,369**	895,850	**183,219**	198,733
TOTAL ASSETS		**90,120,877**	78,429,065	**55,499,264**	48,430,744
LIABILITIES AND EQUITY					
Deposits from customers	23	**64,995,050**	58,794,404	**36,075,130**	33,241,763
Investment accounts of customers	24	**859**	1,329	**-**	-
Deposits and placements of banks and other financial institutions	25	**3,364,156**	2,866,040	**1,185,120**	2,277,723
Obligation on securities sold under repurchase agreements	26	**4,813,407**	-	**4,813,407**	-
Derivative financial liabilities	27	**542,254**	201,629	**436,209**	125,537
Bills and acceptances payable		**35,471**	28,644	**35,471**	28,644
Recourse obligation on loans/financing sold to Cagamas Berhad	28	**1,073,871**	669,212	**1,073,871**	619,179
Trade payables	29	**338,867**	982,362	**-**	-
Lease liabilities	30	**49,233**	36,872	**45,440**	29,232
Other liabilities	31	**1,748,943**	1,603,803	**833,972**	676,112
Amount due to subsidiaries	32	**-**	-	**300,371**	2,500
Provision for taxation		**7**	8,040	**-**	-
Borrowings and Sukuk	33	**2,529,931**	3,303,075	**1,019,197**	2,548,081
TOTAL LIABILITIES		**79,492,049**	68,495,410	**45,818,188**	39,548,771
Share capital	34	**5,245,447**	4,969,150	**5,245,447**	4,969,150
Reserves	35	**5,383,381**	4,919,820	**4,435,629**	3,912,823
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**10,628,828**	9,888,970	**9,681,076**	8,881,973
Non-controlling interest		**-**	44,685	**-**	-
TOTAL EQUITY		**10,628,828**	9,933,655	**9,681,076**	8,881,973
TOTAL LIABILITIES AND EQUITY		**90,120,877**	78,429,065	**55,499,264**	48,430,744
COMMITMENTS AND CONTINGENCIES	51	**56,647,807**	45,197,294	**42,276,944**	25,947,933

The accounting policies and notes form an integral part of these financial statements.

INCOME STATEMENTS

for the financial year ended 31 December 2022

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income	36	2,053,451	1,675,574	1,869,661	1,539,298
Interest expense	37	(1,030,878)	(775,645)	(922,949)	(695,394)
Net interest income		1,022,573	899,929	946,712	843,904
Modification loss	38	-	(5,597)	-	(3,102)
Income from Islamic banking business	39	688,261	549,477	-	-
		1,710,834	1,443,809	946,712	840,802
Fee and commission income	40(a)	248,581	255,197	154,754	119,496
Fee and commission expense	40(b)	(9,111)	(5,214)	(9,111)	(5,214)
Net fee and commission income	40	239,470	249,983	145,643	114,282
Net gains on financial instruments	41	70,663	116,573	21,853	14,953
Other income	42	33,668	34,809	1,308,629	285,982
Other operating income		343,801	401,365	1,476,125	415,217
Net income		2,054,635	1,845,174	2,422,837	1,256,019
Other operating expenses	43	(1,316,746)	(1,139,227)	(894,102)	(717,151)
Operating profit before allowances		737,889	705,947	1,528,735	538,868
Allowances for credit impairment losses	45	(438,532)	(219,385)	(196,969)	(140,153)
Allowances for/(write-back of) impairment losses on other assets and goodwill	46	(68,577)	(3,133)	1,894	(1,800)
Operating profit		230,780	483,429	1,333,660	396,915
Share of results of a joint venture	18	791	2,565	-	-
Share of results of associates	19	7,820	42,826	-	-
Profit before zakat and taxation		239,391	528,820	1,333,660	396,915
Zakat		(4,150)	(5,748)	-	-
Profit before taxation		235,241	523,072	1,333,660	396,915
Taxation	48	(157,209)	(89,464)	(63,122)	(11,671)
Profit from continuing operations		78,032	433,608	1,270,538	385,244
Profit from discontinued operations	59(a)	1,125,455	146,715	-	-
Net profit after zakat and taxation		1,203,487	580,323	1,270,538	385,244
Attributable to:					
Equity holders of the Bank		1,178,523	526,934	1,270,538	385,244
Non-controlling interest		24,964	53,389	-	-
		1,203,487	580,323	1,270,538	385,244
Attributable to equity holders of the Bank:-					
Continuing operations		78,032	433,608	1,270,538	385,244
Discontinued operations		1,100,491	93,326	-	-
		1,178,523	526,934	1,270,538	385,244
Basic earnings per share attributable to equity holders of the Bank (sen):					
Continuing operations	49	3.6	20.5	58.6	18.2
Discontinued operations	49	50.8	4.4	-	-

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2022

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit after zakat and taxation		**1,203,487**	580,323	**1,270,538**	385,244
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Net fair value change in financial investments at FVOCI (debt instruments)		**(51,143)**	(112,629)	**-**	9,605
Net credit impairment loss change in financial investments at FVOCI (debt instruments)		**(166)**	(46,720)	**-**	(44,800)
Net gain on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)		**(2,380)**	(35,743)	**-**	(767)
Exchange differences on translation of foreign operations		**(39)**	388	**-**	-
Deferred tax on financial investments at FVOCI	15	**12,832**	35,605	**-**	(2,123)
Share of other comprehensive income/(loss)of a joint venture	18	**3,702**	(1,110)	**-**	-
Share of other comprehensive loss of associates	19	**(16,960)**	(28,994)	**-**	-
Items that may not be reclassified subsequently to profit or loss:					
Net fair value change in financial investments designated at FVOCI (equity instruments)		**20,623**	13,643	**18,205**	12,265
Other comprehensive (loss)/income for the financial year, net of tax		**(33,531)**	(175,560)	**18,205**	(25,820)
Total comprehensive income for the financial year		**1,169,956**	404,763	**1,288,743**	359,424
Total comprehensive income for the financial year attributable to:					
Equity holders of the Bank		**1,144,992**	351,230	**1,288,743**	359,424
Non-controlling interest		**24,964**	53,533	**-**	-
		1,169,956	404,763	**1,288,743**	359,424
Total comprehensive income attributable to the equity holders of the Bank:					
Continuing operations		**44,501**	257,904	**1,288,743**	359,424
Discontinued operations		**1,100,491**	93,326	**-**	-
		1,144,992	351,230	**1,288,743**	359,424

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2022

			← Attributable to Equity Holders of the Bank →							
The Group	**Note**	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Foreign exchange reserves RM'000**	**^ Other reserves RM'000**	**Retained profits RM'000**	**Total Shareholders' equity RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2022		**4,969,150**	**90,473**	**754,603**	**39**	**(88,737)**	**4,163,442**	**9,888,970**	**44,685**	**9,933,655**
Net profit for the financial year		-	-	-	-	-	1,178,523	1,178,523	24,964	1,203,487
Other comprehensive income (net of tax)										
- Financial investments at FVOCI		-	(20,234)	-	-	-	-	(20,234)	-	(20,234)
- Share of other comprehensive income of a joint venture		-	3,702	-	-	-	-	3,702	-	3,702
- Share of other comprehensive loss of an associate		-	(16,960)	-	-	-	-	(16,960)	-	(16,960)
- Exchange differences on translation of foreign operations		-	-	-	(39)	-	-	(39)	-	(39)
Total comprehensive income for the financial year		-	(33,492)	-	(39)	-	1,178,523	1,144,992	24,964	1,169,956
Issuance of new shares	34	276,297	-	-	-	-	-	276,297	-	276,297
Net gain on disposal of financial investment designated at FVOCI (equity instruments)		-	(12,175)	-	-	-	12,175	-	-	-
Lapse of the obligation to buy a subsidiary's shares from non-controlling interest	31	-	-	-	-	79,337	5,169	84,506	49,629	134,135
Disposal of subsidiary #	59	-	-	-	-	9,400	(9,400)	-	(82,279)	(82,279)
Transfer from regulatory reserves		-	-	(274,804)	-	-	274,804	-	-	-
Dividends	50	-	-	-	-	-	(765,937)	(765,937)	(36,999)	(802,936)
At 31 December 2022		**5,245,447**	**44,806**	**479,799**	**-**	**-**	**4,858,776**	**10,628,828**	**-**	**10,628,828**

^ Other reserves represents corresponding debts arising from the Group's obligation to purchase subsidiaries' shares held by non-controlling interest as discussed in Note 31 (c) (i) and (ii) of the financial statements.

Following the completion of the divestment of its entire 63% equity interest in AHAM on 29 July 2022, AHAM and its subsidiaries ceased to be the subsidiaries of the Bank. Hence, the option reserves to buy AccelVantage Academy Sdn Bhd's ('AXA') shares from non-controlling interest, and the non-controlling interest in equity were deconsolidated from the Group's financial statements.

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2022

			← Attributable to Equity Holders of the Bank →							
The Group	**Note**	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Foreign exchange reserves RM'000**	**^ Other reserves RM'000**	**Retained profits RM'000**	**Total Shareholders' equity RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2021		4,902,300	266,412	781,679	(205)	(65,909)	3,682,234	9,566,511	70,585	9,637,096
Net profit for the financial year		-	-	-	-	-	526,934	526,934	53,389	580,323
Other comprehensive income (net of tax)										
- Financial investments at FVOCI		-	(145,844)	-	-	-	-	(145,844)	-	(145,844)
- Share of other comprehensive loss of a joint venture		-	(1,110)	-	-	-	-	(1,110)	-	(1,110)
- Share of other comprehensive loss of an associate		-	(28,994)	-	-	-	-	(28,994)	-	(28,994)
- Exchange differences on translation of foreign operations		-	-	-	244	-	-	244	144	388
Total comprehensive income for the financial year		-	(175,948)	-	244	-	526,934	351,230	53,533	404,763
Issuance of new shares	34	66,850	-	-	-	-	-	66,850	-	66,850
Net loss on disposal of financial investment designated at FVOCI (equity instruments)		-	9	-	-	-	(9)	-	-	-
Obligation to buy subsidiary's shares from non-controlling interest	31	-	-	-	-	(22,828)	-	(22,828)	(13,407)	(36,235)
Transfer from regulatory reserves		-	-	(27,076)	-	-	27,076	-	-	-
Dividends	50	-	-	-	-	-	(72,793)	(72,793)	(66,026)	(138,819)
At 31 December 2021		4,969,150	90,473	754,603	39	(88,737)	4,163,442	9,888,970	44,685	9,933,655

^ Other reserves represents corresponding debts arising from the Group's obligation to purchase subsidiaries' shares held by non-controlling interest as discussed in Note 31 (c) (i) and (ii) of the financial statement

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2022

			← Non-distributable →		Distributable	
	Note	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
The Bank						
At 1 January 2022		**4,969,150**	**157,267**	**636,095**	**3,119,461**	**8,881,973**
Net profit for the financial year		**-**	**-**	**-**	**1,270,538**	**1,270,538**
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		**-**	**18,205**	**-**	**-**	**18,205**
Total comprehensive income for the financial year		**-**	**18,205**	**-**	**1,270,538**	**1,288,743**
Issuance of new shares	34	**276,297**	**-**	**-**	**-**	**276,297**
Net gain on disposal of financial investment designated at FVOCI (equity instruments)		**-**	**(9,000)**	**-**	**9,000**	**-**
Transfer from regulatory reserves		**-**	**-**	**(219,475)**	**219,475**	**-**
Dividends	50	**-**	**-**	**-**	**(765,937)**	**(765,937)**
At 31 December 2022		**5,245,447**	**166,472**	**416,620**	**3,852,537**	**9,681,076**
At 1 January 2021		4,902,300	183,078	643,613	2,799,501	8,528,492
Net profit for the financial year		-	-	-	385,244	385,244
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		-	(25,820)	-	-	(25,820)
Total comprehensive income for the financial year		-	(25,820)	-	385,244	359,424
Issuance of new shares	34	66,850	-	-	-	66,850
Net loss on disposal of financial investment designated at FVOCI (equity instruments)		-	9	-	(9)	-
Transfer from regulatory reserves		-	-	(7,518)	7,518	-
Dividends	50	-	-	-	(72,793)	(72,793)
At 31 December 2021		4,969,150	157,267	636,095	3,119,461	8,881,973

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation					
- Continuing operations		**235,241**	523,072	**1,333,660**	396,915
- Discontinued operations	59	**1,141,598**	180,782	**-**	-
		1,376,839	703,854	**1,333,660**	396,915
Adjustments for items not involving the movement of cash and cash equivalents:					
Interest income:					
- financial investments at FVOCI	36	**(109,627)**	(291,711)	**-**	(226,740)
- financial investments at AC	36	**(361,190)**	(19,654)	**(388,162)**	(31,883)
Dividend income:					
- financial assets at FVTPL	41	**(4,374)**	(6,640)	**-**	(732)
- financial investments at FVOCI	41	**(922)**	(510)	**(732)**	(180)
- subsidiaries	42	**-**	-	**(1,281,045)**	(262,400)
(Gain)/loss on sale:					
- financial assets at FVTPL	41	**(24,560)**	(48,684)	**(4,392)**	486
- financial investments at FVOCI	41	**(2,417)**	(37,387)	**-**	(939)
- financial investments at AC	41	**(1)**	-	**(1)**	-
- derivatives	41	**(1,153)**	(347)	**(1,156)**	-
Unrealised loss/(gain) on revaluation:					
- financial assets at FVTPL	41	**9,576**	14,027	**13,070**	11,520
- derivatives	41	**(12,836)**	(23,255)	**(15,268)**	(21,922)
- fair value hedges	41	**14**	-	**14**	-
- foreign exchange	42	**17,883**	43,543	**25,692**	38,592
Depreciation of property and equipment	20	**31,558**	29,919	**25,973**	19,274
Depreciation of right-of-use assets	21	**40,384**	44,058	**32,876**	33,477
Property and equipment written-off	20	**189**	154	**107**	157
Intangible assets written-off	22	**18**	-	**-**	-
(Gain)/Loss on sale of property and equipment	42	**(1,504)**	(275)	**(1)**	-
Amortisation of intangible assets	43	**24,284**	27,950	**22,195**	22,020
Gain on sale of foreclosed properties	42	**-**	(285)	**-**	(285)
Gain on disposal of subsidiary	59	**(1,075,051)**	-	**-**	-
Share of results of a joint venture		**(791)**	(2,565)	**-**	-
Share of results of associates		**(7,820)**	(42,826)	**-**	-
Expected credit losses made/(written-back) on:					
- loans, advances and financing	45	**521,915**	181,461	**252,518**	117,511
- trade receivables		**(507)**	(1,276)	**-**	-
- securities and placements	45	**(22,791)**	55,235	**(26,489)**	37,954
- loans/financing commitments and financial guarantee	45	**(18,006)**	18,467	**(16,775)**	15,415
Modification loss on contractual cash flows arising from financial assets	38	**-**	5,597	**-**	3,102
Bad debt and financing written-off	45	**32,529**	1,768	**29,010**	1,397
Allowances for impairment losses on other assets and goodwill		**68,577**	3,206	**(1,894)**	1,800
Interest/profit expense on borrowings	33	**122,810**	191,150	**81,521**	133,800
Interest/profit expense on the lease liability	30	**2,674**	1,837	**1,589**	1,210
Finance cost on call options		**657**	3,238	**-**	-
Profit expense - Recourse obligation on loans/ financing sold to Cagamas Berhad	28	**30,512**	2,415	**29,303**	1,178
Zakat		**4,150**	6,418	**-**	-
Operating profit before changes in working capital		**641,019**	858,882	**111,613**	290,727

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)				
(Increase)/Decrease in operating assets:				
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(199,711)	(72,871)	(199,711)	(72,871)
Investment accounts due from designated financial institutions	-	-	(894,191)	(80,293)
Financial assets at FVTPL	(48,386)	134,323	(148,434)	(152,760)
Loans, advances and financing	(7,958,232)	(5,224,016)	(3,960,114)	(1,835,921)
Other assets	(148,422)	(62,560)	(99,282)	(27,744)
Trade receivables	(706)	394,527	-	-
Derivative financial instruments	44,713	36,825	23,091	45,911
Statutory deposits with Bank Negara Malaysia	(1,182,247)	34,642	(690,947)	25,942
Amount due from subsidiaries	-	-	1,050,960	(458,789)
Amount due from joint ventures	11,727	(940)	-	-
Amount due from associate	30,930	-	30,930	-
Increase/(Decrease) in operating liabilities:				
Deposits from customers	6,200,646	8,910,044	2,833,367	5,833,786
Investment accounts of customers	(470)	(822)	-	-
Deposits and placements of banks and other financial institutions	498,116	(854,320)	(1,092,603)	(130,129)
Obligation on securities sold under repurchase agreements	4,813,407	-	4,813,407	-
Bills and acceptances payable	6,827	(38,366)	6,827	(38,366)
Trade payables	(319,407)	60,970	-	-
Other liabilities	391,983	86,229	113,463	110,532
Cash generated from operations	2,781,787	4,262,547	1,898,376	3,510,025
Zakat paid	(8,501)	(5,833)	-	-
Tax refund	-	4,455	-	455
Tax paid	(227,930)	(244,086)	(69,500)	(99,098)
Net cash generated from operating activities	2,545,356	4,017,083	1,828,876	3,411,382
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received:				
- financial investments at FVOCI	138,895	364,552	-	235,118
- financial investments at AC	396,187	42,110	422,182	65,559
Dividend income:				
- financial assets at FVTPL	4,374	6,640	-	732
- financial investments at FVOCI	922	510	732	180
- subsidiaries	-	-	1,281,045	262,400
Purchase of:				
- financial investments at FVOCI	(411,930)	(5,944,667)	-	(3,531,458)
- financial investments at AC	(8,020,971)	(1,422,121)	(5,405,127)	(1,567,757)
Redemption/Disposal of:				
- financial investments at FVOCI	449,778	4,894,096	9,360	2,655,272
- financial investments at AC	2,592,734	50,000	2,209,792	50,000
Proceeds from disposal of:				
- property and equipment	2,661	513	-	12
- foreclosed properties	-	3,600	-	3,600

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

		The Group		The Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)					
Purchase of property and equipment	20	**(284,104)**	(267,471)	**(280,495)**	(261,464)
Purchase of intangible assets	22	**(4,427)**	(3,149)	**(2,066)**	(1,640)
Redemption of investments in funds	19	**-**	4,108	**-**	-
Investment in subsidiary	17	**-**	-	**(150,000)**	-
Investment in associate	19	**(12,300)**	-	**(12,300)**	-
Net disposal of equity interest in joint venture and associate		**168,661**	-	**168,661**	-
Cash flow arising from disposal of subsidiary	59	**982,769**	-	**-**	-
Net cash used in investing activities		**(3,996,751)**	(2,271,279)	**(1,758,216)**	(2,089,446)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment in borrowings	33	**(2,000,000)**	-	**(2,000,000)**	-
Drawdown in borrowings	33	**1,250,000**	-	**500,000**	-
Interest payment on borrowings	33	**(141,946)**	(233,530)	**(106,397)**	(133,960)
Payment of dividend to the equity holders of the Bank		**(489,640)**	(72,793)	**(489,640)**	(72,793)
Payment of dividend to non-controlling interest		**(36,999)**	(66,026)	**-**	-
Issuance of new shares		**-**	66,850	**-**	66,850
Addition to recourse obligation on loans/ financing sold to Cagamas Berhad	28	**374,147**	616,763	**425,389**	618,001
Lease payments	30	**(41,064)**	(37,066)	**(33,649)**	(24,727)
Net cash (used in)/generated from financing activities		**(1,085,502)**	274,198	**(1,704,297)**	453,371
Net (decrease)/increase in cash and cash equivalents		**(2,536,897)**	2,020,002	**(1,633,637)**	1,775,307
Effects of foreign exchange		**(17,883)**	(43,543)	**(25,692)**	(38,592)
Cash and cash equivalents at beginning of the financial year		**7,422,090**	5,445,631	**3,623,616**	1,886,901
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		**4,867,310**	7,422,090	**1,964,287**	3,623,616
Cash and cash equivalents comprise the following:					
Cash and short-term funds	2	**4,903,601**	6,394,457	**1,986,132**	2,525,482
Deposits and placements of banks and other financial institutions	3	**301,438**	1,169,809	**251,389**	1,171,657
		5,205,039	7,564,266	**2,237,521**	3,697,139
Less:					
Amount held on behalf of commissioned dealer's representatives	2	**(64,495)**	(68,653)	**-**	-
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(273,234)**	(73,523)	**(273,234)**	(73,523)
		4,867,310	7,422,090	**1,964,287**	3,623,616

The accounting policies and notes form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

(A) BASIS OF PREPARATION

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The financial statements incorporate those activities relating to Islamic banking business which have been undertaken by AFFIN ISLAMIC, a wholly owned subsidiary of the Bank. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

The preparation of financial statements in conformity with 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 financial statements, and the reported amounts of revenues and expenses during the reported financial year. 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 judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note AE.

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank

Below are the annual improvements and amendments to MFRS effective for the financial year beginning 1 January 2022:

- Amendments to MFRS 16 'COVID-19 Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS 116 'Proceeds Before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the 10% Test for Derecognition of Financial Liabilities'
- Annual Improvements to MFRS 1 'Subsidiary as First-time Adopter'
- Annual Improvements to Illustrative Examples accompanying MFRS 16 'Leases: Lease Incentives'
- Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Amendments to MFRS 3 'Reference to Conceptual Framework'

The Group and the Bank have adopted Amendment to Amendments to MFRS 116 'Proceeds before Intended Use', Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract', Annual Improvements to MFRS 9 'Fees in the 10% Test for Derecognition of Financial Liabilities' and Amendments to MFRS 3 'Reference to the Conceptual Framework' for the first time in the December 2022 financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(A) BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank (continued)

Amendments to MFRS 116 'Proceeds before intended use'

The amendments prohibit the Group and the Bank from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds are instead recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment. In accordance with the transition provisions, the Group and the Bank applied the amendments retrospectively and had no impact on the amounts recognised in the current or prior period as there were no sales of such items produced by property, plant and equipment made available for use on or after 1 January 2021.

Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the Group and the Bank recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The Group and the Bank applies the amendments to the contracts for which it has not yet fulfilled all of its obligations at the date of initial application of 1 January 2022.

These amendments had no impact on the amounts recognised in the current or prior period as the Group and the Bank had not identified any contracts as being onerous.

Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'

The amendment clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test for derecognition of financial liabilities.

The Group and the Bank applied the amendment to financial liabilities that are modified or exchanged on or after the date of initial application of 1 January 2022. There were no modifications of financial instruments during the financial year.

Amendments to MFRS 3 'Reference to the Conceptual Framework'

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The Group adopted the amendments, which did not change its current accounting for business combinations on the acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities within the scope of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies'. It also clarifies that contingent assets should not be recognised at the acquisition date.

The Group and the Bank applied the amendments prospectively to business combinations for which the acquisition date is on or after 1 January 2022.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(A) BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

- Amendments on disclosure of accounting policies (Amendments to MFRS 101 'Presentation of Financial Statements' and MFRS Practice Statement 2). The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- Amendments on definition of accounting estimates (Amendments to MFRS 108 'Accounting Policies'). The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

  Both amendments are effective for the annual reporting periods beginning on or after 1 January 2023.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

- There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 'Financial Instruments: Presentation' does not impact the current or non-current classification of the convertible instrument.

  The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

  Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

  The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

The adoption of the above new accounting standards, amendments to published standards, and interpretations are not expected to give rise to any material financial impact on the Group and the Bank.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(B) CONSOLIDATION

The consolidated financial statements include the financial statements of the Bank, subsidiaries, joint ventures and associates, made up to the end of the financial year.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs. The acquisition would be classified as acquisition of assets if definition of business is not met.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on the acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of the consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

Inter-company transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the income statements, statements of comprehensive income, statement of changes in equity and statements of financial position respectively.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(B) CONSOLIDATION (CONTINUED)

The consolidated financial statements include the financial statements of the Bank, subsidiaries, joint ventures and associates, made up to the end of the financial year (continued).

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Obligation to purchase the subsidiary's shares from non-controlling interest

When there is an obligation to purchase the subsidiary's shares held by non-controlling interest, at initial recognition, a liability is to be recognised with a corresponding reduction to equity (other reserves) in the consolidated financial statements. The financial liability is recognised at the present value of the redemption amount and accreted through finance charges in the income statement over the contract period, up to the final redemption amount. Any adjustments to the redemption amount are recognised as finance charges in the income statement.

In the separate financial statements, subsidiary's shares are other entity's shares and not considered own equity instrument. The contractual obligation to buy the subsidiary's shares from the non-controlling interest meets the definition of financial liability and is accounted as disclosed in Note I.

(iv) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(v) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(B) CONSOLIDATION (CONTINUED)

The consolidated financial statements include the financial statements of the Bank, subsidiaries, joint ventures and associates, made up to the end of the financial year (continued).

(v) Joint arrangements (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest. If the Group's ownership interest in a joint venture is reduced, but the investment continues to be classified either as an associate or a joint venture respectively, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(vi) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in the profit or loss.

(C) INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES IN SEPARATE FINANCIAL STATEMENTS

In the Bank's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and joint ventures, the difference between disposal proceeds and carrying amounts of the investments are recognised in profit or loss.

Investment in debt instruments issued by subsidiary companies at amortised cost are measured in accordance with Note H.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(D) INTANGIBLE ASSETS

Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Identifiable intangible assets arising from business combination

Identifiable intangible assets arising from business combination are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. The fair value of intangible assets are generally determined using income approach methodologies such as the discounted cash flow method. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets within an indefinite useful life are not amortised. Generally, the identified intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whether there is an indication that the asset may be impaired.

The identifiable intangible assets arising from business combination consist of brand and customer relationship. Brand and customer relationship are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows as follows:

Brand	- 3 years
Customer relationship	- 7 years

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group and the Bank are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;

(ii) management intends to complete the software product and use or sell it;

(iii) there is an ability to use or sell the software product;

(iv) it can be demonstrated how the software product will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

(vi) the expenditure attributable to the software product during its development can be reliably measured.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(D) INTANGIBLE ASSETS (CONTINUED)

Computer software (continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives of five years.

(E) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(F) RECOGNITION OF INTEREST AND FINANCING INCOME AND EXPENSE

Interest and financing income and expense for all interest/profit-bearing financial instruments are recognised within 'interest income', 'interest expense' and 'income from Islamic banking business' respectively in the income statement using the effective interest/profit method. Interest/profit income from financial assets at FVTPL is recognised as part of net gains and losses on financial instrument.

Interest/Profit income is calculated by applying effective interest/profit rate to the gross carrying amount of a financial assets except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest/profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

(G) RECOGNITION OF FEES AND OTHER INCOME

The Group and the Bank earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group and the Bank has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group and the Bank generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate finance transactions, brokerage income, arrangement fees and initial service charges. These fees constitute a single performance obligation.

(G) RECOGNITION OF FEES AND OTHER INCOME (CONTINUED)

- For a service that is provided over a period of time, fee and commission income is recognised on equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include portfolio management fees, financial guarantees fee, agency fees and initial service charges on close ended funds.

The Group and the Bank do not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include brokerage fees paid, card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

Other income recognition are as follows:

(a) Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at FVOCI.

(b) Net gain or loss from disposal of FVTPL and debt instruments at FVOCI are recognised in profit or loss upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

(c) Income from bancassurance/bancatakaful agreements are recognised based on time apportionment method throughout the exclusive services agreement period.

(d) Other income are recognised on an accrual basis.

(H) FINANCIAL ASSETS

(a) Classification

The Group and the Bank classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss); and
- those to be measured at amortised cost.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on settlement-date, the date on which the Group and the Bank settle the commitment to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Bank have transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group and the Bank measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments for principal and interest/profit ('SPPI').

(H) FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the asset and the cash flows characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

During the financing year ended 31 December 2021, Affin Bank Berhad ('ABB') and Affin Islamic Bank Berhad ('AIBB') have taken actions to improve the Group and the Bank's approach to liquidity risk management, balance sheet management and capital management. Arising the actions taken, there has been a change in business model, resulting in ABB and AIBB reclassifying the financial investments at FVOCI to financial investments at AC, as at 31 December 2021. The amount reclassified from financial investments at FVOCI to financial investments at AC is RM10,032.9 million for the Group and RM7,279.0 million for the Bank.

There are three measurement categories into which the Group and the Bank classify its debt instruments:

(i) Amortised cost ('AC')

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest/profit income from these financial assets is included in 'interest income' and 'income from Islamic banking business' using the effective interest/profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'net gains and losses on financial instruments' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statements.

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

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'net gains and losses on financial instruments'. Interest/profit income from these financial assets is included in 'interest income' and 'income from Islamic banking business' using the effective interest/profit rate method. Foreign exchange gains and losses are presented in 'net gains and losses on financial instruments' and impairment expenses are presented as separate line item in the income statement.

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

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within 'net gains and losses on financial instruments' in the period which it arises.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(H) FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

Business model

The business model reflects how the Group and the Bank manage the assets in order to generate cash flows. That is, whether the Group's and the Bank's objectives are solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (i.e. financial assets at FVTPL purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group and the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's and the Bank's business model for the mortgage loan book is to hold to collect contractual cash flows with no resulting derecognition by the Group and the Bank. Another example is the liquidity portfolio of assets, which is held by the Group and the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. For financial assets which are held by the Group and the Bank for the purposes of capital preservation and to generate returns on a longer term basis, they are generally classified within the hold to collect business model, and are measured at Amortised Cost. Securities are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial instruments' cash flows represent solely payments of principal and interest/profit (the 'SPPI test'). In making this assessment, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in FVOCI, cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but may be transferred within equity following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Bank's right to receive payments is established.

Changes in the fair value of equity instruments at FVTPL are recognised in 'net gains and losses on financial instruments' in the income statement.

(d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Group and the Bank assess on a forward looking basis the expected credit losses ('ECL') associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(H) FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Impairment for debt instruments and financial guarantee contracts (continued)

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Bank expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Bank expect to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-Month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 52 sets out the measurement details of ECL. The Group applies 3-stage approach on debt instruments measured at amortised cost and FVOCI, except for those that are under simplified approach, as explained below.

(ii) Simplified approach

The Group and the Bank apply MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and other assets.

Significant increase in credit risk

The Group and the Bank consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Bank compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower/issuer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a borrower/issuer is more than 30 days or 1 month past due in making a contractual payment.

(H) FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Definition of default and credit-impaired financial assets

The Group and the Bank define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the mandatory and/or judgemental symptoms, which include amongst others, the following criteria:

(i) Mandatory symptoms:

- Failure to make contractual payment within 90 days or 3 months or when they fall due;
- Rescheduled and/or Restructured ('R&R') due to Impairment Symptoms or Corporate Debt Restructuring Committee ('CDRC');
- Internal rating deteriorated to Credit Grade 15 or worse;
- Rating downgrade to default grade 'D';
- Distressed restructuring or rescheduling of coupon and/or principal redemption resulting in an extended grace period to service coupon or even capitalise coupon;
- Primary repayment source is terminated indefinitely, or business model is deemed no longer viable, and no other alternative source of repayment is available;
- Cessation of business operations and business operation is unlikely able to resume;
- Borrower/Customer is adjudicated bankrupt;
- Winding-up order issued against the company;
- Receiver and manager appointed;
- Corporate Rescue Mechanism, implementation of Corporate Voluntary Arrangement ('CVA') or Order for Judicial Management ('JM') granted by Court;
- Classification by Bursa Malaysia as distressed company due to credit deterioration e.g. PN17, GN3 and failing to comply with the timeline for remedial action, and/or evidence of business failure; and
- Account classified as Fraud.

(ii) Judgemental symptoms:

- Other debts including Treasury Instruments default and/or transferred to Stage 3 (Cross Default).

The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised.

Financial assets which are individually significant but non-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, customer types and other relevant factors) for collective assessment.

Write-off policy

The Group and the Bank writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include:

- ceasing enforcement activity; and
- where the Group's and the Bank's recoveries method are foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(H) FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Modification of loans/financing

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest/profit rate.
- Change in the currency the loan/financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan/financing.

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognise a 'new' asset at fair value and recalculate a new effective interest/profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognise a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest/profit rate (or credit-adjusted effective interest/profit rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

(i) the Group and the Bank transfer substantially all the risks and rewards of ownership; or
(ii) the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank have not retained control.

The Group and the Bank enter into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group and the Bank:

(i) Have no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Are prohibited from selling or pledging the assets; and
(iii) Have obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and sukuk) furnished by the Group and the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group and the Bank retain a subordinated residual interest/profit.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(H) FINANCIAL ASSETS (CONTINUED)

(e) Regulatory reserve requirements

Pursuant to BNM Financial Reporting policy document dated 27 September 2019, the Group and the Bank must maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of all credit exposures, net of loss allowance for credit-impaired exposures.

(f) Temporary exemption from applying MFRS 9 for an associate and a joint venture

The Group has applied the temporary exemption for AXA AFFIN General Insurance Berhad (associate) and AXA AFFIN Life Insurance Berhad (joint venture) in accordance with MFRS 17 Insurance Contracts as both entities will adopt MFRS 9 together with the adoption of MFRS 4 effective from the reporting period of 1 January 2021. MFRS 4 Insurance Contracts will be superseded by MFRS 17 for period beginning or after 1 January 2023.

(g) Financing assistance scheme

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

The benefit of government schemes that addresses identified costs or expenses incurred by the Group and the Bank are recognised in the profit or loss in the same financial year when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 'Accounting for Government Grants and Disclosure of Government Assistance'.

(h) IBOR modification

When the basis to determine the future contractual cash flows of the financial assets measured using as amortised cost or FVOCI are modified entirely as a result of IBOR reform, the Group applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective interest rate with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of financial assets classified as amortised cost or FVOCI does not meet the criteria of the Phase 2 amendments, the Group first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest/profit rate. Any additional changes are accounted for as modification of financial assets in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain/loss recognised immediately in profit or loss where the financial assets are not derecognised).

(I) FINANCIAL LIABILITIES

Financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss; and

- Financial guarantee contracts and loan commitments (see Note J).

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(J) FINANCIAL GUARANTEE CONTRACTS AND LOAN/FINANCING COMMITMENTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Loan/financing commitments provided by the Group and the Bank are measured as the amount of the loss allowance. The Group and the Bank have not provided any commitment to provide loans/financing at a below-market interest/profit rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan/financing commitments and financial guarantee contracts, the loss allowance is recognised as provision. However, for contracts that include both a loan/financing and undrawn commitment and the Group and the Bank cannot separately identify the expected credit losseses on the undrawn commitment component from those on the loan/financing component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan/financing. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan/financing, the expected credit losses are recognised as a provision.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit losses model under MFRS 9 ‘Financial Instruments’ and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 ‘Revenue from Contracts with Customers’, where appropriate.

(K) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(L) PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Buildings	50 years
Leasehold buildings	50 years or over the remaining lease period, whichever is shorter
Renovation and leasehold premises	5 to 10 years or the period of the lease, whichever is greater
Office equipment and furniture	3 to 10 years
Computer equipment and software	5 years
Motor vehicles	5 years

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(L) PROPERTY AND EQUIPMENT AND DEPRECIATION (CONTINUED)

Depreciation on capital work in progress commences when the assets are ready for their intended use.

Residual value and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised within other operating income in the income statement.

(M) LEASES

Leases are recognised as right-of-use assets and a corresponding liability at the date on which the leased asset is available for use by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Bank are lessees, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group and the Bank consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank and affects whether the Group and the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

Right-of-use ('ROU') assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If the Group and the Bank is reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(M) LEASES (CONTINUED)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments depend on index or rate;
- The exercise price of a purchase options if the group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option; and
- The amount expected to be payable by the Group and the Bank under residual value guarantees.

Lease payments are discounted using the interest/profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, the lessee's incremental borrowing/financing is used. This is the rate that the individual lessee would have to pay to borrow/raise the funds necessary to obtain an asset of similar value to the ROU assets in a similar economic environment with similar term, security and conditions.

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

The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest/profit expense on the lease liability is presented within the interest/profit expense in the income statements.

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Reassessment of lease liabilities

The Group and the Bank are also exposed to potential future increase in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an operating expense in profit or loss.

COVID-19 Related Rent Concession

The Group and the Bank elect to account for a COVID-19 related rent concession that meets all of the following conditions in the same way as they would if they were not lease modification:

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

The Group and the Bank account for such COVID-19 related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The Group and the Bank present the impacts of rent concessions within operating expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(M) LEASES (CONTINUED)

COVID-19 Related Rent Concession (continued)

If a rent concession results from a lease modification, the Group and the Bank account for the rent concession as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

If a rent concession does not result from a lease modification, the Group and the Bank account for the rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

(N) FOREIGN CURRENCY TRANSLATIONS

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ringgit Malaysia ('RM'), which is the Bank's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flows or net investment hedge or are attributable to items that form part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial investment at FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investment at FVOCI are included in other comprehensive income.

(O) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flows models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognised the fair value of derivatives in income statements immediately.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(O) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (CONTINUED)

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated its derivatives as hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The Group and the Bank documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Bank also documented its risk management objective and strategy for undertaking its hedge transactions.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

(b) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

As at reporting date, the Group and the Bank applies fair value hedge accounting for hedging fixed interest risk on borrowings and financial investments at amortised cost.

(P) CURRENT AND DEFERRED INCOME TAXES

Current tax

Tax expense for the financial year comprises current and deferred income tax. The income tax expense or credit for the financial year is the tax payable on the current financial period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group’s subsidiaries and branch operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(P) CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

Deferred tax (continued)

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax liability is recognised for all temporary differences associated with investment in subsidiaries, associates and joint venture except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future. Generally, the investor or joint venture is unable to control the reversal of the temporary differences for joint ventures. Only where there is an agreement in place that gives the investor or joint venture the ability to control the reversal of the temporary differences, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investment in subsidiaries, associates and joint venture only to the extent that it is probable the temporary differences will reverse in the future and there is sufficient taxable profit available against which the deductible temporary differences can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

(Q) ZAKAT

This represents business zakat payable by the Group in compliance with Shariah principles.

(R) CASH AND CASH EQUIVALENTS

Cash and short-term funds consists of cash in hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short-term commitments and are readily convertible to known amount of cash without significant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity 3 months or less.

(S) FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of their carrying amount and fair value less cost to sell.

(T) CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group and the Bank do not recognise contingent assets and liabilities other than those arising from business combination, but disclose its existence in the financial statements. A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(U) BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable, which are financial liabilities, represent the Bank's own bills and acceptances rediscounted and outstanding in the market (Note I).

(V) PROVISIONS

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- the Group and the Bank have a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources to settle the obligation will be required; and
- a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(W) EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees Provident Fund ('EPF') and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contribution to defined contribution plans are charged to the income statement in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(W) EMPLOYEE BENEFITS (CONTINUED)

Share-based payments

The settlement method of the subsidiary's stock option incentive scheme for key employees is dependent on an uncertain future event which is outside the control of the subsidiary or its employees. At each reporting date, the subsidiary assesses the probability of the outcome of the uncertain future event in giving rise to a liability in determining whether the stock option incentive scheme is treated as cash-settled or equity-settled. If obligation to settle in cash exists, the entity accounts for the transaction as a cash-settled share-based payment transaction. If there is no obligation to settle in cash or other assets, the transaction should be treated as an equity-settled share-based payment transaction.

An equity-settled share-based payment plan is where the subsidiary receives services from employees as consideration for equity instruments (stock options) of the subsidiary. The fair value of the stock options granted in exchange for services of the employees are recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the stock 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 subsidiary revises its estimates of the number of stock options that are expected to vest based on the non-market conditions and service conditions. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to stock option reserves in equity.

If the terms of an equity-settled share-based payment plan is modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increase the total fair value of the share-based payment arrangement, or its otherwise beneficial to the employee, as measured at the date of modification.

A cash-settled share-based payment plan is initially recognised at the fair value of the liability at reporting date and is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in liability. The total amount to be expensed over the vesting period is determined by reference to the fair value of the stock 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. The subsidiary re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss. The subsidiary revises its estimate of the number of stock options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to liability.

(X) SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group and the Bank have 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 and the obligation to repurchase the securities is reflected as a liability on the statement of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

(Y) RESTRICTED INVESTMENT ACCOUNTS ('RIA')

These deposits are used to fund specific financing. The RIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture will be shared-based on pre-agreed ratios between the capital provider and the Mudarib (manager or manager of funds), and losses shall be borne solely by capital provider.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(Z) SHARE CAPITAL

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual agreement of the particular instrument.

Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax, from the proceeds.

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument are recognised directly in equity.

In declaring dividend, Dividend Reinvestment Plan ('DRP') is offered to the Shareholders. Where the Electable Portion is not reinvested by the Shareholders, the remaining portion of the dividend will be paid in cash.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(AA) BORROWINGS/FINANCING

Borrowings/financing are recognised initially at fair value, net of transaction costs incurred.

Borrowings/financing are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings/financing using the effective interest/profit method.

General and specific borrowing/financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing/financing costs eligible for capitalisation.

All borrowing/financing costs are recognised in profit or loss in the financial year in which they are incurred.

(AB) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assess the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer ('CEO') of the respective operating segments as its chief operating decision-maker.

(AC) TRUST ACTIVITIES

The Group act as trustees in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group.

(AD) TRADE RECEIVABLES

In accordance with the Rules of Bursa Securities, clients' accounts are classified as impaired accounts under the following circumstances:

Types	Criteria for classification of accounts as impaired
Contra losses	When an account remains outstanding for 16 calendar days or more from the date of contra transaction.
Overdue purchase contract	When an account remains outstanding from T+5 market days onwards (non-margin purchase) and T+9 market days onwards discretionary financing.

Bad debts are written-off when identified. Impairment allowances are made based on simplified approach (see Note H) for balances due from clients which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Malaysia Berhad.

(AE) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's and the Bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit losses ('ECL') allowance

The measurement of the expected credit losses allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (i.e. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 52, which also sets out key sensitivities of the ECL to changes in these elements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2022

(AE) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Measurement of the expected credit losses ('ECL') allowance (continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Impact arising from COVID-19 on ECL

As the current MFRS 9 models are not expected to generate the levels of ECL with sufficient reliability in view of the impact of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended as at 31 December 2022.

These overlays and post-model adjustments were taken to reflect the latest macro-economic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures expired in 2022.

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

The borrowers and customers who have received repayment support remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were made at the account and portfolio level.

During the year, the Group and the Bank have partially reversed the overlays and post-model adjustments after observing the satisfactory repayment trend of the borrowers and customers over a reasonable observation period.

Estimated impairment of goodwill

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

The recoverable amounts of the cash generating units to which goodwill is allocated were determined based on discounted cash flows valuation model. The calculations require the use of estimates as set out in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

1 GENERAL INFORMATION

The Bank is principally engaged in all aspects of banking and related financial services. The principal activities of the Bank and its subsidiaries are commercial banking and hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, property management services, nominee and trustee services. The principal activity of the joint venture is property development while the associates are principally engaged in general and life insurance business and investment holding.

The holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia as at 31 December 2022.

During the year, the Group fully divested its interest in AFFIN Hwang Asset Management Berhad ('AHAM'), as a result, it has ceased to be a subsidiary of the Group. Details are included in the significant events during the financial year as disclosed in Note 59 to the financial statements.

There have been no other significant changes in the principal activities of the Group and the Bank during the financial year.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Cash and bank balances with banks and other financial institutions	**474,638**	1,310,112	**561,460**	648,416
Money at call and deposit placements maturing within one month	**4,429,240**	5,084,385	**1,424,741**	1,877,102
Less: Expected credit losses	**(277)**	(40)	**(69)**	(36)
	4,903,601	6,394,457	**1,986,132**	2,525,482

Inclusive in cash and short-term funds of the Group and the Bank are trust accounts maintained for dealer's representatives amounting to RM64,495,000 (2021: RM68,653,000).

Cash and short-term funds of the Group also include restricted cash which could be utilised only for the creation and cancellation of units of the fund managed by the Group in accordance with Section 111 of the Capital Markets and Services Act 2007. The total restricted cash of the Group amounted to RM Nil (2021: RM537,822,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Licensed banks	**301,438**	969,483	**251,389**	971,331
Licensed investment banks	**-**	200,384	**-**	200,384
Less: Expected credit losses	**-**	(58)	**-**	(58)
	301,438	1,169,809	**251,389**	1,171,657

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

4 INVESTMENT ACCOUNTS DUE FROM DESIGNATED FINANCIAL INSTITUTIONS

	The Bank	
	2022 RM'000	2021 RM'000
Licensed banks	**2,719,747**	1,825,556
Less: Expected credit losses	**(67)**	(31)
	2,719,680	1,825,525

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At fair value				
Money market instruments:				
Malaysian Government Treasury Bills	**99,589**	-	**99,589**	-
Cagamas Bonds/Sukuk	**50,293**	-	**50,293**	-
Negotiable Instruments of Deposit	**233,043**	249,582	**233,043**	249,582
	382,925	249,582	**382,925**	249,582
Quoted securities:				
Shares, warrants and REITs in Malaysia	**34,631**	30,862	**-**	-
Shares, warrants and REITs outside Malaysia	**230**	79,553	**-**	-
Unit Trusts in Malaysia	**1,207**	118,501	**-**	-
	36,068	228,916	**-**	-
Unquoted securities:				
Shares in Malaysia	**110,395**	104,171	**110,395**	104,171
Corporate bonds/Sukuk in Malaysia	**15,115**	15,931	**15,113**	14,923
	125,510	120,102	**125,508**	119,094
	544,503	598,600	**508,433**	368,676

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL') (CONTINUED)

IBOR Reform

The Group and the Bank hold the following financial assets at FVTPL which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	2022		2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
The Group				
Money market instruments:				
Negotiable Instruments of Deposit				
- Kuala Lumpur Interbank Offered Rate ('KLIBOR')	**233,043**	**233,043**	249,582	249,582
The Bank				
Money market instruments:				
Negotiable Instruments of Deposit				
- Kuala Lumpur Interbank Offered Rate ('KLIBOR')	**233,043**	**233,043**	249,582	249,582

6 DERIVATIVE FINANCIAL ASSETS

	2022		2021	
	Contract/ Notional amount RM'000	Assets RM'000	Contract/ Notional amount RM'000	Assets RM'000
The Group				
At fair value				
Trading Derivatives				
Foreign exchange derivatives:				
- Currency forwards	**1,775,524**	**30,342**	3,588,697	25,205
- Cross currency interest rate swaps	**83,910**	**2,337**	207,100	709
- Currency swaps	**11,360,357**	**344,328**	9,816,766	87,474
Interest rate derivatives:				
- Interest rate swaps	**4,828,565**	**118,337**	3,450,000	73,493
Hedging Derivatives				
- Interest rate swaps (a)	**150,000**	**45**	-	-
	18,198,356	**495,389**	17,062,563	186,881

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

6 DERIVATIVE FINANCIAL ASSETS (CONTINUED)

	2022		2021	
	Contract/ Notional amount RM'000	Assets RM'000	Contract/ Notional amount RM'000	Assets RM'000
The Bank				
At fair value				
Trading Derivatives				
Foreign exchange derivatives:				
- Currency forwards	**1,022,854**	**10,612**	1,277,604	7,210
- Cross currency interest rate swaps	**–**	**–**	207,100	709
- Currency swaps	**9,277,158**	**293,397**	6,298,610	46,795
Interest rate derivatives:				
- Interest rate swaps	**3,123,565**	**103,463**	1,840,000	49,926
Hedging Derivatives				
- Interest rate swaps (a)	**150,000**	**45**	-	-
	13,573,577	**407,517**	9,623,314	104,640

(a) Fair value hedges

The Group and the Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of financial assets and financial liabilities due to movement in interest rates. The Group and the Bank have undertaken fair value hedges on interest rate risk of RM700.0 million (2021: RM Nil) at the Group and the Bank respectively on certain receivables using interest rate swaps. The total fair value net losses of the said interest rate swaps related to these hedges amounted to RM14,073 (2021: RM Nil) at the Group and the Bank.

Included in the net non-interest income is the net gains arising from fair value hedges that were effective during the financial year are as follows:

	2022 RM'000	2021 RM'000
The Group and the Bank		
Losses on hedging instruments	**(1,129)**	-
Gains on hedge items attributable to the hedged risks	**1,115**	-
	(14)	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

6 DERIVATIVE FINANCIAL ASSETS (CONTINUED)

IBOR Reform

The Group and the Bank hold the following derivative financial assets which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	2022		2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
The Group				
Foreign exchange derivatives:				
Cross currency interest rate swaps				
- London Interbank Offered Rate denominated in USD ('USD LIBOR')	**-**	**-**	709	709
Interest rate derivatives:				
Interest rate swaps				
- KLIBOR	**66,126**	**66,126**	73,493	73,493
The Bank				
Foreign exchange derivatives:				
Cross currency interest rate swaps				
- London Interbank Offered Rate denominated in USD ('USD LIBOR')	**-**	**-**	709	709
Interest rate derivatives:				
Interest rate swaps				
- KLIBOR	**66,126**	**66,126**	49,926	49,926

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

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At fair value				
Money market instruments:				
Malaysian Government securities	**797,643**	768,784	**-**	-
Malaysian Government investment issues	**1,090,216**	1,137,984	**-**	-
Cagamas Bonds/Sukuk	**124,487**	90,757	**-**	-
Khazanah Bonds/Sukuk	**9,797**	9,625	**-**	-
	2,022,143	2,007,150	**-**	-
Unquoted securities:				
Shares in Malaysia *	**230,918**	224,855	**206,993**	198,148
Corporate bonds/Sukuk in Malaysia #	**1,529,443**	1,618,659	**-**	-
Corporate bonds/Sukuk outside Malaysia	**-**	26,958	**-**	-
	1,760,361	1,870,472	**206,993**	198,148
	3,782,504	3,877,622	**206,993**	198,148

* Equity securities designated at FVOCI.

Certain unquoted perpetual bonds are designated at FVOCI

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

Debt instruments at FVOCI

Movements in expected credit losses for financial investments at FVOCI are as follows:

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2022				
At beginning of the financial year	**252**	**18,856**	**-**	**19,108**
Financial assets derecognised (other than write-off)	**(12)**	**(731)**	**-**	**(743)**
New financial assets purchased	**204**	**-**	**-**	**204**
Changes due to change in credit risk	**373**	**-**	**-**	**373**
At end of the financial year	**817**	**18,125**	**-**	**18,942**
The Group				
2021				
At beginning of the financial year	22,201	31,457	12,170	65,828
Total transfer between stages due to change in credit risk:-	(522)	522	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(522)	522	-	-
Financial assets derecognised (other than write-off)	(10,741)	(240)	-	(10,981)
New financial assets purchased	7,216	-	-	7,216
Changes due to change in credit risk	(9,117)	70,543	(724)	60,702
Changes in models/risk parameters	(2,374)	-	-	(2,374)
Write-off	-	-	(11,446)	(11,446)
Other adjustments				
- Reclassification to AC	(6,406)	(83,426)	-	(89,832)
- Foreign exchange and other movements	(5)	-	-	(5)
At end of the financial year	252	18,856	-	19,108

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2022				
At beginning/end of the financial year	**-**	**-**	**-**	**-**
The Bank				
2021				
At beginning of the financial year	17,563	27,237	-	44,800
Financial assets derecognised (other than write-off)	(9,832)	(240)	-	(10,072)
New financial assets purchased	7,574	-	-	7,574
Changes due to change in credit risk	(7,632)	56,429	-	48,797
Other adjustments				
- Reclassification to AC	(7,669)	(83,426)	-	(91,095)
- Foreign exchange and other movements	(4)	-	-	(4)
At end of the financial year	-	-	-	-

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (‘FVOCI’) (CONTINUED)

Movements in the gross carrying amount of financial investment at FVOCI that contributed to changes in the ECL:

	Stage 1 RM’000	**Stage 2 RM’000**	**Stage 3 RM’000**	**Total RM’000**
The Group				
2022				
At beginning of the financial year	**3,524,179**	**128,588**	**-**	**3,652,767**
Financial assets derecognised (other than write-off)	**(402,632)**	**(30,169)**	**-**	**(432,801)**
New financial assets purchased	**411,930**	**-**	**-**	**411,930**
Changes in interest/profit accrual and accretion/amortisation	**(28,979)**	**(289)**	**-**	**(29,268)**
Other adjustments				
- Foreign exchange and other movements	**-**	**2,481**	**-**	**2,481**
- Changes in fair value	**(53,574)**	**51**	**-**	**(53,523)**
At end of the financial year	**3,450,924**	**100,662**	**-**	**3,551,586**
The Group				
2021				
At beginning of the financial year	12,026,661	791,470	4,457	12,822,588
Reclassification to AC	(9,424,616)	(608,267)	-	(10,032,883)
Total transfer between stages due to change in credit risk:-	(24,794)	24,794	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(24,794)	24,794	-	-
Financial assets derecognised (other than write-off)	(4,799,895)	(56,561)	-	(4,856,456)
New financial assets purchased	5,944,667	-	-	5,944,667
Changes in interest/profit accrual and accretion/amortisation	(68,870)	(3,971)	-	(72,841)
Write-off	-	-	(4,525)	(4,525)
Other adjustments				
- Foreign exchange and other movements	(1,178)	1,581	186	589
- Changes in fair value	(127,796)	(20,458)	(118)	(148,372)
At end of the financial year	3,524,179	128,588	-	3,652,767

	Stage 1 RM’000	**Stage 2 RM’000**	**Stage 3 RM’000**	**Total RM’000**
The Bank				
2022				
At beginning/end of the financial year	**-**	**-**	**-**	**-**
The Bank				
2021				
At beginning of the financial year	5,714,269	686,926	-	6,401,195
Reclassification to AC	(6,670,758)	(608,267)	-	(7,279,025)
Financial assets derecognised (other than write-off)	(2,597,520)	(56,561)	-	(2,654,081)
New financial assets purchased	3,531,458	-	-	3,531,458
Changes in interest accrual and accretion/amortisation	(4,515)	(3,863)	-	(8,378)
Other adjustments				
- Foreign exchange and other movements	(1,159)	1,152	-	(7)
- Changes in fair value	28,225	(19,387)	-	8,838
At end of the financial year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

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

Equity instruments designated at FVOCI

The Group and the Bank designated certain equity instruments at FVOCI, which include equity instruments made for strategic and socio-economic purpose rather than with a view to perform subsequent sale.

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted securities:				
Shares in Malaysia:				
Credit Guarantee Corporation	**39,924**	39,408	**39,924**	39,408
Cagamas Berhad	**22,662**	22,191	**-**	-
PayNet	**72,856**	58,857	**72,856**	58,857
TPPT Sdn Bhd	**93,571**	93,376	**93,571**	93,376
RAM Holdings Berhad #	**-**	9,302	**-**	5,980
Malaysian Rating Corporation Berhad	**1,253**	1,184	**-**	-
Others *	**652**	537	**642**	527
	230,918	224,855	**206,993**	198,148

* Other socio-economic shares

The dividend income for equity investments designated at FVOCI held and disposed during the financial year are as follows:

	Carrying amount		Dividend income of equity investments held as at the end of the financial year		Dividend income of equity investments disposed during the financial year	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
The Group						
Unquoted securities	**230,918**	224,855	**922**	510	**-**	-
	230,918	224,855	**922**	510	**-**	-
The Bank						
Unquoted securities	**206,993**	198,148	**732**	180	**-**	-
	206,993	198,148	**732**	180	**-**	-

\# During the financial year, the Group and the Bank disposed its shares in RAM Holdings Berhad due to favourable offer received and to monetise the non-core investment. The shares disposed at the Group and the Bank was RM14,560,000 and RM9,360,000 respectively, of which the total realised gain of the Group and the Bank was RM12,175,000 and RM9,000,000 respectively has been reclassified from FVOCI revaluation reserves to retained profits during the financial year. Other than the above, there have been no new acquisition or disposal of equity investments at fair value through other comprehensive income during the current and previous financial years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At amortised cost				
Money market instruments:				
Malaysian Government treasury bills	**49,822**	97,747	**-**	-
Malaysian Government securities	**3,635,264**	1,822,807	**3,568,139**	1,822,807
Malaysian Government investment issues	**5,742,314**	3,540,004	**3,077,857**	1,970,328
Cagamas Bonds/Sukuk	**272,271**	30,512	**181,624**	30,512
Bank Negara Malaysia Sukuk	**10,139**	10,299	**-**	-
Negotiable Instruments of Deposit and Islamic Debt Certificates	**-**	731,259	**754,595**	1,485,853
	9,709,810	6,232,628	**7,582,215**	5,309,500
Unquoted securities:				
Shares in Malaysia	**14,915**	-	**14,915**	-
Corporate bonds/Sukuk in Malaysia	**6,715,837**	5,126,845	**4,227,952**	3,651,356
Corporate bonds/Sukuk outside Malaysia	**481,153**	164,194	**466,137**	164,194
Loan stock in Malaysia	**15,560**	15,000	**-**	-
	7,227,465	5,306,039	**4,709,004**	3,815,550
	16,937,275	11,538,667	**12,291,219**	9,125,050
Fair value changes arising from fair value hedges	**(2,893)**	-	**(2,893)**	-
	16,934,382	11,538,667	**12,288,326**	9,125,050
Less: Expected credit losses	**(81,281)**	(103,525)	**(58,352)**	(84,852)
	16,853,101	11,435,142	**12,229,974**	9,040,198

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC') (CONTINUED)

Movements in expected credit losses for financial investments at AC are as follows:

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2022				
At beginning of the financial year	**5,099**	**83,426**	**15,000**	**103,525**
Financial assets derecognised (other than write-off)	**(607)**	**-**	**-**	**(607)**
New financial assets purchased	**2,725**	**-**	**-**	**2,725**
Changes due to change in credit risk	**2,748**	**(27,690)**	**-**	**(24,942)**
Other adjustments				
- Foreign exchange and other movements	**20**	**-**	**560**	**580**
At end of the financial year	**9,985**	**55,736**	**15,560**	**81,281**
The Group				
2021				
At beginning of the financial year	160	-	12,922	13,082
Financial assets derecognised (other than write-off)	(50)	-	-	(50)
New financial assets purchased	4,844	-	-	4,844
Changes due to change in credit risk	(2,592)	-	2,078	(514)
Changes in models/risk parameters	(6,667)	-	-	(6,667)
Reclassification from FVOCI	9,404	83,426	-	92,830
At end of the financial year	5,099	83,426	15,000	103,525

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2022				
At beginning of the financial year	**1,426**	**83,426**	**-**	**84,852**
Financial assets derecognised (other than write-off)	**(402)**	**-**	**-**	**(402)**
New financial assets purchased	**1,707**	**-**	**-**	**1,707**
Changes due to change in credit risk	**(134)**	**(27,690)**	**-**	**(27,824)**
Other adjustments				
- Foreign exchange and other movements	**19**	**-**	**-**	**19**
At end of the financial year	**2,616**	**55,736**	**-**	**58,352**
The Bank				
2021				
At beginning of the financial year	236	-	-	236
Financial assets derecognised (other than write-off)	(6)	-	-	(6)
New financial assets purchased	4,202	-	-	4,202
Changes due to change in credit risk	(4,008)	-	-	(4,008)
Changes in models/risk parameters	(6,667)	-	-	(6,667)
Reclassification from FVOCI	7,669	83,426	-	91,095
At end of the financial year	1,426	83,426	-	84,852

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC') (CONTINUED)

Movements in the gross carrying amount of financial investment at AC that contributed to changes in the ECL:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2022				
At beginning of the financial year	**10,912,342**	**611,325**	**15,000**	**11,538,667**
Financial assets derecognised (other than write-off)	**(2,592,733)**	**-**	**-**	**(2,592,733)**
New financial assets purchased	**8,020,971**	**-**	**-**	**8,020,971**
Changes in interest/profit accrual and accretion/amortisation	**(35,096)**	**99**	**-**	**(34,997)**
Other adjustments				
- Foreign exchange and other movements	**4,807**	**-**	**560**	**5,367**
At end of the financial year	**16,310,291**	**611,424**	**15,560**	**16,937,275**
The Group				
2021				
At beginning of the financial year	141,119	-	15,000	156,119
Financial assets derecognised (other than write-off)	(50,000)	-	-	(50,000)
New financial assets purchased	1,422,121	-	-	1,422,121
Changes in interest/profit accrual and accretion/amortisation	(25,514)	3,058	-	(22,456)
Reclassification from FVOCI	9,424,616	608,267	-	10,032,883
At end of the financial year	10,912,342	611,325	15,000	11,538,667

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2022				
At beginning of the financial year	**8,513,725**	**611,325**	**-**	**9,125,050**
Financial assets derecognised (other than write-off)	**(2,209,791)**	**-**	**-**	**(2,209,791)**
New financial assets purchased	**5,405,127**	**-**	**-**	**5,405,127**
Changes in interest accrual and accretion/amortisation	**(34,119)**	**99**	**-**	**(34,020)**
Other adjustments				
- Foreign exchange and other movements	**4,853**	**-**	**-**	**4,853**
At end of the financial year	**11,679,795**	**611,424**	**-**	**12,291,219**
The Bank				
2021				
At beginning of the financial year	361,944	-	-	361,944
Financial assets derecognised (other than write-off)	(50,000)	-	-	(50,000)
New financial assets purchased	1,567,757	-	-	1,567,757
Changes in interest accrual and accretion/amortisation	(36,734)	3,058	-	(33,676)
Reclassification from FVOCI	6,670,758	608,267	-	7,279,025
At end of the financial year	8,513,725	611,325	-	9,125,050

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC') (CONTINUED)

IBOR Reform

The Group and the Bank hold the following financial instruments at AC which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	2022		2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
The Group				
Money market instruments:				
Cagamas Bonds/Sukuk				
- KLIBOR	**151,065**	**151,065**	-	-
Unquoted securities:				
Corporate bonds/Sukuk outside Malaysia				
- USD LIBOR	**120,467**	**120,467**	16,758	16,758
- Bank Bill Swap Rate ('BBSW')	**78,091**	**78,091**	63,851	63,851
	349,623	**349,623**	80,609	80,609
The Bank				
Money market instruments:				
Cagamas Bonds/Sukuk				
- KLIBOR	**100,710**	**100,710**	-	-
Unquoted securities:				
Corporate bonds/Sukuk outside Malaysia				
- USD LIBOR	**120,467**	**120,467**	16,758	16,758
- Bank Bill Swap Rate ('BBSW')	**78,091**	**78,091**	63,851	63,851
	299,268	**299,268**	80,609	80,609

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

9 LOANS, ADVANCES AND FINANCING

		The Group		The Bank	
		2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(i)	**By type**				
	Overdrafts	**2,101,930**	1,955,229	**1,401,411**	1,304,046
	Term loans/financing				
	- Housing loans/financing	**17,070,281**	13,763,496	**7,741,034**	5,320,110
	- Hire purchase receivables	**13,142,578**	11,435,528	**7,952,640**	6,874,108
	- Syndicated financing	**1,806,320**	1,583,610	**539,422**	611,200
	- Business term loans/financing	**16,129,552**	14,470,438	**8,436,896**	8,249,044
	- Other term loans/financing	**112,621**	122,620	**-**	-
	Bills receivables	**524,475**	491,857	**373,227**	398,979
	Trust receipts	**118,989**	192,868	**105,019**	179,726
	Claims on customers under acceptances credits	**2,674,388**	2,220,512	**1,887,330**	1,519,194
	Staff loans/financing (of which RM Nil to Directors)	**215,411**	213,525	**92,774**	105,468
	Credit cards	**366,556**	265,476	**305,699**	220,646
	Revolving credits	**3,883,788**	3,919,212	**2,613,435**	2,726,082
	Margin financing	**1,195,788**	782,767	**-**	-
	Factoring	**-**	202	**-**	202
	Gross loans, advances and financing	**59,342,677**	51,417,340	**31,448,887**	27,508,805
	Less: Expected credit losses	**(1,410,821)**	(889,272)	**(890,966)**	(629,469)
	Total net loans, advances and financing	**57,931,856**	50,528,068	**30,557,921**	26,879,336

Included in the Group's other term loans/financing before expected credit losses as at reporting date is RM57.4 million (2021: RM56.5 million) of term financing disbursed by AFFIN Islamic to joint venture AFFIN-i Nadayu Sdn Bhd.

		The Group		The Bank	
		2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(ii)	**By maturity structure**				
	Maturing within one year	**11,388,930**	9,988,942	**6,885,471**	6,373,086
	One year to three years	**3,910,370**	3,530,728	**2,378,538**	2,850,312
	Three years to five years	**5,750,025**	6,129,495	**3,915,002**	3,608,729
	Over five years	**38,293,352**	31,768,175	**18,269,876**	14,676,678
		59,342,677	51,417,340	**31,448,887**	27,508,805
(iii)	**By type of customers**				
	Domestic banking institutions	**10,452**	5	**10,452**	5
	Domestic non-banking institutions				
	- Others	**534,770**	441,888	**165,925**	164,108
	Domestic business enterprises				
	- Small medium enterprises	**10,288,102**	8,892,968	**7,466,478**	6,330,465
	- Others	**13,339,035**	13,404,843	**8,121,386**	8,544,263
	Government and statutory bodies	**795,660**	780,174	**6,444**	26,549
	Individuals	**33,848,784**	27,427,578	**15,303,577**	12,135,474
	Other domestic entities	**862**	683	**707**	461
	Foreign entities	**525,012**	469,201	**373,918**	307,480
		59,342,677	51,417,340	**31,448,887**	27,508,805

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(iv) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	**204,381**	218,662	**157,077**	174,972
- Hire purchase receivables	**13,143,921**	11,437,057	**7,952,640**	6,874,108
- Other fixed rate loans/financing	**1,472,212**	1,457,455	**474,818**	397,722
Variable rate				
- Base lending rate and base rate plus	**29,245,941**	22,840,424	**14,404,061**	10,438,939
- Cost plus	**10,257,940**	10,098,599	**5,484,204**	6,056,222
- Other variable rate	**5,018,282**	5,365,143	**2,976,087**	3,566,842
	59,342,677	51,417,340	**31,448,887**	27,508,805
(v) By economic sector				
Primary agriculture	**1,365,361**	1,378,344	**658,238**	606,394
Mining and quarrying	**226,642**	214,553	**78,390**	65,873
Manufacturing	**3,986,495**	3,540,982	**2,721,219**	2,383,437
Electricity, gas and water supply	**524,815**	452,791	**75,821**	68,379
Construction	**1,886,093**	1,626,208	**904,683**	918,966
Real estate	**5,319,183**	5,808,007	**3,832,281**	4,119,620
Wholesale, retail trade, hotels and restaurants	**5,514,688**	4,697,985	**4,208,002**	3,563,575
Transport, storage and communication	**2,049,447**	1,887,303	**1,450,534**	1,283,979
Finance, insurance and business services	**2,304,699**	2,252,805	**1,384,783**	1,417,645
Education, health and others	**2,180,709**	1,996,721	**747,224**	866,183
Household	**33,984,433**	27,561,299	**15,387,600**	12,214,412
Others	**112**	342	**112**	342
	59,342,677	51,417,340	**31,448,887**	27,508,805
(vi) By economic purposes				
Purchase of securities	**2,617,025**	2,029,621	**365,490**	502,582
Purchase of transport vehicles	**13,711,407**	12,052,256	**8,275,966**	7,251,417
Purchase of landed property of which:				
- Residential	**17,403,630**	14,112,442	**7,891,028**	5,499,101
- Non-residential	**6,617,393**	6,281,669	**4,244,458**	3,879,335
Fixed assets other than land and building	**546,492**	268,994	**250,740**	193,019
Personal use	**2,743,248**	1,698,684	**625,008**	620,774
Credit card	**366,556**	265,477	**305,699**	220,647
Consumer durable	**334**	15	**4**	15
Construction	**2,261,816**	2,330,318	**1,321,128**	1,388,349
Merger and acquisition	**77,588**	57,340	**56,052**	57,340
Working capital	**11,320,779**	10,974,409	**7,273,936**	7,138,735
Others	**1,676,409**	1,346,115	**839,378**	757,491
	59,342,677	51,417,340	**31,448,887**	27,508,805

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(vii) By geographical distribution				
Perlis	**127,996**	117,849	**22,862**	17,453
Kedah	**1,770,004**	1,474,660	**589,872**	502,811
Pulau Pinang	**3,597,189**	2,955,889	**2,159,262**	1,638,139
Perak	**1,674,743**	1,516,796	**848,537**	837,557
Selangor	**19,085,253**	16,404,033	**10,043,686**	8,566,724
Wilayah Persekutuan	**13,296,991**	11,448,932	**6,971,473**	6,390,734
Negeri Sembilan	**1,973,865**	1,791,349	**664,273**	615,886
Melaka	**1,121,516**	1,022,170	**664,916**	648,411
Johor	**7,985,757**	6,789,713	**4,786,541**	4,017,802
Pahang	**1,858,859**	1,594,148	**871,519**	766,758
Terengganu	**1,098,455**	1,016,296	**196,242**	189,615
Kelantan	**627,189**	475,972	**43,859**	55,574
Sarawak	**2,518,818**	2,359,461	**1,818,402**	1,676,966
Sabah	**2,340,854**	2,244,293	**1,520,315**	1,398,589
Labuan	**47,548**	85,623	**29,497**	65,634
Outside Malaysia	**217,640**	120,156	**217,631**	120,152
	59,342,677	51,417,340	**31,448,887**	27,508,805
(viii) Movements of impaired loans, advances and financing				
At beginning of the financial year	**1,305,953**	1,628,669	**841,839**	1,223,906
Classified as impaired	**511,707**	520,249	**273,510**	205,382
Reclassified as non-impaired	**(293,450)**	(277,718)	**(150,186)**	(164,511)
Amount recovered	**(314,298)**	(484,399)	**(206,984)**	(361,904)
Amount written-off	**(122,762)**	(80,848)	**(84,431)**	(61,034)
Other movements	**84,031**	-	**61,686**	-
At end of the financial year	**1,171,181**	1,305,953	**735,434**	841,839
Ratio of gross impaired loans, advances and financing to gross loans, advances and financing *	**1.97%**	2.54%	**2.58%**	3.38%

* For the Bank, RIA included in the ratio calculation amounting to RM2,723.1 million (2021: RM1,834.6 million) with impaired financing amounting to RM145.6 million (2021: RM149.9 million).

The outstanding contractual amounts of such assets written-off during the financial year amounting to RM122,762,000 (2021: RM80,848,000) for the Group and RM84,431,000 (2021: RM61,034,000) for the Bank respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

		The Group		The Bank	
		2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(ix)	**Impaired loans by economic sector**				
	Primary agriculture	**18,955**	10,054	**18,657**	9,870
	Mining and quarrying	**27,531**	31,668	**6,907**	5,187
	Manufacturing	**49,997**	14,155	**41,763**	5,167
	Electricity, gas and water supply	**-**	105	**-**	105
	Construction	**99,804**	82,068	**46,338**	42,533
	Real estate	**133,373**	144,538	**58,692**	71,353
	Wholesale, retail trade, hotels and restaurants	**74,697**	53,856	**68,622**	51,279
	Transport, storage and communication	**316,154**	361,456	**157,203**	155,928
	Finance, insurance and business services	**24,251**	71,784	**20,731**	70,912
	Education, health and others	**195,051**	304,140	**194,224**	303,521
	Household	**231,368**	232,129	**122,297**	125,984
		1,171,181	1,305,953	**735,434**	841,839
(x)	**Impaired loans by economic purposes**				
	Purchase of securities	**22,443**	26,212	**35**	41
	Purchase of transport vehicles	**356,931**	361,050	**177,182**	189,174
	Purchase of landed property of which:				
	- Residential	**157,364**	152,519	**79,071**	69,671
	- Non-residential	**258,512**	254,140	**186,299**	186,213
	Fixed assets other than land and building	**1,956**	14,903	**1,956**	14,903
	Personal use	**16,360**	15,011	**7,390**	11,582
	Credit card	**2,104**	1,370	**1,909**	1,090
	Consumer durable	**3**	-	**3**	-
	Construction	**160,153**	217,829	**160,153**	216,593
	Working capital	**185,038**	254,748	**117,270**	150,401
	Others	**10,317**	8,171	**4,166**	2,171
		1,171,181	1,305,953	**735,434**	841,839
(xi)	**Impaired loans by geographical distribution**				
	Perlis	**3,572**	2,717	**81**	127
	Kedah	**52,952**	58,786	**41,498**	51,579
	Pulau Pinang	**56,812**	30,861	**47,091**	23,547
	Perak	**10,651**	64,260	**5,569**	9,208
	Selangor	**243,513**	231,746	**147,135**	111,232
	Wilayah Persekutuan	**82,190**	83,717	**51,821**	63,396
	Negeri Sembilan	**23,389**	68,446	**15,096**	56,654
	Melaka	**38,930**	16,594	**20,520**	14,374
	Johor	**258,135**	355,986	**203,596**	312,956
	Pahang	**25,127**	23,877	**23,096**	22,145
	Terengganu	**292,567**	298,303	**144,800**	146,411
	Kelantan	**2,969**	2,730	**591**	587
	Sarawak	**68,205**	55,111	**23,674**	18,522
	Sabah	**12,135**	12,819	**10,832**	11,101
	Outside Malaysia	**34**	-	**34**	-
		1,171,181	1,305,953	**735,434**	841,839

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xii) Movements in expected credit losses for loans, advances and financing

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2022				
At beginning of the financial year	**237,148**	**314,020**	**338,104**	**889,272**
Total transfer between stages due to change in credit risk:-	**38,317**	**29,274**	**(67,591)**	**-**
- Transfer to 12-month ECL (Stage 1)	**89,510**	**(80,338)**	**(9,172)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(51,146)**	**127,435**	**(76,289)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(47)**	**(17,823)**	**17,870**	**-**
Loans/financing derecognised (other than write-off)	**(64,117)**	**(31,143)**	**(21,636)**	**(116,896)**
New loans/financing originated or purchased	**112,914**	**-**	**-**	**112,914**
Changes due to change in credit risk	**(112,981)**	**465,820**	**172,723**	**525,562**
Write-off	**-**	**-**	**(84,397)**	**(84,397)**
Other adjustments	**92**	**243**	**84,031**	**84,366**
At end of the financial year	**211,373**	**778,214**	**421,234**	**1,410,821**

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2021				
At beginning of the financial year	177,087	151,204	451,486	779,777
Total transfer between stages due to change in credit risk:-	42,042	33,171	(75,213)	-
- Transfer to 12-month ECL (Stage 1)	64,134	(54,454)	(9,680)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(21,854)	99,287	(77,433)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(238)	(11,662)	11,900	-
Loans/financing derecognised (other than write-off)	(62,069)	(10,433)	(10,023)	(82,525)
New loans/financing originated or purchased	85,362	-	-	85,362
Changes due to change in credit risk	(5,274)	140,078	43,820	178,624
Write-off	-	-	(71,966)	(71,966)
At end of the financial year	237,148	314,020	338,104	889,272

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xii) Movements in expected credit losses for loans, advances and financing (continued)

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2022				
At beginning of the financial year	**163,175**	**214,857**	**251,437**	**629,469**
Total transfer between stages due to change in credit risk:-	**19,470**	**11,686**	**(31,156)**	**-**
- Transfer to 12-month ECL (Stage 1)	**50,931**	**(47,132)**	**(3,799)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(31,456)**	**72,179**	**(40,723)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(5)**	**(13,361)**	**13,366**	**-**
Loans/financing derecognised (other than write-off)	**(29,825)**	**(18,162)**	**(13,586)**	**(61,573)**
New loans/financing originated or purchased	**57,436**	**-**	**-**	**57,436**
Changes due to change in credit risk	**(65,768)**	**240,369**	**81,725**	**256,326**
Write-off	**-**	**-**	**(52,707)**	**(52,707)**
Other adjustments	**86**	**243**	**61,686**	**62,015**
At end of the financial year	**144,574**	**448,993**	**297,399**	**890,966**

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2021				
At beginning of the financial year	128,045	88,348	348,004	564,397
Total transfer between stages due to change in credit risk:-	25,276	20,595	(45,871)	-
- Transfer to 12-month ECL (Stage 1)	41,876	(37,526)	(4,350)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(16,485)	64,003	(47,518)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(115)	(5,882)	5,997	-
Loans/financing derecognised (other than write-off)	(28,113)	(9,212)	(5,364)	(42,689)
New loans/financing originated or purchased	44,050	-	-	44,050
Changes due to change in credit risk	(6,083)	115,126	7,107	116,150
Write-off	-	-	(52,439)	(52,439)
At end of the financial year	163,175	214,857	251,437	629,469

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xiii) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the ECL

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2022				
At beginning of the financial year	45,917,366	4,194,021	1,305,953	51,417,340
Total transfer between stages due to change in credit risk:-	(1,791,825)	1,577,479	214,346	-
- Transfer to 12-month ECL (Stage 1)	3,076,428	(3,038,035)	(38,393)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,844,946)	5,100,003	(255,057)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(23,307)	(484,489)	507,796	-
Loans/financing derecognised (other than write-off)	(22,746,203)	(732,507)	(73,571)	(23,552,281)
New loans/financing originated or purchased	34,865,524	-	-	34,865,524
Changes due to change in credit risk	(2,740,064)	(403,850)	(238,250)	(3,382,164)
Unwinding of modification loss during the year *(Note)*	27,082	5,528	1,434	34,044
Write-off	-	-	(122,762)	(122,762)
Other adjustments				
- Foreign exchange and other movements	1,917	(2,972)	84,031	82,976
At end of the financial year	**53,533,797**	**4,637,699**	**1,171,181**	**59,342,677**

Note: The amount of loans, advances and financing whose cash flows were modified in 2022 were RM3,177,659,291.

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Group				
2021				
At beginning of the financial year	40,420,336	4,223,650	1,628,669	46,272,655
Total transfer between stages due to change in credit risk:-	(442,380)	353,940	88,440	-
- Transfer to 12-month ECL (Stage 1)	2,561,572	(2,522,545)	(39,027)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(2,968,566)	3,207,258	(238,692)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(35,386)	(330,773)	366,159	-
Loans/financing derecognised (other than write-off)	(18,299,028)	(325,318)	(94,868)	(18,719,214)
New loans/financing originated or purchased	27,079,359	-	-	27,079,359
Changes due to change in credit risk	(2,883,645)	(58,819)	(238,500)	(3,180,964)
Unwinding of modification loss during the year (Note)	43,601	4,844	2,269	50,714
Write-off	-	-	(80,848)	(80,848)
Other adjustments				
- Unwind of discount	(877)	(4,276)	791	(4,362)
At end of the financial year	45,917,366	4,194,021	1,305,953	51,417,340

Note: The amount of loans, advances and financing whose cash flows were modified in 2021 were RM5,131,974,105.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xiii) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the ECL (continued)

	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
The Bank				
2022				
At beginning of the financial year	**24,204,399**	**2,462,567**	**841,839**	**27,508,805**
Total transfer between stages due to change in credit risk:-	**(1,108,084)**	**988,117**	**119,967**	**-**
- Transfer to 12-month ECL (Stage 1)	**1,587,539**	**(1,572,014)**	**(15,525)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(2,693,370)**	**2,828,031**	**(134,661)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(2,253)**	**(267,900)**	**270,153**	**-**
Loans/financing derecognised (other than write-off)	**(9,899,554)**	**(367,786)**	**(52,313)**	**(10,319,653)**
New loans/financing originated or purchased	**16,178,890**	**-**	**-**	**16,178,890**
Changes due to change in credit risk	**(1,491,926)**	**(270,202)**	**(152,745)**	**(1,914,873)**
Unwinding of modification loss during the year (Note)	**15,301**	**3,686**	**1,431**	**20,418**
Write-off	**-**	**-**	**(84,431)**	**(84,431)**
Other adjustments				
- Unwind of discount	**(50)**	**(1,905)**	**61,686**	**59,731**
At end of the financial year	**27,898,976**	**2,814,477**	**735,434**	**31,448,887**

Note: The amount of loans, advances and financing whose cash flows were modified in 2022 were RM1,735,293,269.

	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
The Bank				
2021				
At beginning of the financial year	22,041,468	2,464,448	1,223,906	25,729,822
Total transfer between stages due to change in credit risk:-	(306,882)	266,850	40,032	-
- Transfer to 12-month ECL (Stage 1)	1,368,812	(1,351,658)	(17,154)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,671,700)	1,819,058	(147,358)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(3,994)	(200,550)	204,544	-
Loans/financing derecognised (other than write-off)	(8,638,116)	(201,380)	(59,630)	(8,899,126)
New loans/financing originated or purchased	12,858,263	-	-	12,858,263
Changes due to change in credit risk	(1,779,075)	(67,494)	(302,172)	(2,148,741)
Unwinding of modification loss during the year (Note)	28,845	3,262	1,432	33,539
Write-off	-	-	(61,034)	(61,034)
Other adjustments				
- Unwind of discount	(104)	(3,119)	(695)	(3,918)
At end of the financial year	24,204,399	2,462,567	841,839	27,508,805

Note: The amount of loans, advances and financing whose cash flows were modified in 2021 were RM2,951,611,341.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

IBOR Reform

The Group and the Bank hold the following loans, advances and financing which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	2022		2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
The Group				
Gross loans, advances and financing				
- USD LIBOR	**213,859**	**213,859**	448,310	448,310
- KLIBOR	**426,121**	**426,121**	336,489	336,489
	639,980	**639,980**	784,799	784,799
The Bank				
Gross loans, advances and financing				
- USD LIBOR	**155,375**	**155,375**	278,913	278,913
- KLIBOR	**219,180**	**219,180**	229,447	229,447
	374,555	**374,555**	508,360	508,360

10 TRADE RECEIVABLES

	The Group	
	2022 RM'000	2021 RM'000
Amount due from stock-broking clients:		
- performing accounts	**376,714**	324,833
- impaired accounts (i)	**941**	942
Amount due from brokers	**28,502**	47,221
Management fees receivable on fund management	**-**	155,703
	406,157	528,699
Less: Expected credit losses (ii)	**(756)**	(1,533)
	405,401	527,166
(i) Movements of impaired trade receivables		
At beginning of the financial year	**942**	1,387
Classified as impaired	**1,504**	3,126
Amount written-back	**(1,505)**	(3,571)
At end of the financial year	**941**	942

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for the financial year ended 31 December 2022

10 TRADE RECEIVABLES (CONTINUED)

(ii) Movements in expected credit losses

	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
The Group			
2022			
At beginning of the financial year	**685**	**848**	**1,533**
Allowance made	**1,846**	**1,248**	**3,094**
Amount written-back	**(2,190)**	**(1,411)**	**(3,601)**
Disposal of a subsidiary	**(270)**	**-**	**(270)**
At end of the financial year	**71**	**685**	**756**
The Group			
2021			
At beginning of the financial year	2,335	474	2,809
Allowance made	2,000	3,031	5,031
Amount written-back	(3,650)	(2,657)	(6,307)
At end of the financial year	685	848	1,533

11 OTHER ASSETS

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other debtors	**274,519**	234,603	**175,261**	101,897
Prepayments and deposits	**99,453**	48,485	**75,275**	47,747
Cheque clearing accounts	**67,678**	20,325	**6,225**	5,959
Foreclosed properties (i)	**23,950**	13,358	**8,485**	8,485
	465,600	316,771	**265,246**	164,088
Less: Expected credit losses (ii)	**(4,749)**	(4,039)	**-**	-
	460,851	312,732	**265,246**	164,088
(i) Foreclosed properties				
At beginning of the financial year	**13,358**	16,962	**8,485**	12,089
Purchased	**13,240**	-	**-**	-
Disposal	**-**	(3,315)	**-**	(3,315)
Diminution in value	**(2,648)**	(289)	**-**	(289)
At end of the financial year	**23,950**	13,358	**8,485**	8,485

11 OTHER ASSETS (CONTINUED)

(ii) Movements in expected credit losses

	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
The Group			
2022			
At beginning of the financial year	**9**	**4,030**	**4,039**
Allowance made	**71**	**2,346**	**2,417**
Amount written-back	**(63)**	**(1,644)**	**(1,707)**
At end of the financial year	**17**	**4,732**	**4,749**
The Group			
2021			
At beginning of the financial year	18	3,948	3,966
Allowance made	58	2,770	2,828
Amount written-back	(67)	(2,688)	(2,755)
At end of the financial year	9	4,030	4,039

12 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2022 RM'000	2021 RM'000
Advances to AFFIN ISLAMIC	**-**	758,812
Amount due from AHIBB	**5,835**	112
	5,835	758,924

The advances to/amount due from subsidiaries are unsecured, bear no interest/profit rate and repayable on demand.

13 AMOUNT DUE FROM JOINT VENTURES

	The Group	
	2022 RM'000	2021 RM'000
Advances to joint ventures	**48,273**	60,000
Less: Expected credit losses (i)	**(47,818)**	(44,263)
	455	15,737
(i) Movements in expected credit losses		
At beginning of the financial year	**44,263**	43,987
Allowance made	**3,555**	276
At end of the financial year	**47,818**	44,263

The advances to joint ventures are unsecured, bear no interest/profit rate and repayable on demand.

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for the financial year ended 31 December 2022

14 AMOUNT DUE FROM ASSOCIATES

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
10-year Subordinated Loan II	**-**	30,931	**-**	30,931
Less: Expected credit losses	**-**	(43)	**-**	(43)
	-	30,888	**-**	30,888

The 10-year Subordinated Loan II to an associate is unsecured and carries a fixed interest rate of 6.50% per annum during the financial year. The Subordinated Loan II has been early redeemed on 27 October 2022.

	The Group and The Bank	
	2022 RM'000	**2021 RM'000**
Movements in gross carrying amount of subordinated loan that contributed to changes in the ECL		
At beginning of the financial year	**30,931**	30,931
Amount redemption	**(30,931)**	-
At end of the financial year	**-**	30,931
Movements in expected credit losses		
At beginning of the financial year	**43**	46
Amount written-back	**(43)**	(3)
At end of the financial year	**-**	43

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for the financial year ended 31 December 2022

15 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are shown in the statements of financial position:

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Deferred tax assets/(liabilities)	**233,973**	223,344	**125,964**	111,900
Deferred tax assets:				
- settled more than 12 months	**64,575**	50,051	**17,603**	17,310
- settled within 12 months	**191,340**	192,163	**124,268**	106,523
Deferred tax liabilities:				
- settled more than 12 months	**(16,611)**	(14,008)	**(11,620)**	(8,685)
- settled within 12 months	**(5,331)**	(4,862)	**(4,287)**	(3,248)
	233,973	223,344	**125,964**	111,900

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At beginning of the financial year	**223,344**	112,158	**111,900**	54,607
Recognised in income statement (Note 48)				
- Tax expenses	**45,955**	39,623	**35,889**	37,591
- Deferred tax impact arising from Prosperity Tax^	**(33,537)**	35,958	**(21,825)**	21,825
Recognised in equity	**12,832**	35,605	**-**	(2,123)
Disposal of subsidiary	**(14,621)**	-	**-**	-
At end of the financial year	**233,973**	223,344	**125,964**	111,900

^ The average tax rate is the expected rate to be applied to taxable profits in the year of assessment ('YA') 2022 due to the effect of 'Prosperity Tax' that was imposed by the government on the portion of YA 2022's chargeable income in excess of RM100 million.

15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Property and equipment RM'000	Lease rental RM'000	Intangible assets RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Foreign exchange translation gain RM'000	Unutilised business tax losses and unabsorbed capital allowances losses RM'000	Financial investment at AC RM'000	Financial investment at FVOCI RM'000	Total RM'000
The Group										
2022										
At beginning of financial year	**(8,117)**	**461**	**(7,223)**	**64,981**	**131,393**	**(4,074)**	**334**	**18,407**	**27,182**	**223,344**
Recognised in income statement										
- Tax expenses	**(4,267)**	**231**	**497**	**56,589**	**(5,661)**	**(2,273)**	**(325)**	**1,143**	**21**	**45,955**
- Deferred tax impact arising from Prosperity Tax ^	**1,398**	**-**	**(648)**	**(14,443)**	**(19,767)**	**(52)**	**-**	**-**	**(25)**	**(33,537)**
Recognised in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,832**	**12,832**
Disposal of subsidiary	**1,116**	**-**	**(808)**	**-**	**(17,059)**	**2,139**	**(9)**	**-**	**-**	**(14,621)**
At end of the financial year	**(9,870)**	**692**	**(8,182)**	**107,127**	**88,906**	**(4,260)**	**-**	**19,550**	**40,010**	**233,973**
2021										
At beginning of the financial year	(4,735)	316	(7,537)	21,805	108,644	(5,362)	964	(26)	(1,911)	112,158
Recognised in income statement										
- Tax expenses	(1,984)	145	(334)	28,733	561	1,236	(630)	18,433	(6,537)	39,623
- Deferred tax impact arising from Prosperity Tax ^	(1,398)	-	648	14,443	22,188	52	-	-	25	35,958
Recognised in equity	-	-	-	-	-	-	-	-	35,605	35,605
At end of the financial year	(8,117)	461	(7,223)	64,981	131,393	(4,074)	334	18,407	27,182	223,344

^ The average tax rate is the expected rate to be applied to taxable profits in the year of assessment ('YA') 2022 due to the effect of 'Prosperity Tax' that was imposed by the government on the portion of YA 2022's chargeable income in excess of RM100.0 million.

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15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Property and equipment RM'000	Lease rental RM'000	Intangible assets RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Financial investment at AC RM'000	Financial investment at FVOCI RM'000	Total RM'000
The Bank								
2022								
At beginning of the financial year	**(6,075)**	**448**	**(6,307)**	**46,838**	**60,152**	**16,844**	**-**	**111,900**
Recognised in income statement								
- Tax expenses	**(5,314)**	**149**	**506**	**28,096**	**12,167**	**285**	**-**	**35,889**
- Deferred tax impact arising from Prosperity Tax ^	**1,347**	**-**	**(662)**	**(9,897)**	**(12,613)**	**-**	**-**	**(21,825)**
At end of the financial year	**(10,042)**	**597**	**(6,463)**	**65,037**	**59,706**	**17,129**	**-**	**125,964**
2021								
At beginning of the financial year	(3,242)	(8)	(6,051)	15,552	39,686	-	8,670	54,607
Recognised in income statement								
- Tax expenses	(1,486)	456	(918)	21,389	7,853	16,844	(6,547)	37,591
- Deferred tax impact arising from Prosperity Tax ^	(1,347)	-	662	9,897	12,613	-	-	21,825
Recognised in equity	-	-	-	-	-	-	(2,123)	(2,123)
At end of the financial year	(6,075)	448	(6,307)	46,838	60,152	16,844	-	111,900

^ The average tax rate is the expected rate to be applied to taxable profits in the year of assessment ('YA') 2022 due to the effect of 'Prosperity Tax' that was imposed by the government on the portion of YA 2022's chargeable income in excess of RM100.0 million.

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16 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest/profit bearing statutory deposits are maintained with BNM in compliance with requirements of Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount of which is determined at a set percentage of total eligible liabilities. The Statutory Reserve Requirement ('SRR') rate for banking industry is 2.0% of eligible liabilities.

On 15 May 2020, BNM has issued Statutory Reserve Requirement ('SRR') policy document and with effect from 16 May 2020, banking institutions are allowed to recognise Malaysian Government Securities and Malaysian Government Issues to fully meet the SRR requirement of 2.0%. This flexibility is available until 31 December 2022.

17 INVESTMENT IN SUBSIDIARIES

	The Bank	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	**3,206,778**	3,056,778
Less: Allowance for impairment losses	**(2,879)**	(2,879)
	3,203,899	3,053,899
Movement in cost of investment in subsidiaries		
At beginning of the financial year	**3,056,778**	3,056,778
Capital injection into Affin ISLAMIC	**150,000**	-
At end of the financial year	**3,206,778**	3,056,778
Movement in allowance for impairment losses		
At beginning/end of the financial year	**2,879**	2,879

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

Name	Principal Activities	Issued and Paid-up share capital RM'000	Percentage of equity held		Non-controlling interest	
			2022 %	2021 %	2022 %	2021 %
Affin Islamic Bank Berhad	Islamic banking business	1,210,000	**100**	100	**-**	-
Affin Moneybrokers Sdn Bhd	Money-broking	1,000	**100**	100	**-**	-
PAB Properties Sdn Bhd	Property management services	8,000	**100**	100	**-**	-
ABB Nominee (Tempatan) Sdn Bhd	Share nominee services	40	**100**	100	**-**	-
ABB Nominee (Asing) Sdn Bhd	Dormant	^	**100**	100	**-**	-
Affin Holdings Bhd	Investment holding	@	**100**	100	**-**	-
Affin Hwang Investment Bank Berhad	Provision of investment banking services	999,800	**100**	100	**-**	-
Affin Hwang Trustee Berhad ('AHTB')	Trustee services	6,500	**100**	100	**-**	-
Affin Hwang Nominees (Asing) Sdn Bhd	Nominee services	1,326	**100**	100	**-**	-
Affin Hwang Nominees (Tempatan) Sdn Bhd	Nominee services	1,331	**100**	100	**-**	-
AHC Global Sdn Bhd	Investment holding	1,332	**100**	100	**-**	-
AHC Associates Sdn Bhd	Investment holding	1,332	**100**	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows (continued):

Name	Principal Activities	Issued and Paid-up share capital RM'000	Percentage of equity held		Non-controlling interest	
			2022 %	2021 %	2022 %	2021 %
Affin Hwang Asset Management Berhad ('AHAM')**	Asset management, management of unit trust and private retirement schemes	-	-	63	-	37
Bintang Capital Partners Berhad ('BCP')**	Private equity management	-	-	51	-	49
AIIMAN Asset Management Sdn Bhd ('AIIMAN')**	Islamic fund management	-	-	100	-	-
AccelVantage Academy Sdn Bhd ('AVA')**	Training and coaching services	-	-	51	-	49
AIIMAN Global Equity Fund**	Investment in Shariah-compliant equities	-	-	71	-	29
Affin Hwang AIIMAN Constant Cash Fund 2**	Investment in Shariah-compliant money market instruments	-	-	100	-	-
AIIMAN Asia Pacific (ex Japan) Dividend Fund**	Investment in Shariah-compliant equities instruments	-	-	40	-	60
TradePlus NYSE Fang+ Daily (-1x) Inverse Tracker **	Investment in futures contracts	-	-	65	-	35
TradePlus NYSE Fang+ Daily (2x) Leveraged Tracker **	Investment in futures contracts	-	-	89	-	11
TradePlus HSCEI Daily (-1x) Inverse Tracker**	Investment in futures contracts	-	-	100	-	-
TradePlus HSCEI Daily (2x) Leveraged Tracker **	Investment in futures contracts	-	-	50	-	50
TradePlus DWA Malaysia Momentum Tracker**	Investment in equity instruments	-	-	40	-	60

^ Subsidiary with issued and paid-up share capital of RM2.00 each.

@ Subsidiary with issued and paid-up share capital of RM2.00 each and in member's voluntary winding-up.

** During the financial year, the Group completed the divestment of AHAM, and hence AHAM and its subsidiaries ceased to be the subsidiaries of the Group and were deconsolidated from the Group's financial statements.

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for the financial year ended 31 December 2022

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Proportion of ownership interests and voting rights held by non-controlling interest	
	2022	**2021**
Details of a subsidiary which has material non-controlling interests ('NCI').		
Affin Hwang Asset Management Berhad ('AHAM')**	-	37%

** The Group completed the divestment of AHAM on 29 July 2022. Hence AHAM and its subsidiaries ceased to be the subsidiaries of the Group and were deconsolidated from the Group's financial statements.

The summarised financial information of the asset management subsidiary, AHAM has non-controlling interests which is material to the Group for the financial year ended 31 December 2021 is set out below. The summarised financial information below represents amounts before inter-company eliminations.

	^ 29.07.2022 RM'000	**2021 RM'000**
Summarised financial position		
Total assets	-	1,078,261
Total liabilities	-	(954,455)
Net asset	-	123,806
Equity attributable to owners of the Bank	-	79,121
NCI	-	44,685
Summarised financial results		
Revenue	**265,113**	739,708
Profit before taxation and zakat	**83,236**	157,498
Taxation and zakat	**(16,488)**	(34,738)
Other comprehensive income	-	388
Total comprehensive income	**66,748**	123,148
Summarised cash flows		
Net cash generated from operating activities	-	459,823
Net cash used in financing activities	-	(182,169)
Net cash used in investing activities	-	(2,007)
Net (decrease)/increase in cash & cash equivalents	-	275,647
Profit allocated to NCI of the Group	**24,964**	53,389
Dividends paid to NCI of the Group	**(36,999)**	(66,026)
Movements in NCI at Group level		
At beginning of the financial year	**44,685**	70,585
Profit for the financial year	**24,964**	53,389
Other comprehensive income	-	144
Obligation to buy back shares from employee stock option holders	-	(13,407)
Lapse of the obligation to buy a subsidiary's shares	**49,629**	-
Disposal of subsidiary	**(82,279)**	-
Dividends paid	**(36,999)**	(66,026)
At end of the financial year	-	44,685

^ up to the date of the divestment of AHAM.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

18 INVESTMENT IN JOINT VENTURES

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At beginning of the financial year	**181,853**	180,398	**194,240**	194,240
Share of profit for the financial year	**791**	2,565	**-**	-
Share of other comprehensive income/(loss) for the financial year	**3,702**	(1,110)	**-**	-
Disposal of investment in joint ventures (a)	**(76,731)**	-	**(79,981)**	-
Reclassification to investment in associates (Note 19)	**(109,615)**	-	**(114,259)**	-
At end of the financial year	**-**	181,853	**-**	194,240

The joint ventures, all of which are incorporated in Malaysia, are as follows:

				Percentage of equity held	
Name	**Principal Activities**		**Issued and Paid-up share capital RM'000**	**2022 %**	**2021 %**
AXA Affin Life Insurance Berhad *	Underwriting of life insurance business	(a)	-	**-**	51
AFFIN-i Nadayu Sdn Bhd #	Property development		1,000	**50**	50
KL South Development Sdn Bhd #	Property development		500	**30**	30

* Shareholding held directly by the Bank
# Shareholding held directly by AFFIN ISLAMIC.

(a) AXA Affin Life Insurance Berhad ('AALI')

On 30 August 2022, the Bank completed the sale of 21% of its shareholding in AALI to Generali Asia N.V. upon receiving relevant regulatory approvals. The proceeds of sales amounted to RM80.5 million and the Bank's interest has diluted from 51% to 30%. AALI is reclassified from investment in joint ventures to associate with effect from 30 August 2022.

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19 INVESTMENT IN ASSOCIATES

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At beginning of the financial year	**725,440**	715,716	**548,482**	548,482
Redemption of investments in funds	**-**	(4,108)	**-**	-
Share of profit for the financial year	**7,820**	42,826	**-**	-
Share of other comprehensive loss for the financial year	**(16,960)**	(28,994)	**-**	-
Disposal of interest in investment in associates (a)	**(43,436)**	-	**(32,362)**	-
Reclassification from investment in joint venture (Note 18)	**109,615**	-	**114,259**	-
Acquisition of additional shares (b)	**12,300**	-	**12,300**	-
At end of the financial year	**794,779**	725,440	**642,679**	548,482

The associates, all of which are incorporated in Malaysia, are as follows:

				Percentage of equity held	
Name	**Principal Activities**		**Issued and Paid-up share capital RM'000**	**2022 %**	**2021 %**
AXA Affin Life Insurance Berhad *	Underwriting of life insurance business	18 (a)	499,000	**30.00**	-
AXA Affin General Insurance Berhad ('AAGI') *	Underwriting of general insurance business	19 (a)	190,645	**47.00**	49.95
Raeed Holdings Sdn Bhd #	Investment holding company		#	**-**	16.67
TradePlus S&P New China Tracker ^	Investment in equity instruments		^	**-**	6.00

* Shareholding held directly by the Bank.

\# A company was placed in members voluntary winding up during the financial year.

^ On 29 July 2022, the Group completed the divestment of AHAM, since then the fund has been ceased from the Group.

(a) AXA Affin General Insurance Berhad ('AAGI')

On 30 August 2022, the Bank completed the sale of 2.95% of its shareholding in AAGI to Generali Asia N.V. upon receiving relevant regulatory approvals. The proceeds of sales amounted to RM88.1 million and the Bank's interest has diluted from 49.95% to 47%.

(b) On 2 December 2022, the Bank subscribed 12,300,000 (2021: Nil) new ordinary shares at RM1.00 each in AALI.

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19 INVESTMENT IN ASSOCIATES (CONTINUED)

The summarised financial information of the material associates are as follows:

	AAGI		AALI	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**^ 2021 RM'000**
Total assets	**4,142,431**	4,070,326	**2,902,244**	2,748,567
Total liabilities	**(2,776,884)**	(2,717,066)	**(2,547,687)**	(2,391,993)
Net assets	**1,365,547**	1,353,260	**354,557**	356,574
Capital commitment for property and equipment	**11,364**	11,364	**-**	-
The above amounts of assets and liabilities include the following:				
Cash and cash equivalent	**14,399**	27,398	**54,090**	69,246
Revenue	**1,434,344**	1,355,281	**175,874**	521,738
Profit after taxation	**46,644**	85,743	**(50,116)**	5,026
Other comprehensive (loss)/income	**(34,357)**	(54,639)	**7,099**	(2,173)
Total comprehensive income/(loss)	**12,287**	31,104	**(43,017)**	2,853

	AAGI		AALI	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**^ 2021 RM'000**
Reconciliation of the summarised financial information to the carrying amount of the interest in AAGI & AALI recognised in the consolidated financial statements:				
Net assets				
Opening net assets at beginning of the financial year	**1,353,260**	1,322,156	**356,574**	353,721
Profit for the financial year	**46,644**	85,743	**(50,116)**	5,026
Other comprehensive loss	**(34,357)**	(54,639)	**7,099**	(2,173)
Issuance of new shares	**-**	-	**41,000**	-
Closing net assets at end of the financial year	**1,365,547**	1,353,260	**354,557**	356,574
Interest in associate:				
- in percentage (%)	**47.00**	49.95	**30.00**	51.00
- in thousand (RM'000)	**641,807**	675,913	**106,367**	181,853
- premium on acquisition	**46,605**	49,527	**-**	-
	688,412	725,440	**106,367**	181,853
Share of results of an associate	**23,320***	42,826	**(15,500)***	-
Share of other comprehensive loss of an associate	**(16,912)***	(28,994)	**(48)***	-

The financial information of Raeed Holdings Sdn Bhd and TradePlus S&P New China Tracker are not significant to the Group.

^ The summarised financial information of the previously joint ventures, AALI for the financial year ended 31 December 2021 is set out above.

* In reference to Note 18(a) and 19(a), share of results and other comprehensive (loss)/income are apportioned based on the interest before and after the disposal.

20 PROPERTY AND EQUIPMENT

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
The Group									
2022									
Cost									
At beginning of the financial year	278,905	23,740	26,967	164,265	71,347	196,506	9,835	699,620	1,471,185
Additions	-	-	-	18,375	9,158	40,500	598	215,473	284,104
Disposals	-	-	-	-	(1)	(1,388)	(4,752)	-	(6,141)
Write-off	-	-	-	(2,280)	(1,548)	(143)	(396)	-	(4,367)
Reclassification to intangible assets	-	-	-	-	-	4,770	-	(9,385)	(4,615)
Reclassification	-	-	657,319	349	65,259	-	-	(722,927)	-
Disposal of subsidiary	-	-	-	(8,005)	(6,171)	(6,460)	(1,118)	-	(21,754)
At end of the financial year	278,905	23,740	684,286	172,704	138,044	233,785	4,167	182,781	1,718,412
Accumulated depreciation and impairment losses									
At beginning of the financial year	140	14,338	12,967	149,384	60,973	159,850	6,707	-	404,359
Charge	-	385	547	7,174	2,639	19,992	821	-	31,558
Disposal	-	-	-	-	-	(1,378)	(3,606)	-	(4,984)
Write-off	-	-	-	(2,225)	(1,469)	(141)	(343)	-	(4,178)
Disposal of subsidiary	-	-	-	(4,930)	(4,213)	(5,161)	(764)	-	(15,068)
At end of the financial year	140	14,723	13,514	149,403	57,930	173,162	2,815	-	411,687
Net book value at end of the financial year	278,765	9,017	670,772	23,301	80,114	60,623	1,352	182,781	1,306,725

20 PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress ^ RM'000	Total RM'000
The Group									
2021									
Cost									
At beginning of the financial year	278,905	23,740	-	142,519	73,016	182,824	9,494	472,022	1,182,520
Additions	-	-	-	5,373	1,696	14,414	1,489	244,499	267,471
Disposals	-	-	-	-	(18)	(172)	(1,148)	-	(1,338)
Write-off	-	-	-	(791)	(3,347)	(560)	-	-	(4,698)
Reclassification from ROU	-	-	26,967	17,164	-	-	-	-	44,131
Reclassification to intangible assets	-	-	-	-	-	-	-	(16,901)	(16,901)
At end of the financial year	278,905	23,740	26,967	164,265	71,347	196,506	9,835	699,620	1,471,185
Accumulated depreciation and impairment losses									
At beginning of the financial year	140	13,934	-	124,373	61,151	144,253	6,288	-	350,139
Charge	-	404	-	8,636	3,045	16,306	1,528	-	29,919
Disposal	-	-	-	-	(13)	(164)	(1,109)	-	(1,286)
Write-off	-	-	-	(789)	(3,210)	(545)	-	-	(4,544)
Reclassification from ROU	-	-	12,967	17,164	-	-	-	-	30,131
At end of the financial year	140	14,338	12,967	149,384	60,973	159,850	6,707	-	404,359
Net book value at end of the financial year	278,765	9,402	14,000	14,881	10,374	36,656	3,128	699,620	1,066,826

^ Included in the Group's capital work in progress is an amount of capitalised borrowing cost with a capitalisation rate of Nil% (2021: 5.35%) during the financial year amounting to RM Nil (2021: RM30.0 million).

20 PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
The Bank									
2022									
Cost									
At beginning of the financial year	276,397	22,441	26,059	130,507	55,060	141,126	1,327	699,139	1,352,056
Additions	-	-	-	17,908	8,662	38,763	445	214,717	280,495
Disposals	-	-	-	-	-	-	(15)	-	(15)
Write-off	-	-	-	(1,628)	(997)	(140)	-	-	(2,765)
Reclassification to intangible assets	-	-	-	-	-	4,770	-	(9,385)	(4,615)
Reclassification from/(to) subsidiary	-	-	-	13	6	26	-	(8)	37
Reclassification	-	-	657,319	349	65,259	-	-	(722,927)	-
At end of the financial year	276,397	22,441	683,378	147,149	127,990	184,545	1,757	181,536	1,625,193
Accumulated depreciation and impairment losses									
At beginning of the financial year	-	13,320	12,301	120,790	47,543	112,947	1,135	-	308,036
Charge	-	360	529	5,734	1,999	17,155	196	-	25,973
Disposal	-	-	-	-	-	-	(15)	-	(15)
Write-off	-	-	-	(1,573)	(946)	(139)	-	-	(2,658)
Reclassification from subsidiary	-	-	-	6	1	26	-	-	33
At end of the financial year	-	13,680	12,830	124,957	48,597	129,989	1,316	-	331,369
Net book value at end of the financial year	276,397	8,761	670,548	22,192	79,393	54,556	441	181,536	1,293,824

20 PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovation RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Capital work in progress ^ RM'000	Total RM'000
The Bank									
2021									
Cost									
At beginning of the financial year	276,397	22,441	-	108,792	56,785	130,948	1,335	471,929	1,068,627
Additions	-	-	-	5,291	1,511	10,551	-	244,111	261,464
Disposals	-	-	-	-	(12)	-	(8)	-	(20)
Write-off	-	-	-	(740)	(3,224)	(373)	-	-	(4,337)
Reclassification from ROU	-	-	26,059	17,164	-	-	-	-	43,223
Reclassification to intangible assets	-	-	-	-	-	-	-	(16,901)	(16,901)
At end of the financial year	276,397	22,441	26,059	130,507	55,060	141,126	1,327	699,139	1,352,056
Accumulated depreciation and impairment losses									
At beginning of the financial year	-	12,960	-	100,388	48,785	100,399	953	-	263,485
Charge	-	360	-	3,976	1,845	12,903	190	-	19,274
Disposal	-	-	-	-	-	-	(8)	-	(8)
Write-off	-	-	-	(738)	(3,087)	(355)	-	-	(4,180)
Reclassification from ROU	-	-	12,301	17,164	-	-	-	-	29,465
At end of the financial year	-	13,320	12,301	120,790	47,543	112,947	1,135	-	308,036
Net book value at end of the financial year	276,397	9,121	13,758	9,717	7,517	28,179	192	699,139	1,044,020

^ Included in the Bank's capital work in progress is an amount of capitalised borrowing cost with a capitalisation rate of Nil% (2021: 5.35%) during the financial year amounting to RM Nil (2021: RM30.0 million).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

21 RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Properties RM'000	Equipment RM'000	Total RM'000
The Group				
2022				
Cost				
At beginning of financial year	**15,689**	**135,587**	**1,394**	**152,670**
Additions	**-**	**37,876**	**16,731**	**54,607**
Termination of contracts	**-**	**(8,576)**	**-**	**(8,576)**
End of lease term	**-**	**(8,333)**	**-**	**(8,333)**
Disposal of subsidiary	**-**	**(3,312)**	**(1,449)**	**(4,761)**
At end of the financial year	**15,689**	**153,242**	**16,676**	**185,607**
Less: Accumulated depreciation				
At beginning of financial year	**4,932**	**101,733**	**618**	**107,283**
Charge	**197**	**36,707**	**3,480**	**40,384**
Termination of contracts	**-**	**(8,576)**	**-**	**(8,576)**
End of lease term	**-**	**(8,333)**	**-**	**(8,333)**
Disposal of subsidiary	**-**	**(1,948)**	**(783)**	**(2,731)**
At end of the financial year	**5,129**	**119,583**	**3,315**	**128,027**
Net book value at end of the financial year	**10,560**	**33,659**	**13,361**	**57,580**

	Leasehold land and Buildings RM'000	Properties RM'000	Equipment RM'000	Total RM'000
The Group				
2021				
Cost				
At beginning of financial year	42,656	132,247	1,373	176,276
Additions	-	21,554	21	21,575
Termination of contracts	-	(624)	-	(624)
End of lease term	-	(426)	-	(426)
Reclassification to property and equipment (Note 20)	(26,967)	(17,164)	-	(44,131)
At end of the financial year	15,689	135,587	1,394	152,670
Less: Accumulated depreciation				
At beginning of financial year	17,155	76,927	324	94,406
Charge	744	43,020	294	44,058
Termination of contracts	-	(624)	-	(624)
End of lease term	-	(426)	-	(426)
Reclassification to property and equipment (Note 20)	(12,967)	(17,164)	-	(30,131)
At end of the financial year	4,932	101,733	618	107,283
Net book value at end of the financial year	10,757	33,854	776	45,387

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

21 RIGHT-OF-USE ASSETS (CONTINUED)

	Leasehold land RM'000	Properties RM'000	Equipment RM'000	Total RM'000
The Bank				
2022				
Cost				
At beginning of financial year	13,799	104,138	-	117,937
Additions	-	33,225	15,041	48,266
At end of the financial year	13,799	137,363	15,041	166,203
Less: Accumulated depreciation				
At beginning of financial year	4,615	76,775	-	81,390
Charge	197	29,525	3,154	32,876
At end of the financial year	4,812	106,300	3,154	114,266
Net book value at end of the financial year	8,987	31,063	11,887	51,937

	Leasehold land and Buildings RM'000	Properties RM'000	Total RM'000
The Bank			
2021			
Cost			
At beginning of financial year	39,858	100,395	140,253
Additions	-	20,907	20,907
Reclassification to property and equipment (Note 20)	(26,059)	(17,164)	(43,223)
At end of the financial year	13,799	104,138	117,937
Less: Accumulated depreciation			
At beginning of financial year	16,190	61,188	77,378
Charge	726	32,751	33,477
Reclassification to property and equipment (Note 20)	(12,301)	(17,164)	(29,465)
At end of the financial year	4,615	76,775	81,390
Net book value at end of the financial year	9,184	27,363	36,547

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

22 INTANGIBLE ASSETS

	^ Goodwill RM'000	Brand RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
The Group					
2022					
Cost					
At beginning of the financial year	**826,944**	**5,415**	**83,622**	**317,462**	**1,233,443**
Additions	**-**	**-**	**-**	**4,427**	**4,427**
Disposals	**-**	**-**	**-**	**(1,696)**	**(1,696)**
Write-off	**-**	**-**	**-**	**(208)**	**(208)**
Reclassification from property and equipment (Note 20)	**-**	**-**	**-**	**4,615**	**4,615**
Impairment loss	**(64,644)**	**-**	**-**	**-**	**(64,644)**
Disposal of subsidiary	**(180,931)**	**-**	**-**	**(10,094)**	**(191,025)**
At end of the financial year	**581,369**	**5,415**	**83,622**	**314,506**	**984,912**
Less: Accumulated depreciation					
At beginning of the financial year	**-**	**5,415**	**83,622**	**248,556**	**337,593**
Amortised during the financial year	**-**	**-**	**-**	**24,284**	**24,284**
Disposals	**-**	**-**	**-**	**(539)**	**(539)**
Write-off	**-**	**-**	**-**	**(190)**	**(190)**
Disposal of subsidiary	**-**	**-**	**-**	**(5,605)**	**(5,605)**
At end of the financial year	**-**	**5,415**	**83,622**	**266,506**	**355,543**
Net book value at end of the financial year	**581,369**	**-**	**-**	**48,000**	**629,369**

	^ Goodwill RM'000	Brand RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
The Group					
2022					
Cost					
At beginning of the financial year	826,944	5,415	83,622	297,441	1,213,422
Additions	-	-	-	3,149	3,149
Write-off	-	-	-	(29)	(29)
Reclassification from property and equipment (Note 20)	-	-	-	16,901	16,901
At end of the financial year	826,944	5,415	83,622	317,462	1,233,443
Less: Accumulated depreciation					
At beginning of the financial year	-	5,415	80,651	223,606	309,672
Amortised during the financial year	-	-	2,971	24,979	27,950
Write-off	-	-	-	(29)	(29)
At end of the financial year	-	5,415	83,622	248,556	337,593
Net book value at end of the financial year	826,944	-	-	68,906	895,850

^ The carrying amount of the Group's and the Bank's goodwill has been allocated to respective business segments, which represent the Group and the Bank's cash-generating units ('CGUs'). Refer to page 298.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

22 INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	**Computer software RM'000**	**Total RM'000**
The Bank			
2022			
Cost			
At beginning of the financial year	**137,323**	**278,311**	**415,634**
Additions	**-**	**2,066**	**2,066**
Write-off	**-**	**(8)**	**(8)**
Reclassification from property and equipment (Note 20)	**-**	**4,615**	**4,615**
At end of the financial year	**137,323**	**284,984**	**422,307**
Less: Accumulated amortisation			
At beginning of the financial year	**-**	**216,901**	**216,901**
Amortised during the financial year	**-**	**22,195**	**22,195**
Write-off	**-**	**(8)**	**(8)**
At end of the financial year	**-**	**239,088**	**239,088**
Net book value at end of the financial year	**137,323**	**45,896**	**183,219**

	Goodwill RM'000	**Computer software RM'000**	**Total RM'000**
The Bank			
2021			
Cost			
At beginning of the financial year	137,323	259,770	397,093
Additions	-	1,640	1,640
Reclassification from property and equipment (Note 20)	-	16,901	16,901
At end of the financial year	137,323	278,311	415,634
Less: Accumulated amortisation			
At beginning of the financial year	-	194,881	194,881
Amortised during the financial year	-	22,020	22,020
At end of the financial year	-	216,901	216,901
Net book value at end of the financial year	137,323	61,410	198,733

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

22 INTANGIBLE ASSETS (CONTINUED)

Goodwill

	The Group		The Bank	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Cost				
At beginning of the financial year	**826,944**	826,944	**137,323**	137,323
Less: Impairment				
- Disposal of a subsidiary	**(180,931)**	-	**-**	-
- Impairment made during the financial year	**(64,644)**	-	**-**	-
Net book value at end of the financial year	**581,369**	826,944	**137,323**	137,323

The carrying amount of the Group's and the Bank's goodwill has been allocated to the following business segments, which represent the Group and the Bank's cash-generating units ('CGUs'):

	The Group		The Bank	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
CGU				
Business banking	**123,591**	123,591	**123,591**	123,591
Community banking	**13,732**	13,732	**13,732**	13,732
Investment banking - Advisory ('IB') #	**-**	266,884	**-**	-
Investment banking - Treasury & Markets ('T&M') #	**213,360**	-	**-**	-
Asset management ('AM') *	**-**	180,931	**-**	-
Stock-broking ('SB')	**230,686**	230,686	**-**	-
Money-broking **	**-**	11,120	**-**	-
	581,369	826,944	**137,323**	137,323

* The goodwill for asset management business was derecognised pursuant to the divestment of its entire 63% equity interest in AHAM which was completed on 29 July 2022.

** Goodwill for money-broking was fully impaired during the year.

There was a reallocation of goodwill during the year. Refer to Note (a) below.

(a) Reallocation of goodwill

The IB and T&M goodwill was originally recognised as one CGU, arising from the merger of business, assets and liabilities of Affin Investment Bank Berhad with HwangDBS Investment Bank Berhad in 2014. IB and T&M are monitored under one CGU, of which they reported to the Managing Director of the Investment Banking division in prior years.

As part of AFFIN Group's Project centralisation initiative, AHIBB has reorganised its reporting structure effective 1 October 2022 in which T&M is now centralised under AFFIN Group's Group Treasury, with the Head of AHIBB's T&M having dual reporting role to both the Head of ABB Group Treasury and the Chief Executive Officer ('CEO') of AHIBB. Post reorganisation, AHIBB T&M performance and strategy will be consolidated and monitored as part of the ABB Group Treasury performance. Therefore, there is a change in the way that the AHIBB T&M CGU is monitored.

In accordance with MFRS 136 'Impairment of Assets', if an entity reorganises its reporting structure in a way that changes the composition of one or more CGU to which goodwill has been allocated, the goodwill shall be reassigned to the units affected based on relative value approach. In view thereof, management has reallocated the goodwill of RM266.9 million under the Investment Banking ('IB') CGU into T&M and IB, based on the relative value method.

22 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

(b) Goodwill impairment assessment

Goodwill is tested for impairment annually or more frequently if events, or changes in circumstances indicate that it might be impaired. The recoverable amount of the CGUs are determined based on value-in-use ('VIU') calculations using the cash flow projections based on financial budgets or forecasts covering a five-year (2021: five-year) period. Cash flows beyond the fifth-year period are assumed to grow at 3.70% (2021: 4.03%) on a perpetual basis for all CGUs which is based on the forecast Gross Domestic Product ('GDP') growth rate of Malaysia.

In view of the uncertainty in the economic and global recession outlook, the VIU estimated during the financial year ended 31 December 2022 was based on the discounted cash flow ('DCF') method with multiple cash flow projections taking into consideration the assumed probability of different future events and/or scenarios. Three scenarios have been adopted to represent the possible outcomes, namely the best case scenario, base case scenario and the worst case scenario.

The discount rate and terminal growth rate used for the value in use calculation is as follows:

	Discount rate		Terminal growth rate	
	2022 **%**	**2021** **%**	**2022** **%**	**2021** **%**
Business banking	**8.64**	7.28	**3.70**	4.03
Community banking	**8.59**	7.24	**3.70**	4.03
Investment banking - Advisory ('IB')	**10.06**	8.11	**3.70**	4.03
Investment banking - Treasury & Markets ('T&M')	**10.09**	** N/A	**3.70**	** N/A
Asset management ('AM')	* **N/A**	8.09	* **N/A**	4.03
Stock-broking ('SB')	**9.75**	7.89	**3.70**	4.03
Money-broking	**9.00**	7.72	**3.70**	4.03

* No goodwill for asset management business pursuant to the divestment of its entire 63% equity interest in AHAM which was completed on 29 July 2022.

** Not applicable for 2021 as the goodwill for Treasury & Markets CGU was embedded within Investment Banking CGU.

Management has recognised an impairment loss on the IB, T&M and Money-broking CGUs during the year as follows:

Investment Banking – Advisory and Treasury & Market CGUs

The macro-economic headwinds such as the rising interest rate and inflation has significantly impacted the performance of the Investment Banking – Advisory and Treasury & Market CGUs in 2022. Management has assessed the recoverable amount of the CGUs based on their VIU, calculated based on the cash flow projections derived from the financial budgets and business plans prepared by management that were updated to reflect the most recent market developments. The impairment test has resulted in a goodwill impairment of RM19.4 million and RM34.1 million for Investment Banking – Advisory and Treasury & Market CGU respectively. No asset other than goodwill was impaired.

Money-broking CGU

The recent inflation has significantly impacted the performance of Money-broking CGU in 2022. Management has assessed the recoverable amount of the CGU based on their VIU, calculated based on the cash flow projections derived from the financial budgets and business plans prepared by management that were updated to reflect the most recent market developments. The impairment test has resulted in a goodwill impairment of RM11.1 million. No asset other than goodwill was impaired.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

22 INTANGIBLE ASSETS (CONTINUED)

Sensitivity to changes in assumptions

Management believes that no reasonably changes in any of the key assumption would cause the carrying value of the CGU to exceed its recoverable amount, except for below CGU:

The following changes in assumption would have resulted in an increase in the impairment loss as follow:

	Additional impairment required T&M RM'000
Change in assumptions	
10 basis point increase in discount rate	13,704
10 basis point increase in terminal growth rate	10,764

23 DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(i) By type of deposit				
Demand deposits	**11,073,400**	10,330,348	**6,182,379**	5,293,917
Savings deposits	**4,176,804**	3,209,798	**2,701,194**	2,097,858
Fixed deposits	**47,730,252**	42,389,800	**26,513,154**	24,202,589
Commodity Murabahah	**1,238,215**	1,122,215	**-**	-
Money market deposits	**415,034**	890,076	**415,034**	890,076
Negotiable Instruments of Deposit ('NID')	**263,369**	757,323	**263,369**	757,323
Others	**97,976**	94,844	**-**	-
	64,995,050	58,794,404	**36,075,130**	33,241,763
(ii) Maturity structure of fixed deposits, NID and others				
Due within six months	**34,347,860**	27,663,419	**17,977,704**	15,138,077
Six months to one year	**13,438,321**	13,890,498	**8,083,231**	8,703,922
One year to three years	**223,683**	1,665,795	**713,795**	1,098,211
Three years to five years	**1,940**	21,760	**1,793**	19,302
Five years and above	**79,793**	495	**-**	400
	48,091,597	43,241,967	**26,776,523**	24,959,912
(iii) By type of customers				
Government and statutory bodies	**11,150,332**	11,452,139	**1,313,722**	2,548,186
Business enterprises	**18,036,571**	13,076,924	**10,202,954**	7,312,456
Individuals	**31,054,474**	27,927,505	**22,407,042**	20,441,760
Domestic banking institutions	**371,612**	766,407	**371,362**	766,180
Domestic non-banking financial institutions	**2,833,080**	4,117,877	**602,036**	1,092,798
Foreign entities	**552,973**	572,870	**429,923**	445,170
Other entities	**996,008**	880,682	**748,091**	635,213
	64,995,050	58,794,404	**36,075,130**	33,241,763

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

24 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group	
	2022 RM'000	**2021 RM'000**
(i) By type of deposit		
Mudharabah	**859**	1,329

	The Group			
	Average PSR (%)		Average ROR (%)	
	2022	**2021**	**2022**	**2021**
(ii) Profit Sharing Ratio ('PSR') and Rate of Return ('ROR')				
Due within:				
One year to three years	**85**	85	**5.58**	5.58

25 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Licensed banks	**866,809**	340,197	**474,046**	210,249
Licensed investment banks	**657,559**	521,830	**448,948**	407,405
Other financial institutions	**1,839,788**	2,004,013	**262,126**	1,660,069
	3,364,156	2,866,040	**1,185,120**	2,277,723
Maturity structure of deposits				
Due within six months	**3,142,856**	2,866,040	**1,185,120**	2,277,723
Six months to one year	**221,300**	-	**-**	-
	3,364,156	2,866,040	**1,185,120**	2,277,723

26 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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 and the obligations to repurchase the securities are reflected as a liability on the statements of financial position.

The financial assets sold under repurchase agreements are as follows:

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Financial investments at AC	**4,813,407**	-	**4,813,407**	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

27 DERIVATIVE FINANCIAL LIABILITIES

	2022		2021	
	Contract/ Notional amount RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Liabilities RM'000
The Group				
At fair value				
Trading Derivatives				
Foreign exchange derivatives:				
- Currency forwards	**5,497,785**	**197,669**	5,522,259	61,810
- Cross currency interest rate swaps	**61,937**	**2,154**	-	-
- Currency swaps	**8,913,780**	**242,015**	7,282,786	69,541
Interest rate derivatives:				
- Interest rate swaps	**4,832,708**	**98,061**	3,453,000	70,278
Hedging Derivatives				
- Interest rate swaps (Note 6 (a))	**550,000**	**2,355**	-	-
	19,856,210	**542,254**	16,258,045	201,629
The Bank				
At fair value				
Trading Derivatives				
Foreign exchange derivatives:				
- Currency forwards	**2,793,892**	**115,692**	1,453,815	17,756
- Currency swaps	**8,463,928**	**231,343**	5,409,916	54,994
Interest rate derivatives:				
- Interest rate swaps	**3,437,708**	**86,819**	2,133,000	52,787
Hedging Derivatives				
- Interest rate swaps (Note 6 (a))	**550,000**	**2,355**	-	-
	15,245,528	**436,209**	8,996,731	125,537

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for the financial year ended 31 December 2022

27 DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

IBOR Reform

The Group and the Bank hold the following derivative financial liabilities which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	2022		2021	
	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000	Total RM'000	Of which contract yet to transition to an alternative benchmark interest rate RM'000
The Group				
Interest rate derivatives:				
Interest rate swaps				
- KLIBOR	**52,476**	**52,476**	70,278	70,278
The Bank				
Interest rate derivatives:				
Interest rate swaps				
- KLIBOR	**52,476**	**52,476**	52,787	52,787

28 RECOURSE OBLIGATION ON LOANS/FINANCING SOLD TO CAGAMAS BERHAD

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Recourse obligation on loans/financing sold to Cagamas Berhad	**1,073,871**	669,212	**1,073,871**	619,179
Movements in recourse obligation on loans/financing sold to Cagamas Berhad:				
At beginning of the financial year	**669,212**	50,034	**619,179**	-
Addition	**450,001**	618,001	**450,001**	618,001
Repayment	**(75,854)**	(1,238)	**(24,612)**	-
Interest/Profit expense	**30,512**	2,415	**29,303**	1,178
At end of the financial year	**1,073,871**	669,212	**1,073,871**	619,179

This represents the proceeds received from housing loans/financing sold directly to Cagamas Berhad with recourse to the Group. Under this agreement, the Group undertakes to administer the loans/financing on behalf of Cagamas Berhad and to buy back any loans/financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. Such loans/financing transactions and the obligation to buy back the loans/financing are reflected as a financial liability on the statements of financial position and stated at amortised cost.

29 TRADE PAYABLES

	The Group	
	2022 RM'000	**2021 RM'000**
Amount due to unit trust funds	**-**	555,850
Amount due to unit holders	**-**	64,708
Amount due to external fund managers	**-**	535
Amount due to clients	**132,889**	119,404
Amount due to brokers	**105,246**	112,133
Amount due to Bursa Malaysia Securities Sdn Bhd	**100,732**	129,732
	338,867	982,362

Trade payables include amount payable under outstanding contracts from the stock and sharebroking activities and amounts due to unit trust funds and unit holders.

The credit terms of amounts due to creditors range from 1 to 30 days (2021: 1 to 30 days).

30 LEASE LIABILITIES

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At beginning of the financial year	**36,872**	50,528	**29,232**	31,842
Additions	**52,909**	21,573	**48,268**	20,907
Interest/Profit expense	**2,674**	1,837	**1,589**	1,210
Lease payment	**(41,064)**	(37,066)	**(33,649)**	(24,727)
Disposal of subsidiary	**(2,158)**	-	**-**	-
At end of the financial year	**49,233**	36,872	**45,440**	29,232
Potential future rental payments relating to periods following the exercise date of termination options are summarised below:				
Lease liabilities recognised (discounted)	**49,233**	36,872	**45,440**	29,232
Potential future lease payments not included in lease liabilities (undiscounted):				
- Payable in 2022	**-**	2,678	**-**	-
- Payable in 2023 to 2027	**109,703**	75,332	**106,894**	50,857
- Payable in 2028 to 2032	**18,141**	4,480	**17,884**	4,174
	127,844	82,490	**124,778**	55,031

The Group and the Bank have not included potential future rental payments after the exercise date of termination options because the Group and the Bank are not reasonably certain to extend the lease beyond the date.

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for the financial year ended 31 December 2022

31 OTHER LIABILITIES

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes (a)	**245,602**	238,834	**227,297**	228,890
Margin and collateral deposits	**122,545**	97,665	**102,946**	79,609
Other creditors and accruals	**164,622**	205,072	**84,038**	69,941
Sundry creditors	**308,594**	179,719	**233,550**	132,270
Clearing accounts	**451,311**	103,907	**-**	-
Treasury and cheque clearing accounts	**22,525**	18,677	**22,525**	18,677
Provision for zakat	**3,474**	2,494	**190**	157
Defined contribution plan (b)	**31,552**	26,408	**30,210**	25,194
Accrued employee benefits	**139,849**	194,477	**103,084**	75,032
Unearned income	**20,716**	19,708	**15,584**	15,020
Commissioned dealer's representatives trust balances	**64,495**	68,653	**-**	-
Securities borrowings and lending - borrow	**71,962**	106,823	**-**	-
Amounts payable to commissioned and salaried dealer's representatives	**62,788**	95,426	**-**	-
Puttable liabilities (c)	**-**	189,026	**-**	-
Expected credit losses (d)				
- loan/financing commitments and financial guarantees	**38,908**	56,914	**14,548**	31,322
	1,748,943	1,603,803	**833,972**	676,112

(a) Includes monies received by the Group and the Bank under government financing scheme 'BNM SRF SME Fund' and 'SRF Tourism Fund' as part of the government support measures in response to COVID-19 for the purpose of SME lending with a six-year maturity amounting to RM196.7 million (2021: RM196.7 million). The financing under the government scheme is for lending at concession rates to SMEs.

(b) The Group and the Bank contribute to EPF, the national defined contribution plan. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

(c) Puttable liabilities are in respect of the following:

	The Group	
	2022 RM'000	**2021 RM'000**
Obligations to buy subsidiaries' shares from non-controlling interest:		
- AHAM (i)	**-**	134,134
- AVA (ii)	**-**	21,450
Investment in funds (iii)	**-**	33,442
	-	189,026

31 OTHER LIABILITIES (CONTINUED)

(c) Puttable liabilities are in respect of the following (continued):

(i) The Group's subsidiary, AHAM established and implemented a stock option incentive scheme for its Key Senior Management in 2014. The stock option incentive scheme was designed to provide long-term incentives for key employees to improve the growth and profitability of the subsidiary and to encourage them to continue in the employment of the subsidiary. In 2019, the options holders fully exercised the 1,000 employee stock options at exercise price of RM40.30 per share. As a result, the employee stock option holder(s) were allotted a total of 1,111,000 units of new ordinary shares for a total consideration of RM44.77 million.

Pursuant to the exercise of the employee stock option incentive scheme, there is a Selective Capital Reduction ('SCR') provision within the scheme which requires AHAM to buy back the ordinary shares issued to the option holders from 1 March 2021 to 1 March 2023 at a certain price, if the conditions within the SCR provision are not met as at 31 December 2020.

The SCR provision represents a purchase of AHAM's own equity instrument and a liability equal to the present value of the estimated future redemption amount is reclassified from equity on initial recognition. The liability is then subsequently measured at amortised cost with the unwinding of the present value of the redemption amount to be recognised as finance costs within the income statements. In the event of a change in the estimated future redemption amount of SCR, the remeasurement amounts will be recognised in equity as the changes in the Bank's ownership interest in AHAM does not result in the Bank losing control of AHAM.

Following the completion of the divestment of AHAM on 29 July 2022, whereby AHAM ceased to be a subsidiary of the Group, the SCR provision was derecognised accordingly.

(ii) This represents the present value of an option to purchase AccelVantage Academy Sdn Bhd's ('AVA') shares pursuant to the terms of the exit mechanism in a shareholders agreement entered into between the Bank's subsidiary, AHAM and GV Capital Dynamic Sdn Bhd ('GVCD').

AHAM is granted a call option to acquire the entire 49% equity shares in AVA held by GVCD within 90 days of the call option period. The exercise price under the call option is determined based on pre-agreed formula.

The financial liability at the Group is initially recognised at the present value of the redemption amount and accreted through finance charges in the income statements over the contract period, up to the final redemption amount. In the event of a change in the exercise price under the call option, the remeasurement amounts will be recognised in equity as the changes in AHAM's ownership interest in AVA does not result in AHAM losing control of AVA.

Following the completion of the divestment of AHAM on 29 July 2022, AHAM has ceased to be a subsidiary of the Group. This resulted in the derecognition of the option to buy AVA shares from non-controlling interest.

(iii) This represents the units held by other investors of the funds which has been consolidated by the Group as disclosed in Note 17. The amount is equal to a proportion of the Net Asset Value of the funds not held by the Group.

Following the completion of the divestment of AHAM on 29 July 2022, whereby AHAM ceased to be a subsidiary of the Group. This resulted in the derecognition of investment of funds balances.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

31 OTHER LIABILITIES (CONTINUED)

(d) Movement in expected credit losses:

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2022				
At beginning of the financial year	**12,100**	**25,914**	**18,900**	**56,914**
Net remeasurement of loss allowance	**27**	**(1,529)**	**627**	**(875)**
New loan commitments and financial guarantees issued	**8,947**	**1,297**	**-**	**10,244**
Loan commitment and financial guarantees derecognised	**(5,253)**	**(21,806)**	**(316)**	**(27,375)**
At end of the financial year	**15,821**	**3,876**	**19,211**	**38,908**
2021				
At beginning of the financial year	10,388	9,023	19,037	38,448
Net remeasurement of loss allowance	(998)	18,285	125	17,412
New loan commitments and financial guarantees issued	8,196	454	-	8,650
Loan commitment and financial guarantees derecognised	(5,486)	(1,848)	(262)	(7,596)
At end of the financial year	12,100	25,914	18,900	56,914

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2022				
At beginning of the financial year	**8,246**	**22,764**	**312**	**31,322**
Net remeasurement of loss allowance	**57**	**991**	**500**	**1,548**
New loan commitments and financial guarantees issued	**6,668**	**686**	**-**	**7,354**
Loan commitment and financial guarantees derecognised	**(3,892)**	**(21,526)**	**(258)**	**(25,676)**
At end of the financial year	**11,079**	**2,915**	**554**	**14,548**
2021				
At beginning of the financial year	7,459	8,187	262	15,908
Net remeasurement of loss allowance	(1,449)	15,867	136	14,554
New loan commitments and financial guarantees issued	6,506	430	-	6,936
Loan commitment and financial guarantees derecognised	(4,270)	(1,720)	(86)	(6,076)
At end of the financial year	8,246	22,764	312	31,322

32 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries are relating to intercompany transactions which are unsecured, bear no interest/profit rate and repayable on demand.

33 BORROWINGS AND SUKUK

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Tier-2 Subordinated Medium Term Notes ('MTN')	**510,890**	2,035,845	**510,890**	2,035,845
(b) Additional Tier-1 Capital Securities ('AT1CS')	**512,315**	512,236	**512,315**	512,236
(c) Additional Tier-1 Sukuk Wakalah ('AT1S')	**303,425**	303,425	**-**	-
(d) MTN Tier-2 Sukuk Murabahah	**455,768**	451,569	**-**	-
(e) Senior Sukuk	**751,541**	-	**-**	-
	2,533,939	3,303,075	**1,023,205**	2,548,081
Fair value changes arising from fair value hedges	**(4,008)**	-	**(4,008)**	-
	2,529,931	3,303,075	**1,019,197**	2,548,081

(a) Tier-2 Subordinated Medium Term Notes ('MTN')

The Bank had, on 7 February 2017 and 20 September 2017, issued 2 tranches of Tier-2 Subordinated MTNs of RM1.0 billion each out of its approved BASEL III Compliant MTN programme of up to RM6.0 billion in nominal value. The Subordinated MTNs were issued for a tenure of 10 years from the issue date on a 10-year non-callable 5-year basis, at a coupon rate of 5.45% and 5.03% respectively. The MTNs were issued for the purpose of general banking business and working capital requirements of the Bank. On 7 February 2022 and 20 September 2022, the first series and second series of the Tier-2 Subordinated MTN of RM2.0 billion were redeemed. On 26 July 2022, the 3rd tranches of the Tier-2 Subordinated MTNs of RM500.0 million was issued.

(b) Additional Tier-1 Capital Securities ('AT1CS')

The Bank had, on 31 July 2019, issued AT1CS of RM500.0 million out of its approved BASEL III Compliant AT1CS programme of up to RM3.0 billion in nominal value. The AT1CS was on perpetual non-callable 5-year basis, at a coupon rate of 5.80%. The AT1CS was issued for the purpose of general banking business and working capital requirements of the Bank.

(c) Additional Tier-1 Sukuk Wakalah ('AT1S')

AIBB had, on 18 October 2018, issued a tranche of AT1S of RM300.0 million out of its approved BASEL III Complaint Islamic MTN programme ('Sukuk Programme') of up to RM5.0 billion in nominal value. The Sukuk Wakalah was on a perpetual non-callable 5 years basis, at a coupon rate of 5.65%. The Sukuk Wakalah was issued for the purpose of general banking business and working capital requirements of AIBB.

(d) MTN Tier-2 Sukuk Murabahah

AIBB had, on 23 October 2018, issued a MTN Tier-2 Sukuk Murabahah of RM800.0 million out of its Sukuk Programme. The Sukuk Murabahah was issued for a tenure of 10 years from the issue date on a 10-year non-callable 5-year basis, at a coupon rate of 5.05%. The Sukuk Murabahah was issued for the purpose of general banking business and working capital requirements of AIBB.

(e) Senior Sukuk

AIBB had, on 16 December 2022, issued two Senior Sukuk of RM230.0 million for a tenure of 3 years from the issue date, at a coupon rate of 4.55% and RM520.0 million for a tenure of 5 years from the issue date, at a coupon rate of 4.75%. The Senior Sukuk was issued for the purpose of general banking business and working capital requirements of AIBB.

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for the financial year ended 31 December 2022

33 BORROWINGS AND SUKUK (CONTINUED)

	At beginning of the financial year RM'000	Repayment/ Redemption RM'000	Interest/Profit expense RM'000	At end of the financial year RM'000
The Group				
2022				
Tier-2 Subordinated MTN	**2,035,845**	**(1,577,476)**	**52,521**	**510,890**
AT1CS	**512,236**	**(28,921)**	**29,000**	**512,315**
AT1S *	**303,425**	**(16,950)**	**16,950**	**303,425**
MTN Tier-2 Sukuk Murabahah *	**451,569**	**(18,599)**	**22,798**	**455,768**
Senior Sukuk	**-**	**750,000**	**1,541**	**751,541**
	3,303,075	**(891,946)**	**122,810**	**2,533,939**
The Group				
2021				
Tier-2 Subordinated MTN	2,036,005	(104,960)	104,800	2,035,845
AT1CS	512,236	(29,000)	29,000	512,236
AT1S *	303,425	(16,950)	16,950	303,425
MTN Tier-2 Sukuk Murabahah *	493,789	(82,620)	40,400	451,569
	3,345,455	(233,530)	191,150	3,303,075
The Bank				
2022				
Tier-2 Subordinated MTN	**2,035,845**	**(1,577,476)**	**52,521**	**510,890**
AT1CS	**512,236**	**(28,921)**	**29,000**	**512,315**
	2,548,081	**(1,606,397)**	**81,521**	**1,023,205**
The Bank				
2021				
Tier-2 Subordinated MTN	2,036,005	(104,960)	104,800	2,035,845
AT1CS	512,236	(29,000)	29,000	512,236
	2,548,241	(133,960)	133,800	2,548,081

* inclusive of profit expense on MTNs and AT1CS from Islamic banking business.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

34 SHARE CAPITAL

	The Group and The Bank			
	2022	2022	2021	2021
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid (no par value):				
At beginning of the financial year	**2,124,062**	**4,969,150**	2,079,792	4,902,300
Issued on 19 April 2021 (a)	**-**	**-**	44,270	66,850
Issued on 7 July 2022 (b)	**88,267**	**162,412**	-	-
Issued on 29 December 2022 (c)	**61,560**	**113,885**	-	-
At end of the financial year	**2,273,889**	**5,245,447**	2,124,062	4,969,150

(a) The Bank increased its issued ordinary shares from 2,079.8 million to 2,124.1 million via issuance of 44.3 million new ordinary shares amounting to RM66.8 million arising from the DRP relating to the electable portion of the interim dividend of 3.5 sen per ordinary share, in respect of the financial year ended 31 December 2021.

(b) The Bank increased its issued ordinary shares from 2,124.1 million to 2,212.3 million via issuance of 88.3 million new ordinary shares amounting to RM162.4 million arising from the DRP relating to the electable portion of the final dividend of 12.5 sen per ordinary share in respect of the financial year ended 31 December 2021.

(c) The Bank increased its issued ordinary shares from 2,212.3 million to 2,273.9 million via issuance of 61.6 million new ordinary shares amounting to RM113.9 million arising from the DRP relating to the electable portion of the interim dividend and special dividend of 4.53 sen and 18.09 sen per ordinary share, in respect of the financial year ended 31 December 2022.

35 RESERVES

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
FVOCI revaluation reserves (a)	**44,806**	90,473	**166,472**	157,267
Regulatory reserves (b)	**479,799**	754,603	**416,620**	636,095
Foreign exchange reserves	**-**	39	**-**	-
Other reserves (c)	**-**	(88,737)	**-**	-
Retained profits	**4,858,776**	4,163,442	**3,852,537**	3,119,461
	5,383,381	4,919,820	**4,435,629**	3,912,823

(a) FVOCI revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments at FVOCI. The gains or losses are transferred to the income statement upon disposal or when the securities become impaired.

(b) Pursuant to BNM Financial Reporting policy document dated 29 April 2022, the Group and the Bank must maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of all credit exposures, net of loss allowance for credit-impaired exposures.

(c) Other reserves represents the Group's obligation to purchase subsidiaries' shares held by non-controlling interest as disclosed in Note 31 (c) (i) and (ii).

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36 INTEREST INCOME

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans, advances and financing	**1,503,878**	1,304,182	**1,348,764**	1,178,892
Money at call and deposit placements with financial institutions	**70,925**	48,424	**128,987**	97,615
Financial investments at FVOCI	**109,627**	291,711	**-**	226,740
Financial investments at AC	**361,190**	19,654	**388,162**	31,883
Others	**7,831**	11,603	**3,748**	4,168
	2,053,451	1,675,574	**1,869,661**	1,539,298

37 INTEREST EXPENSE

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits from customers	**808,435**	615,909	**704,661**	523,569
Deposits and placements of banks and other financial institutions	**35,212**	28,724	**33,694**	41,368
Securities sold under repurchase agreements	**69,435**	222	**69,176**	222
Loan sold to Cagamas Berhad	**29,303**	1,178	**29,303**	1,178
Subordinated medium term notes	**81,521**	124,865	**81,521**	124,865
Others	**6,972**	4,747	**4,594**	4,192
	1,030,878	775,645	**922,949**	695,394

38 MODIFICATION LOSS

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loss on modification of cash flows	**-**	5,597	**-**	3,102

In light of the COVID-19 outbreak, the Central Bank and Ministry of Finance of respective countries have introduced several relief measures to assist customers/borrowers affected by the pandemic. These measures aim to ensure that the financial intermediation function of the financial sector remains intact, accessibility to financial services continues to be available, and banking institutions remain focused on supporting the economy during these exceptional circumstances.

During the previous financial year, the Group and the Bank granted various payment moratorium, repayment assistance, restructuring and rescheduling programmes to the customers/borrowers affected by COVID-19. As a result, the Group and the Bank have recognised a loss arising from the modification of contractual cash flows of the loan, advances and financing.

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39 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2022 RM'000	**2021 RM'000**
Income derived from investment of depositors' funds and others	**1,141,542**	842,252
Income derived from investment of investment account funds	**88,745**	68,985
Income derived from investment of shareholders' funds	**104,226**	77,091
Total distributable income	**1,334,513**	988,328
Income attributable to depositors and others	**(646,252)**	(438,851)
	688,261	549,477

40 OTHER OPERATING INCOME

		The Group		The Bank	
		2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(a)	**Fee and commission income:**				
	Net brokerage	**68,600**	104,287	**-**	-
	Corporate advisory fees	**4,888**	5,844	**-**	-
	Commission	**50,106**	47,236	**51,040**	49,992
	Service charges and fees	**89,174**	53,555	**88,869**	53,252
	Guarantee fees	**15,594**	16,252	**14,845**	16,252
	Arrangement fees	**3,333**	1,231	**-**	-
	Other fee income	**16,886**	26,792	**-**	-
		248,581	255,197	**154,754**	119,496
(b)	**Fee and commission expenses:**				
	Commission and referral expense	**(9,111)**	(5,214)	**(9,111)**	(5,214)
	Net fee and commission income	**239,470**	249,983	**145,643**	114,282

NOTES TO THE FINANCIAL STATEMENTS

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41 NET GAINS ON FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Income from financial instruments:				
Gain/(Loss) arising on financial assets at FVTPL:				
- net gain on disposal	**24,560**	40,981	**4,392**	(486)
- unrealised loss	**(9,576)**	(10,835)	**(13,070)**	(11,520)
- interest income	**33,245**	30,529	**15,618**	11,025
- gross dividend income	**4,374**	5,264	**-**	732
	52,603	65,939	**6,940**	(249)
Gain/(Loss) on derivatives instruments:				
- realised gain	**1,153**	347	**1,156**	-
- unrealised gain	**12,836**	23,254	**15,268**	21,922
- interest (expense)/income	**745**	(8,703)	**(2,230)**	(7,839)
	14,734	14,898	**14,194**	14,083
Gain arising on financial investments at FVOCI:				
- net gain on disposal	**2,417**	35,226	**-**	939
- gross dividend income	**922**	510	**732**	180
	3,339	35,736	**732**	1,119
Gain arising on financial investments at AC:				
- net gain on redemption	**1**	-	**1**	-
Unrealised loss on fair value changes arising from fair value hedges	**(14)**	-	**(14)**	-
Net gains on financial instruments	**70,663**	116,573	**21,853**	14,953

42 OTHER INCOME

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Foreign exchange gain/(loss):				
- realised	**40,588**	74,186	**43,346**	57,749
- unrealised	**(17,883)**	(43,973)	**(25,692)**	(38,592)
Rental income	**13**	7	**107**	101
Gain on sale of property and equipment	**408**	12	**1**	-
Gain on disposal of foreclosed properties	**-**	285	**-**	285
Other non-operating income	**10,542**	4,292	**9,822**	4,039
Gross dividend received from subsidiaries	**-**	-	**1,281,045**	262,400
	33,668	34,809	**1,308,629**	285,982

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

43 OTHER OPERATING EXPENSES

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Personnel costs	**835,120**	742,151	**550,944**	465,493
Establishment costs	**311,587**	280,298	**215,689**	174,881
Marketing expenses	**41,038**	27,619	**34,099**	21,850
Administrative and general expenses	**129,002**	89,159	**93,370**	54,927
	1,316,747	1,139,227	**894,102**	717,151
Personnel costs				
Wages, salaries and bonuses	**643,078**	583,585	**412,216**	364,754
Defined contribution plan ('EPF')	**108,219**	98,819	**71,092**	63,007
Voluntary separation scheme	**368**	230	**318**	230
Other personnel costs	**83,455**	59,517	**67,318**	37,502
	835,120	742,151	**550,944**	465,493
Establishment costs				
Equipment rental	**7,166**	2,862	**1,915**	1,738
Repair and maintenance	**95,697**	60,032	**60,145**	24,923
Depreciation of property and equipment	**29,672**	25,975	**25,973**	19,274
Depreciation of right-of-use assets	**38,300**	40,028	**32,876**	33,477
Amortisation of intangible assets	**23,333**	26,283	**22,195**	22,020
IT consultancy fees	**16,903**	53,238	**1,780**	34,144
Dataline rental	**28,410**	18,340	**20,627**	10,936
Security services	**16,331**	14,952	**10,669**	8,071
Electricity, water and sewerage	**12,576**	10,842	**4,961**	4,251
Insurance/Takaful and indemnities	**25,178**	18,624	**17,797**	12,793
Other establishment costs	**18,021**	9,122	**16,751**	3,254
	311,587	280,298	**215,689**	174,881
Marketing expenses				
Business promotion and advertisement	**20,802**	13,595	**18,913**	10,594
Entertainment	**5,169**	716	**4,581**	327
Traveling and accommodation	**3,800**	2,201	**2,799**	1,167
Commission and brokerage expenses	**6,859**	7,392	**5,906**	7,464
Other marketing expenses	**4,408**	3,715	**1,900**	2,298
	41,038	27,619	**34,099**	21,850

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

43 OTHER OPERATING EXPENSES (CONTINUED)

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Administration and general expenses				
Telecommunication expenses	**11,000**	9,846	**2,756**	423
Auditors' remuneration (a)	**2,848**	3,086	**1,818**	1,437
Professional fees	**25,483**	16,722	**21,911**	17,804
Property and equipment written-off	**126**	154	**107**	157
Mail and courier charges	**3,916**	4,457	**2,818**	2,515
Stationery and consumables	**10,657**	9,052	**7,265**	5,315
Directors' fees and allowances	**7,807**	7,793	**3,438**	2,933
Donations	**2,053**	2,194	**1,897**	1,626
Settlement, clearing and bank charges	**36,846**	17,904	**35,222**	16,148
Stamp duties	**168**	11	**165**	9
Operational and litigation write-off expenses	**121**	880	**121**	880
Subscription fees	**8,755**	7,813	**-**	-
Other administration and general expenses	**19,221**	9,247	**15,852**	5,680
	129,001	89,159	**93,370**	54,927

Included in other operating expenses of the Group and the Bank are President/Group CEO and Directors' remuneration totalling RM13,559,000 (2021: RM10,039,000) and RM9,190,000 (2021: RM5,179,000) respectively.

The expenditure includes the following requiring statutory disclosures:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors' remuneration (Note 44)	**7,807**	7,793	**3,438**	2,933
Auditors' remuneration ^ :				
(i) Statutory audit fees	**2,179**	2,005	**1,371**	1,109
(ii) Regulatory related fees	**216**	716	**114**	195
(iii) Tax fees	**123**	164	**36**	34
(iv) Non audit fees	**330**	201	**297**	99

^ There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

44 PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION

The President/Group CEO and Directors of the Bank who have held office during the financial year are as follows:

President/Group CEO

Datuk Wan Razly Abdullah bin Wan Ali

Non-Executive Directors

Dato' Agil Natt (Chairman)
Dato' Abdul Aziz bin Abu Bakar
Dato' Mohd Hata bin Robani
Ignatius Chan Tze Ching
Dato' Rozalila binti Abdul Rahman
Peter Yuen Wai Hung
Gregory Jerome Gerald Fernandes
Marzida binti Mohd Noor
Chan Wai Yu
Mohammad Ashraf bin Md Radzi

The aggregate amount of remuneration for the Directors of the Group and the Bank for the financial year are as follows:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
President/Group CEO				
Salaries	**2,040**	1,500	**2,040**	1,500
Bonuses	**2,094**	281	**2,094**	281
Defined contribution plan ('EPF')	**993**	305	**993**	305
Other employee benefits	**507**	126	**507**	126
Benefits-in-kind	**118**	34	**118**	34
President/Group CEO remuneration	**5,752**	2,246	**5,752**	2,246
Non-Executive Directors				
Fees and other emoluments	**3,330**	2,861	**3,330**	2,861
Benefits-in-kind	**108**	72	**108**	72
Directors' remuneration	**3,438**	2,933	**3,438**	2,933
Directors of subsidiaries	**4,369**	4,860	**-**	-
Total Directors' remuneration (Note 43)	**7,807**	7,793	**3,438**	2,933
President/Group CEO and Directors' remuneration	**13,559**	10,039	**9,190**	5,179

The Directors' remuneration in the current financial year represents remuneration for Directors of the Group, the Bank and its subsidiaries to comply with the requirements of the Companies Act 2016. The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

Included in the Directors' emoluments are benefits-in-kind (based on estimated monetary value) receivable from the Bank and its subsidiaries of RM108,000 (2021: RM72,000) and RM108,000 (2021: RM72,000) respectively.

44 PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance/Takaful in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance/Takaful effected for the Directors & Officers of the holding company was RM40.0 million. The total amount of premium paid by the Group and the Bank was RM1,535,939 (2021: RM1,437,462) and RM200,350 (2021: RM190,810) respectively.

A summary of the total remuneration of the President/Group CEO and Directors are as follows:

	Salaries RM'000	**Bonuses RM'000**	**Directors' fees RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
The Group						
2022						
President & Group CEO						
Datuk Wan Razly Abdullah bin Wan Ali	**2,040**	**2,094**	**-**	**1,500**	**118**	**5,752**
Total	**2,040**	**2,094**	**-**	**1,500**	**118**	**5,752**
Non-Executive Directors						
Dato' Agil Natt	**-**	**-**	**470**	**-**	**108**	**578**
Dato' Abdul Aziz bin Abu Bakar	**-**	**-**	**394**	**-**	**-**	**394**
Dato' Mohd Hata bin Robani	**-**	**-**	**406**	**-**	**-**	**406**
Ignatius Chan Tze Ching	**-**	**-**	**257**	**-**	**-**	**257**
Dato' Rozalila binti Abdul Rahman	**-**	**-**	**375**	**-**	**-**	**375**
Peter Yuen Wai Hung	**-**	**-**	**308**	**-**	**-**	**308**
Marzida binti Mohd Noor	**-**	**-**	**364**	**-**	**-**	**364**
Gregory Jerome Gerald Fernandes	**-**	**-**	**370**	**-**	**-**	**370**
Chan Wai Yu	**-**	**-**	**379**	**-**	**-**	**379**
Mohammad Ashraf bin Md Radzi	**-**	**-**	**7**	**-**	**-**	**7**
Total	**-**	**-**	**3,330**	**-**	**108**	**3,438**
Grand total	**2,040**	**2,094**	**3,330**	**1,500**	**226**	**9,190**

	Salaries RM'000	**Bonuses RM'000**	**Directors' fees RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
The Group						
2021						
President & Group CEO						
Datuk Wan Razly Abdullah bin Wan Ali	1,500	281	-	431	34	2,246
Total	1,500	281	-	431	34	2,246
Non-Executive Directors						
Dato' Agil Natt	-	-	395	-	72	467
Mohd Suffian bin Haji Haron	-	-	134	177	-	311
Dato' Abdul Aziz bin Abu Bakar	-	-	321	-	-	321
Dato' Mohd Hata bin Robani	-	-	302	-	-	302
Ignatius Chan Tze Ching	-	-	170	-	-	170
Dato' Rozalila binti Abdul Rahman	-	-	318	-	-	318
Peter Yuen Wai Hung	-	-	241	-	-	241
Marzida binti Mohd Noor	-	-	275	-	-	275
Gregory Jerome Gerald Fernandes	-	-	311	-	-	311
Chan Wai Yu	-	-	217	-	-	217
Total	-	-	2,684	177	72	2,933
Grand total	1,500	281	2,684	608	106	5,179

44 PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

A summary of the total remuneration of the President/Group CEO and Directors are as follows (continued):

	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
The Bank						
2022						
President & Group CEO						
Datuk Wan Razly Abdullah bin Wan Ali	2,040	2,094	-	1,500	118	5,752
Total	2,040	2,094	-	1,500	118	5,752
Non-Executive Directors						
Dato' Agil Natt	-	-	470	-	108	578
Dato' Abdul Aziz bin Abu Bakar	-	-	394	-	-	394
Dato' Mohd Hata bin Robani	-	-	406	-	-	406
Ignatius Chan Tze Ching	-	-	257	-	-	257
Dato' Rozalila binti Abdul Rahman	-	-	375	-	-	375
Peter Yuen Wai Hung	-	-	308	-	-	308
Marzida binti Mohd Noor	-	-	364	-	-	364
Gregory Jerome Gerald Fernandes	-	-	370	-	-	370
Chan Wai Yu	-	-	379	-	-	379
Mohammad Ashraf bin Md Radzi	-	-	7	-	-	7
Total	-	-	3,330	-	108	3,438
Grand total	2,040	2,094	3,330	1,500	226	9,190

	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
The Bank						
2021						
President & Group CEO						
Datuk Wan Razly Abdullah bin Wan Ali	1,500	281	-	431	34	2,246
Total	1,500	281	-	431	34	2,246
Non-Executive Directors						
Dato' Agil Natt	-	-	395	-	72	467
Mohd Suffian bin Haji Haron	-	-	134	177	-	311
Dato' Abdul Aziz bin Abu Bakar	-	-	321	-	-	321
Dato' Mohd Hata bin Robani	-	-	302	-	-	302
Ignatius Chan Tze Ching	-	-	170	-	-	170
Dato' Rozalila binti Abdul Rahman	-	-	318	-	-	318
Peter Yuen Wai Hung	-	-	241	-	-	241
Marzida binti Mohd Noor	-	-	275	-	-	275
Gregory Jerome Gerald Fernandes	-	-	311	-	-	311
Chan Wai Yu	-	-	217	-	-	217
Total	-	-	2,684	177	72	2,933
Grand total	1,500	281	2,684	608	106	5,179

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for the financial year ended 31 December 2022

45 ALLOWANCES FOR/(WRITE-BACK OF) CREDIT IMPAIRMENT LOSSES

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Expected credit losses made/(written-back) on:				
- loans, advances and financing	**521,915**	181,461	**252,518**	117,511
- trade receivables	**(544)**	(1,420)	**-**	-
- securities and placements	**(22,791)**	55,310	**(26,489)**	37,954
- loans/financing commitments and financial guarantee	**(18,006)**	18,467	**(16,775)**	15,415
Bad debts and financing				
- recovered	**(74,571)**	(36,199)	**(41,295)**	(32,124)
- written-off	**32,529**	1,766	**29,010**	1,397
	438,532	219,385	**196,969**	140,153

46 ALLOWANCES FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON OTHER ASSETS AND GOODWILL

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Allowance for impairment made/(written-back) on:				
- goodwill	**64,644**	-	**-**	-
- amount due from joint ventures	**3,555**	276	**-**	-
- amount due from associates	**(42)**	(3)	**(42)**	(3)
- other debtors	**420**	2,860	**(1,852)**	1,803
	68,577	3,133	**(1,894)**	1,800

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties that have transactions and their relationship with the Bank are as follows:

Related parties	**Relationship**
Lembaga Tabung Angkatan Tentera ('LTAT')	Ultimate holding corporate body, which is Government-Linked Investment Company of the Government of Malaysia
Subsidiaries and associates of LTAT	Subsidiaries and associate companies of the ultimate holding corporate body
Subsidiaries of Affin Bank Berhad as disclosed in Note 17	Subsidiaries
Joint ventures as disclosed in Note 18	Joint ventures
Associates as disclosed in Note 19	Associates
Key management personnel	The key management personnel of the Group and the Bank consist of: - Directors - President & Group CEO - Members of Senior Management team and the Company Secretary
Related parties of key management personnel (deemed as related to the Bank)	Close family members and dependents of key management personnel Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. Key management personnel include the President & Group CEO of the Bank in office during the financial year and his remuneration for the financial year is disclosed in Note 44.

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The Group and the Bank do not have any individually or collectively significant transactions outside the ordinary course of business with the Government of Malaysia and government-related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

(a) Related parties transactions and balances

	Ultimate holding corporate body		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
The Group										
Income										
Interest on NID purchased	**-**	-	**5,900**	6,937	**-**	-	**-**	-	**-**	-
Interest on loans, advances and financing	**-**	-	**41,691**	49,191	**-**	-	**1,767**	711	**205**	169
Interest on Corporate bond/Sukuk (PDS)	**-**	-	**36,000**	36,000	**-**	-	**-**	-	**-**	-
Interest on subordinated term loan	**-**	-	**-**	-	**1,652**	2,018	**-**	-	**-**	-
Commisision income	**-**	-	**-**	-	**1,575**	19,298	**-**	-	**-**	-
Other income	**419**	603	**5,766**	10,432	**-**	-	**-**	-	**-**	-
	419	603	**89,357**	102,560	**3,227**	21,316	**1,767**	711	**205**	169
Expenditure										
Interest on deposits and placements of banks and other financial institutions	**495**	2,383	**7,606**	6,737	**222**	17	**635**	489	**18**	18
Insurance premium	**-**	-	**-**	-	**254**	269	**-**	-	**-**	-
Rental	**318**	318	**19,985**	21,287	**-**	-	**-**	-	**-**	25
Other expenditure	**98**	199	**6,253**	7,319	**1,353**	1,738	**-**	-	**-**	-
	911	2,900	**33,844**	35,343	**1,829**	2,024	**635**	489	**18**	43

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related parties transactions and balances (continued)

	Ultimate holding corporate body		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
The Group										
Amount due from										
Corporate bonds/Sukuk/NID	**-**	-	**597,034**	611,325	**-**	-	**-**	-	**-**	-
Loans, advances and financing	**-**	-	**1,347,672**	1,422,482	**-**	-	**30,471**	30,826	**7,409**	7,836
Unquoted equities	**-**	-	**15,070**	15,036	**-**	-	**-**	-	**-**	-
Security deposits	**-**	-	**-**	5,279	**-**	-	**-**	-	**-**	11
Subordinated loans	**-**	-	**-**	-	**-**	30,931	**-**	-	**-**	-
Other assets	**-**	31	**1,311**	1,581	**-**	-	**-**	-	**-**	-
	-	31	**1,961,087**	2,055,703	**-**	30,931	**30,471**	30,826	**7,409**	7,847
Amount due to										
Demand and savings deposits	**896,345**	12,873	**153,458**	309,534	**7,551**	5,072	**5,493**	2,151	**18,877**	14,181
Fixed deposits	**-**	-	**482,879**	485,022	**81,190**	11,835	**247,154**	248,393	**6,300**	8,906
Short-term deposits	**15,602**	-	**-**	-	**-**	-	**-**	-	**-**	-
Money market deposits	**14,371**	248,782	**1,296**	53,024	**-**	-	**-**	-	**-**	-
Other liabilities	**23,206**	-	**83,638**	84,384	**-**	-	**-**	-	**-**	-
	949,524	261,655	**721,271**	931,964	**88,741**	16,907	**252,647**	250,544	**25,177**	23,087
Commitments and contingencies	**29,910**	1,910	**715,403**	726,402	**50,000**	50,010	**902**	902	**39**	-

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related parties transactions and balances (continued)

	Ultimate holding corporate body		Subsidiaries		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
The Bank												
Income												
Interest on deposits and placements with banks and other financial institutions	**-**	-	**10,106**	3,611	**-**	-	**-**	-	**-**	-	**-**	-
Interest on RIA	**-**	-	**77,407**	67,063	**-**	-	**-**	-	**-**	-	**-**	-
Interest on NID	**-**	-	**19,920**	21,572	**-**	-	**-**	-	**-**	-	**-**	-
Interest on loans, advances and financing	**-**	-	**-**	-	**24,683**	23,738	**-**	-	**-**	-	**137**	58
Interest on Corporate Bond/Sukuk	**-**	-	**-**	-	**36,000**	36,000	**-**	-	**-**	-	**-**	-
Interest on subordinated term loan	**-**	-	**17,298**	2,828	**-**	-	**1,652**	2,018	**-**	-	**-**	-
Other income	**-**	-	**200,088**	205,558	**1,523**	1,439	**1,575**	19,298	**-**	-	**-**	-
	-	-	**324,819**	300,632	**62,206**	61,177	**3,227**	21,316	**-**	-	**137**	58
Expenditure												
Interest on fixed deposits	**-**	-	**190**	12	**187**	127	**222**	17	**2**	426	**10**	11
Interest on NID	**-**	-	**9,129**	16,002	**-**	-	**-**	-	**-**	-	**-**	-
Interest on deposits and placements of banks and other financial institutions	**-**	-	**118**	1,659	**-**	-	**-**	-	**-**	-	**-**	-
Interest on money market deposits	**276**	2,336	**504**	6,631	**318**	2,076	**-**	-	**-**	-	**-**	-
Brokerage fees	**-**	-	**405**	682	**-**	-	**-**	-	**-**	-	**-**	-
Rental	**318**	318	**238**	238	**13,149**	13,142	**-**	-	**-**	-	**-**	25
Other expenditure	**-**	26	**666**	-	**2,051**	155	**1,353**	1,738	**-**	-	**-**	-
	594	2,680	**11,250**	25,224	**15,705**	15,500	**1,575**	1,755	**2**	426	**10**	36

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related parties transactions and balances (continued)

	Ultimate holding corporate body		Subsidiaries		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
The Bank												
Amount due from												
Restricted investment accounts	**-**	-	**2,719,747**	1,825,556	**-**	-	**-**	-	**-**	-	**-**	-
Negotiable instruments of Deposit	**-**	-	**754,595**	754,595	**-**	-	**-**	-	**-**	-	**-**	-
Loans, advances and financing	**-**	-	**-**	-	**601,013**	630,868	**-**	-	**-**	-	**5,218**	4,373
Deposits and placements with banks and other financial institutions	**-**	-	**304,213**	200,384	**-**	-	**-**	-	**-**	-	**-**	-
Intercompany balances	**-**	-	**-**	758,811	**-**	-	**-**	-	**-**	-	**-**	-
Subordinated term loan	**-**	-	**296,892**	301,922	**-**	-	**-**	30,931	**-**	-	**-**	-
Corporate Bond/Sukuk	**-**	-	**-**	-	**597,034**	611,325	**-**	-	**-**	-	**-**	-
Unquoted equities	**-**	-	**-**	-	**15,070**	15,036	**-**	-	**-**	-	**-**	-
Security deposits	**-**	-	**-**	-	**-**	3,428	**-**	-	**-**	-	**-**	11
	-	-	**4,075,447**	3,841,268	**1,213,117**	1,260,657	**-**	30,931	**-**	-	**5,218**	4,384
Amount due to												
Demand and savings deposits	**867,704**	12,743	**21,035**	21,823	**114,366**	293,566	**7,128**	4,649	**1,541**	100	**8,053**	5,865
Fixed deposits	**-**	-	**109,323**	93,464	**110,335**	114,045	**81,190**	11,835	**1,233**	212,819	**3,716**	5,417
Negotiable instruments of deposit	**-**	-	**251,457**	659,860	**-**	-	**-**	-	**-**	-	**-**	-
Deposits and placements of banks and other financial institutions	**-**	-	**-**	69,333	**-**	-	**-**	-	**-**	-	**-**	-
Money market deposits	**14,371**	238,780	**449,448**	56,636	**1,296**	51,024	**-**	-	**-**	-	**-**	-
Intercompany balances	**-**	-	**306,207**	2,612	**-**	-	**-**	-	**-**	-	**-**	-
	882,075	251,523	**1,137,470**	903,728	**225,997**	458,635	**88,318**	16,484	**2,774**	212,919	**11,769**	11,282
Commitments and contingencies	**28,000**	-	**781,263**	920,835	**493,037**	491,761	**50,000**	50,000	**-**	12	**39**	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key management personnel compensation

The remuneration of key management personnel of the Group and the Bank during the financial year are as follows:

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors' fees, other emoluments and benefits				
Fees	**6,479**	5,825	**3,330**	2,684
Other emoluments	**1,089**	1,922	**-**	177
Benefits-in-kind	**239**	46	**108**	72
	7,807	7,793	**3,438**	2,933
Short-term employment benefits				
Salaries	**16,734**	19,439	**10,096**	9,555
Bonuses	**9,697**	13,941	**6,892**	2,272
Defined contribution plan ('EPF')	**5,935**	5,989	**4,438**	2,125
Other employee benefits	**7,199**	3,694	**5,000**	1,875
Benefits-in-kind	**1,095**	306	**675**	207
	40,660	43,369	**27,101**	16,034

Included in the above is the President/Group CEO and directors' remuneration as disclosed in Note 44.

48 TAXATION

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysian income tax				
Current tax	**181,420**	200,293	**74,046**	74,860
Under/(Over) provision in prior financial year	**4,350**	(1,181)	**3,140**	(3,773)
Deferred tax (Note 15)	**(12,418)**	(75,581)	**(14,064)**	(59,416)
Tax expense for the financial year	**173,352**	123,531	**63,122**	11,671
Tax expense attributable to:				
- Continuing operations	**157,209**	89,464	**63,122**	11,671
- Discontinued operation	**16,143**	34,067	**-**	-
	173,352	123,531	**63,122**	11,671

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

48 TAXATION (CONTINUED)

	The Group		The Bank	
	2022 %	**2021 %**	**2022 %**	**2021 %**
Statutory tax rate in Malaysia	**24.00**	24.00	**24.00**	24.00
Tax effect in respect of:				
- Non-allowable expenses	**2.76**	0.85	**1.02**	2.10
- Non taxable income	**(19.26)**	(2.16)	**(23.18)**	(16.71)
- Effect of different tax rate ^	**4.81**	(5.11)	**2.66**	(5.50)
- Under/(over) provision in prior financial year	**0.32**	(0.17)	**0.24**	(0.95)
- Unrecognised tax losses of which temporary differences not recognised	**(0.01)**	0.14	**-**	-
Average effective tax rate *	**12.62**	17.55	**4.74**	2.94

^ One-off tax known as Cukai Makmur for non-Micro, Small and Medium Enterprises companies having chargeable income exceeding RM100 million for the year of assessment ('YA') 2022.

* Average effective tax rate includes impact for Profit from discontinued operation.

49 EARNINGS PER SHARE

The basic earnings per ordinary share for the Group and the Bank have been calculated by dividing the net profit attributable to equity holders of the Group and the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Continuing operations		Discontinued operations	
	2022	**2021**	**2022**	**2021**
The Group				
Net profit attributable to equity holders of the Bank (RM'000)	**78,032**	433,608	**1,100,491**	93,326
Weighted average number of ordinary shares in issue ('000)	**2,167,445**	2,110,963	**2,167,445**	2,110,963
Basic/diluted earnings per share (sen)	**3.6**	20.5	**50.8**	4.4

	Continuing operations		Discontinued operations	
	2022	**2021**	**2022**	**2021**
The Bank				
Net profit attributable to equity holders of the Bank (RM'000)	**1,270,538**	385,244	**-**	-
Weighted average number of ordinary shares in issue ('000)	**2,167,445**	2,110,963	**-**	-
Basic/diluted earnings per share (sen)	**58.6**	18.2	**-**	-

There were no dilutive potential ordinary shares outstanding as at 31 December 2022. As a result, the diluted EPS equal to the basic EPS for the financial year ended 31 December 2022 and 31 December 2021.

50 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Bank:

	The Group and The Bank 2022		The Group and The Bank 2021	
	Dividend per share sen	Amount of dividend RM'000	Dividend per share sen	Amount of dividend RM'000
Ordinary shares				
Single-tier interim dividend in respect of the financial year ended 31 December 2021:				
- Interim dividend	**-**	**-**	3.50	72,793
- Final dividend	**12.50**	**265,508**	-	-
Single-tier interim dividend in respect of the financial year ended 31 December 2022:				
- Interim dividend	**4.53**	**100,219**	-	-
- Special dividend	**18.09**	**400,210**	-	-
	35.12	**765,937**	3.50	72,793

On 31 January 2023, the Board of Directors proposed a single-tier final dividend of 7.77 sen per share amounting to RM176,681,185 in respect of the financial year ended 31 December 2022, based on the Bank's issued share capital of 2,273,889,127 ordinary shares at 31 December 2022.

On the same day, the Board of Directors resolved that DRP as disclosed in Note Z be applied to the entire proposed final dividend, which can be elected and reinvested in new ordinary shares of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

51 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are not secured over the assets of the Group and the Bank.

The commitments and contingencies consist of:

	The Group		The Bank	
	2022 Principal amount RM'000	**2021 Principal amount RM'000**	**2022 Principal amount RM'000**	**2021 Principal amount RM'000**
Direct credit substitutes *	**500,774**	548,856	**381,708**	456,935
Transaction-related contingent items	**1,331,367**	1,477,614	**854,221**	982,691
Short-term self-liquidating trade-related contingencies	**413,248**	461,206	**112,285**	200,556
Irrevocable commitments to extend credit:	**8,427,010**	7,109,446	**5,700,607**	4,739,114
- maturity less than one year	**5,557,413**	5,069,907	**3,831,479**	3,541,944
- maturity more than one year	**2,869,597**	2,039,539	**1,869,128**	1,197,170
Foreign exchange related contracts #:	**27,693,293**	26,417,608	**21,557,832**	14,647,045
- less than one year	**26,850,314**	25,519,945	**21,557,832**	14,563,705
- one year to less than five years	**842,979**	897,663	**-**	83,340
Interest/Profit rate related contracts #:	**10,361,273**	6,903,000	**7,261,273**	3,973,000
- less than one year	**2,535,790**	1,135,000	**1,595,790**	355,000
- one year to less than five years	**7,155,483**	4,813,000	**4,995,483**	2,663,000
- more than five years	**670,000**	955,000	**670,000**	955,000
Other/Miscellaneous Commitments and Contingencies	**7,421**	-	**-**	-
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	**1,279,899**	1,116,522	**-**	-
Lending of Banks' securities or the posting of securities as collateral by Banks, including instances where these arise out of repo-style transactions. (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions	**5,175,091**	-	**5,175,091**	-
Unutilised credit card lines	**1,458,431**	1,163,042	**1,233,927**	948,592
	56,647,807	45,197,294	**42,276,944**	25,947,933

* Included in direct credit substitutes above are financial guarantee contracts of RM499.9 million and RM380.8 million at the Group and the Bank respectively (2021: RM548.9 million and RM456.9 million at the Group and the Bank respectively), of which fair value at the time of issuance is zero.

The fair value of these derivatives have been recognised as 'derivative financial assets' and 'derivative financial liabilities' in the statement of financial position and disclosed in Note 6 and Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT

The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the Group is confronted within its operations. In view of the multi-faceted risks inherent especially in the Group's operations in the banking sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

(i) Credit risk

Credit risk is the risk that a counterparty will fail to meet its contractual obligations which could result in a financial loss to the Group and the Bank. The Group's and the Bank's exposure to credit risks arises primarily from loans, advances and financing, stockbroking trade receivables, share margin financing, corporate/inter-bank lending activities, securities borrowing and lending, bonds/sukuk investment, foreign exchange trading as well as equity and debt underwriting and from participation in securities settlements and payment transactions.

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall lending objectives are in compliance with the internal and regulatory requirements. The risk management policies are subject to review by the Group Board Risk Management Committee ('GBRMC'), a sub-committee of the Board that reviews the adequacy of the Group's and the Bank's risk policies and framework. The Group's and the Bank's credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises the Group Management Credit Committee ('GMCC') and the Group Board Credit Review and Recovery Committee ('GBCRRC'). The GMCC represents the approving authority for credit and underwriting proposals, whilst the GBCRRC is the committee that reviews proposals that exceed specified limits and criteria, as well as to consider whether to veto the approval of GMCC on the proposal or modify the terms of the proposal.

The Group and the Bank recognise that learning is a continuous journey and is committed to enhancing the knowledge and skills set of its staff. It places strong emphasis on creating and enhancing risk awareness in the organisation.

The Group and the Bank are supportive of credit officers in pursuing credit certification programmes offered by the Asian Institute of Chartered Bankers ('AICB'). Upon attaining the Chartered Banker certification, credit officers are expected to demonstrate sound understanding of credit process and competence to undertake credit roles and responsibilities.

Credit risk evaluation

Credit evaluation is the process of analysing the creditworthiness of a prospective counterparty against the Group's and the Bank's underwriting criteria and the ability of the Group and the Bank to make a return commensurate to the level of risk undertaken. Apart from conducting a holistic risk assessment on the prospective counterparty, a critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. A number of relevant qualitative and quantitative factors are taken into consideration in the identification and analysis of a counterparty's credit risk. Each counterparty is assigned a credit rating which considers factors such as competitive position, operating performance, cash flow financial strength and management strength. The Group and the Bank have developed internal rating models to support the assessment and quantification of credit risk.

All corporate lending, underwritings and corporate debt securities investments are independently evaluated by the Group's and Bank's credit management function and approved by the relevant approving authorities based on the Authority Matrix approved by the Board.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk evaluation (continued)

For consumer mass market products, statistically developed application scorecards are used to assess the risks associated with the credit application as a decision support tool at loans, advances and financing origination. For share margin financing, the credit decisions are guided by an internally developed rating scorecard as well as other terms and conditions stipulated in the Group's and the Bank's Margin Financing Policy. The credit risk of share margin financing is largely mitigated by the holding of collateral in the form of marketable securities.

Risk limit control and mitigation policies

The Group and the Bank employ various policies and practices to control and mitigate credit risk.

Lending/Financing limits

The Group and the Bank establish internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties and industry segments. These risks are monitored regularly and the limits are reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivatives due to potential exposure arising from market movements, and loan books are managed on an aggregated basis as part of the overall lending limits with customers.

Collateral

Credits are established against customer's capacity to pay rather than to rely solely on collateral. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and ascribed value by the Group and the Bank are:

- Mortgages over residential real estate;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business properties, equipment and fixed deposits;
- Charges over financial instruments such as marketable securities; and
- Debentures, personal guarantees and corporate guarantees.

Where relevant, the Group and the Bank undertake a valuation of the collateral obtained as part of the loan/financing origination process. This assessment is reviewed periodically.

Term loan financing and lending to corporate entities are generally secured, revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans, advances and financing depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral (continued)

The Group and the Bank closely monitor collateral held for financial assets that are credit-impaired, as it becomes more likely that the Group and the Bank will realise the collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross loans, advances and financing RM'000	Expected credit losses RM'000	Net loans, advances and financing RM'000	Fair value of collateral held RM'000
The Group				
2022				
Community Banking				
- Overdraft	**5,845**	**(1,823)**	**4,022**	**7,250**
- Credit cards	**2,104**	**(1,447)**	**657**	**-**
- Term loans/financing	**111,127**	**(49,756)**	**61,371**	**122,557**
- Mortgages	**157,474**	**(63,975)**	**93,499**	**169,521**
- Hire purchase	**64,735**	**(34,348)**	**30,387**	**214,737**
Corporate Banking	**594,422**	**(169,566)**	**424,856**	**1,582,571**
Enterprise Banking	**235,474**	**(100,319)**	**135,155**	**602,576**
Total credit-impaired assets	**1,171,181**	**(421,234)**	**749,947**	**2,699,212**
The Group				
2021				
Community Banking				
- Overdraft	6,420	(944)	5,476	18,304
- Credit cards	1,369	(885)	484	-
- Term loans/financing	107,285	(39,696)	67,589	88,436
- Mortgages	154,361	(46,028)	108,333	194,571
- Hire purchase	63,669	(47,912)	15,757	249,950
Corporate Banking	779,609	(167,957)	611,652	1,028,637
Enterprise Banking	193,240	(34,682)	158,558	533,786
Total credit-impaired assets	1,305,953	(338,104)	967,849	2,113,684

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral (continued)

The Group and the Bank closely monitor collateral held for financial assets that are credit-impaired, as it becomes more likely that the Group and the Bank will realise the collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below (continued):

	Gross loans, advances and financing RM'000	Expected credit losses RM'000	Net loans, advances and financing RM'000	Fair value of collateral held RM'000
The Bank				
2022				
Community Banking				
- Overdraft	**4,102**	**(1,207)**	**2,895**	**5,408**
- Credit cards	**1,909**	**(1,313)**	**596**	**-**
- Term loans/financing	**16,695**	**(7,294)**	**9,401**	**21,990**
- Mortgages	**78,567**	**(30,896)**	**47,671**	**93,754**
- Hire purchase	**32,747**	**(17,826)**	**14,921**	**139,669**
Corporate Banking	**417,989**	**(160,027)**	**257,962**	**1,434,716**
Enterprise Banking	**183,425**	**(78,836)**	**104,589**	**519,319**
Total credit-impaired assets	**735,434**	**(297,399)**	**438,035**	**2,214,856**
The Bank				
2021				
Community Banking				
- Overdraft	5,667	(702)	4,965	16,494
- Credit cards	1,089	(702)	387	-
- Term loans/financing	14,341	(2,860)	11,481	24,591
- Mortgages	71,752	(18,684)	53,068	109,650
- Hire purchase	43,834	(33,414)	10,420	193,420
Corporate Banking	547,597	(164,197)	383,400	771,529
Enterprise Banking	157,559	(30,878)	126,681	481,349
Total credit-impaired assets	841,839	(251,437)	590,402	1,597,033

The financial effect of collateral held for loans, advances and financing of the Group and the Bank are 81.3% (2021: 80.1%) and 78.4% (2021: 77.0%) respectively. The financial effects of collateral for the other financial assets are insignificant.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Collateral (continued)

Collateral and other credit enhancements obtained

The Group and the Bank obtained assets by taking possession of collateral held as security or calling upon other credit enhancements.

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Nature of assets				
Industrial and residential properties	**23,950**	13,358	**8,485**	8,485

Foreclosed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The carrying amount of foreclosed properties held by the Group and the Bank as at reporting date has been classified as 'Other assets' as disclosed in Note 11.

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Derivatives	**5,113**	7,574	**-**	-

The Group mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash.

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans/financing, guarantees or letters of credit. Unutilised credits give rise to potential or contingent credit lossess to the Group and the Bank in an amount equal to the total unutilised commitments. The Group and the Bank manage and mitigate the amount of potential and contingent losses arising from unutilised credit lines by imposing minimum specific credit standards on counterparties.

The Group and the Bank monitor the term to maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than short-term commitments.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk measurement

Credit risk grades

The Group and the Bank allocate a credit risk grade to each exposure. Credit risk grades are indicative of the risk of default and are generated using qualitative and quantitative factors which are supplemented by experienced credit judgement. These inputs vary depending on the nature of the exposure and the type of customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probability of default ('PD') and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's and the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Group and the Bank may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators that it considers are indicative of such and which effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group and the Bank consider that a significant increase in credit risk is presumed if a borrower/issuer/customer is more than 30 days or 1 month past due. Days or months past due are determined by the number of days or month since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group and the Bank monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk measurement (continued)

Measurement of expected credit losses ('ECL')

The Group and the Bank use three categories on financial instruments at FVOCI and AC for recognising ECL.

Category	Definition	Basis for recognising
Performing accounts (Stage 1)	• Financial assets that do not have significant increase in credit risk since initial recognition of the asset and therefore, less likely to default; • Performing accounts with credit grade 13 or better; • Accounts past due less than or equal to 30 days or; • For early control accounts where one that has risk or potential weakness which if left unchecked, may result in significant deterioration of repayment prospect and transfer to Underperforming status (Stage 2) or worse.	12-Month ECL
Underperforming accounts (Stage 2)	• An account with significant increase in credit risk since initial recognition and if left uncorrected, may result in impairment of the account within the next 12 months; • Accounts past due more than 30 days or 1 month but less than 90 days or 3 months; • Account demonstrating critical level of risk and therefore, credit grade 14 and placed under Watchlist or; • Restructuring and rescheduling ('R&R') due to significant increase in credit risk.	Lifetime ECL - not credit impaired
Impaired accounts (Stage 3)	• Impaired credit; • Credit grade 15 or worse; • Accounts past due more than 90 days or 3 months or; • R&R which warrants a reclassification to Stage 3.	Lifetime ECL - credit impaired
Write-off	• Evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or; • Assets unable to generate sufficient future cash flows to repay the amount.	Asset is written-off

The Group and the Bank have not used the low credit risk exemption for any financial instrument for the financial year ended 31 December 2022 and 31 December 2021.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk measurement (continued)

Measurement of expected credit losses ('ECL') (continued)

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ('PD');
- loss given default ('LGD'); and
- exposure at default ('EAD').

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

PD is the likelihood of a counterparty defaulting on its contractual obligations over a given time horizon and are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group and the Bank collect performance and default information relating to its credit risk exposures which are analysed by type of product and customer as well as by credit risk grading. For some portfolios, information from external credit assessment institutions are also used.

The Group and the Bank employ statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile is used to determine how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financing. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

LGD is the magnitude of loss in an event of a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the original effective interest/profit rate as the discounting factor.

EAD represents the exposure outstanding in the event of a default. The Group and the Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The 12-month and lifetime EAD are determined based on the expected payment profile, which varies by product type.

ECL is determined by projecting the PD, LGD and EAD at each future point on a yearly basis on individual exposures, or collective segments, and discounting these monthly expected losses back to the reporting date. The discount rate used in the ECL calculation is the original interest/profit rate or an approximation thereof.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk measurement (continued)

Measurement of expected credit losses ('ECL')(continued)

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group and the Bank measure ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group and the Bank consider a longer period. The maximum contractual period extends to the date at which the Group and the Bank have the right to require repayment of an advance or terminate a loan commitment or guarantee.

Forward looking economic information is also included in determining the 12-month and lifetime PD, LGD and EAD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics which include:

- product/instrument type;
- past due status;
- credit risk grading;
- collateral type;
- date of initial recognition; and
- remaining term to maturity.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period that have material impact to ECL.

Incorporation of forward-looking information

The Group and the Bank incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios are formulated.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a most-likely outcome and is aligned with information used by the Group and the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group and the Bank carry out stress testing which involves more extreme shocks to calibrate its determination of these other representative scenarios.

The Group and the Bank have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, have estimated relationships between macro-economic variables and credit risk and credit losses.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk measurement (continued)

Incorporation of forward-looking information (continued)

The Group and the Bank have also identified the key economic variables and carried out sensitivity assessment of ECL for loans, advances and financing, financing commitments and guarantees, treasury bonds and placements in relation to the changes in these key economic variables while all other variables remain constant. The sensitivity factors used are derived based on expected standard deviation determined for each key economic variable to assess the impact on the ECL of the Group and the Bank.

The economic scenario used for the expected credit losses ('ECL') estimate and the effect to the ECL estimate due to the changes in the macro-economic variables ('MEVs') by percentage are set out as below:

	2022 %	2021 %
Measurement variables - MEV change		
House Price Index	**0.10**	0.58
Private Consumption Expenditure	**14.67**	36.68
USD Dollar to Malaysian Ringgit Exchange Rate	**0.10**	0.36
Malaysia Economic Indicator Leading Index ('MEILI') 2015	**3.86**	0.69
Automative Association Malaysia Total Car Sales Growth ('AAM')	**5.94**	25.90
Overnight Policy Rate	**9.65**	5.83
Malaysia Debt Service Ratio	**0.82**	0.31
Current Account (as a precentage of Gross Domestic Product)	**18.84**	10.04
Unemployment Rate	**0.97**	0.40
Average Lending Rate	**4.44**	4.19

	2022 (Write-back)/made		2021 (Write-back)/made	
	RM'000 +	RM'000 -	RM'000 +	RM'000 -
The Group				
Impact on expected credit losses	**(26,756)**	**29,725**	(12,602)	14,829
The Bank				
Impact on expected credit losses	**(16,138)**	**17,968**	(4,516)	5,397

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk monitoring

Corporate credits and large individual accounts are subject to ongoing monitoring. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Appropriate remedial action is taken where evidence of deterioration exists.

The credit monitoring process is also to identify significant increase in credit risk as a means to pro-actively report and manage potentially deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with appropriate corrective measures employed to prevent further credit deterioration into non-performing status. Watchlist accounts are either managed up or managed out within a period of twelve months.

The Group and the Bank have established MFRS 9 - Stage Transfer Policy to provide guidance in determining significant increases in credit risk of financial assets. There are 3 stages to differentiate the credit risk of financial assets in conjunction with MFRS 9 standards: Performing Accounts (Stage 1), Underperforming Accounts (Stage 2) and Impaired Accounts (Stage 3).

Active portfolio monitoring as well as exceptions reportings are in place to identify, analyse and manage the overall risk profile to mitigate adverse trends or specific areas of risk concerns.

The Group and the Bank conduct post-mortem reviews on newly impaired financing to determine the key reason(s) and/or driver(s) leading to the account being classified as impaired. The findings are communicated at both management and Board levels as lessons learned which are used to assist in formulating appropriate remedial actions or measures to minimise potential or future credit loss from similar or repeat events.

In addition, post-approval independent credit review is undertaken by the Group and the Bank to ensure that credit decision-making is consistent with the overall credit risk appetite and strategy.

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for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Maximum exposure to credit risk

For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the guarantee was to be called upon. For loan commitments and other commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

All financial assets of the Group and the Bank are subject to credit risk except for cash in hand, equity securities held as financial assets at FVTPL or financial investments at FVOCI, as well as non-financial assets.

The exposure to credit risk of the Group and the Bank equals their carrying amount in the statement of financial position as at reporting date, except for the followings:

	The Group		The Bank	
	2022 Maximum credit risk exposure RM'000	**2021 Maximum credit risk exposure RM'000**	**2022 Maximum credit risk exposure RM'000**	**2021 Maximum credit risk exposure RM'000**
Credit risk exposures of on-balance sheet assets:				
Cash and short-term funds *	**4,657,207**	6,163,428	**1,739,784**	2,294,492
Financial assets at FVTPL **	**398,040**	265,513	**398,038**	264,505
Financial investments at FVOCI #	**3,551,586**	3,652,767	**-**	-
Other assets @	**398,653**	276,726	**224,698**	138,974
	9,005,486	10,358,434	**2,362,520**	2,697,971
Credit risk exposure of off-balance sheet items:				
Financial guarantees	**500,774**	548,856	**381,708**	456,935
Loan commitments and other credit related commitments	**18,085,046**	11,327,830	**13,076,131**	6,870,953
	18,585,820	11,876,686	**13,457,839**	7,327,888
Total maximum credit risk exposure	**27,591,306**	22,235,120	**15,820,359**	10,025,859

The following have been excluded for the purpose of maximum credit risk exposure calculation:

*	Cash in hand
**	Investment in exchange traded fund, shares, unit trusts and REITs
#	Investment in unquoted shares
@	Prepayment and foreclosed properties

Whilst the Group's and the Bank's maximum exposure to credit risk is the carrying value of the assets, or in the case of off-balance sheet items, the amount guaranteed, committed or accepted, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the credit exposure.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk concentrations

Credit risk is the risk of financial loss from the failure of customers to meet their contractual obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral, security, corporate and personal guarantees.

The credit risk concentrations of the Group and the Bank, by industry, are set out in the following tables:

	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at AC RM'000	Loans, advances and financing RM'000	^ Others RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
The Group										
2022										
Agriculture	-	-	-	-	10,080	81,124	1,347,214	-	1,438,418	281,935
Mining and quarrying	-	-	-	-	-	15,282	217,649	-	232,931	230,970
Manufacturing	-	-	-	14,235	15,119	324,507	3,773,050	140	4,127,051	1,534,710
Electricity, gas and water supply	-	-	-	-	116,535	319,441	522,218	430	958,624	142,488
Construction	-	-	-	-	396,996	182,284	1,815,013	7	2,394,300	2,001,496
Real estate	-	-	-	-	20,116	276,289	5,101,542	-	5,397,947	548,114
Transport, storage and communication	-	-	-	32	279,371	49,381	1,899,289	187	2,228,260	473,702
Finance, insurance and business services	1,254,348	301,438	283,338	475,942	263,909	11,996,296	2,187,368	2,186	16,764,825	6,145,363
Government and government agencies	3,402,859	-	99,589	-	2,165,506	2,860,162	795,168	-	9,323,284	566,601
Wholesale, retail trade, hotel and restaurants	-	-	15,113	5,180	100,661	555,687	5,355,725	198	6,032,564	1,513,306
Others	-	-	-	-	183,293	192,648	34,917,620	801,361	36,094,922	5,147,135
Total assets	**4,657,207**	**301,438**	**398,040**	**495,389**	**3,551,586**	**16,853,101**	**57,931,856**	**804,509**	**84,993,126**	**18,585,820**

^ Others include amount due from joint ventures, trade receivables and other assets.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk concentrations (continued)

Credit risk is the risk of financial loss from the failure of customers to meet their contractual obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral, security, corporate and personal guarantees (continued).

The credit risk concentrations of the Group and the Bank, by industry, are set out in the following tables (continued):

	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at AC RM'000	Loans, advances and financing RM'000	^ Others RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
The Group										
2021										
Agriculture	-	-	-	-	10,160	35,035	1,370,125	209	1,415,529	210,361
Mining and quarrying	-	-	-	-	-	-	207,975	-	207,975	243,653
Manufacturing	-	-	-	1,266	10,314	173,952	3,411,000	48	3,596,580	1,928,259
Electricity, gas and water supply	-	-	-	26	124,323	141,517	449,752	524	716,142	31,861
Construction	-	-	14,923	-	371,668	743,386	1,564,770	5	2,694,752	1,990,267
Real estate	-	-	-	-	-	173,609	5,630,526	76	5,804,211	500,627
Transport, storage and communication	-	-	-	-	337,484	143,074	1,725,296	90	2,205,944	365,990
Finance, insurance and business services	2,206,917	1,169,809	250,590	182,210	251,859	9,132,941	2,206,106	138,023	15,538,455	661,952
Government and government agencies	3,956,511	-	-	-	2,257,694	648,171	1,970,874	-	8,833,250	755,709
Wholesale, retail trade, hotel and restaurants	-	-	-	3,071	101,630	127,941	4,629,981	23	4,862,646	1,366,996
Others	-	-	-	308	187,635	115,516	27,361,663	711,519	28,376,641	3,821,011
Total assets	6,163,428	1,169,809	265,513	186,881	3,652,767	11,435,142	50,528,068	850,517	74,252,125	11,876,686

^ Others include amount due from associates, joint ventures, trade receivables and other assets.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk concentrations (continued)

Credit risk is the risk of financial loss from the failure of customers to meet their contractual obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral, security, corporate and personal guarantees (continued).

The credit risk concentrations of the Group and the Bank, by industry, are set out in the following tables (continued):

	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Investment accounts due from designated financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments at AC RM'000	Loans, advances and financing RM'000	^ Others RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
The Bank										
2022										
Agriculture	-	-	-	-	-	-	641,720	-	641,720	109,487
Mining and quarrying	-	-	-	-	-	5,094	71,641	-	76,735	71,722
Manufacturing	-	-	-	-	5,945	197,613	2,549,802	-	2,753,360	1,135,328
Electricity, gas and water supply	-	-	-	-	-	147,489	73,522	-	221,011	20,871
Construction	-	-	-	-	-	86,362	855,599	-	941,961	1,321,299
Real estate	-	-	-	-	-	35,241	3,689,934	-	3,725,175	428,175
Transport, storage and communication	-	-	-	-	32	10,002	1,313,741	-	1,323,775	330,521
Finance, insurance and business services	843,383	251,389	2,719,680	283,336	400,302	9,563,609	1,278,744	-	15,340,443	5,951,454
Government and government agencies	896,401	-	-	99,589	-	1,571,817	6,181	-	2,573,988	88,108
Wholesale, retail trade, hotel and restaurants	-	-	-	15,113	1,238	555,687	4,094,154	-	4,666,192	1,034,553
Others	-	-	-	-	-	57,060	15,982,883	230,533	16,270,476	2,966,321
Total assets	1,739,784	251,389	2,719,680	398,038	407,517	12,229,974	30,557,921	230,533	48,534,836	13,457,839

^ Others include amount due from subsidiaries and other assets.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk concentrations (continued)

Credit risk is the risk of financial loss from the failure of customers to meet their contractual obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral, security, corporate and personal guarantees (continued).

The credit risk concentrations of the Group and the Bank, by industry, are set out in the following tables (continued):

	Short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Investment accounts due from designated financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial investments at AC RM'000	Loans, advances and financing RM'000	^ Others RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
The Bank										
2021										
Agriculture	-	-	-	-	-	35,035	601,422	-	636,457	154,248
Mining and quarrying	-	-	-	-	-	-	61,452	-	61,452	69,062
Manufacturing	-	-	-	-	875	123,633	2,283,159	-	2,407,667	1,555,260
Electricity, gas and water supply	-	-	-	-	26	66,343	66,167	-	132,536	24,858
Construction	-	-	-	14,923	-	652,245	875,631	-	1,542,799	1,288,754
Real estate	-	-	-	-	-	-	3,996,389	-	3,996,389	422,010
Transport, storage and communication	-	-	-	-	-	10,002	1,134,848	-	1,144,850	232,776
Finance, insurance and business services	469,834	1,171,657	1,825,525	249,582	102,505	7,623,077	1,379,218	-	12,821,398	571,140
Government and government agencies	1,824,658	-	-	-	-	356,882	852,808	-	3,034,348	161,785
Wholesale, retail trade, hotel and restaurants	-	-	-	-	1,234	127,941	3,514,436	-	3,643,611	941,704
Others	-	-	-	-	-	45,040	12,113,806	928,786	13,087,632	1,906,291
Total assets	2,294,492	1,171,657	1,825,525	264,505	104,640	9,040,198	26,879,336	928,786	42,509,139	7,327,888

^ Others include amount due from subsidiaries, associates and other assets.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Total loans, advances and financing - credit quality

All loans, advances and financing are categorised into ‘neither past due nor impaired’, ‘past due but not impaired’ and ‘impaired’.

Past due loans refer to loans, advances and financing that are overdue by one day or more.

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

i) the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default;

ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is ‘unlikely to meet’ its credit obligations; or

iii) the loan/financing is classified as rescheduled and restructured in the Central Credit Reference Information System.

Distribution of loans, advances and financing by credit quality

	12-Month ECL Stage 1 RM’000	Lifetime ECL not credit impaired Stage 2 RM’000	Lifetime ECL credit impaired Stage 3 RM’000	Total RM’000
The Group				
2022				
Neither past due nor impaired	**51,422,529**	**2,674,053**	**-**	**54,096,582**
Past due but not impaired	**2,111,268**	**1,963,646**	**-**	**4,074,914**
Impaired	**-**	**-**	**1,171,181**	**1,171,181**
Gross loans, advances and financing	**53,533,797**	**4,637,699**	**1,171,181**	**59,342,677**
Less: Expected credit losses	**(211,373)**	**(778,214)**	**(421,234)**	**(1,410,821)**
Net loans, advances and financing	**53,322,424**	**3,859,485**	**749,947**	**57,931,856**

	12-Month ECL Stage 1 RM’000	Lifetime ECL not credit impaired Stage 2 RM’000	Lifetime ECL credit impaired Stage 3 RM’000	Total RM’000
The Group				
2021				
Neither past due nor impaired	44,715,692	2,871,370	-	47,587,062
Past due but not impaired	1,201,674	1,322,651	-	2,524,325
Impaired	-	-	1,305,953	1,305,953
Gross loans, advances and financing	45,917,366	4,194,021	1,305,953	51,417,340
Less: Expected credit losses	(237,148)	(314,020)	(338,104)	(889,272)
Net loans, advances and financing	45,680,218	3,880,001	967,849	50,528,068

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for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Total loans, advances and financing - credit quality (continued)

Distribution of loans, advances and financing by credit quality (continued)

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2022				
Neither past due nor impaired	**26,897,325**	**1,771,216**	**-**	**28,668,541**
Past due but not impaired	**1,001,651**	**1,043,261**	**-**	**2,044,912**
Impaired	**-**	**-**	**735,434**	**735,434**
Gross loans, advances and financing	**27,898,976**	**2,814,477**	**735,434**	**31,448,887**
Less: Expected credit losses	**(144,574)**	**(448,993)**	**(297,399)**	**(890,966)**
Net loans, advances and financing	**27,754,402**	**2,365,484**	**438,035**	**30,557,921**

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2021				
Neither past due nor impaired	23,649,360	1,617,592	-	25,266,952
Past due but not impaired	555,039	844,975	-	1,400,014
Impaired	-	-	841,839	841,839
Gross loans, advances and financing	24,204,399	2,462,567	841,839	27,508,805
Less: Expected credit losses	(163,175)	(214,857)	(251,437)	(629,469)
Net loans, advances and financing	24,041,224	2,247,710	590,402	26,879,336

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Total loans, advances and financing - credit quality (continued)

Distribution of loans, advances and financing by credit quality (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's and the Bank's maximum exposure to credit risk on these assets.

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2022				
Credit grade				
Satisfactory	**19,303,830**	**2,303,514**	**-**	**21,607,344**
Special mention	**177,378**	**496,045**	**-**	**673,423**
Default/Impaired	**-**	**-**	**1,171,181**	**1,171,181**
Unrated	**34,052,589**	**1,838,140**	**-**	**35,890,729**
Gross loans, advances and financing	**53,533,797**	**4,637,699**	**1,171,181**	**59,342,677**
Less: Expected credit losses	**(211,373)**	**(778,214)**	**(421,234)**	**(1,410,821)**
Net loans, advances and financing	**53,322,424**	**3,859,485**	**749,947**	**57,931,856**

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2021				
Credit grade				
Satisfactory	18,752,069	948,436	-	19,700,505
Special mention	44,225	1,146,010	-	1,190,235
Default/impaired	-	-	1,223,425	1,223,425
Unrated	27,121,072	2,099,575	82,528	29,303,175
Gross loans, advances and financing	45,917,366	4,194,021	1,305,953	51,417,340
Less: Expected credit losses	(237,148)	(314,020)	(338,104)	(889,272)
Net loans, advances and financing	45,680,218	3,880,001	967,849	50,528,068

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Total loans, advances and financing - credit quality (continued)

Distribution of loans, advances and financing by credit quality (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's and the Bank's maximum exposure to credit risk on these assets (continued).

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2022				
Credit grade				
Satisfactory	**11,130,741**	**1,589,239**	**-**	**12,719,980**
Special mention	**684**	**372,571**	**-**	**373,255**
Default/impaired	**-**	**-**	**735,434**	**735,434**
Unrated	**16,767,551**	**852,667**	**-**	**17,620,218**
Gross loans, advances and financing	**27,898,976**	**2,814,477**	**735,434**	**31,448,887**
Less: Expected credit losses	**(144,574)**	**(448,993)**	**(297,399)**	**(890,966)**
Net loans, advances and financing	**27,754,402**	**2,365,484**	**438,035**	**30,557,921**

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2021				
Credit grade				
Satisfactory	11,246,404	857,265	-	12,103,669
Special mention	983	629,972	-	630,955
Default/impaired	-	-	841,839	841,839
Unrated	12,957,012	975,330	-	13,932,342
Gross loans, advances and financing	24,204,399	2,462,567	841,839	27,508,805
Less: Expected credit losses	(163,175)	(214,857)	(251,437)	(629,469)
Net loans, advances and financing	24,041,224	2,247,710	590,402	26,879,336

Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

Special mention: Exposures require varying degrees of special attention and default risk is of greater concern which are under the monitoring of Group Early Alert Committee ('GEAC').

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk and treasury bills - credit quality

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank mainly use external credit ratings provided by recognised External Credit Rating Institutions ('ECAIs').

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating:

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2022				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	3,402,858	-	-	3,402,858
AAA	117,317	-	-	117,317
AA- to AA+	1,073,907	-	-	1,073,907
A- to A+	261,579	-	-	261,579
Lower than A-	92,168	-	-	92,168
Unrated	11,093	-	-	11,093
Expected credit losses ('ECL')	(277)	-	-	(277)
	4,958,645	-	-	4,958,645
Financial investments at FVOCI				
Sovereigns	2,945,739	-	-	2,945,739
AAA	299,853	-	-	299,853
AA- to AA+	145,147	-	-	145,147
A- to A+	10,062	-	-	10,062
Unrated	50,123	100,662	-	150,785
	3,450,924	100,662	-	3,551,586
Expected credit losses ('ECL') ^^	(817)	(18,125)	-	(18,942)
Financial investments at AC				
Sovereigns	12,854,512	-	-	12,854,512
AAA	1,203,400	-	-	1,203,400
AA- to AA+	910,520	-	-	910,520
A- to A+	622,956	-	-	622,956
Lower than A-	179,277	-	-	179,277
Unrated	536,733	611,424	15,560	1,163,717
Expected credit losses ('ECL')	(9,985)	(55,736)	(15,560)	(81,281)
	16,297,413	555,688	-	16,853,101
Amount due from joint ventures				
Unrated	-	49,530	-	49,530
Expected credit losses ('ECL')	-	(49,075)	-	(49,075)
	-	455	-	455

^^ The ECL is recognised in other comprehensive income instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI are equivalent to their fair value.

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for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk and treasury bills - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2021				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	3,956,515	-	-	3,956,515
AAA	845,149	-	-	845,149
AA- to AA+	1,804,802	-	-	1,804,802
A- to A+	475,291	-	-	475,291
Lower than A-	183,977	-	-	183,977
Unrated	67,601	-	-	67,601
Expected credit losses ('ECL')	(98)	-	-	(98)
	7,333,237	-	-	7,333,237
Financial investments at FVOCI				
Sovereigns	3,112,837	-	-	3,112,837
AAA	274,424	-	-	274,424
AA- to AA+	86,708	-	-	86,708
A- to A+	10,160	-	-	10,160
Lower than A-	9,972	-	-	9,972
Unrated	30,078	128,588	-	158,666
	3,524,179	128,588	-	3,652,767
Expected credit losses ('ECL') ^^	(252)	(18,856)	-	(19,108)
Financial investments at AC				
Sovereigns	8,772,217	-	-	8,772,217
AAA	754,098	-	-	754,098
AA- to AA+	525,672	-	-	525,672
A- to A+	417,705	-	-	417,705
Unrated	442,650	611,325	15,000	1,068,975
Expected credit losses ('ECL')	(5,099)	(83,426)	(15,000)	(103,525)
	10,907,243	527,899	-	11,435,142
Amount due from joint ventures				
Unrated	-	61,257	-	61,257
Expected credit losses ('ECL')	-	(45,520)	-	(45,520)
	-	15,737	-	15,737
Amount due from associates				
AA- to AA+	-	30,931	-	30,931
Expected credit losses ('ECL')	-	(43)	-	(43)
	-	30,888	-	30,888

^^ The ECL is recognised in other comprehensive income instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI are equivalent to their fair value.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk and treasury bills - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2022				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	896,401	-	-	896,401
AAA	135,229	-	-	135,229
AA- to AA+	865,476	-	-	865,476
A- to A+	67,785	-	-	67,785
Lower than A-	26,351	-	-	26,351
Expected credit losses ('ECL')	(69)	-	-	(69)
	1,991,173	-	-	1,991,173
Investment accounts due from designated financial institution				
AA- to AA+	2,719,747	-	-	2,719,747
Expected credit losses ('ECL')	(67)	-	-	(67)
	2,719,680	-	-	2,719,680
Financial investments at AC				
Sovereigns	8,564,609	-	-	8,564,609
AAA	692,776	-	-	692,776
AA- to AA+	1,473,667	-	-	1,473,667
A- to A+	561,862	-	-	561,862
Lower than A-	179,277	-	-	179,277
Unrated	204,711	611,424	-	816,135
Expected credit losses ('ECL')	(2,616)	(55,736)	-	(58,352)
	11,674,286	555,688	-	12,229,974
Amount due from subsidiaries				
AA- to AA+	-	5,835	-	5,835

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Deposits and short-term funds, corporate bonds/Sukuk and treasury bills - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/Sukuk, treasury bills and other eligible bills that neither past due nor impaired and impaired, analysed by rating (continued):

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2021				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	1,824,658	-	-	1,824,658
AAA	453,799	-	-	453,799
AA- to AA+	757,696	-	-	757,696
A- to A+	406,053	-	-	406,053
Lower than A-	24,037	-	-	24,037
Expected credit losses ('ECL')	(94)	-	-	(94)
	3,466,149	-	-	3,466,149
Investment accounts due from designated financial institution				
Unrated	1,825,556	-	-	1,825,556
Expected credit losses ('ECL')	(31)	-	-	(31)
	1,825,525	-	-	1,825,525
Financial investments at AC				
Sovereigns	5,728,981	-	-	5,728,981
AAA	617,506	-	-	617,506
AA- to AA+	1,524,463	-	-	1,524,463
A- to A+	407,683	-	-	407,683
Unrated	235,092	611,325	-	846,417
Expected credit losses ('ECL')	(1,426)	(83,426)	-	(84,852)
	8,512,299	527,899	-	9,040,198
Amount due from subsidiaries				
AA- to AA+	-	758,924	-	758,924
Amount due from associates				
AA- to AA+	-	30,931	-	30,931
Expected credit losses ('ECL')	-	(43)	-	(43)
	-	30,888	-	30,888

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Other financial assets - credit quality

Other financial assets of the Group and the Bank are neither past due nor impaired and impaired are summarised as below:

Simplified approach

	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
The Group					
2022					
Trade receivables	**-**	**405,793**	**364**	**406,157**	**(756)**
Other assets	**379,550**	**19,095**	**4,757**	**403,402**	**(4,749)**
2021					
Trade receivables	-	528,618	81	528,699	(1,533)
Other assets	253,895	22,763	4,107	280,765	(4,039)

	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
The Bank					
2022					
Other assets	**224,698**	**-**	**-**	**224,698**	**-**
2021					
Other assets	138,974	-	-	138,974	-

Other financial assets that are past due but not impaired or impaired are not significant.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Other financial assets - credit quality

The following table contains an analysis of the credit risk exposure of loans/financing commitments and financial guarantees for which an ECL is recognised.

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Group				
2022				
Loans/Financing commitments and financial guarantees				
Satisfactory	**17,999,558**	**451,907**	**-**	**18,451,465**
Special mention	**46,201**	**32,801**	**-**	**79,002**
Default/impaired	**-**	**-**	**55,353**	**55,353**
	18,045,759	**484,708**	**55,353**	**18,585,820**
Expected credit losses	**15,233**	**4,299**	**19,376**	**38,908**
2021				
Loans/Financing commitments and financial guarantees				
Satisfactory	10,689,997	1,050,230	-	11,740,227
Special mention	1	77,643	-	77,644
Default/impaired	-	-	58,815	58,815
	10,689,998	1,127,873	58,815	11,876,686
Expected credit losses	12,098	25,915	18,901	56,914

	12-Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
The Bank				
2022				
Loans/Financing commitments and financial guarantees				
Satisfactory	**13,077,497**	**319,601**	**-**	**13,397,098**
Special mention	**55**	**32,681**	**-**	**32,736**
Default/impaired	**-**	**-**	**28,005**	**28,005**
	13,077,552	**352,282**	**28,005**	**13,457,839**
Expected credit losses	**11,079**	**2,915**	**554**	**14,548**
2021				
Loans/Financing commitments and financial guarantees				
Satisfactory	6,784,485	524,159	-	7,308,644
Default/impaired	-	-	19,244	19,244
	6,784,485	524,159	19,244	7,327,888
Expected credit losses	8,247	22,764	311	31,322

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest/profit rate, foreign exchange rates and implied volatility rates. The Group and the Bank's exposure to market risk results largely from interest/profit rate and foreign exchange rate risks.

Market risk may arise from proprietary trading position and investment activities (including those for liquidity requirement purposes) in the Trading and Investment Book respectively.

The Market Risk Management Framework governs the market risk activities of the Group and the Bank which are supported by a set of approved market risk management policies, guidelines and procedures.

Risk parameters are established based on risk appetite, market liquidity and business strategies as well as macro-economic conditions. These parameters are reviewed at least annually.

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss, Value-at-Risk ('VaR') and sensitivity limits.

Periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

Risk Management Policies and Procedures

Value-at-Risk ('VaR')

VaR estimates the potential loss of a Trading portfolio from adverse market price movements which may occur over a specified holding period of the Trading portfolio.

It measures the risk of losses arising from potential adverse movements in interest/profit rates, implied volatility rates and foreign exchange rates that could affect values of financial instruments.

Backtesting of the VaR results is conducted to validate and reassess the accuracy of the risk measurement systems.

Other risk measures

- Mark-to-market
  Mark-to-market valuation tracks the current market value of the outstanding financial instruments.
- Stress testing
  Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in values primarily arising from extreme movements in interest/profit rates and foreign exchange rates based on Marcoeconomic Variables (MEV) provided by in-house research team.

Interest/profit rate sensitivity analysis

The table below shows the interest/profit sensitivity for the financial assets and financial liabilities held as at reporting date.

Impact on profit after tax is measured using Repricing Gap Simulation methodology based on 100 basis point parallel shifts in interest/profit rate.

Impact on equity represents the changes in fair value of fixed income instruments held in financial investments at FVOCI portfolio arising from the shifts in interest/profit rate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate sensitivity analysis (continued)

	2022		2021	
	+100 basis point RM million	-100 basis point RM million	+100 basis point RM million	-100 basis point RM million
The Group				
Impact on profit after taxation	**(5.1)**	**5.1**	31.0	(31.0)
Impact on equity	**(174.0)**	**174.0**	(148.0)	148.0
The Bank				
Impact on profit after taxation	**(10.1)**	**10.1**	14.8	(14.8)

Foreign exchange risk sensitivity analysis

The following table sets out the analysis of the exposure to assess the impact of a 1% change in exchange rate to the profit after taxation.

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
+1%				
Euro	**(4)**	(755)	**(35)**	(679)
United States Dollar	**(15,128)**	(11,511)	**(12,209)**	(8,449)
Great Britain Pound	**25**	(14)	**18**	(19)
Australian Dollar	**(374)**	26	**(221)**	(33)
New Zealand Dollar	**3**	2	**3**	2
Japanese Yen	**(3)**	(2)	**(3)**	(6)
Others	**(1,678)**	213	**(2,013)**	(380)
	(17,159)	(12,042)	**(14,460)**	(9,565)
-1%				
Euro	**4**	755	**35**	679
United States Dollar	**15,128**	11,511	**12,209**	8,449
Great Britain Pound	**(25)**	14	**(18)**	19
Australian Dollar	**374**	(26)	**221**	33
New Zealand Dollar	**(3)**	(2)	**(3)**	(2)
Japanese Yen	**3**	2	**3**	6
Others	**1,678**	(213)	**2,013**	380
	17,159	12,042	**14,460**	9,565

Foreign exchange risk

The Group and the Bank are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The risk of fluctuations in foreign currency exchange rates is managed via setting of thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Foreign exchange risk (continued)

The following table summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's and the Bank's financial instruments at carrying amounts, categorised by currency.

	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
The Group								
2022								
Assets								
Short-term funds	5,078	333,342	3,365	2,751	410	210	16,352	361,508
Financial assets at FVTPL	-	-	-	-	-	-	230	230
Derivative financial assets	7,647	6,485	13	449	3	13	7,386	21,996
Financial investments at AC	-	378,387	-	87,149	-	-	-	465,536
Loans, advances and financing	11,433	657,621	27,887	-	-	-	1,641	698,582
Trade receivables	-	3,368	-	753	-	-	3,601	7,722
Other assets	-	1,955	-	(164)	-	-	639	2,430
Total financial assets	24,158	1,381,158	31,265	90,938	413	223	29,849	1,558,004
Liabilities								
Deposits from customers	24,292	2,579,386	6,609	8,346	-	650	88,984	2,708,267
Deposits and placements of banks and other financial institutions	-	315,622	21,297	131,646	-	-	195,922	664,487
Derivative financial liabilities	297	333,752	18	94	-	-	(1,121)	333,040
Trade payables	-	80,611	-	86	-	-	(33,226)	47,471
Other liabilities	53	62,289	9	-	-	-	62	62,413
Total financial liabilities	24,642	3,371,660	27,933	140,172	-	650	250,621	3,815,678
Net on-balance sheet financial position	(484)	(1,990,502)	3,332	(49,234)	413	(427)	(220,772)	(2,257,674)
Off balance sheet commitments	591,794	13,270,544	9,425	44,339	-	6,375	336,425	14,258,902

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Foreign exchange risk (continued)

The following table summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's and the Bank's financial instruments at carrying amounts, categorised by currency (continued).

	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
The Group								
2021								
Assets								
Short-term funds	2,560	458,562	1,532	10,152	516	468	58,100	531,890
Deposits and placements with banks and other financial institutions	-	20,795	-	-	-	-	-	20,795
Financial assets at FVTPL	-	72,767	-	-	-	-	983	73,750
Derivative financial assets	69	17,338	57	8	-	-	523	17,995
Financial investments at FVOCI	-	-	-	-	-	-	26,958	26,958
Financial investments at AC	-	100,183	-	63,708	-	-	-	163,891
Loans, advances and financing	-	660,908	3,892	-	-	-	772	665,572
Trade receivables	-	48,206	-	6,856	-	-	21,824	76,886
Other assets	-	1,782	-	1	-	-	707	2,490
Total financial assets	2,629	1,380,541	5,481	80,725	516	468	109,867	1,580,227
Liabilities								
Deposits from customers	89,884	2,520,258	7,038	5,526	228	733	64,399	2,688,066
Deposits and placements of banks and other financial institutions	-	146,699	-	63,549	-	-	-	210,248
Derivative financial liabilities	12,073	55,856	207	455	-	27	-	68,618
Trade payables	-	74,989	-	7,301	-	-	17,814	100,104
Other liabilities	48	97,368	65	533	-	-	(381)	97,633
Total financial liabilities	102,005	2,895,170	7,310	77,364	228	760	81,832	3,164,669
Net on-balance sheet financial position	(99,376)	(1,514,629)	(1,829)	3,361	288	(292)	28,035	(1,584,442)
Off balance sheet commitments	333,598	10,575,915	24,369	13,300	-	2,531	113,734	11,063,447

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Foreign exchange risk (continued)

The following table summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's and the Bank's financial instruments at carrying amounts, categorised by currency (continued).

	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
The Bank								
2022								
Assets								
Short-term funds	4,169	314,249	2,322	716	410	241	5,763	327,870
Investment accounts due from designated financial institution	-	99,645	-	-	-	-	-	99,645
Derivative financial assets	7,371	6,479	14	449	3	13	7,387	21,716
Financial investments at AC	-	378,387	-	87,149	-	-	-	465,536
Loans, advances and financing	8,189	431,530	27,887	-	-	-	-	467,606
Other assets	-	1,620	-	-	-	-	-	1,620
Total financial assets	19,729	1,231,910	30,223	88,314	413	254	13,150	1,383,993
Liabilities								
Deposits from customers	24,035	2,412,859	6,556	8,036	-	622	83,273	2,535,381
Deposits and placements of banks and other financial institutions	-	93,881	21,297	109,204	-	-	195,922	420,304
Derivative financial liabilities	297	330,679	18	93	-	-	(1,121)	329,966
Other liabilities	53	889	9	-	-	-	-	951
Total financial liabilities	24,385	2,838,308	27,880	117,333	-	622	278,074	3,286,602
Net on-balance sheet financial position	(4,656)	(1,606,398)	2,343	(29,019)	413	(368)	(264,924)	(1,902,609)
Off balance sheet commitments	521,511	11,941,105	9,851	44,339	-	6,375	314,794	12,837,975

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Foreign exchange risk (continued)

The following table summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's and the Bank's financial instruments at carrying amounts, categorised by currency (continued).

	Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
The Bank								
2021								
Assets								
Short-term funds	2,054	381,110	801	649	516	(55)	8,481	393,556
Deposits and placements with banks and other financial institutions	-	20,795	-	-	-	-	-	20,795
Investment accounts due from designated financial institution	-	101,917	-	-	-	-	-	101,917
Derivative financial assets	69	12,980	57	80	-	-	523	13,709
Financial investments at AC	-	100,183	-	63,708	-	-	-	163,891
Loans, advances and financing	-	421,941	3,892	-	-	-	-	425,833
Other assets	-	1,620	-	-	-	-	-	1,620
Total financial assets	2,123	1,040,546	4,750	64,437	516	(55)	9,004	1,121,321
Liabilities								
Deposits from customers	87,947	1,949,229	7,022	5,211	228	733	59,053	2,109,423
Deposits and placements of banks and other financial institutions	-	146,699	-	63,549	-	-	-	210,248
Derivative financial liabilities	3,489	55,460	207	-	-	27	-	59,183
Other liabilities	48	895	65	-	-	-	-	1,008
Total financial liabilities	91,484	2,152,283	7,294	68,760	228	760	59,053	2,379,862
Net on-balance sheet financial position	(89,361)	(1,111,737)	(2,544)	(4,323)	288	(815)	(50,049)	(1,258,541)
Off balance sheet commitments	224,614	8,216,223	24,369	7,814	-	2,531	91,992	8,567,543

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk

Interest/profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of interest/profit rate risk management is to achieve a stable and sustainable net interest/profit income from the following perspectives:

1. Next 12 months' Earnings - Interest/profit rate risk from the earnings perspective is the impact based on changes to the net interest/profit income over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in interest/profit rates across the yield curve.

2. Economic Value - Measuring the change in the EVE is an assessment of the long-term impact to the Group and the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long-term or total life of all balance sheet assets and liabilities to adverse changes in interest/profit rates.

Interest/profit rate risk thresholds are established in line with the Group and the Bank's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date.

	Non-trading book							
	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/ profit sensitive RM'000	Trading book RM'000	Total RM'000
The Group								
2022								
Assets								
Cash and short-term funds	3,160,521	-	-	-	-	1,743,080	-	4,903,601
Deposits and placements with banks and other financial institutions	-	300,000	-	-	-	1,438	-	301,438
Financial assets at FVTPL	-	-	-	-	-	-	544,503	544,503
Derivative financial assets	-	-	-	-	-	-	495,389	495,389
Financial investments at FVOCI	-	20,003	174,624	2,306,487	1,019,037	262,353	-	3,782,504
Financial investments at AC	45,601	222,025	828,312	7,116,063	8,489,993	151,107	-	16,853,101
Loans, advances and financing								
- non-impaired	35,313,216	3,793,179	2,077,727	7,419,425	9,567,949	(989,587)^		57,181,909
- impaired	-	-	-	-	-	749,947#		749,947
Others [(1)]	22,510	-	-	-	-	781,999	-	804,509
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,250,872	-	1,250,872
Total assets	**38,541,848**	**4,335,207**	**3,080,663**	**16,841,975**	**19,076,979**	**3,951,209**	**1,039,892**	**86,867,773**

^ The negative balance represents ECL for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

Net of ECL for impaired loans, advances and financing.

(1) Others include other assets, amount due from joint ventures and trade receivables.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date. (continued).

	Non-trading book							
	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/ profit sensitive RM'000	Trading book RM'000	Total RM'000
The Group								
2022								
Liabilities								
Deposits from customers	28,673,593	12,311,054	22,602,586	972,893	-	434,924	-	64,995,050
Investment accounts of customers	-	-	-	855	-	4	-	859
Deposits and placements of banks and other financial institutions	1,737,452	1,346,398	220,628	-	48,580	11,098	-	3,364,156
Obligation on securities sold under repurchase agreements	1,626,613	2,122,007	1,029,617	-	-	35,170	-	4,813,407
Derivative financial liabilities	-	-	-	-	-	-	542,254	542,254
Bills and acceptances payable	-	-	-	-	-	35,471	-	35,471
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	617,662	450,001	-	6,208	-	1,073,871
Lease liabilities	3,459	379	17,085	28,310	-	-	-	49,233
Borrowings and Sukuk	-	-	748,158	750,000	995,991	35,782	-	2,529,931
Others [2]	99,780	-	-	-	-	1,816,629	-	1,916,409
Total liabilities	32,140,897	15,779,838	25,235,736	2,202,059	1,044,571	2,375,286	542,254	79,320,641
Net interest/profit sensitivity gap	6,400,951	(11,444,631)	(22,155,073)	14,639,916	18,032,408			

[2] Others include trade payables and other liabilities.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date (continued).

	Non-trading book							
	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/ profit sensitive RM'000	Trading book RM'000	Total RM'000
The Group								
2021								
Assets								
Cash and short-term funds	5,727,044	-	-	-	-	667,413	-	6,394,457
Deposits and placements with banks and other financial institutions	-	1,077,452	91,537	-	-	820	-	1,169,809
Financial assets at FVTPL	-	-	-	-	-	65,626	532,974	598,600
Derivative financial assets	-	-	-	-	-	-	186,881	186,881
Financial investments at FVOCI	5,008	9,972	113,305	2,201,427	1,291,533	256,377	-	3,877,622
Financial investments at AC	249,872	500,000	323,467	3,368,807	6,883,710	109,286	-	11,435,142
Loans, advances and financing								
- non-impaired	27,776,724	3,910,493	2,857,735	10,511,932	5,054,503	(551,168)^	-	49,560,219
- impaired	-	-	-	-	-	967,849#	-	967,849
Others (1)	30,149	-	-	-	-	820,368	-	850,517
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	68,625	-	68,625
Total assets	33,788,797	5,497,917	3,386,044	16,082,166	13,229,746	2,405,196	719,855	75,109,721

^ The negative balance represents ECL for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

Net of ECL for impaired loans, advances and financing.

(1) Others include other assets, amount due from joint ventures and associates and trade receivables.

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date (continued).

	Non-trading book							
	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/ profit sensitive RM'000	Trading book RM'000	Total RM'000
The Group								
2021								
Liabilities								
Deposits from customers	19,538,177	10,978,419	23,333,865	1,674,369	400	3,269,174	-	58,794,404
Investment accounts of customers	-	-	-	1,323	-	6	-	1,329
Deposits and placements of banks and other financial institutions	2,411,970	350,340	100,000	-	-	3,730	-	2,866,040
Derivative financial liabilities	-	-	-	-	-	-	201,629	201,629
Bills and acceptances payable	-	-	-	-	-	28,644	-	28,644
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	50,002	618,000	-	1,210	-	669,212
Lease liabilities	1,961	3,304	7,786	23,821	-	-	-	36,872
Borrowings and Sukuk	-	-	-	743,960	2,500,000	59,115	-	3,303,075
Others [2]	107,533	-	-	-	-	2,257,747	-	2,365,280
Total liabilities	22,059,641	11,332,063	23,491,653	3,061,473	2,500,400	5,619,626	201,629	68,266,485
Net interest/profit sensitivity gap	11,729,156	(5,834,146)	(20,105,609)	13,020,693	10,729,346			

[2] Others include trade payables and other liabilities.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date (continued).

	Non-trading book							
	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/ profit sensitive RM'000	Trading book RM'000	Total RM'000
The Bank								
2022								
Assets								
Cash and short-term funds	265,703	-	-	-	-	1,720,429	-	1,986,132
Deposits and placements with banks and other financial institutions	-	250,000	-	-	-	1,389	-	251,389
Investment accounts due from designated financial institutions	-	-	200,000	1,147,488	1,372,259	(67)	-	2,719,680
Financial assets at FVTPL	-	-	-	-	-	-	508,433	508,433
Derivative financial assets	-	-	-	-	-	-	407,517	407,517
Financial investments at FVOCI	-	-	-	-	-	206,993	-	206,993
Financial investments at AC	5,001	400,000	1,100,699	5,356,518	5,261,227	106,529	-	12,229,974
Loans, advances and financing								
- non-impaired	17,353,868	2,781,357	1,494,605	4,796,110	4,287,513	(593,567)^	-	30,119,886
- impaired	-	-	-	-	-	438,035#	-	438,035
Others [1]	-	-	-	-	-	230,533	-	230,533
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	749,272	-	749,272
Total assets	17,624,572	3,431,357	2,795,304	11,300,116	10,920,999	2,859,546	915,950	49,847,844

^ The negative balance represents ECL for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

Net of ECL for impaired loans, advances and financing.

(1) Others include other assets and amount due from subsidiaries.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date. (continued).

	Non-trading book							
	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/ profit sensitive RM'000	Trading book RM'000	Total RM'000
The Bank								
2022								
Liabilities								
Deposits from customers	15,052,971	6,273,826	13,768,771	710,113	-	269,449	-	36,075,130
Deposits and placements of banks and other financial institutions	1,025,741	157,093	403	-	-	1,883	-	1,185,120
Obligation on securities sold under repurchase agreements	1,626,613	2,122,007	1,029,617	-	-	35,170	-	4,813,407
Derivative financial liabilities	-	-	-	-	-	-	436,209	436,209
Bills and acceptances payable	-	-	-	-	-	35,471	-	35,471
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	617,662	450,001	-	6,208	-	1,073,871
Borrowings and Sukuk	-	-	-	-	995,991	23,206	-	1,019,197
Lease liabilities	3,311	138	15,956	26,035	-	-	-	45,440
Others [2]	-	-	-	-	-	1,001,049	-	1,001,049
Total liabilities	17,708,636	8,553,064	15,432,409	1,186,149	995,991	1,372,436	436,209	45,684,894
Net interest sensitivity gap	(84,064)	(5,121,707)	(12,637,105)	10,113,967	9,925,008			

[2] Others include other liabilities and amount due to subsidiaries.

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for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date (continued).

	Non-trading book							
	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/ profit sensitive RM'000	Trading book RM'000	Total RM'000
The Bank								
2021								
Assets								
Cash and short-term funds	1,876,903	-	-	-	-	648,579	-	2,525,482
Deposits and placements with banks and other financial institutions	-	1,020,845	150,000	-	-	812	-	1,171,657
Investment accounts due from designated financial institutions	-	-	26,000	624,125	1,175,431	(31)	-	1,825,525
Financial assets at FVTPL	-	-	-	-	-	-	368,676	368,676
Derivative financial assets	-	-	-	-	-	-	104,640	104,640
Financial investments at FVOCI	-	-	-	-	-	198,148	-	198,148
Financial investments at AC	249,872	500,000	15,151	3,337,131	4,858,911	79,133	-	9,040,198
Loans, advances and financing								
- non-impaired	14,034,819	2,461,007	1,803,972	6,269,899	2,097,269	(378,032)^	-	26,288,934
- impaired	-	-	-	-	-	590,402#	-	590,402
Others (1)	-	-	-	-	-	928,786	-	928,786
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	58,325	-	58,325
Total assets	16,161,594	3,981,852	1,995,123	10,231,155	8,131,611	2,126,122	473,316	43,100,773

^ The negative balance represents ECL for loans, advances and financing in accordance with the Group's accounting policy on allowance for unimpaired loans, advances and financing.

Net of ECL for impaired loans, advances and financing.

(1) Others include other assets and amount due from subsidiaries and associates.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date (continued).

	Non-trading book							
	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/ profit sensitive RM'000	Trading book RM'000	Total RM'000
The Bank								
2021								
Liabilities								
Deposits from customers	9,405,001	5,055,368	14,950,127	1,112,260	400	2,718,607	-	33,241,763
Deposits and placements of banks and other financial institutions	2,230,185	45,840	-	-	-	1,698	-	2,277,723
Derivative financial liabilities	-	-	-	-	-	-	125,537	125,537
Bills and acceptances payable	-	-	-	-	-	28,644	-	28,644
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	618,000	-	1,179	-	619,179
Borrowings and Sukuk	-	-	-	-	2,500,000	48,081	-	2,548,081
Lease liabilities	1,138	2,063	3,738	22,293	-	-	-	29,232
Others [2]	-	-	-	-	-	578,386	-	578,386
Total liabilities	11,636,324	5,103,271	14,953,865	1,752,553	2,500,400	3,376,595	125,537	39,448,545
Net interest sensitivity gap	4,525,270	(1,121,419)	(12,958,742)	8,478,602	5,631,211			

[2] Others include other liabilities and amount due to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk

Liquidity risk is the risk of inability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Liquidity Risk Management Framework governs the liquidity risk management activities of the Group and the Bank. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Group and the Bank's liquidity management process involves establishing liquidity risk management policies and prudential thresholds, liquidity risk threshold monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions and regulatory landscape.

The Group and the Bank's short-term liquidity risk management is premised on BNM's Liquidity Coverage Ratio ('LCR') standards. The LCR is a quantitative requirement which seeks to ensure that the Group and the Bank holds sufficient High Quality Liquid Assets ('HQLA') to withstand a significant liquidity stress scenario over a 30-day horizon.

Long-term liquidity risk profile is assessed via the Net Stable Funding Ratio ('NSFR') which promotes resilience over a longer time horizon for the Group and the Bank to fund its activities with more stable sources of funding on an ongoing basis.

The Group and the Bank also employs a set of liquidity risk indicators as an early alert of any structural change for liquidity risk management. The liquidity risk indicators include internal and external qualitative as well as quantitative indicators.

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the Group and the Bank's resilience in the event of a liquidity disruption.

The Contingency Funding Plan provides a systematic approach in handling liquidity disruption. The document encompasses strategies, decision-making authorities, and courses of action to be taken in the event of liquidity crisis and emergencies, enabling the Group and the Bank to respond to an unexpected liquidity disruption in an effective and efficient manner.

The Group Board Risk Management Committee ('GBRMC') is responsible for the Group and the Bank's liquidity policy and the strategic management of liquidity has been delegated to the Group Asset Liability Management Committee ('GALCO'). The GBRMC is informed regularly on the liquidity position of the Group and the Bank.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows

The table below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments.

	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	Total RM'000
The Group						
2022						
Deposits from customers	**28,778,319**	**12,510,376**	**23,273,471**	**1,026,083**	**-**	**65,588,249**
Investment accounts of customers	**-**	**-**	**-**	**933**	**-**	**933**
Deposits and placements of banks and other financial institutions	**1,740,222**	**1,356,564**	**222,963**	**-**	**48,597**	**3,368,346**
Obligation on securities soldunder repurchase agreements	**1,645,518**	**2,146,524**	**1,044,946**	**-**	**-**	**4,836,988**
Bills and acceptances payable	**35,471**	**-**	**-**	**-**	**-**	**35,471**
Recourse obligation on loans/ financing sold to Cagamas Berhad	**-**	**6,805**	**633,637**	**456,806**	**-**	**1,097,248**
Trade payables	**338,867**	**-**	**-**	**-**	**-**	**338,867**
Lease liabilities	**5,483**	**4,433**	**17,713**	**28,355**	**-**	**55,984**
Other liabilities	**236,689**	**14,093**	**1,032,643**	**273,109**	**21,008**	**1,577,542**
Borrowings and Sukuk	**27,290**	**-**	**1,569,047**	**967,109**	**621,813**	**3,185,259**
	32,807,859	**16,038,795**	**27,794,420**	**2,752,395**	**691,418**	**80,084,887**

	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	Total RM'000
The Group						
2021						
Deposits from customers	22,519,681	11,146,868	23,853,819	1,832,527	453	59,353,348
Investment accounts of customers	6	12	56	1,442	-	1,516
Deposits and placements of banks and other financial institutions	2,819,072	50,431	-	-	-	2,869,503
Bills and acceptances payable	28,644	-	-	-	-	28,644
Recourse obligation on loans/ financing sold to Cagamas Berhad	-	-	69,163	635,922	-	705,085
Trade payables	982,362	-	-	-	-	982,362
Lease liabilities	3,226	8,282	14,687	14,238	-	40,433
Other liabilities	237,052	24,970	809,910	273,877	37,109	1,382,918
Borrowings and Sukuk	14,619	52,256	123,871	1,953,394	2,082,437	4,226,577
	26,604,662	11,282,819	24,871,506	4,711,400	2,119,999	69,590,386

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52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows (continued)

The table below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments (continued).

	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	Total RM'000
The Bank						
2022						
Deposits from customers	**15,116,318**	**6,379,594**	**14,168,667**	**748,612**	**-**	**36,413,191**
Deposits and placements of banks and other financial institutions	**1,027,842**	**158,386**	**413**	**-**	**-**	**1,186,641**
Obligation on securities sold under repurchase agreements	**1,645,518**	**2,146,524**	**1,044,946**	**-**	**-**	**4,836,988**
Recourse obligation on loans/ financing sold to Cagamas Berhad	**-**	**6,805**	**633,637**	**456,806**	**-**	**1,097,248**
Bills and acceptances payable	**35,471**	**-**	**-**	**-**	**-**	**35,471**
Lease liabilities	**5,251**	**4,029**	**16,202**	**25,838**	**-**	**51,320**
Other liabilities	**22,525**	**-**	**436,309**	**227,297**	**14,547**	**700,678**
Amount due to subsidiaries	**300,371**	**-**	**-**	**-**	**-**	**300,371**
Borrowings and Sukuk	**27,290**	**-**	**526,847**	**100,616**	**621,813**	**1,276,566**
	18,180,586	**8,695,338**	**16,827,021**	**1,559,169**	**636,360**	**45,898,474**

	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	Total RM'000
The Bank						
2021						
Deposits from customers	11,958,123	5,141,812	15,269,267	1,163,837	453	33,533,492
Deposits and placements of banks and other financial institutions	2,233,006	45,890	-	-	-	2,278,896
Recourse obligation on loans/ financing sold to Cagamas Berhad	-	-	17,922	635,922	-	653,844
Bills and acceptances payable	28,644	-	-	-	-	28,644
Lease liabilities	2,302	6,844	10,272	12,808	-	32,226
Other liabilities	18,675	-	296,998	228,890	31,323	575,886
Amount due to subsidiaries	2,500	-	-	-	-	2,500
Borrowings and Sukuk	14,619	52,256	66,764	948,280	2,082,437	3,164,356
	14,257,869	5,246,802	15,661,223	2,989,737	2,114,213	40,269,844

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Derivative financial liabilities

Derivative financial liabilities based on contractual undiscounted cash flows:

	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	Total RM'000
The Group						
2022						
Derivatives settled on net basis						
Interest rate derivatives	**(4,645)**	**(4,463)**	**(66,806)**	**(12,100)**	**-**	**(88,014)**
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	**(4,456,798)**	**(7,202,505)**	**(3,053,506)**	**(424,663)**	**-**	**(15,137,472)**
Inflow	**4,300,280**	**6,985,017**	**2,994,583**	**401,916**	**-**	**14,681,796**
	(156,518)	**(217,488)**	**(58,923)**	**(22,747)**	**-**	**(455,676)**

	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	Total RM'000
The Group						
2021						
Derivatives settled on net basis						
Interest rate derivatives	(3,425)	(4,617)	(16,278)	(12,596)	4,992	(31,924)
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	(4,456,798)	(7,202,505)	(3,053,506)	(424,663)	-	(15,137,472)
Inflow	4,300,280	6,985,017	2,994,583	401,916	-	14,681,796
	(156,518)	(217,488)	(58,923)	(22,747)	-	(455,676)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Derivative financial liabilities (continued)

Derivative financial liabilities based on contractual undiscounted cash flows (continued):

	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	Total RM'000
The Bank						
2022						
Derivatives settled on net basis						
Interest rate derivatives	**(4,528)**	**(3,556)**	**(63,951)**	**(4,345)**	**-**	**(76,380)**
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	**(3,570,429)**	**(5,030,725)**	**(2,676,849)**	**-**	**-**	**(11,278,003)**
Inflow	**3,444,770**	**4,855,480**	**2,628,440**	**-**	**-**	**10,928,690**
	(125,659)	**(175,245)**	**(48,409)**	**-**	**-**	**(349,313)**

	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	Total RM'000
The Bank						
2021						
Derivatives settled on net basis						
Interest rate derivatives	(1,812)	(1,877)	(8,296)	(7,058)	4,992	(14,051)
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	(1,844,043)	(2,201,778)	(2,745,686)	(84,605)	-	(6,876,112)
Inflow	1,821,353	2,181,921	2,717,988	83,340	-	6,804,602
	(22,690)	(19,857)	(27,698)	(1,265)	-	(71,510)

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities.

	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	No specific maturity RM'000	Total RM'000
The Group							
2022							
Assets							
Cash and short-term funds	4,903,601	-	-	-	-	-	4,903,601
Deposits and placements with banks and other financial institutions	-	301,438	-	-	-	-	301,438
Financial assets at FVTPL	-	99,591	65,406	103,922	129,120	146,464	544,503
Derivative financial assets	122,882	189,988	62,318	101,318	18,883	-	495,389
Financial investments at FVOCI	-	20,243	175,956	2,328,630	1,026,757	230,918	3,782,504
Financial investments at AC	4,999	210,641	842,489	7,133,020	8,661,952	-	16,853,101
Loans, advances and financing	4,302,562	2,202,174	1,688,058	9,501,110	40,196,015	41,937	57,931,856
Trade receivables	405,401	-	-	-	-	-	405,401
Other assets	319,722	1,709	60,300	11,030	2,823	3,069	398,653
Amount due from joint ventures	455	-	-	-	-	-	455
Statutory deposits with Bank Negara Malaysia	1,250,872	-	-	-	-	-	1,250,872
Other non-financial assets [1]	2,126	125	200,652	49,257	95	3,000,849	3,253,104
	11,312,620	**3,025,909**	**3,095,179**	**19,228,287**	**50,035,645**	**3,423,237**	**90,120,877**

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[1] Other non-financial assets include tax recoverable, deferred tax assets, investment in associates, property and equipment, right-of-use assets, intangibles assets, prepayments and foreclosed properties.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities (continued).

	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	No specific maturity RM'000	Total RM'000
The Group							
2022							
Liabilities							
Deposits from customers	28,751,272	12,369,291	22,893,951	980,536	-	-	64,995,050
Investment accounts of customers	-	-	-	859	-	-	859
Deposits and placements of banks and other financial institutions	1,739,021	1,354,765	221,790	-	48,580	-	3,364,156
Obligation on securities sold under repurchase agreements	1,643,168	2,134,497	1,035,742	-	-	-	4,813,407
Derivative financial liabilities	140,454	237,361	63,889	82,441	18,109	-	542,254
Bills and acceptances payable	35,471	-	-	-	-	-	35,471
Recourse obligation on loans/financing sold to Cagamas Berhad	-	5,030	618,841	450,000	-	-	1,073,871
Trade payables	338,867	-	-	-	-	-	338,867
Lease liabilities	3,459	380	16,916	28,378	100	-	49,233
Other liabilities	236,689	14,093	1,032,643	273,109	21,008	-	1,577,542
Borrowings and Sukuk	23,205	-	760,734	1,250,000	495,992	-	2,529,931
Other non-financial liabilities [2]	140,071	3,105	28,224	-	-	8	171,408
	33,051,677	16,118,522	26,672,730	3,065,323	583,789	8	79,492,049
Net liquidity gap	(21,739,057)	(13,092,613)	(23,577,551)	16,162,964	49,451,856	3,423,229	

[2] Other non-financial liabilities include deferred tax liabilities, provision for taxation, defined contribution plan and accrued employee benefits.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities (continued).

	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	No specific maturity RM'000	Total RM'000
The Group							
2021							
Assets							
Cash and short-term funds	6,394,457	-	-	-	-	-	6,394,457
Deposits and placements with banks and other financial institutions	-	1,071,647	98,162	-	-	-	1,169,809
Financial assets at FVTPL	-	-	14,923	1,008	249,582	333,087	598,600
Derivative financial assets	32,003	37,429	36,332	61,722	19,395	-	186,881
Financial investments at FVOCI	5,103	9,972	114,367	2,222,784	1,300,541	224,855	3,877,622
Financial investments at AC	250,582	501,096	325,178	3,411,452	6,946,834	-	11,435,142
Loans, advances and financing	3,455,248	2,453,435	1,368,974	9,626,710	33,573,925	49,776	50,528,068
Trade receivables	527,166	-	-	-	-	-	527,166
Other assets	240,659	1,141	12,815	15,346	2,229	4,536	276,726
Amount due from joint ventures	15,737	-	-	-	-	-	15,737
Amount due from associate	30,888	-	-	-	-	-	30,888
Statutory deposits with Bank Negara Malaysia	68,625	-	-	-	-	-	68,625
Other non-financial assets [1]	135,147	1,941	22,999	24,184	-	3,135,073	3,319,344
	11,155,615	4,076,661	1,993,750	15,363,206	42,092,506	3,747,327	78,429,065

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[1] Other non-financial assets include tax recoverable, deferred tax assets, investment in joint ventures, investment in associates, property and equipment, right-of-use assets, intangibles assets, prepayments and foreclosed properties.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities (continued).

	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	No specific maturity RM'000	Total RM'000
The Group							
2021							
Liabilities							
Deposits from customers	22,510,539	11,087,274	23,507,437	1,688,750	404	-	58,794,404
Investment accounts of customers	-	-	-	1,329	-	-	1,329
Deposits and placements of banks and other financial institutions	2,414,563	351,081	100,396	-	-	-	2,866,040
Derivative financial liabilities	38,045	38,519	47,425	61,119	16,521	-	201,629
Bills and acceptances payable	28,644	-	-	-	-	-	28,644
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	669,212	-	-	-	669,212
Trade payables	982,362	-	-	-	-	-	982,362
Lease liabilities	2,331	3,244	7,512	23,785	-	-	36,872
Other liabilities	237,052	24,970	809,910	273,877	37,109	-	1,382,918
Borrowings and Sukuk	12,236	35,845	11,034	1,243,960	2,000,000	-	3,303,075
Other non-financial liabilities [2]	106,450	73,767	40,668	-	-	8,040	228,925
	26,332,222	11,614,700	25,193,594	3,292,820	2,054,034	8,040	68,495,410
Net liquidity gap	(15,176,607)	(7,538,039)	(23,199,844)	12,070,386	40,038,472	3,739,287	

[2] Other non-financial liabilities include deferred tax liabilities, provision for taxation, defined contribution plan and accrued employee benefits.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities. (continued)

	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	No specific maturity RM'000	Total RM'000
The Bank							
2022							
Cash and short-term funds	1,986,132	-	-	-	-	-	1,986,132
Deposits and placements with banks and other financial institutions	-	251,389	-	-	-	-	251,389
Investment accounts due from designated financial institutions	-	-	200,000	1,147,488	1,372,192	-	2,719,680
Financial assets at FVTPL	-	99,590	65,406	103,922	129,120	110,395	508,433
Derivative financial assets	115,160	141,251	55,819	76,404	18,883	-	407,517
Financial investments at FVOCI	-	-	-	-	-	206,993	206,993
Financial investments at AC	5,000	403,665	1,108,235	5,344,613	5,368,461	-	12,229,974
Loans, advances and financing	2,192,705	1,438,605	1,217,033	6,238,337	19,471,241	-	30,557,921
Other assets	181,090	-	33,031	7,981	2,596	-	224,698
Amount due from subsidiaries	5,835	-	-	-	-	-	5,835
Statutory deposits with Bank Negara Malaysia	749,272	-	-	-	-	-	749,272
Other non-financial assets [1]	2,774	125	155,603	42,480	-	5,450,438	5,651,420
	5,237,968	**2,334,625**	**2,835,127**	**12,961,225**	**26,362,493**	**5,767,826**	**55,499,264**

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[1] Other non-financial assets include tax recoverable, deferred tax assets, investment in joint ventures, investment in associates, property and equipment, right-of-use assets, intangibles assets, prepayments and foreclosed properties.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities (continued).

	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	No specific maturity RM'000	Total RM'000
The Bank							
2022							
Liabilities							
Deposits from customers	15,106,828	6,347,762	13,904,935	715,605	-	-	36,075,130
Deposits and placements of banks and other financial institutions	1,027,073	157,640	407	-	-	-	1,185,120
Obligation on securities sold under repurchase agreements	1,643,168	2,134,497	1,035,742	-	-	-	4,813,407
Derivative financial liabilities	125,421	174,105	58,060	60,514	18,109	-	436,209
Bills and acceptances payable	35,471	-	-	-	-	-	35,471
Lease liabilities	3,311	138	15,956	26,035	-	-	45,440
Recourse obligation on loans/financing sold to Cagamas Berhad	-	5,030	618,841	450,000	-	-	1,073,871
Other liabilities	22,525	-	436,309	227,297	14,547	-	700,678
Amount due to subsidiaries	300,371	-	-	-	-	-	300,371
Borrowings and Sukuk	23,205	-	-	500,000	495,992	-	1,019,197
Other non-financial liabilities [2]	133,294	-	-	-	-	-	133,294
	18,420,667	8,819,172	16,070,250	1,979,451	528,648	-	45,818,188
Net liquidity gap	(13,182,699)	(6,484,547)	(13,235,123)	10,981,774	25,833,845	5,767,826	

[2] Other non-financial liabilities include defined contribution plan and accrued employee benefits.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities (continued).

	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	No specific maturity RM'000	Total RM'000
The Bank							
2021							
Assets							
Cash and short-term funds	2,525,482	-	-	-	-	-	2,525,482
Deposits and placements with banks and other financial institutions	-	1,021,639	150,018	-	-	-	1,171,657
Investment accounts due from designated financial institutions	-	-	26,000	624,094	1,175,431	-	1,825,525
Financial assets at FVTPL	-	-	14,923	-	249,582	104,171	368,676
Derivative financial assets	23,069	16,002	17,110	29,064	19,395	-	104,640
Financial investments at FVOCI	-	-	-	-	-	198,148	198,148
Financial investments at AC	250,582	501,096	15,645	3,371,067	4,901,808	-	9,040,198
Loans, advances and financing	2,100,444	1,525,470	959,322	6,458,855	15,835,245	-	26,879,336
Other assets	129,675	-	-	7,097	2,202	-	138,974
Amount due from subsidiaries	758,924	-	-	-	-	-	758,924
Amount due from associate	30,888	-	-	-	-	-	30,888
Statutory deposits with Bank Negara Malaysia	58,325	-	-	-	-	-	58,325
Other non-financial assets [1]	113,306	1,941	19,566	21,079	-	5,174,079	5,329,971
	5,990,695	3,066,148	1,202,584	10,511,256	22,183,663	5,476,398	48,430,744

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[1] Other non-financial assets include tax recoverable, deferred tax assets, investment in joint ventures, investment in associates, property and equipment, right-of-use assets, intangibles assets, prepayments and foreclosed properties.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities (continued).

	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	No specific maturity RM'000	Total RM'000
The Bank							
2021							
Liabilities							
Deposits from customers	11,952,939	5,119,614	15,050,161	1,118,645	404	-	33,241,763
Deposits and placements of banks and other financial institutions	2,231,868	45,855	-	-	-	-	2,277,723
Derivative financial liabilities	24,647	20,442	28,506	35,421	16,521	-	125,537
Bills and acceptances payable	28,644	-	-	-	-	-	28,644
Lease liabilities	1,138	2,063	3,738	22,293	-	-	29,232
Recourse obligation on loans/financing sold to Cagamas Berhad	-	-	619,179	-	-	-	619,179
Other liabilities	18,677	-	296,998	228,890	31,321	-	575,886
Amount due to subsidiaries	2,500	-	-	-	-	-	2,500
Borrowings and Sukuk	12,236	35,845	-	500,000	2,000,000	-	2,548,081
Other non-financial liabilities [2]	100,226	-	-	-	-	-	100,226
	14,372,875	5,223,819	15,998,582	1,905,249	2,048,246	-	39,548,771
Net liquidity gap	(8,382,180)	(2,157,671)	(14,795,998)	8,606,007	20,135,417	5,476,398	

[2] Other non-financial liabilities include defined contribution plan and accrued employee benefits.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Operational risk management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or external events. The definition includes legal risk, and exposure to litigation from all aspects of the Bank's activities, but excludes strategic and reputational risks. Management of operational risk also encompasses outsourcing and business continuity risk.

The Group Operational Risk Management Policy governs the management of operational risk across the Group and the Bank. GBRMC endorses all policies changes relating to operational risk prior to Board's approval. Group Management Committee - Governance Risk and Compliance ('GMC-GRC') supports GBRMC in the review and monitoring of operational risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The Group Operational Risk Management ('GORM') is a function within the Group Risk Management ('GRM') operates in independent capacity to facilitate business/support units managing the risks in activities associated with the operational function of the Group and the Bank.

Operational risks are managed daily through established systems and processes to ensure compliance with policies, guidelines and control procedures.

The Group and the Bank employ the following standard operational risk tools for risk and control identification and assessment:

- Risk Control Self Assessment ('RCSA').
- Control Self Testing ('CST')
  Note: Process to assist Business/Support Unit to identify and assess their key operational risks and controls, inherent risk rating, control effectiveness and residual risk level.
- Key Risk Indicator ('KRI').
  Note: Process to monitor and manage key operational risk exposures over time, measured against a set of threshold levels (Red, Amber & Green).
- Loss Event Reporting ('LER').
  Note: Process for reporting, evaluating and monitoring operational risk loss incidents including business disruption and system failure, data breaches and Shariah Non-Compliance ('SNC').
- Scenario Analysis ('ScAn').
  Note: Process to develop plausible operational risk scenarios under which the identified major operational risks could materialise, evaluate the control effectiveness and estimate the probability of occurrence as well as severity of the impact.

Introduction of new or enhanced products or services are evaluated to assess, potential operational risks, mitigating controls and the operational readiness.

The Group and the Bank adopt the Three Lines of Defence ('3-LOD') model to ensure segregation of key roles and responsibilities between Business/Support Units and Group Operation Risk Management ('GORM') as the independent oversight function in managing operational risk. As part of the 1st Line of Defence, Business Risk and Compliance Manager ('BRCM') are appointed at Business/Support Units as champions of Operational Risk Management ('ORM') activities within their respective unit. The BRCM is responsible for the reporting of ORM activities and to liaise with GORM on all operational lapses and results.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Technology risk

Technology risk refers to any risks emanating from technology failures and cyber threats that may disrupt the Group's and the Bank's business such as failures of information technology ('IT') systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external network or Internet, which could result in financial loss, financial services disruption or the operations of the Group and the Bank. Failures or errors in any of the elements above could also lead to adverse reputational impact to the Group and the Bank.

The technology risk management function within GRM manages the risks associated with technology risk of the Group and the Bank. GBCMC supports GBRMC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. GBRMC is responsible to provide oversight of overall technology related matters of the Group and the Bank.

The Group Technology Risk Management Framework and Cyber Resilience Framework governs the management of technology risk across the Group and the Bank.

GBITC represents the Board committee to oversee and review the formulation of IT and Digital strategies, costs and planning, including the financial, tactical and strategic benefits of proposed major IT and operational related initiatives.

This includes oversight, guidance and endorsement in the formulation of Technology Risk Management/Cyber Resilience Framework, risk appetite, key risk indicators, other associated information technology/cyber security policies, major IT initiatives, technology architecture decisions, IT expenditure and IT priorities as well as overall IT performance for the Group and the Bank.

The Group and the Bank use risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT system throughout its System Development Life Cycle ('SDLC'). The output of this process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process.

Technology risk controls encompass the use of technical and non-technical methods. Technical controls are safeguards that are incorporated into computer hardware, software, or firmware (i.e. access control mechanisms, identification and authentication mechanisms, encryption methods, intrusion detection software). Non-technical controls are management and operational controls, such as security policies, operational procedures and personnel, physical and environmental security.

Technology Risk Management reports are produced periodically for the respective stakeholders and committees.

(vi) Shariah non-compliance risk

Shariah non-compliance ('SNC') is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of BNM ('SAC'), standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA or decisions or advice of the Shariah Committee.

BNM's policy document on Shariah governance together with the Bank's internal guidelines on Shariah Supervision & Compliance Framework and Shariah Risk Management Policy are the main references for the Shariah risk management process within the Bank.

Affin Islamic Bank's Shariah committee is established to provide objective and sound advice to the management to ensure that the aims and operations, business, affairs and activities are in compliance with Shariah.

Shariah Risk Management is part of an integrated risk management that systematically identify, measure, monitor and report Shariah non-compliance risks in the operations, business, affairs and activities of the Bank.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Shariah non-compliance risk (continued)

SNC risk is proactively managed via the following risk tools:

1. SNC Loss Event Reporting ('LER') ensure effective and timely SNC internal reporting process;
2. SNC Risk and Control Self-Assessment ('RCSA') assists business/support unit within the Bank to identify and assess key SNC risks and controls;
3. SNC Key Risk Indicator ('KRI') facilitates business/support unit within the Bank to measure and monitor a residual risk from the Risk and Control Self-Assessment; and
4. SNC Key Control Self-Assessment ('KCSA') facilitates business/support unit within the Bank to assess the effectiveness of control measures.

(vii) Business continuity risk

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholder/customer confidence due to the discontinuation of services in both business and technology operations.

The Group Business Continuity Management Policy governs the management of business continuity issues, in line with BNM and PayNet Guidelines on Business Continuity Management ('BCM').

GBRMC approves all policies and its changes relating to business continuity management. It also reviews, monitors and discusses business continuity management reports tabled at its meetings. Group Business Continuity Management Committee ('GBCMC') supports GBRMC in the review and monitoring of business continuity risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The BCM function is responsible overseeing the management of the overall business continuity risk including facilitation of the crisis management.

Annual Risk Assessment and Business Impact Analysis are made compulsory for each business and support unit in the Group and the Bank to undertake. The outcome of this assessment will translate into a risks listing that require business and support units to derive action plans to address the risks.

Risk control is established through adherence with established BCM guidelines and standards throughout the implementation of BCM programs. Rigorous testing on business continuity and disaster recovery plans are diligently performed to ensure effective and smooth execution of the plan for resumption and recovery of disrupted business.

Policies and processes are in place to support the monitoring and reporting of business continuity risks.

(viii) Interest/Profit rate benchmark reform

Interest/Profit rate benchmarks such as interbank offered rates (IBORs) has play an important role in global financial markets. These benchmarks index trillions of dollars in a wide variety of financial products, ranging from mortgages to derivatives. With recent market developments, question has been brought in on the long-term reliability of such benchmarks. In some jurisdictions, it is now a clear steer towards replacing existing benchmarks with alternative, nearly risk-free rates (referred to as 'IBOR reform'). The introduction of new alternative reference rate ('ARR') or IBOR reform aims to facilitate usage of benchmarks rates that are more robust and based upon transaction in active, liquid markets. As at 31 December 2022, the Group and the Bank has exposure to Kuala Lumpur Interbank Offered Rate ('KLIBOR'), London Interbank Offered Rate denominated in USD ('USD LIBOR') and AUD Bank Bill Swap ('BBSW') based financial instruments.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(viii) Interest/Profit rate benchmark reform (continued)

On 24 September 2021, in line with the IBOR reform, BNM introduced the Malaysia Overnight Rate ('MYOR') as the new ARR, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments. The publication of the 2- and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts will be discontinued on 1 January 2023. The Malaysia Islamic Overnight Rate ('MYOR-i') was launched by BNM on 25 March 2022 to replace the Kuala Lumpur Islamic Reference Rate ('KLIRR').

The Group and the Bank has set up an internal working group and the key objectives of the internal working group include the followings:

- identifying contracts in scope of benchmark reform;
- considering changes to internal systems, processes, risk management and valuation models;
- allocation of roles and responsibilities and identification of relevant responsible parties to execute and implement the transition; and
- managing any related tax and accounting implications.

Operational risk is the main risk of IBOR reform for the Group and the Bank. Operational risk may arise during the renegotiation of financial contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. Beside regulatory risk, financial risk is predominantly limited to interest rate risk.

As of 31 December 2022, changes required to systems, processes and models have been identified and have been partially implemented. The Bank has identified all KLIBOR-linked contracts as of 31 December 2022 and all contracts that were referenced to 3-month KLIBOR and 6-month KLIBOR. The Group and the Bank will closely monitor the regulators' announcements on MYOR or discontinuation of publication of the KLIBOR for the relevant tenors and continue to engage with industry participants, to ensure an orderly transition to MYOR and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with KLIBOR replacement.

In 2021, it was announced that the LIBOR was going to be discontinued. It was noted that publication of the 1-week and 2-month USD LIBOR maturities and all non-USD LIBOR maturities would cease immediately after 31 December 2021, with the remaining USD LIBOR maturities ceasing immediately after 30 June 2023. The strategy to ensure smooth transition from IBOR to RFRs are as follows:

- Business strategy - to prepare an action plan to re-assess the impact of outstanding contracts that expire beyond the 30 June 2023 timeframe to mitigate disadvantages to both the customer and the Bank.
- Product - to strategise for introduction of new or enhance products where the pricing will be in reference to RFRs.
- System - to reconfigure the existing system revaluation curves upon confirmation of the methodology for RFRs.
- Legal - to assess the legal implication on existing contracts that expire beyond the 30 June 2023 timeframe.

For Bank Bill Swap Rate ('BBSW') AUD Floating Rate Notes ('FRN'), the Group and the Bank will let the FRNs expire naturally without any need for BBSW fallback since the Reserve Bank of Australia ('RBA') in 2021 had announced that this is the allowable convention in Australia to treat legacy FRNs.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments

Fair value is defined 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 Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using quoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

This category includes unquoted shares held for socio-economic reasons. Fair values for shares held for socio-economic reasons are based on the net tangible assets of the affected companies. The Group and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments (continued)

The following table presents financial assets and financial liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2022				
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**382,925**	**-**	**382,925**
- Corporate bonds/Sukuk	**-**	**15,115**	**-**	**15,115**
- Shares and unit trusts	**36,068**	**-**	**110,395**	**146,463**
Derivative financial assets	**-**	**495,389**	**-**	**495,389**
Financial investments at FVOCI				
- Money market instruments	**-**	**2,022,143**	**-**	**2,022,143**
- Shares	**-**	**-**	**230,918**	**230,918**
- Corporate bonds/Sukuk	**-**	**1,529,443**	**-**	**1,529,443**
Total	**36,068**	**4,445,015**	**341,313**	**4,822,396**
Financial Liabilities				
Derivative financial liabilities	**-**	**542,254**	**-**	**542,254**
Other liabilities - equities trading	**149**	**-**	**-**	**149**
Total	**149**	**542,254**	**-**	**542,403**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2021				
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	-	249,582	-	249,582
- Corporate bonds/Sukuk	-	15,931	-	15,931
- Shares and unit trusts	228,916	-	104,171	333,087
Derivative financial assets	-	186,881	-	186,881
Financial investments at FVOCI				
- Money market instruments	-	2,007,150	-	2,007,150
- Shares	-	-	224,855	224,855
- Corporate bonds/Sukuk	-	1,645,617	-	1,645,617
Total	228,916	4,105,161	329,026	4,663,103
Financial Liabilities				
Derivative financial liabilities	-	201,629	-	201,629
Puttable liability - investment in funds	33,442	-	-	33,442
Other liabilities - equities trading	2,853	-	-	2,853
Total	36,295	201,629	-	237,924

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments (continued)

The following table presents financial assets and financial liabilities measured at fair value and classified by level of the following fair value measurement hierarchy (continued):

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Bank				
2022				
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**382,925**	**-**	**382,925**
- Corporate bonds/Sukuk	**-**	**15,113**	**-**	**15,113**
- Unquoted shares	**-**	**-**	**110,395**	**110,395**
Derivative financial assets	**-**	**407,517**	**-**	**407,517**
Financial investments at FVOCI				
- Unquoted shares	**-**	**-**	**206,993**	**206,993**
Total	**-**	**805,555**	**317,388**	**1,122,943**
Financial Liabilities				
Derivative financial liabilities	**-**	**436,209**	**-**	**436,209**
Total	**-**	**436,209**	**-**	**436,209**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Bank				
2021				
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	-	249,582	-	249,582
- Corporate bonds/Sukuk	-	14,923	-	14,923
- Unquoted shares	-	-	104,171	104,171
Derivative financial assets	-	104,640	-	104,640
Financial investments at FVOCI				
- Unquoted shares	-	-	198,148	198,148
Total	-	369,145	302,319	671,464
Financial Liabilities				
Derivative financial liabilities	-	125,537	-	125,537
Total	-	125,537	-	125,537

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments (continued)

The following table present the changes in Level 3 instruments for the financial year ended:

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At beginning of the financial year	**329,026**	310,686	**302,319**	285,357
Sales/Redemption	**(360)**	(252)	**(360)**	(252)
Total gains recognised in other comprehensive income	**12,647**	18,592	**15,429**	17,214
At end of the financial year	**341,313**	329,026	**317,388**	302,319

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio-economic purposes.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

	Fair value assets				
Description	2022 RM'000	2021 RM'000	Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTPL					
The Group and The Bank					
Unquoted shares	**110,395**	104,171	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
Financial investments at FVOCI					
The Group					
Unquoted shares	**230,918**	224,855	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
The Bank					
Unquoted shares	**206,993**	198,148	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

In estimating its significance, the Group and the Bank used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflects the values that the Group and the Bank estimate are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments (continued)

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statement of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values.

	Carrying amount RM'000	Fair value			
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group					
2022					
Financial assets					
Deposits and placements with banks and other financial institutions	**301,438**	**-**	**301,438**	**-**	**301,438**
Financial investments at AC	**16,853,101**	**879,647**	**16,290,515**	**-**	**17,170,162**
Loans, advances and financing	**57,931,856**	**-**	**58,699,525**	**-**	**58,526,526**
	75,086,395	**879,647**	**75,118,479**	**-**	**75,998,126**
Financial liabilities					
Deposits from customers	**64,995,050**	**-**	**65,019,548**	**-**	**65,019,548**
Obligation on securities sold under repurchase agreements	**4,813,407**	**-**	**4,813,407**	**-**	**4,813,407**
Recourse obligation on loans/financing sold to Cagamas Berhad	**1,073,871**	**-**	**1,065,439**	**-**	**1,065,439**
Borrowings and Sukuk	**2,529,931**	**-**	**2,553,100**	**-**	**2,553,100**
	73,412,259	**-**	**73,451,494**	**-**	**73,451,494**

	Carrying amount RM'000	Fair value			
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group					
2021					
Financial assets					
Deposits and placements with banks and other financial institutions	1,169,809	-	1,170,082	-	1,170,082
Financial investments at AC	11,435,142	40,452	10,833,352	-	10,873,804
Loans, advances and financing	50,528,068	-	50,708,395	-	50,708,395
	63,133,019	40,452	62,711,829	-	62,752,281
Financial liabilities					
Deposits from customers	58,794,404	-	58,836,536	-	58,836,536
Recourse obligation on loans/financing sold to Cagamas Berhad	669,212	-	654,508	-	654,508
Borrowings and Sukuk	3,303,075	-	3,359,530	-	3,359,530
	62,766,691	-	62,850,574	-	62,850,574

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments (continued)

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the statement of financial position. It does not include those short term/on demand financial assets and liabilities where the carrying amounts are reasonable approximate to their fair values (continued).

		Fair value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Bank					
2022					
Financial assets					
Deposits and placements with banks and other financial institutions	**251,389**	**-**	**251,389**	**-**	**251,389**
Investment accounts due from designated financial institutions	**2,719,680**	**-**	**3,229,990**	**-**	**3,229,990**
Financial investments at AC	**12,229,974**	**-**	**12,810,426**	**-**	**12,810,426**
Loans, advances and financing	**30,557,921**	**-**	**30,904,269**	**-**	**30,904,269**
	45,758,964	**-**	**47,196,074**	**-**	**47,196,074**
Financial liabilities					
Deposits from customers	**36,075,130**	**-**	**36,079,870**	**-**	**36,079,870**
Obligation on securities sold under repurchase agreements	**4,813,407**	**-**	**4,813,407**	**-**	**4,813,407**
Recourse obligation on loans/financing sold to Cagamas Berhad	**1,073,871**	**-**	**1,065,439**	**-**	**1,065,439**
Borrowings and Sukuk	**1,019,197**	**-**	**1,029,590**	**-**	**1,029,590**
	42,981,605	**-**	**42,988,306**	**-**	**42,988,306**

		Fair value			
	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Bank					
2021					
Financial assets					
Deposits and placements with banks and other financial institutions	1,171,657	-	1,171,880	-	1,171,880
Investment accounts due from designated financial institutions	1,825,525	-	1,848,847	-	1,848,847
Financial investments at AC	9,040,198	-	8,660,216	-	8,660,216
Loans, advances and financing	26,879,336	-	26,945,898	-	26,945,898
	38,916,716	-	38,626,841	-	38,626,841
Financial liabilities					
Deposits from customers	33,241,763	-	33,258,366	-	33,258,366
Recourse obligation on loans/financing sold to Cagamas Berhad	619,179	-	605,232	-	605,232
Borrowings and Sukuk	2,548,081	-	2,576,706	-	2,576,706
	36,409,023	-	36,440,304	-	36,440,304

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statements of financial position as at reporting date of the Group and the Bank approximates the total carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments (continued)

The fair value estimates were determined by application of the methodologies and assumptions described below.

Short-term funds and placements with banks and other financial institutions

For short-term funds and placements with banks and other financial institutions with maturity of less than six months, the carrying amount is a reasonable estimate of fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made to banks with similar credit ratings and maturities.

Financial investments at AC

The fair values of financial investments at AC are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

Loans, advances and financing

Loans, advances and financing of the Group comprise of floating rate loans/financing and fixed rate loans. For performing floating rate loans/financing, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans/financing are arrived at using the discounted cash flows based on the prevailing market rates of loans, advances and financing with similar credit ratings and maturities.

The fair values of impaired loans, advances and financing, whether fixed or floating are represented by their carrying values, net ECL, being the reasonable estimate of recoverable amount.

Other assets/liabilities and trade receivables/payables

The carrying value less any estimated allowance for financial assets and liabilities included in other assets/liabilities and trade receivables/payables are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest/profit rates.

Amount due (to)/from subsidiaries and related companies

The estimated fair values of the amount due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

Deposits from customers, banks and other financial institutions, investment accounts of customers, bills and acceptances payable

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest/profit bearing deposits, approximates carrying amount which represents the amount repayable on demand.

52 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ix) Fair value of financial instruments (continued)

Obligation on securities sold under repurchase agreements

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market interest rates with similar remaining period to maturity.

Borrowings and Sukuk

For fixed rate borrowings and sukuk, the estimate of fair value is based on discounted cash flows model using prevailing lending/financing rates for borrowings with similar risks and remaining term to maturity.

For floating rate borrowings and sukuk, the carrying value is generally a reasonable estimate of their fair values.

53 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 ‘Financial Instruments: Presentation’, the Group and the Bank report financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All derivative financial instruments and reverse repurchase and repurchased agreements and other similar secured lending/financing and borrowing/funding agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described below.

The ‘Financial instruments’ column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements and Global Master Repurchase Agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

The ‘Net amounts’ presented below are not intended to represent the Group and the Bank’s actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

Obligation on securities sold under repurchase agreements

The ‘Financial instruments’ column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as Global Master Repurchase Agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

53 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Effects of offsetting on the statements of financial position			Related amounts not offset in the balance sheet		
	Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
The Group						
2022						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	**458,682**	**(458,682)**	**-**	**-**	**-**	**-**
Derivative financial assets	**495,389**	**-**	**495,389**	**(300,995)**	**(23,026)**	**171,368**
	954,071	**(458,682)**	**495,389**	**(300,995)**	**(23,026)**	**171,368**
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	**559,414**	**(458,682)**	**100,732**	**-**	**-**	**100,732**
Obligation on securities sold under repurchase agreement	**4,813,407**	**-**	**4,813,407**	**(4,813,407)**		**-**
Derivative financial liabilities	**542,254**	**-**	**542,254**	**(300,995)**	**(8)**	**241,251**
	5,915,075	**(458,682)**	**5,456,393**	**(5,114,402)**	**(8)**	**341,983**
The Group						
2021						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	371,309	(371,309)	-	-	-	-
Derivative financial assets	186,881	-	186,881	(98,409)	-	88,472
	558,190	(371,309)	186,881	(98,409)	-	88,472
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	501,041	(371,309)	129,732	-	-	129,732
Derivative financial liabilities	201,629	-	201,629	(98,409)	(6,838)	96,382
	702,670	(371,309)	331,361	(98,409)	(6,838)	226,114

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53 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Effects of offsetting on the statements of financial position			Related amounts not offset in the balance sheet		
	Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
The Bank						
2022						
Financial assets						
Derivative financial assets	**407,517**	**-**	**407,517**	**(271,007)**	**-**	**136,510**
Financial liabilities						
Obligation on securities sold under repurchase agreements	**4,813,407**	**-**	**4,813,407**	**(4,813,407)**	**-**	**-**
Derivative financial liabilities	**436,209**	**-**	**436,209**	**(271,007)**	**-**	**165,202**
The Bank						
2021						
Financial assets						
Derivative financial assets	104,640	-	104,640	(74,225)	-	30,415
Financial liabilities						
Derivative financial liabilities	125,537	-	125,537	(74,225)	-	51,312

54 CAPITAL MANAGEMENT

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) updated on 9 December 2020.

The Group and the Bank are currently adopting 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 BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1'), Tier 1 Capital Ratio and Total Capital Ratio are 7.00%, 8.50% and 10.50% respectively for the financial year ended 31 December 2022.

The Group and the Bank's objectives when managing capital are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group and the Bank operates;
- To safeguard the Group and the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group and the Bank have elected to apply BNM's transitional arrangements for four years beginning on 1 January 2020. Under the transitional arrangements, a financial institution is allowed to add back the amount of loss allowance measured at an amount equal to 12-Month ECL and Lifetime ECL to the extent they are ascribed to non-credit impaired exposures (which is Stage 1 and Stage 2 provisions) to CET 1 capital.

The Group and the Bank maintain a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the management which takes into account the risk profile of the Group and the Bank.

The table in Note 55 below summarises the composition of regulatory capital and the ratios of the Group and the Bank for the financial year ended 31 December 2022.

55 CAPITAL ADEQUACY

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
The components of CET 1, Tier 1 and Tier 2 capital:				
CET 1				
Paid-up share capital	**5,245,447**	4,969,150	**5,245,447**	4,969,150
Retained profits	**4,858,776**	4,163,442	**3,852,537**	3,119,461
Unrealised gains on FVOCI instruments	**44,806**	90,473	**166,472**	157,267
Other disclosed reserves	**-**	(88,737)	**-**	-
Foreign exchange reserves	**-**	39	**-**	-
	10,149,029	9,134,367	**9,264,456**	8,245,878
Less: Regulatory adjustments:				
- Goodwill and other intangibles	**(629,369)**	(895,850)	**(183,216)**	(198,733)
- Deferred tax assets	**(233,973)**	(223,344)	**(125,964)**	(111,900)
- 55% of cumulative unrealised gains on FVOCI instruments	**(24,644)**	(49,760)	**(91,560)**	(86,497)
- Investment in subsidiaries, joint ventures and associates	**(794,779)**	(907,293)	**(3,846,578)**	(3,796,621)
- Other CET 1 transitional adjustment	**571,609**	341,998	**327,591**	238,228
Total CET 1 capital	**9,037,873**	7,400,118	**5,344,729**	4,290,355
Additional Tier 1 capital				
Additional Tier 1 capital	**800,000**	800,000	**500,000**	500,000
Qualifying capital instruments held by third party	**-**	32,933	**-**	-
	800,000	832,933	**500,000**	500,000
Total Tier 1 capital	**9,837,873**	8,233,051	**5,844,729**	4,790,355
Tier 2 capital				
Subordinated medium term loans	**955,000**	2,455,000	**500,000**	2,000,000
Expected loss provisions [#]	**454,429**	277,775	**280,013**	170,816
Less: Regulatory adjustments:				
- Investment in capital instruments of unconsolidated financial and insurance entities	**-**	(30,914)	**(345,000)**	(375,914)
Total Tier 2 capital	**1,409,429**	2,701,861	**435,013**	1,794,902
Total Capital	**11,247,302**	10,934,912	**6,279,742**	6,585,257
The breakdown of risk-weighted assets:				
Credit risk	**52,982,623**	46,962,011	**33,967,295**	29,381,798
Market risk	**631,065**	781,246	**403,534**	567,804
Operational risk	**3,951,028**	3,580,698	**1,858,354**	1,671,929
Total risk-weighted assets	**57,564,716**	51,323,955	**36,229,183**	31,621,531

55 CAPITAL ADEQUACY (CONTINUED)

	The Group		The Bank	
	2022	**2021**	**2022**	**2021**
Capital adequacy ratios:				
With transitional arrangements				
CET 1 capital ratio	**15.700%**	14.418%	**14.753%**	13.568%
Tier 1 capital ratio	**17.090%**	16.041%	**16.133%**	15.149%
Total capital ratio	**19.539%**	21.306%	**17.333%**	20.825%
CET 1 capital ratio (net of proposed dividends) Note 1	**15.597%**	14.198%	**14.588%**	13.209%
Tier 1 capital ratio (net of proposed dividends) Note 1	**16.986%**	15.820%	**15.968%**	14.791%
Total capital ratio (net of proposed dividends) Note 1	**19.435%**	21.085%	**17.169%**	20.467%
Without transitional arrangements				
CET 1 capital ratio	**14.707%**	13.752%	**13.848%**	12.814%
Tier 1 capital ratio	**16.097%**	15.375%	**15.228%**	14.396%
Total capital ratio	**18.907%**	21.242%	**16.828%**	20.693%
CET 1 capital ratio (net of proposed dividends) Note 1	**14.604%**	13.531%	**13.684%**	12.456%
Tier 1 capital ratio (net of proposed dividends) Note 1	**15.993%**	15.154%	**15.064%**	14.037%
Total capital ratio (net of proposed dividends) Note 1	**18.803%**	21.021%	**16.664%**	20.335%

Qualifying loss provisions are restricted to allowances on the unimpaired portion of the loans, advances and other financing.

Note 1 :
Under the DRP, the amount of declared dividend to be deducted in the calculation of CET 1 Capital Ratio is determined in accordance with BNM's Implementation Guidance on Capital Adequacy Framework (Capital Components) (Implementation Guidance) issued on 2 February 2019.

Under the said Implementation Guidance, where a portion of the dividend may be reinvested under a DRP (the electable portion), the amount of the declared dividend to be deducted in the calculation of CET 1 Capital Ratio may be reduced as follows:-

(i) where an irrevocable written undertaking from shareholder has been obtained to reinvest the electable portion of the dividend; or
(ii) where there is no irrevocable written undertaking provided, the average of the preceding 3-year take-up rates or if less than 3 preceding years, the available average historical take-up rates, subject to the amount being not more than 50% of the total electable portion of the dividend.

In arriving at the capital adequacy ratios, the portion of the proposed dividends where no irrevocable written undertaking from shareholders to reinvest the electable portion into new ordinary shares of the Bank is obtained, is assumed to be paid in cash and has been deducted from the calculation of CET 1 Capital Ratio.

In accordance with BNM's Policy Document on Investment Account, the credit and market risk weighted on the assets funded by the RIA are included in calculation of capital adequacy for the Bank. As at 31 December 2022, RIA assets included in the Total Capital Ratio calculation amounted to RM2,723.1 million (2021: RM1,834.6 million).

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for the financial year ended 31 December 2022

55 CAPITAL ADEQUACY (CONTINUED)

The capital adequacy ratios of the AFFIN ISLAMIC is as follows:

	Economic Entity		The Bank	
	2022	**2021**	**2022**	**2021**
With transitional arrangements				
CET 1 capital ratio	**12.965%**	12.138%	**12.965%**	12.138%
Tier 1 capital ratio	**14.502%**	13.873%	**14.502%**	13.873%
Total capital ratio	**19.363%**	19.027%	**19.363%**	19.027%
Without transitional arrangements				
CET 1 capital ratio	**11.813%**	11.669%	**11.813%**	11.669%
Tier 1 capital ratio	**13.351%**	13.404%	**13.351%**	13.404%
Total capital ratio	**18.635%**	19.027%	**18.635%**	19.027%

The capital adequacy ratios of the AHIBB is as follows:

	The Group		The Bank	
	2022	**2021**	**2022**	**2021**
With transitional arrangements				
CET 1 capital ratio	**42.923%**	31.426%	**55.446%**	45.802%
Tier 1 capital ratio	**42.923%**	32.508%	**55.446%**	45.802%
Total capital ratio	**43.516%**	33.028%	**56.214%**	46.578%
Without transitional arrangements				
CET 1 capital ratio	**42.127%**	30.665%	**54.413%**	44.641%
Tier 1 capital ratio	**42.127%**	31.747%	**54.413%**	44.641%
Total capital ratio	**42.720%**	32.437%	**55.181%**	45.416%

56 LITIGATION AGAINST THE BANK

There is no material litigation during the financial year ended 31 December 2022.

57 CREDIT EXPOSURES ARISING FROM TRANSACTIONS WITH CONNECTED PARTIES

The following credit exposures are based on BNM's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective 1 January 2008.

	The Group		The Bank	
	2022	**2021**	**2022**	**2021**
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	**6,349,089**	6,267,310	**3,986,727**	4,077,841
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**7%**	8%	**8%**	9%
(iii) The percentage of outstanding credit exposures with connected parties which is impaired or in default	**Nil**	Nil	**Nil**	Nil

58 SEGMENT ANALYSIS

Operating segments are reported in a manner consistent with the internal financial reporting system provided to the Chief Operating decision-maker, who is the person or group that allocates resources to and assess the performance of the operating segments of an entity. The Group has determined the Managing Director/CEO of the respective operating segments as its Chief Operating decision-maker.

The Group's operations are principally conducted in Malaysia and accordingly, no analysis in respect of geographical segments has been presented. The Group comprises the following main segments:

Commercial Banking

The Commercial Banking segment focuses on business of banking in all aspects which includes Islamic Banking operations. Its activities are generally structured into three key areas, Corporate Banking, Enterprise Banking and Community Banking.

Corporate Banking and Enterprise Banking provide a full range of financial products and services to cater mainly the business and funding needs of corporate customers, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans/financing, project and equipment financing and short-term credit such as overdrafts and trade financing and other fee-based services.

Community Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans/financing such as vehicle loans/financing (i.e. hire purchase), housing loans/financing, overdrafts/cashlines and personal loans/financing, credit cards, unit trusts and bancassurance/bancatakaful products.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

58 SEGMENT ANALYSIS (CONTINUED)

Investment Banking

The Investment Banking segment focuses on business of a merchant bank, stock-broking, fund and asset management.

This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include advisory services and structuring of private debt securities, corporate finance and advisory services for corporate listings, mergers and acquisitions, capital raising through issues of equity and debt instruments, corporate and debts restructuring exercises.

It also provides structured lending solutions mainly in support of corporate finance and capital market activities as well as access to variety of funds and capital market investment products to corporate, institutional and individual investors for competitive returns and other investment benefits including portfolio diversification and liquidity enhancement.

The stock-broking business comprises institutional and retail stock-broking business for securities listed on local and foreign stock exchanges, investment management and research services.

Insurance

The insurance segment includes the business of underwriting all classes of general and life insurance businesses in Malaysia.

Others

Other business segments in the Group include operation of investment holding companies, money-broking and other related financial services whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

58 SEGMENT ANALYSIS (CONTINUED)

	Continuing Operations							
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Total RM'000	Discontinued Operations RM'000	Group RM'000
2022								
Revenue								
External revenue	1,809,722	232,908	-	12,005	-	2,054,635	1,242,671	3,297,306
Intersegment revenue	1,289,359	(4,373)	-	681	(1,285,667)	-	-	-
Segment revenue	3,099,081	228,535	-	12,686	(1,285,667)	2,054,635	1,242,671	3,297,306
Operating expenses of which:	(1,144,636)	(167,206)	-	(10,605)	5,701	(1,316,746)	(100,691)	(1,417,437)
Depreciation of property and equipment	(26,331)	(3,189)	-	(152)	-	(29,672)	(1,886)	(31,558)
Depreciation of right-of-use assets	(33,386)	(6,263)	-	(350)	1,699	(38,300)	(2,084)	(40,384)
Amortisation of intangible assets	(22,409)	(914)	-	(10)	-	(23,333)	(951)	(24,284)
(Allowances for)/write-back of impairment losses on loans, advances, financing and trade receivables/securities/other assets/goodwill	(443,414)	(6,130)	-	-	(57,565)	(507,109)	(37)	(507,146)
Segment results	1,511,031	55,199	-	2,081	(1,337,531)	230,780	1,141,943	1,372,723
Share of results of a joint venture (net of tax)	-	-	791	-	-	791	-	791
Share of results of associates (net of tax)	-	-	7,820	-	-	7,820	-	7,820
Profit before zakat and taxation	1,511,031	55,199	8,611	2,081	(1,337,531)	239,391	1,141,943	1,381,334
Zakat	(4,000)	(150)	-	-	-	(4,150)	(345)	(4,495)
Profit before taxation	1,507,031	55,049	8,611	2,081	(1,337,531)	235,241	1,141,598	1,376,839
Taxation						(157,029)	(16,143)	(173,352)
Net profit for the financial year						78,032	1,125,455	1,203,487
Segment assets	82,060,679	7,198,733	-	9,106	-	89,268,518	-	89,268,518
ROU assets	54,036	13,706	-	34	(10,196)	57,580	-	57,580
Investment in associates	-	-	794,779	-	-	794,779	-	794,779
Total segment assets						90,120,877	-	90,120,877
Segment liabilities								
Total segment liabilities	74,601,342	4,889,142	-	1,565	-	79,492,049	-	79,492,049
Other information								
Capital expenditure	331,877	22,523	-	633	(11,895)	343,138	-	343,138

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2022

58 SEGMENT ANALYSIS (CONTINUED)

	Continuing Operations							
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Total RM'000	Discontinued Operations RM'000	Group RM'000
2021								
Revenue								
External revenue	1,527,033	306,233	-	11,908	-	1,845,174	395,982	2,241,156
Intersegment revenue	266,547	(126)	-	813	(267,234)	-	-	-
Segment revenue	1,793,580	306,107	-	12,721	(267,234)	1,845,174	395,982	2,241,156
Operating expenses	(963,368)	(169,292)	-	(11,401)	4,834	(1,139,227)	(214,384)	(1,353,611)
of which:								
Depreciation of property and equipment	(19,785)	(5,990)	-	(200)	-	(25,975)	(3,944)	(29,919)
Depreciation of right-of-use assets	(33,939)	(5,739)	-	(350)	-	(40,028)	(4,030)	(44,058)
Amortisation of intangible assets	(22,232)	(4,041)	-	(10)	-	(26,283)	(1,667)	(27,950)
(Allowances for)/write-back of impairment losses on loans, advances, financing and trade receivables/securities/other assets	(182,723)	(36,819)	-	-	(2,976)	(222,518)	(144)	(222,662)
Segment results	647,489	99,996	-	1,320	(265,376)	483,429	181,454	664,883
Share of results of a joint venture (net of tax)	-	-	2,565	-	-	2,565		2,565
Share of results of associates (net of tax)	-	-	42,826	-	-	42,826		42,826
Profit before zakat and taxation	647,489	99,996	45,391	1,320	(265,376)	528,820	181,454	710,274
Zakat	(3,660)	(2,088)	-	-	-	(5,748)	(672)	(6,420)
Profit before taxation	643,829	97,908	45,391	1,320	(265,376)	523,072	180,782	703,854
Taxation						(89,464)	(34,067)	(123,531)
Net profit for the financial year						433,608	146,715	580,323
Segment assets	69,353,693	8,108,105	-	14,587	-	77,476,385	-	77,476,385
ROU assets	38,763	6,240	-	384	-	45,387	-	45,387
Investment in joint ventures	-	-	181,853	-	-	181,853	-	181,853
Investment in associates	-	-	725,440	-	-	725,440	-	725,440
Total segment assets						78,429,065	-	78,429,065
Segment liabilities								
Total segment liabilities	62,735,856	5,757,664	-	1,890	-	68,495,410	-	68,495,410
Other information								
Capital expenditure	284,414	6,372	-	1,409	-	292,195	-	292,195

59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ('AHAM'), representing 63% of the equity interest in AHAM, by Affin Hwang Investment Bank Berhad ('AHIBB'), a wholly-owned subsidiary of the Bank ('the Divestment').

On 28 January 2022, AHIBB, certain key senior management ('KSM') of AHAM and Starlight Asset Sdn Bhd, an investment holding vehicle incorporated by funds advised by CVC Capital Partners ('Starlight Asset' or 'Purchaser'), entered into a conditional share sale and purchase agreement ('SPA') for the proposed Divestment of 7,594,338 ordinary shares in AHAM ('Sale Shares'), representing approximately 68.4% of the equity interest in AHAM, for a provisional cash consideration of RM1,537.9 million, subject to certain price adjustments as well as the terms and conditions as set out in the SPA. AHIBB and AHAM KSM are collectively referred to as the 'Vendors'.

	Sale shares		Provisional cash consideration
	No. of shares	[1] %	RM'000
Vendors			
AHIBB	7,000,000	63.0	1,417.5
AHAM KSM [2]	594,338	5.4	120.4
Total	7,594,338	68.4	1,537.9

[1] Based on the total of 11,111,000 ordinary shares in AHAM in issue as at 31 December 2021.

[2] Comprising selected AHAM KSM who exercised their AHAM stock options into AHAM Shares pursuant to the stock option scheme for its key employees in 2014.

Details of the disposal

AHIBB's provisional cash consideration is based on the Purchaser's offer for 100% equity interest in AHAM at an equity value of RM2,250.0 million ('Ascribed Value'), which includes an agreed pre-closing dividend of at least RM100.0 million declared by AHAM to its shareholders prior to the completion of the Divestment. Hence, AHIBB's provisional cash consideration ('Provisional Purchase Price') is the Ascribed Value attributable to the Group's Sale Shares, i.e. 63.0% of the Ascribed Value, or RM1,417.50 million.

Subject to the post-closing adjustments, the final divestment consideration ('Final Purchase Price') may differ from the Provisional Purchase Price in the event that there is a change in the shareholders'equity of AHAM and its subsidiaries ('AHAM Group') between 31 December 2021 and the closing date of the SPA.

The Divestment was subject to the following:

- the approval of the shareholders of the holding company, Affin Bank Berhad ("ABB") at an Extraordinary General Meeting; and
- the written approval from the Securites Commission Malaysia ("SC") for the following:
  - sale and purchase of the Sale Shares as it will result in the change in the controller of AHAM and AIIMAN Asset Management Sdn. Bhd. ("AIIMAN");
  - change in AHAM's name; and
  - the Purchaser to be a "related corporation" of AHAM and AIIMAN or an entity as may be approved by the SC pursuant to the Licensing Handbook issued by the SC.

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for the financial year ended 31 December 2022

59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(a) Divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ('AHAM'), representing 63% of the equity interest in AHAM, by Affin Hwang Investment Bank Berhad ('AHIBB'), a wholly-owned subsidiary of the Bank ('the Divestment') (continued).

On 9 May 2022, the first tranche of the pre-closing dividend, amounting to RM50.0 million was declared and paid by AHAM to its shareholders, of which the Group's share was RM31.5 million.

On 25 May 2022, the shareholders of ABB at an extraordinary general meeting approved the Divestment.

On 1 July 2022, approval from SC for the Divestment was obtained, subject to the following conditions:

(a) no adverse findings against the Divestment direct and indirect; and

(b) the Divestment shall not adversely affect the soundness of both AHAM and AIIMAN or the interests of the existing clients of AHAM Group.

Accordingly, as the last of the Conditions Precedents have been met, the SPA has become unconditional on 1 July 2022, with the Closing Date at 29 July 2022 as agreed by the parties to the SPA.

On 22 July 2022, the second tranche of the pre-closing dividend, which amounted to RM50.0 million, was declared and paid by AHAM to its shareholders, of which the Group's share was RM31.5 million.

On 29 July 2022, AHIBB received its share of the Provisional Purchase Price of RM1,354.5 million from the Purchaser. Consequently, on 29 July 2022, AHAM ceased to be a subsidiary of AHIBB and was deconsolidated from the Group's financial statements. In accordance with the terms and conditions set out in the SPA, the Provisional Purchase Price was subject to a post-closing adjustment to arrive at the Final Purchase Price. The post-closing adjustments was determined based on the adjusted shareholders' equity differential of AHAM Group between the Closing Date and 31 December 2021.

As the Closing Date Adjusted Shareholder's Equity is higher than the 31 December 2021's Adjusted Shareholder's Equity, the Group received the post-closing adjustment of RM36.7 million from Starlight on 8 November 2022.

Following the completion of the Divestment, AHAM has ceased to be a subsidiary of the Group, the Group recorded a gain on divestment of RM1.075 billion at the Group level for the financial year ended 31 December 2022. The Group has accounted for the Divestment as a discontinued operation in accordance with MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

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59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(a) Divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ('AHAM'), representing 63% of the equity interest in AHAM, by Affin Hwang Investment Bank Berhad ('AHIBB'), a wholly-owned subsidiary of the Bank ('the Divestment') (continued).

Financial information relating to the discontinued operation is as follows:

	The Group 2022 RM'000
Cash flows and net assets of AHAM on completion date	
Cash and short-term funds	**391,530**
Financial assets at fair value through profit or loss ('FVTPL')	**117,467**
Trade receivables	**123,015**
Derivative financial assets	**264**
Other assets	**12,270**
Tax recoverable	**10,765**
Deferred tax assets	**14,621**
Property and equipment	**6,686**
Intangible assets	**185,420**
Right-of-use ('ROU') assets	**2,030**
Trade payables	**(324,088)**
Lease liabilities	**(2,158)**
Other liabilities	**(139,263)**
Non-controlling interest	**(82,279)**
Total net assets derecognised	**316,280**
Less: Realisation of foreign exchange reserve and FVOCI reserve	**(94)**
Gain on disposal of a subsidiary	**1,075,051**
Sales consideration	**1,391,237**
Less: Professional and legal fees for the divestment of a subsidiary	**(16,938)**
Less: Cash and short-term funds of the subsidiary disposed	**(391,530)**
Cash inflow on disposal of a subsidiary	**982,769**

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59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(a) Divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ('AHAM'), representing 63% of the equity interest in AHAM, by Affin Hwang Investment Bank Berhad ('AHIBB'), a wholly-owned subsidiary of the Bank ('the Divestment') (continued).

Financial information relating to the discontinued operation is as follows (continued):

	The Group	
	2022 RM'000	**2021 RM'000**
Income Statements		
Interest income	**1,627**	2,409
Interest expense	**(760)**	(3,543)
Net interest income	**867**	(1,134)
Fee and commission income	**267,821**	729,439
Fee and commission expense	**(79,925)**	(340,662)
Net fee and commission income	**187,896**	388,777
Net gains on financial instruments	**(8,418)**	5,888
Other operating income	**4,213**	2,452
Net income	**184,558**	395,983
Other operating expenses	**(100,691)**	(213,080)
Operating profit before allowances	**83,867**	182,903
Allowances for credit impairment losses on trade receivables and other assets	**(37)**	(144)
Profit before zakat and taxation	**83,830**	182,759
Zakat	**(345)**	(672)
Profit before taxation	**83,485**	182,087
Taxation	**(16,143)**	(34,067)
Profit after taxation	**67,342**	148,020
Gain on disposal of a subsidiary	**1,075,051**	-
Professional and legal fees for the divestment of a subsidiary	**(16,938)**	(1,305)
Profit from discontinued operations	**1,125,455**	146,715
Statements of Cash Flows	**RM'000**	RM'000
Net cash (used in)/generated from operating activities	**(245,340)**	459,823
Net cash generated from/(used in) investing activities	**8,112**	(2,007)
Net cash used in financing activities	**(102,538)**	(182,169)
Net (decrease)/increase in cash flows from discontinued operation	**(339,766)**	275,647

59 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Disposals of 21% equity interest in AXA Affin Life Insurance Berhad ('AALI') and 2.95% equity interest in AXA Affin General Insurance Berhad ('AAGI') and proposed merger of the businesses of MPI Generali Insurans Berhad and AAGI.

On 22 June 2021, the Bank announced that it had entered into an Implementation Agreement with Generali Asia N.V. ('Generali') in respect of the following proposals:

(i) Disposal of 21% equity interest in AXA Affin Life Insurance Berhad ('AALI') ('AALI Disposal'); and

(ii) Disposal of 2.95% equity interest in AXA Affin General Insurance Berhad ('AAGI') ('AAGI Disposal').

Simultaneously with the AALI Disposal and AAGI Disposal, AXA Asia is also selling its entire 49% shareholding in AALI and 49.99% shareholding in AAGI.

The Minister of Finance had on 28 April 2022, approved the AALI Disposal and AAGI Disposal pursuant to Sections 89 and 90(6) of the Financial Services Act 2013 to Generali and the share sale agreement ('SSA') was entered into on 18 May 2022.

The SSA became unconditional on 19 August 2022 and was completed on 30 August 2022. Following the completion of the SSA, the Bank holds 30% equity interest in AALI and 47% equity interest in AAGI.

With the completion of the AALI Disposal and AAGI Disposal, the Bank had also on 30 August 2022 entered into the following agreements:

(i) a shareholders' agreement with Generali and AAGI for the purpose of regulating the affairs of AAGI and the respective rights and obligations of the Bank and Generali, between themselves, as shareholders of AAGI;

(ii) a shareholders' agreement with Generali and AALI for the purpose of regulating the affairs of AALI and the respective rights and obligations of the Bank and Generali, between themselves, as shareholders of AALI;

(iii) a 15-year bancassurance distribution agreement with AAGI for the distribution of the general insurance products through the Bank's channels in Malaysia; and

(iv) a 15-year bancassurance distribution agreement with AALI for the distribution of the life insurance products through the Bank's channels in Malaysia.

Following the completion of the AALI Disposal and AAGI Disposal, the Bank entered into a business transfer agreement with Generali, MPI Generali Insurans Berhad ('MPIG') and AAGI where AAGI will acquire certain assets and liabilities of MPIG via a business transfer to AAGI ('Proposed Merger') on 9 December 2022. The Proposed Merger will result in a dilution of the Bank's shareholding in AAGI from 47% to 30% in the enlarged AAGI and is expected to be completed in 2023.

60 SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

The are no material events subsequent to the balance sheet date.

61 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors date 3 April 2023.

STATEMENT BY DIRECTORS

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

We, DATO' AGIL NATT and GREGORY JEROME GERALD FERNANDES, two of the Directors of Affin Bank Berhad, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 222 to 408 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2022 and of the results and cash flows of the Group and the Bank for the financial year ended on the date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

DATO' AGIL NATT
Chairman/Independent Non-Executive Director

GREGORY JEROME GERALD FERNANDES
Independent Non-Executive Director

Kuala Lumpur

STATUTORY DECLARATION

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

I, JOANNE RODRIGUES, the officer of Affin Bank Berhad primarily responsible for the financial management of the Group and the Bank, do solemnly and sincerely declare that, in my opinion, the accompanying financial statements set out on pages 222 to 408, are correct and I make this solemn declaration conscientiously believing the same to be true, by virtue of the provisions of the Statutory Declarations Act, 1960.

JOANNE RODRIGUES
MIA No. CA17745

Subscribed and solemnly declared by the abovenamed JOANNE RODRIGUES at Kuala Lumpur in Malaysia on 3 April 2023, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(Incorporated in Malaysia)
Registration No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 222 to 408.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(Incorporated in Malaysia)
Registration No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

Key audit matters

Impairment of loans, advances and financing assets – RM1,410,821,000 (expected credit losses)

(Refer to Summary of Significant Accounting Policies Note H (d), Note AE and Note 9 to the financial statement).

MFRS 9 requires an expected credit losses ('ECL') impairment model for financial assets measured at amortised cost and fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

We focused on the ECL for loans, advances and financing due to the significance of impairment allowance on loans, advances and financing assets balance. The Directors also exercised significant judgement on the following areas:

Timing of identification of Stage 2 and Stage 3 loans, advances and financing

- Assessment of objective evidence of impairment of loans, advances and financing based on mandatory and judgemental symptoms
- Identification of loans, advances and financing that have experienced a significant increase in credit risk

Individual assessment

- Estimate on the amount and timing of futures cash flows based on realisation of collateral or borrowers' business cash flows

How our audit addressed the key audit matters

We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered:

- Identification of loans displayed indicators of impairment or loans that have experienced significant increase in credit risk
- Governance over the impairment processes, including model development, model approval and model validation
- Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions into the ECL models
- Calculation, review and approval of the ECL calculation

Our detailed testing over the loans, advances and financing were as below:

Individual assessment

We performed individual credit assessment on a sample of loans, advances and financing on those identified as Early Control, Rescheduled and restructured, Stages 2 and 3 loans accounts, particular focus on the impact of COVID-19 on high risk industries and borrowers that applied for moratorium and formed our own judgement on whether the occurrence of loss event or significant increase in credit risk had been identified.

Where individual impairment had been identified for loans, advances and financing, we assessed the reasonableness of the underlying assumptions of the cash flows forecasts prepared by management. For cash flows forecasts based on realisation of collateral, we agreed the collateral valuation to the current valuation report prepared by independent valuers. If current valuation report is not available, we compared the value used by management against the independent third party publicly available report on property market based on similar property type, location and size. For cash flow forecasts based on borrower's business cash flows, we assessed the reasonableness of the underlying key assumptions used by management and performed sensitivity analysis.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(Incorporated in Malaysia)
Registration No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters (continued)	**How our audit addressed the key audit matters (continued)**
Collective assessment • Choosing the appropriate collective assessment models and assumptions for the measurement of ECL such as expected future cash flows and forward-looking macro-economic factors as disclosed in Note 52 Financial Risk Management – credit quality of financial assets	*Collective assessment* Where ECL was calculated on a collective basis, our testing, on a sample basis, included the following: • Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9 • We re-performed the bucketing of loans into delinquency buckets (loans impairment migration) and re-computed the Probability of Default • We agreed the loans recoveries data for Loss Given Default to supporting evidence • Assessed and considered the reasonableness of forward-looking forecasts assumptions, taking into consideration of the economic uncertainty arising from COVID-19. • Assessed and tested the identification and calculation of overlay adjustments to the ECL due to the impact of COVID-19. • We re-performed the calculation of ECL and agreed the results to the general ledger. We also checked the accuracy of posting of impairment allowance to the general ledger.
Impairment assessment of goodwill – RM581,369,000 (Refer to Summary of Significant Accounting Policies Note D, Note AE and Note 22 to the financial statement) The Group recorded goodwill of RM581,369,000 as at 31 December 2022 which arose from a number of acquisitions in prior years. For purposes of the annual impairment assessment of goodwill, the Group has assessed the recoverable amount of each CGU with allocated goodwill based on the higher of the VIU and fair value less cost of disposal. The Group determined that the recoverable amount of all CGUs was based on VIU which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgement on both future cash flows and the discount rate applied to the future cash flows. Therefore, the extent of judgment and the size of the goodwill resulted in this matter being identified as an area of audit focus.	We satisfied ourselves with the procedures performed below on the management's assumptions used in the impairment model. We have compared cash flow projections to the budgets, which were approved by the respective subsidiaries' Board of Directors, taking into account the impact of COVID-19. We also held discussions with management to understand the basis for the assumptions used and compared the budgets against the actual results from prior years to assess the reliability of budgeting. We tested the assumptions used by management, in relation to the discounts rates, compounded annual and terminal growth rates for all CGUs. The discount rates used were based on the pre-tax weighted average cost of capital plus an appropriate risk premium, at the date of assessment of all the CGUs. We have assessed the reasonableness of the discount rates by independently re-calculating the pre-tax weighted average cost of capital based on data of comparable entities obtained from independent sources for each CGUs. The terminal growth rates were based on the forecasted Gross Domestic Product ('GDP') growth rate of Malaysia. We have compared the terminal growth rates used by management with the forecasted GDP growth rates independently obtained and assessed the reasonableness of the adjustments made to reflect the specific risk of the CGUs. We have assessed the sensitivity of the impairment assessment for each of the CGU by varying the following: • underlying assumptions applied on the budgeted cash flows in relation to compounded annual growth rates; and • additional sensitivity performed on the discount rates to reflect the COVID-19 uncertainties

We have determined that they are no key audit matters to report for the Bank.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(Incorporated in Malaysia)
Registration No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Annual Report 2022, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AFFIN BANK BERHAD
(Incorporated in Malaysia)
Registration No: 197501003274 (25046-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LEE TZE WOON KELVIN
03482/01/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
3 April 2023

BASEL II PILLAR 3 disclosures

AS AT 31 DECEMBER 2022

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

1. INTRODUCTION

1.1 Background

The Capital Adequacy Framework (Basel II – Risk-Weighted Assets) issued by Bank Negara Malaysia ('BNM'), which is the equivalent of the Basel II framework issued by the Basel Committee of Banking Supervision and the Islamic Financial Services Board is structured around three fundamental pillars:

- Pillar 1 defines the minimum capital requirement to ensure that financial institutions hold sufficient capital to cover their exposure to credit, market and operational risks.
- Pillar 2 requires financial institutions to have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.
- Pillar 3 requires financial institutions to establish and implement an appropriate disclosure policy that promotes transparency regarding their risk management practices and capital adequacy positions.
- Pillar 3 disclosure is required under the BNM Risk Weighted Capital Adequacy Framework (Basel II) ('RWCAF') – Disclosure Requirements (Pillar 3).
- Affin Bank Berhad ('the Bank') and its subsidiaries ('the Group') adopt the following approaches under Pillar 1 requirements:
  - Standardised Approach for Credit Risk
  - Standardised Approach for Market Risk
  - Basic Indicator Approach for Operational Risk

1.2 Scope of Application

This document contains the disclosure requirements under Pillar 3 for the Group and the Bank for the year ended 31 December 2022. The disclosures are made in line with the Pillar 3 disclosure requirements under the Basel II framework as laid out by BNM.

The disclosures should be read in conjunction with the Group's and the Bank's 2022 Annual Report for the year ended 31 December 2022.

The capital requirements of the Group and the Bank are generally based on the principles of consolidation adopted in the preparation of its financial statements. The Group incorporates those activities relating to Islamic banking business which have been undertaken by Affin Islamic Bank Berhad ('AFFIN ISLAMIC'), a wholly owned subsidiary of the Bank. The details of discontinued operations arising from disposal of Affin Hwang Asset Management Berhad ('AHAM') are disclosed in Note 58 of the Group and the Bank's 2022 Annual Report.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group and the Bank.

There were no capital deficiencies in any of the subsidiaries of the Group as at the financial year ended 31 December 2022.

2. RISK GOVERNANCE STRUCTURE

2.1 Overview

The Board of Directors ('the Board') of the Group and the Bank are ultimately responsible for the overall performance of the Group and the Bank. The Board's responsibilities are congruent with the framework of BNM Guidelines. The Board also exercises great care to ensure that high ethical standards are upheld and that the interests of stakeholders are not compromised. These include responsibility for determining the Group and the Bank's general policies and strategies for the short, medium and long-term, approving business plans, including targets and budgets, and approving major strategic decisions.

The Board has overall responsibility for maintaining the proper management and protection of the Group's and the Bank's interests by ensuring effective implementation of the risk management policy and process, as well as adherence to a sound system of internal controls. The Board also recognises that risks cannot be eliminated completely. As such, the inherent system of internal controls is designed to provide a reasonable though not absolute assurance against the risk of material errors, fraud or losses occurring. The system of internal controls encompasses controls relating to financial, operational, risk management and compliance with applicable laws, regulations, policies and guidelines.

The terms of reference of the Board Committees as disclosed in the Annual Report provide an outline of their respective roles and functions. In carrying out its functions, the Board has delegated specific responsibilities to other Board Committees, which operate under approved terms of reference, to assist the Board in discharging their duties. The Chairmen of the various Committees report on the outcome of their Committee meetings to the Board and any further deliberation is made at Board level, if required. These reports and deliberations are incorporated into the Minutes of the Board meetings. The Board meets on a monthly basis.

2.2 Board Committee

Group Board Nomination and Remuneration Committee ('GBNRC')

The GBNRC is responsible for providing a formal and transparent procedure for the appointment of Directors, Chief Executive Officer and Senior Management. The GBNRC develops the remuneration policy for Directors, Chief Executive Officer, Senior Management and other material risk takers, whereby, it assesses the effectiveness of individual Director, the Board as a whole and the performance of the Chief Executive Officer as well as Senior Management. The Committee obtains advice from experts in compensation and benefits, both internally and externally.

Group Board Compliance Committee ('GBCC')

The GBCC is responsible for overseeing, assessing and examining the adequacy of group compliance management frameworks including the policies, procedures and processes of the Group and the Bank. The Committee assists the Board in overseeing the management of the Group's compliance risk by ensuring compliance process is in place and functioning in line with the expectations of the regulators namely BNM, Securities Commission and Bursa Malaysia. It reviews and recommends compliance risk management philosophy and strategy for Board's approval, also ensuring clear and independent reporting lines and responsibilities for the overall business activities and compliance functions and recommending organizational alignments, where necessary, to the Board.

2. RISK GOVERNANCE STRUCTURE (CONTINUED)

2.2 Board Committee (continued)

Group Board Risk Management Committee ('GBRMC')

The GBRMC is responsible for overseeing management activities in managing credit, market, liquidity, operational, legal, reputational and other material risks as well as ensuring that the risk management process is in place and functioning effectively.

It is responsible for setting the overall tone of the Group and the Bank's risk strategy and ensuring effective communication and integration of risk appetite within the business strategy, operations and culture.

The Committee also assists the Board in oversight responsibilities on internal controls, and risk management strategies, policies, processes, frameworks and other risk related matters. It has the responsibility of reviewing and/or approving risk management policies, guidelines and reports.

Group Board Credit Review and Recovery Committee ('GBCRRC')

The GBCRRC is responsible for providing critical review of financing and other credit facilities with high risk implications and vetoing financing applications that have been approved by the Group Management Credit Committee ('GMCC') as appropriate.

Group Board Audit Committee ('GBAC')

The GBAC is responsible for providing oversight and reviewing the adequacy and integrity of the internal control systems as well as oversees the work of the internal and external auditors.

Reliance is placed on the results of independent audits performed primarily by internal auditors, the outcome of statutory audits on financial statements conducted by external auditors and on representations by Management based on their control self-assessment of all areas of their responsibility.

Minutes of GBAC meetings, which provide a summary of the proceedings, are circulated to Board members for notation and discussion. The Group and the Bank have an established Group Internal Audit Division ('GIA') which reports functionally to the GBAC and administratively to the President & Group Chief Executive Officer ('PGCEO') of the Group.

Group Board Information Technology Committee ('GBITC')

The GBITC is responsible to oversee overall development, risk management, integration and alignment of Information Technology (IT) strategy plan with the Group's business strategy. Leveraging on technology for new business models, changing business practices, driving competitive advantage and empowering next level thinking. GBITC also provides oversight on the AIM 22 (Affinity In Motion 22) strategic program, to ensure alignment with the business strategic objectives and AIM 22 is implemented effectively in a timely manner.

Shariah Committee ('SC')

The SC is formed as legislated under the Islamic Financial Services Act 2013 and as per the Shariah Governance Policy Document for Islamic Financial Institutions.

The roles and responsibilities of the SC include advising the Board on Shariah matters to ensure that the business operations of AFFIN ISLAMIC comply with Shariah principles at all times. SC is also responsible for endorsing and validating relevant documentations of AFFIN ISLAMIC's products to ensure that the products comply with Shariah principles and advising AFFIN ISLAMIC on matters to be referred to the Shariah Advisory Council.

2. RISK GOVERNANCE STRUCTURE (CONTINUED)

2.3 Group Management Committee

Group Management Committee ('GMC')

The GMC comprises the senior management team chaired by PGCEO. GMC is responsible for assisting the Board in managing the day-to-day operations, formulating tactical plans and business strategies while monitoring the banking entities' overall performance and ensuring all business activities conducted are in accordance with the Group's and the Bank's corporate objectives, strategies, policies as well as Annual Business Plan and Budget.

The GMC is supported by the following sub-committees:

- Islamic
- Capital Management
- Governance, Risk and Compliance
- Branch Performance
- IT, Operations, Digital and Customer Experience

Group Management Credit Committee ('GMCC')

The GMCC is established within senior management to approve complex and large financings and workout/recovery proposals beyond the delegated authority of the individual approvers.

Group Asset and Liability Management Committee ('GALCO')

The GALCO comprising the senior management team chaired by the PGCEO, manages the Group's and the Bank's asset and liability position by identifying, managing and controlling balance sheet risks and capital management in the execution of the business strategy, while implementing asset liability strategy and policy for the balance sheet of the respective subsidiary.

Group Management Committee – Governance, Risk and Compliance ('GMC-GRC')

The GMC-GRC is a senior management committee chaired by the PGCEO, established to oversee the governance, risk management, compliance and audit activities, issues and control lapses while supporting GBRMC in its review and monitoring of risk management. It is also responsible for reviewing and ensuring that the risk management programme, process and framework are implemented in accordance with regulatory requirement and manage loss incidents to an acceptable level.

Group Early Alert Committee ('GEAC')

The GEAC is a senior management committee, established to monitor credit quality through monthly reviews of the Early Control (MFRS 9 Stage 1) and Underperforming (MFRS 9 Stage 2) accounts as well as to review the actions taken to address the emerging risks and issues in these accounts.

2.4 Group Risk Management Function

Group Risk Management ('GRM'), headed by the Group Chief Risk Officer ('GCRO') is segregated from the lines of business, with a direct reporting line to the GBRMC to preserve the independence of the risk management function.

The independence of the risk management function is critical towards controlling and managing the risk-taking activities of the Group and the Bank to achieve an optimum balance of risk and return in line with the subsidiaries' risk appetite while taking into the differences in each subsidiary's business model.

Committees namely GBCRRC, SC, GMC, GMCC, GALCO, GBITC, GMC-GRC and GEAC assist GBRMC in managing credit, market, liquidity, operational and other material risks in the Group and the Bank. The responsibilities of these Committees include risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring and reporting.

2. RISK GOVERNANCE STRUCTURE (CONTINUED)

2.5 Internal Audit and Internal Control Activities

The scope of internal auditing encompasses the objective examination and evaluation of the adequacy and effectiveness of the Group's governance, risk management, and internal controls. The reviews by GIA focused on areas of significant risks and effectiveness of internal controls in accordance with the audit plan approved by the GBAC.

Based on GIA's review, identification and assessment of risk, testing, and evaluation of controls, GIA will provide an opinion on the effectiveness and efficiency of the internal controls established by the Management in addressing the applicable policies, plans, procedures, laws and regulations including Shariah related matters and BNM's directive and instructions. The risks highlighted on the respective auditable areas as well as a recommendation made by the GIA are addressed at GBAC and Management meetings. The GBAC also conducts annual reviews on the adequacy of the internal audit function, scope of work, resources, and budget of GIA.

3. CAPITAL MANAGEMENT

3.1 Internal Capital Adequacy Assessment Process ('ICAAP')

In line with the BNM guideline on Risk-Weighted Capital Adequacy Framework – Internal Capital Adequacy Assessment Process (ICAAP) (Pillar 2), the Group and the Bank have instituted the ICAAP Framework ("Framework") to assess the overall capital adequacy in relation to the nature, size and complexity of the Group and the Bank that impact the institutional risk profile. The Framework aims to ensure that the Group and Bank are able to maintain healthy capital levels to support strategic business priorities and forward-looking risk assessment in order to ensure that capital demand and supply is considered for both business as-usual and stressed conditions.

The Group's and the Bank's capital management approach is anchored in the integration of risk management and capital planning process. The Group and Bank operate within a Board approved Risk Appetite that ensures that business growth is done in a responsible and sustainable manner.

A key aspect of the risk management process on an enterprise-wide basis is the annual comprehensive risk assessment is undertaken by the Group and the Bank to identify and measure the following risks:

- Risks captured under Pillar 1 (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 (e.g. model risk); and
- Risk types not covered by Pillar 1 (e.g. credit concentration risk, interest rate risk/rate of return on banking book, reputation risk, business and strategic risk, amongst others).

Material Risk Assessment ('MRA') is conducted as part of the ICAAP to identify material risks of the Group and the Bank spanning across retail, commercial, investment banking and business operations. The identification of material risks are aimed to ensure that the Group and the Bank are aware of the potential downside impact that are associated with the day-to-day running of the business. The identification of risks allows for robust management of the potential impact in the event the material risks crystalise. For each material risk identified, the Group and the Bank will ensure appropriate risk mitigation is in place and conduct regular risk monitoring to manage the risk. The management of risk across the Group and the Bank is facilitated by the Risk Management Process and it is embedded through various risk policies and frameworks across the entities.

The Group's and the Bank's stress testing process is guided by the Group's Stress Testing Policy. Stress testing is an essential risk management tool to assess a banking institution's potential vulnerabilities to stressed business conditions. It involves identifying possible events or future changes in the financial and macroeconomic conditions that potentially have unfavorable effects on the Group and the Bank's exposure and ability to withstand such changes usually in relation to the resilience of its capital, earnings sustainability and liquidity strength.

3. CAPITAL MANAGEMENT (CONTINUED)

3.1 Internal Capital Adequacy Assessment Process ('ICAAP') (continued)

It forms an integral part of the ICAAP and risk management process, enabling the Group and the Bank to assess the impact on its capital adequacy in line with supervisory expectations and requirements.

The Group's stress testing has the following objectives:

- to identify and quantify vulnerabilities of the portfolio under stressed conditions;
- to develop appropriate strategies for mitigating and actively managing such risks under stressed conditions, e.g. setting of risk appetite, restructuring positions and contingency plans;
- to evaluate the capacity to withstand stressed situations in terms of solvency;
- to produce stress test results as an input in determining the internal capital threshold; and
- to ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management and the relevant committees prior to the execution of the stress test exercise.

3.2 Capital Structure

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components).

The Group and the Bank are currently adopting 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 BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 7.000% (2021: 7.000%) and 8.500% (2021: 8.500%) respectively for year 2022. The minimum regulatory capital adequacy requirement is 10.500% (2021: 10.500%) for total capital ratio.

The following table sets forth further details on the capital resources and capital adequacy ratios for the Group and the Bank as at 31 December 2022.

	The Group		The Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Paid-up share capital	**5,245,447**	4,969,150	**5,245,447**	4,969,150
Retained profits	**4,858,776**	4,163,442	**3,852,537**	3,119,461
Unrealised gains on FVOCI instruments	**44,806**	90,473	**166,472**	157,267
Other disclosed reserves	**–**	(88,737)	**–**	–
Foreign exchange reserves	**–**	39	**–**	–
	10,149,029	9,134,367	**9,264,456**	8,245,878
Less: Regulatory adjustments				
Goodwill and other intangibles	**(629,369)**	(895,850)	**(183,216)**	(198,733)
Deferred tax assets	**(233,973)**	(223,344)	**(125,964)**	(111,900)
55% cumulative unrealised gains on FVOCI instruments	**(24,644)**	(49,760)	**(91,560)**	(86,497)
Investment in subsidiaries, joint ventures and associates	**(794,779)**	(907,293)	**(3,846,578)**	(3,796,621)
Other CET 1 transitional adjustment	**571,609**	341,998	**327,591**	238,228
CET 1 capital	**9,037,873**	7,400,118	**5,344,729**	4,290,355

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As at 31 December 2022

3. CAPITAL MANAGEMENT (CONTINUED)

3.2 Capital Structure (continued)

	The Group		The Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Additional Tier 1 Capital				
Additional Tier 1 Capital	**800,000**	800,000	**500,000**	500,000
Qualifying capital instruments held by third parties	**–**	32,933	**–**	–
	800,000	832,933	**500,000**	500,000
Total Tier 1 Capital	**9,837,873**	8,233,051	**5,844,729**	4,790,355
Subordinated term financing and medium term notes (MTNs)	**955,000**	2,455,000	**500,000**	2,000,000
Qualifying loss provisions #	**454,429**	277,775	**280,013**	170,816
Less: Regulatory adjustments				
Investment in capital instruments of unconsolidated financial and insurance entities	**–**	(30,914)	**(345,000)**	(375,914)
Total Tier 2 capital	**1,409,429**	2,701,861	**435,013**	1,794,902
Total capital	**11,247,302**	10,934,912	**6,279,742**	6,585,257
Risk weighted assets for:				
Credit risk	**52,982,623**	46,962,011	**33,967,295**	29,381,798
Market risk	**631,065**	781,246	**403,534**	567,804
Operational risk	**3,951,028**	3,580,698	**1,858,354**	1,671,929
Total risk weighted assets	**57,564,716**	51,323,955	**36,229,183**	31,621,531
Capital adequacy ratios:				
With transitional arrangements*				
CET 1 capital ratio	**15.700%**	14.418%	**14.753%**	13.568%
Tier 1 capital ratio	**17.090%**	16.041%	**16.133%**	15.149%
Total capital ratio	**19.539%**	21.306%	**17.333%**	20.825%
Net of proposed dividends (Note 1)				
CET 1 capital ratio	**15.597%**	14.198%	**14.588%**	13.209%
Tier 1 capital ratio	**16.986%**	15.820%	**15.968%**	14.791%
Total capital ratio	**19.435%**	21.085%	**17.169%**	20.467%
Without transitional arrangements				
CET 1 capital ratio	**14.707%**	13.752%	**13.848%**	12.814%
Tier 1 capital ratio	**16.097%**	15.375%	**15.228%**	14.396%
Total capital ratio	**18.907%**	21.242%	**16.828%**	20.693%
Net of proposed dividends (Note 1)				
CET 1 capital ratio	**14.604%**	13.531%	**13.684%**	12.456%
Tier 1 capital ratio	**15.993%**	15.154%	**15.064%**	14.037%
Total capital ratio	**18.803%**	21.021%	**16.664%**	20.335%

Qualifying loss provisions are restricted to allowances on the unimpaired portion of the loans, advances and other financing.

* The Group and the Bank have elected to apply BNM's transitional arrangement for four financial years beginning on 1 January 2020. Under the transitional arrangements, a financial institution is allowed to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime expected credit losses to the extent they are ascribed to non-credit-impaired exposures (which is Stage 1 and Stage 2 provisions), to CET1 capital.

3. CAPITAL MANAGEMENT (CONTINUED)

3.2 Capital Structure (continued)

Note 1:

In accordance with the Implementation Guidance on Capital Adequacy Framework (Capital Components) dated 9 December 2020, under the Dividend Reinvestment Plan ("DRP"), where a portion of the dividend may be reinvested under a DRP (the electable portion), the amount of the declared dividend to be deducted from the Group and the Bank's CET 1 Capital may be reduced as follows:

(i) where an irrevocable written undertaking from shareholder has been obtained to reinvest the electable portion of the dividend; or

(ii) where there is no irrevocable written undertaking provided, the average of the preceding 3-year take-up rates or if less than 3 preceding years, the available average historical take-up rates, subject to the amount being not more than 50% of the total electable portion of the dividend.

In arriving at the capital adequacy ratios, the portion of the proposed dividends where no irrevocable written undertaking from shareholders to reinvest the electable portion into new ordinary shares of the Bank is obtained, is assumed to be paid in cash and has been deducted from the calculation of CET 1 Capital.

In accordance with BNM's Policy Document on Investment Account, the credit and market risk weighted on the assets funded by the RIA are included in calculation of capital adequacy for the Bank. As at 31 December 2022, RIA assets included in the Total Capital Ratio calculation amounted to RM2,723.1 million (2021: RM1,834.6 million).

The Group and the Bank have issued capital instruments which qualify as components of regulatory capital under the BNM CAF (Capital Components), as summarised in the following table:

	RM500 million 5.80% Non-Convertible Perpetual Additional Tier 1 Capital Securities First Callable in 2023	**RM300 million 5.65% Non-Convertible Perpetual Additional Tier 1 Sukuk Wakalah First Callable in 2023**	**RM500 million 5% Non-Convertible 10Y Non-callable 5Y Tier 2 Subordinated Medium Term Notes**	**RM800 million 5.05% Non-Convertible 10Y Non-callable 5Y Tier 2 Sukuk Murabahah**
Issuer	Affin Bank Berhad	Affin Islamic Bank Berhad	Affin Bank Berhad	Affin Islamic Bank Berhad
Governing laws	Laws of Malaysia	Laws of Malaysia	Laws of Malaysia	Laws of Malaysia
Instrument Type	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2
Programme size	RM3 billion	RM5 billion	RM6 billion	RM5 billion
Par value of instrument	RM500 million	RM300 million	RM500 million	RM800 million
Original date of issuance	31 July 2018	18 October 2018	26 July 2022	23 October 18
Perpetual or dated	Perpetual	Perpetual	Dated	Dated
Original maturity date	No Maturity	No Maturity	26 July 2032	23 October 28
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date	31 July 2023	18 October 2023	26 July 2027	23 October 2023
Fixed or floating dividend/coupon	Fixed	Floating	Fixed	Fixed

3. CAPITAL MANAGEMENT (CONTINUED)

3.2 Capital Structure (continued)

The Group and the Bank have issued capital instruments which qualify as components of regulatory capital under the BNM CAF (Capital Components), as summarised in the following table: (continued)

	RM500 million 5.80% Non-Convertible Perpetual Additional Tier 1 Capital Securities First Callable in 2023	RM300 million 5.65% Non-Convertible Perpetual Additional Tier 1 Sukuk Wakalah First Callable in 2023	RM500 million 5% Non-Convertible 10Y Non-callable 5Y Tier 2 Subordinated Medium Term Notes	RM800 million 5.05% Non-Convertible 10Y Non-callable 5Y Tier 2 Sukuk Murabahah
Coupon rate	5.80%	5.65%	5.00%	5.05%
Convertibility of Issuance	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible
Details of security/ collateral pledged	Unsecured	Unsecured	Unsecured	Unsecured
Position in subordination hierarchy in liquidation	Immediately subordinated to Tier 2 capital instruments	Immediately subordinated to Tier 2 capital instruments	Immediately subordinated to senior creditors	Immediately subordinated to senior creditors

3.3 Capital Adequacy

The Group and the Bank have in place an internal limit for its CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio, which is guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses. The capital management process is monitored by senior management through periodic reviews.

Refer to Appendix I.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Bank are principally engaged in all aspects of banking and related financial services. The principal activities of the Bank's subsidiaries are Islamic banking business, investment banking, stockbroking activities, dealing in options and futures, property management services, nominee and trustee services.

The Group's and the Bank's business activities involve the analysis, measurement, management and acceptance of risks. The Group's and the Bank's business activities are operated within well-defined risk acceptance criteria covering customer segments, industries and products. The Group and the Bank do not enter into transactions where the risks arising from the same cannot be administered, quantified, monitored or valued. The Bank does not deal with persons of questionable integrity.

The Group and the Bank have established robust and comprehensive risk management policies and framework based on best practices, to ensure that the salient risk elements in the operations of the Group and the Bank are adequately managed and mitigated. The risk management policies are established to identify, assess, measure, control and mitigate all key risks as well as manage and monitor the risk positions. The risk measurement tools employed are commonly used in market practices and commensurate with the size and complexity of the Group's and the Bank's business operations.

The risk management policies and systems are reviewed regularly to reflect changes in markets, products and best practices in risk management processes. The Group's and the Bank's aim are to achieve an appropriate balance between risk and return as well as minimise any potential adverse effects.

5. CREDIT RISK

5.1 Credit Risk Management Objectives and Policies

Credit risk is the risk that a counterparty will fail to meet its contractual obligations which could result in a financial loss to the Group and the Bank. The Group's and the Bank's exposure to credit risks arises primarily from stockbroking trade receivables, share margin financing, corporate/inter-bank lending activities, bonds investment, foreign exchange trading as well as equity and debt underwriting and from participation in securities settlements and payment transactions.

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall lending objectives are in compliance with the internal and regulatory requirements. The risk management policies are subject to review by the GBRMC, a sub-committee of the Board that reviews the adequacy of the Group's and the Bank's risk policies and framework. The Group's and the Bank's credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises the GMCC and the GBCRRC. The GMCC represents the approving authority for credit and underwriting proposals, whilst the GBCRRC is the committee that reviews proposals that exceed specified limits and criteria, as well as to consider whether to reject the proposal or modify the terms of the proposal.

The Group and the Bank recognise that learning is a continuous journey and is committed to enhancing the knowledge and skills set of its staff. It places strong emphasis on creating and enhancing risk awareness in the organisation.

The Group and the Bank are supportive of credit officers in pursuing credit certification programmes offered by the Asian Institute of Chartered Bankers ('AICB'). Upon attaining the Chartered Banker certification, credit officers are expected to demonstrate sound understanding of credit process and competence to undertake credit roles and responsibilities.

5.2 Application of Standardised Approach for Credit Risk

The Group and the Bank use the following External Credit Assessment Institutions ('ECAIs') to determine the risk weights for the rated credit exposures:

- RAM Rating Services Berhad
- Malaysian Rating Corporation Berhad
- Standard & Poor's Rating Services
- Moody's Investors Service
- Fitch Ratings

The external ratings of the ECAIs are used to determine the risk weights of the following types of exposure: sovereigns, banks, public sector entities and corporates.

The mapping of the rating categories of different ECAIs to the risk weights is in accordance with BNM guidelines. In cases where there is no issuer or issue rating, the exposures are treated as unrated and accorded a risk weight appropriate for unrated exposure in the respective category.

Refer to Appendix II and Appendix III.

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Evaluation

Credit evaluation is the process of analysing the creditworthiness of a prospective counterparty against the Group's and the Bank's underwriting criteria and the ability of the Group and the Bank to make a return commensurate to the level of risk undertaken. Apart from conducting a holistic risk assessment on the prospective counterparty, a critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision-making process. A number of relevant qualitative and quantitative factors are taken into consideration in the identification and analysis of a counterparty's credit risk. Each counterparty is assigned a credit rating which considers factors such as competitive position, operating performance, cash flow financial strength and management strength. The Group and the Bank have developed internal rating models to support the assessment and quantification of credit risk.

All corporate lending/financing, underwritings and corporate debt securities investments/sukuk are independently evaluated by the Group's and Bank's credit management function and approved by the relevant approving authorities based on the Authority Matrix approved by the Board.

For consumer mass market products, statistically developed application scorecards are used to assess the risks associated with the credit application as a decision support tool at loans, advances and financing origination. For share margin financing, the credit decisions are guided by an internally developed rating scorecard as well as other terms and conditions stipulated in the Group's and the Bank's Margin Financing Policy. The credit risk of share margin financing is largely mitigated by the holding of collateral in the form of marketable securities.

5.4 Risk Limit Control and Mitigation Policies

The Group and the Bank employ various policies and practices to control and mitigate credit risk.

Lending/Financing limits

The Group and the Bank establish internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivatives due to potential exposure arising from market movements, and loan/financing books are managed on an aggregated basis as part of the overall lending/financing limits with customers.

Collateral
Credits are established against customer's capacity to pay rather than to rely solely on collateral. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and ascribed value by the Group and the Bank are:

- Mortgage over residential real estate;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business properties, equipment and fixed deposits;
- Charges over financial instruments such as marketable securities; and
- Debentures, personal guarantees and corporate guarantees.

Where relevant, the Group and the Bank undertake a valuation of the collateral obtained as part of the loan/financing origination process. This assessment is reviewed periodically.

Term loan/financing and lending to corporate entities are generally secured, while revolving individual credit facilities are generally unsecured.

5. CREDIT RISK (CONTINUED)

5.4 Risk Limit Control and Mitigation Policies (continued)

Collateral held as security for financial assets other than loans, advances and financing depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

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

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans/financing, guarantees or letters of credit. Unutilised credits give rise to potential or contingent credit lossess to the Group and the Bank in an amount equal to the total unutilised commitments. The Group and the Bank manage and mitigate the amount of potential and contingent losses arising from unutilised credit lines by imposing minimum specific credit standards on counterparties.

The Group and the Bank monitor the term to maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Refer to Appendix IV (a) to (b).

5.5 Credit Risk Measurement

Credit risk grades

The Group and the Bank allocate a credit risk grade to each exposure. Credit risk grades are indicative of the risk of default and are generated using qualitative and quantitative factors which are supplemented by experienced credit judgement. These inputs vary depending on the nature of the exposure and the type of customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probability of default ('PD') and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's and the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

5. CREDIT RISK (CONTINUED)

5.5 Credit Risk Measurement (continued)

Determining whether credit risk has increased significantly (continued)

Using its expert credit judgement and, where possible, relevant historical experience, the Group and the Bank may determine that an exposure has undergone a significant increase in credit risk ('SICR') based on qualitative indicators that it considers are indicative of such and which effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group and the Bank consider that a significant increase in credit risk is presumed if a borrower/ customer is more than 30 days or 1 month past due. Days or months past due are determined by the number of days or month since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group and the Bank monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Measurement of expected credit losses ('ECL')

The Group and the Bank use three categories for financial instruments at fair value through other comprehensive income ('FVOCI') and amortised cost for recognising ECL.

Category	Definition	Basis for recognising
Performing accounts (Stage 1)	• Financial assets that do not have significant increase in credit risk since initial recognition of the asset and therefore, less likely to default; • Performing accounts with credit grade 13 or better; • Accounts past due less than or equal to 30 days; or • For early control acounts where one that has risk or potential weakness which if left unchecked, may result in significant deterioration of repayment prospect and transfer to Underperforming status (Stage 2) or worse.	12 months ECL

5. CREDIT RISK (CONTINUED)

5.5 Credit Risk Measurement (continued)

Measurement of ECL (continued)

Category	Definition	Basis for recognising
Underperforming accounts (Stage 2)	• An account with significant increase in credit risk since initial recognition and if left uncorrected, may result in impairment of the account within the next 12 months; • Accounts past due more than 30 days or 1 month but less than 90 days or 3 months; • Account demonstrating critical level of risk and therefore, credit grade 14 and placed under Watchlist; or • Restructuring and rescheduling ('R&R') due to significant increase in credit risk.	Lifetime ECL – not credit impaired
Impaired accounts (Stage 3)	• Impaired credit; • Credit grade 15 or worse; • Accounts past due more than 90 days or 3 months; or • R&R which warrants a reclassification to Stage 3.	Lifetime ECL – credit impaired
Write-off	• Evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income; or • Assets unable to generate sufficient future cash flows to repay the amount.	Asset is written off

The Group and the Bank have not used the low credit risk exemption for any financial instrument for the financial year ended 31 December 2022 and 31 December 2021.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ('PD');
- loss given default ('LGD'); and
- exposure at default ('EAD').

5. CREDIT RISK (CONTINUED)

5.5 Credit Risk Measurement (continued)

Measurement of ECL (continued)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD is the likelihood of a counterparty defaulting on its contractual obligations over a given time horizon and are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group and the Bank collect performance and default information relating to its credit risk exposures which are analysed by type of product and customer as well as by credit risk grading. For some portfolios, information from external credit assessment institutions are also used.

The Group and the Bank employ statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change with time.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile is used to determine how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financing. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

LGD is the magnitude of loss in an event of a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

5. CREDIT RISK (CONTINUED)

5.5 Credit Risk Measurement (continued)

Measurement of ECL (continued)

EAD represents the exposure outstanding in the event of a default. The Group and the Bank derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The 12-month and lifetime EAD are determined based on the expected payment profile, which varies by product type.

ECL is determined by projecting the PD, LGD and EAD at each future point on a yearly basis on individual exposures, or collective segments, and discounting these monthly expected losses back to the reporting date. The discount rate used in the ECL calculation is the original profit rate or an approximation thereof.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group and the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group and the Bank consider a longer period. The maximum contractual period extends to the date at which the Group and the Bank have the right to require repayment of an advance or terminate a loan commitment or guarantee.

Forward looking economic information is also included in determining the 12-month and lifetime PD, LGD and EAD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics which include:

- product/instrument type;
- past due status;
- credit risk grading;
- collateral type;
- date of initial recognition; and
- remaining term to maturity.

5. CREDIT RISK (CONTINUED)

5.5 Credit Risk Measurement (continued)

Measurement of ECL (continued)

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period that have material impact to ECL.

Incorporation of forward-looking information

The Group and the Bank incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios are formulated.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a most-likely outcome and is aligned with information used by the Group and the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group and the Bank carry out stress testing which involves more extreme shocks to calibrate its determination of these other representative scenarios.

The Group and the Bank have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 years.

5. CREDIT RISK (CONTINUED)

5.6 Credit Risk Monitoring

Corporate credits and large individual accounts are subject to ongoing monitoring. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Appropriate remedial action is taken where evidence of deterioration exists.

The credit monitoring process is also to identify significant increase in credit risk as a means to pro-actively report and manage potentially deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with appropriate corrective measures employed to prevent further credit deterioration into non-performing status. Watchlist accounts are either managed up or managed out within a period of twelve months.

The Group and the Bank have established MFRS 9 – Stage Transfer Policy to provide guidance in determining significant increases in credit risk of financial assets. There are 3 stages to differentiate the credit risk of financial assets in conjunction with MFRS 9 standards: Performing Accounts (Stage 1), Underperforming Accounts (Stage 2) and Impaired Accounts (Stage 3).

Active portfolio monitoring as well as exceptions reportings are in place to identify, analyse and managed the overall risk profile to mitigate adverse trends or specific areas of risk concerns.

The Group and the Bank conduct post-mortem reviews on newly impaired financing to determine the key reason(s) and/or driver(s) leading to the account being classified as impaired. The findings are communicated at both management and Board levels as lessons learned which are used to assist in formulating appropriate remedial actions or measures to minimise potential or future credit loss from similar or repeat events.

In addition, post-approval independent credit review is undertaken by the Group and the Bank to ensure that credit decision-making is consistent with the overall credit risk appetite and strategy.

5.7 Credit Quality of Financial Assets

Total loans, advances and other financing – credit quality

All loans, advances and other financing are categorised into 'neither past due nor impaired', 'past due but not impaired' and 'impaired'.

Past due loans/financing refers to loans, advances and other financing that are overdue by one day or more.

BASEL II PILLAR 3 DISCLOSURES

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5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Total loans, advances and other financing – credit quality (continued)

Loans, advances and other financing are classified as impaired when they fulfill any of the following criteria:

i. the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default;

ii. where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is 'unlikely to meet' its credit obligations; or

iii. the loan/financing is classified as rescheduled and restructured in the Central Credit Reference Information System ('CCRIS').

Analysed by economic sectors

Past due but not impaired loans/financing

The Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	**5,271**	**9,873**	**–**	**15,144**
Mining and quarrying	**84**	**3,678**	**–**	**3,762**
Manufacturing	**39,386**	**50,883**	**–**	**90,269**
Electricity, gas and water supply	**10**	**112**	**–**	**122**
Construction	**67,931**	**147,532**	**–**	**215,463**
Real estate	**27,766**	**205,693**	**–**	**233,459**
Wholesale & retail trade and restaurants & hotels	**115,289**	**154,031**	**–**	**269,320**
Transport, storage and communication	**48,732**	**43,674**	**–**	**92,406**
Finance, insurance/takaful and business services	**67,644**	**46,065**	**–**	**113,709**
Education, health and others	**80,611**	**12,727**	**–**	**93,338**
Household	**1,658,547**	**1,289,374**	**–**	**2,947,921**
	2,111,271	**1,963,642**	**–**	**4,074,913**

The Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	3,139	2,686	–	5,825
Mining and quarrying	95	661	–	756
Manufacturing	23,888	8,543	–	32,431
Electricity, gas and water supply	457	384	–	841
Construction	36,840	90,785	–	127,625
Real estate	52,971	68,402	–	121,373
Wholesale & retail trade and restaurants & hotels	72,308	226,574	–	298,882
Transport, storage and communication	36,626	119,380	–	156,006
Finance, insurance/takaful and business services	33,543	23,935	–	57,478
Education, health and others	5,178	6,036	–	11,214
Household	936,629	760,049	–	1,696,678
	1,201,674	1,307,435	–	2,509,109

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Past due but not impaired loans/financing (continued)

The Bank **2022**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Primary agriculture	**4,310**	**8,961**	**–**	**13,271**
Mining and quarrying	**–**	**1,974**	**–**	**1,974**
Manufacturing	**34,500**	**43,639**	**–**	**78,139**
Electricity, gas and water supply	**–**	**82**	**–**	**82**
Construction	**50,158**	**83,632**	**–**	**133,790**
Real estate	**16,879**	**152,134**	**–**	**169,013**
Wholesale & retail trade and restaurants & hotels	**76,044**	**111,192**	**–**	**187,236**
Transport, storage and communication	**39,403**	**31,823**	**–**	**71,226**
Finance, insurance and business services	**43,554**	**22,614**	**–**	**66,168**
Education, health and others	**5,895**	**9,856**	**–**	**15,751**
Household	**730,909**	**577,353**	**–**	**1,308,262**
	1,001,652	**1,043,260**	**–**	**2,044,912**

The Bank **2021**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Primary agriculture	3,053	1,855	–	4,908
Mining and quarrying	95	516	–	611
Manufacturing	21,678	5,709	–	27,387
Electricity, gas and water supply	418	65	–	483
Construction	19,473	83,373	–	102,846
Real estate	1,211	45,652	–	46,863
Wholesale & retail trade and restaurants & hotels	38,359	206,631	–	244,990
Transport, storage and communication	26,700	98,200	–	124,900
Finance, insurance and business services	24,380	12,420	–	36,800
Education, health and others	2,831	4,087	–	6,918
Household	416,841	386,466	–	803,307
	555,039	844,974	–	1,400,013

BASEL II PILLAR 3 DISCLOSURES

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5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Expected credit losses

	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL credit impaired	
The Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	**4,170**	**4,018**	**10,113**	**18,301**
Mining and quarrying	**411**	**549**	**8,033**	**8,993**
Manufacturing	**14,744**	**184,919**	**13,782**	**213,445**
Electricity, gas and water supply	**1,181**	**1,415**	**–**	**2,596**
Construction	**6,048**	**20,698**	**50,643**	**77,389**
Real estate	**46,560**	**99,767**	**67,183**	**213,510**
Wholesale & retail trade and restaurants & hotels	**22,756**	**76,002**	**36,942**	**135,700**
Transport, storage and communication	**4,523**	**24,656**	**120,979**	**150,158**
Finance, insurance/takaful and business services	**6,441**	**103,824**	**7,067**	**117,332**
Education, health and others	**3,778**	**10,411**	**6,060**	**20,249**
Household	**101,470**	**78,246**	**100,432**	**280,148**
Government	**–**	**–**	**–**	**–**
	212,082	**604,505**	**421,234**	**1,237,821**

	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL credit impaired	
The Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	4,500	2,822	896	8,218
Mining and quarrying	734	239	5,605	6,578
Manufacturing	15,101	106,023	8,857	129,981
Electricity, gas and water supply	1,748	1,220	71	3,039
Construction	5,257	29,573	26,608	61,438
Real estate	90,879	46,133	40,469	177,481
Wholesale & retail trade and restaurants & hotels	26,585	24,988	16,430	68,003
Transport, storage and communication	5,186	27,099	129,723	162,008
Finance, insurance/takaful and business services	6,640	21,780	18,279	46,699
Education, health and others	6,947	9,335	1,151	17,433
Household	72,962	44,802	90,015	207,779
Government	609	6	–	615
	237,148	314,020	338,104	889,272

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Expected credit losses (continued)

The Bank	12-month ECL Stage 1	Lifetime ECL Not credit impaired Stage 2	Lifetime ECL credit impaired Stage 3	Total
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	**2,727**	**4,009**	**9,883**	**16,619**
Mining and quarrying	**376**	**468**	**5,906**	**6,750**
Manufacturing	**10,625**	**153,159**	**7,634**	**171,418**
Electricity, gas and water supply	**884**	**1,414**	**–**	**2,298**
Construction	**3,165**	**11,229**	**34,690**	**49,084**
Real estate	**42,631**	**72,798**	**26,888**	**142,317**
Wholesale & retail trade and restaurants & hotels	**16,721**	**56,450**	**32,999**	**106,170**
Transport, storage and communication	**3,707**	**18,025**	**115,061**	**136,793**
Finance, insurance and business services	**4,792**	**96,017**	**5,230**	**106,039**
Education, health and others	**2,030**	**4,577**	**5,671**	**12,278**
Household	**56,916**	**30,847**	**53,437**	**141,200**
Government	**–**	**–**	**–**	**–**
	144,574	**448,993**	**297,399**	**890,966**

The Bank	12-month ECL Stage 1	Lifetime ECL Not credit impaired Stage 2	Lifetime ECL credit impaired Stage 3	Total
2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	1,443	2,813	716	4,972
Mining and quarrying	717	238	3,466	4,421
Manufacturing	8,595	90,011	1,672	100,278
Electricity, gas and water supply	924	1,217	71	2,212
Construction	4,206	13,488	25,641	43,335
Real estate	79,061	29,941	14,229	123,231
Wholesale & retail trade and restaurants & hotels	19,589	15,119	14,431	49,139
Transport, storage and communication	4,177	20,025	124,929	149,131
Finance, insurance and business services	4,221	16,574	17,632	38,427
Education, health and others	6,099	6,155	863	13,117
Household	33,885	19,276	47,787	100,948
Government	258	–	–	258
	163,175	214,857	251,437	629,469

BASEL II PILLAR 3 DISCLOSURES
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5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Expected credit losses written-off

	The Group		The Bank	
	Lifetime ECL credit impaired Stage 3		Lifetime ECL credit impaired Stage 3	
	2022 RM'000	2021 RM'000	**2022 RM'000**	2021 RM'000
Primary agriculture	**99**	100	**1**	61
Mining and quarrying	**5**	–	**5**	–
Manufacturing	**1,649**	4,580	**1,432**	914
Electricity, gas and water supply	**31**	92	**31**	68
Construction	**6,567**	14,119	**2,194**	13,782
Real estate	**15**	868	**–**	868
Wholesale & retail trade and restaurants & hotels	**7,918**	6,913	**6,184**	6,861
Transport, storage and communication	**1,225**	1,323	**1,131**	1,111
Finance, insurance/takaful and business services	**12,324**	2,113	**12,100**	2,015
Education, health and others	**565**	671	**563**	472
Household	**53,984**	41,187	**29,052**	26,287
	84,382	71,966	**52,693**	52,439

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area

Past due but not impaired loans/financing

The Group	Stage 1	Stage 2	Stage 3	Total
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Perlis	**3,399**	**2,891**	**–**	**6,290**
Kedah	**74,492**	**134,227**	**–**	**208,719**
Pulau Pinang	**97,519**	**120,430**	**–**	**217,949**
Perak	**67,818**	**69,024**	**–**	**136,842**
Selangor	**728,400**	**589,007**	**–**	**1,317,407**
Wilayah Persekutuan	**395,258**	**447,862**	**–**	**843,120**
Negeri Sembilan	**111,324**	**96,554**	**–**	**207,878**
Melaka	**53,806**	**68,547**	**–**	**122,353**
Johor	**282,159**	**227,901**	**–**	**510,060**
Pahang	**52,905**	**44,044**	**–**	**96,949**
Terengganu	**40,086**	**25,877**	**–**	**65,963**
Kelantan	**30,591**	**20,378**	**–**	**50,969**
Sarawak	**72,933**	**51,745**	**–**	**124,678**
Sabah	**92,258**	**65,122**	**–**	**157,380**
Labuan	**102**	**–**	**–**	**102**
Outside Malaysia	**8,221**	**33**	**–**	**8,254**
	2,111,271	**1,963,642**	**–**	**4,074,913**

The Group	Stage 1	Stage 2	Stage 3	Total
2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Perlis	1,178	1,751	–	2,929
Kedah	49,193	57,103	–	106,296
Pulau Pinang	55,272	47,581	–	102,853
Perak	46,898	47,896	–	94,794
Selangor	433,702	379,451	–	813,153
Wilayah Persekutuan	211,950	373,400	–	585,350
Negeri Sembilan	58,486	48,704	–	107,190
Melaka	33,974	25,821	–	59,795
Johor	140,630	151,088	–	291,718
Pahang	31,377	24,707	–	56,084
Terengganu	22,003	18,665	–	40,668
Kelantan	15,829	10,066	–	25,895
Sarawak	45,290	45,999	–	91,289
Sabah	55,791	58,577	–	114,368
Labuan	23	16,625	–	16,648
Outside Malaysia	78	1	–	79
	1,201,674	1,307,435	–	2,509,109

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2022

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Past due but not impaired loans/financing (continued)

The Bank	Stage 1	Stage 2	Stage 3	Total
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Perlis	**1,222**	**1,131**	**–**	**2,353**
Kedah	**21,550**	**16,064**	**–**	**37,614**
Pulau Pinang	**49,672**	**39,725**	**–**	**89,397**
Perak	**30,956**	**35,119**	**–**	**66,075**
Selangor	**328,938**	**286,440**	**–**	**615,378**
Wilayah Persekutuan	**176,900**	**334,102**	**–**	**511,002**
Negeri Sembilan	**33,052**	**29,399**	**–**	**62,451**
Melaka	**27,431**	**48,793**	**–**	**76,224**
Johor	**167,281**	**122,879**	**–**	**290,160**
Pahang	**13,844**	**16,895**	**–**	**30,739**
Terengganu	**2,488**	**2,097**	**–**	**4,585**
Kelantan	**2,563**	**2,568**	**–**	**5,131**
Sarawak	**58,779**	**48,316**	**–**	**107,095**
Sabah	**78,653**	**59,699**	**–**	**138,352**
Labuan	**102**	**–**	**–**	**102**
Outside Malaysia	**8,221**	**33**	**–**	**8,254**
	1,001,652	**1,043,260**	**–**	**2,044,912**

The Bank	Stage 1	Stage 2	Stage 3	Total
2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Perlis	482	485	–	967
Kedah	13,090	15,020	–	28,110
Pulau Pinang	27,027	26,305	–	53,332
Perak	21,728	26,721	–	48,449
Selangor	190,660	225,724	–	416,384
Wilayah Persekutuan	79,555	325,211	–	404,766
Negeri Sembilan	20,786	18,129	–	38,915
Melaka	10,899	15,744	–	26,643
Johor	85,156	81,408	–	166,564
Pahang	11,457	9,314	–	20,771
Terengganu	1,015	848	–	1,863
Kelantan	1,939	1,349	–	3,288
Sarawak	41,818	43,549	–	85,367
Sabah	49,326	55,164	–	104,490
Labuan	23	2	–	25
Outside Malaysia	78	1	–	79
	555,039	844,974	–	1,400,013

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses

	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL credit impaired	
The Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Perlis	329	80	2,306	2,715
Kedah	5,008	11,217	37,837	54,062
PulauPinang	12,023	68,046	14,890	94,959
Perak	5,034	5,416	5,051	15,501
Selangor	80,006	74,593	102,572	257,171
Wilayah Persekutuan	49,872	371,046	38,690	459,608
Negeri Sembilan	6,011	11,199	5,950	23,160
Melaka	3,745	19,034	19,654	42,433
Johor	25,850	19,342	32,960	78,152
Pahang	6,053	6,161	17,109	29,323
Terengganu	2,128	1,521	107,695	111,344
Kelantan	1,781	844	1,050	3,675
Sarawak	6,692	4,752	29,452	40,896
Sabah	7,088	6,060	5,995	19,143
Labuan	140	5191	0	5,331
Outside Malaysia	322	3	23	348
	212,082	604,505	421,234	1,237,821

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses (continued)

The Group 2021	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Perlis	772	58	1,042	1,872
Kedah	4,036	13,684	16,973	34,693
Pulau Pinang	9,218	11,663	7,571	28,452
Perak	8,144	4,530	6,662	19,336
Selangor	62,594	64,077	78,289	204,960
Wilayah Persekutuan	87,546	169,357	34,924	291,827
Negeri Sembilan	5,579	7,317	13,870	26,766
Melaka	6,342	8,273	4,053	18,668
Johor	25,466	17,346	18,889	61,701
Pahang	7,740	6,647	14,025	28,412
Terengganu	1,963	548	117,448	119,959
Kelantan	1,685	450	1,169	3,304
Sarawak	7,433	1,083	16,389	24,905
Sabah	8,117	8,406	6,800	23,323
Labuan	418	581	–	999
Outside Malaysia	95	–	–	95
	237,148	314,020	338,104	889,272

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses (continued)

	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL credit impaired	
The Bank	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Perlis	**132**	**35**	**27**	**194**
Kedah	**2,193**	**623**	**31,794**	**34,610**
Pulau Pinang	**7,392**	**51,588**	**11,193**	**70,173**
Perak	**2,903**	**4,063**	**1,938**	**8,904**
Selangor	**51,333**	**37,512**	**57,356**	**146,201**
Wilayah Persekutuan	**44,126**	**309,250**	**22,794**	**376,170**
Negeri Sembilan	**2,191**	**4,381**	**2,422**	**8,994**
Melaka	**2,640**	**18,250**	**8,316**	**29,206**
Johor	**17,026**	**10,846**	**11,973**	**39,845**
Pahang	**3,225**	**5,175**	**16,379**	**24,779**
Terengganu	**151**	**186**	**106,529**	**106,866**
Kelantan	**169**	**96**	**204**	**469**
Sarawak	**5,616**	**1528**	**20,839**	**27,983**
Sabah	**5,019**	**5,454**	**5,612**	**16,085**
Labuan	**136**	**3**	**0**	**139**
Outside Malaysia	**322**	**3**	**23**	**348**
	144,574	**448,993**	**297,399**	**890,966**

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses (continued)

The Bank	12-month ECL Stage 1	Lifetime ECL Not credit impaired Stage 2	Lifetime ECL credit impaired Stage 3	Total
2021	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Perlis	52	14	126	192
Kedah	1,591	736	14,146	16,473
Pulau Pinang	5,619	9,438	4,453	19,510
Perak	6,465	3,647	4,077	14,189
Selangor	36,748	36,663	27,799	101,210
Wilayah Persekutuan	71,331	129,716	25,093	226,140
Negeri Sembilan	2,078	2,519	8,852	13,449
Melaka	5,251	7,760	2,668	15,679
Johor	17,400	9,150	11,406	37,956
Pahang	5,273	6,077	13,407	24,757
Terengganu	94	85	116,421	116,600
Kelantan	254	83	291	628
Sarawak	5,202	916	16,374	22,492
Sabah	5,305	8,053	6,324	19,682
Labuan	417	–	–	417
Outside Malaysia	95	–	–	95
	163,175	214,857	251,437	629,469

5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure

(i) The following table depicts the Group's Gross Credit Exposure by Geographical Distribution based on credit risk resides.

The Group	**2022**			**2021**		
Exposure class	**Malaysia**	**Other countries**	**Total**	**Malaysia**	**Other countries**	**Total**
On-Balance Sheet Exposures						
Corporates	**28,407,079**	**152,690**	**28,559,769**	24,607,929	67,290	24,675,219
Regulatory Retail	**20,826,141**	**1,062**	**20,827,203**	16,124,028	375	16,124,403
Other Assets	**4,578,409**	**–**	**4,578,409**	3,745,322	–	3,745,322
Sovereigns/Central Banks	**19,280,368**	**173,401**	**19,453,769**	15,292,294	1,600	15,293,894
Banks, Development Financial Institutions & MDBs	**2,420,716**	**309,664**	**2,730,380**	4,594,144	189,003	4,783,147
Insurance/Takaful Companies, Securities Firms & Fund Managers	**51,869**	**–**	**51,869**	19,138	–	19,138
Residential Mortgages	**12,099,523**	**–**	**12,099,523**	11,362,574	–	11,362,574
Higher Risk Assets	**32,370**	**–**	**32,370**	5,554	–	5,554
Defaulted Exposures	**763,366**	**6**	**763,372**	1,088,516	–	1,088,516
Total for On-Balance Sheet Exposures	**88,459,841**	**636,823**	**89,096,664**	76,839,499	258,268	77,097,767
Off-Balance Sheet Exposures						
Over-the-counter ("OTC") derivatives	**1,113,435**	**21,307**	**1,134,742**	784,121	6,528	790,649
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	**10,063,594**	**83,512**	**10,147,106**	3,547,790	35,886	3,583,676
Defaulted Exposures	**15,762**	**–**	**15,762**	15,931	–	15,931
Total for Off-Balance Sheet Exposures	**11,192,791**	**104,819**	**11,297,610**	4,347,842	42,414	4,390,256
Total for On and Off-Balance Sheet Exposures	**99,652,632**	**741,642**	**100,394,274**	81,187,341	300,682	81,488,023

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5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(i) The following table depicts the Bank's Gross Credit Exposure by Geographical Distribution based on credit risk resides.

The Bank	**2022**			**2021**		
Exposure class	**Malaysia**	**Other countries**	**Total**	**Malaysia**	**Other countries**	**Total**
On-Balance Sheet Exposures						
Corporates	**17,413,459**	**124,492**	**17,537,951**	15,646,904	32,809	15,679,713
Regulatory Retail	**14,288,142**	**1,053**	**14,289,195**	10,664,982	371	10,665,353
Other Assets	**3,486,578**	**–**	**3,486,578**	3,205,291	–	3,205,291
Sovereigns/Central Banks	**9,445,340**	**173,401**	**9,618,741**	7,156,510	–	7,156,510
Banks, Development Financial Institutions & MDBs	**2,708,063**	**309,664**	**3,017,727**	3,666,018	185,473	3,851,491
Insurance Companies, Securities Firms & Fund Managers	**15,426**	**–**	**15,426**	–	–	–
Residential Mortgages	**2,972,292**	**–**	**2,972,292**	2,979,370	–	2,979,370
Higher Risk Assets	**24,597**	**–**	**24,597**	4,792	–	4,792
Defaulted Exposures	**606,882**	**6**	**606,888**	856,184	–	856,184
Total for On-Balance Sheet Exposures	**50,960,779**	**608,616**	**51,569,395**	44,180,051	218,653	44,398,704
Off-Balance Sheet Exposures						
Over-the-counter ("OTC") derivatives	**838,714**	**21,307**	**860,021**	423,216	6,528	429,744
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	**8,769,168**	**83,441**	**8,852,609**	2,439,010	35,839	2,474,849
Defaulted Exposures	**15,212**	**–**	**15,212**	9,923	–	9,923
Total for Off-Balance Sheet Exposures	**9,623,094**	**104,748**	**9,727,842**	2,872,149	42,367	2,914,516
Total for On and Off-Balance Sheet Exposures	**60,583,873**	**713,364**	**61,297,237**	47,052,200	261,020	47,313,220

5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts the Group's Gross Credit Exposure by Sectorial Analysis or Industry Distribution.

2022	The Group												
Exposure class	**Primary agriculture**	**Mining and quarrying**	**Manufac-turing**	**Electricity, gas and water supply**	**Construction**	**Real estate**	**Wholesale & retail trade and restaurants & hotels**	**Transport, storage and communication**	**Finance, insurance/ takaful and business services**	**Education, health and others**	**Household**	**Others**	**Total**
On-Balance Sheet Exposures													
Corporates	1,468,198	198,494	3,762,009	873,462	1,618,617	5,306,397	5,082,523	1,386,897	2,834,548	1,694,829	4,108,782	225,013	28,559,769
Regulatory Retail	94,643	10,626	467,924	8,064	400,077	186,040	1,131,261	392,233	425,303	127,537	17,583,383	112	20,827,203
Other Assets	–	–	–	–	–	–	–	–	23,914	230	–	4,554,265	4,578,409
Sovereigns/Central Banks	–	–	–	78,158	538,976	–	–	541,324	17,160,123	910,235	16	224,937	19,453,769
Banks, Development Financial Institutions & MDBs	5,776	–	–	–	–	–	3	–	2,722,432	2,113	56	–	2,730,380
Insurance/Takaful Companies, Securities Firms & Fund Managers	–	–	–	–	–	–	426	–	51,443	–	–	–	51,869
Residential Mortgages	–	–	–	–	–	–	–	–	–	–	12,099,523	–	12,099,523
Higher Risk Assets	–	–	–	–	–	–	–	14,916	–	–	17,454	–	32,370
Defaulted Exposures	1,000	18,497	34,235	–	46,903	52,877	46,586	195,166	59,941	186,496	121,669	2	763,372
Total for On-Balance Sheet Exposures	1,569,617	227,617	4,264,168	959,684	2,604,573	5,545,314	6,260,799	2,530,536	23,277,704	2,921,440	33,930,883	5,004,329	89,096,664
Off-Balance Sheet Exposures													
Over-the-counter ("OTC") derivatives	–	–	26,659	–	–	–	8,312	32	1,043,382	56,357	–	–	1,134,742
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	96,218	83,633	476,356	67,069	692,827	218,064	410,117	177,551	6,351,768	185,313	1,333,260	54,930	10,147,106
Defaulted Exposures	0	9,558	236	–	873	–	845	2,601	557	–	1,092	–	15,762
Total for Off-Balance Sheet Exposures	96,218	93,191	503,251	67,069	693,700	218,064	419,274	180,184	7,395,707	241,670	1,334,352	54,930	11,297,610
Total for On and Off-Balance Sheet Exposures	1,665,835	320,808	4,767,419	1,026,753	3,298,273	5,763,378	6,680,073	2,710,720	30,673,411	3,163,110	35,265,235	5,059,259	100,394,274

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5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts the Group's Gross Credit Exposure by Sectorial Analysis or Industry Distribution. (continued)

2021	The Group												
Exposure class	**Primary agriculture**	**Mining and quarrying**	**Manufacturing**	**Electricity, gas and water supply**	**Construction**	**Real estate**	**Wholesale & retail trade and restaurants & hotels**	**Transport, storage and communication**	**Finance, insurance/ takaful and business services**	**Education, health and others**	**Household**	**Others**	**Total**
On-Balance Sheet Exposures													
Corporates	1,338,739	167,623	2,948,309	648,419	2,245,961	4,953,077	4,636,909	1,225,169	1,927,626	1,697,687	2,716,934	168,766	24,675,219
Regulatory Retail	80,489	8,770	414,999	5,523	385,909	184,797	913,170	316,705	352,017	129,331	13,332,693	–	16,124,403
Other Assets	–	–	–	–	–	–	–	–	26,697	66,004	–	3,652,621	3,745,322
Sovereigns/Central Banks	–	–	–	78,090	506,928	–	–	1,288,849	12,323,992	959,604	–	136,431	15,293,894
Public Sector Entities	–	–	–	–	–	–	–	–	–	–	–	–	–
Banks, Development Financial Institutions & MDBs	1,844	–	–	–	–	–	40	–	4,507,099	274,164	–	–	4,783,147
Insurance/Takaful Companies, Securities Firms & Fund Managers	–	–	–	–	–	–	–	–	19,138	–	–	–	19,138
Residential Mortgages	–	–	–	–	–	–	–	–	–	–	11,362,574	–	11,362,574
Higher Risk Assets	–	–	–	–	–	–	–	–	–	–	5,554	–	5,554
Defaulted Exposures	10,592	28,485	50,009	34	83,737	83,142	39,281	231,762	115,159	304,126	142,189	–	1,088,516
Total for On-Balance Sheet Exposures	1,431,664	204,878	3,413,317	732,066	3,222,535	5,221,016	5,589,400	3,062,485	19,271,728	3,430,916	27,559,944	3,957,818	77,097,767
Off-Balance Sheet Exposures													
Over-the-counter ("OTC") derivatives	19	–	6,203	26	7	–	9,557	–	723,095	51,742	–	–	790,649
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	76,867	96,902	664,440	8,215	690,205	214,730	429,811	119,542	179,603	122,397	980,964	–	3,583,676
Defaulted Exposures	–	5,506	–	–	1,959	21	22	6,500	838	–	1,085	–	15,931
Total for Off-Balance Sheet Exposures	76,886	102,408	670,643	8,241	692,171	214,751	439,390	126,042	903,536	174,139	982,049	–	4,390,256
Total for On and Off-Balance Sheet Exposures	1,508,550	307,286	4,083,960	740,307	3,914,706	5,435,767	6,028,790	3,188,527	20,175,264	3,605,055	28,541,993	3,957,818	81,488,023

5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts the Bank's Gross Credit Exposure by Sectorial Analysis or Industry Distribution. (continued)

2022	The Bank												
Exposure class	Primary agriculture	Mining and quarrying	Manufac-turing	Electricity, gas and water supply	Construction	Real estate	Wholesale & retail trade and restaurants & hotels	Transport, storage and communication	Finance, insurance and business services	Education, health and others	Household	Others	Total
On-Balance Sheet Exposures													
Corporates	967,406	176,832	2,541,614	468,300	923,900	4,179,645	3,846,364	1,067,247	1,687,065	1,127,341	507,237	45,000	17,537,951
Regulatory Retail	77,789	8,951	374,261	2,711	291,330	157,794	893,786	310,092	282,696	82,658	11,807,015	112	14,289,195
Other Assets	-	-	-	-	-	-	-	-	-	-	-	3,486,578	3,486,578
Sovereigns/Central Banks	-	-	-	-	107,356	-	-	126,320	9,035,897	349,152	16	-	9,618,741
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	5,776	-	-	-	-	-	-	-	3,011,895	-	56	-	3,017,727
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	426	-	15,000	-	-	-	15,426
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	2,972,292	-	2,972,292
Higher Risk Assets	-	-	-	-	-	-	-	14,916	-	-	9,681	-	24,597
Defaulted Exposures	929	-	32,695	-	10,257	24,783	43,973	188,005	57,730	186,164	62,352	-	606,888
Total for On-Balance Sheet Exposures	1,051,900	185,783	2,948,570	471,011	1,332,843	4,362,222	4,784,549	1,706,580	14,090,283	1,745,315	15,358,649	3,531,690	51,569,395
Off-Balance Sheet Exposures													
Over-the-counter ("OTC") derivatives	-	-	14,569	-	-	-	2,289	32	786,774	56,357	-	-	860,021
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	39,982	19,037	347,776	6,033	444,665	193,554	278,880	132,868	6,324,401	102,336	962,753	324	8,852,609
Defaulted Exposures	0	9,558	236	-	873	-	845	2,601	557	-	542	-	15,212
Total for Off-Balance Sheet Exposures	39,982	28,595	362,581	6,033	445,538	193,554	282,014	135,501	7,111,732	158,693	963,295	324	9,727,842
Total for On and Off-Balance Sheet Exposures	1,091,882	214,378	3,311,151	477,044	1,778,381	4,555,776	5,066,563	1,842,081	21,202,015	1,904,008	16,321,944	3,532,014	61,297,237

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5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts the Bank's Gross Credit Exposure by Sectorial Analysis or Industry Distribution. (continued)

2021	The Bank												
Exposure class	Primary agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water supply	Construction	Real estate	Wholesale & retail trade and restaurants & hotels	Transport, storage and communication	Finance, insurance and business services	Education, health and others	Household	Others	Total
On-Balance Sheet Exposures													
Corporates	571,601	162,265	2,045,815	366,267	1,544,045	3,836,611	3,280,687	889,438	1,136,192	1,188,080	613,912	44,800	15,679,713
Regulatory Retail	64,030	6,284	327,820	2,734	278,669	154,064	729,971	244,676	237,529	82,541	8,536,369	666	10,665,353
Other Assets	–	–	–	–	–	–	–	–	–	–	–	3,205,291	3,205,291
Sovereigns/Central Banks	–	–	–	–	104,986	–	–	548,082	6,106,097	397,345	–	–	7,156,510
Banks, Development Financial Institutions & MDBs	1,844	–	–	–	–	–	–	–	3,577,954	271,693	–	–	3,851,491
Insurance Companies, Securities Firms & Fund Managers	–	–	–	–	–	–	–	–	–	–	–	–	–
Residential Mortgages	–	–	–	–	–	–	–	–	–	–	2,979,370	–	2,979,370
Higher Risk Assets	–	–	–	–	–	–	–	–	–	–	4,792	–	4,792
Defaulted Exposures	9,154	1,826	49,297	34	44,705	36,197	37,618	180,929	114,453	303,746	78,225	–	856,184
Total for On-Balance Sheet Exposures	646,629	170,375	2,422,932	369,035	1,972,405	4,026,872	4,048,276	1,863,125	11,172,225	2,243,405	12,212,668	3,250,757	44,398,704
Off-Balance Sheet Exposures													
Over-the-counter ("OTC") derivatives	19	–	5,563	26	7	–	2,534	–	370,147	51,448	–	–	429,744
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	40,874	22,507	527,599	6,814	425,034	192,989	315,883	77,142	187,674	31,151	647,182	–	2,474,849
Defaulted Exposures	–	–	–	–	1,959	21	22	6,500	838	–	583	–	9,923
Total for Off-Balance Sheet Exposures	40,893	22,507	533,162	6,840	427,000	193,010	318,439	83,642	558,659	82,599	647,765	–	2,914,516
Total for On and Off-Balance Sheet Exposures	687,522	192,882	2,956,094	375,875	2,399,405	4,219,882	4,366,715	1,946,767	11,730,884	2,326,004	12,860,433	3,250,757	47,313,220

5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts the Group's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity.

2022	The Group				
Exposure class	**< 1 year**	**>1-5 years**	**> 5 years**	**No specific maturity**	**Total**
On-Balance Sheet Exposures					
Corporates	8,517,267	6,843,517	11,448,286	1,750,699	28,559,769
Regulatory Retail	471,926	4,865,310	14,849,999	639,968	20,827,203
Other Assets	–	–	–	4,578,409	4,578,409
Sovereigns/Central Banks	4,050,817	6,582,118	8,718,737	102,097	19,453,769
Banks, Development Financial Institutions & MDBs	1,771,544	628,803	324,162	5,871	2,730,380
Insurance/Takaful Companies, Securities Firms & Fund Managers	14,594	36,849	426	–	51,869
Residential Mortgages	1,523	58,151	12,013,779	26,070	12,099,523
Higher Risk Assets	73	15,383	16,914	–	32,370
Defaulted Exposures	81,205	95,918	566,727	19,522	763,372
Total for On-Balance Sheet Exposures	**14,908,949**	**19,126,049**	**47,939,030**	**7,122,636**	**89,096,664**
Off-Balance Sheet Exposures					
Over-the-counter ("OTC") derivatives	753,549	324,196	56,997	–	1,134,742
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	8,247,512	424,710	107,419	1,367,465	10,147,106
Defaulted Exposures	11,288	3,392	115	967	15,762
Total for Off-Balance Sheet Exposures	**9,012,349**	**752,298**	**164,531**	**1,368,432**	**11,297,610**
Total for On and Off-Balance Sheet Exposures	**23,921,298**	**19,878,347**	**48,103,561**	**8,491,068**	**100,394,274**

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5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts the Group's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity. (continued)

2021	The Group				
Exposure class	**< 1 year**	**>1-5 years**	**> 5 years**	**No specific maturity**	**Total**
On-Balance Sheet Exposures					
Corporates	8,409,052	6,325,545	9,826,021	114,601	24,675,219
Regulatory Retail	494,532	4,688,915	10,674,008	266,948	16,124,403
Other Assets	–	–	–	3,745,322	3,745,322
Sovereigns/Central Banks	4,211,846	3,463,769	7,608,024	10,255	15,293,894
Banks, Development Financial Institutions & MDBs	3,196,254	1,140,330	446,558	5	4,783,147
Insurance/Takaful Companies, Securities Firms & Fund Managers	18,824	314	–	–	19,138
Residential Mortgages	2,741	57,966	11,301,867	–	11,362,574
Higher Risk Assets	72	66	5,416	–	5,554
Defaulted Exposures	254,635	109,316	724,081	484	1,088,516
Total for On-Balance Sheet Exposures	16,587,956	15,786,221	40,585,975	4,137,615	77,097,767
Off-Balance Sheet Exposures					
Over-the-counter ("OTC") derivatives	489,663	226,156	74,830	–	790,649
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	2,070,971	422,386	857,714	232,605	3,583,676
Defaulted Exposures	13,317	1,017	1,594	3	15,931
Total for Off-Balance Sheet Exposures	2,573,951	649,559	934,138	232,608	4,390,256
Total for On and Off-Balance Sheet Exposures	19,161,907	16,435,780	41,520,113	4,370,223	81,488,023

5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts the Bank's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity. (continued)

2022	**The Bank**				
Exposure class	**< 1 year**	**>1-5 years**	**> 5 years**	**No specific maturity**	**Total**
On-Balance Sheet Exposures					
Corporates	**5,004,864**	**4,954,789**	**6,449,048**	**1,129,250**	**17,537,951**
Regulatory Retail	**222,523**	**3,364,788**	**10,192,072**	**509,812**	**14,289,195**
Other Assets	**–**	**–**	**–**	**3,486,578**	**3,486,578**
Sovereigns/Central Banks	**1,036,955**	**3,675,359**	**4,906,411**	**16**	**9,618,741**
Banks, Development Financial Institutions & MDBs	**2,242,674**	**486,636**	**282,585**	**5,832**	**3,017,727**
Insurance Companies, Securities Firms & Fund Managers	**–**	**15,000**	**426**	**–**	**15,426**
Residential Mortgages	**1,255**	**40,850**	**2,905,104**	**25,083**	**2,972,292**
Higher Risk Assets	**73**	**15,383**	**9,141**	**–**	**24,597**
Defaulted Exposures	**63,472**	**83,426**	**441,950**	**18,040**	**606,888**
Total for On-Balance Sheet Exposures	**8,571,816**	**12,636,231**	**25,186,737**	**5,174,611**	**51,569,395**
Off-Balance Sheet Exposures					
Over-the-counter ("OTC") derivatives	**617,200**	**185,825**	**56,996**	**–**	**860,021**
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	**7,548,867**	**285,875**	**13,438**	**1,004,429**	**8,852,609**
Defaulted Exposures	**11,279**	**3,377**	**115**	**441**	**15,212**
Total for Off-Balance Sheet Exposures	**8,177,346**	**475,077**	**70,549**	**1,004,870**	**9,727,842**
Total for On and Off-Balance Sheet Exposures	**16,749,162**	**13,111,308**	**25,257,286**	**6,179,481**	**61,297,237**

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5. CREDIT RISK (CONTINUED)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts the Bank's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity. (continued)

2021	The Bank				
Exposure class	**< 1 year**	**>1-5 years**	**> 5 years**	**No specific maturity**	**Total**
On-Balance Sheet Exposures					
Corporates	5,520,841	4,516,484	5,642,352	36	15,679,713
Regulatory Retail	327,016	3,259,780	6,856,475	222,082	10,665,353
Other Assets	–	–	–	3,205,291	3,205,291
Sovereigns/Central Banks	1,777,000	1,081,265	4,298,225	20	7,156,510
Banks, Development Financial Institutions & MDBs	2,022,381	1,427,217	401,888	5	3,851,491
Residential Mortgages	2,349	42,629	2,934,392	–	2,979,370
Higher Risk Assets	73	66	4,653	–	4,792
Defaulted Exposures	203,063	102,107	550,627	387	856,184
Total for On-Balance Sheet Exposures	9,852,723	10,429,548	20,688,612	3,427,821	44,398,704
Off-Balance Sheet Exposures					
Over-the-counter ("OTC") derivatives	259,177	95,737	74,830	–	429,744
Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	1,516,306	305,716	6,250	646,577	2,474,849
Defaulted Exposures	8,285	1,017	168	453	9,923
Total for Off-Balance Sheet Exposures	1,783,768	402,470	81,248	647,030	2,914,516
Total for On and Off-Balance Sheet Exposures	11,636,491	10,832,018	20,769,860	4,074,851	47,313,220

6. MARKET RISK

6.1 Market Risk Management Objectives and Policies

Market risk is defined as changes in the market value of a trading or investment position arising from movements in market factors such as interest/profit rate, foreign exchange rates and implied volatility rates. The Group's and the Bank's exposure to market risk results largely from interest/profit rate and foreign exchange rate risks.

Market risk may arise from proprietary trading position and investment activities (including those for liquidity requirement purposes) in the Trading and Investment Book respectively.

The Market Risk Management Framework governs the market risk activities of the Group and the Bank which are supported by a set of approved market risk management policies, guidelines and procedures.

Risk parameters are established based on risk appetite, market liquidity and business strategies as well as macro-economic conditions. These parameters are reviewed at least annually.

The Group and the Bank use derivative instruments such as interest/profit rate swap, cross currency interest/profit rate swap and currency swap to manage exposures to interest/profit rates, foreign currency and credit.

All hedging strategies are approved by GALCO and hedge documentation are reviewed by Finance Division before tabling to GALCO for notification and/or approval.

Hedging relationship is subject to periodic monitoring to assess that it remains stable throughout the life of the accounting hedge for the hedge to be effective.

Hedge ineffectiveness will lead to derecognition of the hedge.

6.2 Application of Standardised Approach for Market Risk Capital Charge Computation

The Group and the Bank adopt the Standardised Approach for the purpose of calculating the capital requirement for market risk.

Refer Appendix I.

6.3 Market Risk Measurement, Control and Monitoring

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss, Value-at-Risk ('VaR') and sensitivity limits.

Periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

6. MARKET RISK (CONTINUED)

6.3 Market Risk Measurement, Control and Monitoring (continued)

Value-at-Risk ('VaR')

VaR estimates the potential loss of a Trading portfolio from adverse market price movements which may occur over a specified holding period of the Trading portfolio.

It measures the risk of losses arising from potential adverse movements in interest/profit rates, implied volatility rates and foreign exchange rates that could affect values of financial instruments.

Backtesting of the VaR results is conducted to validate and reassess the accuracy of the risk measurement systems.

Other risk measures include the following:

i. Mark-to-market valuation tracks the current market value of the outstanding financial instruments.

ii. Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in values primarily arising from extreme movements in interest/profit rates and foreign exchange rates based on Macro Economic Variables ('MEV') provided by in-house research team.

The GALCO and GBRMC are regularly kept informed of the Group's and the Bank's risk profile and positions.

6.4 Foreign Exchange Risk

The Group and the Bank are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The risk of fluctuations in foreign currency exchange rates is managed via setting of thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

7. LIQUIDITY RISK

7.1 Liquidity Risk Management Objectives and Policies

Liquidity risk is the risk of inability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

7. LIQUIDITY RISK (CONTINUED)

7.1 Liquidity Risk Management Objectives and Policies (continued)

The Liquidity Risk Management Framework governs the liquidity risk management activities of the Group and the Bank. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Group's and the Bank's liquidity management process involves establishing liquidity risk management policies and prudential thresholds, liquidity risk threshold monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions and regulatory landscape.

7.2 Liquidity Risk Measurement, Control and Monitoring

The Group's and the Bank's short-term liquidity risk management is premised on BNM's Liquidity Coverage Ratio ('LCR') standards. The LCR is a quantitative requirement which seeks to ensure that the Group and the Bank holds sufficient High Quality Liquid Assets ('HQLA') to withstand a significant liquidity stress scenario over a 30-day horizon.

Long-term liquidity risk profile is assessed via the Net Stable Funding Ratio ('NSFR') which promotes resilience over a longer time horizon for the Group and the Bank to fund its activities with more stable sources of funding on an ongoing basis.

The Group and the Bank also employ a set of liquidity risk indicators as an early alert of any structural change for liquidity risk management. The liquidity risk indicators include internal and external qualitative as well as quantitative indicators.

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the Group's and the Bank's resilience in the event of a liquidity disruption.

The Contingency Funding Plan provides a systematic approach in handling liquidity disruption. The document encompasses strategies, decision-making authorities, and courses of action to be taken in the event of liquidity crisis and emergencies, enabling the Group and the Bank to respond to an unexpected liquidity disruption in an effective and efficient manner.

The GBRMC is responsible for the Group and the Bank's liquidity policy and the strategic management of liquidity has been delegated to the GALCO. The GBRMC is informed regularly on the liquidity position of the Group and the Bank.

8. OPERATIONAL RISK

8.1 Operational Risk Management Objectives and Policies

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or external events. The definition includes legal risk, and exposure to litigation from all aspects of the Group's and the Bank's activities, but excludes strategic and reputational risks. Management of operational risk also encompasses outsourcing and business continuity risk.

The Group Operational Risk Management ('GORM') Policy governs the management of operational risk across the Group and the Bank. GBRMC endorses all policies changes relating to operational risk prior to Board's approval. GMC-GRC supports GBRMC in the review and monitoring of operational risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The GORM function within GRM division operates in an independent capacity to facilitate business/support units managing operational risks associated with their processes and function within the Group and the Bank.

8.2 Application of Basic Indicator Approach for Operational Risk

The Group and the Bank adopt the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the average annual gross income over the previous three years.

Refer Appendix I.

8.3 Operational Risk Measurement, Control and Monitoring

Operational risks are managed daily through established systems and processes to ensure compliance with policies, guidelines and control procedures.

The Group and the Bank employ the following standard operational risk tools for risk and control identification and assessment:

- Risk Control Self-Assessment ('RCSA')
- Control Self Testing ('CST')

Note: Process to assist Business/Support Unit to identify and assess their key operational risks and controls, inherent risk rating, control effectiveness and residual risk level.

- Key Risk Indicator ('KRI')

Note: Process to monitor and manage key operational risk exposures over time, measured against a set of threshold levels (Red, Amber & Green).

8. OPERATIONAL RISK (CONTINUED)

8.3 Operational Risk Measurement, Control and Monitoring (continued)

- Loss Event Reporting ('LER')

Note: Process for reporting, evaluating and monitoring operational risk loss incidents including business disruption and system failure, data breaches and Shariah Non-Compliance ('SNC').

- Scenario Analysis ('ScAn')

Note: Process to develop plausible operational risk scenarios under which the identified major operational risks could materialise, evaluate the control effectiveness and estimate the probability of occurrence as well as severity of the impact.

Introduction of new or enhanced products or services are evaluated to assess, potential operational risks, mitigating controls and the operational readiness.

The Group and the Bank adopt the Three Lines of Defence ('3-LOD') model to ensure segregation of key roles and responsibilities between Business/Support Units and GORM as the independent oversight function in managing operational risk. As part of the first Line of Defence, Business Risk and Compliance Manager ('BRCM') are appointed at Business/Support Units as champions of Operational Risk Management ('ORM') activities within their respective unit. The BRCM is responsible for the reporting of ORM activities and to liaise with GORM on all operational lapses and results.

9. TECHNOLOGY RISK

9.1 Technology Risk Objectives and Policies

Technology risk refers to any risks emanating from technology failures and cyber threats that may disrupt the Group's and the Bank's business such as failures of information technology ('IT') systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external network or Internet, which could result in financial loss, financial services disruption or the operations of the Group and the Bank. Failures or errors in any of the elements above could also lead to adverse reputational impact to the Group and the Bank.

GBITC represents the Board committee to oversee and review the formulation of IT and digital strategies, costs and planning, including the financial, tactical and strategic benefits of proposed major IT and operational related initiatives. This includes oversight, guidance and endorsement in the formulation of Technology Risk Management/ Cyber Resilience Framework, risk appetite, KRIs, other associated IT/cyber security policies, major IT initiatives, technology architecture decisions, IT expenditure and IT priorities as well as overall IT performance for the Group and the Bank.

9. TECHNOLOGY RISK (CONTINUED)

9.1 Technology Risk Objectives and Policies (continued)

The Group Technology Risk Management Framework and Cyber Resilience Framework governs the management of technology risk across the Group and the Bank.

The technology risk management function within GRM manages the risks associated with technology risk of the Group and the Bank. GMC supports GBRMC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. GBRMC is responsible to provide oversight of overall technology related matters of the Group and the Bank.

9.2 Technology Risk Measurement, Control and Monitoring

The Group and the Bank use risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT system throughout its System Development Life Cycle ('SDLC'). The output of this process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process.

Technology risk controls encompass the use of technical and non-technical methods. Technical controls are safeguards that are incorporated into computer hardware, software, or firmware (i.e. access control mechanisms, identification and authentication mechanisms, encryption methods, intrusion detection software). Non-technical controls are management and operational controls, such as security policies, operational procedures and personnel, physical and environmental security.

Technology Risk Management reports are produced periodically for the respective stakeholders and committees.

10. SHARIAH NON-COMPLIANCE RISK

10.1 Shariah Non-Compliance Risk Objectives and Policies

Shariah non-compliance ('SNC') is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Group and the Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia ('SAC'), standards on Shariah matters issued by BNM pursuant to Section 29(1) of the Islamic Financial Services Act, or decisions or advice of the Shariah Committee.

BNM's policy document on Shariah governance together with the Group and the Bank's internal guidelines on Shariah Supervision & Compliance Framework and Shariah Risk Management Policy are the main references for the Shariah risk management process within the Group and the Bank.

10. SHARIAH NON-COMPLIANCE RISK (CONTINUED)

10.1 Shariah Non-Compliance Risk Objectives and Policies (continued)

AFFIN ISLAMIC's Shariah committee is established to provide objective and sound advice to the management to ensure that the aims and operations, business, affairs and activities are in compliance with Shariah.

Shariah Risk Management is part of an integrated risk management that systematically identify, measure, monitor and report Shariah non-compliance risks in the operations, business, affairs and activities of the Group and the Bank.

For Shariah governance disclosure, please refer to the Group's and the Bank's 2022 Annual Report under section "Shariah Supervision and Compliance Framework".

10.2 Shariah Non-Compliance Risk Measurement, Control and Monitoring

SNC risk is proactively managed via the following risk tools:

i. SNC Loss Event Reporting ('LER') ensure effective and timely SNC internal reporting process;
ii. SNC Risk and Control Self-Assessment ('RCSA') assists business/support unit within the Bank to identify and assess key SNC risks and controls;
iii. SNC Key Risk Indicator ('KRI') facilitates business/support unit within the Bank to measure and monitor a residual risk from the Risk and Control Self-Assessment; and
iv. SNC Key Control Self-Assessment ('KCSA') facilitates business/support unit within the Bank to assess the effectiveness of control measures.

10.3 Shariah Non-Compliance Income During The Year

	The Group	
	2022 RM'000	**2021 RM'000**
Shariah Non-Compliance Income	**–**	–

11. BUSINESS CONTINUITY RISK

11.1 Business Continuity Risk Objectives and Policies

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholder/customer confidence due to the discontinuation of services in both business and technology operations.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

11. BUSINESS CONTINUITY RISK (CONTINUED)

11.1 Business Continuity Risk Objectives and Policies (continued)

The Group Business Continuity Management Policy governs the management of business continuity issues, in line with BNM and PayNet Guidelines on Business Continuity Management ('BCM').

GBRMC approves all policies and its changes relating to business continuity management. It also reviews, monitors and discusses business continuity management reports tabled at its meetings. Group Business Continuity Management Committee ('GBCMC') supports GBRMC in the review and monitoring of business continuity risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The BCM function is responsible overseeing the management of the overall business continuity risk including facilitation of the crisis management.

11.2 Business Continuity Risk Measurement, Control and Monitoring

Annual Risk Assessment and Business Impact Analysis are made compulsory for each business and support unit in the Group and the Bank to undertake. The outcome of this assessment will translate into a risks listing that require business and support units to derive action plans to address the risks.

Risk control is established through adherence with established BCM guidelines and standards throughout the implementation of BCM programs. Rigorous testing on business continuity and disaster recovery plans are diligently performed to ensure effective and smooth execution of the plan for resumption and recovery of disrupted business.

Policies and processes are in place to support the monitoring and reporting of business continuity risks.

12. EQUITIES IN THE BANKING BOOK

The Group's and the Bank's banking book equity investment consists of:

- Investments held for yield and/or long-term capital gains; and
- Strategic stakes in entities held as part of growth initiatives and/or held for socio-economic reasons.

Accounting for Equity Holdings in the Banking Book

All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

12. EQUITIES IN THE BANKING BOOK (CONTINUED)

Accounting for Equity Holdings in the Banking Book (continued)

Any gains and losses arising from the returns and changes in fair value of these equities holdings are reflected in the revaluation reserve and statement of income accordingly.

The details of fair value of financial instruments are disclosed in Note 51 of the Group's and the Bank's 2022 Annual Report.

	2022		2021	
The Group	**Fair Value**	**Risk Weighted Assets**	**Fair Value**	**Risk Weighted Assets**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Type of Equity Investments				
Privately held	**230,918**	**230,945**	224,855	219,588
Publicly traded	–	–	–	–
Total	**230,918**	**230,945**	224,855	219,588

	2022	2021
	RM'000	**RM'000**
Cumulative realised gains/(losses) from sales and liquidations of equity investments	**12,175**	(9)
Total unrealised gains/(losses) in other comprehensive income	**20,623**	13,643

	2022		2021	
The Bank	**Fair Value**	**Risk Weighted Assets**	**Fair Value**	**Risk Weighted Assets**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Type of Equity Investments				
Privately held	**206,993**	**207,030**	198,148	192,891
Publicly traded	**–**	**–**	–	–
Total	**206,993**	**207,030**	198,148	192,891

	2022	2021
	RM'000	**RM'000**
Cumulative realised gains/(losses) from sales and liquidations of equity investments	**9,000**	(9)
Total unrealised gains/(losses) in other comprehensive income	**18,205**	12,265

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2022

The Group and the Bank have adopted Basel II – Risk Weighted Assets computation under the BNM's Risk-Weighted Capital Adequacy Framework with effect from 1 January 2008. The Group and the Bank have adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operation risk computation.

The following information concerning the Group and the Bank's risk exposures are disclosed as accompanying information to the annual report and does not form part of the audited accounts.

Disclosure on Capital Adequacy (RM'000)
The Group
2022

	Exposure Class	Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	**CREDIT RISK**				
	On-Balance Sheet Exposures				
	Corporates	**28,559,769**	**26,660,589**	**23,482,599**	**1,878,609**
	Regulatory Retail	**20,827,203**	**19,637,350**	**14,633,338**	**1,170,668**
	Other Assets	**4,578,409**	**4,578,409**	**2,453,093**	**196,247**
	Sovereigns/Central Banks	**19,453,769**	**19,453,769**	**88,879**	**7,110**
	Public Sector Entities	**–**	**–**	**–**	**–**
	Banks, Development Financial Institutions & MDBs	**2,730,380**	**2,726,977**	**675,079**	**54,006**
	Insurance/Takaful Companies, Securities Firms & Fund Managers	**51,869**	**51,869**	**23,716**	**1,897**
	Residential Mortgages	**12,099,523**	**12,079,842**	**6,807,787**	**544,623**
	Higher Risk Assets	**32,370**	**32,369**	**48,552**	**3,884**
	Defaulted Exposures	**763,372**	**750,378**	**957,746**	**76,620**
	Total for On–Balance Sheet Exposures	**89,096,664**	**85,971,552**	**49,170,789**	**3,933,664**

Disclosure on Capital Adequacy (RM'000) (continued)
The Group
2022

	Exposure Class	Gross Exposures/ EAD before CRM		Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	**CREDIT RISK (continued)**					
	Off-Balance Sheet Exposures					
	Over-the-counter ("OTC") derivatives	1,134,742		1,134,741	443,240	35,460
	Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	10,147,106		7,312,133	3,346,445	267,716
	Defaulted Exposures	15,762		15,347	22,149	1,772
	Total for Off-Balance Sheet Exposures	**11,297,610**		**8,462,221**	**3,811,834**	**304,948**
	Total for On and Off-Balance Sheet Exposures	**100,394,274**		**94,433,773**	**52,982,623**	**4,238,612**
2	**MARKET RISK**	**Long Position**	**Short Position**			
	Interest/Profit Rate Risk	37,004,137	37,209,427	(205,290)	471,237	37,699
	Equity Position Risk	34,631	154	34,477	94,190	7,535
	Foreign Currency Risk	2,977,196	2,968,764	8,432	65,638	5,251
	Option Risk	–	–	–	–	–
	TOTAL MARKET RISK	**40,015,964**	**40,178,344**		**631,065**	**50,485**
3	**OPERATIONAL RISK**					
	Operational Risk				3,951,028	316,082
	Total RWA and Capital Requirements				**57,564,716**	**4,605,179**

Disclosure on Capital Adequacy (RM'000) (continued)
The Group
2021

	Exposure Class	Gross Exposures/EAD before CRM	Net Exposures/EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	**CREDIT RISK**				
	On-Balance Sheet Exposures				
	Corporates	24,675,219	23,027,290	20,882,358	1,670,589
	Regulatory Retail	16,124,403	15,358,952	11,432,644	914,612
	Other Assets	3,745,322	3,745,322	2,336,070	186,886
	Sovereigns/Central Banks	15,293,894	15,293,894	–	–
	Banks, Development Financial Institutions & MDBs	4,783,147	4,779,504	1,046,697	83,735
	Insurance/Takaful Companies, Securities Firms & Fund Managers	19,138	19,137	19,137	1,531
	Residential Mortgages	11,362,574	11,336,176	6,502,732	520,219
	Higher Risk Assets	5,554	5,554	8,330	666
	Defaulted Exposures	1,088,516	1,060,658	1,416,202	113,296
	Total for On-Balance Sheet Exposures	**77,097,767**	**74,626,487**	**43,644,170**	**3,491,534**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

Disclosure on Capital Adequacy (RM'000) (continued)
The Group
2021

	Exposure Class	Gross Exposures/ EAD before CRM		Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	**CREDIT RISK (continued)**					
	Off-Balance Sheet Exposures					
	Over-the-counter ("OTC") derivatives		790,649	790,649	331,722	26,538
	Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives		3,583,676	3,410,995	2,962,874	237,030
	Defaulted Exposures		15,931	15,931	23,245	1,860
	Total for Off-Balance Sheet Exposures		**4,390,256**	**4,217,575**	**3,317,841**	**265,428**
	Total for On and Off-Balance Sheet Exposures		**81,488,023**	**78,844,062**	**46,962,011**	**3,756,962**
2	**MARKET RISK**	**Long Position**	**Short Position**			
	Interest/Profit Rate Risk	32,785,681	32,813,177	(27,496)	629,886	50,391
	Equity Position Risk	29,489	2,844	26,645	81,809	6,545
	Foreign Currency Risk	5,484,409	5,484,548	(139)	69,551	5,564
	Option Risk	–	–	–	–	–
	TOTAL MARKET RISK	38,299,579	38,300,569		781,246	62,500
3	**OPERATIONAL RISK**					
	Operational Risk				3,580,698	286,456
	Total RWA and Capital Requirements				51,323,955	4,105,918

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2022

Disclosure on Capital Adequacy (RM'000) (continued)
The Bank
2022

	Exposure Class	Gross Exposures/EAD before CRM	Net Exposures/EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	**CREDIT RISK**				
	On-Balance Sheet Exposures				
	Corporates	17,537,951	16,956,859	15,255,073	1,220,406
	Regulatory Retail	14,289,195	14,189,511	10,570,540	845,643
	Other Assets	3,486,578	3,486,578	2,098,469	167,878
	Sovereigns/Central Banks	9,618,741	9,618,741	88,879	7,110
	Banks, Development Financial Institutions & MDBs	3,017,727	3,016,987	1,029,956	82,396
	Insurance Companies, Securities Firms & Fund Managers	15,426	15,426	3,426	274
	Residential Mortgages	2,972,292	2,962,907	1,428,025	114,242
	Higher Risk Assets	24,597	24,596	36,893	2,951
	Defaulted Exposures	606,888	600,267	797,029	63,762
	Total for On-Balance Sheet Exposures	**51,569,395**	**50,871,872**	**31,308,290**	**2,504,662**

Disclosure on Capital Adequacy (RM'000) (continued)
The Bank
2022

	Exposure Class	Gross Exposures/ EAD before CRM		Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	**CREDIT RISK (continued)**					
	Off-Balance Sheet Exposures					
	Over-the-counter ("OTC") derivatives	860,021		860,021	293,122	23,450
	Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives	8,852,609		6,062,965	2,344,036	187,523
	Defaulted Exposures	15,212		14,797	21,847	1,748
	Total for Off-Balance Sheet Exposures	**9,727,842**		**6,937,783**	**2,659,005**	**212,721**
	Total for On and Off-Balance Sheet Exposures	**61,297,237**		**57,809,655**	**33,967,295**	**2,717,383**
2	**MARKET RISK**	**Long Position**	**Short Position**			
	Interest Rate Risk	27,620,522	27,834,865	(214,343)	389,880	31,190
	Foreign Currency Risk	13,654	4,771	8,882	13,654	1,092
	Option Risk	–	–	–	–	–
	TOTAL MARKET RISK	**27,634,175**	**27,839,636**		**403,534**	**32,283**
3	**OPERATIONAL RISK**					
	Operational Risk				1,858,354	148,668
	Total RWA and Capital Requirements				**36,229,183**	**2,898,334**

Disclosure on Capital Adequacy (RM'000) (continued)
The Bank
2021

	Exposure Class	Gross Exposures/EAD before CRM	Net Exposures/EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	**CREDIT RISK**				
	On-Balance Sheet Exposures				
	Corporates	15,679,713	14,994,736	13,678,362	1,094,270
	Regulatory Retail	10,665,353	10,562,117	7,855,180	628,414
	Other Assets	3,205,291	3,205,291	1,841,266	147,301
	Sovereigns/Central Banks	7,156,510	7,156,510	–	–
	Banks, Development Financial Institutions & MDBs	3,851,491	3,850,752	1,167,273	93,382
	Insurance Companies, Securities Firms & Fund Managers	–	–	–	–
	Residential Mortgages	2,979,370	2,964,374	1,434,278	114,742
	Higher Risk Assets	4,792	4,792	7,189	575
	Defaulted Exposures	856,184	841,017	1,145,501	91,640
	Total for On-Balance Sheet Exposures	44,398,704	43,579,589	27,129,049	2,170,324

Disclosure on Capital Adequacy (RM'000) (continued)
The Bank
2021

	Exposure Class	Gross Exposures/EAD before CRM		Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
1	**CREDIT RISK (continued)**					
	Off-Balance Sheet Exposures					
	Over-the-counter ("OTC") derivatives		429,744	429,744	139,435	11,155
	Off-Balance Sheet Exposures other than OTC derivatives or credit derivatives		2,474,849	2,322,510	2,098,641	167,891
	Defaulted Exposures		9,923	9,923	14,673	1,174
	Total for Off-Balance Sheet Exposures		2,914,516	2,762,177	2,252,749	180,220
	Total for On and Off-Balance Sheet Exposures		47,313,220	46,341,766	29,381,798	2,350,544
2	**MARKET RISK**	**Long Position**	**Short Position**			
	Interest Rate Risk	18,309,063	18,329,737	(20,674)	556,423	44,514
	Foreign Currency Risk	7,272	11,382	(4,110)	11,382	911
	Option Risk	–	–	–	–	–
	TOTAL MARKET RISK	18,316,335	18,341,119		567,804	45,425
3	**OPERATIONAL RISK**					
	Operational Risk				1,671,929	133,754
	Total RWA and Capital Requirements				31,621,531	2,529,723

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

Disclosure on Capital Adequacy (RM'000) (continued)

Market risk is defined as changes in the market value of a trading position arising from movements in market factors such as interest/profit rate, foreign exchange rates and implied volatility rates. The Group's and the Bank's Value-at-Risk ('VaR') is defined as the amount of the Group's and the Bank's capital that is exposed to the risk of unexpected losses arising particularly from movements in interest/profit and foreign exchange rates. Management Action Trigger ('MAT') and Limit are established for VaR in Risk Appetite Statement ('RAS') to ensure that the Group's and the Bank's capital adequacy are not impinged upon in the event of adverse market movements. The Group and the Bank currently adopt BNM's Standardised Approach for the computation of market risk capital charges. The market risk capital charge addresses among others, capital requirement for market risk which includes the interest/profit rate risk in the Group's and the Bank's Trading Book as well as foreign exchange risk in the Trading and Banking Books.

The computation of market risk capital charge covers the following financial instruments.

a) Foreign Exchange ('FX')
b) Interest/Profit Rate Swap ('IRS/IPRS')
c) Cross Currency Swap ('CCS')
d) Fixed Income Instruments (i.e. Corporate Bonds/Sukuk and Government Securities)
e) FX Options

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)

The Group

2022

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance/ Takaful Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securi-tisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	22,339,518	–	–	–	–	–	–	–	1,593,369	–	–	–	23,932,887	–
10%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	55,860	–	3,449,083	35,191	3,948,548	173,434	–	–	664,933	–	–	–	8,327,049	1,665,410
35%	–	–	–	–	–	–	6,374,218	–	–	–	–	–	6,374,218	2,230,976
50%	177,759	–	751,579	–	170,572	11,490	2,646,492	–	–	–	–	–	3,757,892	1,878,946
75%	–	–	–	–	–	20,485,756	31,635	–	–	–	–	–	20,517,391	15,388,043
90%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
100%	66,491	–	8,453	133,290	24,973,739	67,966	3,364,467	–	2,320,107	–	–	–	30,934,513	30,934,513
110%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
125%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
135%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	465,720	84,725	–	39,378	–	–	–	–	589,823	884,735
270%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
350%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
400%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
625%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
937.5%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Average Risk Weight											–		–	–
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	–	–	
Total	22,639,628	–	4,209,115	168,481	29,558,579	20,823,371	12,416,812	39,378	4,578,409	–	–	–	94,433,773	52,982,623

PSE "Public Sector Entities"

MDB "Multilateral Development Bank"

DFI "Development Financial Institution"

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)

The Group

2021

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance/ Takaful Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securi-tisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	15,312,185	–	–	–	–	–	–	–	441,371	–	–	–	15,753,556	–
10%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	49,079	–	4,905,283	–	2,623,205	158,403	–	–	1,209,852	–	–	–	8,945,822	1,789,165
35%	–	–	–	–	–	–	5,819,986	–	–	–	–	–	5,819,986	2,036,995
50%	–	–	554,677	–	204,922	6,260	2,490,825	–	–	–	–	–	3,256,684	1,628,341
75%	–	–	–	–	–	15,917,469	35,727	–	–	–	–	–	15,953,196	11,964,897
90%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
100%	16,252	–	4,738	165,015	22,581,254	44,765	3,353,106	–	2,094,100	–	–	–	28,259,230	28,259,230
110%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
125%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
135%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	740,541	105,533	–	9,514	–	–	–	–	855,588	1,283,383
270%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
350%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
400%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
625%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
937.5%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Average Risk Weight											–		–	–
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	–	–	
Total	**15,377,516**	**–**	**5,464,698**	**165,015**	**26,149,922**	**16,232,430**	**11,699,644**	**9,514**	**3,745,323**	**–**	**–**	**–**	**78,844,062**	**46,962,011**

PSE "Public Sector Entities"
MDB "Multilateral Development Bank"
DFI "Development Financial Institution"

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)

The Bank

2022

Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securi-tisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	12,495,191	–	–	–	–	–	–	–	1,115,187	–	–	–	13,610,378	–
10%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	810	–	2,643,815	15,000	2,125,268	131,827	–	–	341,152	–	–	–	5,257,872	1,051,575
35%	–	–	–	–	–	–	2,018,903	–	–	–	–	–	2,018,903	706,616
50%	177,759	–	1,657,869	–	93,156	9,821	478,617	–	–	–	–	–	2,417,222	1,208,611
75%	–	–	–	–	–	15,021,910	26,174	–	–	–	–	–	15,048,084	11,286,063
90%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
100%	66,491	–	8,453	48,049	16,262,327	40,233	486,932	–	2,030,240	–	–	–	18,942,725	18,942,724
110%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
125%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
135%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	401,613	84,274	–	28,584	–	–	–	–	514,471	771,706
270%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
350%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
400%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
625%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
937.5%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Average Risk Weight											–		–	–
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	–	–	
Total	12,740,251	–	4,310,137	63,049	18,882,364	15,288,065	3,010,626	28,584	3,486,579	–	–	–	57,809,655	33,967,295

PSE "Public Sector Entities"
MDB "Multilateral Development Bank"
DFI "Development Financial Institution"

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)

The Bank

2021

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securi-tisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	7,156,866	–	–	–	–	–	–	–	409,354	–	–	–	7,566,220	–
10%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	1,264	–	2,834,815	–	1,617,745	120,825	–	–	1,193,338	–	–	–	5,767,987	1,153,597
35%	–	–	–	–	–	–	2,059,942	–	–	–	–	–	2,059,942	720,980
50%	–	–	1,475,889	–	106,902	6,080	424,229	–	–	–	–	–	2,013,100	1,006,551
75%	–	–	–	–	–	11,104,503	29,339	–	–	–	–	–	11,133,842	8,350,382
90%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
100%	16,252	–	4,738	42,624	14,873,886	36,791	524,557	–	1,602,599	–	–	–	17,101,447	17,101,446
110%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
125%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
135%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	614,373	76,561	–	8,294	–	–	–	–	699,228	1,048,842
270%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
350%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
400%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
625%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
937.5%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Average Risk Weight											–		–	–
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	–	–	
Total	7,174,382	–	4,315,442	42,624	17,212,906	11,344,760	3,038,067	8,294	3,205,291	–	–	–	46,341,766	29,381,798

PSE "Public Sector Entities"
MDB "Multilateral Development Bank"
DFI "Development Financial Institution"

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)

The Group	**Ratings of Corporate by Approved ECAIs**					
2022 **Exposure Class**	**Moodys**	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
<u>On and Off-Balance-Sheet Exposures</u>						
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance/Takaful Companies, Securities Firms & Fund Managers		**20,191**	–	–	–	**148,290**
Corporates		**1,274,482**	**37,814**	**11,512**	-	**30,321,665**
Total		**1,294,673**	**37,814**	**11,512**	-	**30,469,955**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)

The Group	Ratings of Corporate by Approved ECAIs					
2021 **Exposure Class**	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance/Takaful Companies, Securities Firms & Fund Managers		–	–	–	–	165,016
Corporates		889,702	72,709	11,545	–	26,991,899
Total		889,702	72,709	11,545	–	27,156,915

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Bank	Ratings of Corporate by Approved ECAIs					
2022 **Exposure Class**	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	63,049
Corporates		109,315	27,752	11,512	–	19,456,303
Total		**109,315**	**27,752**	**11,512**	**–**	**19,519,352**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Bank	Ratings of Corporate by Approved ECAIs					
2021 **Exposure Class**	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	42,624
Corporates		348,898	62,549	11,545	–	17,615,468
Total		348,898	62,549	11,545	–	17,658,092

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Group

2022

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		**15,718,494**	**1,450,764**	**–**	**177,759**	**–**	**5,292,611**
Total		**15,718,494**	**1,450,764**	**–**	**177,759**	**–**	**5,292,611**

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and DFIs		**3,888,444**	**244,980**	**78,370**	**18,520**	**–**	**2,608,246**
Total		**3,888,444**	**244,980**	**78,370**	**18,520**	**–**	**2,608,246**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Group

2021

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		12,902,784	993,745	–	–	–	1,480,987
Total		12,902,784	993,745	–	–	–	1,480,987

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and DFIs		4,345,881	339,254	17,073	4,746	–	761,154
Total		4,345,881	339,254	17,073	4,746	–	761,154

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

The Bank

2022

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		10,662,149	909,660	–	177,759	–	990,683
Total		10,662,149	909,660	–	177,759	–	990,683

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and DFIs		3,040,232	92,813	78,370	18,520	–	3,706,984
Total		3,040,232	92,813	78,370	18,520	–	3,706,984

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)
The Bank
2021

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns and Central Banks		5,789,616	653,424	–	–	–	731,343
Total		5,789,616	653,424	–	–	–	731,343

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off-Balance-Sheet Exposures							
Banks, MDBs and DFIs		2,241,985	110,507	17,073	4,746	–	1,941,879
Total		2,241,985	110,507	17,073	4,746	–	1,941,879

a) **Disclosures on Credit Risk Mitigation (RM'000)**
The Group
2022

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	19,453,769	–	–	–
Banks, Development Financial Institutions & MDBs	2,730,380	–	3,403	–
Insurance/Takaful Companies, Securities Firms & Fund Managers	51,869	–	–	–
Corporates	28,559,769	1,176,345	1,899,180	–
Regulatory Retail	20,827,203	171,777	1,189,853	–
Residential Mortgages	12,099,523	–	19,681	–
Higher Risk Assets	32,370	–	–	–
Other Assets	4,578,409	–	–	–
Defaulted Exposures	763,372	4,164	12,996	–
Total for On-Balance Sheet Exposures	89,096,664	1,352,286	3,125,113	–
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	1,134,742	–	–	–
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	10,147,106	25,855	2,834,973	–
Defaulted Exposures	15,762	96	415	–
Total for Off-Balance Sheet Exposures	11,297,610	25,951	2,835,388	–
Total On and Off-Balance Sheet Exposures	100,394,274	1,378,237	5,960,501	–

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

a) **Disclosures on Credit Risk Mitigation (RM'000) (continued)**
The Group
2021

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	15,293,894	–	–	–
Banks, Development Financial Institutions & MDBs	4,783,147	–	3,411	–
Insurance/Takaful Companies, Securities Firms & Fund Managers	19,138	–	–	–
Corporates	24,675,219	722,246	1,788,157	–
Regulatory Retail	16,124,403	3	797,440	–
Residential Mortgages	11,362,574	–	27,098	–
Higher Risk Assets	5,554	–	–	–
Other Assets	3,745,322	–	–	–
Defaulted Exposures	1,088,516	80	27,858	–
Total for On-Balance Sheet Exposures	77,097,767	722,329	2,643,964	–
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	790,649	–	–	–
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	3,583,676	–	–	–
Defaulted Exposures	15,931	–	–	–
Total for Off-Balance Sheet Exposures	4,390,256	–	–	–
Total On and Off-Balance Sheet Exposures	81,488,023	722,329	2,643,964	–

a) **Disclosures on Credit Risk Mitigation (RM'000)**
The Bank
2022

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	9,618,741	–	–	–
Public Sector Entities	–	–	–	–
Banks, Development Financial Institutions & MDBs	3,017,727	–	740	–
Insurance Companies, Securities Firms & Fund Managers	15,426	–	–	–
Corporates	17,537,951	932,753	581,093	–
Regulatory Retail	14,289,195	130,170	99,684	–
Residential Mortgages	2,972,292	–	9,385	–
Higher Risk Assets	24,597	–	–	–
Other Assets	3,486,578	–	–	–
Defaulted Exposures	606,888	3,566	6,621	–
Total for On-Balance Sheet Exposures	51,569,395	1,066,489	697,523	–
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	860,021	–	–	–
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	8,852,609	12,488	2,789,644	–
Defaulted Exposures	15,212	96	415	–
Total for Off-Balance Sheet Exposures	9,727,842	12,584	2,790,059	–
Total On and Off-Balance Sheet Exposures	61,297,237	1,079,073	3,487,582	–

a) Disclosures on Credit Risk Mitigation (RM'000) (continued)
The Bank
2021

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	7,156,510	–	–	–
Banks, Development Financial Institutions & MDBs	3,851,491	–	747	–
Corporates	15,679,713	503,309	810,389	–
Regulatory Retail	10,665,353	3	129,877	–
Residential Mortgages	2,979,370	–	15,272	–
Higher Risk Assets	4,792	–	–	–
Other Assets	3,205,291	–	–	–
Defaulted Exposures	856,184	80	15,167	–
Total for On-Balance Sheet Exposures	44,398,704	503,392	971,452	–
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	429,744	–	–	–
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	2,474,849	–	–	–
Defaulted Exposures	9,923	–	–	–
Total for Off-Balance Sheet Exposures	2,914,516	–	–	–
Total On and Off-Balance Sheet Exposures	47,313,220	503,392	971,452	–

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000)

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cashflows. An economic loss could occur if the transactions with the counterparty has a positive economic value for the Group and the Bank at the time of default.

In contrast to the exposure to credit risk through a lending/financing, where the exposure to credit risk is unilateral and only the lending/financing bank faces the risk of loss, Counterparty Credit Risk creates a bilateral risk of loss where the market value for many types of transactions can be positive or negative to either counterparty.

In respect of off-balance sheet items, the credit risk inherent in each off-balance sheet instrument is translated into an on balance sheet exposure equivalent (credit equivalent) by multiplying the nominal principal amount with a credit conversion factor ('CCF') as prescribed by the Standardised Approach under the Risk Weighted Capital Adequacy Framework. The resulting amount is then weighted against the risk weight of the counterparty. In addition, counterparty risk weights for over-the-counter ('OTC') derivative transactions will be determined based on the external rating of the counterparty and will not be subject to any specific ceiling.

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2022

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)
The Group
2022

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Total Credit Equivalent Amount	Total Risk Weighted Amount
Direct Credit Substitutes	500,774		500,772	473,459
Transaction related contingent items	1,331,367		653,308	593,912
Short-Term Self Liquidating trade related contingencies	413,248		82,650	37,582
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions. (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions.	5,175,091		6,089,943	82,080
Foreign exchange related contracts				
One year or less	26,850,314	365,302	745,833	296,239
Over one year to five years	842,979	11,705	68,961	43,005
Interest/Profit rate related contracts				
One year or less	2,535,790	9,886	7,719	2,694
Over one year to five years	7,155,483	89,613	255,234	84,010
Over five years	670,000	18,882	56,996	17,291
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,869,597		1,433,032	1,063,091
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,557,413		1,111,476	902,755
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	1,279,899		–	–
Unutilised credit card lines	1,458,431		291,686	215,715
Total	**56,640,386**	**495,389**	**11,297,610**	**3,811,834**

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

The Group

2021

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Total Credit Equivalent Amount	Total Risk Weighted Amount
Direct Credit Substitutes	548,856		548,856	519,791
Transaction related contingent items	1,477,614		726,432	680,515
Short-Term Self Liquidating trade related contingencies	461,206		92,241	53,585
Foreign exchange related contracts				
One year or less	25,519,945	108,320	451,844	201,457
Over one year to five years	897,663	11,532	73,080	42,195
Over five years	–	–	–	–
Interest/Profit rate related contracts				
One year or less	1,135,000	3,908	4,428	1,811
Over one year to five years	4,813,000	50,189	153,162	55,410
Over five years	955,000	19,395	74,830	22,956
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,039,539		1,018,794	719,000
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	5,069,907		1,013,981	848,791
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	1,116,522		–	–
Unutilised credit card lines	1,163,042		232,608	172,330
Total	**45,197,294**	**193,344**	**4,390,256**	**3,317,841**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2022

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)
The Bank
2022

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Total Credit Equivalent Amount	Total Risk Weighted Amount
Direct Credit Substitutes	381,708		381,706	354,493
Transaction related contingent items	854,221		427,110	368,650
Short-Term Self Liquidating trade related contingencies	112,285		22,457	21,817
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions. (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions.	5,175,091		6,089,943	82,080
Foreign exchange related contracts				
One year or less	21,557,832	304,009	612,311	220,807
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
Interest/Profit rate related contracts				
One year or less	1,595,790	8,221	4,889	1,626
Over one year to five years	4,995,483	76,404	185,825	53,398
Over five years	670,000	18,882	56,996	17,291
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,869,128		933,531	741,941
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,831,479		766,289	614,864
Unutilised credit card lines	1,233,927		246,785	182,040
Total	42,276,944	407,517	9,727,842	2,659,005

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)
The Bank
2021

Description	Total Principle Amount	Positive Fair Value of Derivative Contracts	Total Credit Equivalent Amount	Total Risk Weighted Amount
Direct Credit Substitutes	456,935		456,935	427,871
Transaction related contingent items	982,691		491,345	442,918
Short-Term Self Liquidating trade related contingencies	200,556		40,111	39,706
Foreign exchange related contracts				
One year or less	14,563,705	54,714	258,211	86,521
Over one year to five years	83,340	–	5,000	1,000
Over five years	–	–	–	–
Interest/Profit rate related contracts				
One year or less	355,000	1,466	966	241
Over one year to five years	2,663,000	29,064	90,737	28,716
Over five years	955,000	19,395	74,830	22,956
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,197,170		598,273	465,490
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	3,541,944		708,389	597,167
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	–		–	–
Unutilised credit card lines	948,592		189,718	140,163
Total	25,947,933	104,639	2,914,516	2,252,749

c) Disclosure on Market Risk – Interest/profit Rate Risk/Rate of Return in the Banking Book

Interest/profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of interest/profit rate risk management is to achieve a stable and sustainable net interest/profit income from the following perspectives:

1) Next 12 months' Earnings – Interest/Profit rate risk from the earnings perspective is the impact based on changes to the net interest/profit income ('NII') over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in interest/profit rates across the yield curve.
2) Economic Value – Measuring the change in the Economic Value of Equity ('EVE') is an assessment of the long-term impact to the Group's and the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long-term or total life of all balance sheet assets and liabilities to adverse changes in interest/profit rates.

Interest/Profit rate risk thresholds are established in line with the Group's and the Bank's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

The reported numbers are generated based on assumptions used in IRRBB/RORBB BNM template.

2022	**The Group**		**The Bank**	
Type of Currency (RM million)	**Impact on Positions (100 basis points) Parallel Shift**		**Impact on Positions (100 basis points) Parallel Shift**	
	Increase/ (Decline) in Earnings	**Increase/ (Decline) in Economic Value**	**Increase/ (Decline) in Earnings**	**Increase/ (Decline) in Economic Value**
Ringgit Malaysia	**23.5**	**(1,097.2)**	**5.8**	**(635.8)**
US Dollar	**(18.4)**	**(7.6)**	**(16.4)**	**(9.7)**
Euro	**0.0**	**0.2**	**(0.0)**	**0.2**
Great Britain Pound	**(0.0)**	**0.0**	**0.0**	**0.0**
Australian Dollar	**(0.2)**	**(0.5)**	**(0.2)**	**(0.5)**
Singapore Dollar	**(0.4)**	**0.0**	**(0.4)**	**0.0**
Japanese Yen	**(0.0)**	**0.0**	**(0.0)**	**0.0**
Others (#)	**(2.2)**	**0.2**	**(2.1)**	**0.2**
Total	**2.3**	**(1,104.9)**	**(13.3)**	**(645.5)**

Others comprise of NZD and HKD currencies where the amount of each currency is relatively small.

c) Disclosure on Market Risk – Interest/profit Rate Risk/Rate of Return in the Banking Book (continued)

2021 Type of Currency (RM million)	The Group Impact on Positions (100 basis points) Parallel Shift		The Bank Impact on Positions (100 basis points) Parallel Shift	
	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value
Ringgit Malaysia	(16.3)	(147.8)	30.9	(490.6)
US Dollar	(0.8)	(0.0)	(10.6)	0.6
Euro	0.0	0.0	(0.3)	0.9
Great Britain Pound	0.0	0.0	0.0	0.1
Australian Dollar	0.0	0.0	(0.1)	(0.0)
Singapore Dollar	0.0	(0.2)	(0.2)	0.0
Japanese Yen	0.0	0.0	(0.0)	0.0
Others (#)	0.0	0.0	(0.4)	0.0
Total	(17.1)	(148.0)	19.4	(489.0)

Others comprise of CNH, NZD and HKD currencies where the amount of each currency is relatively small.

ADDITIONAL DISCLOSURE

Pursuant to Listing Requirements

The information set out below is disclosed in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"):

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

a. The status of utilisation of proceeds from the divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ("AHAM"), representing 63% of the equity interest in AHAM, by Affin Hwang Investment Bank Berhad ("AHIBB"), a wholly-owned subsidiary of Affin Bank Berhad ("ABB" / "the Bank") ("Divestment"), which was completed on 29 July 2022 is as follows:

Details	**Original proposed utilisation** [1]	**Variation to the original proposed utilisation** [2]	**Amount utilised as at 31/12/2022**	**Timeframe for utilisation**
	←	**RM'million**	→	
To fund ABB Group's banking activities and/or working capital requirements	1,400.9	1,000.7	1,000.4	within 24 months
Single-tier special dividend of RM18.09 per ABB share	-	400.2	400.2	within 3 months
Estimated expenses in relation to the Divestment	16.6	16.6	16.9	immediate
Total	**1,417.5**	**1,417.5**	**1,417.5**	

(1) Original intended utilisation of proceeds as disclosed in ***Section 5*** *of the Circular to Shareholders dated 26 April 2022.*

(2) Variation to the original intended utilisation of proceeds to affect the payment of single-tier special dividend to shareholders as contained in the Circular to shareholders dated 31 October 2022.

b. The status of utilisation of proceeds from the Bank's issuance of Subordinated Medium-Term Notes on 26 July 2022 is as shown below:

	Proposed utilisation	**Amount utilised as at 31/12/2022**
	← **RM'million**	→
To fund general banking, working capital requirements and business purposes of ABB	500.0	500.0

2. MATERIALS CONTRACTS

There were no material contracts entered into by ABB and/or its subsidiary companies involving the interests of directors or major shareholders which subsisted at the end of the financial year ended 31 December 2022 or, if not then subsisting entered into since the end of the previous financial year.

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Annual General Meeting held on 25 May 2022, ABB had obtained shareholders' mandate to allow ABB and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations of ABB and/or its subsidiaries within the ordinary course of business of ABB and/or its subsidiaries ("Shareholders' Mandate").

In accordance with Section 3.1.5 of Practice Note No. 12 of the Listing Requirements, the details of the RRPTs conducted during the financial year ended 31 December 2022 by ABB and its subsidiaries under the Shareholders' Mandate are disclosed as follows:-

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
ABB	Perbadanan Perwira Niaga Malaysia ("Perwira Niaga")	Rental payment by ABB to Perwira Niaga for office premises, service charge and space for Automated Teller Machine (ATM) payable monthly for a lease term renewable for period ranging from two (2) to three (3) years at various locations	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholder LTAT	182
	Boustead Travel Services Sdn Bhd ("Boustead Travel")	Provision of travelling related services to ABB by Boustead Travel	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	1,775
	Boustead Properties Sdn Bhd ("Boustead Properties")	Rental payment by ABB to Boustead Properties for office premises and car park payable monthly for a lease term renewable every five (5) years (Menara Affin)	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	12,286
	Lembaga Tabung Angkatan Tentera ("LTAT")	Rental payment by ABB to LTAT for office premises and car park payable monthly for a lease term renewable every three (3) years (Bangunan LTAT)	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholder LTAT	318
	Boustead Curve Sdn Bhd ("Boustead Curve")	Rental payment by ABB to Boustead Curve for office premises, car parking and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services (The Curve)	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	219
	Boustead Hotels & Resorts Sdn Bhd ("Boustead Hotels & Resorts")	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to ABB for staff in-house training and other expenses	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	265

ADDITIONAL DISCLOSURE

Pursuant to Listing Requirements

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
ABB (continued)	Boustead Hotels & Resorts	Rental payment by ABB to Boustead Hotels & Resorts for space of ATM machine payable monthly at The Royale Chulan Kuala Lumpur Hotel	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	12
	Boustead Petroleum Marketing Sdn Bhd ("Boustead Petroleum")	LED advertising charges and related expenses payable by ABB to Boustead Petroleum	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	0
	Boustead Petroleum	Rental payment by ABB to Boustead Petroleum for space of ATM machine payable monthly at various BHP petrol stations	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	196
	Boustead Ikano Sdn Bhd	Rental payment by ABB to Boustead Ikano Sdn Bhd for branch premises payable monthly for a lease term renewable every three (3) years (MyTown branch)	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	282
	Boustead Weld Quay Sdn Bhd	Hotel facilities and refreshment provided by Boustead Weld Quay Sdn Bhd to ABB for staff in-house training and other expenses at Royale Chulan Penang Hotel	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	12
Affin Islamic Bank Berhad ("AIBB")	Boustead Travel	Provision of travelling related services to AIBB by Boustead Travel	Interested Director Muhammad Fitri Othman Interested Major Shareholders LTAT and Boustead	22
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to AIBB for staff in-house training and other expenses	Interested Director Muhammad Fitri Othman Interested Major Shareholders LTAT and Boustead	0
AHIBB	Boustead Realty Sdn Bhd ("Boustead Realty")	Rental payment by AHIBB to Boustead Realty for office premises, car parking and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Director Nil Interested Major Shareholders LTAT and Boustead	2,470

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AHIBB (continued)	Boustead Travel	Provision of travelling related services to AHIBB by Boustead Travel	Interested Director Nil Interested Major Shareholders LTAT and Boustead	96
	Irat	Rental payment by AHIBB to Irat for office premises, car parking and utilities charges payable monthly for a renewable lease term every three (3) years and payment for other related services (Chulan Tower)	Interested Director Nil Interested Major Shareholders LTAT and Boustead	2,258
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to AHIBB for staff in-house training and other expenses	Interested Director Nil Interested Major Shareholders LTAT and Boustead	62
	Boustead Weld Quay Sdn Bhd	Hotel facilities and refreshment provided by Boustead Weld Quay Sdn Bhd to AHIBB for staff in-house training and other expenses at Royale Chulan Penang Hotel	Interested Director Nil Interested Major Shareholders LTAT and Boustead	17
Affin Moneybrokers Sdn Bhd ("AMB")	Boustead Realty	Rental payment by AMB to Boustead Realty for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Director YB Brig. Gen. (B) Dato' Pahlawan Ahmad Lathfi Bin Haji Kamarul Bahrim Interested Major Shareholders LTAT and Boustead	379
	Boustead Travel	Provision of travelling related services to AMB by Boustead Travel	Interested Director YB Brig. Gen. (B) Dato' Pahlawan Ahmad Lathfi Bin Haji Kamarul Bahrim Interested Major Shareholders LTAT and Boustead	43
Transaction from 1 January 2022 - 31 December 2022			**Total**	**20,894**

ADDITIONAL DISCLOSURE

Pursuant to Listing Requirements

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AHAM *(Note i)*	LTAT	Management fees payable by LTAT to AHAM	Interested Director Nil Interested Major Shareholder LTAT	187
	Boustead Travel	Provision of travelling related services to AHAM by Boustead Travel	Interested Director Nil Interested Major Shareholders LTAT and Boustead	49
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to AHAM for staff in-house training and other expenses	Interested Director Nil Interested Major Shareholders LTAT and Boustead	0
	Boustead Realty	Rental payment by AHAM to Boustead Realty for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Director Nil Interested Major Shareholders LTAT and Boustead	1,725
	Nikko Asset Management	Management and advisory fees payable by AHAM to Nikko Asset Management	Interested Director Seet Oon Hui Eleanor Interested Major Shareholder Nikko Asset Management	1,430
	Nikko Asset Management	Commission and other fees payable by Nikko Asset Management to AHAM	Interested Director Seet Oon Hui Eleanor Interested Major Shareholder Nikko Asset Management	1,069
AIIMAN Asset Management *(Note ii)*	Boustead Travel	Provision of travelling related services to AIIMAN Asset Management by Boustead Travel	Interested Director Nil Interested Major Shareholders LTAT and Boustead	0
	Nikko Asset Management	Advisory fees payable by AIIMAN Asset Management to Nikko Asset Management	Interested Director Seet Oon Hui Eleanor Interested Major Shareholder Nikko Asset Management	114

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AIIMAN Asset Management (continued)	Nikko Asset Management	Provision of management fees services by AIIMAN Asset Management to Nikko Asset Management	Interested Director Seet Oon Hui Eleanor Interested Major Shareholder Nikko Asset Management	99
AXA Affin Life Insurance Berhad) ("AALI") *(Note iii)*	Irat	Rental payment by AALI to Irat payable monthly for office premises, car park and utilities charges for lease term renewable every year and payment for other related services (Chulan Tower)	Interested Director Tan Sri Dato' Sri Rodzali Daud Interested Major Shareholders LTAT and Boustead	1,070
	AXA Asia Pacific Ltd	Provision of information technology and other support services by AXA Asia to AALI	Interested Director Nil Interested Major Shareholder AXA Asia Pacific Ltd	24
	AXA Group Operations Hong Kong Limited	Provision of information technology and other support services by AXA Group Operations Hong Kong Limited to AALI	Interested Director Nil Interested Major Shareholder AXA Asia	10,089
	AXA Group Operations Hong Kong Limited	Software development and license fees charged by AXA Group Operations Hong Kong Limited to AALI	Interested Director Nil Interested Major Shareholder AXA Asia	1,117
	Boustead Travel	Provision of travelling related services to AALI by Boustead Travel	Interested Director Tan Sri Dato' Sri Rodzali Daud Interested Major Shareholders LTAT and Boustead	0
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to AALI for staff in-house training and other expenses	Interested Director Tan Sri Dato' Sri Rodzali Daud Interested Major Shareholders LTAT and Boustead	7
	AXA Group Operations SAS	Provision of information technology services and license subscription by AXA Group Operations SAS to AALI	Interested Director Nil Interested Major Shareholder AXA Asia	696

ADDITIONAL DISCLOSURE

Pursuant to Listing Requirements

Name of Company	Related Company	Nature of Transaction	Interested Directors/ Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AALI (continued)	AXA Group Operations Malaysia Sdn Bhd	Provision of actuarial services by AXA Group Operations Malaysia Sdn Bhd to AALI	Interested Director Nil Interested Major Shareholder AXA Asia	517
	AXA Group Operations Spain, S.A.	Provision of information technology and other support services to AALI	Interested Director Nil Interested Major Shareholder AXA Asia	0
			Total	**39,087**

Note :

i) Value of transactions calculated from 1 January 2022 to 29 July 2022 as the Bank completed the divestment of AHAM and its subsidiaries ceased to be the subsidiaries of the Group. Details are included in the significant events during the financial year as disclosed in Note 59 to the financial statements at page 404 to 407 of this Annual Report.

ii) Value of transactions calculated from January 2022 to 29 July 2022 following note i above. AIIMAN Asset Management is a subsidiary of AHAM.

iii) Value of transactions calculated from January 2022 to 30 August 2022 as the Bank completed the sale of 21% of its shareholding in AALI to Generali Asia N.V. upon receiving relevant regulatory approvals. On completion, the Bank holds 30% equity interest in AALI and it is reclassified from investment in joint ventures to associate with effect from 30 August 2022. Details are included in the significant events during the financial year as disclosed in Note 59 to the financial statements at page 404 of this Annual Report.

TOP 10 PROPERTIES

as at 31 December 2022

No.	Title/ Mukim	Address/ Property	Description/ Existing Use	Tenure	Site Area (sq ft)	Approx Age of Building (Years)	Net Book Value as at 31/12/2022 (RM)
1.	Geran No. Hakmilik 75550 Lot 1207 Seksyen 62 (Previously Lot 13151) Geran No. Hakmilik 76429 Lot 20006 Seksyen 62 (Previously Lot 11641) Bandar & District of Kuala Lumpur Wilayah Persekutuan Kuala Lumpur	Trx District Plot C7.9-Ct	Commercial Land	Freehold	Land: 54,266	-	259,831,312.00
2.	HS(M) 6836 P.t. 14531 Mukim of Damansara District of Petaling	No. 301, 401 & 501, Block C, Menara Glomac Kelana Business Centre 97, Jalan 227/2 47301 Kelana Jaya, Selangor	Consumer Collection & Recovery, Contact Centre	Leasehold Exp: 21/11/2092	Land: N/A Built-Up No 301: 6,916 No 401: 6,916 No 501: 6,916	22	4,159,581.65
3.	HS(D) 67774 & 67773 Lot 29427 & 29428 Mukim of Kuala Lumpur District & State of Wilayah Persekutuan	No. 47 & 49 Jalan Tun Mohd Fuad 3 Taman Tun Dr Ismail 60000 Kuala Lumpur	2 Units 3 Storey Shop Office/Branch Premises	Freehold	Land: 5,138 Built-Up: 11,250	31	3,595,640.06
4..	HS(D) 23766 Pt 199, Section 40 Mukim Kuala Lumpur	133, Jalan Bunus Off Jalan Masjid India 50100 Kuala Lumpur	1 Unit 4 1/2 Storey Shop Office/Branch Premises	Freehold	Land: 1,539.9 Built-Up: 7,699.8	22	3,104,659.88
5.	Lot 51412 & 51413 HS(D) 23844 & 23843 P.t. 3479 & 3480 Mukim of Kuala Lumpur District of W. Persekutuan	No. 4 & 6 Jalan Telawi 3 Bangsar Baru 59100 Kuala Lumpur	2 Units 3 Storey Shop Office/Branch Premises	Land: 4,659 Built-Up: 11,858	Land: 4,659 Built-Up: 11,858	31	2,670,630.28
6.	HS(M) 14862 & 14863 Pt 21350 & 21351 Tempat Bukit Raja Mukim of Kapar District of Klang	No. 29 & 31 Jalan Tiara 3 Bandar Baru Kelang 41150 Kelang, Selangor	2 Units 4 Storey Shop Office/Branch Premises	Leasehold Exp: 8/5/2093	Land: 3,300 Built-Up: 13,200	25	2,244,244.60
7.	Town Lease No. 017541374 & No. 017541383 Lot 82 & 83, Blok K Mukim of Karamunsing District of Kota Kinabalu	Lot 19 & 20 Sadong Jaya Complex Jalan Juara Ikan 3 Karamunsing 88300 Kota Kinabalu, Sabah	4 Storey Shop Office/Branch Premises	Leasehold Exp: 21/1/2901	Land: 2,780 Built-Up: 10,144	29	2,013,415.46
8.	HS(D) 96849 (30438 [New]) Lot/Pt 6536 (28035 [New]) Mukim of Setapak District & State of Wilayah Persekutuan	No. 2, Jln 1/27F Klsc Wangsa Maju 53300 Kuala Lumpur [C7/5O/86-1, C7/5O/86-2 C7/5O/86-3, & C7/5O/86-4]	4 Storey Shop Office Corner Unit/Branch Premises	Leasehold Exp: 19/4/2083	Land: 4,480 Built-Up: 14,920	24	1,848,005.16
	HS(D) 96848 (30437 [New]) Lot/Pt 6537 (28034 [New]) Mukim of Setapak District & State of Wilayah Persekutuan	No. 4, Jln 1/27F KLSC Wangsa Maju 53300 Kuala Lumpur [C7/5O/85-1, C7/50/85-2 & C7/5O/85-3]	3 Storey Shop Office/Branch Premises	Leasehold Exp: 19/4/2083	Land: 1,920 Built-Up: 5,760		
9.	PTD 100479 & 100480 Mukim of Plentong District of Johor Bahru	No. 23 & 25, Jalan Permas 10/2 Permas Jaya, 81750 Masai, Johor Bahru, Johor	2 Units 4 Storey Shop Office/Branch Premises	Freehold	Land: 3,840 Built-Up: 13,440	29	1,689,082.20
10.	Lot 14127 & 14128 Grants 7792 & 7793 Mukim of Setapak District of Kuala Lumpur	No. 159 & 161 Jalan Genting Kelang 53300 Setapak Kuala Lumpur	2 Units 3 Storey Shop Office with Basement/Branch Premises	Freehold	Land: 4,306 Built-Up: 17,224	34	1,651,151.76

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2023

Stock Code : 5185
Stock Name : AFFIN
Issued Share Capital : 2,273,889,127
Class of Shares : Ordinary Share
Number of Shareholders : 22,111
Voting Right : 1 vote per Ordinary Share

Listed on Main Market of Bursa Malaysia Securities Berhad on 2 February 2018

Size of holdings	No. of holders	%	No. of shares	%
1 – 99	1,048	4.739	26,036	0.001
100 – 1,000	3,633	16.430	2,485,207	0.109
1,001 – 10,000	13,043	58.988	52,297,564	2.299
10,001 – 100,000	3,913	17.697	109,269,414	4.805
100,001 – 113,694,455 (*)	470	2.125	189,486,663	8.333
113,694,456 and above (**)	4	0.018	1,920,324,243	84.451
Total	**22,111**	**100.000**	**2,273,889,127**	**100.000**

* less than 5% of issued shares
** 5% and above of issued shares

LIST OF TOP 30 SHAREHOLDERS

No.	Name	Shareholdings	%
1.	LEMBAGA TABUNG ANGKATAN TENTERA	755,126,273	33.208
2.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR THE BANK OF EAST ASIA LIMITED (INVESTMENT AC)	540,908,016	23.787
3.	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	475,884,390	20.928
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	148,405,564	6.526
5.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	19,419,100	0.854
6.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	7,660,036	0.336
7.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,707,791	0.163
8.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	3,035,453	0.133
9.	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAYLAND PARKVIEW SDN BHD (KLC)	2,978,353	0.130
10.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR ABU DHABI INVESTMENT AUTHORITY (EQUITIES)	2,815,300	0.123

No.	Name	Shareholdings	%
11.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (IPB CLIENT ACCT)	2,600,000	0.114
12.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR AUSTRALIANSUPER	2,425,800	0.106
13.	WAN RAZLY ABDULLAH BIN WAN ALI	2,211,893	0.097
14.	B-OK SDN BHD	2,131,135	0.093
15.	UNG YOKE HONG	2,127,243	0.093
16.	HII YU HO SDN BHD	2,057,750	0.090
17.	MAYBANK INVESTMENT BANK BERHAD IVT (9)	2,049,600	0.090
18.	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	2,000,000	0.087
19.	LEE GUAN SEONG	1,923,799	0.084
20.	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	1,801,000	0.079
21.	TAN CHEE YIAN	1,676,200	0.073
22.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN	1,673,201	0.073
23.	KEY DEVELOPMENT SDN.BERHAD	1,637,373	0.072
24.	ONG LAM HUAT	1,368,900	0.060
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOSEPH LAM WAI	1,280,000	0.056
26.	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AFFIN BANK BERHAD (STAFF BONUS 25)	1,264,459	0.055
27.	PERTUBUHAN PELADANG KEBANGSAAN (NAFAS)	1,250,000	0.054
28.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,210,046	0.053
29.	HWANG CAPITAL (MALAYSIA) SDN. BHD.	1,100,422	0.048
30.	GEMAS BAHRU ESTATES SDN. BHD.	1,067,561	0.046
TOTAL		**1,994,796,658**	**87.726**

LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name	Shareholdings	%
1.	LEMBAGA TABUNG ANGKATAN TENTERA	755,126,273	33.208
2.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR THE BANK OF EAST ASIA LIMITED (INVESTMENT AC)	540,908,016	23.787
3.	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	475,884,390	20.928
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	148,405,564	6.526

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2023

ANALYSIS BY CATEGORY

	No. of Holders			No. of Shares			%		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
Category of Holders	Bumiputra	Non-Bumiputra		Bumiputra	Non-Bumiputra		Bumiputra	Non-Bumiputra	
Individual	903	17,054	294	8,224,292	179,024,119	7,279,336	0.361	7.873	0.320
Body Corporate									
Banks/Finance Companies	3	0	0	21,536,200	0	0	0.947	0.000	0.000
Investment Trusts/ Foundation/Charities	4	6	0	1,253,500	49,267	0	0.055	0.002	0.000
Industrial And Commercial Companies	24	210	10	476,830,794	23,069,259	436,959	20.969	1.014	0.019
Government Agencies/ Institutions	2	0	0	755,493,605	0	0	33.224	0.000	0.000
Nominees	2,051	1,321	227[#]	28,164,710	171,848,435	600,673,441[#]	1.238	7.557	26.416[#]
Others	0	2	0	0	5,210	0	0.000	0.000	0.000
Trustee	0	0	0	0	0	0	0.000	0.000	0.000
Subtotal	2,987	18,593		1,291,503,101	373,996,290		56.794	16.446	
Total	**21,580**		**531**	**1,665,499,391**		**608,389,736**	**73.240**		**26.755**

	No. of Holders	No. of Shares	%
Grand Total	**22,111**	**2,273,889,127**	**100.000**

[#] *These Holdings Include Securities Registered In The Nominee Companies With Foreign Beneficiaries.*

DIRECTORY OF BRANCHES

AFFIN BANK BRANCHES

FEDERAL TERRITORY

Affin Bank KL Main Branch
Tel : 03-2110 6677
Fax : Nil
Email : bms.klmain@affingroup.com

Affin Bank Bangsar Branch
Tel : 03-2283 5025, 03-2283 5026,
03-2283 5027
Fax : 03-2283 5028
Email : bms.bsr@affingroup.com

Affin Bank Batu Cantonment Branch
Tel : 03-6258 7370, 03-6258 7690
Fax : 03-6251 8214
Email : bms.bct@affingroup.com

Affin Bank Central Branch
Tel : 03-2055 2222
Fax : 03-2070 7592
Email : bms.ctl@affingroup.com

Affin Bank Jalan Bunus Branch
Tel : 03-2693 4686
Fax : 03-2691 3207
Email : bms.jbs@affingroup.com

Affin Bank Jalan Ipoh Branch
Tel : 03-4042 5554,
Fax : 03-4042 4912
Email : bms.jip@affingroup.com

Affin Bank LTAT Branch
Tel : 03-2142 6311, 03-2142 6173
Fax : 03-2148 0586
Email : bms.ltat@affingroup.com

Affin Bank Mytown Shopping Centre
Tel : 03-9226 6390
Email : bms.mytown@affingroup.com

Affin Bank Selayang Branch
Tel : 03-6137 7122, 03-6137 2053,
03-6137 2106
Fax : 03-6138 7122
Email : bms.swp@affingroup.com

Affin Bank Seri Petaling
Tel : 03-9058 5600
Fax : 03-9058 8513
Email : bms.spg@affingroup.com

Affin Bank Setapak Branch
Tel : 03-4023 0552, 03-4023 0455,
03-4021 0789 (Mortgage Sales)
Fax : 03-4021 3921, 03-4021 0755
(Mortgage Sales)
Email : bms.bsr@affingroup.com

Affin Bank Taman Maluri Branch
Tel : 03-9282 7250,
03-9285 7303 (Hire Purchase)
Fax : 03-9283 4380,
03-9285 6848, 03-9284 7661
(Hire Purchase)
Email : bms.mal@affingroup.com

Affin Bank Taman Midah Branch
Tel : 03-9130 0366, 03-9130 0194,
03-9130 0215
Fax : 03-9131 7024
Email : bms.tmc@affingroup.com

Affin Bank Taman Tun Dr. Ismail Branch
Tel : 03-7727 9080, 03-7727 9082
Fax : 03-7727 9543
Email : bms.ttdi@affingroup.com

Affin Bank Wangsa Maju
Tel : 03-4143 3005, 03-4143 2814,
03-4143 2816
Fax : 03-4143 3095
Email : bms.wmw@affingroup.com

Affin Bank Wisma Pertahanan Branch
Tel : 03-2698 7912, 03-2691 5649
Fax : 03-2698 6071
Email : bms.wpm@affingroup.com

Affin Bank Desa Parkcity
Tel : 03-6262 1064
Email : bms.dpc@affingroup.com

PUTRAJAYA

Affin Bank Putrajaya Branch
Tel : 03-8888 4463, 03-8888 3814,
03-8889 1784, 03-8889 3095
Fax : 03-8889 2082
Email : bms.pjy@affingroup.com

Affin Bank Presint 15, Putrajaya Branch
Tel : 03-8861 6860
Email : bms.ppj@affingroup.com

SELANGOR

Affin Bank Ampang Jaya Branch
Tel : 03-4257 6802, 03-4257 6804
Fax : 03-4257 8636
Email : bms.ajs@affingroup.com

Affin Bank Ampang New Village Branch
Tel : 03-4296 2311, 03-4296 2210
Fax : 03-4296 2206
Email : bms.anv@affingroup.com

Affin Bank Ara Damansara
(Formerly Kelana Jaya) Branch
Tel : 03-7847 3177
Fax : 03-7847 2677
Email : bms.ads@affingroup.com

Affin Bank Bandar Bukit Tinggi Branch
Tel : 03-3323 2822
Fax : 03-7610 0889, 03-3323 2884
Email : bms.btk@affingroup.com

Affin Bank Cyberjaya Branch
Tel : 03-8318 1944
Fax : 03-8318 1934
Email : bms.cbs@affingroup.com

Affin Bank Denai Alam Branch
Tel : 03-7831 8895
Fax : 03-7831 8859
Email : bms.das@affingroup.com

Affin Bank Jalan Meru (Klang) Branch
Tel : 03-3341 5237
Fax : 03-3341 5437
Email : bms.meru@affingroup.com

Affin Bank Kajang Branch
Tel : 03-8737 7435, 03-8737 7436,
03-8737 7437
Fax : 03-8737 7433
Email : bms.kjg@affingroup.com

Affin Bank Kepong Branch
Tel : 03-6276 4942, 03-6276 4943,
03-6276 4946
Fax : 03-6276 6375
Email : bms.kpg@affingroup.com

Affin Bank Klang Utara Branch
Tel : 03-3342 1582, 03-3342 1585,
03-3342 1597, 03-3342 1602
Fax : 03-3341 6761, 03-3343 9889
Email : bms.kus@affingroup.com

Affin Bank Kota Damansara Branch
Tel : 03-7610 0809
Fax : 03-7610 0708
Email : bms.kds@affingroup.com

Affin Bank Kota Kemuning Branch
Tel : 03-5120 1811
Fax : 03-5120 1588
Email : bms.kmg@affingroup.com

Affin Bank Kota Warisan Branch
Tel : 03-8705 2588
Fax : 03-8705 4899
Email : bms.kmg@affingroup.com

DIRECTORY OF BRANCHES

Affin Bank PJ State Branch
Tel : 03-7955 0032, 03-7956 3761
Fax : 03-7954 0012
Email : bms.pjt@affingroup.com

Affin Bank Port Klang Branch
Tel : 03-3167 7436, 03-3168 8130,
03-3168 8520, 03-3168 8714
Fax : 03-3167 6432
Email : bms.pkg@affingroup.com

Affin Bank Puchong Branch
Tel : 03-5882 2880, 03-5882 2816
Fax : 03-5882 2881
Email : bms.pch@affingroup.com

Affin Bank Rawang Branch
Tel : 03-6091 3322, 03-6091 3311,
03-6091 2394
Fax : 03-6091 3344
Email : bms.rwg@affingroup.com

Affin Bank Sea Park Branch
Tel : 03-7875 6514, 03-7875 6255,
03-7875 6461
Fax : 03-7876 6020
Email : bms.sea@affingroup.com

Affin Bank Seri Kembangan Branch
Tel : 03-8945 6429, 03-8943 6488,
03-8938 1626 (Mortgage Sales)
Fax : 03-8945 6442, 03-8943 5306,
03-8940 1269 (Mortgage Sales)
Email : bms.sks@affingroup,com

Affin Bank Shah Alam Branch
(Formerly Known as Kompleks PKNS Branch)
Tel : 03-5524 7780, 03-5524 7580,
Fax : 03-55 47380
Email : bms.sab@affingroup.com

Affin Bank Subang Jaya Branch
Tel : 03-5634 8043, 03-5634 8045,
03-5634 8049
Fax : 03-5634 8040
Email : bms.sjs@affingroup.com

Affin Bank Taman Demang Branch
Tel : 03-8959 2588
Fax : 03-8958 5288
Email : bms.tds@affingroup.com

Affin Bank Kinrara Branch
Tel : 03-8075 5682, 03-8070 3403
Fax : 03-8075 8159
Email : bms.tkp@affingroup.com

Affin Bank The Curve Branch
Tel : 03-7726 7258, 07-7728 7035
Fax : 03-7727 8912
Email : bms.crv@affingroup.com

Affin Bank UiTM Branch
Tel : 03-5519 2377, 03-5519 1160,
03-5510 8244
Fax : 03-5510 5580
Email : bms.itm@affingroup.com

Affin Bank USJ Taipan Branch
Tel : 03-8023 7271, 03-8023 7206,
03-8023 8593, 03-8023 8649,
03-8023 9095
Fax : 03-8023 9161
Email : bms.usj@affingroup.com

Affin Bank Kampus Puncak Alam Branch
Tel : 03-3393 8068, 03 3393 8863
Email : bms.kpa@affingroup.com

Affin Bank Balakong Branch
Tel : 03-9081 0690
Email : bms.bcs@affingroup.com

PERLIS

Affin Bank Kangar Branch
Tel : 04-977 7200
Fax : 04-977 6100
Email : bms.kgp@affingroup.com

KEDAH

Affin Bank Alor Setar Branch
Tel : 04-772 2964, 04-717 4992
(Hunting Line)
Fax : 04-771 4268
Email : bms.ast@affingroup.com

Affin Bank Kulim Branch
Tel : 04-495 5577, 04-490 4728
Fax : 04-490 4727
Email : bms.kmk@affingroup.com

Affin Bank Langkawi Branch
Tel : 04-966 4426, 04-966 4427
Fax : 04-966 4717
Email : bms.klk@affingroup.com

Affin Bank Sungai Petani Branch
Tel : 04-421 9526-9
Fax : 04-421 6292
Email : bms.pti@affingroup.com

PULAU PINANG

Affin Bank Bayan Baru Branch
Tel : 04-644 7593, 04-644 3815,
04-644 4171
Fax : 04-645 2709
Email : bms.bbb@affingroup.com

Affin Bank Butterworth Branch
Tel : 04-333 1372, 04-333 3177,
04-323 0151 (Mortgage Sales)
04-323 0144 (Mortgage Sales)
Fax : 04-332 3299, 04-323 0109
(Mortgage Sales)
Email : bms.btw@affingroup.com

Affin Bank Fettes Park Branch
Tel : 04-899 9069
Fax : 04-899 0767
Email : bms.fet@affingroup.com

Affin Bank Jalan Macalister Branch
Tel : 04-229 2300, 04-227 0693,
04-227 0673, 04-227 0736
Fax : 04-228 8324, 04-229 5521
Email : bms.mac@affingroup.com

Affin Bank Kepala Batas Branch
Tel : 04-575 1824, 04-575 1853,
04-575 1902
Fax : 04-575 1975
Email : bms.kbt@affingroup.com

Affin Bank Prai Branch
Tel : 04-399 3900, 04-399 8535,
04-399 8534
Fax : 04-399 0394
Email : bms.ppp@affingroup.com

Affin Bank Seberang Jaya Branch
Tel : 04-398 1409, 04-398 5039
Fax : 04-399 3480
Email : bms.sjp@affingroup.com

Affin Bank Wisma Pelaut Branch
Tel : 04-264 3198, 04-263 2758,
04-263 5588 (Mortgage Sales),
04-263 7788 (Mortgage Sales),
04-263 2121 (Personalised Banking),
04-263 6633 (Personalised Banking)
Fax : 04-261 0941, 04-251 9254
(Mortgage Sales),
04-261 9801 (Personalised Banking)
Email : bms.wpp@affingroup.com

Affin Bank Bandar Cassia
Tel : 04-5899 573
Fax : 04-5899 174
Email : bms.cas@affingroup.com

PERAK

Affin Bank Bandar Meru Raya
Tel : 05-526 3990
Fax : 05-526 3950
Email : bms.bmr@affingroup.com

Affin Bank Ipoh Branch
Tel : 05-255 0180, 05-254 9275
Fax : 05-255 2545
Email : bms.iph@affingroup.com

Affin Bank Ipoh Garden Branch
Tel : 05-549 7277, 05-549 7275,
05-549 7276
Fax : 05-549 9963
Email : bms.igp@affingroup.com

Affin Bank Lumut Branch
Tel : 05-683 5051, 05-683 5066
Fax : 05-683 5579
Email : bms.lmt@affingroup.com

Affin Bank Sitiawan Branch
Tel : 05-691 7516, 05-692 8401
(ASB Sales Hub)
Fax : 05-692 6133, 05-691 7339
(ASB Sales Hub)
Email : bms.snp@affingroup.com

Affin Bank Taiping Branch
Tel : 05-808 9020, 05-808 8507
Fax : 05-808 9903
Email : bms.tai@affingroup.com

Affin Bank Teluk Intan Branch
Tel : 05-621 0130, 05-621 0131,
05-621 0133
Fax : 05-621 0128
Email : bms.tip@affingroup.com

NEGERI SEMBILAN

Affin Bank Bandar Sri Sendayan
Tel : 06-775 8085
Fax : 06-775 8081
Email : bms.bss@affigroup.com

Affin Bank Gemas Branch
Tel : 07-948 3622
Fax : 07-948 5022
Email : bms.gms@affingroup.com

Affin Bank Nilai Branch
Tel : 06-799 4114, 06-799 5836,
06-799 5837
Fax : 06-799 5115
Email : bms.nns@affingroup.com

Affin Bank Port Dickson Branch
Tel : 06-647 3950, 06-647 3951,
06-647 3955
Fax : 06-647 4776
Email : bms.pdn@affingroup.com

Affin Bank Seremban Branch
Tel : 06-761 1400
Fax : 06-761 2290
Email : bms.sbn@affingroup.com

MELAKA

Affin Bank Bukit Baru Branch
Tel : 06-232 1386, 06-232 1390
Fax : 06-231 8076
Email : bms.bbm@affingroup.com

Affin Bank Melaka Raya Branch
Tel : 06-284 7001, 06-284 7002,
06-284 1303, 06-284 1304,
06-284 1305, 06-284 1306,
06-283 4218, 06-283 4219
Fax : 06-284 8595
Email : bms.mrm@affingroup.com

JOHOR

Affin Bank Ayer Hitam Branch
Tel : 07-758 1100, 07-758 1616
Fax : 07-758 1001
Email : bms.ahj@affingroup.com

Affin Bank Batu Pahat Branch
Tel : 07-432 6286, 07-432 6008,
07-432 6406
Fax : 07-434 5270
Email : bms.bpj@affingroup.com

Affin Bank Danga Bay Branch
Tel : 07-234 5202, 07-234 5570
(Mortgage Sales),
07-234 5819 (Mortgage Sales)
07-234 5907 (Mortgage Sales),
07-234 5914 (Mortgage Sales)
Fax : 07-234 5270, 07-234 5915
(Mortgage Sales)
Email : bms.dbj@affingroup.com

Affin Bank Johor Bahru Branch
Tel : 07-224 2101
Fax : 07-224 7160
Email : bms.jbr@affingroup.com

Affin Bank Johor Jaya Branch
Tel : 07-356 2437
Fax : 07-356 2457
Email : bms.jjj@affingroup.com

Affin Bank Kluang Branch
Tel : 07-772 4736, 07-772 4750,
07-772 4758
Fax : 07-772 4486
Email : bms.klu@affingroup.com

Affin Bank Kulai Branch
Tel : 07-660 8495, 07-660 8495,
07-660 8496, 07-660 8498
Fax : 07-660 8363
Email : bms.kli@affingroup.com

Affin Bank Muar Branch
Tel : 06-951 4217, 06-951 4218,
06-951 4219, 06-951 6899
Fax : 06-953 8460, 06-951 6898
Email : bms.mua@affingroup.com

Affin Bank Mutiara Rini Branch
Tel : 07-557 0900
Fax : 07-557 122
Email : bms.mrj@affingroup.com

Affin Bank Permas Jaya Branch
Tel : 07-386 3703, 07-386 3857,
07-386 3904
Fax : 07-386 5061
Email : bms.pmj@affingroup.com

Affin Bank Segamat Branch
Tel : 07-943 1327
Fax : 07-943 1308
Email : bms.seg@affingroup.com

Affin Bank Tampoi Branch
Tel : 07-241 4946, 07-241 4948,
07-241 4951 (ASB Sales Hub)
Fax : 07-241 4953, 07-386 5061
(ASB Sales Hub)
Email : bms.tpj@affingroup.com

KELANTAN

Affin Bank Jeli Branch
Tel : 09-946 8955, 09-946 8952
Fax : 09-946 8954
Email : bms.jtm@affingroup.com

Affin Bank Kota Bharu Branch
Tel : 09-744 9644, 09-744 9601,
09-744 9610, 09-744 9620
Fax : 09-744 9613
Email : bms.kbr@affingroup.com

TERENGGANU

Affin Bank Kemaman Branch
Tel : 09-858 1744, 09-858 2544,
09-858 6572, 09-858 3980
Fax : 09-859 1572
Email : bms.kmn@affingroup.com

Affin Bank Kemaman Supply Base Branch
Tel : 09-863 1297, 09-863 1303
Fax : 09-863 1295
Email : bms.ksb@affingroup.com

DIRECTORY OF BRANCHES

PAHANG

Affin Bank Jengka Branch
Tel : 09-466 2233, 09-466 2253
Fax : 09-466 2422
Email : bms.jka@affingroup.com

Affin Bank Kuantan Branch
Tel : 09-514 8575, 09-514 8584
(ASB Sales Hub)
Fax : 09-514 8582, 09-514 8580
(ASB Sales Hub)
Email : bms.ktn@affingroup.com

Affin Bank Mentakab Branch
Tel : 09-278 4487
Fax : 09-277 6654
Email : bms.men@affingroup.com

Affin Bank Temerloh Branch
Tel : 09-296 7788
Fax : 09-296 6677
Email : bms.tmp@affingroup.com

Affin Bank Kota Sas
Tel : 09-573 9407
Email : bms.ksp@affingroup.com

SABAH

Affin Bank Jalan Gaya (Kota Kinabalu) Branch
Tel : 088-212 677
Fax : 088-212 476
Email : bms.jgs@affingroup.com

Affin Bank Sadong Jaya Complex (Kota Kinabalu) Branch
Tel : 088-264 410, 088-264 413,
088-261 515 (ASB Sales Hub),
088-261 616 (Personalised Banking)
Fax : 088-261 414, 088-263 985
(ASB Sales Hub)
Email : bms.kks@affingroup.com

Affin Bank Lahad Datu Branch
Tel : 089-865 733, 089-865 730,
089-865 731, 089-865 732
Fax : 089-865 735
Email : bms.lds@affingroup.com

Affin Bank Sandakan Branch
Tel : 089-224 577, 089-211 079
Fax : 089-224 566
Email : bms.san@affingroup.com

Affin Bank Tawau Branch
Tel : 089-778 197, 089-778 198
Fax : 089-763 157
Email : bms.twu@affingroup.com

SARAWAK

Affin Bank Bintulu Branch
Tel : 086-314 248
Fax : 086-314 206
Email : bms.bts@affingroup.com

Affin Bank Kuching Branch
Tel : 082-245 888, 082-422 909,
082-422 589, 082-422 598
Fax : 082-429 616
Email : bms.kch@affingroup.com

Affin Bank Miri Branch
Tel : 085-437 442, 085-437 443,
085-437 445
Fax : 085-418 882
Email : bms.mrs@affingroup.com

Affin Bank Prince Commercial Centre Branch
Tel : 082-612 088, 082-613 466
(ASB Sales Hub)
Fax : 082-612 488, 082-629 466
(ASB Sales Hub)
Email : bms.pck@affingroup.com

Affin Bank Sibu Branch
Tel : 084-325 926
Fax : 084-311 488
Email : bms.sib@affingroup.com

Affin Bank Tabuan Jaya Branch
Tel : 082-363 385
Fax : 082-363 061
Email : bms.tjk@affingroup.com

AFFIN ISLAMIC BRANCHES

SELANGOR

Affin Islamic Bangi Branch
Tel : 03-8925 7333,
03-8927 5881,
03-8927 5882
Fax : 03-8927 4815
Email : bms.bangi@affingroup.com

Affin Islamic PJ SS2 Branch
Tel : 03-7875 6145
Fax : 03-7875 4217, 03-7875 6816
Email : bms.pjs@affingroup.com

Affin Islamic MSU Branch
Tel: 03-5510 0425
Fax: 03-5510 0563
Email : bms.msu@affingroup.com

KEDAH

Affin Islamic Jitra Branch
Tel : 04-919 0888
Fax : 04-919 0380
Email : bms.jtr@affingroup.com

PULAU PINANG

Affin Islamic Juru Branch
Tel : 04-507 7422, 04-507 3522,
04-502 3253
Fax : 04-507 0522, 04-507 652
Email : bms.jbc@affingroup.com

TERENGGANU

Affin Islamic Kuala Terengganu Branch
Tel : 09-623 5966, 09-623 5967,
09-623 5969
Fax : 09-623 6496
Email : bms.ktr@affingroup.com

KUALA LUMPUR

Affin Islamic Fraser Business Park Branch
Tel : 03-9222 8877
Fax : 03-9222 9877
Email : bms.fbc@affingroup.com

NEGERI SEMBILAN

Affin Islamic Senawang Branch
Tel : 06-675 7066, 06-675 7166,
06-675 7288
Fax : 06-675 7088, 06-675 7188
Email : bms.swg@affingroup.com

NEGERI SEMBILAN

Affin Islamic Taman Molek Branch
Tel : 07-351 9522
Fax : 07-357 9522
Email : bms.mbc@affingroup.com

AFFIN HWANG INVESTMENT BANK BRANCHES

KEDAH

Affin Hwang Investment Bank Sungai Petani Branch
Tel : (+6) 04-425 6666
Fax : (+6) 04-421 2288

PULAU PINANG

Affin Hwang Investment Bank Penang Branch
Tel : (+6) 04-263 6996
Fax : (+6) 04-263 7010

Affin Hwang Investment Bank Bukit Mertajam Branch
Tel : (+6) 04-537 2882
Fax : (+6) 04-537 5228

PERAK

Affin Hwang Investment Bank Taiping Branch
Tel : (+6) 05-806 6688
Fax : (+6) 05-808 9229

KUALA LUMPUR

Affin Hwang Investment Bank Chulan Tower Branch ✿
Tel : (+6) 03 2143 8668
Fax : (+6) 03 2143 8668

Affin Hwang Investment Bank TTDI Branch
Tel : (+6) 03-7710 6688
Fax : (+6) 03-7710 6699

Affin Islamic Taman Midah Branch ✿
Tel : (+6) 03 9130 8803
Fax : (+6) 03 9130 8303

SELANGOR

Affin Hwang Investment Bank Subang Jaya Branch
Tel : (+6) 03-5635 6688
Fax : (+6) 03-5636 2288

Affin Hwang Investment Bank Bukit Tinggi Branch ✿
Tel : (+6) 04 3322 1999
Fax : (+6) 03 3322 1666

Affin Hwang Investment Bank Klang Branch
Tel : (+6) 03 3343 9999
Fax : (+6) 03 3343 4084

NEGERI SEMBILAN

Affin Hwang Investment Bank Seremban Branch
Tel : (+6) 06-603 7408

Affin Hwang Investment Bank Bahau Branch
Tel : (+6) 06-455 3188
Fax : (+6) 06-455 3288

JOHOR

Affin Hwang Investment Bank Johor Bahru Branch
Tel : (+6) 07-222 2692
Fax : (+6) 07-276 5201

SABAH

Affin Hwang Investment Bank Kota Kinabalu Branch ✿
Tel : (+6) 088-311 688
Fax : (+6) 088-318 996

SARAWAK

Affin Hwang Investment Bank Kota Kuching Branch
Tel : (+6) 082-341 999
Fax : (+6) 082-485 999

✿ Triple-banking Branches

NOTICE OF 47TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 47TH ANNUAL GENERAL MEETING (AGM) OF AFFIN BANK BERHAD [197501003274 (25046-T)] (ABB/THE COMPANY) WILL BE BROADCASTED LIVE FROM LEVEL 26, AUDITORIUM, MENARA AFFIN, LINGKARAN TRX, TUN RAZAK EXCHANGE, 55188 KUALA LUMPUR, MALAYSIA (BROADCAST VENUE) **ON THURSDAY, 25 MAY 2023 AT 10.00 A.M.** TO TRANSACT THE FOLLOWING BUSINESSES:

AGENDA

AS ORDINARY BUSINESSES:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of a single-tier final dividend of 7.77 sen per ordinary share in respect of the financial year ended 31 December 2022. **Resolution 1**

3. To re-elect the following Directors who retire by rotation pursuant to Article 118 of the Company's Constitution and who being eligible, offer themselves for re-election:

   3.1 Dato' Md Agil bin Mohd Natt **Resolution 2**
   3.2 Mr. Ignatius Chan Tze Ching **Resolution 3**
   3.3 Dato' Rozalila binti Abdul Rahman **Resolution 4**

4. To re-elect Encik Mohammad Ashraf bin Md Radzi who retires pursuant to Article 124 of the Company's Constitution and who being eligible, offers himself for re-election. **Resolution 5**

5. To approve the following fees and payment of the same to the Non-Executive Directors for the period from the 47th AGM to the 48th AGM of the Company: **Resolution 6**

   5.1 Chairman's fee of RM265,000 per annum;
   5.2 Director's fee of RM165,000 per annum for each Non-Executive Director;
   5.3 Board Committee Chairman's fee of RM50,000 per annum for the Chairman of each Board Committee; and
   5.4 Board Committee Member's fee of RM35,000 per annum for each member of a Board Committee.

6. To approve the payment of Directors' benefits of an amount up to RM1,800,000 to eligible Non-Executive Directors from the 47th AGM to the 48th AGM of the Company. **Resolution 7**

7. To re-appoint Messrs PricewaterhouseCoopers PLT as the Company's Auditors for the financial year ending 31 December 2023 and to authorise the Directors to fix the Auditors' remuneration. **Resolution 8**

AS SPECIAL BUSINESSES:

To consider, and if thought fit, to pass the following resolutions:

8. Ordinary Resolution

   AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN AFFIN BANK BERHAD (ABB SHARES) **Resolution 9**

   "THAT subject always to the Companies Act, 2016 (Act), the Company's Constitution, the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act, to allot and issue ABB Shares at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of ABB Shares to be allotted pursuant to the said allotment does not exceed ten percent (10%) of the total number of issued shares (excluding treasury shares, if any) of the Company as at the date of such allotment and that the Directors be and are hereby authorised to obtain all necessary approvals from the relevant authorities for the allotment, listing of and quotation for the additional shares so allotted on Bursa Malaysia and that such authority to allot ABB Shares shall continue to be in force until the conclusion of the next AGM of the Company.

AND THAT in connection with the above, pursuant to Section 85 of the Act read together with Clause 9 of the Company's Constitution, approval be given to waive the statutory pre-emptive rights conferred upon shareholders of ABB where the Board is exempted from offering such new ABB Shares first to the existing shareholders of ABB in respect of the allotment and issuance of new ABB Shares pursuant to Sections 75 and 76 of the Act, and such new ABB Shares when issued, to rank equally in all respects with the existing ABB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid to the shareholders of the Company for which the entitlement date precedes the date of allotment and issuance of the new ABB Shares.

9. Ordinary Resolution

ALLOTMENT AND ISSUANCE OF NEW ORDINARY SHARES OF AFFIN BANK BERHAD (ABB SHARES) IN RELATION TO THE DIVIDEND REINVESTMENT PLAN BY THE COMPANY THAT GIVES THE SHAREHOLDERS OF THE COMPANY THE OPTION TO REINVEST THEIR WHOLE OR A PORTION OF THE DIVIDEND FOR WHICH THE REINVESTMENT OPTION APPLIES IN NEW ABB SHARES (DIVIDEND REINVESTMENT PLAN) **Resolution 10**

"THAT pursuant to the Dividend Reinvestment Plan as approved by the shareholders at the Extraordinary General Meeting held on 15 May 2018 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new ABB Shares upon the election of the shareholders of the Company to reinvest the dividend pursuant to the Dividend Reinvestment Plan until the conclusion of the next AGM upon such terms and conditions and to such persons as the Board of Directors of the Company (Board), in their sole and absolute discretion, deem fit and in the interest of the Company;

AND THAT, the issue price of the said new ABB Shares which will be determined by the Board on a price-fixing date to be determined (Price Fixing Date), shall not be more than 10% discount to the adjusted 5-day volume-weighted average market price VWAMP of ABB Shares immediately prior to the Price Fixing Date, of which the VWAMP shall be adjusted ex-dividend before applying the abovementioned discount in fixing the issue price;

AND THAT the Board be and is hereby authorised to do all such acts and enter into all such transactions, arrangements and agreements, deeds or undertakings and to execute, sign and deliver for and on behalf of the Company, all such documents and impose such terms and conditions or delegate all or any part of its powers as may be necessary or expedient in order to give full effect to the Dividend Reinvestment Plan with full power to assent to any conditions, variations, modifications and/or amendments, as the Board may, in its absolute discretion deem fit and in the best interest of the Company and/or as may be imposed or agreed to by any relevant authorities."

10. Ordinary Resolution

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (PROPOSED SHAREHOLDERS' MANDATE) **Resolution 11**

"THAT authority be and is hereby given in line with Chapter 10.09 of the MMLR of Bursa Malaysia, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in the Circular to Shareholders dated 26 April 2023 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution until:

i. the conclusion of the next AGM of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed; or

ii. the expiration of the period within which the next AGM of the Company which is to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting, whichever is earlier.

NOTICE OF 47TH ANNUAL GENERAL MEETING

AND FURTHER THAT the Board be and is hereby authorised to do all acts, deeds and things as may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Shareholders' Mandate in the best interest of the Company."

11. Ordinary Resolution

PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE PLAN IN THE FORM OF AN EMPLOYEES' SHARE GRANT SCHEME **Resolution 12**

"THAT subject to the approvals of all relevant regulatory authorities being obtained (where applicable), and to the extent permitted by law and the Constitution of the Company, the Board, be and is hereby authorised and empowered to:

(i) establish and implement a long-term incentive plan in the form of an employees' share grant scheme of up to 5% of the Company's total number of issued ordinary shares (ABB Shares or Shares) (excluding treasury shares, if any) at any point in time during the duration of the proposed employees' share grant scheme (SGS Period) (Proposed SGS) for the selected eligible employees within ABB and its subsidiary companies (ABB Group or Group) (excluding its dormant subsidiary companies), who fulfil the eligibility criteria (Eligible Employees) as stipulated by the by-laws governing the Proposed SGS (By-Laws), a draft of which is set out in Appendix I of the circular to shareholders of ABB in relation to the Proposed SGS dated 26 April 2023 (Circular) and that the Proposed SGS shall be administered by the Group Board Nomination and Remuneration Committee of ABB (GBNRC) in accordance with the By-Laws and will comprise such number of the Company's Independent Non-Executive Directors as may be appointed from time to time.

(ii) allot and issue such number of new ABB Shares and/or transfer existing ABB Shares and/or transfer treasury shares of ABB (if applicable) and/or make cash payment, from time to time and at any time on the relevant vesting date(s), to the Eligible Employees who have accepted the offer made in writing to them by the GBNRC (Offer) (Grants) and fulfilled the relevant vesting conditions under the Proposed SGS, in accordance with the By-Laws:

    (a) provided that the maximum number of ABB Shares which may be made available under the Proposed SGS shall not in aggregate exceed 5% of ABB's total number of issued Shares (excluding treasury shares, if any) at any point in time during the SGS Period; and

    (b) that such new ABB Shares to be allotted and issued to the Eligible Employees who accepted the Offer (Grantees) under the Proposed SGS will, upon allotment and issue, rank equally in all respects with the existing ABB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid to the shareholders of the Company for which the entitlement date precedes the date of allotment and issuance of the new ABB Shares;

    (c) establish a trust (Trust) to be implemented and administered by the trustee to be appointed by the Company from time to time (Trustee), in accordance with the terms of a trust deed to be executed between the Trustee and the Company (Trust Deed), to facilitate the implementation of the Proposed SGS and be entitled from time to time to the extent permitted by law and as set out under the By-Laws to accept funding and/or assistance, financial or otherwise from the Company, the subsidiaries of the Company and/or third parties to enable the Trustee to subscribe for new ABB Shares, acquire existing ABB Shares and/or receive treasury shares for the purpose of the Proposed SGS and to pay expenses in relation to the administration of the Trust, if required, in accordance with the terms and conditions of the Trust. The Board shall also have the discretion to revoke or suspend any such instruction that has earlier been given to the Trustee;

(d) add, delete, modify and/or amend all or any part of the terms and conditions as set out in the By-Laws governing the Proposed SGS from time to time as may be permitted or deemed necessary by the Board, provided that such additions, deletions, modifications, and/or amendments are effected in accordance with the provisions of the By-Laws; and

(e) do all such acts and things and execute all such documents and enter into all such transactions, arrangements, agreements, instruments, deeds and/or undertakings, to make all such rules or regulations, or to impose all such terms and conditions and/or delegate part of its power and to generally exercise such powers and perform such acts as may be necessary or expedient to give full effect to the Proposed SGS and the terms of the By-Laws;

AND THAT it is hereby approved and determined in this general meeting, in accordance with Clause 9 of the Company's Constitution (read together with subsection 85(1) of the Act), that the Board shall allot and issue new ABB Shares, as required, under the Proposed SGS in accordance with the By-Laws, without such ABB Shares being required to be offered to the shareholders of ABB in proportion, as nearly as may be, to the number of ABB Shares held by them or at all and effectively resulting in the shareholders of ABB waiving their pre-emptive rights under Clause 9 of the Company's Constitution (read together with subsection 85(1) of the Act) to be offered all or any part of the new ABB Shares to be issued, if any, pursuant to the Proposed SGS;

AND THAT the Board be and is hereby authorised to give effect to the Proposed SGS with full power to assent to any conditions, modifications, variations and/or amendments in any manner as required by the relevant authorities or as the Board may deem necessary and expedient in order to implement, finalise and give full effect to the Proposed SGS;

AND THAT the proposed By-Laws of the Proposed SGS, as set out in Appendix I of the Circular, which is in compliance with the MMLR of Bursa Malaysia, be and is hereby approved and adopted."

12 Ordinary Resolution

PROPOSED ALLOCATION TO DATUK WAN RAZLY ABDULLAH, THE PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER OF ABB **Resolution 13**

"THAT subject to the passing of Ordinary Resolution 12, the Board be and is hereby authorised at any time and from time to time during the SGS Period, to cause or procure the offering and the allocation to Datuk Wan Razly Abdullah, being the President & Group Chief Executive Officer of ABB, of up to a maximum of 2,040,000 new ABB Shares under the Proposed SGS as they shall deem fit, which will be vested to him at a future date, subject always to such terms and conditions of the By-Laws and provided that not more than 10% of the total number of ABB Shares to be issued under the Proposed SGS shall be allocated to any individual Eligible Employee who, either singly or collectively through persons connected with the said Eligible Employee, holds 20% or more of the total number of issued shares of ABB (excluding treasury shares, if any);

AND THAT the Board be and is hereby authorised to allot and issue new ABB Shares and/or transfer such number of treasury shares and/or existing ABB Shares and/or make cash payments pursuant to the Proposed SGS to him from time to time pursuant to the vesting of his Grant(s)."

13. To transact any other business of the Company for which due notice shall have been received in accordance with the Act and the Company's Constitution.

BY ORDER OF THE BOARD

NIMMA SAFIRA KHALID
(LS0009015)
(SSM PC No. 201908001266)
Company Secretary

Kuala Lumpur
26 April 2023

NOTICE OF 47TH ANNUAL GENERAL MEETING

Notes:

(1) The 47th AGM will be conducted online from the Broadcast Venue and through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Notes for Members of the 47th AGM in order to register, participate and vote remotely via the RPV facilities.

(2) The Broadcast Venue of the 47th AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairperson of the meeting to be present at the main venue of the meeting. No members/proxies from the public will be physically present at the Broadcast Venue.

(3) A Member entitled to participate and vote at this AGM is entitled to appoint proxy(ies) to participate and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of a proxy.

(4) (i) A Member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (Authorised Nominee) may appoint at least one (1) proxy but not more the than two (2) proxies in respect of each security account it holds with ordinary shares of the Company (ABB Shares) standing to the credit of the said securities account to participate and vote at this AGM.

(ii) Notwithstanding the above, for an exempt Authorised Nominee who holds ABB Shares for multiple beneficial owners in one securities account (Omnibus Account), there is no limit to the number of proxies that the exempt Authorised Nominee may appoint in respect of each Omnibus Account.

(5) Where a Member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

(6) The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his/her attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.

(7) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 17 May 2023 (General Meeting Record of Depositors) shall be entitled to participate and vote at the 47th AGM.

(8) The appointment of proxy may be submitted in hard copy form or electronically via TIIH Online website at https://tiih.online. The hard copy of the Proxy Form must be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the 47th AGM or no later than 23 May 2023 at 10.00 a.m.

(9) If Members wish to submit their Proxy Form electronically, please refer to the Procedures for Electronic Lodgement of Proxy Form as set out in Appendix 2 of the Administrative Notes for Members.

(10) Pursuant to Paragraph 8.29A(1) of MMLR of Bursa Malaysia, all resolutions set out in the Notice of the 47th AGM of the Company shall be put to vote by way of a poll.

(11) **Explanatory Notes on Ordinary Businesses:**

(i) **Audited Financial Statements for the Financial Year Ended 31 December 2022**

The Audited Financial Statements are for discussion only in accordance with Section 340(1)(a) of the Act and do not require shareholders' approval. Hence, the same will not be put forward for voting.

(ii) **Ordinary Resolution 1 - Payment of Single-Tier Final Dividend**

The proposed single-tier final dividend as per Ordinary Resolution 1 can be entirely reinvested into new ABB Shares in accordance with the Dividend Reinvestment Plan.

Pursuant to Section 8.26 of the MMLR of Bursa Malaysia, the single-tier final dividend, if approved, shall be paid not later than three (3) months from the date of the shareholders' approval. The Books Closure Date will be announced by the Company after this AGM.

(iii) **Ordinary Resolutions 2, 3, 4 and 5 - Re-election of Directors**

Article 118 of the Company's Constitution provides that at least one-third (1/3) of the Directors who are subject to retirement by rotation or if their number is not three (3) or a multiple three (3), the number nearest to one-third shall retire from office at every AGM of the Company and be eligible for re-election.

Article 124 of the Company's Constitution stipulates that newly appointed Directors due to a casual vacancy shall hold office only until the conclusion of the next annual general meeting and shall be eligible for re-election at such meeting.

The GBNRC has considered the performance and contribution of each of the retiring Directors and has also assessed the independence of the Independent Non-Executive Directors (INEDs) seeking re-election.

Based on the results of the Board Effectiveness Evaluation conducted for the financial year ended 31 December 2022, the performance of each of the retiring Directors under Article 118 of the Company's Constitution was found to be satisfactory. In addition, two (2) of the retiring Directors by rotation have also provided their annual declaration/confirmation of independence January 2023.

The Board has endorsed the GBNRC's recommendation to seek shareholders' approval for the re-election of the four (4) retiring Directors. The retiring Directors had abstained from deliberations and decisions on their re-election at the Board meeting.

The details and profiles of the Directors who are standing for re-election at the 47th AGM are provided herein.

(iv) **Ordinary Resolutions 6 and 7 - Remuneration Payable to Non-Executive Directors**

Section 230(1) of the Act provides that the fees of directors and benefits payable to the directors of a public company shall be approved at a general meeting.

The Non-Executive Chairman and Non-Executive Directors (NEDs) are entitled to the following fees and allowances which have not changed since it was approved by the shareholders at the Company's 46th AGM in 2022:

(a) Directors' fees:

	Chairman	Member
Board		
Director's Fee (per annum)	265,000	165,000
Board Committee		
Board Committee Fee (per annum)	50,000	35,000

(b) Meeting allowance:

	Chairman	Member
Board		
Director's Sitting Fee (per meeting)	3,000	2,500
Board Committee		
Board Committee Sitting Fee (per meeting)	2,500	2,500

The benefits payable to NEDs comprise allowances, benefits-in-kind and other emoluments, details of which are as follows:

(i) Meeting Allowance;

(ii) Car Allowance and Company Driver for Chairman (based on maximum taxable rate); and

(iii) Other Benefits - includes benefits that are claimable or otherwise such as monthly subscription of club membership and other facilities made available by the Company to eligible NEDs.

At the 46th AGM of the Company held on 25 May 2022, the benefits payable to the NEDs from the 46th AGM to the 47th AGM were approved for an amount of up to RM2,000,000. The utilisation of this approved amount as at 31 March 2023 is approximately 74.26%. As such, the requested amount of benefits payable to the NEDs at this AGM was reduced to RM1,800,000.

(v) **Ordinary Resolution 8 – Re-Appointment of External Auditors**

The Group Board Audit Committee (GBAC) had, at its meeting held on 25 January 2023, conducted an annual review on the external auditors, Messrs PricewaterhouseCoopers PLT in accordance with BNM's Policy Document on External Auditors and ABB's Policy and Procedures for Appointment of Group External Auditors. The assessment covered a wide spectrum of matters such as performance, suitability, independence and objectivity of the external auditors.

Being satisfied with the performance, technical competency, audit approach as well as audit independence of Messrs PricewaterhouseCoopers PLT, the GBAC has recommended the re-appointment of Messrs PricewaterhouseCoopers PLT as the external auditors of the Company for the financial year ending 31 December 2023 (FY2023).

The Board had, at its meeting held on 31 January 2023 endorsed the GBAC's recommendation for the shareholders' approval to be sought at the 47th AGM on the re-appointment of Messrs PricewaterhouseCoopers PLT as external auditors of the Company for FY2023.

The Board is also seeking shareholders' approval to authorise the Directors to fix the remuneration of the external auditors for FY2023.

NOTICE OF 47TH ANNUAL GENERAL MEETING

(vi) **Ordinary Resolution 9 - Authority for Directors to Issue Shares**

The Company has not issued any shares under the general mandate for allotment of shares pursuant to Sections 75 and 76 of the Act which was approved at the 46th AGM held on 25 May 2022 and will lapse at the conclusion of the 47th AGM to be held on 25 May 2023.

The proposed Ordinary Resolution 9, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company.

The authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The general mandate sought will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for the purpose of funding investment(s), working capital and/or acquisition(s).

Pursuant to Section 85 of the Act read together with Clause 9 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new ABB Shares which rank equally to the existing ABB Shares.

In order for the Board to issue any new ABB Shares under Sections 75 and 76 of the Act free of pre-emptive rights, such pre-emptive rights must be waived. The proposed Ordinary Resolution 9, if passed, will exclude Members' pre-emptive rights over all new ABB Shares arising from the issuance of new ABB Shares pursuant to Sections 75 and 76 of the Act.

(vii) **Ordinary Resolution 10 – Dividend Reinvestment Plan**

The proposed Ordinary Resolution 10, if passed, will give authority to the Board to allot and issue new ABB Shares pursuant to the Dividend Reinvestment Plan in respect of any future dividends to be declared, to which the Dividend Reinvestment Plan applies and such authority shall expire at the conclusion of the next AGM of the Company.

(viii) **Ordinary Resolution 11 - Proposed Shareholders' Mandate**

The proposed Ordinary Resolution 11, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company. The details of the proposal are set out in the Circular to Shareholders dated 26 April 2023 which is published together with the Notice of 47th AGM and available on the Company's website at www.affingroup.com.

(ix) **Ordinary Resolutions 12 and 13 - Proposed Establishment of Long-Term Incentive Plan in the Form of Employee's Share Grant Scheme and Proposed Allocation to Datuk Wan Razly Abdullah, the President & Group Chief Executive Officer of ABB**

The proposed Ordinary Resolutions 12 and 13, if passed will enable the Company to establish and implement a long-term incentive plan in the form of an employees' share grant scheme of up to 5% of the Company's total number of issued ordinary shares (excluding treasury shares, if any) at any point in time during the duration of the Proposed SGS for the selected Eligible Employees as stipulated by the By-Laws.

Pursuant to Section 85 of the Act read together with Clause 9 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new ABB Shares which rank equally to the existing ABB Shares.

In order for the Board to issue new ABB Shares to the Eligible Employees free of pre-emptive rights, such pre-emptive rights must be waived. The proposed Ordinary Resolutions 12 and 13, if passed, will exclude Menbers' pre-emptive rights over all new ABB Shares arising from the issuance of new ABB Shares to the Eligible Employees pursuant to the Proposed SGS.

The details of the Proposed SGS are set out in the Circular to Shareholders dated 26 April 2023 which is published together with the Notice of 47th AGM and available on the Company's website at www.affingroup.com.

STATEMENT ACCOMPANYING NOTICE OF 47TH ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

The profiles of the Directors who are standing for re-election as per Agenda 3 and 4 of the Notice of 47th AGM are as follows:

Resolution 2

YBHG. DATO' MD AGIL BIN MOHD NATT
Independent Non-Executive Director (Chairman)

Nationality/Age/Gender	Malaysian/72 years old/Male
Date of Appointment	8 November 2019
Length of Service (as at 31 March 2023)	3 years 4 months
Date of last re-election	27 July 2020
Academic/ Professional Qualification	• Advanced Management Program (AMP163), Harvard Business School, USA • Master of Science in Finance, Bayes Business School, City, University of London, United Kingdom • Bachelor of Science in Economics (Hons), Brunel University, United Kingdom
Past Directorship(s)/Working Experience	• Dato' Agil Natt possesses in-depth banking knowledge and corporate experience in the areas of Corporate Banking, Investment Banking as well as Islamic Finance. • He started his career in Corporate Finance with Bumiputra Merchant Bankers Berhad in 1977 and in 1982 he moved to Island & Peninsular Bhd where his last position was as the Senior General Manager (Finance). He was also the Regional Chief Representative of Kleinwort Benson Limited, a UK based investment bank, before joining the Maybank Group in 1995. In Maybank he served as Senior General Manager of Corporate Banking, Managing Director/Chief Executive Officer of Aseambankers Berhad (now known as Maybank Investment Bank Berhad), and Deputy President/Executive Director of Maybank. • He left the Maybank Group in 2006 to assume the position of President and Chief Executive Officer of The International Centre for Education in Islamic Finance (INCEIF) (now known as INCEIF University), established by Bank Negara Malaysia in 2005. • Amongst his previous Directorship positions were Chairman/Independent Director of Manulife Insurance Bhd, Chairman/Independent Director of Manulife Investment Management (M) Berhad (formerly known as Manulife Asset Management Services Bhd), Chairman/Independent Director of Credit Guarantee Corporation Malaysia Bhd, Independent Director of Cagamas Berhad, Director of Sogo (KL) Sdn Bhd, Independent Director of Export-Import Bank of Malaysia Bhd and Chairman/Independent Director of Sumitomo Mitsui Banking Corporation Malaysia Bhd. • Details as per Part B of CG Report made available on the Bank's website and attached to Bursa Malaysia announcement on Annual Report 2022.
Present Directorship(s) in Public/Public Listed Companies and/or appointments	• Nil
Membership of Board Committees	• Chairman of Affin Group Chairmen Committee (previously known as Affin Group Oversight Committee) • Member, Group Board Credit Review & Recovery Committee • Member, Group Board Information Technology Committee

Notes:

- *Dato' Agil fulfils the fit and proper criteria as specified in the Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria. The Board has endorsed the GBNRC's recommendation to seek shareholders' approval for the re-election of Dato' Agil based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ended 31 December 2022.*
- *Dato' Agil fulfils the criteria of an independent director as defined under Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders.*

STATEMENT ACCOMPANYING NOTICE OF 47TH ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

Resolution 3

MR. IGNATIUS CHAN TZE CHING *Non-Independent Non-Executive Director*	
Nationality/Age/Gender	Chinese/66 years old/Male
Date of Appointment	1 December 2017
Length of Service (as at 31 March 2023)	5 years 3 months
Date of last re-election	2 June 2021
Academic/ Professional Qualification	• Bachelor of Business Administration, University of Hawaii, USA • Master of Business Administration, University of Hawaii, USA • Certified Public Accountant, American Institute of Certified Public Accountants
Past Directorship(s)/Working Experience	• Ignatius Chan brings with him over 40 years of vast experience in Corporate and Investment Banking. Ignatius Chan started his career in banking industry with Citibank, Hong Kong as a Management Associate in 1980. He was posted to Japan from 1986 to 1994. • In 1994, he returned to Hong Kong to become Country Treasurer and Head of Sales and Trading. In 1997, he became the Head of Citibank's Corporate Banking Business for Hong Kong. In 1999, he became Citigroup Country Officer for Hong Kong. • In 2003, Ignatius Chan was posted to Taiwan as Citigroup Country Officer. In 2004, he assumed the additional role of Chief Operating Officer for Greater China. In 2005, he returned from Taiwan to Hong Kong as Citigroup Country Officer for Hong Kong and Head of Corporate and Investment Banking Business for Greater China, a position he held until his retirement from Citibank in 2007. • Thereafter, Ignatius Chan worked briefly as Deputy Chief Executive for Bank of China (Hong Kong) in 2008. Ignatius Chan is currently holding the position of Senior Advisor at The Bank of East Asia, Limited (BEA). • Amongst his previous Directorship positions were Director of Hong Kong Exchanges and Clearing Limited, Director of The Community Chest of Hong Kong, Chairman of Prasac Microfinance Institution Limited of Cambodia, Director of Rizal Commercial Banking Corporation, Director of Larry Jewelry International Company Limited and Director of Affin Holdings Berhad. • Details as per Part B of CG Report made available on the Bank's website and attached to Bursa Malaysia announcement on Annual Report 2022.
Present Directorship(s) in Public/Public Listed Companies and/or appointments	**Directorship(s) in Other Public Companies** • Director, East Asia Futures Limited • Director, East Asia Securities Company Limited • Director, Portofino (165) Limited **Directorship(s) in Public Listed Companies** • Director, Mongolian Mining Corporation (MMC) **External Professional Commitment** • Senior Advisor, BEA
Membership of Board Committees	• Nil

Notes:

- *Mr. Ignatius Chan is a nominee Director of BEA, a major shareholder of Affin Bank.*
- *Mr. Ignatius Chan fulfils the fit and proper criteria as specified in the Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria. The Board has endorsed the GBNRC's recommendation to seek shareholders' approval for the re-election of Mr. Ignatius Chan based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ended 31 December 2022.*

Resolution 4

YBHG. DATO' ROZALILA BINTI ABDUL RAHMAN *Independent Non-Executive Director*	
Nationality/Age/Gender	Malaysian/61 years old/Female
Date of Appointment	4 February 2019
Length of Service (as at 31 March 2023)	4 years 1 month
Date of last re-election	2 June 2021
Academic/ Professional Qualification	• Bachelor of Science, Food Science & Technology, Universiti Pertanian Malaysia • Certificate of Merit from Sophia University, Tokyo, Japan • Diploma of Science with Education (Math Major), Universiti Pertanian Malaysia
Past Directorship(s)/Working Experience	• Dato' Rozalila has over 30 years of working experience at renowned multinational companies of fastmoving consumer goods (FMCG) and reputable large Malaysian public listed companies in the area of technical, marketing and management in Malaysia and South East Asia. Her area of expertise includes R&D and Quality Assurance, business and strategic marketing, consumer lifestyle and brand management, product lifecycle management and customer service management. • Dato' Rozalila was the Chief Executive Officer of Astro GS Shop Sdn. Bhd., Chief Marketing Officer of Telekom Malaysia Berhad, General Manager of Maxis Communications Berhad and Director of Sales & Marketing at Bank Simpanan Nasional. • Dato' Rozalila had previously assumed numerous managerial positions at Reckitt Benckiser (Malaysia) Sdn. Bhd., Kellogg Asia Marketing Inc., Unilever Malaysia (Holdings) Sdn. Bhd. and Perwira Niaga Malaysia Sdn. Bhd. (PERNAMA). She was also a Director of Awake Asia Distribution Sdn Bhd. • Details as per Part B of CG Report made available on the Bank's website and attached to Bursa Malaysia announcement on Annual Report 2022.
Present Directorship(s) in Public/Public Listed Companies and/or appointments	**Directorship(s) in Other Public Companies** • Chairman/Director of AGX Group Berhad **Directorship(s) in Public Listed Companies** • Director of MISC Berhad
Membership of Board Committees	• Chairperson, Group Board Risk Management Committee • Member, Group Board Information Technology Committee

Notes:

- *Dato' Rozalila fulfils the fit and proper criteria as specified in the Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria. The Board has endorsed the GBNRC's recommendation to seek shareholders' approval for the re-election of Dato' Rozalila based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ended 31 December 2022.*
- *Dato' Rozalila fulfils the criteria of an independent director as defined under Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders.*

STATEMENT ACCOMPANYING NOTICE OF 47TH ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

Resolution 5

ENCIK MOHAMMAD ASHRAF MD RADZI *Non-Independent Non-Executive Director*	
Nationality/Age/Gender	Malaysian/45 years old/Male
Date of Appointment	3 October 2022
Length of Service (as at 31 March 2023)	5 months
Academic/ Professional Qualification	• Capital Markets Services Representative License Modules 12 & 19, Security Commission Malaysia • Chartered Accountant, Malaysian Institute of Accountants • Member Association of Chartered Certified Accountants, United Kingdom • Bachelor of Accountancy (Hons), Universiti Tenaga Nasional • A-Levels, MARA Institute of Technology
Past Directorship(s)/Working Experience	• Ashraf has more than 19 years of working experience in Malaysia and Europe in the area of auditing, financial management, accounting and reporting, treasury management, corporate planning and providing advisory support in the areas of investment and privatisation. • He started his career at Ernst and Young (Dublin) as an Audit Senior, thereafter he worked in several companies in Europe namely CUNA Mutual Life Assurance (Europe) Limited (Dublin) as Financial Accountant European Region and UBS Investment Bank (London) as Regulatory Reporting Analyst. • He is currently the Chief Financial Officer (CFO) of LTAT. He had also held various senior management positions prior to his position as CFO in LTAT, namely Associate Director of Prokhas Sdn Bhd, General Manager, Finance Special Projects at Johawaki Holdings Sdn Bhd, Associate Director, Corporate Advisory and Structuring at MIDF Amanah Investment Bank and Chief Financial Officer of Ahmad Zaki Resources. • Details as per Part B of CG Report made available on the Bank's website and attached to Bursa Malaysia announcement on Annual Report 2022.
Present Directorship(s) in Public/Public Listed Companies and/or appointments	**External Professional Commitment** • CFO of LTAT
Membership of Board Committees	• Member, Group Board Risk Management Committee

Notes:

- *Encik Ashraf is a nominee Director of LTAT, a major shareholder of Affin Bank.*
- *Encik Ashraf fulfils the fit and proper criteria as specified in the Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria. The Board has endorsed the GBNRC's recommendation to seek shareholders' approval for the re-election of Encik Ashraf based on his satisfactory contributions towards the Board/Board Committee meetings deliberation since his appointment as NINED of ABB.*

Save as disclosed, none of the Directors have:

- Any family relationship with any Director and/or major shareholders of Affin Bank
- Any conflict of interest with Affin Bank
- Any conviction for offences within the past 5 years
- Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2022

ADMINISTRATIVE NOTES

for 47th Annual General Meeting

Mode of Meeting

1. Affin Bank Berhad continues to leverage technology to facilitate greater shareholders' participation in line with Practice 13.3 of the Malaysian Code of Corporate Governance 2021. As such, the 47th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn. Bhd.'s TIIH Online website at https://tiih.online. To participate, members are required to register via Tricor's TIIH Online website.

   The date, time and Broadcast Venue for the 47th AGM is as follows:-

Date	Time
Thursday, 25 May 2023	10.00 a.m.
Broadcast Venue	
LEVEL 26, AUDITORIUM, MENARA AFFIN, LINGKARAN TRX, TUN RAZAK EXCHANGE, 55188, KUALA LUMPUR, MALAYSIA	

2. No members/proxies from the public will be physically present at the Broadcast Venue.

Remote Participation and Voting

1. Members/proxies/corporate representatives/attorneys who wish to participate at the 47th AGM may do so using the Remote Participation and Voting (RPV) facilities to be provided by the appointed share registrar for this AGM, Tricor Investor & Issuing House Services Sdn Bhd (Tricor). To participate, members are required to register via Tricor's TIIH Online website at https://tiih.online prior to the meeting. For more details, please refer to the Procedures for RPV.

Entitlement to Participate and Vote

1. Only members whose names appear on the General Meeting Record of Depositors (General Meeting ROD) as at 17 May 2023 shall be eligible to participate at the 47th AGM. If a member is unable to participate in the said meeting, he/she may appoint proxy/proxies to participate and vote on his/her behalf. If a member wishes to participate in the said meeting, he/she must not submit any Proxy Form.

2. If a member is unable to participate at the 47th AGM via RPV facilities on 25 May 2023, he/she may also appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

Lodgment of Proxy Form

1. The appointment of proxy may be submitted in hard copy form or electronically via TIIH Online website at https://tiih.online. The hard copy of Proxy Form must be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. If members wish to submit their Proxy Form electronically, please refer to the Procedures for Electronic Lodgement of Proxy Form.

2. All Proxy Forms, original certificates of appointment of corporate representative and power of attorney must be deposited with Tricor no later than 10.00 a.m. on 23 May 2023 (48 hours before the commencement of 47th AGM).

3. Members who have appointed proxy/proxies or attorney or authorised representative to participate and vote at the 47th AGM must request their proxy/proxies or attorney or authorised representative to register themselves for RPV via TIIH Online website at https://tiih.online.

Questions and Answers

1. Members may use the query box facility to submit their questions during the meeting. Subject to the time constraint, the Chairman/Board/Management will address the relevant questions during the Questions and Answers session.

Poll Voting

1. The voting will be conducted by way of electronic voting (e-voting) in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Tricor as the Poll Administrator to conduct the e-Polling, and Asia Securities Sdn Bhd as the Independent Scrutineers to verify the poll results.

2. Members/proxies/corporate representatives/attorneys may proceed to vote on the resolutions from the commencement of the 47th AGM at 10.00 a.m. on Thursday, 25 May 2023 until the end of the voting session which will be announced by the Chairman of the meeting. Please refer to the Procedures for RPV for guidance on how to vote remotely via Tricor's TIIH Online website at https://tiih.online. Upon completion of the voting session, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration of whether the resolutions are duly passed.

Pre-Meeting Submission of Questions to the Board of Directors

1. Members may submit questions to the Board in advance of the 47th AGM via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to log in, pose questions and submit electronically no later than 10.00 a.m. on 23 May 2023. The Board will endeavour to answer the questions received at the AGM.

ADMINISTRATIVE NOTES
for 47th Annual General Meeting

Annual Report 2022

1. The Company's Annual Report 2022 is available on the Company's website at https://affin.listedcompany.com/ar.html

2. You may request a printed copy of the Annual Report 2022 at https://tiih.online by selecting "Request for Annual Report/Circular" under "Investor Services". However, we hope you would consider the environmental and sustainability concerns, and refrain from requesting a printed copy of the Annual Report 2022.

Enquiry

If members have any enquiries prior to the meeting, please contact our Share Registrar during office hours from Mondays to Fridays from 8.30 a.m. to 5.30 p.m. (except for public holidays):

Tricor Investor & Issuing House Services Sdn. Bhd.
General Line : +603-2783 9299
Fax Number : +603-2783 9222
Email : is.enquiry@my.tricorglobal.com

PROCEDURES FOR REMOTE PARTICIPATION AND VOTING (RPV)

PROCEDURES	ACTIONS
Before the Meeting Day	
Register as a user with TIIH Online Note: If you are already a registered user with TIIH Online, you need not register again	Use your smart device or computer to access Tricor's TIIH Online website at **https://tiih.online**. Register as a user under the "e-Services" and select "Create Account by Individual Holder". Refer to the tutorial guide posted on the homepage for assistance. Registration as a user will be approved within one (1) working day and you will be notified via e-mail. If you are already a user of TIIH Online, you are not required to register again. You will receive an e-mail to notify you that remote participation is available for registration at TIIH Online.
Register for RPV	• Registration is open from Wednesday, 26 April 2023 until the day of 47th AGM on Thursday, 25 May 2023. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 47th AGM to ascertain their eligibility to participate at the 47th AGM using the RPV. • Login with your user ID (email address) and password. • Select corporate event: **"(REGISTRATION) AFFIN BANK BERHAD 47th AGM"**. • Read and agree to the Terms and Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an **e-mail to notify** you that your registration for remote participation is received and will be verified. • After verification of your registration against the Record of Depositors as at 17 May 2023, the system will send you an **e-mail after 23 May 2023 to approve or reject** your registration for remote participation. (Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).

PROCEDURES	ACTIONS
On the Meeting Day	
Login to TIIH Online	Login with your user ID (email address) and password for remote participation at AFFIN BANK BERHAD's 47th AGM at any time from 9.00 a.m. onwards i.e. 1 hour prior to the commencement of the meeting at 10.00 a.m. on Thursday, 25 May 2023.
Participate Through Live Streaming Notes: (i) The connection to the live streaming is dependent on the bandwidth and stability of the internet connection at your location and the device that you are using. (ii) Recommended Requirement for Live Streaming: • Browser: Chrome or Firefox. • Bandwidth: 7 Mbps for High Definition (HD) High Quality video quality or 12 Mbps for Extra HD (EHD) video quality. (iii) You may not be able to gain access to the 47th AGM via the RPV facilities if there is an existing firewall on the device that you are using.	• Select the corporate event **"(LIVE STREAM MEETING) AFFIN BANK BERHAD 47th AGM"** to engage in the proceedings of the 47th AGM remotely. • If you have any questions for the Chairman/Board, you may use the query box to pose your questions. The Chairman/Board will endeavour to respond to relevant questions submitted by remote participants during the 47th AGM. • In the event that you encounter any issues with logging in, connection to the live-streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616/011-40803168/ 011-40803169/011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.
Online Remote Voting Note: Voting will commence from 10.00 a.m. on Thursday, 25 May 2023 until the end of the voting session which will be announced by the Chairman of the meeting.	• Voting session commences from 10.00 a.m. on Thursday, 25 May 2023 until the time when the Chairman announces the end of the session. • Select the corporate event: **"(REMOTE VOTING) AFFIN BANK BERHAD 47TH AGM"** or if you are on the live stream meeting page, you can select **"GO TO REMOTE VOTING PAGE"** button below the Query Box. • Read and agree to the Terms and Conditions and confirm the Declaration. • Select the CDS account that represents your shareholding. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes. • Upon the announcement by the Chairman of the conclusion of the 47th AGM, the Live Streaming will end.
Submission of Proxy Register as a user with TIIH Online Note: If you are already a registered user with TIIH Online, you need not register again	**i. Individual Shareholders Registration** Use your smart device or computer, access Tricor's TIIH Online website at **https://tiih.online**. Register as a user under "e-Services". Please refer to the tutorial guide posted on the homepage if you need assistance. **Corporation or Institutional Shareholders Registration:-** • Access TIIH Online at **https://tiih.online** • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects **"Create Account by Representative of Corporate Holder"**. • Complete the registration form and upload the required documents. • Registration will be verified, and you will be notified by email within one (1) to two (2) working days. • Proceed to activate your account with the temporary password given in the email and reset your own password. Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.

ADMINISTRATIVE NOTES

for 47th Annual General Meeting

PROCEDURES	ACTIONS
On the Meeting Day (continued)	
Submission of Proxy Form Note: Only members whose names appear on the Record of Depositors as 17 May 2023 shall be eligible to attend, speak and vote at the 47th AGM or appoint a proxy(ies) and/or the Chairman of the Meeting to attend and vote on his/her behalf. In view that the 47th AGM will be conducted on a virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Form of Proxy. If you wish to participate in the 47th AGM yourself, please do not submit any Form of Proxy for the 47th AGM. You will not be allowed to participate in the 47th AGM together with a proxy appointed by you. Accordingly, proxy forms and/or documents relating to the appointment of proxy/attorney for the 47th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Tuesday, 23 May 2023 at 10.00 a.m.** For a corporate member who has appointed a representative, please deposit the **ORIGINAL** certificate of appointment with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia to participate via RPV in the 47th AGM.	**i. Steps for Individual Shareholders** • After the publication of the Notice of the 47th AGM by the Company, log in with your user ID (email address) and password. • Select the corporate event: "**AFFIN BANK BERHAD 47TH AGM - SUBMISSION OF PROXY FORM**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy/proxies to vote on your behalf. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy/proxies will decide on your vote. • Review and confirm your proxy/proxies appointment. • Print Proxy Form for your record. **ii. Steps for corporations or institutional shareholders** • Login to TIIH Online at **https://tiih.online** • Select the corporate exercise name: **"AFFIN BANK BERHAD 47th AGM: SUBMISSION OF PROXY FORM"** • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Submit the proxy appointment file. • Login to TIIH Online, select corporate exercise name: **"AFFIN BANK BERHAD 47TH AGM: SUBMISSION OF PROXY FORM"**. • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission. • Print the confirmation report of your submission for your record.

AFFIN BANK

FORM OF PROXY

I/We ______________________________ NRIC No./Company No. ______________
(Full Name in Block Letters)

of ____
(Full Address)

Tel No. ______________ being a member of AFFIN BANK BERHAD, hereby appoint ______________
(Full Name in Block Letters)

______________ NRIC No. ______________ of ______________
(Full Address)

______________________________ and ______________________________
(Full Name in Block Letters)

______________NRIC No./Company No. ______________of ______________

____
(Full Address)

or failing him/her the CHAIRMAN OF THE MEETING as my/our* proxy to participate and vote for me/us on my/our behalf at the 47th Annual General Meeting (AGM) of the Company to be held on **Thursday, 25 May 2023** at **10.00 a.m.** and to be conducted as a virtual AGM and to be broadcasted live from **Level 26, Auditorium, Menara AFFIN, Lingkaran TRX, Tun Razak Exchange, 55188 Kuala Lumpur, Malaysia** or any adjournment thereof.

My/our proxy(ies) is/are to vote on the resolutions as indicated by an "X" below. If no indication is given, my/our proxy(ies) shall vote or abstain as he/she thinks fit:

No.	Resolutions	For	Against
1	To approve the payment of a single-tier final dividend of 7.77 sen per ordinary share in respect of the financial year ended 31 December 2022.		
	To re-elect the following Directors who retire by rotation pursuant to Article 118 of the Company's Constitution and who being eligible offer themselves for re-election:		
2	Dato' Md Agil bin Mohd Natt		
3	Mr. Ignatius Chan Tze Ching		
4	Dato' Rozalila binti Abdul Rahman		
5	To re-elect Encik Mohammad Ashraf bin Md Radzi who retires pursuant to Article 124 of the Company's Constitution and who being eligible offers himself for re-election.		
6	To approve the following fees and payment of the same to the Non-Executive Directors for the period from the 47th AGM to the 48th AGM of the Company: 6.1 Chairman's fee of RM265,000 per annum; 6.2 Director's fee of RM165,000 per annum for each Non-Executive Director; 6.3 Board Committee Chairman's fee of RM50,000 per annum for the Chairman of each Board Committee; and 6.4 Board Committee Member's fee of RM35,000 per annum for each member of a Board Committee.		
7	To approve the payment of Directors' benefits of an amount up to RM1,800,000 to eligible Non-Executive Directors from the 47th AGM to the 48th AGM of the Company.		
8	To re-appoint Messrs PricewaterhouseCoopers PLT as the Company's Auditors for the financial year ending 31 December 2023 and to authorise the Directors to fix the Auditors' remuneration.		
9	Authorisation to the Directors to allot and issue new ordinary shares in Affin Bank Berhad (ABB Shares) pursuant to Sections 75 and 76 of the Companies Act, 2016.		
10	Authorisation to the Directors to allot and issue new ordinary shares of Affin Bank Berhad in relation to the Dividend Reinvestment Plan.		
11	Approval of the Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
12	Approval of the Proposed Establishment of a Long-Term Incentive Plan in the Form of Employees' Share Grant Scheme.		
13	Approval of the Proposed Allocation to Datuk Wan Razly Abdullah, the President & Group Chief Executive Officer of ABB Shares under the Proposed Employees' Share Grant Scheme.		

Signed this on ____________ day of ____________ 2023.

____
Signature of Member/Common Seal

CDS Account No. :	
No. of shares held :	
Proportion of shareholdings represented by proxies:	First proxy : % Second proxy: % 100%

Notes:

(1) The 47th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's TIIH Online website at https://tiih.online. Please follow the procedures provided in the Administrative Notes for Members of the 47th AGM in order to register, participate and vote remotely via the RPV facilities.

(2) The Broadcast Venue of the 47th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. No members/proxies from the public will be physically present at the Broadcast Venue.

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(3) A Member entitled to participate and vote at this AGM is entitled to appoint proxy(ies) to participate and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of a proxy.

(4) (i) A Member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Authorised Nominee") may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company ("ABB Shares") standing to the credit of the said securities account to participate and vote at this AGM.

(ii) Notwithstanding the above, for an exempt Authorised Nominee who holds ABB Shares for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt Authorised Nominee may appoint in respect of each Omnibus Account.

(5) Where a Member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

(6) The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his/her attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorized.

(7) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 17 May 2023 (General Meeting Record of Depositors) shall be entitled to participate and vote at the 47th AGM.

(8) The appointment of proxy may be submitted in hard copy form or electronically via TIIH Online website at https://tiih.online. The hard copy of Proxy Form must be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for the 47th AGM or no later than 23 May 2023 at 10.00 a.m.

(9) If Members wish to submit their Proxy Form electronically, please refer to the Procedures for Electronic Lodgement of Proxy Form as set out in the Administrative Notes for Members.

(10) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 47th AGM of the Company shall be put to vote by way of a poll.

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AFFIX
STAMP

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Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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