AFFIN GROUP

THE FUTURE OF BANKING

INTEGRATED REPORT **2023**

ABOUT OUR INTEGRATED REPORT

As we continue to take firm steps towards the future of banking, our focus during the past financial year was to build on our strengths, drive sustainable growth and be ever ready for opportunity. Staying always agile, forward-looking and sustainable is the key to delivering greater value for our customers, employees and shareholders.

With this note, we are proud to embark on our integrated reporting journey, aiming to provide a cohesive and connected narrative of how our processes, strategies and thinking enable the creation of sustainable outcomes across the short, medium and long term.

The Future of Banking

The theme of our Integrated Annual Report 2023, "The Future of Banking", signifies our unwavering stance towards shaping a better future through our products, solutions and approach to business.

The cover design encapsulates this vision, incorporating elements of progress, growth and sustainability. The futuristic cityscape reflects our commitment to innovation and digital leadership. The two children in the foreground represent our focus on people, reflected in our inclusive approach to business. Lastly, the surrounding greenery reflects our dedication to responsible banking - to deliver sustainable value for the environment and local communities.

We are guided by these pillars as we move forward on an exciting and transformational journey.

SCOPE AND BOUNDARY

This Integrated Report ("IR") covers Affin Bank Berhad's ("AFFIN", "AFFIN Group" or "the Group") financial and non-financial performance during the period of 1st January to 31st December 2023 ("FY2023").

This report aims to keep our stakeholders apprised of our strategies, key developments and achievements in across our various business segments and at Group-level. It also presents forward-looking statements on the initiatives that we are planning for the year ahead and beyond.

REPORTING FRAMEWORK

The report is prepared in accordance with the International Financial Reporting Standards ("IFRS") and the International Integrated Reporting Framework (January 2021) ("<IR> Framework") issued by the IFRS Foundation.

Closer to home, this report is guided by:
- Malaysian Financial Reporting Standards
- Malaysian Companies Act 2016
- Corporate Governance Guide (4th edition) issued by Bursa Malaysia Securities Berhad
- Malaysian Code on Corporate Governance 2021 issued by Securities Commission Malaysia
- Bank Negara Malaysia's Corporate Governance Policy
- Bank Negara Malaysia's Policy Documents and Guidelines
- Financial Services Act 2013
- Islamic Financial Services Act 2013
- FTSE4Good Bursa Malaysia Index ESG

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.

Our Sustainability Statement, as contained within this report, has been prepared with care and forethought to provide a comprehensive and objective view of our Environmental, Social and Governance ("ESG") in a transparent and easy to understand manner. The statement is guided by:

- Sustainability Reporting Guide (2nd and 3rd Edition) latest issued by Bursa Malaysia Securities Berhad
- Global Reporting Initiative Standards ("GRI Standards")
- The recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD")
- United Nations Sustainable Development Goals ("UN SDGs")

WE APPRECIATE YOUR FEEDBACK

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

Our annual report can also be accessed online at:

https://affin.listedcompany.com/ar.html

Please share your comments, suggestions and feedback to:
Phone: +603-8230 2222
E-mail: ir@affingroup.com

In aligning our sustainability focus with globally important areas of focus, our material sustainability matters have been mapped against the United Nations Sustainable Development Goals ("UN SDGs").

The financial statements contained within this report aim to provide in-depth and transparent disclosure of our financial performance, and have been independently audited by PricewaterhouseCoopers PLT – whose unmodified report is available on pages 247 to 435. Unless indicated otherwise, all data presented relates to AFFIN and its subsidiaries.

INDEPENDENT COMBINED ASSURANCE STATEMENT

We utilise a coordinated assurance model to evaluate and ensure various aspects of our business operations, including components of external reporting. These assurances are provided by management and the Board of Directors ("Board"), in tandem with our internal audit function and independent external service providers.

FORWARD-LOOKING STATEMENTS

Statements regarding the future financial conditions and results of AFFIN's operations are forward-looking and inherently involve risks and uncertainties as they pertain to events that may or may not transpire in the future. These statements may encompass our future growth opportunities, priorities and strategies. They are founded on expectations and projections that are subject to evolution and alteration based on the operating environment, market conditions and other factors beyond our influence, and should not be interpreted as conclusive.

MATERIALITY

Our reporting approach is guided by the concept of materiality, and issues that are deemed to be material to AFFIN and its stakeholders are identified, prioritised and validated via a three-step assessment. This report focuses on the matters that have been identified as a result of this process and seeks to demonstrate the strategies we have adopted to maximise positive value and minimise negative impacts within each.

STATEMENT OF THE BOARD OF DIRECTORS OF AFFIN GROUP

The Board acknowledges its responsibility to ensure the integrity of this report. In its opinion, this report addresses all issues that are material to AFFIN's ability to create value and present fairly the bank's performance for FY2023.

Dato' Agil Natt
Chairman

Datuk Wan Razly Abdullah
President and Group Chief Executive Officer

Read this report online

NAVIGATE THIS REPORT

OUR CAPITALS

- FC Financial Capital
- IC Intellectual Capital
- MC Manufactured Capital
- SC Social & Relationship Capital
- HC Human Capital
- NC Natural Capital

Refer to pages 68 to 73 for more information

OUR KEY STAKEHOLDERS

- S1 Employees
- S2 Investors/ Shareholders
- S3 Government and Regulators
- S4 Individual and Non-Individual Customers
- S5 Analysts/Rating Agencies
- S6 Media
- S7 Business Partners/IT Outsource Partners
- S8 Employee Unions
- S9 Vendors/ Suppliers/ Contractors
- S10 Industry/Trade Associations
- S11 Local Communities/Non-Government Organisations

Refer to pages 74 to 75 for more information

OUR KEY RISKS

- CR Credit Risk
- MR Market Risk
- LR Funding & Liquidity Risk
- OR Operational Risk
- TR Technology Risk / Cyber Risk
- RT Reputational Risk
- BCR Business Continuity Risk

Refer to pages 90 to 97 for more information

OUR CORE STRATEGIES

- CS Unrivalled Customer Service
- DL Digital Leadership
- RB Responsible Banking with Impact

Refer to page 12 for more information

UN SDGS

SUSTAINABILITY@AFFIN

Sustainability is vital to our reputation and our future as an organisation. We strive to deliver "Responsible Banking with Impact" - one of our Affin 2025 ("A25") transformation plan strategic objectives and play a leadership role in the industry by embedding ESG across our business processes, products and strategic thinking. By integrating business and sustainability, we can ensure that our growth creates shared, long-term value for our people, communities and the environment.

In FY2023, we reached a milestone on our sustainability journey with the launch of our Sustainability Framework, detailing the issues and goals that will form the basis of our efforts moving forward.

01 Sustainability Principles

PRINCIPLE 1

Driving Sustainable & Equitable Financial Solutions

We are committed to driving positive change in the finance industry by demonstrating how sustainable and equitable practices can lead to better outcomes for both people and the planet.

PRINCIPLE 2

Preserving our Environment for a Sustainable Future

We believe that sustainable future begins with how we operate today, and we integrate the principle of environmental preservation into all aspects of our business, from procuring materials sustainably to reducing our carbon footprint.

PRINCIPLE 3

Empowering Communities and Fostering Inclusive Growth

We empower inclusive growth and champion diversity, equity and inclusion to cultivate a socially conscious workplace and foster a sense of shared responsibility.

PRINCIPLE 4

Leading with Integrity & Transparency

We believe that integrity and transparency are essential for creating long-term value for our stakeholders, as these principles drive responsible growth and innovation.

02 Sustainability Focus Areas

Sustainable Financing

Partnerships

Working closely with industry and regulatory bodies to swiftly incorporate sustainable principles into our processes and adopt best practices and tools

Sustainable Operations

Sustainable Supply Chain

Embedding environmentally and socially responsible practices across the entire supply chain, from material sourcing to production, distribution and product disposal

Achieving Net Zero Carbon

Striving to attain Net Zero Carbon by 2050, to which end we are currently navigating a challenging yet rewarding journey that aims to drive significant transformation

People & Culture

Embrace Good Practices

Integrating responsible values and ESG considerations into the core of our vision, principles, strategies, goals, policies, existing business tools and processes, product designs and operations

Support the Community

Empower Community

Conducting community support and social development programmes to empower and create positive impact for our surrounding communities

Environment

Tackling climate change as an overarching priority while protecting the planet from other environmental dangers

ESG Integration
Incorporating ESG considerations into our core business functions, including lending/financing capital markets advisory, fundraising and investment.

Sustainable Growth
Ensuring our long-term success by being financially sound, environmentally conscious and socially responsible.

Energy Efficiency
Staying abreast of and implementing energy-efficient infrastructure advancements with the aim of minimising operational costs and reducing our carbon footprint.

Occupational Health & Safety
Safeguarding the health and welfare of our employees, in the knowledge that a robust and secure workforce is more productive and drives employee morale.

Diversity, Equity & Inclusion
Establishing a workplace that supports DEI and treats all employees with dignity and respect.

Talent Development
Continuously enhancing the skills, knowledge and capabilities of our employees through a range of development interventions and programmes.

Health
Providing access to a healthcare ecosystem that includes advisory assistance and health education, in collaboration with our network of partners.

Disaster Relief
Responding to major disasters and helping affected communities recover and rebuild by leveraging our own resources and partnering with other organisations.

03 Sustainability Commitments

To empower greater impact, we have formulated three sustainability commitments that extend across our business. These commitments represent vital goals that we must achieve in order to be seen as a responsible corporate citizen and environmental steward.

COMMITMENT 1

Achieve 25% sustainable financing as a percentage of our total financing portfolio by 2028

Performance in FY2023

Achieved 8.6% sustainable financing, surpassing our yearly target of 7%

COMMITMENT 2

Achieve a 30% reduction in operational emissions (Scope 1 & 2) by 2030, compared to 2022 baseline, and Net Zero Carbon by 2050

Performance in FY2023

Achieved an 8% reduction in operational emissions (equivalent to 1,304 tCO_2e) against 2022 baseline

COMMITMENT 3

Improve the livelihood of society through impactful Corporate Social Responsibility ("CSR") activities

Performance in FY2023

Impacted the lives of approximately 84,500 beneficiaries through our community-based initiatives

Inside This Report

Interactive version of our Annual Report

To download PDF version of our Annual Report

www.affingroup.com

48TH Annual General Meeting

Venue:
Taming Sari Grand Ballroom
The Royale Chulan Kuala Lumpur
5 Jalan Conlay, 50450 Kuala Lumpur

Thursday, 25th April 2024

10:00 a.m.

We are AFFIN

Affin Bank Berhad is a commercial bank and the financial holding company of Affin Islamic Bank Berhad ("AIBB"), Affin Hwang Investment Bank Berhad ("AHIBB") and Affin Moneybrokers Sdn Bhd ("AMB").

Generali Life Insurance Malaysia Berhad *(formerly known as AXA Affin Life Insurance Berhad) ("AALI")* and Generali Insurance Malaysia Berhad *(formerly known as AXA Affin General Insurance Berhad) ("AAGI")* are the associate companies of the AFFIN Group.

We provide a suite of financial products and services that are 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, Group Treasury, Investment Banking and Money Broking.

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

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

2023 PERFORMANCE SNAPSHOT

FINANCIAL HIGHLIGHTS

REVENUE
RM1,986 million
2022: RM3,297 million

NET INTEREST INCOME
RM783 million
2022: RM1,023 million

PROFIT BEFORE TAXATION
RM518 million
2022: RM1,377 million

NET INTEREST MARGIN
1.42%
2022: 2.01%

TOTAL ASSETS
RM105,248 million
2022: RM90,120 million

GROSS LOANS
RM66,663 million
2022: RM59,343 million

TOTAL EQUITY
RM11,109 million
2022: RM10,629 million

EARNINGS PER SHARE
17.4 sen
2022: 54.4 sen

BUSINESS HIGHLIGHTS

New joint venture partnership with Generali – becoming Malaysia's second largest General Insurance Provider

AffinAlways **Mobile Internet banking** launched in Oct

AHIBB announces the launch of **Chicago Mercantile Exchange (CME)** futures contracts

Collaboration with Chin Hin Group Property Berhad ("CHGP") to offer **AFFIN Home Step Fast-i home financing** solutions to homebuyers

AFFIN Group hosted its first **'Market Outlook: Sarawak Series 2H23'**

Strategic collaboration with **PORSCHE Malaysia**

Strategic collaboration with **Proton New Energy Technology Sdn. Bhd. (PRO-NET)**

Launch of the **AFFINMAX 2.0** mobile application, offering new and reimagined banking services

2023 PERFORMANCE SNAPSHOT

SUSTAINABILITY HIGHLIGHTS

1,188 hours
total of staff volunteer time were attained

2,400 mangrove saplings
were planted through Corporate Social Responsibility (CSR) activities

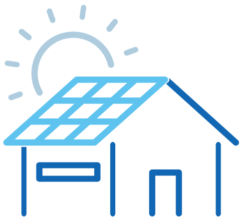
Facilitated more than **RM5.7 billion in sustainable financing portfolio** as of FY2023

Made a **total community investment of RM3.8 million** (through Zakat and donations), benefiting approximately **84,500 beneficiaries**

Number of Employees Certified with Professional Industry Certificates **655 employees**

increased of **7% in women's composition** in our Board of Directors

Reduced our operational emissions by an equivalent of **1,304tCO_2e** from FY2022 baseline



Our 12 solar panels **generated 259,254 kWh** of renewable energy

Our sustainable financing portfolio stands at **8.6% of our total financing portfolio,** exceeding our FY2023 target of 7%

AWARDS & RECOGNITION

AFFIN BANK BERHAD

BEST BANK FOR SMEs IN MALAYSIA

Asiamoney Best Bank Awards 2023 by Asiamoney

MORTGAGE AND HOME LOAN PRODUCT OF THE YEAR 2023 – MALAYSIA

Asian Banking & Financing Award 2023 by Asian Banking & Finance

BEST SME FINANCIAL INCLUSION INITIATIVE

Global SME Banking Innovation Awards 2023 by The Digital Banker

HIGHLY ACCLAIMED: BEST TECHNOLOGY IMPLEMENTATION BY A RETAIL BANK

Global Retail Banking Innovation Awards 2023 by The Digital Banker

HIGHEST GROWTH IN PROFIT AFTER TAX OVER THREE YEARS - FINANCIAL SERVICES BELOW RM10B MARKET CAPITALISATION CATEGORY

The Edge Billion Ringgit Club 2023 and Corporate Awards 2023 by The Edge Media Group

INDUSTRY EXCELLENCE IN INNOVATIVE PAYMENT SOLUTION – AFFINMAX

Malaysia Top Achievers 2023 by The Leaders Online

AFFIN HWANG INVESTMENT BANK BERHAD

BEST SUSTAINABILITY SUKUK

The Asset Triple A Sustainable Finance Awards by The Asset Triple A

SUSTAINABILITY SUKUK WAKALAH - BEST DEAL BY STRUCTURE CATEGORY

IFN Deals of the Year Awards 2023 by Islamic Finance News

BEST CALL - MR DIY GROUP (M) BHD AND JAYA TIASA HOLDINGS BHD

The Edge Best Call Awards 2023 by The Edge Media Group

2023 PERFORMANCE SNAPSHOT

INDICES REPRESENTATION

Constituent of the

FTSE Bursa Malaysia Mid 70 Index

MSCI

MSCI Global Small Cap Index

CREDIT RATINGS

AFFIN BANK BERHAD

Financial Institution Ratings:

AA_3
Long term Financial Institution Rating

P1
Short term Financial Institution Rating

RM6 bil Senior and Subordinated Medium-Term Notes Programme (2017/2117):

AA_3
RM6 bil Senior Notes Programme*

A_1
RM6 bil Subordinated Medium-Term Notes Programme*

RM3 bil Additional Tier-1 Capital Securities Programme (2018/2118)

A_3

** Subject to a combined limit of RM6 bil.*

AFFIN ISLAMIC BANK BERHAD

Financial Institution Ratings:

AA_3
Long term Financial Institution Rating

P1
Short term Financial Institution Rating

RM5 bil Islamic Medium Term Notes Programme (2018/2118):

AA_3
RM5 bil Senior Sukuk Murabahah Programme^

A_3
RM5 bil Additional Tier-1 Capital Sukuk Wakalah Programme^

A_1
RM5 bil Tier-2 Sukuk Murabahah Programme^

^ Subject to a combined limit of RM5 bil.

AFFIN HWANG INVESTMENT BANK BERHAD

Financial Institution Ratings:

AA_3
Long term Financial Institution Rating

P1
Short term Financial Institution Rating

OUR STRATEGIC ALLIANCES

WHAT DIFFERENTIATES US

Strong NPS Score:
+69 (One of the top 3 banks in Malaysia)

Triple Banking Model

Superior Customer Service
CSAT Score 91 (Top 4 banks in Malaysia)

Extensive Digital Infrastructure:
AFFIN Delivery System, AFFINMAX, multi-award winning SME Colony

WHAT DIFFERENTIATES AFFIN

Malaysia's #1 Stockbroking House

Greater outreach through **Mobile Financial Centres**

OUR STRATEGY SNAPSHOT

THE FOLLOWING INITIATIVES UNDER THE A25 TRANSFORMATION PLAN HAVE BEEN COMPLETED AS OF 31 DECEMBER 2023:

INITIATIVE 1
AFFIN Delivery System (ADS) enhancement to enable personal financing onboarding

INITIATIVE 2
Manufacturing, Trade & Services (MTS) sector growth for enterprise banking

INITIATIVE 3
Launch of AFFIN Home Flexi Plus-i

INITIATIVE 4
Launch of AFFIN BizSolar-i

INITIATIVE 5
Launch of AFFIN GoldSecured-i

INITIATIVE 6
Launch of AHIBB New Structured Warrants Playbook

INITIATIVE 7
AHIBB Client Strategy: Developed Segmentation Focus plan

INITIATIVE 8
AHIBB Enhanced Technology: Launch of enhanced Customer Service Platform

INITIATIVE 9
Rollout of credit cards under affiliate programs

INITIATIVE 10
Enhanced automated credit decisioning

INITIATIVE 11
Operationalisation of the new data centre and multi network cloud

INITIATIVE 12
Launch of Financial Platform Solution

INITIATIVE 13
Developed a uniformed Group Audit methodology across AFFIN Group

INITIATIVE 14
Harmonisation of control functions

Our strategies are anchored on three (3) main Strategic Objectives, namely Unrivalled Customer Service, Digital Leadership and Responsible Banking with Impact. These Strategic Objectives are the guiding principles of how we operate and differentiate ourselves.

CS UNRIVALLED CUSTOMER SERVICE

We commit to provide unrivalled customer service. We strive to exceed expectations at every touchpoint which cover both physical and digital. We are dedicated to understanding and anticipating customer needs, delivering personalised services that not only meet but exceed expectations. Our approach is rooted in the belief that every customer interaction is an opportunity to strengthen relationships and build trust.

DL DIGITAL LEADERSHIP

We aim to always be pioneers by embracing innovation to deliver cutting-edge solutions. We are investing in state-of-the-art technology to provide innovative, user-friendly solutions that ensure convenience and security for our customers. Our digital platforms are secure, intuitive, and constantly evolving to meet the dynamic needs of our customers.

RB RESPONSIBLE BANKING WITH IMPACT

We believe in banking that benefits all. We are committed to responsible banking practices that have a lasting, positive impact on society and the environment. Our operations are guided by ethical principles that prioritise the well-being of our communities and the planet, while upholding the highest standards of ethics and integrity. Through responsible investment and inclusive financial services, we are contributing to a more equitable and sustainable future.

In addition to the rollout of these initiatives, we have achieved notable milestones and achievements under A25 including but not limited to:

- The launch of Phase 1 of our Enterprise Data Hub ("EDH")
- New branch openings in Cameron Highlands, Seksyen 14 Petaling Jaya, Damansara Utama and Seremban 2
- Relocation of our branches in Kuala Terengganu, LTAT, Teluk Intan, Puchong, Kota Kinabalu, Langkawi, Taman Demang (Equine Park), Kepala Batas and Batu Pahat
- Achieved Net Promoter Score of +69, third highest in the industry (survey conducted by IPSOS)
- Scored 91% for Customer Satisfaction (survey conducted by IPSOS)
- Launch of AffinAlways mobile app
- Strategic partnerships with Badminton Association of Malaysia, Hausboom Music and Proton.

GROUP CORPORATE STRUCTURE

as at 29 February 2024

Shareholders of AFFIN BANK

- LEMBAGA TABUNG ANGKATAN TENTERA – 28.79%
  - 100% – Boustead Holdings Berhad – 20.02%
- BEA 東亞銀行 The Bank of East Asia Limited – 23.93%
- KWSP EPF – 5.20%
- 4.80%
- Others – 17.26%

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 Business Services Sdn Bhd
- 100% AFFIN HWANG INVESTMENT BANK
  - 100% Affin Hwang Trustees Berhad ^
  - 100% Affin Hwang Nominees (Tempatan) Sdn Bhd
  - 100% Affin Hwang Nominees (Asing) Sdn Bhd
  - 100% AHC Associates Sdn Bhd
  - 100% AHC Global Sdn Bhd
- 30% GENERALI Generali Holdings Malaysia Berhad (formerly known as GANV Holdings Malaysia Berhad)
  - 100% Generali Insurance Malaysia Berhad (formerly known as AXA Affin General Insurance Berhad)
  - 100% Generali Life Insurance Malaysia Berhad (formerly known as 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 Group is set out in Notes 16 to 18 to the Financial Statements on page 314 to 316 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

WHAT WE DO: CORE BUSINESSES

AFFIN BANK BERHAD

GROUP COMMUNITY BANKING

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

Asset Growth
32.93%

Income Growth
12.62%

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
0.74%

Income Growth
-8.00%

GROUP ENTERPRISE BANKING

Focuses on businesses from start-ups to enterprises and provides a comprehensive suite of financial solutions including 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
8.92%

Income Growth
-2.17%

GROUP TREASURY

Offers foreign exchange and money market products and services to cater to a broad range of corporate and institutional customers including large multinationals, small-and-medium-sized companies and individuals. Provides customers with risk coverage and customised solutions ranging from the simplest to the most complex 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
34.7%

Income Growth
67.26%

OUR SUBSIDIARIES

AFFIN ISLAMIC BANK BERHAD

Affin Islamic Bank Berhad ("AIBB") is the Group's full-fledged Islamic bank, offering products and services to small and medium-sized enterprises, institutional, corporate and retail customers based on the applicable Shariah contract and with the endorsement of the Shariah Committee. AIBB has been at the forefront of introducing innovative Shariah-compliant products which adopt a variety of Shariah concepts including Musyarakah Mutanaqisah, Mudarabah, Istisna', Ijarah, Murabahah and so forth.

Asset Growth
13.49%

Income Growth
-12.03%

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 Malaysia's ranking in stockbroking businesses. AHIBB serves the full spectrum of corporates, investment institutions, retail, high net worth individuals and capital market counterparties. Its comprehensive suite of products and solutions cover investment banking, securities, and trustee services.

Asset Growth
25.62%

Income Growth
5.30%

AFFIN MONEYBROKERS SDN BHD

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

Asset Growth
3.47%

Income Growth
-0.16%

OUR ASSOCIATES

GENERALI LIFE INSURANCE MALAYSIA BERHAD
(formerly known as AXA Affin Life Insurance Berhad)

Generali Asia N.V. and Affin Bank Berhad 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 was rebranded under the name Generali Life Insurance Malaysia Berhad ("GLIMB"), an emerging life insurer in Malaysia focusing on serving customers with a range of protection, medical, savings and legacy planning products.

Asset Growth
8.94%

Income Growth
2.28%

GENERALI INSURANCE MALAYSIA BERHAD
(formerly known as AXA Affin General Insurance Berhad)

Generali Insurance Malaysia Berhad (formerly known as AXA Affin General Insurance Berhad) ("GIMB") is one of the fastest-growing general insurance companies in Malaysia and a leader in medical and health insurance. Its comprehensive offerings include medical, health, travel, home, travel, personal accident and savings solutions for individuals and businesses.

Asset Growth
58.07%

Income Growth
41.20%

OUR PRODUCTS & SERVICES

PERSONAL

- Deposits
- Cards
- Loans & Financing
- Protection
- Investment

SME

- Deposits
- Loans & Financing
- Trade Facilities
- Protection
- Digital Solutions
- All-In-One Solutions

AFFIN HWANG INVESTMENT BANK BERHAD

- Investment Banking
- Securities
- Trustee
- Treasury & Markets

SELF-SERVICE TERMINALS ("SST") & BANK SERVICES

- Self-Service Terminal
- Over-The-Counter Services Online Banking
- AffinQBOOKING
- Financial Assistance

DIGITAL BANK

- Mobile Internet Banking (AffinAlways)
- A1addinbiz

PREMIER

- AFFIN INVIKTA

PROFESSIONAL

- AFFIN AVANCE

CORPORATE

- Deposits
- Loans & Financing
- Trade Facilities
- Cash Management solutions

PRODUCTS AVANCE INVIKTA

OUR PRESENCE

NORTHERN REGION
Branches
2023: **24**
2022: 23

CENTRAL REGION
Branches
2023: **59**
2022: 51

SOUTHERN REGION
Branches
2023: **16**
2022: 21

EASTERN REGION
Branches
2023: **10**
2022: 10

EAST MALAYSIA
Branches
2023: **11**
2022: 11

Total Branches
2023: **120**
2022: 116

Workforce
(ABB + AIBB + AHIBB)
2023: **>5,480**
2022: >5,300

KEY MILESTONES 2020 TO 2023

YEAR 2020

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

JUL
- Launch of AIM22 metamorphosis plan for the period of 2020 to 2022

NOV
- Launch of AFFIN AVANCE™ with unique benefits for tech-savvy, on-the-go professionals
- Launch of AFFIN new logo and tagline – "Always About You"

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

YEAR 2021

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

MAR
- Launch of AFFIN INVIKTA for the high-net worth segment
- Refreshed Affin Core Values & Commitments

APR
- Opening of the bank's 111th branch, a new cafe-themed concept branch at UiTM, Puncak Alam, in collaboration with TeaLive

MAY
- AHIBB becomes the first financial institution in Malaysia selected by Capital Markets Malaysia to be the preferred investment bank for their ELEVATE programme

JUN
- Signing of implementation agreement between AFFIN, AXA Asia and Generali Asia N.V.
- AHIBB launches eInvest Go, a fully online and seamless account opening service for prospective clients to trade and invest in more than 900 stocks listed on Bursa Malaysia
- 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

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

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

YEAR 2022

JAN

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

FEB

- Signing of MOU with Universiti Teknologi MARA ("UiTM") on the establishment of "Kompleks At-Tijarah AFFIN-UiTM" to provide entrepreneurship opportunities to its students and local communities

MAY

- Launch of AFFIN x MyTHEO, our first marketing collaboration with GAX MD Sdn Bhd ("MyTHEO"), an innovative robo-advisor licensed by Securities Commission Malaysia that delivers algorithm-driven and automated discretionary investment portfolio management services powered by Artificial Intelligence ("AI") technology
- Launch of AFFIN Solar Financing-i, a sustainable and personal financing plan for retail customers to purchase and install solar photovoltaic systems at residential and non-residential properties

JUL

- Announcement on the completion of the divestment of 63% of AHIBB's equity interest in AHAM, following the completion of which AHAM shall cease to be a subsidiary of AHIBB

AUG

- Announcement on the completion of disposal of 21% equity interest in Generali Life Insurance Malaysia Berhad (formerly known as AXA Affin Life Insurance Berhad); and disposal of approximately 2.95% equity interest in Generali Insurance Malaysia Berhad (formerly known as AXA Affin General Insurance Berhad) (AAGI)
- Launch of AFFIN Mobile Financial Centre
- Launch of AFFIN Aspira, a start-up banking proposition to support the aspiration of Malaysian start-up companies
- Launch of BizDana/BizDana-i Start-Up Financing Scheme between AFFIN and Credit Guarantee Corporation Malaysia Berhad ("CGC")
- Proposed establishment of a long-term incentive plan in the form of an employee share grant scheme

FEB

- Opening of the AFFIN Balakong branch
- Launch of AFFIN Merchantrade Prepaid Card, an enhanced e-wallet created in collaboration with Merchantrade Asia Sdn Bhd

JAN

- AFFIN and AIBB enter into a tripartite collaboration with Malaysia Department of Insolvency ("MDI") and Berry Pay (M) Sdn. Bhd. ("BerryPay") to launch Malaysia's first e-insolvency mobile application
- Launch of AFFIN UKM co-branded credit and debit cards for alumni
- Launch of Dinar Gold under AFFIN Emas Account-i

YEAR 2023

JAN

- Strategic Partnership Takaful Malaysia X Affin Islamic Bank Berhad

FEB

- Bandar Cassia Branch Opening

MAR

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

MAY

- Langkawi Branch Opening

JUN

- Rollout of Enterprise Data Hub - Phase 1a

JUL

- AFFIN PJ SS14, Cameron Highlands and Seremban 2 branches opening

AUG

- Launch of Affina. AI based digital assistant on AffinAlways website.

SEP

- Opening Ceremony of Selangor Accelerator Program (SAP) & E-Commerce Xccelerator (ECX) 2023
- AFFIN BANK organised SME BizChat Northern as part of the Bank's commitment to adopt Environmental, Social and Governance (ESG) practices together with SMEs on their business journey.

OCT

- Entrepreneurs Summit IV 2023

NOV

- Launch of AFFINMAX 2.0. Second generation app for business
- Global Muslim Business Forum 2023 (GMBF2023)

DEC

- Launch of AffinAlways mobile banking app
- Opening Ceremony of MyREF Hijrahpreneur Skills Program 2023 (MyREF HSP)

CHAIRMAN's

Letter to Stakeholders

DEAR VALUED STAKEHOLDERS,

On behalf of the Board of Directors, I am delighted to present AFFIN'S Integrated Report for the financial year ended 31 December 2023.

During a year marked by notable market volatility and geopolitical uncertainties, AFFIN achieved commendable progress through its dedicated focus on the A25 transformation plan. This plan is anchored on three strategic pillars, namely: "Unrivalled Customer Service", "Digital Leadership" and "Responsible Banking with Impact".

Under each of these pillars, specific priorities have been established including the increasing of CASA deposits, the opening of new and sustainable revenue streams, the introduction of advanced digital technologies to enhance the customer experience, and the rolling out of a wide range of sustainability initiatives across the ESG spectrum.

Dato' Agil Natt
Chairman

REMAINING RESILIENT AMIDST EXTERNAL CHALLENGES

The global economy remained subdued in 2023, with high interest rates and continued supply chain disruptions. Malaysia has weathered this environment better than many of its ASEAN neighbours – delivering solid growth of 3.7% due to resilient domestic demand.

Against this challenging backdrop, AFFIN remained resilient, evidenced by strong progress made in growing deposits and loans. With a strengthened balance sheet, the bank stands in good stead to further solidify the trust of its customers.

TRANSFORMING FOR FUTURE VALUE CREATION

During FY2023, the collective efforts of the AFFIN Group and its employees have been channelled towards advancing against the three strategic pillars of the A25 plan.

These focus areas, in turn, drive the elevated ambitions of the Affin Axelerate ("AX28") Transformation Plan, which outlines clear targets through to 2028 across financial and sustainability metrics, bridging the gap towards becoming a bank that leads in every facet of its operations, products and services.

While AFFIN's strategic pillars, and the success it has achieved in each during FY2023, are explored in detail within the *Message from the President and Group Chief Executive Officer*, I would like to place on record the pride that I have felt in witnessing the purposeful energy of the bank's teams in delivering on its goals. Collectively, they have embraced a willingness to evolve and a drive to improve – qualities that position the bank to ultimately embody The Future of Banking, the theme of this year's report.

Despite global economic challenges in 2023, Malaysia demonstrated resilience with **3.7% growth** driven by strong domestic demand.

The collective efforts of AFFIN's teams demonstrated a commitment to evolve and improve, positioning the bank to embody "The Future of Banking,"

WITH CUSTOMERS INCREASINGLY EXPECTING HIGH QUALITY, ON-DEMAND BANKING WHEREVER THEY ARE, THE BANK HAS MADE STRIDES BY LAUNCHING ITS NEW AFFINALWAYS MOBILE INTERNET BANKING AND AFFINMAX 2.0 APPS

DRIVING DIGITAL ADVANCEMENT

At the core of AFFIN's transformation agenda lies the embrace of advanced digital technologies to spearhead internal and external change.

With customers increasingly expecting high quality, on-demand banking wherever they are, the bank has made strides by launching its new AffinAlways mobile internet banking and AFFINMAX 2.0 apps, which cater to the evolving banking needs of its community, enterprise and corporate segments respectively. A range of innovative features have been included in these apps to extend their utility and drive greater convenience for customers,

In parallel to this, digital technologies are also being leveraged to enhance AFFIN's internal operations. From robotic process automation ("RPA") to customer relationship management ("CRM") tools, the innovative solutions rolled out during the past year are a testament to the laser eyed focus of the bank's teams on aligning excellent customer service with greater cost-effectiveness. Collectively, these technologies also unleash new capabilities in identifying, segmenting and marketing to potential customers, laying the groundwork for sustained growth in the bank's customer base moving forward.

In recognition of these efforts, AFFIN received the 2023 Malaysian Banking Transformational Excellence Award at the 5th Malaysian Banking and Finance Summit. This accolade places the bank amongst the industry's leaders in digital transformation, validating the collective efforts of its teams in driving progress on this vital front.

Visit us or scan the QR for more info on banking needs

STEPPING OUT AS A RESPONSIBLE STEWARD

AFFIN is a staunch advocate of ESG principles, exemplified by the thrust of its A25 strategic objective – "Responsible Banking with Impact".

In FY2023, the bank launched its Sustainability Framework, which outlines key principles, focus areas and commitments to guide environmentally responsible actions. In addition to the framework, AFFIN also introduced the climate-related targets of achieving a 30% reduction in Scope 1 and 2 emissions by 2030 and Net Zero Carbon by 2050, thus aligning with the national and global climate action agenda.

However, while the aim of reaching net zero forms the basis for change, the more important question surrounds how the bank will get there, and I am proud to note that significant gains have been made in emissions reductions and electricity consumption during FY2023, bolstered by a Group-wide thrust to reduce resource use and promote environmentally friendly workplace practices and habits. At the Group-level, meanwhile, climate risk management has been embedded into AFFIN's Three Lines of Defence ("3LOD"), while the Board worked with AFFIN's management to drive the implementation of the Climate Risk Management & Scenario Analysis ("CRMSA") Policy, as prescribed by Bank Negara Malaysia. This lays the groundwork for enhanced capacity building on climate-related risks and opportunities across AFFIN's workforce, towards driving more effective management of the bank's climate impact over the long term.

I would also like to highlight the bank's proactive work in driving emissions reductions beyond its four walls through its creation of sustainable financing products. These innovative solutions tie funding to the achievement of environmental-related targets amongst the bank's customer base and stand as a true embodiment of what it means to deliver "Responsible Banking with Impact" – to not just drive change internally but catalyse positive transformation across the nation.

On this note, I urge you to read the *Sustainability Statement* contained within this report to gain a fuller picture of the actions that AFFIN is taking to deliver long-term, shared value for the environment as well as for the communities that are so crucial to its continued strength.

MAINTAINING EXCELLENCE IN GOVERNANCE

Within an increasingly stringent regulatory environment, the Board continues to play a pivotal role in ensuring that the bank's practices live up to industry and global standards in ethics, integrity and sustainability.

In line with CRMSA, FY2023 saw the formation of the Group Board Sustainability Committee to oversee AFFIN's sustainability strategies, governance and response to climate change. Their work is supported by the bank's Group Chief Corporate Strategy & Sustainability Officer, who is charged with leading sustainability and climate-related initiatives on the ground.

In parallel, the Board has also introduced sustainability risk assessments as a compulsory process within all lending and investment decisions, with the purpose of ensuring that the bank's business activities have a net positive and sustainable impact on the economy, communities and environment.

Moreover, a comprehensive policy refinement exercise was undertaken in FY2023 to ensure continued alignment of the bank's practices with evolving regulatory requirements. This exercise spanned AFFIN's Group Risk Management Framework, Group Credit Policy on Sustainable Financing and Group Credit Policy (Non-Retail), with enhancements duly identified and implemented in a timely fashion.

ATTAINING IMPORTANT MILESTONES ON OUR JOURNEY

From sustainability to digitalisation, innovation to network expansion, AFFIN's wide-ranging work across the banking landscape scored several major accolades during FY2023 including:

Highest Growth in Profit After Tax Over Three Years
The Edge Billion Ringgit Club 2023

CEO of the Year
Awarded to Datuk Wan Razly Abdullah
Global Retail Banking Innovation Awards 2023

2023 World Sustainability Icon Leadership Lifetime Achievement Award
Awarded to Datuk Wan Razly Abdullah
2023 World Green and Sustainability Summit (WGSS)

Mortgage and Home Loan Product of the Year 2023 – Malaysia
Asian Banking & Finance Retail Banking Awards 2023

These achievements highlight the bank's tremendous progress made in building trust and driving preference amongst Malaysian individuals and businesses, validating the foresighted decision to place customers at the very core of its transformation agenda.

DIVIDENDS

For FY2023, the Board approved a single-tier interim dividend of 5.76 sen per share, totalling to RM135.2 million, on 29 February 2024. On the same day, the Board resolved that the Dividend Reinvestment Plan be applied to the entire proposed final dividend, which can be elected and reinvested in new ordinary shares of the Group.

Moving forward, the Board will continue to guide a dividend policy that balances the imperative of shareholder rewards with the need to preserve the bank's capital for future growth.

DIVIDEND
5.76 SEN
PER SHARE

Malaysian Banking Transformational Excellence Award 2023
5th Malaysian Banking and Finance Summit 2023

Best Technology Implementation by a Retail Bank
Global Retail Banking Innovation Awards 2023

Best Bank for SMEs in Malaysia Award
Asiamoney Best Bank Awards 2023

Best Employer Brand Award 2023
Employer Branding Institute – India

ACKNOWLEDGEMENTS

During the past year, AFFIN has overcome challenges with great resilience, discovering new ways to create value for its business and stakeholders, whether through improved customer service, niche products, digital solutions or advanced sustainability strategies. This is in line with its vision to be the most creative financial company in Malaysia.

On this note, I would also like to thank my fellow directors on the various boards within the AFFIN Group for their invaluable counsel and support in spearheading the bank's direction and accord my appreciation to the bank's shareholders and customers for their continued trust and support.

I also owe a heartfelt thanks to each and every member of the bank's staff for their continued efforts and steadfast dedication to the cause. In particular, I wish to call out the efforts of AFFIN's front-liners, who upheld the bank's reputation with pride and provided top quality service to their customers.

Lastly, on behalf of the Board, I would like to welcome our incoming leaders: Puan Emeliana Dallan Rice-Oxley (new Group-level Board member), Encik Dali Kumar @ Dali bin Sardar, Dr. Sharbanom Abu Bakar (new AIBB Board members), Ms. Tracy Ong Guat Kee (new AHIBB Board member) and Encik Nurjesmi Mohd Nashir (new CEO of AHIBB). We look forward to collaborative and highly effective working relationships ahead.

Notably, with Puan Emeliana's appointment, we now boast a male to female ratio of 64:36 in our Group-level Board, echoing our efforts to promote more diverse and inclusive environments at all levels of AFFIN Group.

With a robust, experienced team of leaders and a high performance workforce, AFFIN will forge onwards to drive the future of banking in Malaysia.

DATO' AGIL NATT
Chairman

DEAR VALUED STAKEHOLDERS,

To look back on the past year is to unfurl a tale of two narratives. On the one hand, an increasingly challenging macro environment, exacerbated by geopolitical conflicts and high interest rates, placed the banking sector under renewed pressure. However, 2023 was also a year of great progress as we accelerated our transformation towards long-term value creation, putting in place the building blocks for the AFFIN of the future.

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

Message from the PRESIDENT and Group Chief Executive Officer

During this time, we have taken strong strides in future-proofing our business by investing in new and sustainable revenue streams, expanding our physical and digital presence and integrating cutting-edge digital technologies across our operations, all while continuing to drive sustainability – both within our operations and through the products and services we offer our customers.

As we strive towards providing Unrivalled Customer Service, we have reaped the rewards, resulting in a +69 NPS rating in 2023, which places us first amongst all conventional banks in the country. This caps a remarkable turnaround since our corresponding -19 rating in 2017, empowered by the development of specialised products and services for all business segments, the launch of innovative digital banking products and solutions as well as our Team High Performance workforce.

Meanwhile, the purchase of a 4.95% share in AFFIN by the State Financial Secretary ("SFS") Sarawak in April 2023 is a testament to the advancements achieved through our A25 transformation initiatives.

Furthermore, bolstered by our continuous efforts to launch new products and solutions, our total assets grew by 16.8% during FY2023, surpassing RM100 billion for the first time. This provides us with a greater arsenal of tools and a wider range of strategies to achieve our growth and value creation objectives.

These achievements, and the other positive developments I will outline in the course of this statement, provide me with great optimism as we move forward on our transformation journey.

REMAINING RESILIENT AMIDST CHALLENGES

Any analysis of the past year would be incomplete without an acknowledgement of the turbulent operating environment we faced.

With interest rates already at an elevated level to counter post-pandemic inflation, the continuing Russia-Ukraine war and the subsequent unrest in Palestine in the latter part of the year drove logistics delays and further instability in raw material and energy prices. This led the US Federal Reserve to increase its interest rate from 4.5% to 5.5%, negatively impacting business sentiment.

Achieving significant growth in assets, exceeding **RM100 billion** for the first time, and enhancing our ability to deliver unrivalled customer service.

The Group has strategically realigned our vision from the A25 to the AX28 Strategic Plan, setting the stage for AFFIN's transformative leap forward. Our blueprint for success pivots around five critical pillars:

1. Elevating our commitment to customer excellence with a focus on Private Banking business,
2. Spearheading a digital revolution,
3. Expanding our presence in Sarawak,
4. Maximizing capital efficiency, and
5. Amplifying our ESG ambitions to weave sustainability into the fabric of our operations.

Achievements:

Despite challenges, our CASA ratio surged to 26.7% in FY2023, up from 19.1% in 2019. Additionally, our Gross Impaired Loans ratio dropped to 1.90%, and Loan Loss Coverage rose to 116.9% in FY2023, surpassing our target of 100% - 110%.

This confluence of factors contributed to a liquidity crunch and a war for deposits amongst banks in Malaysia, driving up the cost of borrowing and narrowing our Net Interest Margin ("NIM") from 2.01% in FY2022 to 1.42% in FY2023. As a result, we recorded a 62% reduction in Group Profit Before Tax ("PBT") in FY2023, from RM1.38 billion to RM518.3 million, after accounting for the one-off gain of RM1.1 billion from the divestment of Affin Hwang Asset Management ("AHAM") in the previous reporting period. If the gains from the divestment are excluded, the year-on-year drop would be 28%.

The liquidity crunch also resulted in a 24% year-on-year decline in Net Interest Income ("NII"), from RM1,023.4 million in FY2022 to RM782.9 million in FY2023. Our Cost to Income ratio ("CIR"), meanwhile, increased from 62.55% in FY2022 to 71.57% in FY2023, reflecting the increased cost of funds.

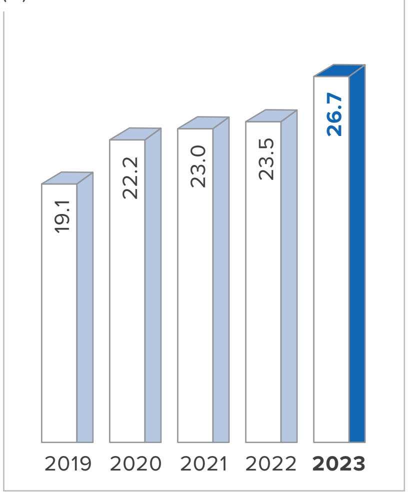
On a more positive note, our CASA ratio has reached its highest level yet, rising from as low as 19.1% in 2019 to 26.7% in FY2023, in line with our focused efforts to expand our physical and digital presence. Meanwhile, Gross Loans increased by 12.3%, from RM59.3 million in FY2022 to RM66.7 million, supported by growth in our community, enterprise and corporate banking segments.

Bolstered by our implementation of stronger underwriting standards, our Gross Impaired Loans ("GIL") ratio has decreased from 3.52% in FY2020 to 1.90% in FY2023, a commendable achievement in a challenging operating environment. Our efforts in strengthening our balance sheet, meanwhile, have resulted in a remarkable rise in Loan Loss Coverage ("LLC"), from 28% in FY2017 to 117% in FY2023, exceeding our budgeted LLC of 100% - 110% for the year.

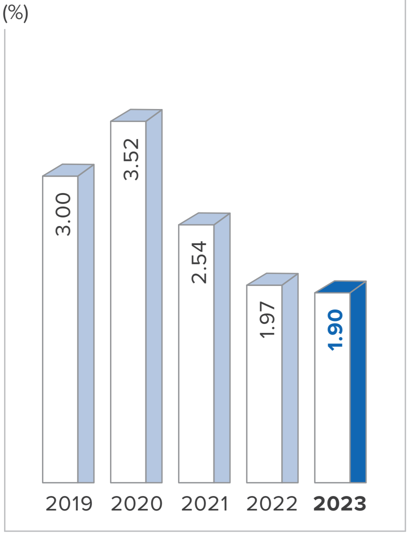
Taken as a whole, we delivered a resilient financial performance considering the external factors beyond our control, building stronger and deeper foundations through CASA growth, loan growth and balance sheet strengthening that equip us with the basis to drive sustainable, long-term performance.

MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

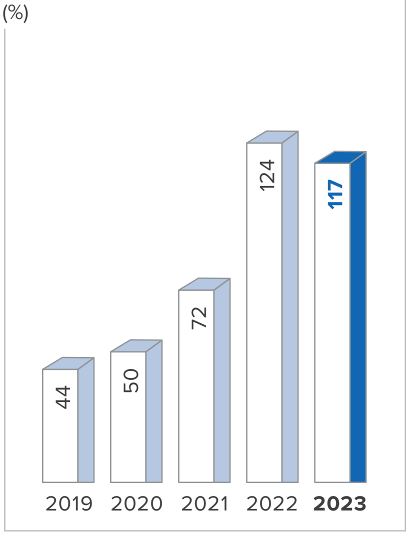
Current Account Savings Account (CASA) Ratio
(%)



Gross Impaired Loans
(%)

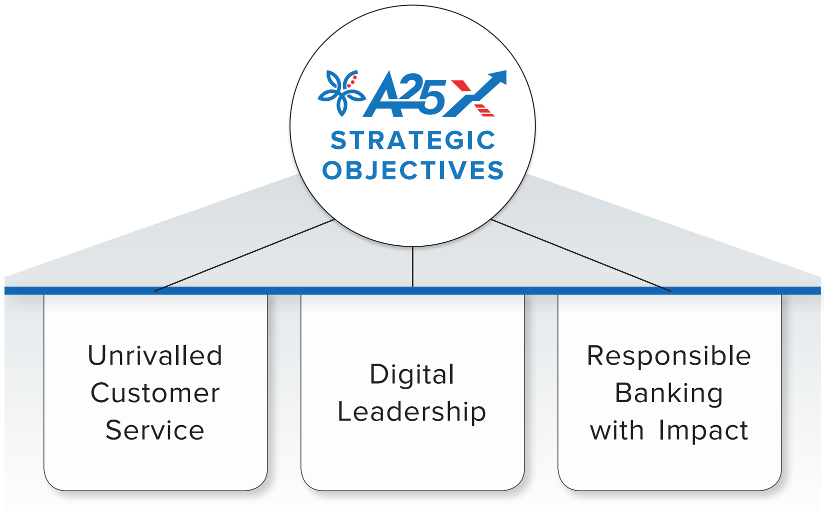


Loan Loss Coverage
(%)



A ROADMAP FOR FUTURE VALUE CREATION

Throughout 2023, our endeavours continued to be guided by the A25 transformation plan, which encompasses three strategic objectives



DELIVERING UNRIVALLED CUSTOMER SERVICE

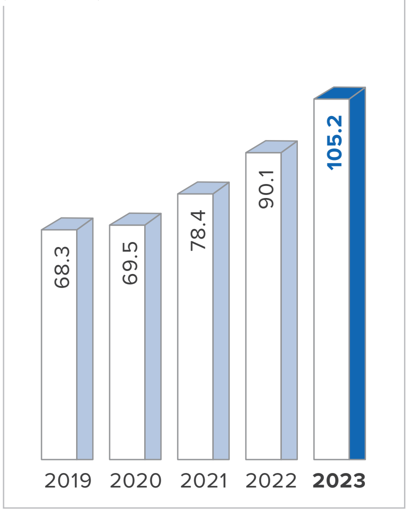
Recognising the pivotal role that customer satisfaction plays in meeting our goals as a business, we have executed a focused strategy to improve the quality of our customer service, revolving around innovating new, purpose-fit products that deliver to specific customer needs.

In FY2023, we introduced a wide range of new products – many of which meet highly specific customer demands – across our business units. Our Group Treasury division led the way with six new products, including an advanced FX hedging solution that provides businesses with highly competitive forward rates and a unique investment product that enables clients to enter the bond market with a smaller initial investment, thereby opening up the market to a wider demographic of investors.

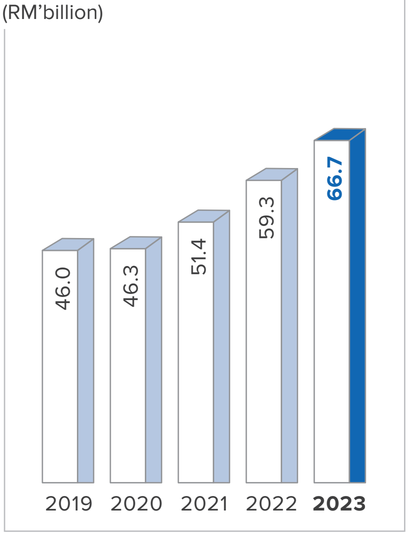
Our Enterprise Banking division, meanwhile, charted new territory with the launch in January 2024 of AFFINWRKFZ, a comprehensive payroll solution that aims to enhance payroll efficiency for employers. This is the latest in a wide range of purpose-fit products we have launched to empower SMEs that includes AFFINGEM, SME Colony and SME Engage by AFFIN, and our commitment to empowering the financial advancement of the nation's emerging businesses was recognised during the past year with the prestigious Best Bank for SMEs in Malaysia award by Asiamoney.

Implemented a focused strategy on innovating purpose-fit products to enhance customer service quality, resulting in the launch of a **comprehensive payroll solution** for SMEs and industry recognition for Best Bank for SMEs in Malaysia.

Total Assets
(RM'billion)



Gross Loans
(RM'billion)



COLLECTIVELY, THESE EFFORTS CONTRIBUTED TO THE ACHIEVEMENT OF **OUR HIGHEST EVER NPS SCORE OF +69** IN FY2023, AS DETAILED ABOVE, AND A COMMENDABLE CSAT SCORE OF 91%.

Our efforts to improve customer service are supported by our ongoing branch expansion. During FY2023, we improved our physical network by opening four new conventional branches, five new Triple Banking branches and eight new Invikta Centres - our proposition for High-Net Worth Individuals. Our Triple Banking branches represent a particularly exciting opportunity as they combine conventional, Islamic and investment banking products under one roof, improving our ability to cross-sell and enabling us to deliver an enhanced banking experience.

I would also like to highlight the launch of our new AFFIN Delivery System ("ADS") in FY2023. Backed by technological tools such as biometric verification and digital signatures, ADS delivers a five-step onboarding process for new customers that we commit to completing in just seven minutes, streamlining the customer experience to optimise satisfaction and minimise drop-offs. It represents a new paradigm in customer service for AFFIN, and will be a key competitive advantage as we expand our physical and digital presence.

Collectively, these efforts contributed to the achievement of our highest ever NPS score of +69 in FY2023, as detailed above, and a commendable CSAT score of 91%. This provides our teams with greater energy to innovate towards being recognised as the most customer-centric bank in the nation.

Supported customer service improvement efforts with branch expansion, including the introduction of **innovative Triple Banking** branches and a streamlined onboarding process through the AFFIN Delivery System, leading to record-high NPS and CSAT scores in FY2023.

Official opening of AFFIN Seremban 2 Branch on 12 October 2023 in Centrio Seremban 2.
The branch serves as a one-stop centre, leveraging the Tri-Banking Model to integrate AFFIN BANK, AFFIN ISLAMIC, and AFFIN HWANG network of branches and clients

MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

DEMONSTRATING DIGITAL LEADERSHIP

With the pandemic accelerating the shift towards digital-centric lifestyles shares, we are making a push towards Digital Leadership– striving to meet the demand for “anywhere, anytime” banking. In parallel, we are also digitalising our processes using cloud technology, data analytics and automation, driving greater productivity and unlocking data-driven insights into our existing and potential customers.

As a highlight of these digital efforts, our AffinAlways mobile banking app has made a big splash in the market since its launch in October 2023, garnering over 235,000 downloads to date. Offering an array of services at one’s fingertips, it affords our customers greater flexibility and accessibility in managing their finances, marking a significant step forward in our mission to deliver innovative and customer-focused banking solutions. The app also extends the existing AffinAlways digital ecosystem, which in FY2023 delivered an impressive 20.6% growth in subscribers (to reach a total subscriber base of 545,850) and a 30.8% increase in financial transaction count.

Around the same time as the AffinAlways mobile app, we also launched the second generation of our AFFINMAX app for businesses, introducing new features for enhanced financial supply chain management, cash management and e-trading.

Since its launch, the app has garnered over 55,000 downloads, driving an 18% increase in average deposits amongst its subscribers. In recognition of its innovative features, it was also awarded with the Industry Excellence in Innovative Payment Solution accolade by the Malaysia Top Achievers 2023 awards.

An additional milestone on our digital journey came in the form of Affina, our AI-based digital assistant offered on the AffinAlways website, which we launched in February 2023. Affina is available 24/7 and is able to answer complex queries, ensuring that our customers receive timely and efficient support at all hours, even if our human service staff are unavailable.

In addition to being a source of product innovation, digital technology is also being used to unlock insights into our customers, thus empowering tailored and more effective marketing strategies. On this point, FY2023 saw the rollout of our Enterprise Data Hub, a Google Cloud-based solution that consolidates customer data from across our business functions and delivers insights on customer spending, credit card usage habits, seasonal spending patterns and much more. Through these insights, our teams are able to identify clear customer segments, empowering the creation of targeted marketing strategies and more personalised products and solutions that maximise customer satisfaction and value.

The app expands the AffinAlways digital ecosystem, which in FY2023 saw a remarkable **20.6% increase** in subscribers (reaching **545,850** in total) and a **30.8%** rise in financial transactions.

Rapid adoption of digital banking: The bank is swiftly integrating digital technologies to meet customer demands and enhance productivity.

Successful mobile apps and internal transformation: Their mobile banking apps have seen widespread success, while internal initiatives like robotic process automation and big data analytics are driving cost savings and efficiency improvements.

AFFINALWAYS MOBILE BANKING APP HAS MADE A BIG SPLASH IN THE MARKET SINCE ITS LAUNCH IN OCTOBER 2023, GARNERING **OVER 235,000 DOWNLOADS** TO DATE

Supporting the Enterprise Data Hub, we are in the process of adopting Salesforce Customer 360, through which we will gain a unified view of how our customers engage with our products and services. This adds to our existing use of Salesforce’s Lead Management System and Marketing Cloud, which has transformed our sales and marketing practices – leading to a 31% year-on-year increase in leads and a 16.7% rise in closed-won amount in FY2023 – to the tune of RM4 million in value generated.

Switching our focus to internal digital transformation, our journey in robotic process automation (“RPA”) – driven by the RPA Centre of Excellence – continues apace. Since its founding in 2020, the centre has successfully automated a total of 19 processes and generated over RM3.8 million in cost savings, and we took a step forward in FY2023 by integrating big data analytics with its functions. This advancement enables us to streamline complex workflows and empowers data-driven decision-making across various facets of our operations for long-term efficiency and productivity gains.

Supporting these varied digital transformation efforts, we have embarked on our Digital Core project to create a strong digital backbone for all our systems, apps and networks, thus accelerating the efficient rollout of digitally-enabled products and back-end technologies. We are also investing in the digital upskilling of our people so they can make the most of the next-generation technology and tools at their fingertips. Avenues for learning included innovation labs, technology-specific training programmes and AFFINioVATION, our interactive technology roadshow that provides employees and the public with updates on the latest advancements in leading-edge tech spaces including blockchain, the metaverse and more.

Datuk Wan Razly Abdullah has been accorded the "2023 World Sustainability Icon Leadership Lifetime Achievement Award" at the 2023 World Green and Sustainability Summit

- Launched the AFFIN Sustainability Framework in FY2023, focusing on **Sustainable Financing, Operations, People & Culture, and Community Support.**

- Aim to increase sustainable financing from **8.6% to 25%** of the portfolio by 2028, supporting initiatives like solar panel installation and affordable housing.

PLACING SUSTAINABILITY AT THE HEART

While our efforts to develop new revenue streams, increase CASA deposits and drive digital transformation are vital to building the AFFIN of the future, these actions are rendered much less impactful if we are not seen as a responsible and sustainable organisation.

During FY2023, we took several key strides on sustainability, beginning with our launch of the AFFIN Sustainability Framework. Aligning values-based principles with practical action, the framework provides our teams with a clear plan in building a more sustainable AFFIN Group, and is anchored on four focus areas: Sustainable Financing, Sustainable Operations, People & Culture and Support the Community.

The first of these areas – Sustainable Financing – is vital as it involves the creation of financing mechanisms that support individuals and businesses seeking to undertake sustainable transitions. Already, we have delivered financing to support environmentally sustainable actions – such as solar panel installation, electric vehicle purchase and renewable energy adoption – and socioeconomic advancement, such as by financing affordable housing and education for underserved communities. In FY2023, sustainable financing made up 8.6% of our overall financing portfolio, totalling RM5.7 billion, and we plan to increase this to 25% of our portfolio by 2028.

We are making equally firm progress in reducing our operational impact on the environment. During the past year, our operations delivered substantial reductions in Scope 1 and 2 GHG emissions, energy consumption and paper use, while our forward-looking installation of 12 solar panels across our branches, with plans to further installations in the near future, precipitated a more than 1,100% increase in our solar energy yield, laying the groundwork for us to more comprehensively implement renewable energy to power our business. In meeting more stringent disclosure requirements around climate change, meanwhile, we are in the process of adopting the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), under which we will undertake a detailed analysis of our climate-related risks and opportunities towards creating sustainable, shared value on our journey to net zero.

In People & Culture, we executed a variety of initiatives aimed at bringing the best out of our employees and driving the retention of our human capital. This included the new Affin Prihatin Employee Hotline, which provides our people with help on personal and professional matters in a confidential manner, and our extensive activities to celebrate International Women's Day, reflecting our broader efforts to promote diversity, equity and inclusion ("DEI") as foundational values of our organisational culture.

Lastly, we continued to champion socio-economic advancement by donating zakat to worthy causes, supporting the development of entrepreneurs and providing financial assistance to high-performing students from underserved communities, amongst other initiatives. In particular, I would like to highlight the work that we are doing to bridge the financial literacy gap through targeted education programmes – a vital support channel that empowers those from less fortunate communities to build a firmer financial base for the advancement of their families and communities. As a leading financial institution, such programmes are our responsibility – one we are living up to with a sense of humility and purpose.

These highlighted sustainability initiatives but scratch the surface of our impact we are creating across the ESG spectrum, and I urge you to read our *Sustainability Statement* for more information on our work.

MESSAGE FROM THE PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

SETTING OUR SIGHTS FURTHER: FROM A25 TO AX28

Building on the success we have achieved across our three strategic objectives, we are taking the next step on our transformation journey with the new Affin Axelerate 2028 ("AX28") Transformation Plan, which we launched during the past year. Under AX28, we have identified the following targets:

Profit Before Tax	RM1.8 billion
CASA Ratio	35%
Return on Equity	12%
Cost to Income Ratio	<53%
Gross Impaired Loans	1.5%
Total Loans/Financing	RM116 billion
Total Deposits	RM123 billion
Total Customer Base	3 million
Sustainable Financing	25% of total portfolio
Reduction in Electricity Consumption (kWh)	~600,000kWh
Beneficiaries from CSR Activities	200,000
Percentage of Suppliers Assessed by ESG Criteria	100%
Group-wide Paper Reduction	100%
Reduction in CO_2 Emissions	468MT

Achieving these goals will require an annual improvement of between 15-40% across most of the metrics listed above – an ambitious goal. To get there, we will focus our energies on the following five key enablers, which I believe will unlock powerful synergies and transformative growth opportunities across our business.

Our Private Banking Business

Our New Digital Core

Building a stronger backbone to drive digital innovation in our products and processes

Building Our Presence in Sarawak

Expanding our footprint in both urban and rural areas to establish leadership in the state's relatively underpenetrated banking market

Becoming Capital Efficient to Unlock ROE

Expanding our ESG Game

Reduce our carbon emissions and increase the reach of oursustainability efforts to promote a sustainable economy

TOWARDS THE FUTURE OF BANKING

As we look back on FY2023, two things become clear.

Firstly, global economic turbulence has created a difficult operating environment for players in the financial services industry, including AFFIN. While we have delivered positive performance in several key metrics such as loans, asset and CASA growth, the macroeconomics environment and geopolitical turmoil has impacted our earnings and profitability, which saw our margins compress.

Secondly, and more importantly, the purposeful work that we are doing across our strategic priorities can go a long way to not only mitigating against the challenges we have faced but also unlocking greater and more sustainable growth. By aligning innovation in products and solutions to an expanded physical-digital network and the fundamental embrace of sustainability as core to our identity, we are elevating our position in the minds of our business and individual customers, thus positioning ourselves to drive improved value creation and further establish our leadership in the banking sector once the economy recovers.

On this note, I would like to express our gratitude to our shareholders, customers, business partners and other stakeholders for their continued support and trust throughout the challenges of the past year. My sincere appreciation also goes to our Chairman and Board of Directors, whose continued guidance, advice and foresight has shone a clear path to a brighter future, even during darker days. Similarly, to my colleagues on the Group Management Committee, thank you for your vital support and relentless commitment throughout the past year.

Last but certainly not least, thank you to everyone in the AFFIN family for your hard work, dedication and, most importantly, the passion and belief you bring to our shared objectives. A mission is but pointless without its people and I am confident that, with your passion and conviction, we can and will unfold The Future of Banking together.

DATUK WAN RAZLY ABDULLAH

President and Group Chief Executive Officer

Financial Review by the GROUP CHIEF FINANCIAL OFFICER

JOANNE RODRIGUES
Group Chief Financial Officer

Over the past three years, we have put in place the building blocks for a stronger and more stable bank. Amidst economic uncertainty and geopolitical upheaval, we have gained good ground in securing our balance sheet, providing us with a firm foundation to drive future growth.

OUR CASA RATIO INCREASED FROM 23.5% in FY2022 to 26.7% in FY2023

OUR NON-INTEREST INCOME INCREASED BY 76.6%, from RM344 million in FY2022 to RM607 million in FY2023

Guided by our AIM22 metamorphosis plan, our key ratios have improved significantly. From 22.2% in FY2020, our CASA ratio increased to 26.7% as at the end of 2023. During the same time period, our Gross Impaired Loans ("GIL") ratio has improved from 3.52% to 1.90%, while our Loan Loss Coverage ("LLC") ratio strengthened from 50.2% to 116.9%. These achievements position us robustly to weather the economic headwinds we face and place us on strong footing to achieve our long-term transformation objectives.

GROUP FINANCIAL PERFORMANCE

2023 was a challenging year for the banking industry in Malaysia. Competition for liquidity resulted in the tightening of net interest margins across all banks, including AFFIN.

Our Group Profit Before Tax ("PBT") fell by 62% year-on-year, largely due to the gain of RM1.1 billion from the divestment of Affin Hwang Asset Management ("AHAM"), which was recognised during the previous reporting period. Our performance was also impacted by the liquidity crunch in the market, which led to higher interest rates on bank deposits. This margin compression resulted in a 24% year-on-year drop in Net Interest Income ("NII"), from RM1,023.4 million to RM782.9 million, while our Net Interest Margin ("NIM") fell from 2.01% to 1.42%.

During the past year, we have continued to improve our cost of deposits by growing our CASA from RM15.3 billion to RM18.9 billion. Meanwhile, our Non-Interest Income ("NOII") has increased by a substantial 76.6%, from RM344 million to RM607 million (excluding gains from the divestment), validating our confidence that we can grow our earnings to replace the revenue previously contributed by the divested AHAM business.

In FY2023, we strengthened our underwriting processes and our Asset Quality Management teams to secure the asset quality of our portfolios. These actions helped to drive the reduction of our GIL ratio to below 2% and maintain our LLC ratio at a healthy level of above 100%, providing our balance sheet a level of protection against any adverse effects arising from the current economic situation.

Our subsidiaries delivered a commendable financial performance in FY2023, with Affin Islamic Bank Berhad ("AIBB") recording its highest ever PBT of RM317.7 million – 83.5% higher than in FY2022 – and Affin Hwang Investment Bank Berhad ("AHIBB") delivering a significant rise in PBT, from RM55.0 million to RM92.5 million.

OUR FINANCIAL PERFORMANCE WAS IMPACTED BY THE LIQUIDITY CRUNCH IN THE MARKET, WHICH LED TO HIGHER INTEREST RATES ON BANK DEPOSITS AND A DECLINE IN PROFIT. THIS WAS MITIGATED BY GROWTH IN CASA DEPOSITS AND STRONG PERFORMANCES FROM OUR SUBSIDIARIES

FINANCIAL PERFORMANCE BY DIVISION

AFFIN ISLAMIC BANK BERHAD

AIBB achieved a record PBT of RM317.7 million, driven by growth in financing of RM2.9 billion (a 11.2% year-on-year rise). This achievement reflects our "Islamic First" strategy, with Islamic loans making up 43.8% of our total financing base. At the same time, AIBB's GIL improved from 0.90% to 0.86%, remaining comfortably below 1%, while its customer deposits expanded by 0.7% to reach RM25.4 billion.

In totality, AIBB overcame the challenging external environment to deliver its best year yet. With the business currently contributing 43.8% of Group-wide financing, we look forward to seeing this proportion grow further in the coming years.

AFFIN HWANG INVESTMENT BANK BERHAD

In FY2023, AHIBB posted a revenue of RM240.6 million, a 5.3% year-on-year increase, and a PBT of RM92.5 million, a 68% year-on-year increase.

The investment bank refocused on its strengths in stockbroking and advisory during the past year, driving improved revenues through its structured warrants business and increased debt capital market flows. As a result, AHIBB rose to 1st and 5th places in the stockbroking annual rankings and the Debt Capital Markets League Table respectively (from 2nd and 8th in FY2022). We expect this improvement to continue into FY2024 as AHIBB deepens its expertise in these areas and furthers its efforts to provide quality solutions and banking advisory services to its customers.

AFFIN ISLAMIC BANK BERHAD ("AIBB")
Achieved record PBT of RM317.7 million

AFFIN HWANG INVESTMENT BANK BERHAD ("AHIBB")
Recorded revenue of RM240.6 million

GROUP COMMUNITY BANKING
Achieved 17.4% and 5.7% growth in financing and deposits respectively

GROUP ENTERPRISE BANKING
Expanded financing and deposit base by 8.9% and 8.6% respectively

GROUP CORPORATE BANKING
Achieved 2.8% growth in financing

GROUP TREASURY
Achieved strong growth in treasury assets (34.7%) and deposits (19.5%)

GROUP COMMUNITY BANKING

In FY2023, our Group Community Banking division posted strong growth in all segments, with credit cards and personal financing seeing the fastest growth at 24% and 31% respectively.

Furthermore, the division achieved RM33.3 billion in total deposits, a 5.7% year-on-year rise, while its loan base increased by 17.4% during the past year. The division also generated 6.8% year-on-year growth in new ESG financing, a jump of RM251 million, in line with our Group-wide thrust to increase sustainable financing as a percentage of our overall financing portfolio.

The AIM22 metamorphosis has driven a significant rise in the division's loan base, from RM25.4 billion in FY2020 to RM42.5 billion in FY2023 – 67.3% growth in just three years. This is supported by growth in CASA, from RM4.8 billion to RM9.3 billion, and an increased contribution to Group-wide financing, from 54.9% to 63.7%, during the same three-year period. We expect the division to continue this positive trend as we move forward towards our Affin Axelerate 2028 ("AX28") vision.

GROUP ENTERPRISE BANKING

The Group Enterprise Banking division steadily expanded its financing and deposit base — at 8.9% and 8.6% growth respectively — in FY2023. The division also maintained a strong Loan-to-Deposit ratio of 75.2% and a CASA ratio of 46.8%.

The division has displayed good traction as it continues to support Malaysian SMEs in their financing and cash management needs. This is evidenced by the strong take-up of the second generation of our award-winning AFFINMAX business banking app, which has garnered over 55,000 downloads since its launch in November 2023.

FINANCIAL REVIEW BY THE GROUP CHIEF FINANCIAL OFFICER

GROUP CORPORATE BANKING

The Group Corporate Banking division secured 0.7% growth in financing during FY2023 and also posted strong numbers in total deposits and CASA, which expanded by 14.2% and 16.6% respectively.

While we observe strong demand from our corporate banking customers, we remain cautious in this sector and selective in investing for growth. At the same time, we continue to vigilantly monitor our portfolio to ensure that underwriting standards remain high, thereby safeguarding asset quality.

GROUP TREASURY

Our Group Treasury division achieved strong growth in treasury assets and deposits, at 34.7% and 19.5% respectively – a testament to its focused execution of strategies.

The division has also activated our foreign exchange business, working with AFFIN Group as a whole to drive remarkable 584.4% growth in FX during FY2023, compared to 24.9% in FY2022. In tandem with improved flow business, this has played a key role in driving the strong 76.6% growth recorded in Group-wide NOII.

TO SUPPORT THE ACHIEVEMENT OF OUR A25 GOALS, WE INVESTED IN VARIOUS KEY INITIATIVES DURING FY2023 INCLUDING OUR NEW CLOUD-BASED GENERAL LEDGER AND PROCURE TO PAY SYSTEM, WHICH HAS INCREASED THE PRODUCTIVITY AND EFFECTIVENESS OF OUR FINANCE FUNCTION

MOVING FROM A25 TO AX28

While the past year has represented a setback to our financial performance, we remain firmly on track to achieve our long-term goals as outlined in the A25 transformation plan.

To support the achievement of our A25 goals, we invested in various key initiatives during FY2023 including our new cloud-based general ledger and procure to pay system, which has increased the productivity and effectiveness of our finance function, and our Enterprise Data Hub, which provides us with data-driven insights into our customers, enabling more accurate customer profiling and segmentation. In line with our A25 strategy, we also widened our deposit base by expanding our branch network and pursuing various higher margin business opportunities across personal financing, credit card, enterprise and more.

In late-2023, we began our transition from A25 to AX28, the next stage of our transformation. Encompassing the five-year period from 2024 until 2028, AX28 sets ambitious financial targets: Revenue of RM1.8 billion, CASA of 35%, Return on Equity ("ROE") of 12%, a Cost-to-Income ratio ("CIR") of below 53% and GIL of 1.5%. As we strive to achieve these targets, our focus will remain on growing CASA, increasing NOII — especially through trade, FX and wealth — and keeping a close watch on AFFIN Group's impairment levels and LLC.

OUTLOOK

Looking forward to 2024 and beyond, the recovering global economy and its consequent impact on Malaysia's business ecosystem provides the basis for a positive outlook.

With the trend of contractionary monetary policy slowing down and potentially reversing, Malaysia's export figures are already growing and the MYR is likely to strengthen against the USD during FY2024. The relative stabilisation of the global economy will also ease the demand-supply imbalance for liquidity, unlocking a higher NIM for AFFIN Group and leading to a stronger PBT during the year.

Further to this positive economic outlook, our proactive stance towards business transformation earmarks us as a company with a clear vision for the future. Most notably, the firm progress we have made in digital transformation and product innovation has enabled us to grow our customer base and reach, while our expansion into Sarawak opens the door to new revenue streams in this growing market. These moves position us to rebound with strength once the prevailing economic conditions subside.

Our strong conviction in a better future is mirrored by our newest shareholders – State Financial Secretary ("SFS") Sarawak – who have taken a 4.95% stake in AFFIN and bring a new dimension to our approach. This investment is a testament to our ability to evolve in line with changing market conditions and consumer expectations.

In summation, having weathered the challenges of 2023, and with a clear roadmap towards reaching our long-term goals as a company, we can look forward to the future with greater optimism on what is to come.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Dato' Agil Natt
Chairman/Independent Non-Executive Director

DIRECTORS

Dato' Abdul Aziz Bin Abu Bakar
Independent Non-Executive Director

Dato' Mohd Hata Bin Robani
Independent Non-Executive Director

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

Dato' Rozalila Binti Abdul Rahman
Independent Non-Executive Director

Yuen Wai Hung, Peter
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

Emeliana Dallan Rice-Oxley
Independent Non-Executive Director
(appointed w.e.f. 1 October 2023)

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
50706 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 : ir@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
Mohammad Fairuz Bin Mohd Radi
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
Nurjesmi Mohd Nashir
Chief Executive Officer
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 and Sustainability 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

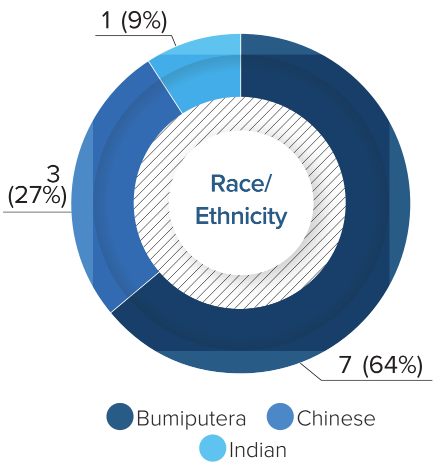
GROUP COMPLIANCE
Adzamimah Adzmi
Group Chief Compliance Officer

GROUP INTERNAL AUDIT
Wahdania Mohd Khir
Group Chief Internal Auditor

BOARD COMPOSITION

COMPOSITION (% AND TOTAL)

GENDER



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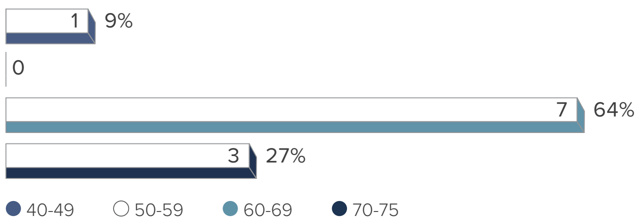
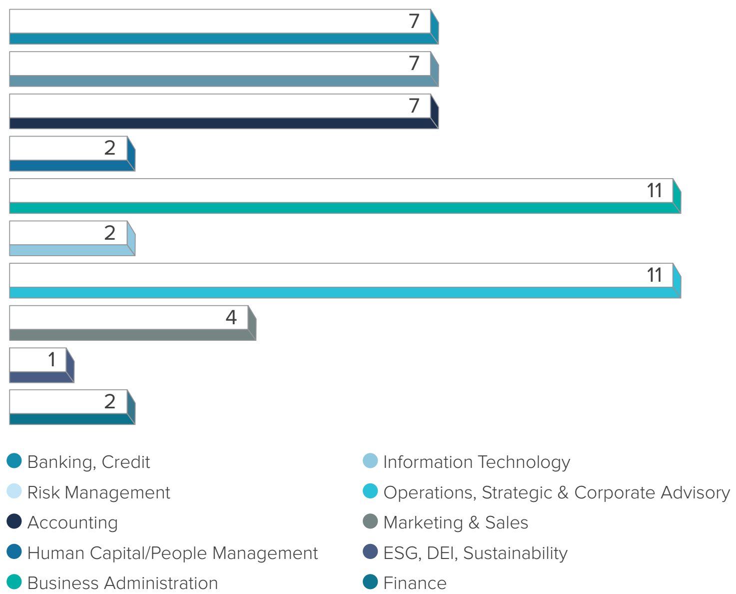
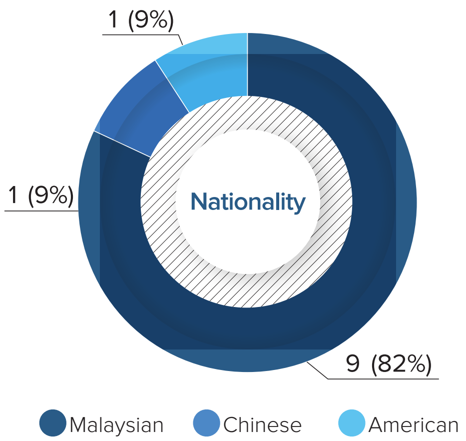


BOARD SKILLS AND EXPERIENCE





1 **DATO' AGIL NATT**
Chairman/Independent Non-Executive Director

2 **DATO' MOHD HATA BIN ROBANI**
Independent Non-Executive Director

3 **DATO' ABDUL AZIZ BIN ABU BAKAR**
Independent Non-Executive Director

4 **CHAN TZE CHING, IGNATIUS**
Non-Independent Non-Executive Director

5 **DATO' ROZALILA BINTI ABDUL RAHMAN**
Independent Non-Executive Director

BOARD OF DIRECTORS

6 **YUEN WAI HUNG, PETER**
Non-Independent Non-Executive Director

7 **MARZIDA BINTI MOHD NOOR**
Independent Non-Executive Director

8 **GREGORY JEROME GERALD FERNANDES**
Independent Non-Executive Director

9 **CHAN WAI YU**
Independent Non-Executive Director

10 **MOHAMMAD ASHRAF BIN MD RADZI**
Non-Independent Non-Executive Director

11 **EMELIANA DALLAN RICE-OXLEY**
Independent Non-Executive Director

PROFILE OF BOARD OF DIRECTORS

1 DATO' AGIL NATT
Chairman/Independent Non-Executive Director

B E F

Malaysian | Male | Age 72

Date of Appointment
8 November 2019

Attendance in 2023 (100%)
11/11 7/7

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

WORKING EXPERIENCE AND OCCUPATION
- Investment Panel member of Employees Provident Fund Board (2017 to 2021)
- President & CEO, International Centre for Education in Islamic Finance (INCEIF) (2006 to 2011)
- Executive Director & Deputy President, Maybank (2004 to 2006)
- MD/CEO, Aseambankers Bhd (now known as Maybank Investment Bank) (2000 to 2004)
- Senior GM, Corporate Banking, Maybank (1995 to 2000)
- Regional Chief Representative, Kleinwort Benson Ltd (Investment Bank), Malaysia & UK (1990 to 1995)
- Senior GM, Finance, Island & Peninsular Bhd (1982 to 1989)
- Manager, Corporate Finance, Bumiputra Merchant Bankers Berhad (1977 to 1982)

OTHER DIRECTORSHIP(S)
Other Public Companies
- Nil

Public Companies:
- Nil

EXTERNAL PROFESSIONAL COMMITMENTS
- Nil

MEMBERSHIP OF BOARD COMMITTEES
- Chairman, AFFIN Group Chairmen Committee
- Member, Group Board Credit Review and Recovery Committee
- Member, Group Board Information Technology Committee

MAIN SKILLSETS
- Banking
- Economics
- Finance

2 DATO' MOHD HATA BIN ROBANI
Independent Non-Executive Director

B R

Malaysian | Male | Age 71

Date of Appointment
17 October 2017

Attendance in 2023 (94%)
11/11 6/7

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

WORKING EXPERIENCE AND OCCUPATION
- Advisor, Agenda Harmoni Sdn Bhd (2009 to 2019)
- Executive Chairman, Excellent Tank Treatment Services Sdn Bhd (2009 to 2015)
- Managing Director, Malaysian Electronic Payment System Sdn Bhd (MEPS) (2000 to 2008)
- Executive Director, BSN Commercial Bank Berhad (1998 to 1999)
- General Manager of the Financial Services Division, Amanah Capital Partners Group (1994 to 1997)
- Group Chief Operating Officer, Amanah Capital Partners Group (1994 to 1997)
- Head of Banking Department, Bank Negara Malaysia (1993 to 1994)
- Head of Technology Department, Bank Negara Malaysia (1989 to 1992)
- Senior Officer of Bank Inspection Department, Bank Negara Malaysia (1975 to 1989)

OTHER DIRECTORSHIP(S)
Other Public Companies
- Director, Affin Holdings Berhad

Public Companies:
- Nil

EXTERNAL PROFESSIONAL COMMITMENTS
Member of Finance and Investment Committee of Perbadanan Wakaf Selangor

MEMBERSHIP OF BOARD COMMITTEES
- Chairman, Group Board Credit Review and Recovery Committee (w.e.f. 1 November 2023)
- Member, Group Board Audit Committee
- Chairman, Group Board Compliance Committee (up to 31 October 2023)

MAIN SKILLSETS
- Banking
- Risk Management

PROFILE OF BOARD OF DIRECTORS

3 DATO' ABDUL AZIZ BIN ABU BAKAR

Independent
Non-Executive Director

H B

Malaysian | Male | Age 70

Date of Appointment
17 October 2017

Attendance in 2023 (94%)
11/11 6/7

ACADEMIC/PROFESSIONAL QUALIFICATION

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

WORKING EXPERIENCE AND OCCUPATION

- CEO/ED, Malaysian Directors Academy (MINDA) (2010 to 2017)
- Chief Human Capital Officer, Telekom Malaysia Berhad (TM) (2005 to 2009)
- Executive VP, Human Resources, RHB Bank Berhad (2002 to 2004)
- General Manager/Human Resources, Shell Malaysia Trading Sdn Bhd (SMTSB)(1998 to 2001)
- Managing Director, INTRIA Berhad (currently known as UEM Builders) (1996 to 1997)
- Shareholders' representative for China and Hong Kong, SHELL Group (1991 to 1993)
- Area GM/East Coast, SMTSB (1988 to 1990)
- Manager/Marketing Economics, SMTSB (1984 to 1987)
- Executive/Internal Audit, SMTSB (1979 to 1983)
- Fleet Planning Coordinator/Fleet Planning Department, Malaysian Airlines System (MAS) (1977 to 1978)

OTHER DIRECTORSHIP(S)

Other Public Companies

- Nil

Public Companies:

- Nil

EXTERNAL PROFESSIONAL COMMITMENTS

- 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

MAIN SKILLSETS

- Human Capital
- Banking

4 CHAN TZE CHING, IGNATIUS

Non-Independent
Non-Executive Director

B R AC

Chinese | Male | Age 67

Date of Appointment
1 December 2017

Attendance in 2023 (100%)
11/11 7/7

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

WORKING EXPERIENCE AND OCCUPATION

- Senior Advisor, CVC Capital Partners (2010 to 2021)
- Deputy Chief Executive, Bank of China (Hong Kong) (2008 to 2008)
- Head of Corporate and Investment Banking Business, Citibank, Greater China (2005 to 2007)
- Chief Operating Officer, Citibank Greater China (2004 to 2005)
- Country Officer, Citibank Taiwan (2003 to 2005)
- Country Officer, Citibank Hong Kong (1999 to 2003)
- Head, Corporate Banking Business, Citibank Hong Kong (1997 to 1999)
- Country Treasurer and Head Sales and Trading, Citibank Hong Kong (1994 to 1997)
- Vice President, Citibank Japan (1986 to 1994)
- Management Associate, Citibank, Hong Kong and Japan (1980 to 1986)

OTHER DIRECTORSHIP(S)

Other Public Companies

- Nil

Public Companies:

- Director of Mongolian Mining Corporation (MMC)
- Director of China State Construction International Holdings Limited

EXTERNAL PROFESSIONAL COMMITMENTS

Senior Advisor, BEA

OTHER APPOINTMENT(S)

- Nil

MEMBERSHIP OF BOARD COMMITTEES

- Nil

MAIN SKILLSETS

- Banking
- Risk Management
- Audit

Chan Tze Ching, Ignatius is a nominee of BEA, a major shareholder of Affin Bank Berhad

5 DATO' ROZALILA BINTI ABDUL RAHMAN
Independent
Non-Executive Director

BA eC T FC RD

Malaysian | Female | Age 62

Date of Appointment
4 February 2019

Attendance in 2023 (89%)
10/11 6/7

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

WORKING EXPERIENCE AND OCCUPATION
- Chief Executive Officer, Astro GS Shop Sdn Bhd (2014 to 2016)
- Adjunct Professor, Faculty of Economics and Management, Universiti Putra Malaysia (2013 to 2014)
- Chief Marketing Officer, TM Berhad (2010 to 2014)
- General Manager, Maxis Berhad (2006 to 2010)
- Sales & Marketing Director, Bank Simpanan Nasional (2003 to 2005)
- Marketing Manager, Reckitt Benckiser, Malaysia & Singapore (2000 to 2003)
- Marketing Manager, Kellogg Asia Inc. South East Asia (1999 to 2000)
- Senior Brand Manager, Unilever (M) Holdings Sdn Bhd, Malaysia & Singapore (1997 to 1999)
- Brand Manager, Unilever (M) Holdings Sdn Bhd, Malaysia & Singapore (1995 to 1997)
- Quality Manager, Unilever (M) Holdings Sdn Bhd, Malaysia & Singapore (1994 to 1995)
- Product Development Manager, Unilever (M) Holdings Sdn Bhd, Malaysia & Singapore (1989 to 1993)
- Cold Room Supervisor, Perwira Niaga Malaysia, PERNAMA (1988 to 1988)

OTHER DIRECTORSHIP(S)
Other Public Companies
- Nil

Public Companies:
- Independent Non-Executive Director and Chairman of AGX Group Berhad

EXTERNAL PROFESSIONAL COMMITMENTS
- Nil

MEMBERSHIP OF BOARD COMMITTEES
- Chairperson, Group Board Compliance Committee (w.e.f. 1 November 2023)
- Member, Group Board Sustainability Committee (w.e.f. 1 November 2023)
- Chairperson, Group Board Risk Management Committee (up to 31 October 2023)
- Member, Group Board Information Technology Committee (up to 31 October 2023)

MAIN SKILLSETS
- Business Admin
- e-Commerce & TV Home Shopping
- Telecommunication
- Fast Moving Consumer Goods
- R&D, Quality Assurance & Operations

6 YUEN WAI HUNG, PETER
Non-Independent
Non-Executive Director

BA B

American | Male | Age 61

Date of Appointment
1 November 2019

Attendance in 2023 (100%)
11/11 7/7

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

WORKING EXPERIENCE AND OCCUPATION
- General Manager & Head of Strategic Partnerships/Financial Institutions, The Bank of East Asia, Limited (BEA) (2017 to 2019)
- General Manager/Head of Financial Institutions Department, BEA (2009 to 2017)
- Head/Financial Institutions Department, BEA (1996 to 2008)

OTHER DIRECTORSHIP(S)
Other Public Companies
- Nil

Public Companies:
- Nil

EXTERNAL PROFESSIONAL COMMITMENTS
- Nil

OTHER APPOINTMENT(S)
- Nil

MEMBERSHIP OF BOARD COMMITTEES
- Member, Group Board Compliance Committee (up to 31 October 2023)

MAIN SKILLSETS
- Business Administration
- Banking

Yuen Wai Hung, Peter is a nominee of BEA, a major shareholder of Affin Bank Berhad

PROFILE OF BOARD OF DIRECTORS

7 MARZIDA BINTI MOHD NOOR
Independent
Non-Executive Director

IT SM

Malaysian | Female | Age 60

Date of Appointment
1 March 2020

Attendance in 2023 (94%)
10/11 7/7

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

WORKING EXPERIENCE AND OCCUPATION
- Manager, HRIT Competency Centre, Shell Business Operations Oil & Gas (2012 to 2017)
- Programme Manager, SAP Business Objects Software License Management, Shell Business Operations Oil & Gas (2011 to 2012)
- Programme Manager, Global Retail Site Systems Support Services, Shell Business Operations Oil & Gas (2009 to 2011)
- Planning and Programme Manager & Downstream IT Global Strategy, Shell Business Operations Oil & Gas (2007 to 2009)
- Chief Information Officer, Malaysia Airlines Air Transportation (2001 to 2007)
- Senior General Manager, Programme Management Office, Malaysia Airlines Air Transportation (2005 to 2006)
- Programme Manager, Support Services Business Improvement Programme, Malaysia Airlines Air Transportation (2004 to 2005)
- Vice President, IT Planning & Development, Malaysia Airlines Air Transportation (1998 to 2001)
- Programme Director, Y2K Corporate, Malaysia Airlines Air Transportation (1998 to 1999)
- Business Information Controller, Corporate Planning Department, Malaysia Airlines Air Transportation (1992 to 1998)
- IT Management Consultant, KPMG Peat Marwick Management Consulting (1989 to 1992)
- IT Executive, Head of Department, Intradagang Merchant Bank Banking (1988 to 1989)

OTHER DIRECTORSHIP(S)
Other Public Companies
- Nil

Public Companies:
- Nil

EXTERNAL PROFESSIONAL COMMITMENTS
- A volunteer member of 30% Club Malaysia, a platform which is set up to improve gender diversity on the board of public listed companies
- Member of Advisory Panel, Precious Amber International Berhad

OTHER APPOINTMENT(S)
- Nil

MEMBERSHIP OF BOARD COMMITTEES
- Chairperson, Group Board Information Technology Committee
- Member, Group Board Nomination and Remuneration Committee

MAIN SKILLSETS
- Information Technology
- Strategy, Management and Operations

8 GREGORY JEROME GERALD FERNANDES
Independent
Non-Executive Director

AC B CF M

Malaysian | Male | Age 68

Date of Appointment
1 April 2020

Attendance in 2023 (100%)
11/11 7/7

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

WORKING EXPERIENCE AND OCCUPATION
- Corporate Advisor/CEO Office, Offshore Works Sdn Bhd (2011 to 2016)
- Consultant/Finance, Platinum Energy Sdn Bhd (2010 to 2011)
- Senior Vice President Global Marketing Scomi Engineering Berhad (2008 to 2010)
- Chief Financial Officer, Scomi Engineering Berhad (2006 to 2008)
- Associate Director, Innovation Associates (2003 to 2005)
- Director/Corporate Finance, Nikkei Pacific Corporate Advisors Sdn Bhd (2000 to 2002)
- Principal/Assurance, AJ Shah & Associates (EY Technical Associate Firm), Seychelles (1999 to 2000)
- Manager-Principal/Assurance, Ernst & Young (1983 to 1999)
- Trainee Supervisor/Assurance, Ernst & Young (1976 to 1983)

OTHER DIRECTORSHIP(S)
Other Public Companies
- Nil

Public Companies:
- Nil

EXTERNAL PROFESSIONAL COMMITMENTS
- Nil

OTHER APPOINTMENT(S)
- Nil

MEMBERSHIP OF BOARD COMMITTEES
- Chairman, Group Board Audit Committee
- Member, Group Board Compliance Committee

MAIN SKILLSETS
- Accountancy/Audit
- General Insurance
- Corporate Finance
- Global Marketing

9 CHAN WAI YU

Independent
Non-Executive Director

B R

Malaysian | Female | Age 65

Date of Appointment
1 April 2021

Attendance in 2023 (100%)
11/11 7/7

ACADEMIC/PROFESSIONAL QUALIFICATION

- BEcons (Analytical Economics), 2nd Class Upper Hons, University of Malaya

WORKING EXPERIENCE AND OCCUPATION

- Vice President, Chairman/CEO Secretariat, OCBC Bank (Malaysia) Berhad (2016 to 2016)
- Director, Head, Operational Risk Management, Bank of Singapore (2013 to 2015)
- Vice President, Head, Operational Risk Management, OCBC Bank (Malaysia) Berhad (2012)
- Head, Risk Portfolio Management, OCBC Bank (Malaysia) Berhad (2010 to 2012)
- Head, Credit Risk Management, Maybank (2009)
- Head, Operational Risk Management, Maybank (2007 to 2008)
- Project Director, Basel II Project Management Office, Maybank (2004 to 2006)
- Project Manager, Integrated Risk Management Project, Maybank (2002 to 2004)
- Head, Credit Risk Analytics, Maybank (2000 to 2006)
- Head, Credit Policy, Maybank (1993 to 2000)
- Officer, Credit Processing & Loans Supervision, Maybank (1983 to 1993)
- Officer, Branch Operations, Maybank (1981 to 1982)

OTHER DIRECTORSHIP(S)

Other Public Companies
- Nil

Public Companies:
- Nil

EXTERNAL PROFESSIONAL COMMITMENTS

- Nil

OTHER APPOINTMENT(S)

- Nil

MEMBERSHIP OF BOARD COMMITTEES

- Chairperson, Group Board Risk Management Committee (w.e.f. 1 November 2023)
- Chairperson, Group Board Credit Review and Recovery Committee (up to 31 October 2023)

MAIN SKILLSETS

- Banking
- Risk Management

10 MOHAMMAD ASHRAF BIN MD RADZI

Non-Independent
Non-Executive Director

F AC CA

Malaysian | Male | Age 46

Date of Appointment
3 October 2022

Attendance in 2023 (100%)
11/11 7/7

ACADEMIC/PROFESSIONAL QUALIFICATION

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

WORKING EXPERIENCE AND OCCUPATION

- Chief Financial Officer, Lembaga Tabung Angkatan Tentera (2020 – Present)
- Chief Financial Officer, Ahmad Zaki Resources (2017 to 2020)
- General Manager Corporate Finance, Ahmad Zaki Resources (2016 to 2017)
- Associate Director, Corporate Advisory and Structuring, MIDF Amanah Investment Bank (2015 to 2016)
- General Manager, Finance Special Projects, Johawaki Holdings Sdn Bhd (2013 to 2015)
- Associate Director, Capital Market, Prokhas Sdn Bhd (2009 to 2013)
- Regulatory Reporting Analyst, UBS Investment Bank, London (2007 to 2009)

OTHER DIRECTORSHIP(S)

Other Public Companies
- Nil

Public Companies:
- Non-Independent Non-Executive Director, Pharmaniaga Berhad

EXTERNAL PROFESSIONAL COMMITMENTS

- Chief Financial Officer of Lembaga Tabung Angkatan Tentera

MEMBERSHIP OF BOARD COMMITTEES

- Member, Group Board Risk Management Committee

MAIN SKILLSETS

- Accountancy
- Finance
- Corporate Advisory

Encik Mohammad Ashraf Md Radzi is a nominee of LTAT, a major shareholder of Affin Bank Berhad

PROFILE OF BOARD OF DIRECTORS

11 **EMELIANA DALLAN RICE-OXLEY**
Independent
Non-Executive Director

EE G D

Malaysian | Female | Age 61

Date of Appointment
1 October 2023

Attendance in 2023 (100%)
2/2 2/2 *(since her appointment as Director)*

ACADEMIC/PROFESSIONAL QUALIFICATION

- Advanced Management Program from Harvard Business School, USA
- Professional Certification in Decision Quality and Risk Management from Stanford University, USA
- Bachelor of Science, Geology from University of South Carolina, USA

WORKING EXPERIENCE AND OCCUPATION

- VP, Exploration Upstream, Petronas (2016 to 2022)
- VP Exploration Malaysia, Petronas (2014 to 2016)
- Senior General Manager Exploration Malaysia (2012 to 2014)
- Hydrocarbon Maturation Manager, Onshore US and Latin America, SHELL (2010 to 2012)
- Brazil Exploration Team Leader, SHELL (2006 to 2009)
- Manager, Exploration Portfolio & Planning Asia Pacific (2001 to 2006)
- Various Technical and team leaders role, SHELL (1985 to 2001)

OTHER DIRECTORSHIP(S)

Other Public Companies
- Nil

Public Companies:
- Director, Hibiscus Petroleum Berhad
- Director, PGS ASA, Norway

MEMBERSHIP OF BOARD COMMITTEES

- Chairperson, Group Board Sustainability Committee (w.e.f. 1 November 2023)

MAIN SKILLSETS

- Energy/ESG
- Board Governance
- Diversity, Equity and Inclusion

Main skillsets:

- B Banking/General Insurance
- E Economics
- F Finance
- R Risk Management
- H Human Capital
- BA Business Administration
- eC e-Commerce & TV Home Shopping
- T Telecommunication
- FC Fast Moving Consumer Goods R&D, Quality Assurance & Operations
- IT Information Technology
- SM Strategy, Management and Operations
- AC Accountancy/Audit
- CA Corporate Advisory/Corporate Finance
- M Global Marketing
- EE Energy/ESG
- G Board Governance
- D Diversity, Equity and Inclusion

Attendance in 2023:

- Scheduled meetings
- Special meetings

Declaration:

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 2023*

Note: *Age is as at 31 March 2024*

GROUP MANAGEMENT COMMITTEE

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

Malaysian | Age 52

Joined/ Appointment date
2 April 2020

ACADEMIC/PROFESSIONAL QUALIFICATION

- Bachelor of Arts in Law and Accounting from the 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 of ABM Investments Sdn Bhd
- Alternate Director of Payments Network Malaysia Sdn Bhd

DATO' PADUKA SYED MASHAFUDDIN SYED BADARUDIN JAMALULLAIL
Chief Executive Officer
Affin Islamic Bank Berhad

Malaysian | Age 49

Joined/ Appointment date
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)

GROUP MANAGEMENT COMMITTEE

NURJESMI BIN MOHD NASHIR
Chief Executive Officer
Affin Hwang Investment Bank Berhad

Malaysian | Age 52 | **Joined/ Appointment date** 1 June 2023

ACADEMIC/PROFESSIONAL QUALIFICATION
- Bachelor's Degree in Finance from Syracuse University, New York

PAST WORKING EXPERIENCES
- Has over 30 years in banking and securities business, of which 27 years were in two leading global banks namely JP Morgan and Citi
- Headed the Global Corporate Bank at J.P. Morgan Chase Bank Berhad as the Executive Director for 10 years prior to joining Affin Hwang Investment Bank in 2023
- Held succession of roles over 17 years at Citibank, starting from the bank's Commercial Bank Division in 1996, various roles in Corporate Banking and subsequently appointed as Head of Public Sector overseeing predominantly the GLC portfolio up to 2013
- His banking experienced include the extensive exposure to various client segments ranging from the government & public sector entities, family-owned local corporates/conglomerates, FIs (banks), SMEs and multinationals, while also being made responsible for the delivery of a wide product-range from transactional banking, treasury solutions, securities services & custody, structured/project financing, debt/equity-capital markets and M&A
- Started his career in the brokerage industry as Equity Analyst at Maybank Securities and subsequently at Arab Malaysian Securities from 1994 until 1996

OTHER APPOINTMENTS
- Has served as an Independent Board member of Perbadanan Usahawan Nasional Bhd (PUNB) between 2018 up to 2023, a position appointed by the Prime Minister's Office & Yayasan Pelaburan Bumiputra (YPB)

MOHAMMAD FAIRUZ BIN MOHD RADI
Executive Director
Group Community Banking

Malaysian | Age 46 | **Joined/ Appointment date** 1 December 2023

ACADEMIC/PROFESSIONAL QUALIFICATION
- Master of Science (MSc) in Technologies for Broadband Communication from University College London, United Kingdom
- Bachelor of Science (BSc) in Electrical Engineering from Pennsylvania State University, United States of America

PAST WORKING EXPERIENCES
- Nearly 20 years of experience across multiple industries, including Banking, Property Development, and Consulting
- Has served as the Chief Strategy Officer in various organisations, including business profitability accountability as the Director of Transaction Banking at Maybank
- Held the position of Head of Strategy for Community Financial Services in Maybank, where he focused on expanding the retail loan and deposit portfolio through the extensive sales distribution network
- In his recent tenure at Bank Muamalat, he played a crucial role in establishing the Transaction Banking business with a focus on deposit growth across all segment of customers

OTHER APPOINTMENTS
- Has served as the Co-Chairman of the Sustainability Working Group for the Council of Islamic Banks and Financial Institutions (CIBAFI), an organisation with over 130 members spanning more than 30 jurisdictions worldwide
- He also represents the bank in the Global Alliance of Banking Values (GABV), a group comprising more than 60 member banks, credit unions, and microfinance institutions from 44 countries

HANIF MOHD YUSOF
Executive Director
Group Corporate Banking

Malaysian | Age 51

Joined/ Appointment date
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 | Age 54

Joined/ Appointment date
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 and a member of the Board of Directors of a Singapore-based Financial Holdings company, focusing on investments and financial services in the ASEAN region
- Senior Vice-President of SME Business at a local bank

OTHER APPOINTMENTS
- Nil

GROUP MANAGEMENT COMMITTEE

HANIF GHULAM MOHAMMED
Executive Director
Group Treasury

Malaysian | Age 44 | **Joined/ Appointment date** 1 December 2021

ACADEMIC/PROFESSIONAL QUALIFICATION

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

PAST WORKING EXPERIENCES

- 20 years of working experience in the banking industry, particularly in Treasury
- He has assumed various 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 (BNM)
- Member of Financial Markets Association Malaysia (PPKM)

JOANNE RODRIGUES
Group Chief Financial Officer

Malaysian | Age 49 | **Joined/ Appointment date** June 2020

ACADEMIC/PROFESSIONAL QUALIFICATION

- BSc. 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), Regional Head, Strategy & Business Analytics of Commercial Banking and Chief Internal Auditor

OTHER APPOINTMENTS

- Non-Independent Non-Executive Director, Generali Insurance Malaysia Berhad
- Director of ABB Nominee (Asing) Sdn Bhd (appointed w.e.f. 1 March 2023)
- Director of ABB Nominee (Tempatan) Sdn Bhd (appointed w.e.f. 1 March 2023)
- Director of Affin Business Services Sdn Bhd (appointed w.e.f. 24 March 2023)

ABDUL MALEK MOHAMED SAID
Group Chief Corporate Strategy & Sustainability Officer

Malaysian | Age 53

Joined/ Appointment date
17 August 2020

ACADEMIC/PROFESSIONAL QUALIFICATION

- Bachelor 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

- 30 years of working experiences, primarily in the strategic management, corporate planning and insolvency
- Served in various financial advisory firms and assumed various roles including as Head, Portfolio & Financial Management, Petrochemical Business at PETRONAS, Executive Director in PwC and Executive Director in Deloitte

OTHER APPOINTMENTS

- Director of Generali Life Insurance Malaysia Bhd
- Director of Affin Business Services Sdn Bhd (appointed w.e.f. 24 March 2023)
- Director of Affin Investment Bhd (appointed w.e.f. 4 January 2024)

RISHAM AKASHAH KAMARUZAMAN
Group Chief Operating Officer

Malaysian | Age 52

Joined/ Appointment date
2 December 2020

ACADEMIC/PROFESSIONAL QUALIFICATION

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

PAST WORKING EXPERIENCES

- Chief Technology Officer, MBSB Bank
- Head of Information Technology/Chief Information Officer, Maybank Indonesia
- Chief Information Officer, Maybank International

OTHER APPOINTMENTS

- Director of Affin Business Services Sdn Bhd (appointed w.e.f. 24 March 2023)

GROUP MANAGEMENT COMMITTEE

NORHAZLIZAWATI MOHD RAZALI
Group Chief Credit Officer

Malaysian | Age 56 | **Joined/ Appointment date** 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, risk management disciplines and business development

OTHER APPOINTMENTS

- Director of Affin Moneybrokers Sdn Bhd

MOHD SYUKRI AHMAD SUDARI
Group Chief People Officer

Malaysian | Age 51 | **Joined/ Appointment date** 20 October 2020

ACADEMIC/PROFESSIONAL QUALIFICATION

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

PAST WORKING EXPERIENCES

- More than 28 years of working experience in human resources, which spans across diverse industries including financial services, telecommunications, aerospace, engineering, and insurance sectors. Active involvement in various human resource matters at the national, regional, and international levels, such as with the International Labour Organisation (ILO)

OTHER APPOINTMENTS

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

NIMMA SAFIRA KHALID
Group Chief Legal Officer and Company Secretary

Malaysian | Age 54

Joined date
1 January 2001
Date of Appointment
1 January 2012

ACADEMIC/PROFESSIONAL QUALIFICATION

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

- Director of ABB Nominee (Tempatan) Sdn Bhd
- Director of ABB Nominee (Asing) Sdn Bhd
- Director of PAB Properties Sdn Bhd

RICKY DANG CHEONG MIN
Group Chief Risk Officer

Malaysian | Age 51

Joined/ Appointment date
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

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

OTHER APPOINTMENTS

- Nil

GROUP MANAGEMENT COMMITTEE

ADZAMIMAH ADZMI
Group Chief Compliance Officer

Malaysian	Age 46	**Joined/ Appointment date** 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 20 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 APPOINTMENTS

- Director of Affin Moneybrokers Sdn Bhd (appointed w.e.f. 1 August 2023)

WAHDANIA MOHD KHIR
Group Chief Internal Auditor

Malaysian	Age 53	**Joined/ Appointment date** 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

Note: *Age is as at 31 March 2024*

BOARD OF DIRECTORS AFFIN ISLAMIC BANK BERHAD

MUSA BIN ABDUL MALEK

Chairman/Independent Non-Executive Director

Malaysian | Age 68

Date of Appointment
22 June 2022 (as Chairman)
1 August 2019 (as INED)

ACADEMIC/PROFESSIONAL QUALIFICATION

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

WORKING EXPERIENCE AND OCCUPATION

- Group Head, Islamic Banking, Consumer Banking, CIMB Islamic Bank Berhad (2014 to 2016)
- Adjunct Professor, International Islamic University Malaysia (IIUM) – Institute of Islamic Banking and Finance (IIBAF) (2014)
- Part Time Lecturer, IIUM Graduate School (2013 to 2014)
- Deputy Chief Executive Officer, Bank Muamalat Malaysia Berhad (2010 to 2013)
- Deputy Managing Director, HSBC Amanah of HSBC Bank Malaysia Berhad (2007 to 2008)
- Deputy Head, HSBC Amanah of HSBC Bank Malaysia Berhad (2005 to 2007)
- Manager, HSBC Amanah, Product Development & Management of HSBC Bank Malaysia Berhad (2004 to 2005)
- Manager, Amanah Finance, Business Development of HSBC Bank Malaysia Berhad (2003 to 2004)
- Manager, Islamic Banking and Bumiputra Unit of HSBC Bank Malaysia Berhad (2000 to 2003)
- Manager, Business Development, Corporate & Institutional Banking of HSBC Bank Malaysia Berhad (1998 to 2000)

Attendance in 2023 (100%) 11/11 6/6

F OP SM G S

- Attachment with Debt Origination team in Debt Capital Market, HSBC Hong Kong (1997 to 1998)
- Manager, Corporate Relationship, HSBC Bank Malaysia Berhad, Petaling Jaya Branch (1994 to 1997)
- Branch Manager, HSBC Bank Malaysia Berhad, Kota Bharu Branch (1992 to 1994)
- Credit Manager, HSBC Bank Malaysia Berhad, Ipoh Rd Branch, Kuala Lumpur (1990 to 1992)
- Branch Manager, HSBC Bank Malaysia Berhad, Cameron Highlands Branch (1988 to 1990)
- Assistant Manager Credit, HSBC Bank Malaysia Berhad, Ipoh Branch (1986 to 1988)
- Relief Manager, HSBC Bank Malaysia Berhad, Penang Branch (1986)
- Remittances, Current Account, Trade Services & Credit Loan Officer HSBC Bank Malaysia Berhad, Kuala Lumpur Main Office (1980 to 1986)
- Executive Trainee, HSBC Bank Malaysia & HSBC Hong Kong (1979 to 1980)

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 Sustainability Committee (w.e.f. 1 November 2023)
- Member of Group Board Information Technology Committee (up to 31 October 2023)

SUFFIAN BIN BAHARUDDIN

Independent Non-Executive Director

Malaysian | Age 54

Date of Appointment
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)

WORKING EXPERIENCE AND OCCUPATION

- Director of Special Projects, Office of Chairman, Johor Port Berhad (2012 to 2016)
- Deputy Chief Executive Officer, Senai Airport Terminal Services Sdn Bhd (2011 to 2012)
- Senior General Manager (Corporate Division), Pelabuhan Tanjung Pelepas Sdn Bhd (2010 to 2011)

Attendance in 2023 (100%) 11/11 6/6

F OP G S A

- Managing Director/Chief Executive Officer, Rangkaian Pengangkutan Integrasi Deras Sdn Bhd (2008 to 2009)
- General Manager, Corporate Planning, Indah Water Konsortium Berhad (2006 to 2008)
- General Manager, Finance Division Malaysia Airports Holdings Berhad (1999 to 2006)
- Senior Manager, Finance Division, Renong Berhad (1996 to 1999)
- Assistant Manager, Corporate Finance, Arab-Malaysian Merchant Bank Berhad (1994 to 1996)

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 Risk Management Committee
- Member of Group Board Audit Committee

BOARD OF DIRECTORS AFFIN ISLAMIC BANK BERHAD

DATUK MOHD FARID BIN MOHD ADNAN

Independent Non-Executive Director

Malaysian | Age 61

Date of Appointment
1 March 2021

Attendance in 2023 (100%) 11/11 6/6

OP SM G S

ACADEMIC/PROFESSIONAL QUALIFICATION

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

WORKING EXPERIENCE AND OCCUPATION

- Managing Director/CEO, Engen Limited South Africa (2015 to 2017)
- Vice President Oil Business, Petronas (2010 to 2015)
- Senior General Manager, Petronas Dagangan Berhad (PDB) (2009 to 2010)
- Managing Director/CEO, Petronas Trading Corporation (PETCO) (2008 to 2009)
- Senior General Manager, Commercial MLNG and CEO Asean LNG Trading Corporation, Petronas LNG Business (2006 to 2007)
- General Manager, Malaysia International Trading Corporation (MITCO) (2003 to 2006)
- General Manager, Strategic Alliances, Engen Limited, South Africa (1999 to 2003)
- Manager, Business Evaluation Unit, Corporate Planning of Petronas (1997 to 1999)
- Oil Trader, Petronas Trading Corporation (PETCO) (1992 to 1995)
- Operations Analyst, International Marketing Division of Petronas (1985 to 1991)

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

- Independent Non-Executive Director, Ancom Logistics Berhad

DIRECTORSHIP(S) IN PUBLIC LISTED COMPANIES

- Nil

EXTERNAL PROFESSIONAL COMMITMENT

- Nil

MEMBERSHIP OF BOARD COMMITTEES

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

TAN LER CHIN, CINDY

Independent Non-Executive Director

Malaysian | Age 63

Date of Appointment
1 October 2021

Attendance in 2023 (94%) 10/11 6/6

OP F G S

ACADEMIC/PROFESSIONAL QUALIFICATION

- Honours Degree in Economics (Majoring in Statistics), Universiti Kebangsaan Malaysia (1984)
- Certified Diploma in Investment Analysis, Malaysian Association of Productivity (1988)
- Diploma in Accounting and Finance, Chartered Association of Certified Accountants (1991)

WORKING EXPERIENCE AND OCCUPATION

- Head, Enterprise Risk, Employees Provident Fund (EPF) (2019 to 2021)
- Head, Investment Compliance, Employees Provident Fund (EPF) (2009 to 2019)
- Senior Investment Manager, Employees Provident Fund (EPF) (1996 to 2009)
- Investment Manager, Employees Provident Fund (EPF) (1984 to 1995)

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

- Independent Non-Executive Director, Sengheng New Retail Berhad
- Independent Non-Executive Director, Sunway Construction Group Berhad
- Independent Non-Executive Director, Bursa Malaysia Berhad

DIRECTORSHIP(S) IN PUBLIC LISTED COMPANIES

- Nil

EXTERNAL PROFESSIONAL COMMITMENT

- Nil

MEMBERSHIP OF BOARD COMMITTEES

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

MUHAMMAD FITRI BIN OTHMAN

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

Malaysian | Age 40

Date of Appointment
21 March 2022

ACADEMIC/PROFESSIONAL QUALIFICATION

- Chartered Financial Analyst (CFA), CFA Institute, United States (2011)
- MSc Economics, London School of Economics and Political Science (LSE), United Kingdom (2008)
- BSc in Economics and Finance with First Class Honours, University of Southampton, United Kingdom (2006)

WORKING EXPERIENCE AND OCCUPATION

- Chief Investment Officer, Lembaga Tabung Angkatan Tentera (LTAT) (2021 – Present)
- Head of Public Markets, LTAT (2020 to 2021)
- Head of Foreign Equity Investment, Social Security Organization (SOCSO) (2019 to 2020)
- Senior Manager/Global Equity Strategist International Department, Permodalan Nasional Berhad (PNB) (2018 to 2019)
- Head, Fund Management/Fund Management Department, PNB Asset Management (Japan) (2014 to 2017)

Attendance in 2023 (100%) 11/11 5/5

- Head, Portfolio Management, International Fund Management (IFM) Department, PNB (2013 to 2014)
- Portfolio Manager and Investment Analyst/International Fund Management Department, PNB (2007 to 2013)

IV OT MA S F OP

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

- Chief Investment Officer, LTAT

MEMBERSHIP OF BOARD COMMITTEES

- Member of Group Board Compliance Committee

ENCIK DALI KUMAR @ DALI BIN SARDAR

Independent Non-Executive Director

Malaysian | Age 64

Date of Appointment
16 June 2023

ACADEMIC/PROFESSIONAL QUALIFICATION

- Master of Business Administration, American Graduate School of International Management Thunderbird), Glendale, Arizona, USA (have since merged with Arizona State University, Phoenix, Arizona) (1982)
- Bachelor of Economics, Knox College, Galesburg, Ilinois, USA (1981)

WORKING EXPERIENCE AND OCCUPATION

- Regional Advisor, The Lorry.com (2017 to 2018)
- Advisor, Rage Coffee (2017 to 2018)
- Advisor, Tillata Concept (2017 to 2018)
- Advisor, Socar (2017 to 2019)
- Advisor, Beam (2017 to 2019)
- Regional Advisor, Uber BV (2015 to 2017) – South East Asian
- Executive Director, Malaysian General Investment Corporation Berhad (2000 to 2003)
- CEO, Utama Merchant Bank Berhad (1996 to 1996)
- Managing Director, Citicorp Capital Sdn Bhd (1994 to 1996)

Attendance in 2023 (100%) 6/6 3/3

- Executive Director, Citicorp Capital Sdn Bhd (1991 to 1993)
- VP, Citicorp Venture Capital New York/Citibank New York (1989 to 1991)
- Senior Relationship Manager, Citicorp/Citibank (1986 to 1988)
- Account & Relationship Manager, Citicorp/Citibank (1982 to 1986)

FR OP SM S

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 Audit Committee (w.e.f. 1 November 2023)

BOARD OF DIRECTORS AFFIN ISLAMIC BANK BERHAD

DR. SHARBANOM BINTI ABU BAKAR

Independent Non-Executive Director

Malaysian | Age 55

Date of Appointment
6 October 2023

ACADEMIC/PROFESSIONAL QUALIFICATION

- PhD in Engineering, University of Warwick, United Kingdom (2018)
- MSc in Electronic Business Management (Distinction), University of Warwick, United Kingdom (2005)
- Bachelor of Commerce and Administration, Victoria University of Wellington, New Zealand (1991)

WORKING EXPERIENCE AND OCCUPATION

- Non-Executive Director, Radikale Konzept (June 2023 to current)
- Lead Consultant, United Nations Development Programme (UNDP) (2022 to 2023)
- Assistant Professor, University of Warwick, United Kingdom (2020 to 2021)
- Project Researcher (UKCITE), University of Warwick, United Kingdom (2018 to 2019)
- Senior Specialist, United Nations Industrial Development Organisation (UNIDO) Austria (2017 to 2018)
- Doctoral Researcher, University of Warwick, UK (2015 to 2018)
- Director, Delivery Management Office of Ministry of International Trade and Industry (MITI) (2013 to 2014)
- Director, Government Programs, IBM (2009 to 2014)
- Senior General Manager, Group Business Development, Sapura Secured Technologies (2008 to 2009)
- General Manager Marketing & Sales, Domestic Wholesale, Telekom Malaysia Bhd (2001 to 2007)
- VP Financial Services (and board member of GMPC Konsortium, EPNCR (1998 to 2000)
- Project Executive, Andersen Consulting (July 1991 to December 1997)

Attendance in 2023 (100%) 2/2 1/1

TD ES S P SM

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 Sustainability Committee (w.e.f. 1 November 2023)
- Member of Group Board Information Technology Committee (w.e.f. 1 November 2023)

MAIN SKILLSETS

F Finance	A Audit	FR Finance/Restructuring
OP Operations	IV Investment Management	TD Technology/Digital
SM Sales/Marketing	OT Organisational Management & Transformation	ES ESG
G General Management	MA Mergers & Acquisition	P Programme Management
S Strategy		

Note: *Age is as at 31 March 2024*

SHARIAH COMMITTEE

ASSOCIATE PROFESSOR DR. KAMARUZAMAN NOORDIN
Chairman, Shariah Committee

Malaysian | Male | Age 48

Number of Board Meetings Attended: 7/7

Appointment Date: 1 August 2023

Qualification(s):
- Bachelor Degree in Shariah (Hons), Universiti Malaya (UM)
- Master in Business Administration, Universiti Malaya (UM)
- Doctoral Degree (PhD) in Islamic Studies, University of Wales, UK
- Certified Shariah Advisor, Association of Shariah Advisors in Islamic Finance (ASAS)

Present Occupation(s):

– Other Companies/Bodies:
- Deputy Dean (Development), Academy of Islamic Studies, Universiti Malaya (UM)
- Associate Professor in the Department of Shariah Management, Academy of Islamic Studies, Universiti Malaya
- Independent Non-Executive Director, Bank Simpanan Nasional
- Deputy Chairman, Shariah Committee of Bank Simpanan Nasional
- Member, Shariah Advisory Committee of Employees Provident Fund (EPF)
- Member, Shariah Committee of TEKUN Nasional
- Member, Shariah Committee of PruBSN Takaful
- Registered Shariah Adviser for Securities Commission Malaysia
- Shariah Consultant, MUA Life Limited

Relevant Working Experience(s):
- Former Chairman, Shariah Advisory Committee for Kenanga Investment Bank Berhad
- Former Chairman, Shariah Advisory Committee for Swiss Reinsurance Company Ltd.
- Former Member, Shariah Committee of RHB Islamic Bank Berhad
- Former Deputy Dean (Value Creation and Enterprise), Academy of Islamic Studies, Universiti Malaya
- Former Deputy Director (Student Affairs), Academy of Islamic Studies, Universiti Malaya
- Former Deputy Director, International Institute of Public Policy and Management University of Malaya (INPUMA)
- Former Head, Department of Shariah and Management Academy of Islamic Studies, Universiti Malaya

ASSOCIATE PROFESSOR DR. ASMAK AB RAHMAN
Member, Shariah Committee

Malaysian | Female | Age 50

Number of Board Meetings Attended: 15/15

Appointment Date: 1 July 2022

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)

Present Occupation(s):

– Other Companies/Bodies:
- Associate Professor in the Department of Shariah and Economics, Academy of Islamic Studies, Universiti Malaya
- Member, Shariah Advisory Committee for Lembaga Tabung Haji
- Member, Shariah Committee of FWD Takaful Berhad
- Member, Shariah Committee for Perbadanan Usahawan Nasional Berhad (PUNB)
- Chartered Member, Chartered Institute of Islamic Finance Professionals
- Registered Shariah Adviser with Securities Commission Malaysia
- Member, Association of Shariah Advisors in Islamic Finance Malaysia (ASAS)
- Member of Qualitative Research Association of Malaysia (QRAM)

Relevant Working Experience(s):
- Former Member, Shariah Committee for SME Bank
- Former Member, Shariah Committee of Hong Leong MSIG Takaful
- Former Member, Shariah Committee for Ambank Islamic Bank Berhad
- Former Shariah Panel for BIMB Investment Management Berhad
- Former Member, Syariah Supervisory Council for Bank Islam Malaysia Berhad
- Former Member, Shariah Committee of AIA AFG Takaful
- Former Exco, International Council of Islamic Finance Educators (ICIFE)
- Former Visiting Lecturer for Faculty of Islamic Studies, Universitas Islam Indonesia
- Former Adjunct Professor, Faculty of Economics and Business, Universitas Airlangga

DR. NOR FAHIMAH MOHD RAZIF
Member, Shariah Committee

Malaysian | Female | Age 38

Number of Board Meetings Attended: 15/15

Appointment Date: 1 February 2016

Qualification(s):
- Bachelor Degree in Fiqh and Usul (Hons), Universiti Malaya (UM)
- Doctoral Degree (PhD) in Fiqh Al-Muamalat, Universiti Malaya (UM)
- Certified Shariah Advisor, Association of Shariah Advisors in Islamic Finance (ASAS)

Present Occupation(s):

– Other Companies/Bodies:
- 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)

Relevant Working Experience(s):
- 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 Executive of Islamic Capital Market, Securities Commission Malaysia
- Former Research Assistant, International Shari'ah Research Academy for Islamic Finance (ISRA)

SHARIAH COMMITTEE

USTAZ AHMAD HUSNI DATO' ABD RAHMAN
Member, Shariah Committee

Malaysian | Male | Age 45

Number of Board Meetings Attended: 15/15

Appointment Date: 1 April 2021

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)

Present Occupation(s):

– Other Companies/Bodies:
- Member, Shariah Committee for SME Bank Berhad
- Chairman of Shariah Advisors for AWARIS (Amanah Warisan Berhad)
- Senior Manager, Shariah & International Relation Unit, Pusat Pungutan Zakat – MAIWP
- 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, Association of Shariah Advisors in Islamic Finance (ASAS)
- Member of International Union for Muslim Scholars (Ittihad al-'Alami li 'Ulama' al-Muslimin), Qatar

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

USTAZ MOHAMAD SALIHIN DERIS
Member, Shariah Committee

Malaysian | Male | Age 48

Number of Board Meetings Attended: 15/15

Appointment Date: 1 April 2021

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), Association of Shariah Advisors in Islamic Finance
- Intermediate Qualification in Islamic Finance (IQIF), Islamic Banking and Finance Institute Malaysia (IBFIM)

Present Occupation(s):

– Other Companies/Bodies:
- Chairman, Shariah Committee of AmMetLife Takaful Berhad
- Director, Business Advisory, Islamic Banking and Finance Institute Malaysia (IBFIM)
- Designated Shariah Officer by IBFIM as registered Shariah Adviser with the Securities Commission Malaysia
- Member, Association of Shariah Advisors in Islamic Finance (ASAS)
- Member, Institute of Corporate Directors Malaysia
- Affiliate Member, Asian Institute of Chartered Bankers

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 (AIBIM)
- Former Group Head, Shariah Management, Bank Pembangunan Malaysia Berhad

USTAZ LOKMANULHAKIM HUSSAIN
Member, Shariah Committee

Malaysian | Male | Age 45

Number of Board Meetings Attended: 15/15

Appointment Date: 3 January 2023

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

Present Occupation(s):

– Other Companies/Bodies:
- Member, Shariah Committee of FWD Takaful Berhad
- Member, Shariah Committee of Bank Pembangunan Malaysia Berhad
- Member, Committee of Fatwa Research and Management, JAKIM
- Member of Shariah Advisory Committee for BIMB Securities Sdn Bhd
- Member, Shariah Committee of Co-opbank Pertama Malaysia Berhad
- Member, Shariah Advisory Committee of Association of Islamic Banking and Financial Institutions Malaysia (AIBIM)

Relevant Working Experience(s):
- Former Member, Shariah Committee of Al Rajhi Bank Malaysia
- Former Member, Shariah Committee of Deutsche Bank (Malaysia) Berhad
- Former Member, Shariah Committee of 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)

Note: *Age is as at 31 March 2024*

BOARD OF DIRECTORS
AFFIN HWANG INVESTMENT BANK BERHAD

Malaysian

Age 58

Attendance in 2023 (100%)

11/11 4/4

AD AC IB RK

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

Date of Appointment:
9 May 2022

ACADEMIC/PROFESSIONAL QUALIFICATION
- Bachelor of Science (Honours) in Economics and Accounting from City University, London, United Kingdom
- Chartered Accountant from Institute of Chartered Accountants in England and Wales (ICAEW)
- Member of Malaysian Institute of Accountants (MIA)

WORKING EXPERIENCE AND OCCUPATION
- Chief Executive Officer and Executive Director, Kenanga Investment Bank Berhad (formerly known as K & N Kenanga Berhad) (2006 to 2008)
- Chief Executive Officer & Executive Director, MIMB Investment Bank Berhad (currently known as Hong Leong Investment Bank Berhad) (2003 to 2006)
- Executive Director/Chief Investment Officer, Commerce Asset Fund Managers Sdn Bhd (currently known as Principal Asset Management Bhd) (1995 to 2003)
- Equities Analyst/Manager, UOB Asset Management, Singapore (1994 to 1995)
- Fund Manager/Analyst, Rashid Hussain Asset Management (1993 to 1994)
- Unit Trust Fund Accountant, Henderson Administration Ltd, London, United Kingdom (1992 to 1993)
- Auditor/Chartered Accountant, Touche Ross & Co, London, United Kingdom (1988 to 1991)

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES
- DXN Holdings Berhad

DIRECTORSHIP(S) IN OTHER PUBLIC LISTED COMPANIES
- Telekom Malaysia Berhad
- ENRA Group Berhad
- Sam Engineering & Equipment (M) Berhad

EXTERNAL PROFESSIONAL COMMITMENTS
- Member of Investment Panel of Lembaga Pembangunan Langkawi (LADA)

MEMBERSHIP OF BOARD COMMITTEES
- Member, Group Board Information Technology Committee

Malaysian

Age 52

Attendance in 2023 (100%)

11/11 4/4

AD AC IB RK B

DATUK WAN RAZLY ABDULLAH WAN ALI
Non-Independent Executive Director

Date of Appointment:
- 2 April 2020*
- 12 March 2021**

ACADEMIC/PROFESSIONAL QUALIFICATION
- Bachelor of Arts in Accounting and Law from University of Manchester, United Kingdom
- Chartered Accountant
- Member of Institute of Chartered Accountants in England and Wales (ICAEW)

WORKING EXPERIENCE AND OCCUPATION
- Senior Managing Director of Consumer Strategic Business Management, CIMB Bank Berhad (2019 to 2020)
- Senior Managing Director of Group CEO Office, CIMB Bank Berhad (2019)
- Director of Strategy & Finance, PT Bank CIMB Niaga TBK Indonesia (2009 to 2018)
- Head of Corporate Client Solution, CIMB Investment Bank (2004 to 2009)
- Head of Business Development, Aseambankers Malaysia Berhad (currently known as Maybank Investment Bank Berhad) (2002 to 2004)
- Manager of Audit Services Department, Northern Trust, London, United Kingdom (1999 to 2002)
- Audit Senior, PricewaterhouseCoopers, London, United Kingdom (1995 to 1998)

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES
- Nil

DIRECTORSHIP(S) IN OTHER PUBLIC LISTED COMPANIES
- Nil

EXTERNAL PROFESSIONAL COMMITMENTS
- Nil

MEMBERSHIP OF BOARD COMMITTEES
- Nil

* 2 April 2020 as President and Group CEO of Affin Bank Berhad

** 12 March 2021 as Director of Affin Hwang Investment Bank Berhad

BOARD OF DIRECTORS AFFIN HWANG INVESTMENT BANK BERHAD

Malaysian

Age 65

Attendance in 2023 (100%)

11/11 4/4

AD AC RK B

EUGENE HON KAH WENG

Independent Non-Executive Director

Date of Appointment:
1 March 2021

ACADEMIC/PROFESSIONAL QUALIFICATION

- Chartered Accountant
- Member of Malaysian Institute of Accountants (MIA)
- Member of Malaysian Institute of Certified Public Accountants (MICPA)

WORKING EXPERIENCE AND OCCUPATION

- Finance Director, Bank Negara Malaysia (2011 to 2018)
- Group Chief Financial Officer, SKS Corporation Sdn Bhd (2007 to 2011)
- Head of Group Risk Management, MIDF Berhad/Amanah Capital Group (2002 to 2007)
- Chief Executive Officer, Amanah Property Trust Management Sdn Bhd (2000 to 2002)
- Head of Operations (Finance, Treasury Operations, Information Technology & Administration), Amanah Merchant Bank Berhad (1998 to 2000)
- Group Financial Controller, Amanah Capital Malaysia Berhad (restructured as Amanah Capital Partners Berhad) (1991 to 1998)
- Consultant Manager, KPMG (1990 to 1991)
- Manager, Azman Wong Salleh & Co/Salleh Leong Azlan & Co (1982 to 1990)
- Audit Assistant, Yuen Tang & Co (1978 to 1982)

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

- Nil

DIRECTORSHIP(S) IN OTHER PUBLIC LISTED COMPANIES

- Kawan Food Berhad

EXTERNAL PROFESSIONAL COMMITMENTS

- Nil

MEMBERSHIP OF BOARD COMMITTEES

- Chairman, Board Audit Committee
- Member, Group Board Audit Committee
- Member, Group Board Credit Review and Recovery Committee (up to 30 June 2023)

Malaysian

Age 62

Attendance in 2023 (100%)

11/11 4/4

AD AC RK B

HASLI HASHIM

Independent Non-Executive Director

Date of Appointment:
1 April 2021

ACADEMIC/PROFESSIONAL QUALIFICATION

- Bachelor Degree in Science (Finance/Economics) from Indiana State University, USA
- Alumnus of Royal Military College, Sungai Besi, Kuala Lumpur

WORKING EXPERIENCE AND OCCUPATION

- Senior Banker, Head of Real Estate Ventures/Acting Head of Financial Institutions, Malayan Banking Berhad (2019 to 2020)
- Managing Director, Head of Client Coverage, Maybank Investment Bank Berhad (2015 to 2019)
- Managing Director, Head of Corporate Banking, Malayan Banking Berhad (2012 to 2015)
- Managing Director, Head of Client Coverage, Maybank Investment Bank Berhad (2010 to 2012)
- Head of Corporate Investment Banking, Malayan Banking Berhad (2007 to 2010)
- Head, Public & Institutional Banking, Head of Financial institutions, OCBC Bank Berhad (Head Office) (2000 to 2007)
- Branch Manager, Perai Branch, Pacific Bank Berhad (1994 to 2000)
- Branch Manager, Teluk Intan Branch, United Malayan Banking Corp Bhd (UMBC) (1992 to 1994)
- Deputy Branch Manager, Tasek Branch and poll Marina Branch, UMBC (1989 to 1992)
- Officer, Head Office/KL Main Branch, UMBC (1985 to 1989)

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

- Export-Import Bank of Malaysia Berhad (EXIM Bank)

DIRECTORSHIP(S) IN OTHER PUBLIC LISTED COMPANIES

- Nil

EXTERNAL PROFESSIONAL COMMITMENTS

- Member, Corporate Debt Restructuring Committee – Bank Negara Malaysia

MEMBERSHIP OF BOARD COMMITTEES

- Member, Group Board Credit Review and Recovery Committee
- Member, Group Board Risk Management Committee (up to 31 October 2023)
- Member, Board Audit Committee
- Member, Board Risk Management Committee (w.e.f. 1 November 2023)
- Chairman of BRMC (up to 31 October 2023)

Malaysian
Age 70
Attendance in 2023 (100%)
11/11 4/4
HR EC GM FM SS

DATO' ABDUL WAHAB ABU BAKAR
Independent Non-Executive Director

Date of Appointment:
22 November 2021

ACADEMIC/PROFESSIONAL QUALIFICATION
- Bachelor in Economics (Hons) (Applied Economics) from Universiti Malaya
- Alumni of International Management Development, Lausanne, Switzerland and London Business School

WORKING EXPERIENCE AND OCCUPATION
- Executive Director Human Resources, Nestle Malaysia Bhd & Nestle Singapore (2004 to 2010)
- Human Resource Director, Nestle Malaysia Bhd & Nestle Singapore (1998 to 2003)
- Group Human Resource Manager, Nestle Malaysia Bhd (1997)
- Human Resources Advisor, Nestle Australia (1996 to 1997)
- Group Human Resource Manager, Nestle Malaysia Bhd (1990 to 1996)
- Vice President Human Resources, Citibank Bhd (1990)
- Human Resource Planning Manager, Nestle Malaysia Bhd (1988 to 1989)
- Employee Relations Manager, Nestle Products Sdn Bhd (1985 to 1987)
- Personnel Manager, Nestle Products Sdn Bhd (1984 to 1985)
- Staff Personnel Officer, Esso Production Malaysia Inc (1982 to 1984)
- Personnel Relations Manager, Malaysia Mining Corporations (1982)
- Senior Personnel Officer, Esso Malaysia Bhd (1981)
- Personnel Officer, Esso Malaysia Bhd (1979 to 1980)
- Industrial Relations Administrator prior to Industrial Relations Administrator: Management Trainee, Malaysia Airline System (MAS) (1976 to 1979)

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES
- Nil

DIRECTORSHIP(S) IN OTHER PUBLIC LISTED COMPANIES
- Nil

EXTERNAL PROFESSIONAL COMMITMENTS
- Perbadanan Wakaf Selangor

MEMBERSHIP OF BOARD COMMITTEES
- Member, Group Board Nomination and Remuneration Committee
- Member, Group Board Sustainability Committee (w.e.f. 1 November 2023)
- Member, Board Audit Committee
- Member of Board Risk Management Committee (up to 31 October 2023)

Malaysian
Age 50
Attendance in 2023 (100%)
11/11 4/4
AC B RK

KONG YUEN LING
Non-Independent Non-Executive Director

Date of Appointment:
27 December 2021

ACADEMIC/PROFESSIONAL QUALIFICATION
- Bachelor of Business (Management) from Monash University (Caulfield Campus), Australia

WORKING EXPERIENCE AND OCCUPATION
- Country Manager & Chief Representative, Malaysia, The Bank of East Asia, Limited (2017 to present)
- Senior Vice President of Multinational Client Coverage (MNC), Global Banking and Markets, HSBC Bank Berhad (2017)
- Director, Head of MNC, The Royal Bank of Scotland Berhad (formerly known as ABN Amro Bank, Malaysia) (2008 to 2016)
- Vice President, Credit Portfolio Management and Relationship Management, The Royal Bank of Scotland Berhad (2005 to 2007)
- Assistant Vice President, Credit Portfolio Management, The Royal Bank of Scotland Berhad (2002 to 2004)
- Risk Management Division, Pengurusan Danaharta Nasional Berhad (Danaharta) (1999 to 2002)
- Assistant Manager, ALCO Support/Risk Management, Southern Bank Berhad (1997 to 1999)
- Assistant Manager, Corporate Banking Department, Southern Bank Berhad (1996 to 1997)
- Account Officer, Corporate Banking Department, Southern Bank Berhad (1995 to 1996)

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES
- Nil

DIRECTORSHIP(S) IN OTHER PUBLIC LISTED COMPANIES
- Nil

EXTERNAL PROFESSIONAL COMMITMENTS
- Nil

MEMBERSHIP OF BOARD COMMITTEES
- Member, Board Risk Management Committee
- Member Group Board Compliance Committee

BOARD OF DIRECTORS AFFIN HWANG INVESTMENT BANK BERHAD

Malaysian

Age 63

Attendance in 2023 (100%)

7/7 2/2

EC BA B IB CR DC RK

TRACY ONG GUAT KEE
Independent Non-Executive Director

Date of Appointment:
18 May 2023

ACADEMIC/PROFESSIONAL QUALIFICATION

- Master of Business Administration from University of Strathclyde, United Kingdom
- Bachelor of Economics (Hons) from Universiti Malaya

WORKING EXPERIENCE AND OCCUPATION

- Chief Representative of ANZ Malaysia Representative Office & Principal Officer of ANZ Labuan Branch, Australia and New Zealand (ANZ) Banking Group Limited (2014 to 2022)
- Chief Executive Officer and Managing Director of Corporate Banking, Bank of America Malaysia Berhad (2011 to 2014)
- Deputy Chief Executive Officer, Danajamin Nasional Berhad (2010 to 2011)
- Senior Executive Vice President and Head of Corporate Banking, Malayan Banking Berhad (2008 to 2010)
- Chief Commercial Officer and Head of Debt Markets, Maybank Investment Bank Berhad (2004 to 2008)
- Assistant General Manager and Head of Business Group, Maybank Banking Berhad (1999 to 2004)
- from Trainee Officer to Head of Corporate Banking, Aseambankers Malaysia Berhad (currently known as Maybank Investment Bank Berhad) (1985 to 1999)
- Finance Executive, Metroplex Berhad (1984 to 1985)

DIRECTORSHIP(S) IN OTHER PUBLIC COMPANIES

- Nil

DIRECTORSHIP(S) IN OTHER PUBLIC LISTED COMPANIES

- Nil

EXTERNAL PROFESSIONAL COMMITMENTS

- Nil

MEMBERSHIP OF BOARD COMMITTEES

- Chairman, Board Risk Management Committee (w.e.f. 1 November 2023)
- Member, Group Board Risk Management Committee (w.e.f. 1 November 2023)
- Member, Group Board Credit Review and Recovery Committee (w.e.f. 1 July 2023)

AD Audit
AC Accounting
IB Investment Banking
RK Risk Management
B Banking
HR Human Resources
EC Economics
GM General Management
FM Facilities Management
SS Security Services
BA Business Administration
CR Credit
DC Debt Capital Market

Attendance in 2023:
Scheduled meetings
Special meetings

Note: *Age is as at 31 March 2024*

CEO OF SUBSIDIARIES

DATO' PADUKA SYED MASHAFUDDIN SYED BADARUDIN JAMALULLAIL
Chief Executive Officer,
Affin Islamic Bank Berhad

Malaysian	Age 49

Date of Appointment
8 November 2022

- Refer to Group Management Committee profile

NURJESMI MOHD NASHIR
Chief Executive Officer,
Affin Hwang Investment Bank Berhad

Malaysian	Age 52

Date of Appointment
1 June 2023

- Refer to Group Management Committee profile

NG SEOW PANG
Chief Executive Officer
Affin Moneybrokers Sdn Bhd

Malaysian	Age 57

Date of Appointment
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

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 integrated thinking that considers the connectivity and interdependencies of factors that affect our ability to create stakeholder value, forming an integrated approach to value creation.

ASSESS

1 ASSESS AND EVALUATE OPERATING CONTEXT

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 may affect our ability to create value and impact our performance and business continuity, risk management and strategies.

See page 82

2 IDENTIFY RISKS AND OPPORTUNITIES

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

See page 90

3 STRENGTHEN STAKEHOLDER ENGAGEMENTS

To create long term sustainable value, we encapsulate in our philosophy the importance of stakeholder communication. We regularly engage with our key stakeholders to understand their perspectives and to create transparency on our strategies and objectives. Our engagements also enable us to align and balance their expectations with our business priorities.

Our key stakeholders are:

Internal Stakeholders

- Board of Directors
- Senior Management
- Employees

External Stakeholders

- Investors/Shareholders
- Regulators/Government Bodies
- Individual & Non-Individual Customers
- Analysts/Rating Agencies
- Media
- Business Partners/IT Outsource Partners

See page 74

IDENTIFY

4 IDENTIFY AND PRIORITISE OUR MATERIAL ISSUES

Material Matters are matters that substantively affect our ability to create value over time, be it over the short, medium or long term. They have an impact on our ability to create value and on the accomplishment of our plans, as such, they guide how we manage risks and take advantage of potential opportunities.

They are identified through conduct materiality assessments that cover the importance of key issues to our business and our stakeholders.

During our materiality review, we identified and prioritised the following 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

See page 80

EMBEDDING ESG PRACTICES

ESG considerations guide our strategic thinking and actions, enabling us to make decisions that are in line with our values and formulate goals that drive long-term value, while maintaining transparency and accountability.

FORMULATE

FORMULATE BUSINESS STRATEGY 5

We take into consideration our material matters, risks and opportunities when formulating our business strategies. We also consider our six key capitals to ensure a value-driven approach.

- Financial Capital
- Intellectual Capital
- Social Capital
- Manufactured Capital
- Human Capital
- Natural Capital

See page 80

DISCIPLINED CAPITAL ALLOCATION

ALLOCATE OUR RESOURCE CAPITALS 6

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 holistically consider our activities in each of the capitals in order to avoid "trade-offs", thus driving more sustainable outcomes.

- **FINANCIAL CAPITAL** - Income from our core and recurring business segments ensures a healthy cash flow position for us to capitalise on our 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, which nurture our capacity for innovation and help us preserve 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** - Our trusted relationships with our customers and local communities, which 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 drive progress in environmental sustainability

See page 68

CREATE VALUE

INTEGRATE INTO OUR BUSINESS MODEL 7

OUR VALUE CREATION BUSINESS MODEL

AFFIN BANK BERHAD

- GROUP COMMUNITY BANKING
- GROUP ENTERPRISE BANKING
- GROUP CORPORATE BANKING
- GROUP TREASURY

OUR SUBSIDIARIES

- AFFIN ISLAMIC BANK BERHAD
- AFFIN HWANG INVESTMENT BANK BERHAD
- AFFIN MONEYBROKERS SDN BHD

OUR CORE BUSINESS

OUR ASSOCIATES

- GENERALI INSURANCE MALAYSIA BERHAD
- GENERALI LIFE INSURANCE MALAYSIA BERHAD

See page 66

CREATING VALUE

CREATE VALUE AND DELIVER POSITIVE IMPACT 8

- A source of sustained growth in total returns for investors and funders
- An employer of choice for employees
- A preferred business partner for vendors and suppliers
- A responsible community partner

CREATING A POSITIVE IMPACT

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

We leverage various resources... *to drive our business...*

CAPITAL INPUTS

FC FINANCIAL

- CET1 Capital Ratio: **14.3% (Strong Capital)**
- Liquidity Coverage Ratio: **174.1% (Strong Liquidity)**
- CASA balances stood at **RM18.9 billion** for FY23, contributing to a CASA ratio of **26.7% FY2022: 23.5%, 3.2% YoY increase)**

MC MANUFACTURED

- Launched AffinAlways mobile internet banking application
- Concentrated effort to **enhance delivery of digital solutions and deployment of automated processes** through major investment in IT development and infrastructure, including cybersecurity
- Dedicated network of **120 branches** and **682 self-service** terminals nationwide

IC INTELLECTUAL

- **Strong brand and presence in key markets** – a reputable and ethical brand
- Enhanced value propositions by **growing strategic partnerships with key institutions, organisations and public agencies**

HC HUMAN

- **High performance and innovative culture**
- **Future skill pipeline through apprenticeships, internships and leaderships**
- **Employee base (as at 31 December 2023: 5,485 (2% YoY increase)**

SC SOCIAL AND RELATIONSHIP

- **Enhanced, targeted community engagements**
- **Strengthened community partnerships**

NC NATURAL

- Improved **energy efficiency** at distribution channels
- **Efforts to protect and conserve natural environments**

Key Differentiators...

AFFIN Long-term Strategic Plan: Affin Axelerate 2028 (AX28)

Sustainable ROE — Banking 4.0 — Efficiency x5

KEY TRENDS

- Moderate Economic Recovery
- Interest Rates and Other Financial Consequences
- Digitalisation
- Workforce Challenges
- Sustainability Concerns 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

KEY RISKS

- Credit Risk
- Market Risk
- Funding and Liquidity Risk
- Operational Risk
- Business Continuity Risk
- Technology Risk/Cyber Risk

SUSTAINABILITY FOCUS AREA

- Sustainable Financing
- Sustainable Operations
- People & Culture
- Support the Community

AFFIN BANK BERHAD

- GROUP COMMUNITY BANKING
- GROUP ENTERPRISE BANKING
- GROUP CORPORATE BANKING
- GROUP TREASURY

OUR SUBSIDIARIES

- AFFIN ISLAMIC BANK BERHAD
- AFFIN HWANG INVESTMENT BANK BERHAD
- AFFIN MONEYBROKERS SDN BHD

OUR CORE BUSINESS

OUR ASSOCIATES

- GENERALI INSURANCE MALAYSIA BERHAD
- GENERALI LIFE INSURANCE MALAYSIA BERHAD

Supported by a robust governance framework

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

...and deliver meaningful value.

Enhance Brand Value

ESG Focus

"To Be The Most Creative Financial Company in Malaysia"

OUTPUTS

Business Activities

Providing a full suite of Islamic and conventional financial services including:

Lending of Loans Advances and Financing:
RM66.66 billion
(2022: RM59.3 billion)

Deposit Taking: Customer Funding Base
RM70.8 billion
(2022: RM65.0 billion)

Investment Banking (IB): PBT FY23:
RM92.5 million
(2022: RM55.0 million)
YoY increase of 68.2%

Other
- Total Assets: **RM105.2 billion**
- Loan Loss Reserve = **143.5%**

CAPITAL OUTCOMES	STAKEHOLDERS
FC FINANCIAL • Earnings Per Share: **17.4 sen (FY2022: 54.4 sen)** • AFFIN total assets exceed **RM100 billion** • Market Capitalisation: **RM4.88 billion (FY2022: RM4.62 billion)** • **8.6%** sustainable financing as a percentage of overall financing portfolio (surpassing the **7% target of for FY2023**)	S2 S5
MC MANUFACTURED • Net Promoter Score (NPS) = **+69** (FY2022: +40) • Customer Satisfaction Score (CSAT) = **91%** (FY2022: 84%) • Improved **customer 360-view, lead generation, time-to-market, internal collaboration, efficiency and cost optimisation**	S1 S9 S10
IC INTELLECTUAL • Constituent of the **FTSE4Good Index** • Constituent of the **Dow Jones Sustainability Index** • **Awards & recognition** received: - **Malaysian Banking Transformational Excellence Award 2023 at the 5th Malaysian Banking & Finance Summit** - **Best Employer Brand Award 2023** by the Employer Branding Institute - India - **Best SME Financial Inclusion Initiative** at the Global SME Banking Innovation Awards 2023 - **Best Bank for SMEs in Malaysia** at the Asiamoney Best Bank Awards 2023 - **Mortgage and Home Loan Product of the Year** at the Asian Banking & Finance Retail Banking Awards - **Best Technology Implementation by a Retail Bank**, Global Retail Banking Innovation Awards 2023	S7
HC HUMAN • Employee engagement score = **77%** • **36%** women representation on the Board • Average hours of training per employee: **59 hours** (FY2022: **48 hours**)	S1 S8
SC SOCIAL AND RELATIONSHIP • Increased allocation amount for Asnafpreneur programme by more than 100% • Community partnerships: - Member of United Nations Global Combat Malaysia and Brunei ("UNGCMYB") - Member of myWakaf 2.0 through the Solar-Dome Dryer initiative and myZakat through Program Transformasi Usahawan Asnaf ("PTUA")	S6 S11
NC NATURAL • Solar panels installed at **12 branches, contributing to:** - More than **1,100%** increase (from 20.599 MWh in FY2022 TO 259.254 MWh in FY2023) of renewable energy generated - Prevention of **202.21 tCO_2e** of carbon emissions • Environmental: - Planted **2,400 trees, surpassing** our **target of 1,000 trees**	S4

PERFORMANCE BY CAPITALS

When making decisions on how to manage and grow our business, we take into account the resources and relationships that are critical to our ability to create value. We refer to these as the six capitals, with inputs of each are needed for the effective production and delivery of our products and services, thereby generating value for all our stakeholders.

We continue to allocate our capital and resources efficiently through our three strategic objectives thereby creating long-term value for our shareholders. This requires making trade-offs, assessing the availability and quality of capital inputs, balancing the short and the long term and taking tough decisions. Below are the primary trade-offs we made and the rationale behind our decisions.

FC FINANCIAL CAPITAL

Funds available to AFFIN to sustain its operations and activities, and to invest in the growth of other key capitals.

INPUTS

- CET1 Capital Ratio: 14.3% (Strong Capital)
- Liquidity Coverage Ratio: 174.1% (Strong Liquidity)
- CASA balances stood at RM18.9 billion for FY2023, contributing to CASA ratio of 26.7% (FY22: 23.5%, 3.2% YoY increase)
- Building our assets through sustainable financing
- Deposits from customers = RM70.8 billion (FY2022: RM65 billion)

OUTCOMES

	2022	2023
Earnings per Share	54.4 sen	**17.4 sen**
Dividend per Share	12.30 sen	**5.76 sen**
Market Capitalisation	RM4.6 billion	**RM4.9 billion**
Shareholder Equity	RM10.6 billion	**RM11.1 billion**
Credit Rating	AA_3/Stable/P1	**AA_3/Stable/P1**
Sustainable Financing Composition	**4.5%**	**8.6%**

- Total assets exceeding RM100 billion

ACTIONS TO ENHANCE OUTCOMES

- Regular engagement with investors and stakeholders to manage their expectations of our financial decisions
- Adopt ways towards enhancing service culture and encouraging customer loyalty

TRADE-OFFS

Reinvesting Financial Capital into growing AFFIN business and nurturing other key capitals, and being prudent of our obligations and approaches to provide attractive financial returns to shareholders and investors.

MC MANUFACTURED CAPITAL

The fixed assets and digital infrastructure that facilitates the provision of products and services to our customers.

INPUTS

- Launched the AffinAlways mobile internet banking application
- Launched the AFFINMAX 2.0 mobile application for businesses
- Investments in technology (technological modernisation through new system, big data analytics, cloud-based services, Workday and robotic process automation)
- Dedicated network of 120 branches and 682 self-service terminals nationwide
- Modern banking platform supporting digitally enabled client solutions and higher operational efficiency
- Streamlining operational processes for greater efficiency through automation and digitalisation
- Effective information and technology infrastructure
- Implementation and integration of digital technologies, connectivity and intelligence in a wide range of devices and work processes

OUTCOMES

	2022	2023
Net Promoter Score (NPS)	+40	**+69**
Customer Satisfaction Score (CSAT)	84%	**91%**

- Onboarded over 200,000 users to AffinAlways mobile internet banking app since its launch (Oct'23)
- Improvement of transaction processing time by 60%
- Improved customer 360-view, leads generation, time-to-market, internal collaboration, efficiency and cost optimisation

ACTIONS TO ENHANCE OUTCOMES

- Mystery shopping by appointed independent agency to improve the quality of AFFIN branches
- Continue to automate and digitalise branch operations for better operational efficiency
- Installed solar panels at 12 branches to improve energy efficiency

TRADE-OFFS

As we balance the cost of Manufactured Capital by streamlining physical touchpoints at our bank branches, Automatic Teller Machines ("ATMs") and SSTs, additional investment is spent on ensuring that our digital assets are customer focused and seamless. Expanding our network across Malaysia enhances convenience and service accessibility, builds greater trust and support, and increases our Social and Relationship Capital.

PERFORMANCE BY CAPITALS

IC INTELLECTUAL CAPITAL

Our intangible assets such as brand reputation, organisational systems, proprietary innovations, in-house capabilities and strategic partnerships.

INPUTS

- Strong brand and presence in key markets – a reputable and ethical brand
- Enhanced value propositions by growing strategic partnerships with key institutions, organisations and public agencies
- The knowledge, processes, technologies and systems embedded in our operations nurture the capacity for innovation, which is key to maintaining our competitive edge.
- Efficient business processes and robust management systems

OUTCOMES

- Constituent of the FTSE4Good Index
- Constituent of the Dow Jones Sustainability Index
- Awards & recognition received:
  - Malaysian Banking Transformational Excellence Award 2023 at the 5th Malaysian Banking & Finance Summit
  - Best Employer Brand Award 2023 by the Employer Branding Institute - India
  - Best SME Financial Inclusion Initiative at the Global SME Banking Innovation Awards 2023
  - Best Bank for SMEs in Malaysia at the Asiamoney Best Bank Awards 2023
  - Mortgage and Home Loan Product of the Year at the Asian Banking & Finance Retail Banking Awards
  - Best Technology Implementation by a Retail Bank at the Global Retail Banking Innovation Awards 2023

ACTIONS TO ENHANCE OUTCOMES

- Expand our digital banking platforms to deliver more inclusive and cost-effective financial solutions
- Invest in cybersecurity to continuously monitor fake platforms and phishing platforms
- Optimisation of fraud rules to strengthen/amplify fraud detection capabilities
- Provide educational programmes to raise customer awareness on financial fraud

TRADE-OFFS

We continued to deliver new innovative products and solutions to our customers amidst recent challenges. Our efforts in building Intellectual Capital are focused on driving digital innovation, incurring changes to Human Capital and Manufactured Capital. This requires the right digital and technology skill sets and infrastructure to support digital processes. Moving forward, the benefits of strengthening Intellectual Capital outweigh the changes undergone by other capitals to facilitate the process.

HC HUMAN CAPITAL

Our employees' knowledge, skills, and experience, which drive our strategies and deliver long-term value.

INPUTS

- High performance and innovative culture
- Talented, agile and diverse workforce inspired to achieve operational excellence
- Future skill pipeline through apprenticeships, internships and leaderships
- Employees (as at 31 December 2023): 5,485 (2% YoY increase)
- Malaysian employees: 5,482 (99.9% of total workforce)
- Non-Malaysians: 3 staff (0.1% of total workforce)
- Permanent Employees: 5,377 (98% of total workforce)
- 5,377 permanent employees, including 4 disabled learners on 12-month contracts
- Non-Permanent Employees: 108 (2% of total workforce)

OUTCOMES

	2022	2023
Employee Attrition Rate	17.6%	**13.9%**
Average hours of training per employee	48 hours	**59 hours**
Reduction in health and safety accidents	3	**2**
High potential performers identified	303	**352**
Lost Time Injury Frequency ("LTIF")	0.31	**0.2**

- Employee Engagement Score = 77%
- 36% representation of women on the Board
- 278 training programmes conducted with 15,534 participants and 99,352 eLearning hours logged

ACTIONS TO ENHANCE OUTCOMES

- Transform our workforce for engaged and proficient employees
- Implement of DEI policies
- Competitive benefits with a focus on employee's health and well-being
- Talented, agile and diverse workforce to achieve operational excellence
- Differentiated culture (client and people-centred, innovative and competitive)
- Health and safety programmes to protect employees

TRADE-OFFS

We invest in training programs to develop future-ready employees. Although these efforts impact our near-term Financial Capital, they help forge more productive and high-performing employees in the long run. The productivity gains obtained from upskilling and digital transformation benefit Human Capital and Intellectual Capital. Investments in employee health and wellbeing create an engaged workforce that can maximise Financial Capital.

PERFORMANCE BY CAPITALS

SC SOCIAL & RELATIONSHIP CAPITAL

The relationships and goodwill between AFFIN and its stakeholders, including local communities and civil society.

INPUTS

- Enhanced, targeted community engagements
- Strengthened community partnerships
- Subcommittees of the Joint Committee on Climate Change
- Value-based Intermediation Community of Practitioners
- Association of Islamic Banking and Financial Institutions Malaysia
- United Nations Global Compact Malaysia and Brunei

OUTPUT

- Increased allocation amount for Asnafpreneurs programme by more than 100%
- Community partnerships:
  - Member of United Nations Global Combat Malaysia and Brunei (UNGCMYB)
  - Member of myWakaf 2.0 through the Solar-Dome Dryer initiative and myZakat through Program Transformasi Usahawan Asnaf (PTUA)

ACTIONS TO ENHANCE OUTCOMES

- Regularly engage with stakeholders to understand their evolving expectations and needs
- Allow payment deferment for selected loans to assist flood victims
- Prioritise local suppliers and offer development programmes for SME vendors
- Deliver a seamless banking experience where turnaround times and processes are clear and transparent
- Maintain interactive and open communication with stakeholders to increase their confidence in the bank

TRADE-OFFS

We invested in community initiatives and payment assistance programmes to alleviate the burden faced by our individual and SME customers. The allocations impacted our Financial Capital in the short run, although the various financing facilities effectively reduced the risk of default. These contributions strengthen our Social and Relationship Capital in the long run.

NC NATURAL CAPITAL

The natural resources used in our operations and the environmental impact of our business activities.

INPUTS

- Energy optimisation by transition to renewable energy for business premises
- Efforts to protect and conserve natural environments

OUTPUT

	2022	2023
Renewable energy generated	20.599 MWh	**259.254 MWh**

- Solar panels installed at 12 branches, contributing to:
  - More than 1,100% increase (from 20.599 MWh in FY2022 to 259.254 MWh in FY2023) of renewable energy generated
  - Prevention of 202.21 tCO_2e of carbon emissions
- Environmental:
  - Planted 2,400 trees, surpassing our target of 1,000 trees

ACTIONS TO ENHANCE OUTCOMES

- Reducing our financed emissions and finance the transition to achieve Net Zero Carbon by 2050
- Increase installation of solar panels across more AFFIN branches as a source for renewable energy
- Reducing 30% of operational emission against 2022 baseline
- Undertaking mangrove tree planting to support our decarbonization plan

TRADE-OFFS

To manage our financed emissions as part of our overall strategy to achieve Net Zero Carbon by 2050, we will have to deploy Financial Capital. As a responsible and sustainable financial institution, we are also building our Social and Relationship Capital by taking an active stewardship role.

STAKEHOLDERS 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.

S1 EMPLOYEES

HOW WE ENGAGE
- Employee engagement surveys
- Performance assessment and feedback
- Intranet messaging
- Department meetings
- Townhall sessions
- Group corporate events
- Grievance handling systems

KEY CONCERNS
- Talent and succession planning
- Employee welfare
- Career progression
- Ethical business practices
- Information and data security
- Environmental practices

HOW WE RESPOND
- Sustainable Financial Services
- Socially Responsible Employer
- Supportive Community Development

S2 INVESTORS/SHAREHOLDERS

HOW WE ENGAGE
- Roadshows
- Investor relations sessions
- Annual general meetings
- Corporate website

KEY CONCERNS
- Overall performance and strategic direction of the Group
- Impact of products and services
- Corporate governance practices
- Strategic collaborations/partnerships

HOW WE RESPOND
- Sustainable Financial Services
- Socially Responsible Employer

S3 GOVERNMENT AND REGULATORS

HOW WE ENGAGE
- Meetings
- Regulatory briefings
- Programmes organised by government/regulators

KEY CONCERNS
- Products & services
- Ethical business practices
- Overall performance
- Regulatory compliance
- Information & data security
- Corporate governance practices

HOW WE RESPOND
- Socially Responsible Employer Service
- Sustainable Financial Services

S4 INDIVIDUAL AND NON-INDIVIDUAL CUSTOMERS

HOW WE ENGAGE
- Customer satisfaction surveys
- Customer service channels
- Meetings/site visits
- Social media
- Corporate website

KEY CONCERNS
- Products & services
- Streamlined customer services
- Ethical business practices
- Personal data protection
- Transparency in sales & marketing

HOW WE RESPOND
- Sustainable Financial Services
- Socially Responsible Employer

S5 ANALYSTS/RATING AGENCIES

HOW WE ENGAGE
- Meetings
- Analysts briefings/forums

KEY CONCERNS
- Products & services
- Ethical business practices
- Regulatory compliance
- Financial performance

HOW WE RESPOND
- Sustainable Financial Services

S6 MEDIA

HOW WE ENGAGE
- Meetings
- Media releases
- Press conferences
- Corporate events

KEY CONCERNS
- Good governance practices
- Societal impact
- Open and transparent communication

HOW WE RESPOND
- Sustainable Financial Services
- Supportive Community Development

S7 BUSINESS PARTNERS/IT OUTSOURCE PARTNERS

HOW WE ENGAGE
- Corporate website
- Meetings
- Corporate events

KEY CONCERNS
- Strategic collaborations/partnerships
- Products and services
- Transparency in sales and marketing
- Regulatory compliance
- Financial performance

HOW WE RESPOND
- Sustainable Financial Services

S8 EMPLOYEE UNIONS

HOW WE ENGAGE
- Meetings
- Townhall sessions
- Group corporate events

KEY CONCERNS
- Regulatory compliance
- Financial performance
- Human capital development
- Fair employment practices

HOW WE RESPOND
- Socially Responsible Employer

S9 VENDORS/ SUPPLIERS/CONTRACTORS

HOW WE ENGAGE
- Meetings
- Corporate website

KEY CONCERNS
- Regulatory compliance
- Financial performance
- Supply chain management

HOW WE RESPOND
- Sustainable Financial Services

S10 INDUSTRY/TRADE ASSOCIATIONS

HOW WE ENGAGE
- Meetings
- Public partnerships

KEY CONCERNS
- Strategic collaborations/partnerships
- Products & services

HOW WE RESPOND
- Sustainable Financial Services

S11 LOCAL COMMUNITIES/NON-GOVERNMENT ORGANISATIONS

HOW WE ENGAGE
- Meetings
- Volunteer activities
- Forums
- Corporate social responsibility programmes

KEY CONCERNS
- Ethical business practices
- Societal and environmental impact
- Indirect economic contribution

HOW WE RESPOND
- Sustainable Financial Services
- Supportive Community Development

VALUE WE CREATE

EM EMPLOYEES

VALUE CREATED FOR EMPLOYEES

- Attractive benefits programme that caters to our employees' physical, mental, and emotional well-being as well as their financial, social and career needs
- Opportunities for professional development and learning
- Robust employee value proposition supported by career development pathways and competitive remuneration and benefits

VALUE FOR AFFIN

- Drive innovation and transformation that keeps the bank relevant and retains its industry leadership position
- Skilled and competent workforce with deep product knowledge, ready to meet the challenges of the evolving business landscape
- A diverse workforce that thrives on innovation and collaboration, with the skills and knowledge to elevate customer experience
- Positive employee retention rate and talent attraction

RISKS

- Inability to retain and attract the right talents for our business needs given the immense talent competition and evolving, next-generation workforce trends
- Potential gaps in workforce skillsets driven by digitalisation and automation
- Irrelevant skillsets and roles that are unable to adapt to digitalisation

OPPORTUNITIES

- Equipping employees with the means - through innovative digital platforms, processes, and new age tools - to increase productivity and efficiency
- Enhancing our training and development programmes to build a workforce that drives transformational growth
- Integrating digital technologies to enrich our employee engagements, improve our talent management processes and empower employees to embrace the benefits of digitalisation

VALUE CREATION INDICATORS & HIGHLIGHTS

- Employee training and development, including number of training hours logged
- New employee hires and employee turnover rate
- Employee Engagement Score and satisfaction metrics
- Employee involvement in community investment and engagement activities
- Employee retention rate
- Employee NPS
- Health and safety incidents
- Ranking in Employer of Choice survey
- Diversity of employees

Capitals: HC IC SC

CU CUSTOMERS

VALUE CREATED FOR CUSTOMERS

- Access to reliable physical and digital banking channels
- Addressing customers' pain points quickly and effectively through engagement channels
- Customer-centric products and services
- A safe, reliable, and seamless digital banking experience.
- Financial inclusion and accessible services for underserved segments (e.g., Mobile Financial Centres)
- Financial assistance for individuals and customers affected by floods

VALUE FOR AFFIN

- Ability to sustain our growth across portfolios and footprint
- Strong brand reputation by building customer loyalty and trust as well as through positive endorsements
- Increasing customer base that keeps us relevant and helps us innovate timely offerings
- Higher rate of conversion facilitated by smoother customer journeys
- Access to underserved/untapped markets with growth potential

RISKS

- Stiff competition from financial and non-financial players in addressing evolving customers' needs
- Reduced loyalty from a lack of understanding of customers' needs or poor relationship management
- Potential loss of customers arising from heightened threat of cyber attacks that may result in personal data and financial losses
- Data breaches, resulting in loss of customer trust
- Money laundering, fraudulent activities and default risk

OPPORTUNITIES

- Building strong customer loyalty through improved engagement and understanding of customers' needs
- Collaborating with customers to gain deeper insights and design solutions that meet their evolving needs
- Accessing underserved markets including the unbanked and rural segments
- Continuously improving our digital channels and the customer journey

VALUE CREATION INDICATORS & HIGHLIGHTS

- NPS
- Customer satisfaction scores, views or rankings as measured by surveys such as our annual External Customer Engagement Survey
- Annual customer survey
- Mystery shopping score
- Number of customer complaints
- Complaint resolution time
- Waiting time and transaction/processing time at branches
- Customer retention rate
- Number of available touchpoints
- Number of active users on AFFIN digital platforms
- Products holding by customer
- Investment performance

Capitals: HC MC SC

VALUE WE CREATE

CO COMMUNITIES

VALUE CREATED FOR COMMUNITIES

- Accessibility to AFFIN products and services and banking facilities
- Empowerment and increased earnings potential through our outreach programmes
- Access to essentials like basic necessities education and healthcare alongside improved financial literacy
- Business and job opportunities arising from AFFIN's socio-economic contributions
- Contributions to community development projects
- Cash support, in-kind donations and corporate sponsorships
- Increased engagement with underserved segments

VALUE FOR AFFIN

- Building public trust to grow AFFIN's presence and position
- Understanding community needs, enabling us to explore avenues to support the underserved
- Protecting wider environment and economies in which we operate
- Improved operating locations with enhanced facilities and infrastructure
- Support from communities and stronger brand reputation

RISKS

- Financing of activities that may damage the environment and its surrounding communities
- Brand risk from potential lack of engagement with and inclusion of surrounding communities
- Lower connectivity and lack of access to financial services within remote and rural communities

OPPORTUNITIES

- Identifying new segments of potential customers and talent for employment
- Engaging communities and incorporating their needs into our financial offerings
- Building a reputation as a responsible business through outreach programmes
- Improving customer acquisition by educating our customer base
- Acquiring financially-savvy customers

VALUE CREATION INDICATORS & HIGHLIGHTS

- Number of individuals impacted by our community initiatives and flagship programmes
- Number of beneficiaries impacted
- Number of volunteers mobilised
- Number of community development projects implemented

Capitals: HC IC SC

CO SHAREHOLDERS AND INVESTORS

VALUE CREATED FOR SHAREHOLDERS AND INVESTORS

- Well-established business backed by robust financial resources, providing assurance of our ability to pay interest and repay debt capital
- Attractive shareholder returns
- Investing options that are resilient against ESG risks and adaptable to opportunities

VALUE FOR AFFIN

- Access to a broad and diverse base of equity and debt holders to facilitate our growth plans
- Attainment of fair ratings and valuation of AFFIN shares
- Financial stability and investor support
- Higher liquidity and capital to facilitate business growth

RISKS

- Misreporting or inaccurate financial analysis by analysts/investors may unfavorably impact stock rating and share price performance
- Increased cost of capital
- Loss of investor confidence and/or low valuations
- Exposure to ESG risks through our banking portfolio
- Poor financial returns due to mismanagement of risks

OPPORTUNITIES

- Providing transparent and timely disclosures on strategy and performance
- Demonstrating consistent performance to raise investor confidence and interest in AFFIN
- Broadening access to competitively priced capital to support growth
- Building investor confidence with sound risk management strategies, including the integration of ESG risks
- Attracting investor interest with good governance and sustainable financial services

VALUE CREATION INDICATORS & HIGHLIGHTS

- Long-term financial outcomes under A25 transformation plan
- AFFIN share price
- Dividend per share
- Total dividend paid to shareholders
- Price-to-book ratio
- Key annual financial guidance

Capitals: FC IC SC

MATERIAL MATTERS

MATERIALITY ASSESSMENT

In our Annual Report for FY2020, we have provided insights into the identification of our materiality matters particularly our source of references, stakeholder engagements, materiality explanation, management approach as well as key risks and opportunities. While we plan to conduct a fresh materiality assessment in FY2024, we are currently disclosing the outcome of the materiality assessment conducted during FY2020. For further details, please refer to our Sustainability Statement on page 184

STEP 1: IDENTIFICATION OF SUSTAINABILITY MATTERS

Sustainability matters are identified by taking into account both internal and external factors, together with emerging global risks and opportunities affecting the financial services industry. We also made cross references with industry-specific materials and publications such as the United Nations Sustainable Development Goals (UN SDG) Industry Matrix for Financial Services and sustainability disclosures by peer organisations.

STEP 2: STAKEHOLDER ENGAGEMENT

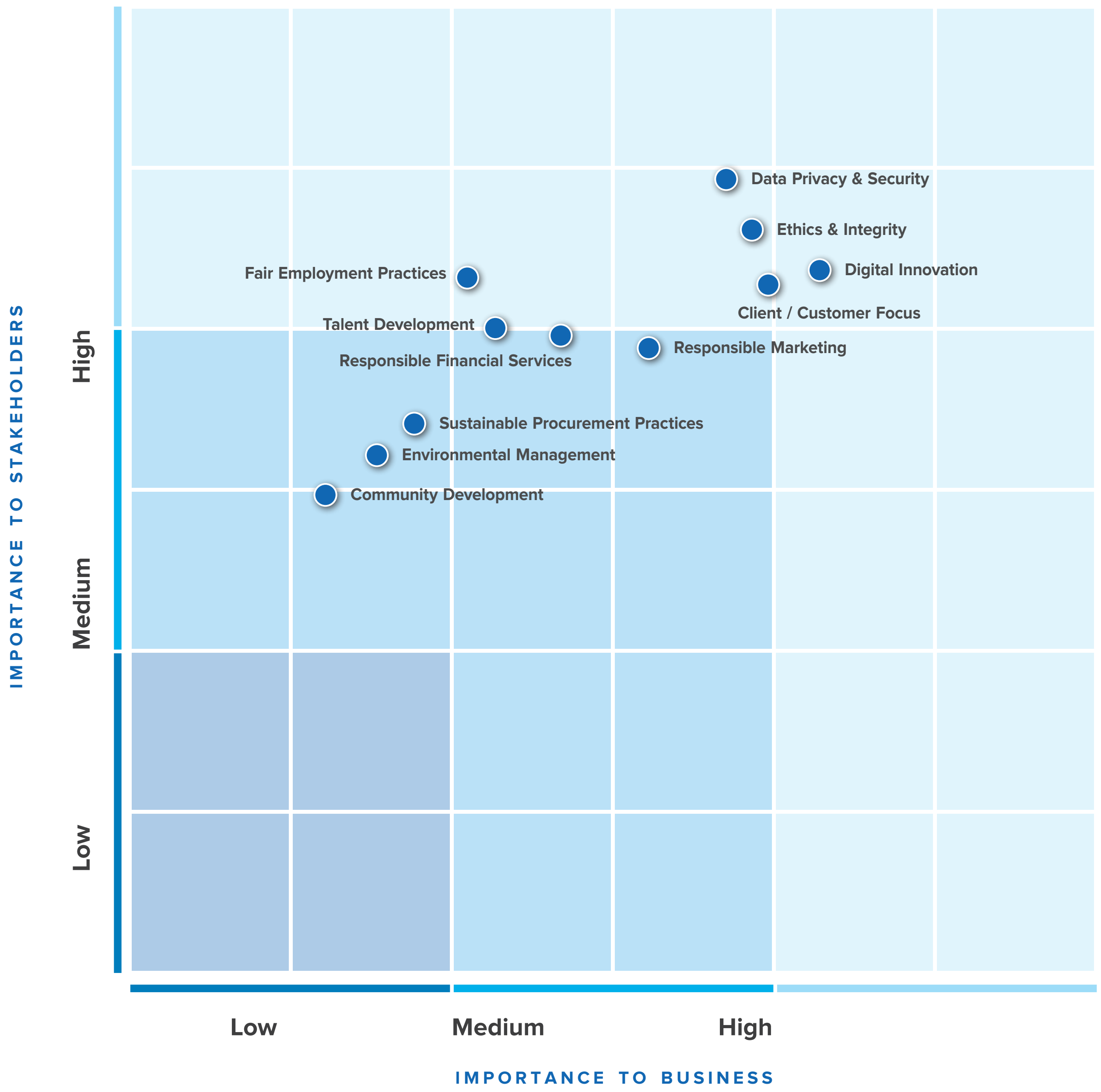
We conducted Stakeholder Engagement sessions with both our internal and external stakeholders to gauge their perception on the identified sustainability matters. From this engagement, we are also able to ascertain their expectations on the management of each of the sustainability matters. For the FY2020 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 Sustainability Working Group 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.



The sustainability matters are subsequently grouped into four focus areas 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.

OPERATING ENVIRONMENT:

ECONOMIC REVIEW & OUTLOOK

Economic Outlook 2024

Amidst a challenging business environment and significant geopolitical events, we **continue to progress on our journey towards the future of banking**. In doing so, we **remain attuned to local and global economic trends**, which in turn guide our formulation of appropriate strategies and approaches to maximise value creation.

GLOBAL OUTLOOK

According to the latest World Economic Outlook report from the International Monetary Fund ("IMF"), global economic growth is projected to expand by 3.1% in 2024 (compared to 3.1% in 2023), before improving further to 3.2% in 2025. This will be supported by improvement in international trade, healthy domestic demand and an easing of monetary tightening. As we move closer to mid-2024, major economies will show stronger signs of economic expansion due to a confluence of events: the likely start of easing cycles of global monetary policies, a recovery of global trade (especially in the Electrical & Electronics sector) and stronger domestic demand driven by more accommodative monetary and fiscal policies.

Barring an escalation in geopolitical risk — which would result in higher prices for commodities such as oil — global inflation will continue to ease. Furthermore, the prospect of continuing government support through stimuli on the fiscal and monetary policy fronts in China, the nation's economic recovery will in turn support a global resurgence. This view is supported by the positive developments in China's external trade activities and by the fact that the IMF has raised 2023 and 2024 growth forecasts for the country.

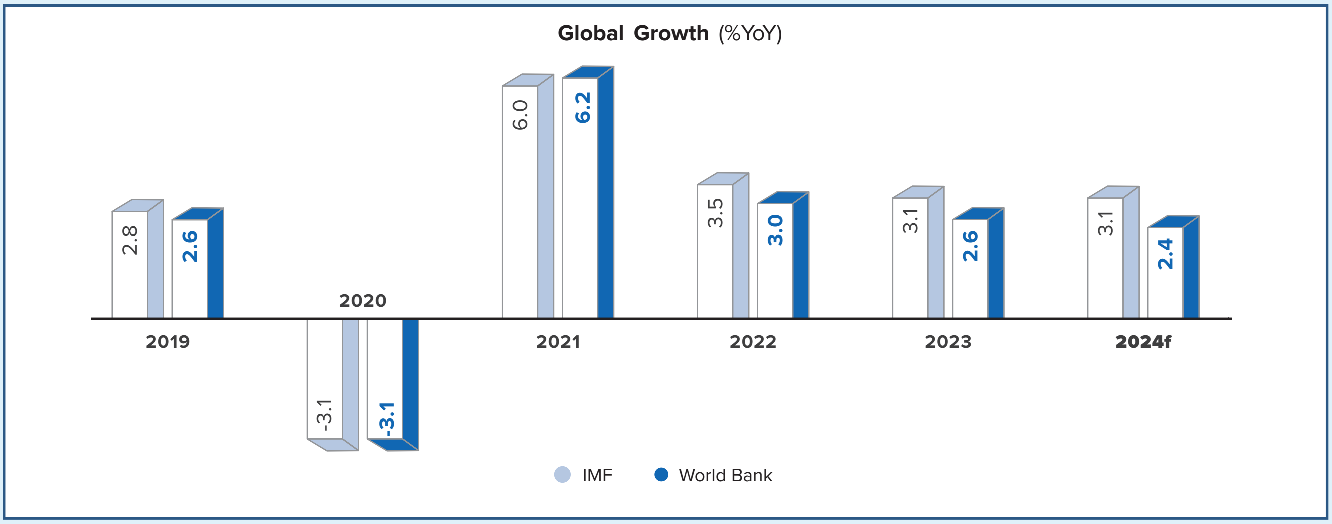
MALAYSIA'S OUTLOOK

Domestically, the Malaysian economy has responded to the global slowdown with resilience. Buttressed by strong domestic demand and strong economic fundamentals, the country posted stronger real GDP growth than many of its ASEAN neighbours in 2023.

Going into 2024, the performance of the country's economy will continue to be influenced by global economic growth. However, with domestic demand remaining strong, our research house forecasts faster expansion for the economy, with projected GDP growth of 4.5% in 2024 (compared to 3.7% in 2023).

On the external front, after a contraction in 2023, Malaysia's exports are expected to rebound in 2024, supported by an upturn in global semiconductor sales. In line with this outlook, World Semiconductor Trade Statistics anticipates global semiconductor sales to expand by 13.1% in 2024, a significant upward revision from its earlier forecast of -9.4% for 2023. This suggests an improvement that will benefit Malaysia's overall trade performance in 2024.

Keeping pace with the improved business sentiment and outlook, we will continue to push the boundaries of innovation and excellence in our pursuit of sustainable growth.



KEY TRENDS & MARKET OUTLOOK

GLOBAL ECONOMIC UNCERTAINTY

The Malaysian economy recorded growth of 3.7% in 2023, supported by domestic demand. However, exports declined due to weak global external demand, weighed down by monetary tightening in advanced economies and uncertain geopolitical environment. While government initiatives have helped to ease the burden, businesses and individuals have adopted a cautious approach to spending and investment, negatively impacting the financial services sector.

IMPACT

- Higher interest rates led to greater demand for deposits, resulting to a price war that negatively impacted our margins
- The rise in interest rates also led to a higher cost of borrowing, placing further pressure on our margins
- Many businesses have paused investments while major infrastructure projects have been put on hold, thus decreasing demand for loans and other financial services

HOW WE RESPONDED

- Focused on lending to the household and business segments (e.g., providing working capital for companies)
- Invested in branch expansion and launch of digital solutions (e.g., AffinAlways mobile internet banking app) to drive CASA growth
- Focused on developing and marketing higher margin products and growing our fee-based income revenue streams (e.g., investment banking advisory services)
- Maintained a disciplined approach to cost management, assisted by our ongoing digital transformation (e.g., automation, big data analytics)

OUTLOOK

In 2024, the Malaysian economy is expected to post stronger growth of 4.5% (with official forecasts ranging from between 4% to 5%). This will be supported by the steady recovery of the global economy, and should lead to improved export figures and a resurgence in the tourism sector.

Economic activity will be further bolstered by new government initiatives, such as the New Industrial Masterplan 2030, which identifies the manufacturing and construction sectors as catalysts of future growth. This will help to drive capex spending in 2024 and beyond.

Leveraging our expanded physical and digital presence and a wider range of niche products and solutions, we will seek to capitalise on the resurgence of the economy while remaining attuned to evolving macroeconomic trends.

Link to: Capitals FC Strategic Pillars DL Key Risks CR MR LR

OPERATING ENVIRONMENT:

KEY TRENDS & MARKET OUTLOOK

DIGITALISATION

There is an increasing preference amongst consumers for digital financial services and solutions. This can be seen in the rise of e-commerce, the growth in the volume of cashless payments and the rise of mobile to become the most common channel for banking activities. With the digital economy becoming a core part of modern life, financial services players must adapt or face a loss of market share and relevance.

IMPACT

- New fintech and digital banking start-ups are emerging with disruptive business models that could erode our market share
- At the same time, the digital revolution offers us the chance to introduce innovative solutions such as digital lending or wealth management
- We can also use digital solutions to provide more efficient and personalised services, thus enhancing the customer experience and driving customer loyalty
- Data analytics can be leveraged to enable more accurate customer segmentation and marketing
- However, the move to digital platforms also exposes us to additional cybersecurity and compliance-related risks

HOW WE RESPONDED

- Launched several digital platforms and services to cater to the diverse needs and preferences of our customers:
  - INVIKTA: for High-Net Worth customers
  - AVANCE: for financial and wealth planning for young, on-the-go professionals
  - AFFINMAX: a cash management solution for corporate and SMEs
  - AFFINWRKFZ: a payroll solution for businesses
  - SME Colony mobile app: a platform that provides SMEs with financial knowledge, networking and more
  - AffinAlways mobile internet banking: a tailored mobile banking solution
  - Customer360: our new Customer Relationship Management (CRM) system
- Leveraged big data analytics through our Enterprise Data Hub unlock data-driven insights on our customers and their needs
- Used Salesforce to implement digital lead generation processes
- Adopted best practices and standards from leading digital sectors while benchmarking our digital performance and competitiveness
- Invested in cybersecurity measures to protect customer data and drive digital trust

OUTLOOK

Moving forward, digitalisation will continue to drive the evolution of the financial services industry, and the most innovative and customer-attuned industry players will have the best chance of success.

Beyond financial services, the Malaysian government is targeting to attract USD16.1 billion (RM68.5 billion) in digital investment and increase the contribution of the digital economy to more than 22.5% of the nation's GDP by 2025. To achieve this, the government has identified nine sectors to drive growth: trade, agriculture, services, cities, health, finance, content, tourism and Islamic.

Link to: Capitals IC HC MC Strategic Pillars DL CS Key Risks TR OR BCR

WORKFORCE CHALLENGES

Maintaining a high quality workforce is key to driving business value. However, several key trends are making the task of attracting and retaining top talent more difficult:

- The rise of the gig economy, with employees more likely to opt for non-full-time positions
- Digital transformation, which changes the skills and capabilities expected of employees
- The move away by younger professionals from traditional sectors like banking with a growing preference for more dynamic working environments like those offered by start-ups and tech companies

IMPACT

- If we do not offer competitive remuneration, benefits and career development opportunities, our ability to attract talent (especially younger talent) would be impacted
- With rapid digital transformation, we may also be at risk of a mismatch of skills between our employees in important areas such as digital banking, cybersecurity, and data analytics
- Retaining talent is also a challenge, as skilled employees may be lured away by opportunities abroad or in other industries offering higher salaries or better work-life balance
- Furthermore, with the rise of the gig economy, potential employees may opt against full-time employment, leading to a shrinking talent pool

HOW WE RESPONDED

- Continued to invest in training and development programs to upskill and reskill our employees in key digital areas such as cybersecurity, AI and specific tools like Microsoft Power Automate and Microsoft Power BI
- Encouraged innovative thinking through innovation labs, hackathons and our AFFINioVATION programme
- Initiated change management initiatives to foster a pro-change mindset and drive employee buy-in of our various transformation initiatives across A25, sustainability and more
- Continued to offer competitive remuneration and benefits in order to drive employee retention
- Invested in various well-being initiatives to foster a greater sense of belonging and loyalty amongst employees

OUTLOOK

The employment market is projected to remain stable, with an unemployment rate of between 3.2% to 3.4% in 2024 and a healthy influx of fresh graduates. The challenge will lie in convincing these potential employees that a career in financial services, and specifically at AFFIN Group, offers them the blend of financial benefits, professional development and work-life balance they desire for their career.

Link to: Capitals IC HC Strategic Pillars CS RB Key Risks OR

OPERATING ENVIRONMENT:

KEY TRENDS & MARKET OUTLOOK

GROWING CONSUMER SOPHISTICATION

With the accessibility of knowledge and the pervasiveness of social media, consumers today are more informed and empowered. As a result, they are placing greater and more specific demands on the brands they choose to engage with.

Specifically, consumers are increasingly basing their purchasing decisions on the environmental and social track record of organisations. They also demand that companies cater to their needs "anytime and anywhere" through easy-to-use digital products and solutions.

IMPACT

- Our consumers are more digitally-savvy than ever – to drive their loyalty, we need to provide a truly seamless and convenient online banking experience
- We also need to provide specific solutions at a more segmented, niche level to meet their needs
- It is equally vital that we take the lead on social and environmental issues in order to drive our reputation as a responsible and caring organisation

HOW WE RESPONDED

- Embraced new digital solutions (e.g. AffinAlways mobile internet banking, AFFINMAX 2.0) to enhance digital convenience
- Continued to invest in cybersecurity to ensure the privacy and security of our customers' data
- Innovated a variety of niche products across our community, enterprise and corporate banking divisions to more accurately meet customer needs
- Advanced on our sustainability agenda by introducing new sustainable financing solutions and driving internal social and environmental initiatives
- Utilised data analytics to gain deeper insight into our customers' needs and preferences

OUTLOOK

As consumer preferences continue to evolve, our approach to customer satisfaction will be guided by one of the three strategic objectives under our A25 plan – "Unrivalled Customer Service" – under which we aim to develop personalised products and provide seamless customer experiences.

The impact of our efforts thus far is evidenced by our NPS of +69, placing us amongst the top three conventional banks in Malaysia, and our CSAT of 91%, which is above the industry average.

Link to: Capitals SR IC HC FC Strategic Pillars DL CS Key Risks CR BCR RT OR

GEOPOLITICAL TURBULENCE

The world has been rocked by various geopolitical conflicts over the past few years, including the Russia-Ukraine war, the unrest in Palestine and the trade war between China and the USA.

These conflicts have led to logistical bottlenecks and general uncertainty around global supply chains, driving higher-than- anticipated commodity prices and continued global inflation, with these factors directly impacting the financial services industry and affecting our margins.

IMPACT

- Our business is directly affected by the stability of the geopolitical environment – greater uncertainty would impact currency exchange rates, interest rates and overall economic stability, which in turn affects banking activities such as lending, investment and asset management
- Geopolitical shifts may also lead to changes in regulatory frameworks, affecting how we operate across borders, handle transactions and manage risk
- In addition, the current geopolitical turbulence makes it vital that we constantly monitor geopolitical developments to assess risks associated with our investments, loans, and other financial activities, as instability in certain regions can increase credit, market and operational risks

HOW WE RESPONDED

- Continue to conduct scenario analyses to anticipate various geopolitical outcomes and their potential effects on the banking sector, empowering us to introduce proactive measures to mitigate risks and capitalise on opportunities
- Invest in advanced technologies such as data analytics and AI, to enhance operational efficiency, drive more effective cybersecurity measures, and enhance our risk management capabilities
- Diversify our sources of income to limit the impact of specific geopolitical and economic shocks to our business
- Maintain our disciplined focus on cost management to mitigate against the financial impacts of geopolitical uncertainty and its related outcomes

OUTLOOK

Looking forward, the world's key geopolitical conflicts show no sign of abating in the near future. With this in mind, our focus will continue to lie in minimising the financial impact of any further escalations on our business by diversifying our revenue streams and driving cost-efficiencies via streamlined processes and new digital solutions.

Link to: Capitals MC FC Strategic Pillars DL Key Risks CR MR LR OR RT BCR

OPERATING ENVIRONMENT:

KEY TRENDS & MARKET OUTLOOK

THE TRANSITION TO A LOW-CARBON ECONOMY

The urgency of climate change calls for coordinated and purposeful action across the corporate sector, which has been singled out as a major cause of global emissions. Failure to respond effectively to the climate challenge may lead to irreparable reputational damage, financial losses and legal implications.

Driven by consumer and investor pressures and the Malaysian government's plan to achieve net zero greenhouse gas ("GHG") emissions by 2050, the onus now falls on us to not only drive our own net zero transition but lead the way for the industry on energy efficiency, renewable energy and other emissions reduction strategies.

IMPACT

- Taking a leadership role on climate change offers us the opportunity to build our reputation as an environmentally responsible and future-oriented organisation
- Failure to do so, however, could lead to an erosion of the trust of our stakeholders, weakening our competitive position
- As extreme weather events and other climate change impacts increase in severity and frequency, it is also essential that we integrate such risks within our planning and overall strategic approach

HOW WE RESPONDED

- Established our GHG emissions reduction targets: to achieve a 30% reduction of Scope 1 and 2 emissions by 2030 and Net Zero Carbon by 2050
- Introduced various emissions reduction initiatives including installing solar panels for renewable energy generation, reducing our grid impact by harvesting rainwater and moving our headquarters to Menara AFFIN, a certified green building in TRX which integrates impactful energy-efficiency technologies
- Commenced our TCFD journey, under which we are identifying specific climate-related risks – and strategies to mitigate them - and opportunities that we may capitalise on amidst the transition to a low-carbon economy
- Continuing to drive the creation and uptake of sustainable financing solutions, with the aim of achieving 15% sustainable financing as a percentage of our overall financing portfolio by FY2025

OUTLOOK

As we move closer to our interim checkpoint of 2030, we will intensify our climate action efforts by introducing energy-efficient technologies, expanding our renewable energy capacity and driving the growth of our sustainable financing solutions

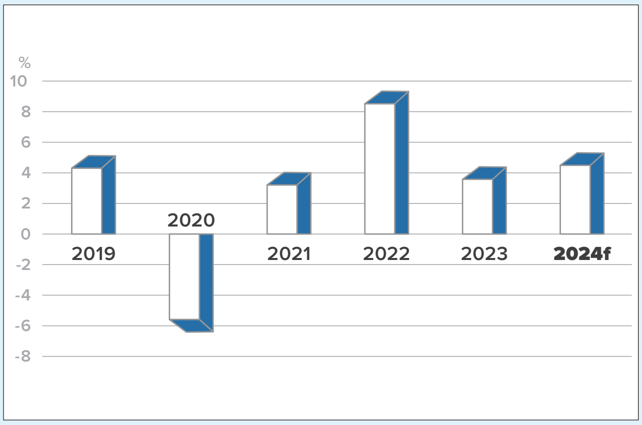
Link to: Capitals NC SR FC Strategic Pillars RB Key Risks CR RT

KEY TRENDS EXPECTATIONS TO 2030

Worries about downside risks to global growth associated with uncertain global trade from higher commodity prices and escalation of geopolitical tensions remain. However, with the prospect of monetary easing in some advanced countries, we expect that volatility in global financial markets will ease in the near term, leading to more manageable capital outflows and a healthier global economy. Furthermore, world trade is projected to improve as the global technology upcycle gains strength.

Despite negative external factors, Malaysia's banking industry was supported in FY2023 by steady domestic demand, strong government stimulus and an accommodative monetary policy. The country also maintained favourable employment and wage growth, driving increased private consumption and investment.

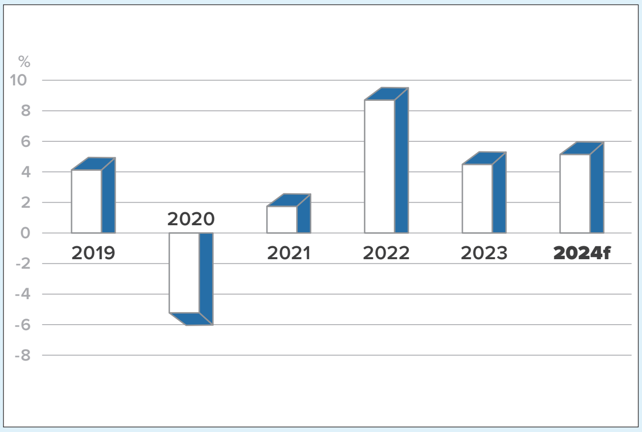
Real GDP Growth



GDP

The Malaysian economy is expected to strengthen from 3.7% in 2023 to 4.5% in 2024

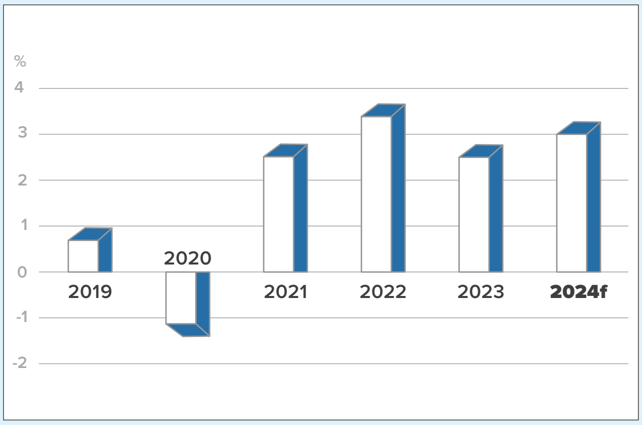
Domestic Demand



Domestic demand

Recovery in external sectors remain supportive, but growth will be driven by domestic demand in 2024

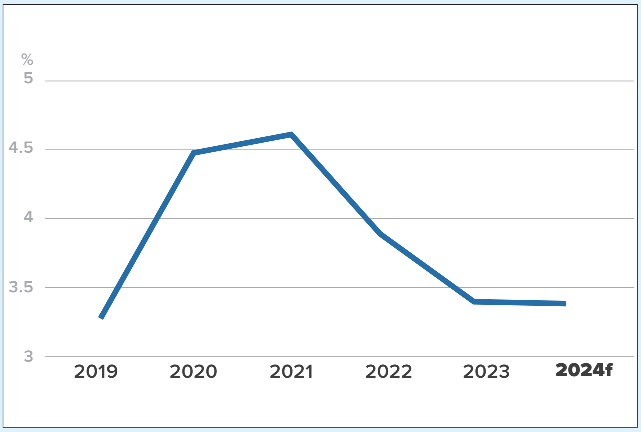
Consumer Price Index



Inflation

Manageable inflation with steady commodity prices

Unemployment Rate



Unemployment rate

Favourable labour market conditions, with low unemployment rate

KEY RISKS AND MITIGATION

We rigorously monitor key risks that may affect our business operations, strategies and growth prospects, developing and executing purpose-fit strategies to mitigate against their impacts and capitalise on any opportunities that may arise.

CR Credit Risk	LR Funding & Liquidity Risk	TR Technology Risk / Cyber Risk	BCR Business Continuity Risk
MR Market Risk	OR Operational Risk	RT Reputational Risk	

CR CREDIT RISK

DESCRIPTION AND IMPLICATION ON VALUE CREATION

- Loss of principal or income from failure of obligors or counterparties to meet contractual obligations in accordance with agreed terms.

RESPONSE AND MITIGATING ACTIONS

1. 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.

2. 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.

3. 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.

4. Tail-end risks emanating from the effects of the COVID-19 pandemic and expiry of repayment assistance programme 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 that are assessed to be of higher risk.

5. The Group practices 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.

6. 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).

7. 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.

OPPORTUNITIES ARISING FROM THIS RISK

- Leveraging export recovery and resilient domestic expenditure
- Adapting to evolving economic conditions and managing interest rate risk
- Maintaining customer relationship and minimizing credit risk

RISK MOVEMENTS

Despite the normalisation of domestic demand in China and improved US growth, global GDP growth remained challenging in 2023 as the economic slowdown persisted in Europe and weaknesses manifested in China's property market. Downside risks to the growth outlook remains in 2024, contributed by rising geopolitical tensions, persistent inflationary pressures, and increasing volatility in global financial markets.

For Malaysia, GDP growth stood at 3.7% in 2023, with projections indicating improvement in 2024 supported by export recovery and resilient domestic expenditure. Continued employment and wage growth are expected to bolster household spending, while investment activity benefits from ongoing projects in both public and private sectors. However, downside risks to growth exist, including weaker global external demand, while upside opportunities stem from tech sector upcycle, robust tourism, and accelerated project implementations.

On the monetary front, significant shifts were observed in 2023 against the backdrop of monetary policy actions and evolving economic conditions. The increase in the Overnight Policy Rate (OPR) was initiated in May 2022. This tightening stance continued through 2023 with a total of 125 basis points increase in OPR, with the last 25 basis points increase taking place in May 2023.

As we transitioned into the endemic phase, market conditions witnessed improvement; however, certain segments of borrowers continued to grapple with prolonged effects from the pandemic. As a financial intermediary, we extended support to our customers by offering ongoing loan restructuring and rescheduling moratoriums based on individual needs on a case-to-case basis.

1. Gross Loans, Advances and Financing <Dec-23: RM66.66 billion; Dec-22: RM59.34 billion>
2. Gross Impaired Loans/Financing Ratio <Dec-23: 1.90%; Dec-22: 1.97%>
3. Average Credit Risk Weight < Dec-23: RM59.60 billion; Dec-22: RM52.98 billion>

LINK TO Capitals FC MC IC HC SC NC Stakeholders S1 S2 S3 S4 S5 S7 S11 Strategy CS DL RB

MR MARKET RISK

DESCRIPTION AND IMPLICATION ON VALUE CREATION

- 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.

RESPONSE AND MITIGATING ACTIONS

1. The Group has in place a robust credit risk policy framework to ensure effective and prudent credit risk 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.
2. 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 instituted to separate the differentiated business risks associated with proprietary risk-taking, capital investments and liquidity management.
3. The reporting and analytics infrastructure for market risk management have been continuously 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.
4. 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.
5. GMRM employs forward-looking financial scenarios to constantly review key market risk developments with the management and the Board on a regular basis.

OPPORTUNITIES ARISING FROM THIS RISK

- Buffering against volatility and optimizing income returns
- Adapting to potential interest rate changes
- Managing risk exposure and optimizing returns

KEY RISKS AND MITIGATION

RISK MOVEMENTS

FY2023 reflect on a year marked by significant monetary policy actions and evolving economic landscapes. The Federal Reserve initiated a rigorous campaign through monetary policy tightening against inflation in March 2022, elevating its policy Federal Funds rate. This policy stance remained consistent post the July 2023 conclave, in light of a notable downtrend in inflation metrics. Specifically, the Consumer Price Index (CPI), a critical barometer for inflation, receded from a peak annual rate in June 2022 to a more subdued rate recently, signalling easing inflationary pressures. Amidst this backdrop, the Federal Reserve's statement in mid-December hinted at the potential for rate reductions in the forthcoming year, aligning with the downward inflation trajectory.

Entering early 2023, investor sentiment was tinged with apprehension over a possible severe recession in the US, driven by the Federal Reserve's most intensive monetary tightening phase since the early 1980s. Despite these concerns, the US economy and markets demonstrated remarkable resilience. A brief US banking sector turmoil in March did little to destabilize the broader economic stability. Equity markets found support in favourable initial valuations and a pronounced recovery in mega-cap technology stocks, culminating in overall positive performance.

Although US bond markets experienced declines for the majority of the year, a notable rally in the final quarter, coupled with higher income returns from most bonds, provided a buffer against the volatility induced by the fluctuating interest rate environment in the US.

Higher Market Risk-Weighted Assets ("RWA") in 2023 was mainly contributed by higher holding of trading positions of bonds, equity and FX instruments.

Market RWA Highlights (RM' million)

31 December 2022	**631**
31 December 2023	**1,829**

LINK TO Capitals FC MC IC HC Stakeholders S1 S2 S3 S4 S5 S7 Strategy CS DL RB

LR FUNDING AND LIQUIDITY RISK

DESCRIPTION AND IMPLICATION ON VALUE CREATION

- 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.

RESPONSE AND MITIGATING ACTIONS

1. GMRM manages current and forward-looking liquidity risks arising from idiosyncratic and systematic risk events under a set of approved liquidity frameworks and policies.
2. 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.
3. The Group employs a Strategic Funding Plan that is routinely reviewed and discussed at Group Asset Liability Committee (GALCO) to track performances against liquidity targets and approved board-risk appetites, and to ensure that our liquidity positions are constantly assessed in line with market and economic developments.
4. Liquidity positions on the balance sheet are monitored by their original currency and maturity breakdown and they must comply to internal thresholds approved by management.
5. The Group periodically performs a contingency funding plan simulation exercise to evaluate and test the readiness and efficacy of our recovery options to manage eventualities arising from unexpected liquidity events.
6. The liquidity risk profile of the balance sheet is evaluated daily 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.

OPPORTUNITIES ARISING FROM THIS RISK

- Improve market sentiment and interest rate pressure reduction
- Stabilising financial conditions and supporting economic recovery
- OPR stability in Malaysia providing stability and predictability for businesses and investors
- Banks managed buffers to address year-end seasonal fluctuations

RISK MOVEMENTS

With the rising expectation of US rate cut in 2024 following the improving inflation data in US since its peak in June 2022, market sentiment has improved significantly and there is now less pressure for emerging countries to raise interest rate as one of the measures to stabilise financial condition. Most of the economist expects BNM to hold OPR rate at 3% throughout 2024 amidst the benign inflation data and continued effort to sustain the economic recovery. This sentiment was also reflected in 2023-year end funding market, whereby deposit competition was less intense as compared to previous year in view of the flattish OPR outlook.

The banking system liquidity coverage ratio rose in December 2023 as banks proactively managed buffers to address anticipated year end seasonal fluctuation in deposit level. At as December 2023, LCR of ABB, AIBB and AHIBB stood at comfortable level of 167.3%, 157.8% and 184.8% respectively.

LCR for FYE2022:
a) ABB: 143.8%
b) AIBB: 185.1%
c) AHIBB: 163.6%

LINK TO Capitals FC MC IC HC Stakeholders S1 S2 S3 S4 S5 S7 Strategy CS DL RB

OR OPERATIONAL RISK

DESCRIPTION AND IMPLICATION ON VALUE CREATION

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

RESPONSE AND MITIGATING ACTIONS

1. 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.

2. 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.

3. Review identification of major operational risk for all BUs/SUs within the Group, challenge their assessment and evaluate effectiveness of risk mitigation activities submitted via ORM tools such as Risk Control Self-Assessment ('RCSA'), Control Self Testing ('CST'), Key Risk Indicator ('KRI'), Operational Risk Event Reporting and Scenario Analysis ('ScAn').

4. Ensure effective coordination and communication with other risk management and control functions.

5. Ensure material operational risk events are reported to the Board of Directors, GBRMC and Senior Management on a timely manner with a focus on operational risk developments to facilitate informed and sound decisions.

6. Business Risk and Compliance Manager (BRCM) and Designated Risk and Compliance Officer (DRCO) as part of as the first line of defence to undertake the roles and responsibilities of operational risk management. BRCM and DRCO are responsible for the reporting of ORM activities and acts as a point of liaison with Group Operational Risk Management on all operational lapses and results.

7. Group Compliance and Group Internal Audit shall act as independent reviewers and validators as part of the second and third line of defence in performing reviews and assessments on operational risk governance structure, processes, systems and assessing the effectiveness of senior management oversight.

OPPORTUNITIES ARISING FROM THIS RISK

- Streamlined internal processes and automation. This could minimize errors, inefficiencies and operational risks
- Training programmes and awareness campaigns promote ethical behavior. This would mitigate employee-related risks and foster a positive culture
- Proactive regulatory compliance and resilience would ensure compliance and operational resilience were achieved

KEY RISKS AND MITIGATION

RISK MOVEMENTS

The banking industry in Malaysia faces a dynamic landscape of operational risks stemming from various sources, including internal processes, people, systems and technology, and external events. Understanding and effectively managing these risks are crucial for banks to maintain stability, protect their reputation, and ensure long-term success in a highly competitive environment.

AFFIN Group recognises the importance of optimizing internal processes to mitigate operational risks. There is a concerted effort to streamline procedures, enhance controls, and automate manual tasks to minimize the potential for errors and inefficiencies. Initiatives such as investing in digital process automation tools are gaining traction to drive operational excellence and improve overall process reliability.

Human factors such as employee errors and misconduct pose inherent operational risks to the bank. Comprehensive training programs, ongoing awareness campaigns, and robust whistleblowing mechanisms are being implemented to promote a culture of accountability and integrity within organizations. By fostering a culture of compliance and ethical behaviour, the Bank aim to mitigate the risk of fraudulent activities and protect its reputation.

External events, including regulatory changes, geopolitical tensions, and natural disasters, continue to pose challenges to the Bank's operations. Close monitoring of regulatory developments and proactive engagement with regulatory authorities are essential to ensure compliance and resilience in a rapidly evolving regulatory environment. Additionally, robust outsourcing service provider due diligence processes and business continuity planning efforts were implemented to mitigate the impact of external disruptions on business operations.

In conclusion, the Bank proactively manages operational risk through a combination of strategic initiatives, governance functions and control framework. By focusing on optimizing internal processes, promoting a culture of integrity, and building resilience against external threats, the Bank is well-positioned to navigate the complexities of operational risk landscape and thrive in a dynamic and challenging business environment. Moving forward, continued vigilance, innovation, and collaboration are essential to effectively manage and mitigate operational risks.

1. Operational RWA – < Dec-23: RM4.03 billion; Dec-22: RM3.95 billion>

LINK TO Capitals FC MC IC HC SC NC Stakeholders S1 S2 S3 S4 S5 S6 S7 S8 S9 S11 Strategy CS DL RB

TR TECHNOLOGY RISK/CYBER RISK

DESCRIPTION AND IMPLICATION ON VALUE CREATION

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

RESPONSE AND MITIGATING ACTIONS

1. 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 organizational structures to ensure the alignment of IT strategy with business strategy, optimization of resource, IT value delivery and performance management to achieve business objective and effective technology risk management implementation.

2. 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.

3. 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.

4. 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

OPPORTUNITIES ARISING FROM THIS RISK

- Boosting competitiveness and enhancing customer experience
- Leveraging innovation and enhancing cyber resilience.
- Minimising cyber risks and ensuring robust security
- Building trust and protecting stakeholders' interest
- Strengthening resilience against external threats

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.

5 The Group proactively monitors the cyber threats through 24x7 Security Operations Centre (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).

6 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.

7 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.

8 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.

RISK MOVEMENTS

The Group is embarking on a major digital transformation journey to boost competitiveness, improve customer experience and ensure robust cyber resilience. The drive for resilience and innovation through Cloud and Artificial Intelligence (AI) adoption are central to the Group's strategic initiatives (A25 and AX28), with strong cyber hygiene and improving cyber response time with a "zero-trust" approach as part of the journey.

This commitment to responsible growth and robust security aligns with the emphasis by regulatory bodies on strong risk management for cloud and AI technologies. We remain dedicated to protecting our stakeholders and customers' interest, while complying with respective regulations. Furthermore, the Group recognises the potential threats posed by third-party vendors. To mitigate these supply chain attack risks, we have formulated a comprehensive third-party risk management program.

LINK TO Capitals FC MC IC HC Stakeholders S1 S2 S3 S4 S7 S9 Strategy CS DL RB

KEY RISKS AND MITIGATION

BCR BUSINESS CONTINUITY RISK

DESCRIPTION AND IMPLICATION ON VALUE CREATION

- 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

RESPONSE AND MITIGATING ACTIONS

1. 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 Guidelines in 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.

2. GBRMC has oversight to review and monitor all matters pertaining to Business Continuity (BC) Risk.

3. 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.

4. The BCM Programme is made compulsory for each business unit in the Group to undertake. The outcome of this assessment will ensure risk mitigation and controls, business continuity strategy and crises responses are in place to facilitate workability and sound practice of managing Business Continuity Risk.

5. Risk control is established through adherence to GCPF, Group BCM Policy, Bank Negara Malaysia BCM Guidelines 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.

6. 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.

OPPORTUNITIES ARISING FROM THIS RISK

- Annual BCM could reduce major losses and ensue compliance with regulators' guidelines
- Create an effective oversight and risk management
- Constantly apply a prudent risk management practice in organisation
- Able to always be prepared for resumption and recovery
- Promoting operational resiliency during crises

LINK TO Capitals FC MC IC HC SC Stakeholders S1 S3 S4 S6 S7 S9 Strategy CS DL RB

RR REPUTATIONAL RISK

DESCRIPTION AND IMPLICATION ON VALUE CREATION

- Reputational risk is defined as risk arising from negative perception of customers, shareholders, investors, regulators or other stakeholders that may adversely affect the Group's operations, such as the ability to maintain existing or establish new business relationships and continued access to sources of funding.
- Reputational risk may be caused by the following:
  - Poor management of business/operational activities including product or service delivery failure
  - Regulatory non-compliance
  - Inappropriate conduct or misrepresentation by staff
  - Negative news

RESPONSE AND MITIGATING ACTIONS

Measures taken to effectively mitigate these risks and safeguard the Group's reputation are as follows:

1. Oversight by Board and Management Committee to ensure the effectiveness of risk management and control measures.
2. Adoption of the Three Lines of Defence (3-LOD) model, where the 1st line (risk owner) manages risk at its source. The 2nd line provides independent oversight and validation function, whilst the 3rd line provides independent audit assurance.
3. Regularly assess and review the effectiveness of internal controls to ensure that material risks are adequately mitigated and any lapses to internal controls are rectified timely.
4. Establish a comprehensive customer complaint management process, whereby customer complaints are logged, tracked and resolved within an appropriate timeframe.
5. Promptly respond to adverse comments or information pertaining to the Group in the social media to manage speculation.
6. Robust crisis management plan to manage crisis in an effective and structured manner.

OPPORTUNITIES ARISING FROM THIS RISK

- Ensuring alignment with strategic objectives and safeguarding reputation
- Strengthening risk controls and minimizing reputational impact
- Responding promptly to adverse comments in social media to maintain a positive image
- Regular assessment of internal controls and addressing any lapses promptly

LINK TO Capitals FC MC IC HC SC NC Stakeholders S1 S2 S3 S4 S5 S6 S7 S8 S9 S10 S11 Strategy CS DL RB

OUR STRATEGIC ROADMAP

Moving forward, we are taking the next step on our strategic journey by transitioning from A25 to the AX28 transformation plan, which commenced in December 2023 and covers the five-year period from 2024 to 2028.

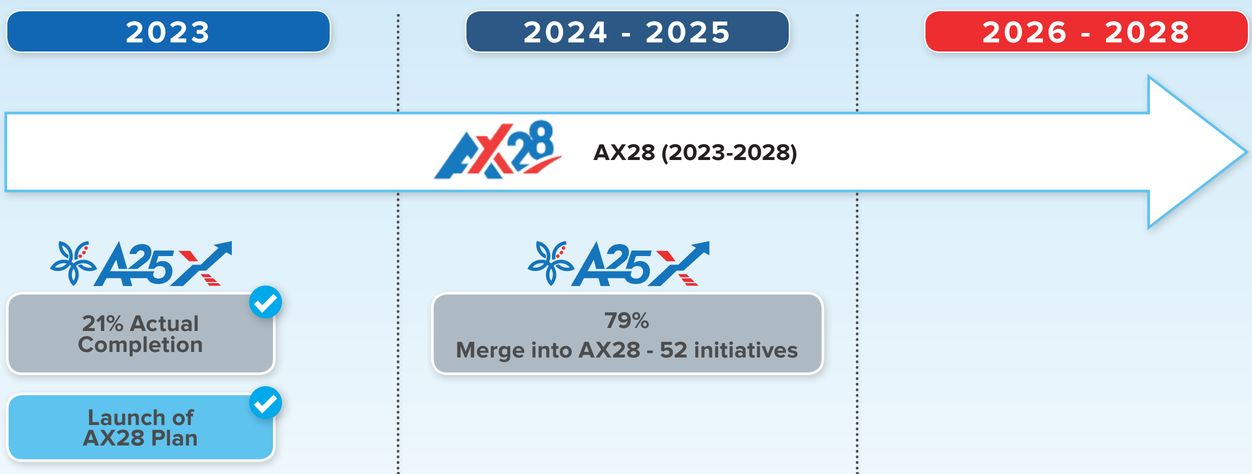
Through AX28, we aim to deliver a target Profit Before Tax ("PBT") of RM1.8 billion by 2028, in addition to the following short-to-mid-term financial targets:

	2025 Targets (Revised)	2028 Targets
PBT	RM1.2 billion	RM1.8 billion
CASA	31%	35%
ROE	8%	12%
CIR	56%	<53%
GIL	1.8%	1.5%

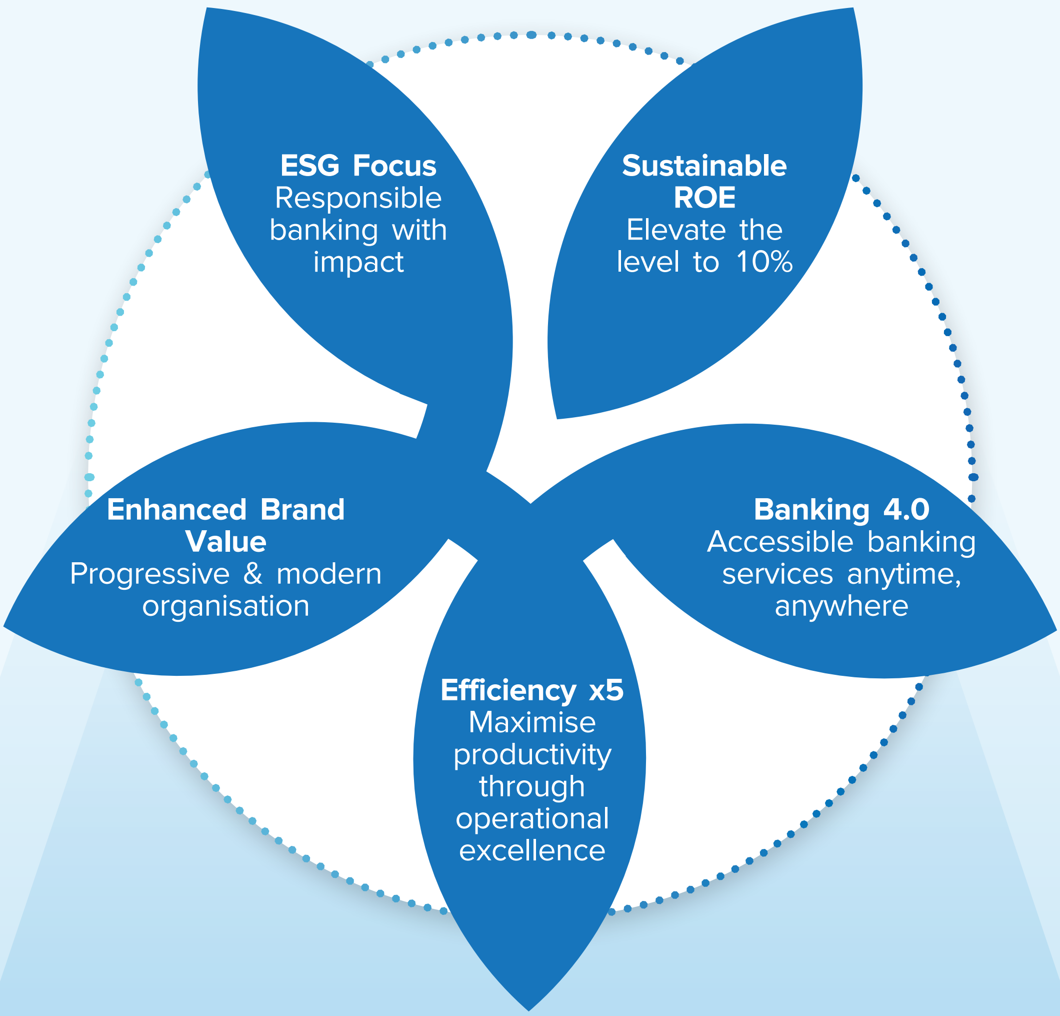
To achieve these ambitions, we will remain focused on our three strategic objectives – Unrivalled Customer Service, Digital Leadership and Responsible Banking with Impact. However, these efforts will be amplified through the following ambitions & new focus areas:

- Private Banking Business to Support T20
- New Digital Core for Product Innovation and Increased Scale
- Greater Presence in Sarawak
- Becoming Capital Efficient to Unlock ROE
- Bigger ESG Game

Transitioning from AFFIN 2025 "A25" to Affin Axelerate 2028 ("AX28"), positioning the new strategic initiatives for AX28 to achieve RM1.8 billion PBT target by 2028.



STRATEGIC PERFORMANCE REVIEW



1. Sustainable ROE

Abundance of capital will enable AFFIN Group to grow its business to the next level through expanding the range of products & services and ramping up fee-based income business.

Triple Banking Model

Successfully launched 5 triple banking branches in 2023, namely Kota Kinabalu Branch, Chulan Tower Branch, TRX (counter), Seremban 2 Branch, and Batu Pahat Branch.

With the objective to strengthen and transform AFFIN banking network via:
- Embedding triple banking business model between ABB, AIBB and AHIBB; and
- Elevating current branch operations & services and product offerings, Improve CASA, Improve Branch Sales Productivity, Enhance Customer Experience & Improve Net Promoter Score (NPS) and Improve Product Holding Ratio (PHR).

AHIBB New Structured Warrants Playbook

- Provide new revenue streams for AHIBB; and
- Expand AHIBB's product offerings and participate and contribute to the development of Bursa Malaysia's Structured Warrants market.

2. Banking 4.0

Accelerate AFFIN Digital Transformation with the following key initiatives:

New Data Centre & Multi Network Cloud

- Modernise, expand and consolidate Data Centre to support AFFIN Group. The expected benefits include the Data Centre availability and resiliency, zero Data Centre related incidents, ready to support the Bank's future initiatives and expansion as well as strategic cost avoidance of maintaining multiple Data Centres for AFFIN Group.

AHIBB Enhanced Technology

- Enhance AHIBB customer success platform through an omnichannel customer service platform to streamline customer interactions such as feedbacks, queries and complaints (from multiple channels such as voice, email, chat and social media into a unified platform).

Big Data Analytics

- **Phase 1:** Providing value including revenue generation through understanding of customer's behaviour and accurate profiling.
- **Phase 1b:** Self-service analytics, data & analytics sandbox, and data feed to salesforce CRM360.

Mobile Internet Banking (MIB) application

- Enable our customers to transfer and receive funds securely and conveniently 24/7 through mobile banking application, anytime anywhere.

3. Efficiency X5

People and process efficiency via technology and business process improvement

Financial Platform Solution

- Financial Platform Solution with the objective to streamline AFFIN Group Finance's payment and general ledger processes through systems and process improvement;
- Enable higher level analytics for the AFFIN Group;
- Improve efficiency of the AFFIN Group Finance department and upskill the existing resources; and
- Future-proof the finance functionality and aligning it with AFFIN Group's focus on automation and digitalisation.

Group Audit – GRC Harmonization between Audit & Risk Management and Audit & Compliance

- Uniformed audit methodology across Internal Audit functions within the AFFIN Group;
- Facilitate knowledge sharing between Group entities; and
- Elevate the overall risk, controls and compliance culture in the Group.

4. Enhanced Brand Value

AFFIN Group's journey towards becoming "The Most Inspiring Company to Work For" is guided by three Transformation Pillars:

- **Talent & Development** – Building talent and leadership bench for business sustainability;
- **Culture** – Team High Performance Culture; and
- **People Solutions** – To be a trusted advisor & a credible business partner.

New HR Management system – new HRMS system

- A system that reinvents the Employee Value Proposition strategy to drive business performance, build workforce resilience and enhance employee experience by integrating digitalisation for efficiency and emerging into future workforce.

5. ESG Focus

With the growing demand for ESG globally, AFFIN Group is committed in driving awareness and facilitating greater adoption of ESG within its offerings and business practices by focusing on our four strategic focus areas:

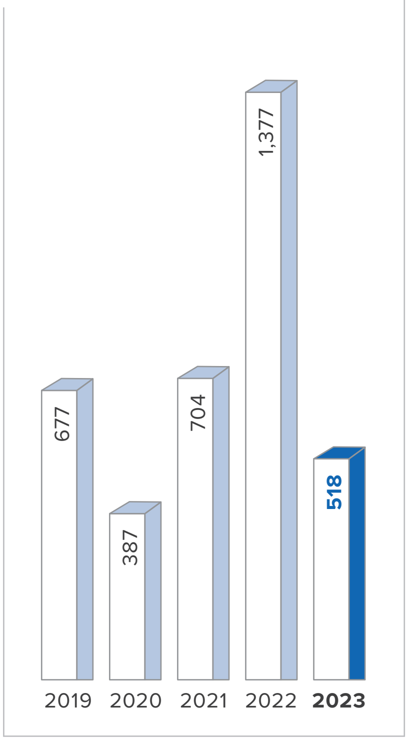
- **Sustainable Financing** : Apply our financial expertise and know-how to channel our funds effectively in creating sustainable solutions.
- **Sustainable Operations** : Unlocking simultaneous environmental and financial benefits to improve AFFIN's reputation, while also fostering innovation in strategies and solutions.
- **People & Culture** : Our purpose is to weave ESG considerations into the day-to-day business, so they become a fundamental part of AFFIN culture.
- **Support the Community** : Our purpose is to apply our financial expertise to create value for individuals, businesses, community and the environment and building inclusive communities by engaging employee participation.

5-YEAR FINANCIAL SUMMARY

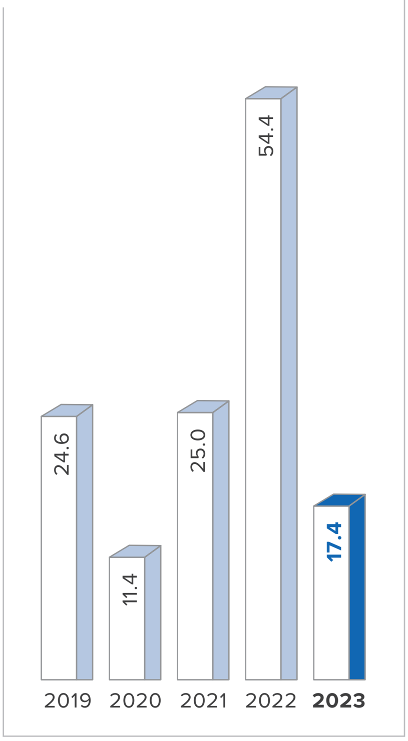
	2019	2020	2021	2022	2023
OPERATING RESULTS					
For the financial year ended 31 December (RM'million)					
Revenue	1,914	2,265	2,241	3,297	**1,986**
Profit before taxation	677	387	704	1,377	**518**
Net profit attributable to the equity holders of the Company	488	230	527	1,179	**402**
KEY BALANCE SHEET DATA					
As at 31 December (RM'million)					
Loans, advances and financing	45,388	45,493	50,528	57,932	**65,225**
Total assets	68,341	69,537	78,429	90,121	**105,248**
Deposits from customers	51,089	49,884	58,794	64,995	**70,834**
Total liabilities	58,945	59,899	68,495	79,492	**94,139**
Commitments and contingencies	30,851	36,250	45,197	56,648	**87,431**
Paid-up capital	4,775	4,902	4,969	5,245	**5,371**
Shareholders' equity attributable to the equity holders of the Company	9,337	9,567	9,889	10,629	**11,109**
FINANCIAL RATIOS					
(%)					
Net return on average shareholders' fund	5.42	2.44	5.42	11.49	**3.70**
Net return on average assets	0.68	0.33	0.71	1.40	**0.41**
Net return on average risk-weighted assets	1.01	0.49	1.07	2.16	**0.65**
Cost to income ratio	63.03	59.65	60.25	42.99	**71.57**
Gross impaired loans ratio	3.00	3.52	2.54	1.97	**1.90**
Net impaired loans ratio	2.28	2.57	1.89	1.27	**1.06**
Loan loss reserve	96.88	98.23	130.23	164.77	**143.54**
SHARE INFORMATION					
– Per share (sen)					
Earnings – basic	24.59	11.43	24.96	54.37	**17.42**
Earnings – fully diluted	23.85	11.03	24.96	54.37	**17.31**
Gross dividend	7.00	3.50	12.50	30.39	**5.76**
Net assets	4.70	4.60	4.66	4.67	**4.73**
Share price – high	191	193	184	205	**210**
Share price – low	189	133	162	202	**202**
Share price as at 31 December	190	184	173	203	**208**
Market capitalisation (RM'million)	3,773	3,827	3,675	4,616	**4,881**
SHARE VALUATION					
Gross dividend yield (%)	2.63	1.90	7.23	14.97	**2.77**
Dividend payout ratio (%)					
– based on Group's profit after tax	20.33	31.60	50.39	57.45	**33.61**
– based on Company's profit after tax	26.68	78.29	68.92	53.29	**53.78**
Price to earnings multiple (times)	7.73	16.10	6.93	3.73	**11.98**
SEGMENT INFORMATION					
Profit before taxation and zakat by activity (RM'million)					
Commercial banking	555	195	647	1,511	**583**
Investment banking	165	344	281	1,197	**92**
Insurance (net of tax)	30	41	45	9	**36**
Others	(67)	(186)	(264)	(1,335)	**(189)**
	683	394	710	1,382	**522**

5-YEAR FINANCIAL HIGHLIGHTS

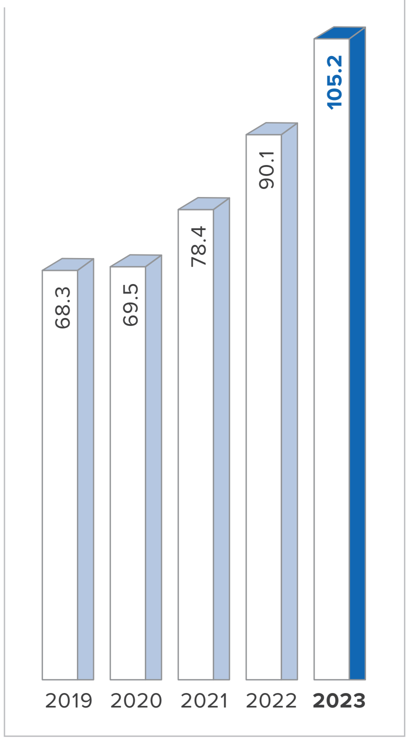
PROFIT BEFORE TAXATION
(RM'million)



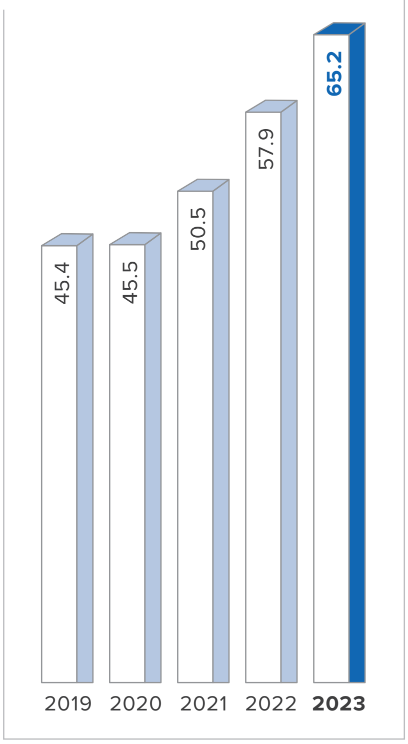
EARNING PER SHARE (EPS)
(Sen)



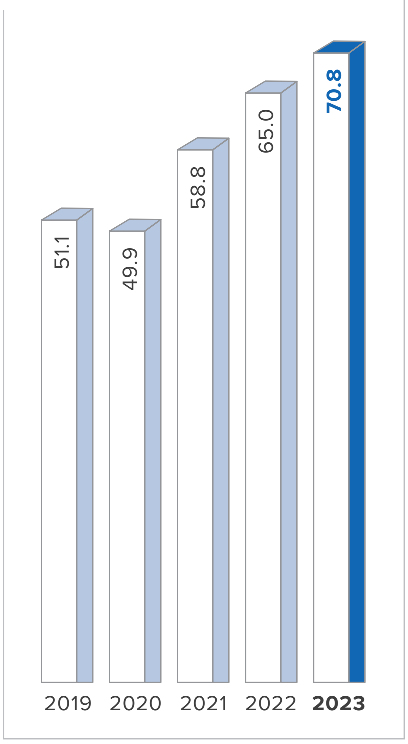
TOTAL ASSETS
(RM'billion)



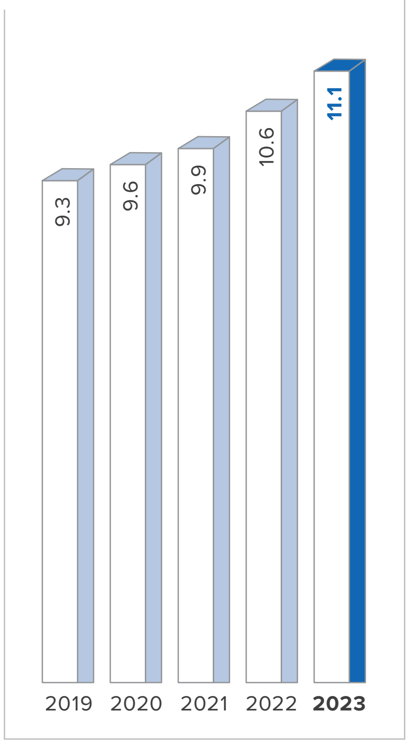
LOANS, ADVANCES & FINANCING
(RM'billion)



DEPOSITS FROM CUSTOMERS
(RM'billion)

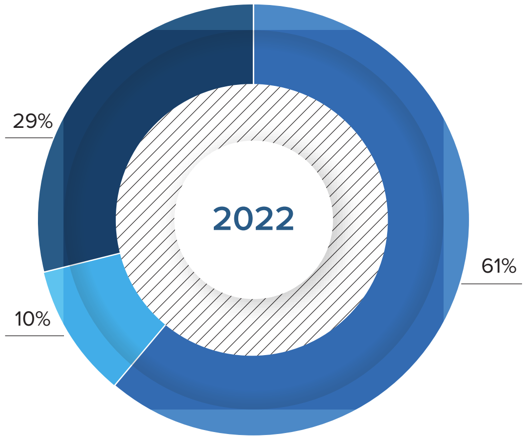


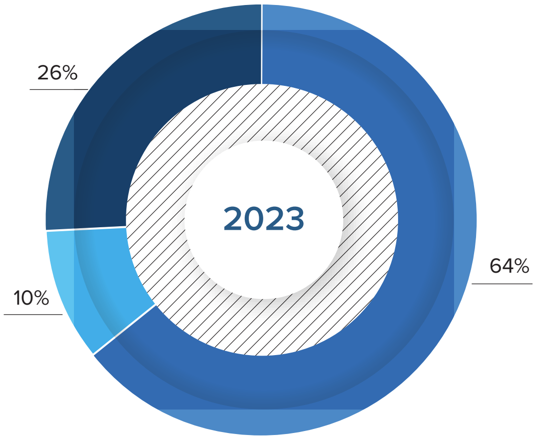
SHAREHOLDERS' EQUITY
(RM'billion)



BUSINESS UNIT ANALYSIS

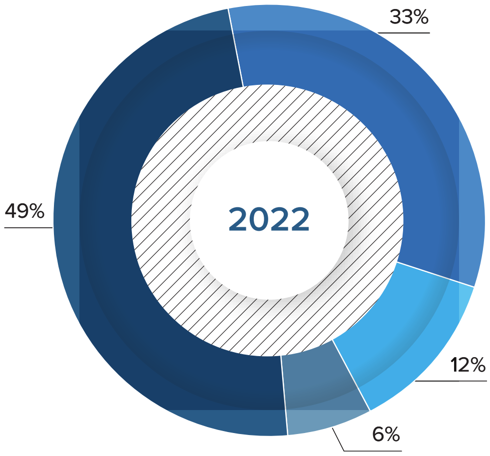
GROSS LOANS, ADVANCES & FINANCING

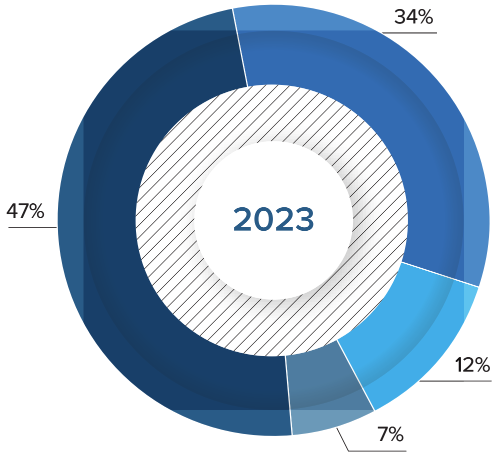




Group Corporate Banking Group Community Banking Group Enterprise Banking

DEPOSIT FROM CUSTOMERS

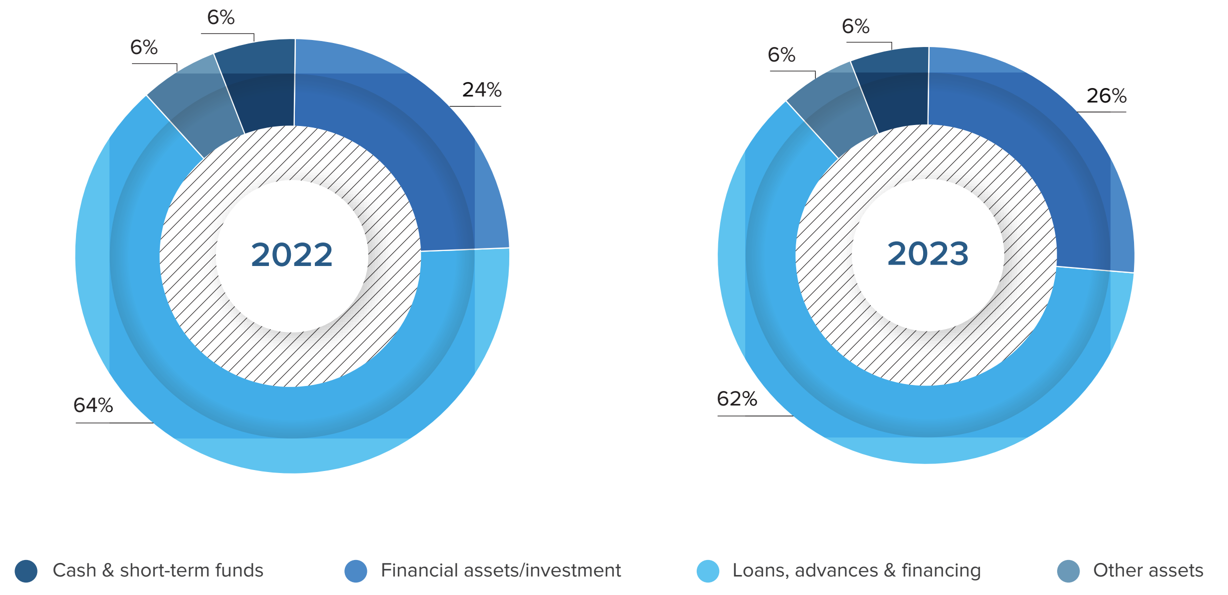




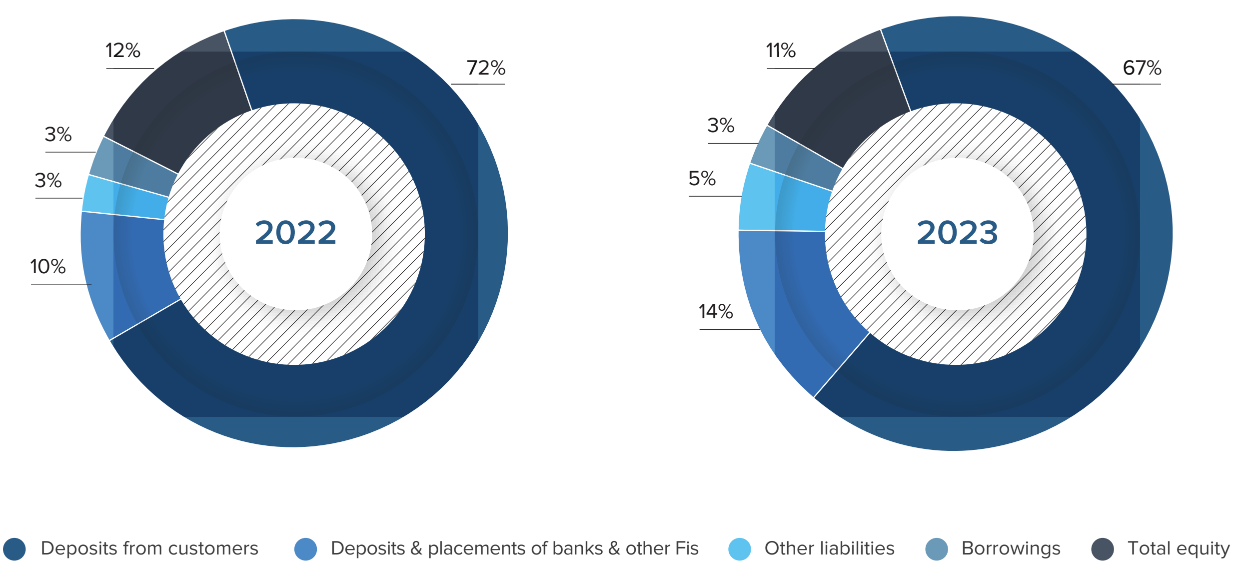
Group Community Banking Group Corporate Banking Group Enterprise Banking Group Treasury

SIMPLIFIED STATEMENTS OF FINANCIAL POSITION

TOTAL ASSETS



TOTAL LIABILITIES & EQUITY



GROUP QUARTERLY PERFORMANCE

	2023			
RM'million	Q1	Q2	Q3	Q4
Revenue	494.3	504.9	500.4	486.2
Net interest income	233.6	202.5	169.4	177.3
Income from Islamic banking operation	154.1	145.3	144.9	151.4
Net non-interest income	106.6	157.0	186.1	157.6
Other operating expenses	(330.0)	(316.4)	(374.3)	(400.4)
Profit before taxation	196.3	149.3	104.1	68.5
Taxation	(47.4)	(36.1)	(3.6)	(29.0)
Profit after taxation	149.0	113.2	100.5	39.5
Net profit attributable to equity holders of the Company	149.0	113.2	100.5	39.5

	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	(296.2)	(309.2)	(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	27.0	28.7	1,070.1	(0.3)
Profit after taxation	152.9	157.4	876.6	16.6
Net profit attributable to equity holders of the Company	142.4	146.9	872.4	16.9

CAPITAL MANAGEMENT

HIGHLIGHT

THE AFFIN GROUP'S CAPITAL POSITION REMAINS HEALTHY WITH A CET 1 RATIO OF 14.259% AS OF 31 DECEMBER 2023

OUR APPROACH TO CAPITAL MANAGEMENT AND PLANNING

Our capital management plan is designed to always ensure compliance with regulatory requirements while aligning the capitalisation of AFFIN and our banking subsidiaries with our risk appetite and target ranges. We actively manage capital adequacy to cover inherent business risks and retain sufficient financial strength and flexibility to support new business growth, all while taking into account the expectations of our key stakeholders.

Our capital management strategy is detailed within the Internal Capital Adequacy Assessment Process ("ICAAP"), which encompasses a thorough identification of all significant risks the AFFIN Group faces, along with an assessment of the adequacy of our capital to sustain business operations amidst these risks, under both normal and stressed conditions.

Efficient and effective capital management is further reinforced by the annual Capital Plan, which facilitates the efficient utilisation of capital and the maintenance of healthy capital ratios. Spanning a three-year period, this plan is updated annually and approved for implementation by the Board at the outset of each financial year.

The Group Capital Management Committee is tasked with managing and monitoring the capital position of Affin Bank Berhad (ABB), Affin Islamic Bank Berhad (AIBB), and Affin Hwang Investment Bank Berhad (AHIBB), with the aim of ensuring that capital levels are aligned with our overall strategy and risk profile.

CAPITAL INITIATIVES

The key capital management initiatives that were undertaken by AFFIN during the year are:

(i) Debt capital

Despite the challenging market situation, AFFIN Group successfully completed the redemption of first series RM500 million Additional Tier 1 Capital Securities ("AT1CS") on its first callable date of 31 July 2023 and the issuance of second series RM500 million AT1CS.

We also completed the redemption of Additional Tier 1 Capital Sukuk Wakalah ("AT1 Sukuk") of RM300 million in nominal value and Sukuk Murabahah of RM800 million in nominal value on their respective callable dates of 18 October 2023 and 23 October 2023.

In addition, we successfully completed the issuance of new series AT1 Sukuk and Sukuk Murabahah of RM500 million each in nominal value, which were well received by investors with oversubscriptions of more than 2.1 times and 3.7 times, respectively.

As at end-2023, AFFIN Group has a total of RM2.0 billion BASEL III compliant debt capital outstanding, comprising:

	RM' billion
Subordinated medium term notes/Sukuk Murabahah	**1,000**
AT1CS/AT1 Sukuk	**1,000**
	2,000

CAPITAL MANAGEMENT

(ii) Dividend and Dividend Reinvestment Plan

The Group established a Dividend Reinvestment Plan ("DRP") following shareholders' approval at the Extraordinary General Meeting held on 15 May 2018.

For FY2023, the Group had proposed a final dividend of 5.76 sen per share and the DRP applied to 100% of the proposed final dividend. In keeping with our strategy to preserve equity capital whilst providing steady dividend income to shareholders, the DRP provides shareholders with the opportunity to reinvest their cash dividends in new AFFIN shares.

HEALTHY CAPITAL ADEQUACY RATIOS

The table below shows the relevant capital ratios of each of the regulated banking entities of AFFIN Group as of 31 December 2023.

	AFFIN Group %	AFFIN BANK %	AFFIN ISLAMIC %	AFFIN HWANG %
As at 31 December 2023				
CET I Capital Ratio	14.259	13.066	12.733	36.670
Tier I Capital Ratio	15.787	14.247	15.100	36.670
Total Capital Ratio	18.223	16.247	18.473	37.330
As at 31 December 2022				
CET I Capital Ratio	15.597	14.588	12.965	42.923
Tier I Capital Ratio	16.986	15.968	14.502	42.923
Total Capital Ratio	19.435	17.169	19.363	43.516

BALANCE SHEET MANAGEMENT

In alignment with our progression towards the future of banking, we have developed a fundamentally sound balance sheet management strategy. At its core lies the continuous optimisation of our balance sheet mix to achieve sustainable Net Interest Income ("NII") and Net Interest Margin ("NIM"). This strategy is focused on guiding our structural funding as we pursue sustainable growth.

Supplementing and supporting the Group Asset Liability Management Committee in our ongoing journey of transformation, the strategic Balance Sheet Management ("BSM") department identifies, manages and controls interest rate and liquidity risks in the execution of the business strategies of the AFFIN Group and AIBB.

Employing robust management tools such as Funds Transfer Pricing ("FTP") and funding plans, the BSM department guides us into the desired funding profile while keeping a watchful eye on regulatory and compliance requirements such as the Net Stable Funding Ratio ("NSFR") and Liquidity Coverage Ratio ("LCR"). Additionally, it consistently reviews FTP levels to ensure that we accurately reflect actual market funding costs, while continuing to explore innovative ways to deliver better solutions and ensuring our front office remains attuned to market dynamics.

Marking an important stage in its journey to the future of banking, the department launched a three-year project in FY2022 to develop new asset-liability management capabilities within AFFIN through significant investments in cutting-edge market solutions. Over the next three years, every milestone of this project will yield benefits such as enhanced automation, increased granularity, new forecasting frontiers and more. On this note, have delivered core data components in FY2023 and plan to roll out analytics solutions in FY2024 and the first half of FY2025.

Other scheduled transformative developments include new analytical capabilities such as interactive data visualisation, statistical portfolio analysis and iterative simulation methods. Furthermore, there are plans for an integrated balance sheet management platform that will offer greater clarity into the interactions and impacts of various profitability, interest rate risk and liquidity risk measures, delivering rapid insights that will prove vital in navigating the increasingly complex challenges of tomorrow's banking landscape.

FINANCIAL CALENDAR

2023

27 FEB 2023

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

25 APR 2023

Notice of 47th Annual General Meeting of Affin Bank Berhad.

25 MAY 2023

The Board of Directors of Affin Bank Berhad (the Company) wishes to announce that all the resolutions set out in the Notice of the 47th Annual General Meeting (AGM) of the Company dated 26 April 2023 were duly passed by the shareholders of the Company at the 47th AGM held on 25 May 2023.

25 MAY 2023

Single-tier final dividend in respect of the financial year ended 31 December 2022 of 7.77 sen per ordinary share of Affin Bank Berhad.

26 MAY 2023

Announcement of the unaudited consolidated financial results for the first quarter and financial year ended 31 March 2023.

14 JUNE 2023

Affin Bank Berhad dividend reinvestment plan applicable to the final dividend in respect of the financial year ended 31 December 2022.

1 AUG 2023

Establishment of a long-term incentive plan in the form an employees share grant scheme.

25 AUG 2023

Announcement of the unaudited consolidated financial results for the second quarter and financial year ended 30 June 2023.

17 NOV 2023

Announcement of the unaudited consolidated financial results for the third quarter and financial year ended 30 September 2023.

2024

29 Feb 2024

Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2023.

2024

Tentative Dates

31 May 2024

1Q 2024 Financial Results

30 August 2024

2Q 2024 Financial Results

29 November 2024

3Q 2024 Financial Results

28 February 2025

4Q 2024 Financial Results

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.

BRIEFINGS AND CONFERENCES

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

In 2023, AFFIN continued its efforts in engaging with the investing community through a series of activities, including:

1)	AFFIN Propelling Malaysia Forward : Market Outlook 1H23	14 March 2023
2)	Malaysian Banking and Finance Summit 2023	23 May 2023
3)	AFFIN Propelling Malaysia Forward (Sarawak Series)	4 September 2023
4)	AFFIN Daiwa Non-Deal Roadshow, Singapore	20 September 2023
5)	AFFIN Non-Deal Roadshow, Singapore	26 October 2023
6)	CGS-CIMB Regional Financials Virtual Conference 2023	7 December 2023
7)	Quarterly Financial Results Announcements and Analyst Briefings	27 February 2023 26 May 2023 25 August 2023 17 November 2023 29 February 2024
8)	Monthly Update Meetings with Analysts, Fund Managers and Institutional Investors	

These initiatives were aimed at providing in-depth insights into AFFIN's performance and strategic direction to key financial audiences. The ongoing engagement and transparent communication with stakeholders have been instrumental in maintaining AFFIN's strong relationship with them.

Corporate website: www.affingroup.com **Email:** ir@affingroup.com

INVESTOR RELATIONS

ANNUAL GENERAL MEETING

The Board encourages shareholders to attend the annual general meeting, notice of which appears in this Annual Report, where shareholders have the opportunity to put questions to the Board, management and chairs of the various committees.

The Group - Affin Bank Berhad ("ABB"), conducted its 47th AGM on 25 May 2023 virtually, broadcasted live from its auditorium on Level 26, Menara AFFIN, Lingkaran TRX, Tun Razak Exchange ("TRX"), Jalan Tun Razak, Kuala Lumpur.

A total of 1,362 shareholders, holding 1,984,998,137 ordinary shares (total shares: 2,273,889,127) representing 87.27% of the total issued shares of ABB, attended the virtual AGM.

The 47th AGM was chaired by Dato' Agil Natt who expressed his 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:-

1) A25 journey and transformation plan;
2) Customers' experience and assistance;
3) Environmental, Social and Governance (ESG) journey;
4) Corporate Governance; and
5) Shareholder value.

Datuk Wan Razly Abdullah, the President and Group CEO ("PGCEO") presented AFFIN Group's performance for FY2022. Apart from presenting the financial highlights the PGCEO also shared AFFIN Group's strategic initiatives on A25 targets and focus areas, digital banking, mobile banking, and providing unrivalled customer service.

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 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 47th AGM were duly passed. Questions that were not addressed at the AGM due to time constraints were addressed via email as well as recorded in the minutes under the Q&A section. The 47th AGM minutes are available on the corporate website, www.affingroup.com.

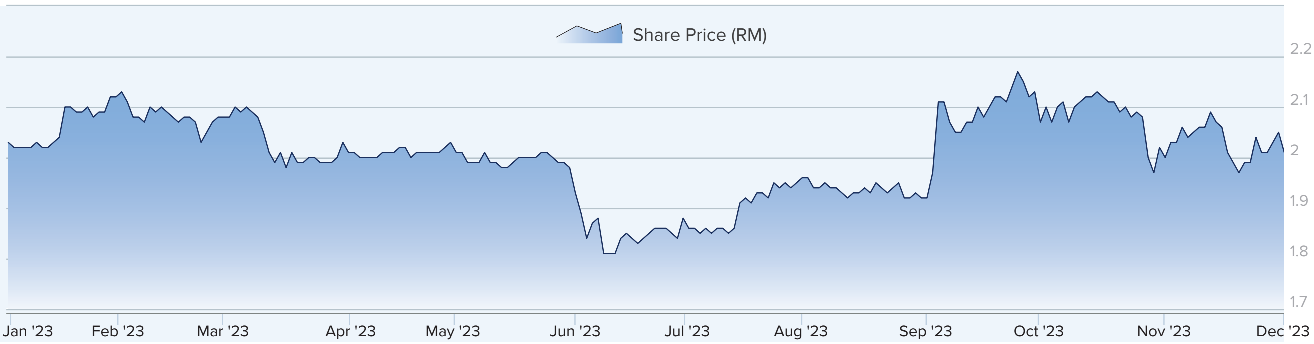
FINANCIAL RESULTS ANNOUNCEMENTS

AFFIN Group FY2022 Financial Results – 27 February 2023
AFFIN Group 1Q2023 Quarterly Results – 26 May 2023
AFFIN Group 1H2023 Quarterly Results – 25 August 2023
AFFIN Group 3Q2023 Quarterly Results – 17 November 2023
AFFIN Group FY2023 Financial Results – 29 February 2024

CREDIT RATINGS

Rating Agency	Rating Classification	Rating Accorded	Outlook
Affin Bank Berhad			
RAM Ratings Services Berhad	Financial Institution Ratings: • Long term Financial Institution Rating • Short term Financial Institution Rating	Long term – AA_3 Short term – P1	Stable
	RM500 mil Additional Tier-1 Capital Securities Programme	A3	
Affin Islamic Bank Berhad			
RAM Ratings Services Berhad	Financial Institution Ratings: • Long term Financial Institution Rating • Short term Financial Institution Rating	Long term – AA_3 Short term – P1	Stable
	RM 500 mil Tier-2 Sukuk Murabahah Programme	A3	
	RM500 mil Additional Tier-1 Capital Sukuk Wakalah Programme	A1	
Affin Hwang Investment Bank Berhad			
RAM Ratings Services Berhad	Financial Institution Ratings: • Long term Financial Institution Rating • Short term Financial Institution Rating	Long term – AA_3 Short term – P1	Stable

SHARE PRICE



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

BUSINESS REVIEW

AFFIN ISLAMIC BANK BERHAD

YBHG. DATO' PADUKA SYED MASHAFUDDIN SYED BADARUDIN
Chief Executive Officer
Affin Islamic Bank Berhad

As we reflect on our achievements this year, we affirm our unwavering commitment to our 'Islamic First' sales strategy within the group. Our Shariah-compliant financial solutions stand as testament to this dedication. Guided by Bank Negara Malaysia's ethical framework, we have flourished while resonating with our discerning customers' values. Despite challenging market conditions, we achieved record profits and expanded our asset base for FY2023. We remain committed to further enhancing the Group's 'Triple Banking' model proposition. Moving forward, we anticipate sustained growth and aim for a 50% contribution to group profit before tax by 2028, emphasizing the Group's priority for Islamic financing.

WHO WE ARE AND WHAT WE DO

Affin Islamic Bank Berhad (AFFIN ISLAMIC) is a wholly owned subsidiary of the Group, operating as a standalone Islamic Bank and offering a full range of Shariah compliant products to SMEs, institutional clients, corporate and retail customers.

Since its establishment in 2006, the bank has been at the forefront of introducing innovative Shariah compliant products that incorporate a variety of Shariah concepts including Musharakah Mutanaqisah, Mudarabah, Istisna, Ijarah and Murabahah.

BUSINESS ENVIRONMENT

In 2023, AFFIN ISLAMIC navigated challenges arising from margin compression due to intense deposit competition driven by rising interest rates from the US Federal Reserve and European Central Bank. Despite this, the bank demonstrated resilience by strengthening its foundations in areas such as CASA-i, Financing Growth, Gross Impaired Financing, Financing Loss Coverage, and customer acquisitions. Additionally, AFFIN ISLAMIC actively fosters responsible banking through social engagement and community participation, empowering its bank identity and creating positive societal impact.

KEY FOCUS AREAS

As AFFIN ISLAMIC operates under the Triple Banking Model, all business strategies and initiatives are established and driven by the Group business distribution channel. The bank's focus areas therefore align with the Group's strategic objectives and priorities.

STRATEGIC OBJECTIVES **Unrivalled Customer Service**

Focus Areas	Strategies
Product Innovation	• Increase CASA by leveraging on digitalization capabilities, expanding presence outside Klang Valley, launching co-branded debit cards with collaborations, opening new branches and penetrating new customer segments. • Tap into customers in the Halal market and supply chain • Offer a full suite of Islamic Wealth Management products • Offer deposits and financing products that incorporate ESG and value-based intermediation ("VBI") principles

STRATEGIC OBJECTIVES **Responsible Banking with Impact**

Focus Areas	Strategies
Community Engagement and Upliftment	• Work with industry players to implement the VBI agenda • Engage with relevant institutions to showcase unique value offerings • Collaborate with religious bodies to support sustainable development • Showcase social initiatives in the public domain to drive awareness and reputation enhancement • Strengthen group synergy through collaboration with AHIBB

2023 ACHIEVEMENTS

Financial

- Recorded PBT of RM317.7 million, a year-on-year increase of 83.6%
- Total assets increased by RM4.7 billion or 13.5%, driven by increase in gross financing and financial assets/investments of RM2.9 billion and RM1.4 billion respectively
- Gross Impaired Financing ratio improved from 0.90% to 0.86%
- Customer deposits expanded by RM184.7 million or 0.7%
- Return on Equity (ROE) ratio of 9.43%, a year-on-year increase of 5 percentage points
- Cost-to-Income ratio was 45.43%

Non-Financial

- Participated in the second and third cohorts of the VBIAF Sectoral Guides, contributing to the development of the Sectoral Guides for Manufacturing and Agriculture.
- Participated in myWakaf, an initiative led by the Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM")
- Co-jointly extended Islamic financing facilities for the development and construction of a 50MWac Large Scale Solar Photovoltaic ("LSSPV") plant
- Enhanced AFFIN BizSolar-i Financing, a financing scheme for the purchase and installation of solar photovoltaic (PV) systems
- Launched the 4th tranche of the BizDana-i Start-Up financing scheme
- Introduced the BizWira-i financing scheme, specifically designed to provide working capital to start-ups owned and controlled by Malaysian Armed Forces ("MAF") veterans

RISKS & CHALLENGES

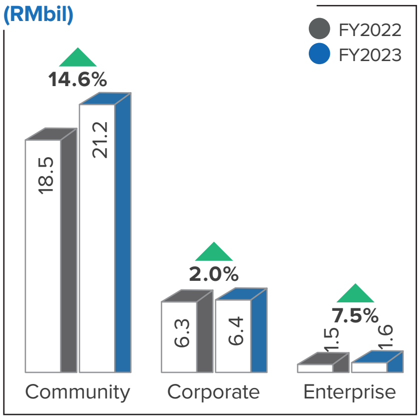
RISKS & CHALLENGES	MITIGATIONS
Margin Compression	• Focus on fee-based income and higher margin products across different segments • Boost the utilization of trade financing products • Leverage the "Triple Banking" model for better cost management
Asset Quality	• Ongoing vigilant oversight of the financing portfolio • Swiftly address any deteriorating assets • Avoid over-reliance on specific industries or customers

OPPORTUNITIES

OPPORTUNITY	STRATEGY
Growth in Halal Economy	• Identifying and engaging with clients from the halal ecosystem and supply chain, including logistics, distributors, F&B business and etc
Growing Demand for ESG Products and Financing	• Bolstering efforts in ramping up our sustainable financing portfolio, focusing on various sectors and segments such as GreenRE-certified projects, hybrid and Electric Vehicles ("EV"), energy efficient equipment and women's empowerment.

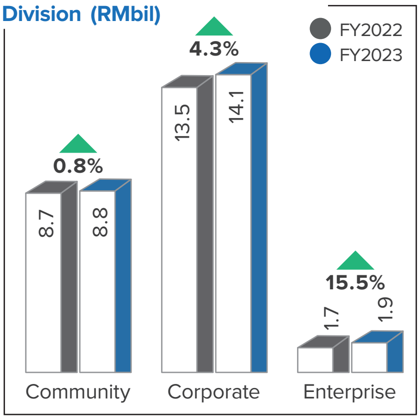
BUSINESS PERFORMANCE REVIEW

Financing by Business Division (RMbil)



The robust growth momentum in financing was supported by increases in Community Banking (+14.6% YoY), Enterprise Banking (+7.5% YoY) and Corporate Banking (+2.0% YoY).

Customer Deposits by Business Division (RMbil)



Total customer deposits expanded by 0.7% YoY. The rise in customer deposits was primarily driven by Enterprise Banking (+15.5% YoY) followed by Corporate Banking (+4.3% YoY) and Community Banking (+0.8% YoY).

OUTLOOK & PROSPECTS

AFFIN ISLAMIC will continue to be a key business arm that plays a significant role in the Group's 2024 business plan. The bank will enhance its contribution through its "Islamic First" Strategy. This year will witness the implementation of key strategic initiatives aimed at expanding the bank's CASA-i base and bolstering liquidity through the AffinAlways mobile banking application. Efforts will be intensified to establish strategic partnerships, enabling the introduction of value-added, digital-driven Islamic finance products. Additionally, the bank plans to introduce various initiatives, reflecting its commitment to shared value principles.

BUSINESS REVIEW

AFFIN HWANG INVESTMENT BANK BERHAD

NURJESMI MOHD NASHIR
Chief Executive Officer
Affin Hwang Investment Bank Berhad

2023 saw continued positive momentum at AHIBB as our transformation efforts – including the expansion of our product range, the strengthening of our front- and back-lines, and the optimising of our balance sheet – began to pay dividends. While financial markets remain stormy, we maintain a positive outlook to the future and look forward to building an exceptional investment bank that delivers robust yet sustainable performance, backed by the continuous efforts and resilience of our outstanding staff.

WHO WE ARE AND WHAT WE DO

Affin Hwang Investment Bank Berhad ("AHIBB") is one of Malaysia's leading investment banking, securities and trustee groups. Founded in 1970, it operates out of two main offices - in Kuala Lumpur and Penang - and maintains a network of branch offices strategically located across the country, providing corporate advisory services in mergers and acquisitions as well as structuring and executing a variety of transactions including equity offerings, debt issuances and derivatives transactions.

BUSINESS ENVIRONMENT

To meet the evolving investment banking needs of individuals and enterprises, the division diversified its products and services during FY2023 while exploring new business opportunities to augment its current business model and build future deal pipelines.

By leveraging Group-wide collaborations and the Triple Banking model, the division is now well-positioned to grow its fee-based income and integrate advanced technologies within its processes, thus enabling the development of innovative products and services that will further drive its differentiation as the nation's leading stockbroking business, as ranked by Bursa Malaysia.

KEY FOCUS AREAS

	Approach
Building Culture and Trust	• Ensuring that culture and trust remains a core consideration as the division undertakes its transformation agenda • Consistently seeking the buy-in of employees on strategies and approaches while remaining in-tune with their needs and opinions • Driving improved collaboration across senior employees with the aim of generating new business opportunities and empowering effective Group-wide cross-referencing • In 2023, the division's employees and Senior Management were provided with the opportunity to engage openly through 18 Breakfast & Tea sessions with the CEO, 8 regional branch visits, 16 AHIBB and ABB branch visits by the COO, 8 physical townhalls and 1 virtual CEO chat
Talent Management and Succession Planning	• Attracting the next generation of talent by offering a compelling career development proposition • This is vital given that 67% of the division's workforce are aged 40 and above, with an even higher percentage within the securities operations department
Capacity Upskilling	• Providing employees with effective training modules that widen and deepen their capabilities • Placing special focus on training in sales and risk & compliance

	Approach
Productivity Enhancement	• Improving the division's net income to personnel cost ratio, where AHIBB currently sits 6th amongst Malaysian investment banks, with the aim of attaining a ranking of 4th • Placing special focus on retail productivity, where AHIBB's competitors are currently two to four times more productive
Strategic Positioning	• Strategically identifying areas of wealth and key investor bases with higher disposable income, including by extending marketing and branding activities outside Malaysia • Maximising cross-selling opportunities by leveraging the Group's Triple Banking model • So far, AHIBB has identified Melaka Raya, Ipoh, Kuantan, Miri, Sibu and Penang (WP) as potential areas of growth, and aims to establish 17 to 55 touchpoints over the next two years to support market outreach and sales • Customer acquisition efforts will be supported by diverse marketing strategies that include awareness campaigns, participation in sector and location-specific conferences (e.g. Oil & Gas and Sarawak-based conferences) and the Mother Bee Event (State of the Nation & Spotlight on Johor event)
Technology Adoption	• Improving data security and reliability through technology adoption, as illustrated by the consolidation of the division's data centre operations in Cyberjaya • Promoting improved CTI by lowering costs and efficiency barriers while increasing sales and trade volumes • Examples of this include the division's migration to Quantum and implementation of a brokerage management system

2023 ACHIEVEMENTS

Financial

- For the financial year ended 31 December 2023 (FY23), AHIBB's revenue improved by 5.3% year-on-year (y-o-y) to RM240.6mil
- On the other hand, the group's pre-tax profit rose by 68% y-o-y to RM92.50mil in FY23 underpinned by higher operating income representing fees and commission, net gain and losses on financial instruments and other income at RM176mil compared to RM139.7mil in the previous year.

Non-Financial

- Successfully carried out 6 investment banking positionings and 1 securities positioning
- Implemented a new brokerage management system to drive seamless integration with the Group's retail banking division and expand access to stock markets and investment assets
- Converted 7 branches to become Triple Banking branches that function as one-stop centres for conventional, Islamic and investment banking products, thus improving the division's ability to acquire new customers

Awards & Recognition

- Named the champion in the 2022 Best Market Maker (Exchange-Traded Fund) category by Bursa Excellence Awards 2022
- Named 1st runner up in the 2022 Best Institutional Equities Participating Organisation (Investment Bank) category by Bursa Excellence Awards 2022
- Named 2nd runner up in the 2022 Best Overall Equities Participating Organisation category by Bursa Excellence Awards 2022

BUSINESS REVIEW: AFFIN HWANG INVESTMENT BANK BERHAD

Challenges

	Strategies	Results
Market Headwinds	• Thoroughly review and drive improvements to retail sales strategy, in line with technological advancement • Strengthen proposition to institutional investors	• Implementation of new Brokerage Management System • Conversion of AFFIN Branches to fully fledge Triple Banking
Unclear Target Market & Insufficient Deals Secured	• Establish clear and well-defined target markets • Reinforce client coverage by increasing visibility	• Achieved four CIB-mandated deals (NII - RM9.6 million, Fees and income - RM1.13 million) • Increase in Shared Margin Finance loan book to RM1.6 billion • Gross income RM10.87 million from 64 Structured Warrants issuance
Low Workforce Trust and Morale	• Implement initiatives to recognise and reward excellent employee performance • Undertake frequent employee engagements to canvass feedback and understand concerns	• Ensuring continuous employees' growth and development through programmes including Talent Summit and AFFINioVATION • Introduction of Affin Prihatin Employee Hotline that act as a channel in offering assistance and guidance for personal and professional matters

Opportunities

Improving internal efficiencies and the customer experience through innovation and digitalisation initiatives

Driving affinity and market share gains by diversifying investment banking products and services, leveraging synergies within the Group

Growing fee-based income by leveraging the Triple Banking model and its cross-selling opportunities

2023 ACHIEVEMENTS

Initiative	Achievements
Private Equity	• Revisions have been made to the Investment Committee's terms of reference and the Private Equity Investment Manual, which these revisions tabled to the SMC and Board of AHIBB in January 2024, together with a complete business plan for the division's Private Equity division • AHIBB will appoint a new legal counsel and tax advisor for the proposed establishment of a Private Equity Management Company and/or proprietary fund vehicle, and will consult BNM and the Securities Commission ("SC") on the approval process and the documents to be submitted
Discretionary Trading	• A profit-sharing structure for CDR and SDR was finalised in June 2023 • A pre-engagement consultation was carried out with Bursa Malaysia to seek Approval-in-Principle for the structure, which is set to go live on 31 March 2024 • AHIBB continues to review its standard operating procedures across equities and futures on an ongoing basis

Initiative	Achievements
Corporate Investment Banking	• Achieved four CIB-mandated deals during 2023 • Generated RM9.6 million in NII from the deals, with fees and income amounting to RM1.13 million • Moving forward, AHIBB will work with Group Corporate Banking, Group Treasury and Group Finance to establish a fee income sharing framework
Growing SMF Business	• Successfully increased the size of the SMF loan book to RM1.6 billion as of end December 2023
Securities Digital Retail	• Implemented a new brokerage management system that integrates with the Group's retail banking division and expands AHIBB's access to stock markets and investment assets
Branch Network (Triple Banking)	• Converted seven branches to become fully-fledged, Triple Banking branches that offer investment, Islamic and conventional banking solutions in one location • A further four branches will be converted in 2024
Equity Derivatives	• 64 Structured Warrants have been issued as of end December 2023, totalling to a gross income of RM10.87 million • A product paper for Equity-Linked Investments has been completed and will be submitted to the Product Committee for further consideration

OUTLOOK & PROSPECTS

In 2024, Malaysia is expected to experience stronger economic growth, with real GDP projected to accelerate to 4.5% from 3.7% in 2023. This growth will be supported by a recovery in global trade, increased business investment activities and robust private consumption. Political stability, with the unity government remaining in power, will drive key themes such as economic structural reform, infrastructure spending, energy transition and reindustrialisation, supporting market and stock performance.

In line with this recovery, the Malaysian Ringgit is expected to strengthen in the second half of 2024, influenced by anticipated interest rate cuts in advanced economies, potential FDI inflows and portfolio net inflows. This strengthening will likely be a catalyst for improved sentiment in the Malaysian equity market, supporting a KLCI rebound in the second half of 2024. Additionally, earnings are expected to rebound strongly in 2024, with KLCI core earnings projected to grow by 10.5% and broader market earnings by 13.2%, mainly driven by sectors like plantation, oil & gas, and utilities.

In total, this forms a cautiously optimistic outlook for AHIBB, and the division's proactive moves to diversify its products and services, supported by the cross-selling opportunities afforded by the Triple Banking model and its ongoing digitalisation journey, stand it in good stead to secure more landmark deals and strengthen its position as the nation's leading stock broking company.

BUSINESS REVIEW

GROUP COMMUNITY BANKING

FAIRUZ MOHD RADI
Executive Director
Group Community Banking

While FY2023 was a challenging year for us, we nonetheless had our share of achievements, including the opening and relocation of various branches across Malaysia in line with our aim to achieve an optimal branch network. We also take pride in our 8% increase in customer base and in achieving the third highest NPS amongst conventional banks in Malaysia. These achievements validate our progress towards our strategic objective of providing Unrivalled Customer Service.

WHO WE ARE AND WHAT WE DO

Group Community Banking offers conventional and Islamic banking products and services - including deposits, mortgages, auto finance, credit cards, personal financing, ASB financing, education financing, overdrafts, wealth management and bancassurance - to individuals. The division also offers two premium banking products: AFFIN INVIKTA for High-Net Worth individuals and AFFIN AVANCE for professionals. AFFIN INVIKTA stands out as a distinctive product in the premium banking landscape, offering customers curated financial solutions, priority application for banking products, priority lane services at branches nationwide and much more. To reach a wider customer base, the division pursues a two-pronged strategy of collaborating with external partners and actively expanding its branch footprint to new locations.

BUSINESS ENVIRONMENT

FY2023 was characterised by a return to the norm as COVID-19 disruptions ended and borders reopened. However, the positive impact this had on economic activity was offset by a high interest rate environment and an attendant compression in Net Interest Margin ("NIM"). Furthermore, global supply chain disruptions persisted, driving down business sentiment. This equated to a cautious consumer market, restricting the growth of the division.

KEY FOCUS AREAS

KEY FOCUS AREAS

- Enhancing the customer onboarding experience and driving efficiencies with digitalisation and automation
- Focusing on high NIM products as drivers of growth
- Expanding Current Account Savings Account ("CASA") through collaboration and payroll solutions, branch transformation, digital enablement and the offering of new products to improve CASA stickiness
- Growing fee income through a scaled up wealth management business, increased cross-sell of fee-based products and e-Commerce channel growth
- Improving Cost to Income Ratio ("CIR") through increased productivity, improved branch cost management, process automation, Target Operating Model implementation and adoption of Robotic Process Automation ("RPA")
- Contributing to the Group's aspiration to achieve 15% sustainable financing by 2025, in line with the Responsible Financing with Impact strategic objective

2023 ACHIEVEMENTS

Financial

- RM33.3 billion in total deposits, a YoY increase of RM1.8 billion
- RM42.5 billion total loan base, a YoY increase of RM6.3 billion
- RM3.7 billion in new ESG financing, a YoY increase of RM251 million
- Total income grew by RM83 million
- RM342 million in operating income, a YoY increase of RM76 million
- Loan Loss Provision increased by RM0.7 million
- Profit Before Tax ("PBT") of RM286 million, a RM75 million YoY increase
- CIR decreased by 543bps
- Balance sheet growth outpaced industry average

Non-Financial

- Opened four new branches, five new Triple Banking branches, and eight new Invikta Centres
- Opened 14 onsite and 57 offsite Self-Service Terminals ("SSTs"), including Cash Recycler Machines ("CRMs") and Automated Teller Machines ("ATMs")
- Launched four new products:
  – Term Financing secured by Gold
  – AFFIN Aura Credit Card
  – Hire Purchase-i Variable Rate
  – Personal Financing-i via Potongan Gaji Majikan
- Launched AFFIN Kenyalang, a collaboration with other business divisions to drive our expansion in Sarawak

Awards & Recognition

- AFFIN Homes Step Fast-i was awarded the Best Mortgage and Home Loan Product of the Year 2023 - Malaysia at the Asian Banking & Finance Awards 2023
- Automated Safe Deposit Locker ("ASDL") recognised at:
  – National Business Awards 2023
  – Global Retail Banking Innovation Awards 2023
- Received nine awards at the ASNB Starz Awards 2023

RISKS & OPPORTUNITIES

RISKS

- Rising OPR environment and higher cost of living impacts the ability of consumers to save and invest, while impacting the ability of borrowers to repay
- Potential recession may cause reduced consumer confidence, leading to lower take-up of loans

CHALLENGES

- Increased competition amongst banks to garner CASA and deposits
- Higher cost of funds, leading to margin compression and downward pressure on loan pricing
- Uncertain macroeconomic drivers may pose challenges to Expected Credit Loss ("ECL")
- Unfavourable market conditions dampening revenue from Wealth Management business

OPPORTUNITIES

- A normalisation of economic activities will contribute to higher consumer spending
- Re-opening of borders has led to an increased take-up of education financing
- Opportunity to capture increased market share in Sarawak with coordinated cross-division plan
- Duty exemption on EVs provides opportunity to grow EV financing activities by strategically partnering with distributors
- Stamp duty exemption on higher value residential properties provides opportunity for growth in property financing

BUSINESS REVIEW: GROUP COMMUNITY BANKING

BUSINESS PERFORMANCE REVIEW

Strategies	Initiatives	Results
Scale Up Wealth Management	Establish new specialist channel for Banca	• In progress
	Grow affluent base via AFFIN INVIKTA	• In progress • 11 Invikta Centres and 3 lounges in operation • Aim to open 25 Invikta Centres by 2025
	Introduce new products	• Islamic Banca RP launched in August 2023 • Islamic Sukuk launched in October 2023
Advance Personal Financing Business	Onboard Personal Financing application via AFFIN Delivery System (ADS)	• Pilot launched in October 2023
Advance Secured Financing Business	Onboard ASB Financing and Education Financing-i via AFFIN Delivery System	• In progress - target to complete in Q1 2023
	Undertake customer propensity modelling, customer profitability analysis and behavioural scoring	• In progress - to be delivered under Phase 2 of BDA project in H1 2024
Elevate Auto Finance Business	Implement robotic process automation for Auto Finance business acquisition	• In progress - target to complete in Q1 2024
Go Nitro on Credit Cards	Roll out Credit Cards under affiliate program for higher learning institutions, alumni and associations	• Credit cards for Universiti Kebangsaan Malaysia (UKM) and Majlis Profesor Negara (MPN) launched in May 2023, with credit card for MAHSA University set to be launched in 2024
	Onboard Credit Cards application via ADS	• In progress - target to complete in Q1 2024
	Digital Terminal Receipt & Digital Onboarding	• Digital Terminal Receipt - completed • Digital Onboarding - target to complete in Q1 2024
Mortgage Next Level	Introduce self-initiated digital onboarding	• In progress
	Enhance and upgrade overall mortgage loan/ financing process via LOS and offsite decisioning engine	• In progress
	Digitalise Mortgage ecosystems	• ADS - target roll out in 2024
Unleash Triple Banking Model	Adopt Triple Banking model to leverage on synergistic benefits	• Five new branches launched in 2023: Kota Kinabalu, Chulan Tower, TRX, Seremban 2 and Batu Pahat

OUTLOOK & PROSPECTS

Looking forward, the OPR rate is expected to remain stagnant, with higher cost of funds and the resulting NIM compression anticipated to continue over the near-term. Furthermore, stiff competition amongst banks will likely lead to price wars, negatively impacting the division's margins.

At the global level, geopolitical instability and other headwinds will continue to place downward pressure on consumer confidence, while the cost-of-living crisis will discourage consumers from undertaking investment activities and affect the ability of borrowers to pay back loans. While green shoots of economic recovery are visible, these factors add up to a pessimistic outlook for the division over the near-to-mid-term.

To offset the impact of this operating environment, the division will continue to invest in segments that offer comparatively high NIM as well as emerging sectors that benefit from government subsidies, such as EVs. The division will also focus on growing of CASA to be empowered by digital enablement as well as expansion of network (new branches, relocation of branches, offsite CRMs/ATMs), empowered by the enablement of digital onboarding, which provides greater ease and convenience to customers.

Meanwhile, the expansion to Sarawak continues to progress at a strong pace, promising to open new and sustainable revenue streams in a relatively underpenetrated market.

Moving forward, the division is set to:

- Continue to provide Unrivalled Customer Service via network expansion while widening our customer base
- Introduce new channel and products to broaden our fee income
- Leverage on digital innovation to manage costs
- Continue to manage asset quality - to ensure we stay above industry average
- Continue driving ESG initiatives to ensure the delivery of Responsible Banking with Impact

BUSINESS REVIEW

GROUP CORPORATE BANKING

HANIF MOHD YUSOF
Executive Director
Group Corporate Banking

Amidst a challenging macroeconomic and business environment, we delivered commendable double-digit growth in PBT and CASA, with new-to-bank customers increasing by an impressive 45% year-on-year. During FY2023, we also played a leadership in accelerating the Group's adoption of responsible financing, contributing to the increase of sustainable financing to 8.3% of Corporate Banking's financing portfolio.

WHO WE ARE AND WHAT WE DO

Our Group Corporate Banking division helps mid-to-large-sized corporations achieve their growth potential through various products and services which include loans and financing, trade finance, cash management and deposits, insurance/takaful and treasury. The division has experience across a wide range of sectors and industries including manufacturing, health, wholesale and retail trade, and government infrastructure projects.

BUSINESS ENVIRONMENT

While Malaysia's economy showed signs of recovery in 2023, larger corporations faced significant challenges such as rising operating costs, continuing supply chain disruptions and slow external demand due to the uncertain global market, with the weakening of the MYR against the USD significantly impacting investment appetite. In addition to these factors, stiff competition for liquidity amongst corporate banking players led to more competitive prices, placing pressure on NIM.

KEY FOCUS AREAS

	Approach
Unrivalled Customer Service	• Continued with Single Touch Point Strategy i.e. coordinated coverage and solutioning with our product partners • Effectively identify cross sell opportunities through Corporate & Investment Banking (CIB) Model • Offering new innovative solutions for Trade and AFFINMAX to remain competitive and stay ahead of the other market players • Implement a token activation function to help AFFINMAX Contact Centre & helpdesk deliver quick, simple and personalized service to our customers.
Digital Leadership	• Transform the transaction banking landscape by focusing on technology innovation & structured solutions by expanding AFFINMAX value proposition: - Mobile Transfer - which allows businesses to submit payments, track transactions, receive notifications and manage finances on the go - MyCashier - which enables businesses to accept payments by generating a QR code - Continue to grow with Banking Partners • Implement digital marketing to create customer awareness on new Trade capabilities through various channels
Responsible Banking with Impact	• Promote green projects through the funding of renewable energy power plants, energy-efficient technologies and essential services • Responsible marketing with comprehensive Trade product disclosure and transparency • Support our customer during their transitioning journey to reduce carbon footprint • Close engagement with customer to promote awareness on ESG • On going ESG training conducted to our staff to enhance the competency level

2023 ACHIEVEMENTS

Financial

- PBT increased by 50.6% year-on-year
- Fee income increased by 54.1% year-on-year
- RM20.3 billion in total deposits, a 14.2% year-on-year increase
- CASA of RM5.7 billion, a 16.6% year-on-year increase
- Gross Impaired Loans (GIL) rate of 3.36%, a 12.2% year-on-year improvement
- Lower provisions of RM767.6m from prudent risk management and recoveries

Non-Financial

- Successfully closed several notable deals in Renewable Energy, Infrastructure and Education sectors
- Continuously replacing problematic assets with better quality assets, despite loan and financing hovering at the same levels
- Achieved better Net Promoter Score (NPS) and Customer Satisfaction Score (CSAT) performance specific for our cash management solutions
- 3.8x year-on-year growth in credit approvals, indicating healthy credit demand

Awards & Recognition

Awarded Industry Excellence in Banking & Finance Industry: Innovative Payment Solution for AFFINMAX from Malaysia Top Achievers Awards 2023

RISKS & CHALLENGES

Risk & Challenges	Mitigations
Asset Quality	- Introduced formal preliminary screening - Continuous close monitoring of portfolio - Maintain intensive engagement with RMs on how to identify red flags and manage problematic assets - Adopt a proactive, forward-looking approach by enhancing early warning capabilities
Margin compression	- Focus on fee-based income to drive increase in average margins - Collaborate with Group Treasury and AHIBB to develop margin improvement strategies

BUSINESS PERFORMANCE REVIEW

STRATEGIC OBJECTIVES **Promote Corporate & Investment Banking (CIB) Model**

Initiatives	Results
Drive cross-selling	• Achieved greater synergies between businesses, translating to higher product holding ratios and a 54% increase in NOII
Sarawak attack	• Close collaboration between businesses translated to 29.5% year-on-year loan growth and 31.7% year-on-year deposit growth by Sarawak based companies while fee income recorded 13.1% year-on-year growth

BUSINESS REVIEW: GROUP CORPORATE BANKING

STRATEGIC OBJECTIVES Drive Trade Growth

Initiatives	Results
Increase trade asset baseline	• Expanded export-based business via LC negotiation and other trade export products, leading to total export volume of RM3,376 million in FY2023 • Focused on attractive export funding opportunities, leading to CNY and USD funding of USD16.28 million and CNY106.47 million respectively in FY2023
Increase eTrade portfolio	• Automated all trade advices and notifications generated from SIBS TF using the eTrade section of AFFINMAX, eliminating the need to mail hardcopy advices and notifications • In FY2023, eTrade received 3,538 applications, totalling RM1.397 billion in transactions
Drive diversification of express products	• Successfully rolled out "Online Submission of Ad hoc BG/BG-i Form" via AffinAlways in July 2023

STRATEGIC OBJECTIVES Enhance Cash Management

Initiatives	Results
AFFINMAX First Time Login (FTL) campaign	• FTL rate for the SME segment increased from 75% to 79%
SWITCH Now Campaign	• 2,008 new AFFIN merchants registered
AFFINMAX Mobile App 2.0	• 10,487 entities signed up for the refreshed mobile app • Transaction volumes exceeded RM130 million in FY2023, with year-on-year growth of 157%

OUTLOOK & PROSPECTS

2024 is expected to bring a steady recovery to global trade from the mid-year onwards, which will in turn drive increased business investment. However, the current high interest rate environment is expected to persist and the fragile geopolitical situation continues to be a cause for concern.

With these uncertainties in mind, the division will continue to prioritise the onboarding of new-to-bank customers by leveraging the CIB model and maintaining the cadence of its expansion into the Sarawak and broader Borneo markets. The division will also seek to drive greater specialisation in targeted sectors and products, such as ESG financing, supported by the identification and upskilling of quality talent to fill the expertise gap in these areas.

For existing-to-bank customers, the division will maintain its active account management approach while optimising deposit mix and pricing to encourage uptake of financial products and grow NIM. These efforts will be bolstered by investments in data analytics tools and other digital solutions, unlocking more efficient and effective processes and services.

GROUP ENTERPRISE BANKING

LIM KEE YEONG
Executive Director
Group Enterprise Banking

Malaysia's SMEs are a major contributor to the economy and have demonstrated unwavering innovation and grit amidst recent market challenges. In tandem to this, we have ramped up efforts to uplift the community by driving digital transformation, supporting women entrepreneurs and enhancing our products and services to go beyond traditional banking, backed by a personal and purposeful approach to customer engagement.

WHO WE ARE AND WHAT WE DO

Our Group Enterprise Banking division is established in 2016 to drive the growth of the SME banking segment and make a meaningful contribution to the SME community at large. With comprehensive SME financial services provided including financing, transactional, payment, trade, and bancassurance, the division aims to support the growth ambitions of businesses across a range of sizes - from start-ups to companies listed on the ACE Market.

BUSINESS ENVIRONMENT

In 2023, Malaysian SMEs felt the impact of a turbulent geopolitical and macroeconomic environment which resulted in fierce price wars, increased business expenses and – for many – decreased competitiveness in global markets due to the weakening of the Ringgit.

Recognising these challenges, the division focused on delivering solutions that help its customers adapt to and thrive amidst new realities. As a result, it has made strong headway by driving growth in financing, fees and CASA while contributing to our Group-wide cross-selling strategy. This has resulted in an increased market share, supported by innovative digital product offerings, inclusive solutions and a wide market reach.

KEY FOCUS AREAS

	Approach
Unrivalled Customer Service	• Strengthened customer engagement strategy with focus on key sectors such as Manufacturing, Trade and Services (MTS)
Digital Leadership	• Drive digital transformation through curated solutions via SME Colony and AFFINMAX
Responsible Banking with Impact	• Amplify support for partners' targeted initiatives and events aimed at uplifting the SME ecosystem • Support financial inclusion with focus on start-ups (AFFIN ASPIRA) and women entrepreneurs (AFFINGEM) • Drive ESG awareness among SME customers

2023 ACHIEVEMENTS

Financial

- Maintained steady growth of financing and deposit base at 8.9% and 8.6% respectively
- Remained fully self-funded, with a Loan-to-Deposit ratio of 75.2%
- Maintained competitive NIM of 4.01%
- CASA ratio of 46.8%, a year-on-year increase of 2.5 percentage points
- Fee income increased by 4.0%
- Grew ESG financing to 18% of financing base

Non-Financial

- Achieved over 100,000 downloads of SME Colony, the division's award-winning SME community-centric mobile app
- Achieved over 43,000 AFFINMAX subscribers to encourage adoption of internet banking amongst SMEs
- Sponsored Season 1 of The Sandbox, Malaysia's first Chinese crowdfunding reality show, presented by Astro and MyStartr (an equity crowdfunding platform)

Awards & Recognition

- AFFIN named as Best Bank for SMEs in Malaysia by Asiamoney Best Bank Awards 2023
- AFFINWRKFZ named as Best SME Financial Inclusion Initiative by Global SME Banking Innovation Awards 2023

BUSINESS REVIEW: GROUP ENTERPRISE BANKING

RISKS

Risks	Strategy	Results
Default Risk Due to Market Uncertainties	Strengthen asset quality management	• Loan Loss Coverage (LLC) strengthened to 114.7%, an increase of 25 percentage points
Competition from Banking Alternatives	Introduce and enhance financial and non-financial solutions that embed inclusivity and accessibility	• Launched AFFIN BizWira-i Financing to provide working capital for start-up businesses owned and controlled by Malaysian Armed Forces (MAF) veterans that have been in operation for between 12 to 36 months • Launched Bizlifestyle Protect, a combination protection scheme designed to cover both business and lifestyle risks for business owners • Rolled out SME Digital Ecosystem via SME Colony to encourage business digital transformation
Price Wars with Other Financial Institutions	Maximise competitive advantage by being a niche leader in high potential segments, leveraging on tailored products and ESG awareness campaigns and solutions	• Introduced the 4th tranche of the BizDana-i Start-Up financing scheme with an allocation of RM20 million • Enhanced AFFIN BizSolar-i Financing, a financing scheme for the purchase and installation of solar PV systems by businesses without mandatory property collateral requirements, in line with the 12th Malaysia Plan • Launched the Green Technology Financing Scheme 4.0 (GTFS 4.0) to support the green technology sector, in line with the National Budget 2023

OPPORTUNITIES

Opportunity	Strategy
Attract New-to-bank Customers with Strong Segmental Proposition	• Intensify digital adoption and transformation among SME customers while offering inclusive digital products and services • Augment current segmental propositions with further exploration into new market segments
Enhance Partnership Network	• Further strengthen customer engagement through meaningful networking initiatives and proactive support
Expand Customer Touchpoints	• Increase customer accessibility through continuous expansion and upgrading of business centres • Increase market share in Sarawak and broader Borneo region
Improve ESG Product Offerings	• Introduce new ESG-centric products and services in line with the Group's sustainability and financial inclusion agenda

BUSINESS PERFORMANCE REVIEW

STRATEGIC OBJECTIVES **Increase Market Penetration**

Initiatives	Results
Enhance existing propositions to support start-ups, women entrepreneurs and other niche segments	• Strengthened AFFIN ASPIRA as the cornerstone proposition to support the development and growth of start-ups - Introduced the 4th tranche of BizDana-i Start-Up financing scheme with an allocation of RM20 million - Launched AFFIN BizWira-i Financing (see the "Risks" section for more info on this product) • Amplified AFFINGEM's proposition to help women entrepreneurs and women-led entities Grow, Empower and Manage their business - Continued to provide competitive rates to the Bank's financial solution for AFFINGEM members - Rolled out a series of AFFINGEM newsletters and financial literacy articles, and conducted micro-networking events to upskill women entrepreneurs and provide access to valuable business insights • Promoted AFFINRWKFZ as a value-added, "beyond banking" business development solution for SMEs - Recognised as Best SME Financial Inclusion Initiative at the Global SME Banking Innovation Awards 2023

STRATEGIC OBJECTIVES **Improve Customer Engagement**

Initiatives	Results
Undertake proactive outreach activities to drive affinity and trust	• Continued to utilise dedicated relationship managers to provide holistic proactive support to SME customers • Participated as strategic speakers at various external SME events, including the SME100 CEO Forum, Smart City & Digital Economy Convention (SDEC) 2023, Entrepreneurs Summit IV and ASEAN Innovation Business Platform (AIBP) Insights session

STRATEGIC OBJECTIVES **Expand Reach Through Partnerships**

Initiatives	Results
Organise and sponsor events that reach SMEs	• Collaborated with notable partners, including Sidec and Mystartr, to develop and sponsor various events aimed at nurturing the SME community, such as: - Season 1 of The Sandbox (as detailed above) - The 6th Selangor Accelerator Programme - The 8th Malaysia Top E-Commerce Merchant Awards (with the AFFIN Rising Star Awards and AFFINGEM Women Trailblazer Awards dedicated to start-ups and women entrepreneurs respectively) - The 7th Dream Factory Startup Contest (with the AFFINGEM Awards (女創業家獎) dedicated to women entrepreneurs) - The SME100 Awards (with the AFFIN SME100 Icon Awards and BMI AFFINGEM Women Entrepreneurs Awards dedicated to SME and women entrepreneurs respectively) - The 100 Most Influential Young Entrepreneurs 2023 (100 MIYE) • Organised SME BizChat, a series of interactive bilingual business talks to promote financial literacy, connect SMEs to business growth resources and uplift ESG-focused industries with key highlights including - Memorandum of Understanding (MOU) Exchange with SIRIM Berhad - Rakaniaga Fairs to promote their products and services

STRATEGIC OBJECTIVES **Spearhead SME Digital Transformation**

Initiatives	Results
Develop digital resources that empower SMEs on their transformation journeys	• Achieved over 100,000 downloads for SME Colony (as detailed above) • Rolled out SME Digital Ecosystem via SME Colony to encourage digital transformation and drive lead generation for the AFFINMAX mobile application • Achieved over 43,000 AFFINMAX subscribers

OUTLOOK & PROSPECTS

Looking forward, the sluggish market environment will continue to pose significant challenges within Malaysia's business ecosystem. Against this backdrop, SMEs will invest in ways to enhance competitiveness and drive differentiation.

The division will continue its support of niche segments such as start-ups and women entrepreneurs to build greater affinity among its target customer base, as well through its comprehensive digital transformation resources to adapt SMEs to new market opportunities.

While the division continues to grow high-potential segments, it will maintain its core focus on Manufacturing, Trading and Services (MTS) sectors. The division also plans on developing further ESG financing solutions and increasing ESG education to drive equitable and sustainable transitions. This will be complemented by a proactive approach to customer relationship management, enabling the Group to solidify its reputation as the bank of choice for SMEs and start-ups across the ecosystem.

BUSINESS REVIEW

GROUP TREASURY

HANIF GHULAM MOHAMMED
Executive Director
Group Treasury

At the core of our strategic vision are the four pillars of Group Treasury: Increasing the Yield of Assets, Generating Stable Net Operating Income (NOII), Harvesting Group Synergy, and Upgrading Digital Infrastructure. Throughout the year, our team has remained dedicated to upholding these pillars, driving initiatives aimed at maximizing returns, ensuring revenue stability, promoting collaboration within the group and fortifying our digital capabilities.

WHO WE ARE AND WHAT WE DO

Our Group Treasury division serves as a pivotal player in the financial services sector, offering a comprehensive suite of foreign exchange and money market products and services. Guided by a dedication to fostering enduring and mutually beneficial relationships founded on trust, the division has amassed a strong clientele spanning a wide spectrum, from large multinationals, SMEs, institutions and individual investors.

BUSINESS ENVIRONMENT

The banking landscape in 2023 was characterised by a multitude of factors that influenced the division's operations. Notably, rising interest rates prompted by prevailing economic conditions presented both challenges and opportunities. While increased borrowing costs posed potential hurdles, they also opened avenues for improved returns on certain financial products. Concurrently, volatile currency markets underscored the importance of robust risk management practices to mitigate fluctuations and safeguard stability. Additionally, evolving regulatory frameworks and geopolitical risks necessitated vigilant monitoring and proactive adaptation to ensure compliance and resilience.

KEY FOCUS AREAS

Increasing the yield of assets by maximizing returns	Generating stable NOII by ensuring revenue stability
Harvesting Group synergy by promoting collaboration	Upgrading our digital infrastructure and fortifying our digital capabilities

2023 ACHIEVEMENTS

Financial

- 34% year-on-year increase in PBT
- Over 500% year-on-year increase in NOII
- 0.08% year-on-year reduction in COF
- 32.99% increase in return on risk-adjusted capital (RAROC)

Non-Financial

- Launched 6 new products including:
  - Advanced FX hedging solutions crafted for corporate and SME clients, offering superior forward rates compared to conventional Fixed Forwards
  - A revolutionary bond investment product, empowering clients to enter the bond market with a smaller initial outlay, thus unlocking enhanced returns
- Orchestrated successful market outlook events, attracting a total of 400 attendees including corporate clients and influential figures from across Malaysia

BUSINESS PERFORMANCE REVIEW

Strategy	Achievements
Providing Tailored Solutions	• Expanded our portfolio with six new products to meet evolving customer needs, including innovative products like Structured Forwards and Reverse Repo • Concluded Interest Rate Swap and Islamic Profit Rate Swap derivatives with corporate clients
Investing in Digital Solutions	• Continued to drive strong adoption of our Foreign Exchange Digital System (FXDS), which provides enhanced client accessibility and efficiency

OUTLOOK & PROSPECTS

2024 will continue to pose a difficult operating environment with geopolitical tensions, interest rate volatilities and sluggish economic growth. Meanwhile, closer to home, electoral uncertainties and the persisting weakness of the Ringgit will have a dampening effect on business and investor sentiment.

In response, the division will maintain its focus on executing proactive risk management strategies while seeking to deliver further innovations that meet evolving client needs. By being responsive to change, ready to seize opportunities and in tune with the potential of technological advancements, the division shall seek to turn challenges into an opportunity to continue its strong trajectory of growth.

BUSINESS REVIEW

AFFIN MONEYBROKERS SDN BHD

NG SEOW PANG
Chief Executive Officer
Affin Moneybrokers Sdn Bhd

We continue our quest to grow by recognising that our greatest asset lies in our people. Our commitment to excellence will hinge on the collective efforts of our talented team. By deploying technology in their workplace, we seek to achieve our mission to be the market leader in the inter-dealer broking industry.

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 services. Its principal activity is to act as intermediary or arranger of deals between authorised financial institutions in the foreign exchange and domestic money markets, including financial institutions and insurance companies. In return for this service, the division receives payment in the form of brokerage commission when deals between two parties are concluded.

BUSINESS ENVIRONMENT

With the interest rate hike cycle showing no signs of conclusion, 2023 continued to present a difficult operating environment for the division.

The global financial markets faced challenges in both equities and fixed income due to interest rate hikes driven by inflationary pressures. While fixed income markets bore the brunt of inflation, the rate of increase moderated as the year unfolded, providing a window for recovery. Meanwhile, the US Dollar index traded within a range and ended the year relatively stable.

Trading volumes for over-the-counter financial products in the interbank market witnessed growth across the board, with one notable exception: foreign exchange. In the forex market, the interest rate differential favoured the US Dollar, strengthening it against local currency. The allure of better returns in the Dollar discouraged repatriation while simultaneously triggering capital outflows, resulting in a thin one-sided market for most of the year.

Meanwhile, in the realm of interest rate products, the market experienced healthy volume growth of 25-30%. The cash market remained robust, driven by liquidity management needs of financial institutions. On the other hand, the fixed income market remained active, albeit under the shadow of higher interest rates in the economic outlook.

Derivatives, in particular, benefited from hedging activities as interest rate volatility intensified during the US rate hike cycle. The volume of derivative products surged by 15-20%. Meanwhile, clients continued to demand fee reductions, exacerbating an already-difficult operating environment.

KEY FOCUS AREAS

Focus Area	Achievements
Employee Retention and Development	• Continually assessed employee compensation and benefits and initiated a company-wide effort to adjust salaries and ensure competitive remuneration • Continued to provide comprehensive learning and development programmes
Compliance	• Built an appropriate governance framework to meet Bank Negara Malaysia standards and ensure comparable governance standards to the division's client base

2023 ACHIEVEMENTS

Financial

- Net profit increased by 5.8%
- First half revenue increased by 16%

The first half of the year contributed significantly to the division's progress from interest rate products which was a result of global interest rate policies. Clients were actively managing their balance sheet with that backdrop. However, during the second half ofthe year, personnel disruption caused by a competitor, derailed our activites. Overcoming the setbacks required the division to reorganise its resources, leading to a loss of momentum.

RISKS

Risks	Description
Under investment in Talent	• To prevent the erosion of the essential inter-dealer broking skillset within the industry, consistent investment is crucial. Every operator must intensify their efforts to mitigate the risk of the industry becoming obsolete. • Enhancing technical knowledge is crucial for inter-dealer brokers, as it empowers them to better serve the over-the-counter (OTC) market.
Weakening Economy	• A weakening economy may result in reduced transaction volume resulting in strong trending markets.
Electronic platforms	• With the anticipation of additional electronic platforms gaining approval from the central bank to cater to the over-the-counter market, the need to carve out a distinct niche for inter-dealer services becomes even more urgent.

Opportunities

Risks	Description
Enhancement of Service Delivery	• By embracing technology, the division can enhance the quality of the service it provides to its customers • Supporting this, it is essential that the division addresses its capital expenditure requirements internally
Development of New Services	• The division will consult financial markets participants on their needs to facilitate the development of relevant services • Traditionally, new services are implemented when new products start trading in the financial markets • Over time, some services have been discontinued, and this is an opportune time for the division to explore reviving some of them

OUTLOOK & PROSPECTS

Looking forward, the division expects global economies to slow down and Malaysia will not be spared. Interest rates will probably start heading downward when this becomes more evident. Interest rate products will benefit, leading to an increase in volumes and transaction counts. Foreign exchange will suffer a decline in activity as trade flows across borders are expected to decrease. In response, the division will continue to build capabilities in areas that are not fully covered by the industry, with a view to opening new revenue streams selectively for underserved products. This should minimise the impact of reduced volumes in foreign exchange.

BUSINESS REVIEW

GENERALI INSURANCE MALAYSIA BERHAD

FABRICE BENARD
Country Head of Generali Entities in Malaysia & CEO of Generali Insurance Malaysia Berhad

As one of the largest insurers in Malaysia, we recognise the vital importance of sustainability in today's world. We are deeply committed to not only responding to this trend but also shaping the future of insurance for generations to come. Making sustainability the originator of our strategy means that sustainability will shape how we make decisions, ensuring that no one is left behind in securing vital protection.

WHO WE ARE AND WHAT WE DO

With more than 190 years of heritage, Generali Group is one of the world's largest insurance providers. The Group has been active in Malaysia since 2015 when it acquired a 49% stake in Multi-Purpose Insurans Berhad – a P&C insurance subsidiary of Multi-Purpose Capital Holdings to create MPI Generali. In 2022, Generali acquired full ownership of the MPI Generali joint venture and purchased a controlling majority in AXA Affin General and Life Insurance in Malaysia. These entities are now known as Generali Insurance Malaysia Berhad and Generali Life Insurance Malaysia Berhad, respectively.

In 2023, Generali unfolded a new growth chapter with the launch of a single, unified brand Generali Malaysia – one of the largest general insurers and an emerging life insurer in Malaysia backed by more than 1,600 employees, a wide distribution network of more than 9,000 agents and partners, and an extensive network of branches.

With an expanded scale, breadth, and expertise, Generali Malaysia strives to further its ambition of being a trusted lifetime partner and a progressive insurer that safeguards the needs of Malaysians and their future generations.

BUSINESS ENVIRONMENT

After the downturn of the pandemic years, the economy gradually rebounded in 2023. The recovery in GDP, increase in disposable income among the population and rising awareness of health and financial planning have contributed to the growth of the insurance market. This has opened the door for Generali to move ahead with its operational and expansion plans, with the aim of delivering greater value for the business and the company's stakeholders.

KEY FOCUS AREAS

Focus Area	Achievements
Premiums & Underwriting	• Achieved Gross Written Premiums (GWP) forecast target • Attained net underwriting profit of more than 100% above plan
Financial Growth	• Achieved a PBT of RM131 million (surpassing target by 46%)
Employee Training and Development	• More than RM2.5 million invested in employee training and upskilling • Nearly 1,500 employees trained • 21 employees completed external certifications • Generali Malaysia Volare Scholarship Programme awarded to seven undergraduate students

Creating Social and Environmental Value	**Project Makan Sihat** • Delivered in collaboration with Yayasan Generasi Gemilang, this initiative targeted high-need families and children suffering from malnutrition in PPR Lembah Subang • The company surpassed its fundraising goal of more than RM273,000 and ranked 2nd globally in The Human Safety Net (THSN) 2023 Global Challenge. • Held a volunteering workshop in Dewan Taman Putra Damai to educate 50 mothers on the topics of Budget & Menu Preparation and to motivate them to make positive changes to their lifestyle. **Trash for Treats** • Contributed to a beach clean-up in collaboration with MY Clean Beach at Pantai Batu Laut, Tanjung Sepat, with nearly 100 volunteers joining forces to collect 460kg of trash • Event ended with treats in exchange of the trash collected and a meaningful talk by MY Clean Beach on the importance of environmental stewardship **Empowering Students of GIATMARA Entrepreneurship Programme** • Distribution of sewing machines to deserving students of GIATMARA entrepreneurship programme • Empowered recipients to acquire valuable technical and vocational skills while simultaneously easing their financial burden as they embark upon their entrepreneurial journeys **Blood Donation Campaign** • Organised a blood donation campaign at our headquarters in collaboration with Pusat Darah Negara • Successfully collected 102 pints of blood through this campaign
Retail Growth	• Streamlined risk appetite especially in terms of underwriting and preferred risks • Pruned portfolio of investments to integrate ESG-related risks while investing in more preferred segments and lines of business to help boost both top and bottom lines • Focused on growing commercial business lines that offer higher potential margins • Developed more green products in line with sustainability objectives
Branch Network Expansion	• Launched the first model branch in Seremban, offering a full product suite of general and life under one roof and driving significant employment opportunities for the local population

2023 ACHIEVEMENTS

Financial

- Net profit of RM95.8 million (more than 49% above plan)
- GWP of RM2.056 million (achieved forecast target)

Non-Financial

- Reached two major milestones of system integration
- Posted staff engagement score that is higher than market norms
- Maintained strong brand presence through radio ads, billboards, social ads and banners, sponsorships, year-long thought leadership forums and interviews
- Enhanced Customer Satisfaction Index (CSI) score (under the General Insurer category) to 83, on par with the industry, with improvement across all pillars:
  - Accessibility: 75 (+21 points*)
  - Product Suitability: 71 (+19 points*)
  - Service Efficiency: 69 (+13 points*)
  - Claims Transparency: 74 (+11 points*)

* *Compared to MPI Generali*

BUSINESS REVIEW: GENERALI INSURANCE MALAYSIA BERHAD

Awards & Recognition

Insurance Asia Awards 2023:
- International General Insurer of the Year – Malaysia (8th consecutive win)
- CEO of the Year (Fabrice Benard)

Insurance Asia News Awards for Excellence 2023
- CSR initiative of the Year – The Human Safety Net (Project Makan Sihat)
- CEO of the Year – Fabrice Benard

Graduan Brand Awards 2023
- 1st Runner Up for Malaysia's Most Preferred Employer 2023 (Insurance Sector)

RISKS & OPPORTUNITIES

Challenges	• Keeping up with evolving regulations • Investing in systems and processes that facilitate compliance with ever-changing requirements • Staying ahead of the risk impacts of issues such as climate change, geopolitical turbulence and technological transformation • Ensuring robust cybersecurity measures to deter cyber threats
Opportunities	• Upgrading and modernising systems to improve speed-to-market and enhance the customer experience • Cultivating local IT capabilities and promoting local IT talents, thus creating new job opportunities as existing systems are decommissioned • Capitalising on the value creation opportunities presented by sustainability, such as through sustainability-related investments and the development the development of socially responsible products

BUSINESS PERFORMANCE REVIEW

Strategies	Results
Strong Balance Sheet	• Achieved healthy capital position and delivered dividends on target
Integration	• Completed PM1 and PM2
High Staff Engagement Score	• Recorded a score of 89 points, higher than market norms
Strong Brand Presence	• Achieved better brand presence than market norms

OUTLOOK & PROSPECTS

Driven largely by domestic consumption, the Malaysian economy is set to grow in 2024 and, thus, bolster the country's life insurance industry.

The company aims to capitalise on this positive momentum by scaling up its agency-based and bancassurance sales through productivity improvements and an aggressive recruitment strategy, while also taking steps to optimise its branch networks. In addition, it will aim to successfully deliver system integration and change management strategies. After the system integration process is complete, the company strives to drive digitalisation across its business in order to actualise efficiency gains.

As always, this success will be based on the value provided by people and, to this end, the company will seek to maximise its human capital through modern and purpose-fit training programmes and initiatives, with the aim of remaining as the employer of choice.

GENERALI LIFE INSURANCE MALAYSIA BERHAD

REBECCA TAN
CEO of Generali Life Insurance Malaysia Berhad

At Generali Life, we are committed to be Lifetime Partner to our customers through innovative and personalised solutions, best-in-class experience and digitalised distribution capabilities. We provide a comprehensive range of insurance protection solutions i.e. life, medical, critical illness, savings, and legacy planning to meet the evolving demands of our customers.

WHO WE ARE AND WHAT WE DO

With more than 190 years of heritage, the Generali Group is one of the world's largest insurance providers. The Group has been active in Malaysia since 2015 when it acquired a 49% stake in Multi-Purpose Insurans Berhad — a P&C insurance subsidiary of Multi-Purpose Capital Holdings to create MPI Generali. In 2022, Generali acquired full ownership of the MPI.

Generali joint venture and purchased a controlling majority in AXA Affin General and Life Insurance in Malaysia. These entities are now known as Generali Insurance Malaysia Berhad and Generali Life Insurance Malaysia Berhad, respectively.

In 2023, Generali unfolded a new growth chapter with the launch of a single, unified brand Generali Malaysia — one of the largest general insurers and an emerging life insurer in Malaysia backed by more than 1,600 employees, a wide distribution network of more than 9,000 agents and partners, and an extensive network of branches.

With an expanded scale, breadth, and expertise, Generali Malaysia strives to further its ambition of being a trusted lifetime partner and a progressive insurer that safeguards the needs of Malaysians and future generations.

BUSINESS ENVIRONMENT

After the downturn of the pandemic years, the economy gradually rebounded in 2023. The recovery in GDP, increase in disposable income among the population and rising awareness of health and financial planning have contributed to the growth of the insurance market. This has opened the door for Generali to move ahead with its operational and expansion plans, with the aim of delivering greater value for the business and the company's stakeholders.

KEY FOCUS AREAS

Focus Area	Achievements
APE	• Registered strong new business growth vs 2022
Financial Growth	• Higher Net Result compare to Plan
Employee Training and Development	• Improved engagement score from 79 in 2022 to 90 in 2023 • Invested in employee training and upskilling • Generali Malaysia Volare Scholarship Programme awarded to seven undergraduate students
Creating Social and Environmental Value	**Project Makan Sihat** • Delivered in collaboration with Yayasan Generasi Gemilang, this initiative targeted high-need families and children suffering from malnutrition in PPR Lembah Subang • The company surpassed its fundraising goal of more than RM273,000 and ranked 2nd globally in The Human Safety Net (THSN) 2023 Global Challenge. • Held a volunteering workshop in Dewan Taman Putra Damai to educate 50 mothers on the topics of Budget & Menu Preparation and to motivate them to make positive changes to their lifestyle.

BUSINESS REVIEW: GENERALI LIFE INSURANCE MALAYSIA BERHAD

	Trash for Treats • Contributed to a beach clean-up in collaboration with MY Clean Beach at Pantai Batu Laut, Tanjung Sepat, with nearly 100 volunteers joining forces to collect 460kg of trash • Event ended with treats in exchange of the trash collected and a meaningful talk by MY Clean Beach on the importance of environmental stewardship **Empowering Students of GIATMARA Entrepreneurship Programme** • Distribution of sewing machines to deserving students of GIATMARA entrepreneurship programme • Empowered recipients to acquire valuable technical and vocational skills while simultaneously easing their financial burden as they embark upon their entrepreneurial journeys **Blood Donation Campaign** • Organised a blood donation campaign at our headquarters in collaboration with Pusat Darah Negara • Successfully collected 102 pints of blood through this campaign
Sustainability	• Classified investment holdings in accordance to the classification stipulated in CCPT guidelines • Implementation of negative screening in asset management
Branch Network Expansion	• Launched the first model branch in Seremban, offering a full product suite of general and life under one roof and driving significant employment opportunities for the local population

2023 ACHIEVEMENTS

Financial

- Recorded 6% growth in Annualised Premium Equivalent (APE) compared to plan, with Banca Affin registering strong growth of 23% and the agency channel growing by 12%
- Gross Written Premium (GWP) of RM493.3 million, below plan by 3%
- Annual Premium Equivalent (APE) of RM69.8 million, exceeding plan by 9%
- Loss After Tax of RM23.4 million, below plan by 27%

Non-Financial

- Maintained strong brand presence through radio ads, billboards, social ads and banners, sponsorships, year-long thought leadership forums and interviews
- Achieved a Customer Satisfaction Index (CSI) score of 87, higher than the industry average of 85 (as per the Customer Satisfaction Survey 2022), thus ranking amongst the top five life insurers in the country
- Improved performance recorded improvement across all pillars:
  – Accessibility: 81 (as compared to industry average of 77)
  – Product Suitability: 88 (as compared to industry average of 81)
  – Service Efficiency: 82 (as compared to industry average of 79)
  – Claims Transparency: 76 (as compared to industry average of 75)

Awards & Recognition

- Named International General Insurer of the Year (Malaysia) by Insurance Asia Awards
- Fabrice Benard, Country Head of Generali Entities in Malaysia & CEO of Generali Insurance Malaysia Berhad named CEO of the Year by Insurance Asia Awards
- The division's Human Safety Net (Project Makan Sihat) named CSR Initiative of the Year by Insurance Asia News Awards
- Fabrice Benard, Country Head of Generali Entities in Malaysia & CEO of Generali Insurance Malaysia Berhad named CEO of the Year by Insurance Asia News Awards
- Won 1st Runner-up, Malaysia's Most Preferred Employers under Insurance Sector in Graduan Brands Awards 2023
- Rebecca Tan, CEO of Generali Life Insurance Malaysia Berhad lauded for Entrepreneurial Leadership of The Year in the Insurance category by The BrandLaureate Awards 2023

RISKS & OPPORTUNITIES

Challenges	• Keeping up with evolving regulations • Investing in systems and processes that facilitate compliance with ever-changing requirements • Staying ahead of the risk impacts of issues such as climate change, geopolitical turbulence and technological transformation • Ensuring robust cybersecurity measures to deter cyber threats
Opportunities	• Upgrading and modernising systems to improve speed-to-market and enhance the customer experience • Cultivating local IT capabilities and promoting local IT talents, thus creating new job opportunities as existing systems are decommissioned • Capitalising on the value creation opportunities presented by sustainability, such as through sustainability-related investments and the development the development of socially responsible products

BUSINESS PERFORMANCE REVIEW

Strategies	Results
Integration	Delivered key milestones of system integration.
Agency	Posted strong new business growth.
Bancassurance	Deepen Bancassurance partnership with Affin Bank Berhad and registered 23% growth.
Strong brand presence	Achieved better brand presence than market norms

OUTLOOK & PROSPECTS

Driven largely by domestic consumption, the Malaysian economy is set to grow in 2024 and, thus, bolster the country's life insurance industry.

The company aims to capitalise on this positive momentum by scaling up its agency-based and bancassurance sales through productivity improvements and an aggressive recruitment strategy, while also taking steps to optimise its branch networks. In addition, it will aim to successfully deliver system integration and change management strategies. After the system integration process is completed, the company strives to drive digitalisation across its business in order to actualise efficiency gains.

As always, this success will be based on the value provided by people and, to this end, the company will seek to maximise its human capital through modern and purpose-fit training programmes and initiatives, with the aim of remaining as an employer of choice.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

DATO' AGIL NATT
Chairman, Affin Bank Berhad

Dear Stakeholder,

On behalf of the Board of Directors, I am pleased to present to you the Corporate Governance Overview Statement for the year 2023. As the Chairman of the Board, I am committed to uphold the highest standards of corporate governance and to ensure that the Board fulfils its fiduciary duties and responsibilities to the shareholders and other stakeholders of the AFFIN Group.

The Board recognises that good corporate governance is essential for the long-term sustainability of the Group and the creation of stakeholders' value. Therefore, the Board has adopted a proactive and strategic approach to set the direction and oversee the management of the Group. The Board has also established a clear and effective governance framework that covers the Board's composition, roles, functions, processes, committees, policies and practices.

In this report, I will highlight some of the key aspects of our corporate governance practices and initiatives for the year 2023, with a focus on how the corporate governance practices will contribute to the achievement of our vision, mission, values and strategic goals.

The Board has developed a comprehensive and forward-looking agenda for the year 2023, which covers, among others, the following items:

- Review and approve the Group's annual budget and business plan for 2024
- Monitor and evaluate the Group's performance and progress against the key performance indicators and targets under our A25 programme
- Introduction and adoption of the AX28 strategy
- Assess and manage the Group's risks and opportunities in the changing business environment and regulatory landscape
- Oversee and support the Group's digital transformation and innovation initiatives
- Strengthen the Group's corporate culture and human capital development
- Enhance the Group's stakeholder engagement and corporate social responsibility
- Ensure the Group's compliance with relevant laws, regulations, codes and standards
- Review and update the Group's corporate governance policies and practices

The Board has analysed each item in terms of its objectives, outcomes, benefits, risks, alignment and prioritisation, with the assistance of the Board Committees and Management. The Bank has also outlined the potential stakeholders' values that could be created, including the shareholders, customers, employees, regulators, suppliers, partners, communities and the environment as illustrated in different sections of this Annual Report.

The Board believes that the corporate governance initiatives put in place by the Group are aligned with the Group's vision, mission, values and strategic goals, and that they will support the Group's growth, profitability, resilience, competitiveness, innovation, reputation and social impact. The Board also believes that the said initiatives are prioritised based on their urgency, impact and feasibility, and that they will address the most critical and relevant issues and opportunities facing the Group.

The Board is confident that by upholding the highest standard of corporate governance, the Group will be able to deliver value to its stakeholders and to fulfil its corporate governance obligations and expectations. The Board will continue to monitor and review the implementation and outcomes of the corporate governance initiatives on a regular basis and make necessary adjustments and improvements as required.

In conclusion, I would like to express my sincere appreciation and gratitude to the Board members, the Management team, the employees and the stakeholders for their continued support, trust and cooperation. I would also like to assure you that the Board will continue to strive for excellence in corporate governance and to act in the best interests of the Group and the stakeholders.

Thank you.

Yours faithfully
Dato' Agil Natt
Chairman

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Affin Bank Berhad (ABB, the Company or the Bank) strongly promotes and supports the principles of good Corporate Governance. The Board continuously strives to enhance and strengthen the Group's governance framework and processes to ensure that 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 2023 and up to the date of publication of this Annual Report 2023 (year under review). This CG Statement outlines the Bank's compliance with 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 relevant 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 Practice 8.2 (disclosure of senior management's remuneration). This includes the adoption of four (4) out of five (5) step ups, which are considered exemplary practices. As for Practice 12.2 (Integrated Reporting), the Bank's Annual Report is in the journey of transitioning into a full Integrated Reporting. The Bank aims to fully adopt the Integrated Reporting by financial year ending 31 December 2024. 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:-

- Bank Negara Malaysia's (BNM) Policy Document on Corporate Governance (BNM CG)
- Malaysian Code of Corporate Governance (MCCG) 2021
- Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries published by the Securities Commission of Malaysia
- Corporate Governance Guide 4th Edition published by Bursa Securities
- Main Market Listing Requirements (MMLR) issued by Bursa Malaysia Securities Berhad (Bursa Securities)
- Corporate Governance Monitor 2022 published by the SC
- Other relevant guidelines/circulars/practice notes issued by relevant regulatory authorities
- MSWG's Malaysia-ASEAN Corporate Governance Scorecard

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Governance Structure and Framework

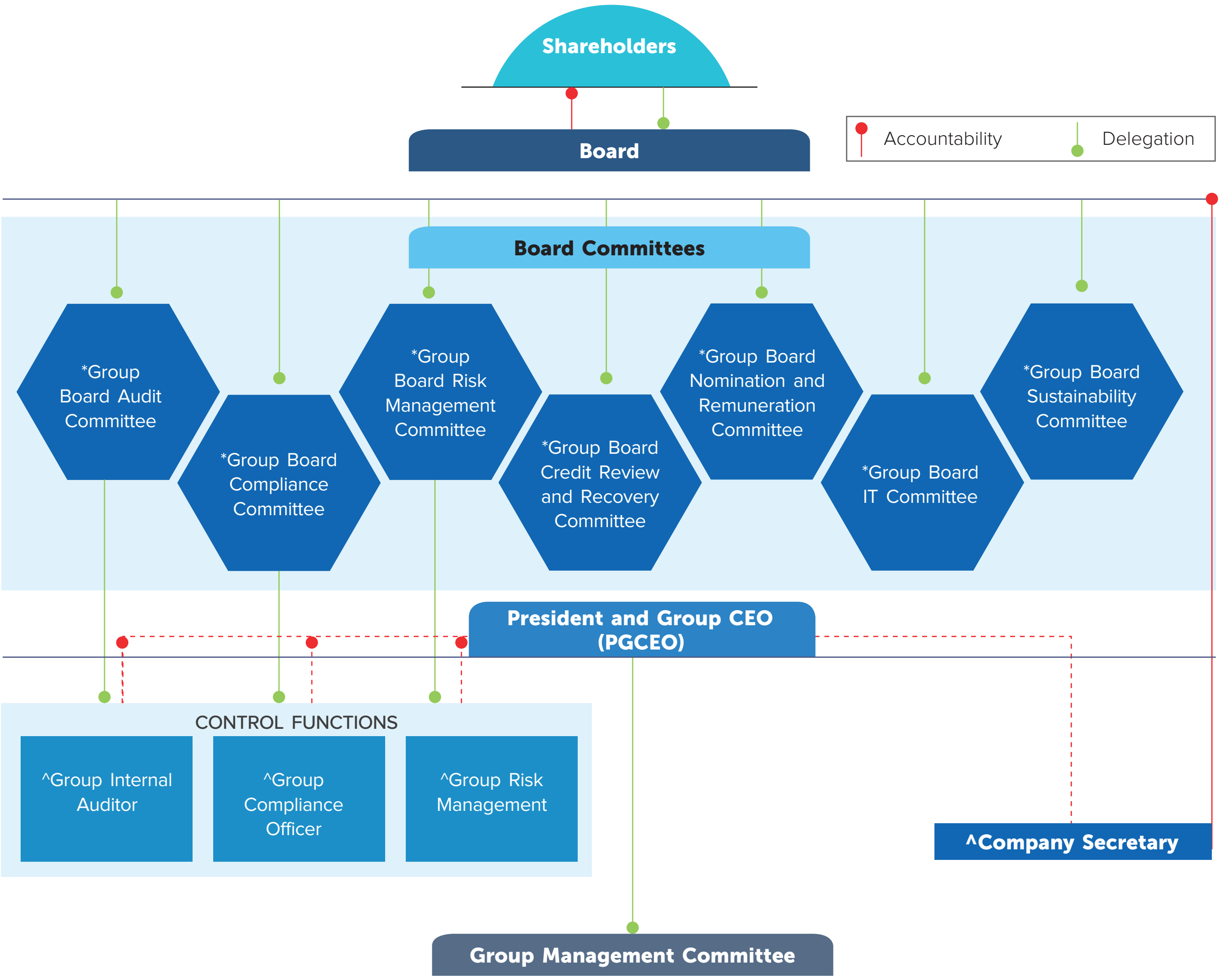
The Board views corporate governance as a fundamental process contributing towards achieving long-term shareholder value, taking into account the interest of all other stakeholders. The Board champions transparency and accountability in the boardroom, fostering these vital components of governance throughout the Group.

The Group believes that a healthy corporate culture and robust governance framework ensures that the organisation continues to run smoothly and efficiently.

Amidst an increasingly challenging business environment, the Board is committed to strengthening the Group's corporate governance practices and processes to effectively meet growing operating challenges.

An important role of corporate governance is to ensure sustainable long-term performance, maximise returns for our stakeholders and create long-term economic value and growth. AFFIN Corporate Governance Framework, its structure and processes, are built upon the Terms of Reference (TOR) of the Board Committees which are complemented by Authority Limits and supported by the various management committees, policies and procedures. The Board practices collective oversight of the Board Committees and Management, while delegating responsibilities without abdicating its duties.

The Board works to ensure that the Group's governance structure continues to remain appropriate and that it keeps abreast with relevant corporate governance and regulatory requirements. The structure and associated practices are reviewed when necessary to reflect the market and the communities within which the Group operates.



* 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.

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 Board Charter sets out, among others, the Board's strategic intent, authority and delegations to the respective Board Committees and it serves as a primary source of reference and induction literature. The Board Charter identifies clearly, the issues and decisions reserved for the Board.

For individual directors, the Board Charter also outlines what is expected of them in terms of commitment, roles and responsibilities as Directors.

While appropriately delegating its authority to Board Committees or Management, the Board does not abdicate its responsibility. The Board ensures that it does not leave the management of the Bank's affairs to the Board Committees and that the Directors remain responsible for the exercise of such powers.

This is guided by the principles of good corporate governance as prescribed in the policy documents and guidelines issued by BNM as well as 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
- 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. The Board ensures effective leadership through oversight on management and robust monitoring of the performance, initiatives and internal controls within the Bank.

LEADERSHIP AND MANAGEMENT

The Bank is led by the Board which is responsible for the stewardship of the business and affairs of the Group on behalf of our shareholders and all other stakeholders.

The Board's primary role is to determine ABB's strategic objectives and policies to deliver sustainable value to its shareholders. In ensuring the protection of shareholder value, the Board takes into account the interests of stakeholders including employees, business partners, local communities, regulators and the general public.

Whilst the Board provides oversight on the control and management of the Bank, the ultimate decision-making authority vests with the shareholders at the Annual General Meeting where, amongst others, important resolutions such as the re-election and remuneration of the Directors and appointment of External Auditors are considered and approved.

The Board, on the other hand, is accountable to the shareholders for the performance of the Bank. In this regard, the Board directs and monitors the business and affairs of the Bank on behalf of the shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A:

The Board sets, oversees and approves the overall strategic objectives, direction and performance of the Group with some strategic oversight delegated to Board Committees. The Board takes appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations. The Board considers the impact of its decisions and its responsibility to all the Group's stakeholders.

The Board ensures that the Group's strategic plan supports long-term value creation and includes strategies on economic, environmental, social and governance (ESG) considerations thereby strengthening the integration of sustainability in the Group's operations. Through sustainable practices, the Group becomes more resilient, is able to be create durable and sustainable value and maintains simultaneously, the confidence of its stakeholders.

The Board ensures that it is well-positioned to satisfy its oversight responsibility through periodic assessment of Board agenda priorities to ensure that it is well-informed on a timely basis of matters requiring attention.

Together with Management, the Board promotes good corporate governance culture within the Group ensuring ethical leadership, prudent and professional behaviour in the conduct of its business and in all aspects of its operations.

The Board considers each Non-Executive Director to be independent in character and judgement.

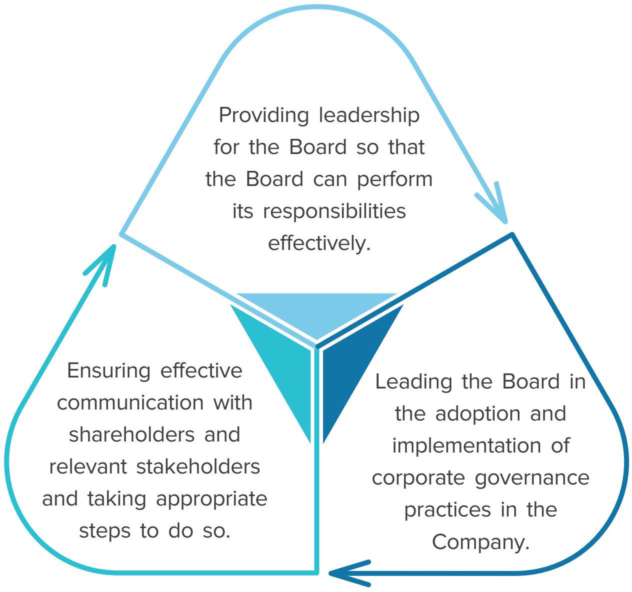
The current composition of Directors has a blend of skills, experience and knowledge enabling them to provide effective oversight, strategic guidance and constructive challenge, examine, review and decide on Management's proposals and empower the PGCEO to implement strategies approved by the Board.

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.

The main roles of the Chairman, among others, are as follows:



The Chairman is not a member of either the GBNRC or the GBAC.

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.

Company Secretary

The Company Secretary acts as secretary to the Board and Board Committees, ensuring compliance with Board procedures and advising on regulatory and governance matters. She is responsible for ensuring that the Board and Board Committee members receive accurate, timely and clear information. She supports the Chairman of the Board in the delivery of the corporate governance agenda and facilitates the Director Induction programme and on-going professional development trainings.

The Company Secretary is qualified and competent to act as company secretary under Section 235 of the Companies Act 2016. The Board members have full access to the Company Secretary.

BOARD LEADERSHIP AND EFFECTIVENESS

Directors	Designation	Board	GBNRC	GBCRRC*	GBAC*	GBITC*	GBRMC*	GBCC*	GBSC#
ABB									
YBhg. Dato' Md Agil bin Mohd Natt	Chairman/INED	18/18	–	27/27	–	15/15	–	–	–
YBhg. Dato' Abdul Aziz bin Abu Bakar	INED	17/18	11/11 (C)	–	–	–	–	–	–
YBhg. Dato' Mohd Hata bin Robani	INED	17/18		4/4 (C)	15/15			10/10	
Mr. Ignatius Chan Tze Ching	NINED (BEA representative)	18/18	–	–	–	–	–	–	–
YBhg. Dato' Rozalila Binti Abdul Rahman	INED	16/18	–	–	–	12/13	14/14	2/2 (C)	1/1
Mr. Yuen Peter Wai Hung	NINED (BEA representative)	18/18	–	–	–	–	–	10/10	–
Ms. Marzida Binti Mohd Noor	INED	17/18	11/11	–	–	15/15 (C)	–	–	–
Mr. Gregory Jerome Gerald Fernandes	INED	18/18	–	–	15/15 (C)	–	–	12/12	–
Ms. Chan Wai Yu	INED	18/18	–	23/23	–	–	15/15 (C)	–	–
Encik Mohammad Ashraf Bin Md Radzi	NINED (LTAT representative)	18/18	–	–	–	–	15/15	–	–
Ms. Emeliana Dallan Rice-Oxley *(Appointed as Director of ABB effective 1 October 2023)*	INED	4/4	–	–	–	–	–	–	1/1 (C)
AIBB									
Tuan Haji Musa Bin Abdul Malek *(Chairman, AIBB)*	Chairman/INED	–	–	22/27	–	11/13	–	–	1/1
Encik Suffian Bin Baharuddin	INED	–	–	–	15/15	–	14/15	–	–
Datuk Mohd Farid Bin Mohd Adnan	INED	–	11/11	–	–	–	–	11/12	–
Ms. Tan Ler Chin, Cindy	INED	–	–	–	–	14/15	13/15	–	–
Encik Muhammad Fitri Bin Othman	NINED (LTAT representative)	–	–	–	–	–	–	12/12	–
Encik Dali bin Sardar *(Appointed as Director of AIBB effective 16 June 2023)*	INED	–	–	13/13	2/2	–	–	–	–
Dr. Sharbanom binti Abu Bakar *(Appointed as Director of AIBB effective 6 October 2023)*	INED	–	–	–	–	2/2	–	–	1/1
AHIBB									
YM Tunku Afwida	Chairman/INED	–	–	–	–	13/15	–	–	–
Datuk Wan Razly Abdullah	NIED (ABB representative)	–	–	–	–	–	–	–	–
Encik Hasli Hashim	INED	–	–	25/27	–	–	14/14	–	–
Mr. Eugene Hon Kah Weng	INED	–	–	–	15/15	–	–	–	–
Dato' Abdul Wahab	INED	–	11/11	–	–	–	–	–	–
Ms. Kong Yuen Ling	NINED (BEA representative)	–	–	–	–	–	–	10/12	–
Ms. Tracy Ong *(Appointed as Director of AHIBB effective 18 May 2023)*	INED	–	–	13/13	–	–	1/1	–	–

Note:
INED : Independent Non-Executive Director
NINED : Non-Independent Non-Executive Director
NIED : Non-Independent Executive Director
** Change of composition effective 1 November 2023*
 # Established effective 1 November 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A:

BOARD AND BOARD COMMITTEES' DELIBERATIONS

The highlights of matters reviewed, deliberated and approved by the Board and Board Committees during FY2023 were as follows:-

Board

Key Activities of the Board and Board Committee in 2023

STRATEGY, TECHNOLOGY & ESG

1. Business strategy of various sectors within the Group Budget and Business Plan for the Group for FY2023
2. Capital Position & Capital Plan
3. Relocation of ABB's Head Office and Offices to Menara AFFIN, TRX
4. AFFIN TRX Strategy
5. Dividend payment for 2023 and Dividend Reinvestment Plan
6. The Bank's Climate Risk Management Plan
7. Bursa Malaysia's enhanced Sustainability Reporting Framework with New Climate Change Reporting
8. AFFIN Group Recovery Plan
9. Proposed relocation of branches and opening of new branches
10. Corporate Exercises – AFFIN partnership
11. AFFIN Mobile application implementation
12. Contents of Annual Report 2023
13. AFFIN change the Bank Strategy (AX28)
14. Branch Transformation Strategy 2.0
15. SME Credit Models – Application Scorecards (A-Score) and Behavioural Scorecard (B-Score)
16. AFFIN collaboration with KLEAN Reverse Vending Machine
17. Establishment of Group Board Sustainability Committee

GOVERNANCE, RISK & COMPLIANCE

1. BNM Composite Risk Rating findings
2. Re-appointment of external auditors for the Group
3. Group Board and Board Committee Composition
4. Revision of Corporate Governance Framework
5. Board Effectiveness Evaluation
6. Fit and Proper Assessment
7. Group Risk Appetite Statement
8. Recovery Plan
9. Annual Credit Plan
10. Group Enterprise Risk Dashboard
11. Various revision of policies/frameworks not limited to Approving Authority Framework, MFRS9 Model Review, Credit Transactions and Exposure with Connected Parties, Technology Risk Management Framework, Group Credit Risk Policy, Credit Authority Framework and Group Business Continuity Policy
12. Establishment of Technology Risk Management Policy
13. Development of Behavioural Model for Interest Rate and Rate of Return Risk in Banking Book
14. Assessment on Risk Management Practices & Lessons Learnt from the Silicon Valley Bank ("SVB") Crisis
15. Monthly updates from Group Compliance, Group Internal Audit and Group Risk Management

FINANCIALS & PERFORMANCE

1. AFFIN Budget FY2024 (Including CAPEX Budget) and Forecast FY2025 to FY2027 and FY2023 Business Plan & Strategy
2. Group ICAAP Framework Annual Review
3. Capital Threshold (ICT) for FY2024
4. Issuance of AT1CS
5. Cost to Income Analysis
6. Capex Budget
7. Outsourcing Plan
8. Group Internal Capital Threshold and Stress Test Results

CSR, CULTURE & PEOPLE

1. AFFIN Contribution to Yayasan LTAT
2. Group Organisational Structure
3. Overview of Consequence Management
4. Directors and Shariah Training Plan 2023
5. Updates on employees' engagement surveys - Lenses
6. Appointment and contract renewal of senior management
7. Implementation of new HR Management system
8. AFFIN Share Grant Scheme

BOARD LEADERSHIP AND EFFECTIVENESS

GROUP BOARD AUDIT COMMITTEE

Members (Latest)

1) Mr. Gregory Jerome Gerald Fernandes (Chairman) (Representing ABB)
2) Dato' Mohd Hata Robani (Representing ABB)
3) Encik Suffian Baharuddin (Representing AIBB)
4) Mr. Eugene Hon Kah Weng (Representing AHIBB)
5) Encik Dali Kumar @ Dali Sardar (Representing AIBB) *(appointed as member w.e.f. 1 November 2023)*

(Adopted Practice 1.4 and Step Up 9.4 of MCCG 2021)

MAIN ROLES & RESPONSIBILITIES

- To establish the framework and oversee the audit function of AFFIN.
- 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.
- Implement and support the function of the Board by reinforcing the independence and objectivity of the Group Internal Audit Division (GIA).
- Ensure that Internal and External Audit functions are properly conducted, and audit recommendations are implemented timely and effectively.

MATTERS DISCUSSED IN 2023

- Approval of the GIA Annual Audit Plan for 2023.
- Review of audit reports and findings by GIA scheduled in the Annual Audit Plan, in addition to special ad-hoc audit reports.
- Deliberation on monthly financial results and endorsements of quarterly and year-end financial statements prepared by the 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 Committee as and when deemed necessary on matters of significant governance, risk management and controls issues.
- Review on the progress of Annual Audit Plan FY2023.
- 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.

BOARD COMMITTEES

TOTAL MEETINGS IN 2023:

SCHEDULED
12 MEETINGS

SPECIAL
3 MEETINGS

JOINT GBAC & GBRMC
2 MEETINGS

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A:

GROUP BOARD RISK MANAGEMENT COMMITTEE

Members (Latest)

1) Dato' Rozalila Binti Abdul Rahman (Chairman) (representing ABB) *(ceased to be Chairman effective 1 November 2023)*
2) Ms. Chan Wai Yu (representing ABB) *(appointed as Chairman w.e.f. 1 November 2023)*
3) Encik Suffian Bin Baharuddin *(representing AIBB)*
4) Ms. Tan Ler Chin, Cindy *(representing AIBB)*
5) Encik Hasli Bin Hashim *(representing AHIBB) (ceased to be a member w.e.f. 1 November 2023)*
6) Encik Mohammad Ashraf bin Md Radzi *(representing ABB)*
7) Ms. Tracy Ong Guat Kee (representing AHIBB) *(appointed w.e.f. 1 November 2023)*

MAIN ROLES & RESPONSIBILITIES

The GBRMC is established to assist the BOD in respect of the following:-

1) Oversee, review, assess and examine the adequacy of the Group-wide enterprise risk management framework, policies and guidelines to 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/ Regulatory Risks and Shariah Non-Compliance Risk), Reputational Risk, Technology Risk as well as Environmental, Social and Governance (ESG) risk.
2) 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
3) Providing oversight on the Group's ability to build resilience against the adverse impacts of ESG and climate-related risks.
4) Oversee the overall recovery planning process, including the development, maintenance, and implementation of the Group Recovery Plan (GRP) in all phases.

MATTERS DISCUSSED IN 2023

1) Review and endorse the risk-related frameworks, policies (including risk controls and thresholds), standards, guidelines and strategies for recommendation to the Board for approval.
2) Review the key risk management highlights and analysis, including emerging risk assessment, key risk indicators and exposures reported in the monthly Group Enterprise Risk Dashboard (GERD).
3) 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 impacts to the entities and/or Group.
4) Review the reports and findings by the Independent Credit Review function whether the quality of Credit Risk assessment and credit decision-making remains consistent with the Bank and its respective subsidiaries' overall Credit Risk management.
5) Review the capital and liquidity management of the Group.
6) Review and endorse the Group Recovery Plan, including the Key Recovery Indicators, Scenario Analysis and Recovery Options.
7) Other risk management matters reviewed include but are not limited to:-
   - Regulatory Stress Test and/or any ad-hoc stress test exercise
   - 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.
   - Shariah-related developments affecting the banking industry.
   - Environmental, Social and Governance (ESG) and Climate-related Risk updates.
   - Status Updates on Key Risk Management Initiatives.

BOARD COMMITTEES

TOTAL MEETINGS IN 2023:

SCHEDULED
11 MEETINGS

SPECIAL
4 MEETINGS

JOINT GBAC & GBRMC
2 MEETINGS

GROUP BOARD COMPLIANCE COMMITTEE

Members (Latest)

1) Dato' Rozalila Abdul Rahman (Chairman) (Representing ABB) *(appointed as member and Chairman w.e.f. 1 November 2023)*
2) Dato' Mohd Hata Robani *(ceased to be Chairman and member w.e.f. 1 November 2023)*
3) Mr Peter Yuen Wai Hung *(ceased to be member w.e.f. 1 November 2023)*
4) Mr. Gregory Jerome Gerald Fernandes (Representing ABB)
5) Datuk Mohd Farid Bin Mohd Adnan (Representing AIBB)
6) Mr. Muhammad Fitri Othman (Representing AIBB)
7) Ms. Kong Yuen Ling (Representing AHIBB)

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.
  - 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.
- Monitor the Bank's management of compliance risk through periodic reporting on AML/CFT updates, outcome from compliance review exercise, statistics of whistleblowing cases as well as non-compliance incidences report.

MATTERS DISCUSSED IN 2023

- Review the revised 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.
- 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 2024.
- Deliberation of regulatory breaches.
- Monitor Integrity & Governance Unit's bi-annual reporting to Malaysian Anti-Corruption Commission.

BOARD COMMITTEES

TOTAL MEETINGS IN 2023:

SCHEDULED
12 MEETINGS

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A:

GROUP BOARD NOMINATION AND REMUNERATION COMMITTEE

Members (Latest)

1) Dato' Abdul Aziz Abu Bakar (Chairman) (Representing ABB)
2) Puan Marzida Mohd Noor (Representing ABB)
3) Datuk Mohd Farid Mohd Adnan (Representing AIBB)
4) Dato' Abdul Wahab Abu Bakar (Representing AHIBB)

(Adopted Practice 1.4 of MCCG 2021)

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 KSMO and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategies.

MATTERS DISCUSSED IN 2023

- Appointment of Directors with Sustainability background.
- Establishment of Group Board Sustainability Committee.
- Setting up of KPIs and Scorecard for FY2023.
- 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 FY2022.
- Review of Board and Management Succession Plan.
- Review the overall composition of the Board and Board Committees.
- Revision to Corporate Governance Framework.

BOARD COMMITTEES

TOTAL MEETINGS IN 2023:

SCHEDULED 9 MEETINGS

SPECIAL 2 MEETINGS

GROUP BOARD CREDIT REVIEW AND RECOVERY COMMITTEE

Members (Latest)

1) Dato' Mohd Hata Robani (Chairman) (Representing ABB) *(appointed as member and Chairman w.e.f. 1 November 2023)*
2) Ms. Chan Wai Yu *(ceased to be Chairman and member w.e.f. 1 November 2023)*
3) Dato' Agil Natt (Representing ABB)
4) Encik Musa Abdul Malek (Representing AIBB)
5) Encik Dali Kumar @ Dali Sardar (Representing AIBB) *(appointed as member w.e.f. 1 July 2023)*
6) Encik Hasli Hashim (Representing AHIBB)
7) Ms. Tracy Ong Guat Kee (Representing AHIBB) *(appointed as member w.e.f. 1 July 2023)*

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 2023

- Review and concur/veto credit financing decisions made by GMCC.
- Update on Revised Contract Financing Guidelines.
- Overview of the retail and Non-retail exceptional credits, Business Units' Portfolio Monitoring, End Financing (EF) Policy Refinement.
- Revision of Terms of Reference for GMCC (Management level Committee).
- Oversight view and review of the Annual Credit Plan (ACP) formulation.
- Oversight view and review of the Single Counterparty Exposures Limit (SCEL) Status Report and Group accounts review.
- Oversight view and review of the impaired loans, written-off accounts and recoveries efforts/plans made by Management.
- Exceptional credits.
- Oversight view and review of the Revision of Credit Authority Framework as well as analysis and treatment of the Risk-Weighted Assets (RWAs) in Undrawn Credit Limits.

BOARD COMMITTEES

TOTAL MEETINGS IN 2023:

SCHEDULED 23 MEETINGS

SPECIAL 4 MEETINGS

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A:

GROUP BOARD INFORMATION TECHNOLOGY COMMITTEE

Members (Latest)

1) Puan Marzida Binti Mohd Noor (Chairman) (Representing ABB)
2) Dato' Agil Natt (Representing ABB)
3) Ms. Tan Ler Chin, Cindy (Representing AIBB)
4) Tunku Afwida Tunku A. Malek (Representing AHIBB)
5) Dr. Sharbanom Binti Abu Bakar (Representing AIBB) *(appointed as member w.e.f. 1 November 2023)*
6) Dato' Rozalila Abdul Rahman *(ceased to be member w.e.f. 1 November 2023)*
7) Haji Musa Abdul Malek *(ceased to be member w.e.f. 1 November 2023)*

MAIN ROLES & RESPONSIBILITIES

- Oversee the overall development, risk management, integration and alignment of the Information Technology (IT) strategy and plan with AFFIN entities strategic business direction and plan.
- 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 AFFIN strategic transformation programme, ensure alignment with business strategic objectives and effective implementation in a timely manner.

MATTERS DISCUSSED IN 2023

- Deliberation of investment proposals for technology transformation involving channels and support systems for AFFIN.
- Review of productivity and efficiency in technology and resources in managing the Group's technology.
- Review and monitoring of the A25 transformation plan and deliberate on the evolution into the next phase of transformation as encapsulated in the AX28 plan (Change the Bank Strategy).
- Review of information security management strategies to maintain confidentiality, integrity and availability standards.
- Technology and transformation risk management covering operational, cyber security, and emerging risks.

BOARD COMMITTEES

TOTAL MEETINGS IN 2023:

SCHEDULED 11 MEETINGS

SPECIAL 4 MEETINGS

GROUP BOARD SUSTAINABILITY COMMITTEE (established w.e.f. 1 November 2023)

BOARD COMMITTEES

TOTAL MEETINGS IN 2023:

SCHEDULED 1 MEETING

Members (Latest)

1) Ms. Emeliana Dallan Rice-Oxley (Chairman)
2) Dato' Rozalila Abdul Rahman (Representing ABB)
3) Dr. Sharbanom Abu Bakar (Representing AIBB)
4) Encik Musa Abdul Malek (Representing AIBB)
5) Dato' Abdul Wahab Abu Bakar (Representing AHIBB)

MAIN ROLES & RESPONSIBILITIES

- Assist the Board of AFFIN (the Board) by providing ongoing oversight of the development and implementation of the Group's Sustainability matter including Value based Intermediation Financing and Impact Assessment Framework (VBIAF).
- Provide oversight, advice, and direction in the development, implementation, and monitoring of the strategies, framework, and policies with respect to sustainability, VBIAF, climate change, and corporate social responsibility of AFFIN.
- Review and make recommendations to the Board on the suitability of the Group's climate, VBIAF, and sustainability strategy, position statements, frameworks, ambitions, metrics, and targets.
- Report to the Board on the climate, VBIAF, and sustainability matters for which it is responsible, escalate issues, and make recommendations to the Board where appropriate.

MATTERS DISCUSSED IN 2023

- Formalisation of GBSC's Term of Reference.
- Review of Group's Sustainability Framework.
- Monitor the progress of Climate Risk Management & Scenario Analysis (CRMSA) implementation plan including the implementation of CRMSA Capability Development and Competency Framework following BNM's CRMSA policy documents to adopt sixteen (16) climate-related initiatives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A:

BOARD COMPOSITION

Board Composition, Independence and Diversity

Board Composition

The Bank ensures ongoing 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, mid to long term objectives as well as specific challenges and opportunities.

The Bank's Board composition comprises majority Independent Directors with more than 70% Independent Non-Executive Directors whilst the remaining composition consist of Non-Independent Non-Executive Directors [all whom are appointed via nomination by major shareholders, namely, Lembaga Tabung Angkatan Tentera (LTAT) and The Bank of East Asia, Limited (BEA)]. Therefore, majority Independent Directors serves as a check and balance on the potential influence by the nominees from the Bank's largest shareholders which would provide assurance that the interest of the minority shareholders is not compromised.

Board decisions are made taking into account the views of the INEDs which carry substantial weight. They fulfil their roles in ensuring that strategies proposed by Management are deliberated and examined taking into account the interests of the shareholders and stakeholders. Their role is also particularly critical for related party transactions as these require independent judgement and objective impartiality to protect the interests of minority shareholders.

In addition to the fit and proper assessment of Directors carried out annually, an independent assessment is also conducted on each INED based on the independent criteria set out in BNM Policy on Corporate Governance, MCCG 2021 and MMLR of Bursa Securities.

Every INED is required to provide a declaration of his/her independence annually. This declaration is assessed by the GBNRC. Based on the outcome of the fit and proper assessment for the financial year under review, all INEDs have complied the Bank's guidelines on conflict of interest.

The Board is of the view that each INED has retained his/her independence throughout his/her tenure and had not under any circumstances formed any association with Management that might compromise his/her ability to exercise independent judgement that could ultimately affect the interest of stakeholders.

The Bank values diversity as a vital factor for staying effective, adaptable and viable in a fast-changing business context.

The Board values innovation and creativity that can come from a diverse Board. The Board is dedicated in following and keeping the recommendation on diversity and inclusion in all aspects of its decision-making. The Board understands that diversity has many different aspects, such as gender, age, race/ethnicity, nationality, experience, skills and length of service, that are important for its good performance. However, the Board will give priority to the choice of Directors based on their combination of competencies, skills, broad experience and knowledge in areas that the Board identifies.

In 2023, the Board appointed Ms. Emeliana Dallan Rice-Oxley, who has ESG and DEI experience, to help the Board in planning and executing the ESG initiatives for the Bank. The next step is to recruit Director with suitable skills and background to assist the Bank in reaching its long-term strategy.

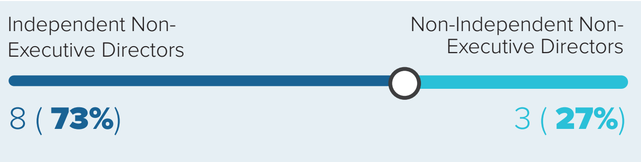
The Bank wishes to affirm that:-

- The Board continuously strives to ensure that Directors have a collective mix of skills, experience, expertise and diversity to add value to Board processes and decisions. These Directors bring their expertise and experience to bear on policy formulation and decision making, facilitating effective oversight, strategic guidance and constructive challenge.
- The Board is currently chaired by an Independent Non-Executive Director.
- The current Board composition in which the majority are Independent Directors (i.e. 8 out of 11 Directors are Independent), exceeds the MMLR and BNM CG requirements and allows for more effective collective oversight of Management.
- 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 reappointment as Director, to remain as a Director but shall be re-designated as Non-Independent Non-Executive Director.
- The time commitments of Non-Executive Directors are considered by the GBNRC at appointment/re-appointment and reviewed annually.

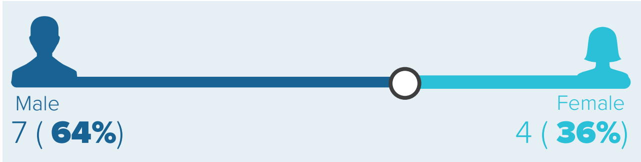
BOARD LEADERSHIP AND EFFECTIVENESS

As at 31 December 2023, the Board composition, independence and diversity for the Bank is depicted below:-

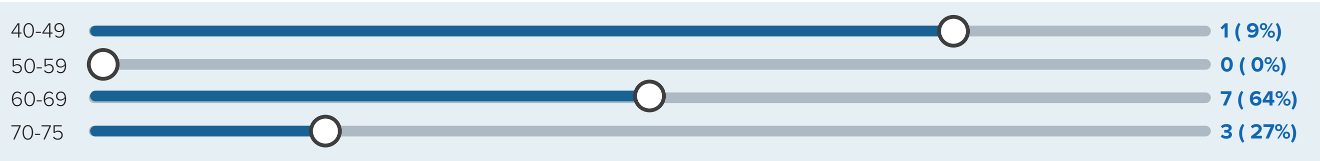
COMPOSITION (% AND TOTAL)

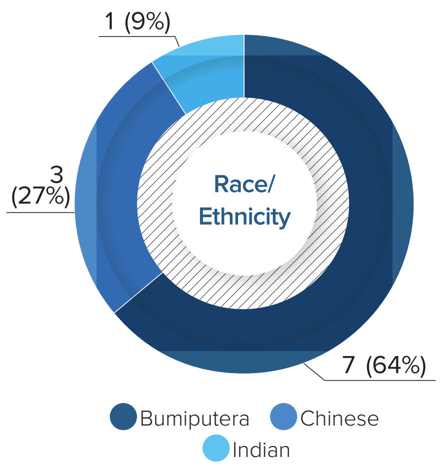


GENDER

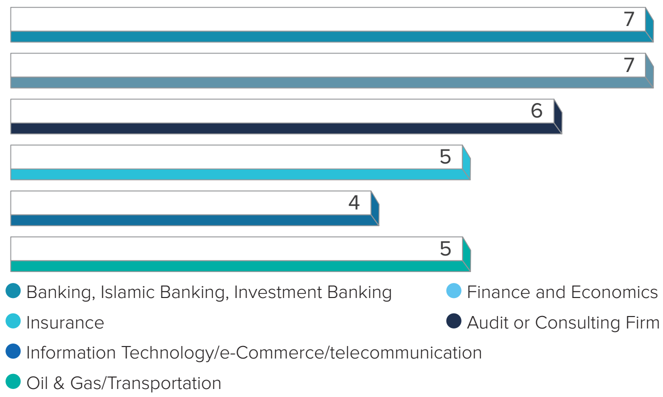


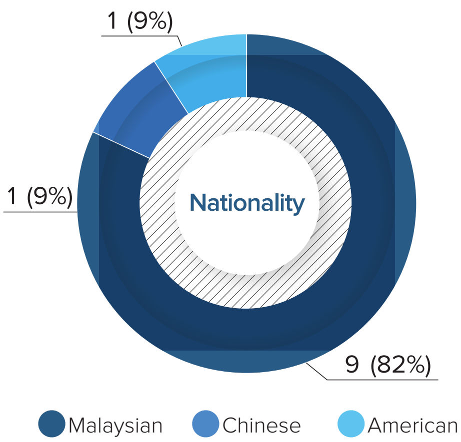
AGE



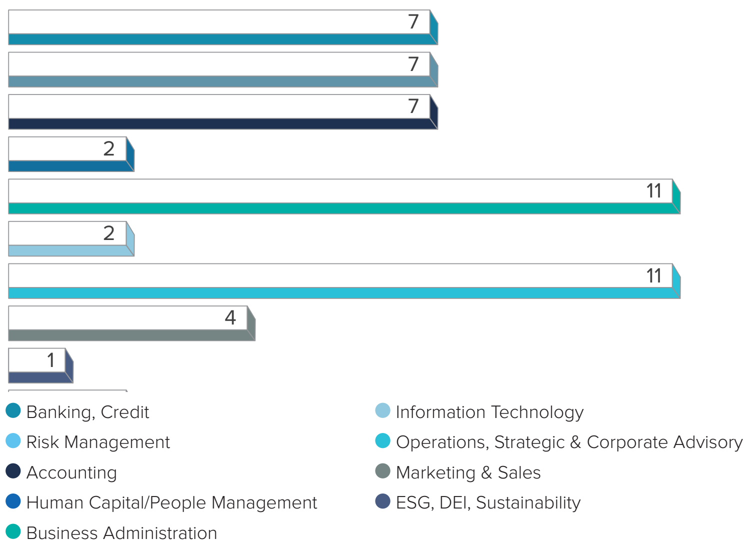


INDUSTRY EXPERIENCE





FUNCTIONAL EXPERIENCE



The existing size and composition of the Board are able to promote effective deliberation, encourage active participation among 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 enable the Bank to weather challenges and take advantage of opportunities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A:

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 (ICDM), 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

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/her 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 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).

ACTIVITIES IN FY2023

New Appointment of Director

There was only one (1) new appointment of Director, namely, Ms. Emeliana Dallan Rice-Oxley (Ms. Emeliana) who joined the Bank on 1 October 2023.

New Appointment of Senior Management

There was only one (1) new appointment of Senior Management, namely, Encik Mohammad Fairuz bin Mohd Radi as the Executive Director of Group Community Banking who joined the Bank on 1 December 2023.

Re-appointment of Directors

There were four (4) re-appointment of Directors, namely, Dato' Mohd Hata bin Robani (INED - 3rd term), Mr. Ignatius Chan Tze Ching (NINED - 3rd term), Mr. Gregory Jerome Gerald Fernandes (INED – 3rd term) and Ms Chan Wai Yu (INED – 2nd term).

REMOVAL OF DIRECTORS AND SENIOR MANAGEMENT

Each Director and Senior Management shall be assessed for compliance with the BNM Policy on Fit & Proper Criteria including 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 FY2023, the Board was satisfied that each of the Directors 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 of 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. 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 companies 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 allocated sufficient time for the Bank as evident from the Directors' record of attendance at Board and Board Committees' meetings held in the financial year ended 31 December 2023 as stated above.

Board Evaluation

The effectiveness of the Board is imperative to the success of the Bank and the Group. An effective Board is able to steer the Bank and the Group both for the present and the future. The Board conducts a rigorous evaluation process each year through the Board Effectiveness Evaluation (BEE) to assess the performance of the Board, its Committees and each individual Director. The objective of the BEE is to enhance the Board's effectiveness and the Group's overall performance.

In line with the recommendation by MCCG 2021, the Board is committed to appoint an external expert to carry out the BEE exercise at every three (3) years interval.

The Board is committed to delivering the highest outcomes by its directors for the benefit of stakeholders, and the continual improvement of governance quality, through the annual BEE exercise.

The Bank had appointed an external expert to conduct the BEE exercise for the Bank as well as for its banking subsidiaries in 2022. The results of the BEE 2022 as well as the considerations for improvement were as disclosed in the Annual Report 2022. The action plans developed by the Board together with GBNRC and the external expert involved, amongst others, the following:-

1) Engagement between the Board and Senior Management to understand the expectations moving forward;
2) Appointment of a new Director with ESG background;
3) Establishment of Group Board Sustainability Committee; and
4) Conduct Bespoke Development programme for the Board and Senior Management.

In view that the BEE 2022 was conducted by an external expert, the Board decided that the BEE 2023 to be carried out internally with the assistance from the Company Secretarial team based on the framework which was designed and concurred by the GBNRC and the Board of ABB. The BEE 2023 was conducted via an online platform.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A:

Themes

Themes enumerated for the evaluation of the Board, Board Committee and Individual Directors are as follows:-

Board as a whole

Section A – Board Composition, Skills & Development
Section B – Agenda, Meetings, Information & Decision Making
Section C – Board Dynamics & Culture
Section D – Board's Role in Sustainability/ESG Matters
Section E – Board & Management Relationship
Section F – Board & Stakeholder Engagement

Board Committees

Section A – Quality & Composition
Section B – Skills & Competencies
Section C – Meeting Administration

Individual Directors

Section A – Fit & Proper
Section B – Contribution & Performance
Section C – Calibre & Personality

Notes:
- *A Director must have served on the Board/Board Committees for at least six (6) months to be able to participate in the BEE.*
- *The Board Committees evaluation was be based on the composition prior to the changes which took effect on 1 November 2023.*
- *Management feedback on the BEE was obtained and collated vide the PGCEO.*

Process and Reporting Structure

STEP 1 – **ONLINE EVALUATION**
BEE is conducted internally through a secured online platform.

STEP 2 – **INDIVIDUAL SESSIONS**
Interviewees are asked to elaborate or identify relevant factors impacting Board effectiveness.

STEP 3 – **ANALYSIS**
Comprehensive report highlighting feedback and issues identified. Thereafter, shared with the Chairman of the Board, Chairman of GBNRC and PGCEO.

STEP 4 – **ACTION-PLANNING DISCUSSION**
Chairman of the Board, Chairman of GBNRC and PGCEO participate in action-planning discussion and the outcome will be part of the report. High-level report is tabled to GBNRC/Board for deliberation.

STEP 5 – **FEEDBACK STORAGE**
Original input from the survey will be destroyed upon tabling to GBNRC/Board.

STEP 6 – **IMPLEMENTATION AND MONITORING**
The action plan will be undertaken by the relevant parties for implementation, with regular updates to the GBNRC/Board.

The Board resolved to adopt the results for BEE 2023 as recommended by the GBNRC. The results of these assessments form part of the basis of the GBNRC's recommendations to the Board for the re-election of Directors at the 48th AGM in April 2024.

The main highlights of the results are as follows:-

Areas of Strength

Board Dynamics & Culture

Earned one of the highest ratings from the Board and Management for creating a suitable culture for the organisation to accomplish long-term strategy.

Board & Management Relationship

The Board and Management have an effective and supportive working relationship. They can express their views, communicate their opinions, exchange their perspectives and engage in respectful dialogues. They can settle any disagreements or differences in opinion in a cordial manner.

BOARD LEADERSHIP AND EFFECTIVENESS

Considerations for Improvement

Agenda, Meetings, Information and Decision Making

There have been improvements in the quality of information to the Board. However, the Board and Management continue to find areas for enhancement in terms of information that are being supplied to the Board. The Board would like to see relevant data that forecasts the future to build stakeholders' value. The Board appreciates that they can share their opinions and weigh different alternatives in making an informed decision.

Board Sustainability Matters

The Board is committed to sustainability/ESG issues and recognises that it needs to focus more efforts to meet stakeholders' expectations. The Board anticipates that the ESG initiatives would be fully integrated into the Group's business plan and risk management, with the support of the newly established Group Board Sustainability Committee.

The Board and GBNRC will work on development plans to address the areas of improvement based on their priorities, with the support from respective Board Committees. The BEE 2023 outcome will also be considered for the re-appointment of Directors and Board Committees' membership appointment, where applicable.

Board Conduct

All Directors commit themselves to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. They are guided by the Code of Ethics for Company Director & Company Secretary issued by the Companies Commission of Malaysia.

All Directors discharge their duties and responsibilities as fiduciaries in the best interest of the Bank. They are expected to act with integrity, lead by example, keep abreast of their responsibilities as Directors and of the conduct, business and development of the Bank.

In directing or managing the Bank's business and affairs, they exercise reasonable care, skill and diligence by applying their knowledge, skill and experience.

The Board ensures that key transactions or critical decisions are deliberated and decided by the Board in a meeting. The Board also ensures that decisions and basis for those decisions, including any dissenting views are made known and properly minuted.

Board Meetings and Attendance

The Board conducts active and inclusive discussions at Board meetings to ensure that all Directors have the opportunity to participate and contribute to the decision-making process. Vigorous deliberations and robust discussions at Board meetings promote constructive and healthy dialogue.

Board deliberations and decisions arrived at during Board meetings are clearly minuted in a timely manner and action items for Management will be communicated to the relevant parties within a reasonable timeframe after the Board meetings. The draft minutes are then tabled at the following meeting for confirmation and thereafter signed by the Chairman as a correct record of the proceedings thereat.

Directors are expected to attend at least 75% of the total Board meetings in any applicable financial year and must not appoint another person to attend/participate in a Board meeting on their behalf. Directors who were unable to attend a meeting during the financial year under review were encouraged to give the Chairman their views and comments on matters to be discussed in advance.

Members of Senior Management have also been invited to attend selected Board meetings to support the Board with further and additional information on the matters being deliberated.

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, post COVID-19 pandemic the Bank leveraged on technology to convene its Board and Board Committee meetings, subject to appropriate safeguards to preserve the confidentiality of deliberations. The Board has adopted internal Guiding Principles and Protocols for Board, Board Committees and Management meetings 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A:

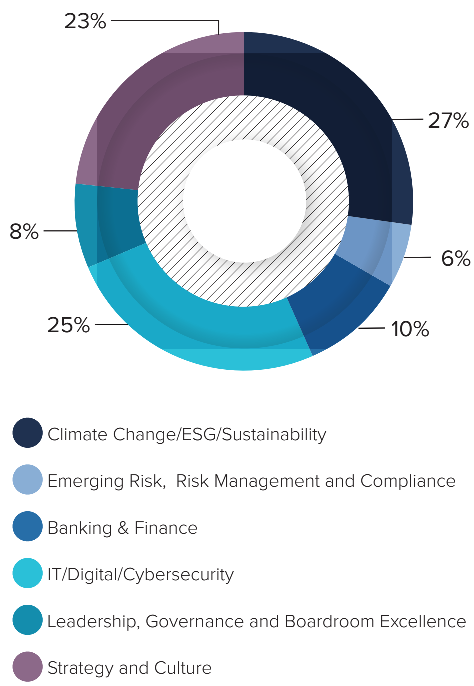
Access to Third Party Experts

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 FY2023, all the Board members attended various training programmes relevant to areas of development as highlighted in BEE2022. The topics of the training programme attended by the Directors in 2023 are, as 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 Boards and Annual General Meetings of AFFIN Banking Entities in April 2022 and May 2022, respectively.

Generally, the remuneration package for the Directors of the Bank comprises of the following:-

Directors' Fee	The Directors are entitled to Annual Directors' fees.
Board Committees' Fee	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.

BOARD LEADERSHIP AND EFFECTIVENESS

The Board has decided to maintain the existing Directors' remuneration up to the Annual General Meeting of the Bank to be held in 2025. The Directors' fees and benefits-in-kind payable to Directors are subject to shareholders' approval at the upcoming Annual General Meeting scheduled in April 2024. The details of the Directors' remuneration are set out in the Financial Statements of this Annual Report 2023.

Senior Management Remuneration

The Bank observed the Bank Negara Malaysia's (BNM) Corporate Governance Policy Document, BNM's Risk Governance Policy Document and the Bank's risk appetite when formulating the Senior Management remuneration.

The Bank also adopts a mix compensation that is competitive to market, in the form of fixed pay and variable component which provides 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.

ABB sees sustainable development as a vital part of its business, considering not only financial returns, but also ESG factors in making wise and sustainable business choices. The Bank promotes sustainability practices throughout its business operations, and provides and enables responsible financial solutions that benefit people, businesses, society and the environment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

At ABB, sustainability means making long-term investments for our organisation and stakeholders that support the wider sustainability goals in the financial sector. We have made our sustainability approach a core part of our organisation and we keep integrating ESG practices or factors into our businesses and operations as part of our overall sustainability journey. We have improved the incorporation of ESG risks factors into our financing risk evaluation.

The Bank base its sustainability strategy on Bursa Malaysia's MMLR and global reporting initiative standards, United Nations Sustainable Development Goals. The strategy also takes into account our material issues and the net positive effect that it has on our stakeholders.

To reflect the growing relevance of ESG, the Board has set up the Group Board Sustainability Committee on 1 November 2023 to lead the Bank's ESG efforts in achieving its long-term strategy.

The Bank also has a sustainability team that reports to the Group Chief Corporate Strategy & Sustainability Officer, who is the assigned person to oversee sustainability in a strategic way, including how to incorporate sustainability factors in the Bank's operations.

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.

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.

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.

ABB has in place a process to consider the appointment/re-appointment of External Auditors. The process requires the GBAC to assess the External Auditors' compliance with the qualification criteria including, evaluating the independence, objectivity and performance of the External Auditors. As part of its remit, the GBAC must ensure that the objectivity, independence and effectiveness of the External Auditors are maintained.

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 2023 is set out in the Financial Statements in this Annual Report 2023.

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.

In the discharge of its responsibility to effectively manage risks across the Group, determining its risk appetite and ensuring the implementation of adequate and appropriate controls, the Board reviews its risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Group.

Apart from having oversight of the Group's risk management, internal control and financial reporting, the GBRMC also ensures the required in-depth review into specific financial, operational and regulatory areas of the Group's business.

The Group's system of internal financial control is primarily aimed at safeguarding the Group's assets, ensuring proper accounting records are kept, identifying and managing business risks and maintaining compliance with appropriate legislation and regulations.

The Group's risk management and internal control systems are regularly reviewed by the Board and are consistent with Bursa Securities' guidance on Risk Management & Internal Control and related Financial and Business Reporting issued by the Malaysian Financial Reporting Council and compliant with the requirements of BNM. They have been in place for the financial year under review and are periodically reviewed and updated.

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 174 to 182.

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 174 to 182.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C:

Ongoing engagement and communication with shareholders are vital in fostering a healthy relationship between the Bank and its stakeholders and are critical for the sustainable growth of our business as this gives stakeholders a much better insight of the Bank and facilitates mutual understanding of each other's expectations.

As such, we have consistently maintained an open dialogue with relevant stakeholder groups such as regulatory agencies, employees, shareholders, investors, consumers and the general public, non-governmental associations and suppliers. Their views and concerns on the Bank's business, its policies on governance, the environment and social responsibility are given due consideration in our decision-making process.

The Board is committed to providing a fair, objective and meaningful assessment of the financial position and prospects of the Group in the quarterly financial results, annual financial statements, annual report and all other reports to shareholders, investors, regulatory authorities and other stakeholders.

The protection of shareholders' and stakeholders' interests both in the short and long-term is central to the way the Board operates. This has been the primary governing principle behind the Board's response to the COVID-19 pandemic. Its impact on all key stakeholders was always considered in Management's decisions. Effective engagement has been crucial in understanding the views of our stakeholders in order to make informed choices.

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 its General Meetings with assurance that it has in place the required infrastructure to support proactive interactions with shareholders and smooth broadcast of the General Meetings. 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 Chairman, who chaired the proceedings provided fair opportunity and time to all shareholders to exercise their rights to raise questions and make recommendations.

The Bank conducted fully virtual AGM and Extraordinary General Meetings (EGMs) in 2022 and 2023 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.

Resolutions during the AGM and EGMs were arrived at via online electronic poll voting to enable all shareholders to cast their votes. The Share Registrar, acted as the Poll Administrator to conduct the online electronic polling process. An Independent Scrutineer was also appointed to verify the poll results.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

CORPORATE GOVERNANCE PRIORITIES

The Bank has applied all recommended practices in MCCG save for 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

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 2023 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's Annual Report is in the journey of transitioning into a full Integrated Reporting. The Bank aims to fully adopt the Integrated Reporting by financial year ending 31 December 2024.

THE BANK'S KEY FOCUS AREAS AND 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 AX28 Strategy

Focus efforts in enhancing the Bank as well as Group awareness and implementation of ESG/Sustainability initiatives and considerations

Exploring on the potential of artificial intelligence (AI) and how it could benefit the organisation as a whole

GROUP BOARD AUDIT COMMITTEE REPORT

The Board of AFFIN Group is pleased to present the Report on Group Board Audit Committee ("GBAC") for the Financial Year ended 31 December 2023.

MR. GREGORY JEROME GERALD FERNANDES **Chairman Group Board Audit Committee (GBAC)**

COMPOSITION

The Group Board Audit Committee (GBAC), exclusively comprising Independent Non-Executive Directors, includes a Board-appointed Chairman who is distinct from the Chairman of the Board of Directors:

- DATO' MOHD HATA BIN ROBANI
- MR. EUGENE HON KAH WENG
- EN. SUFFIAN BAHARUDDIN
- EN. DALI SARDAR *(Appointed w.e.f. 1 November 2023)*

The GBAC's composition adheres to the listing requirements of Bursa Malaysia Securities Berhad and aligns with the principles and best practices outlined in the Malaysian Code on Corporate Governance by the Securities Commission Malaysia. With a membership featuring diverse expertise, proficiencies, and calibre, the committee is well-equipped to offer independent, objective, and effective oversight in fulfilling its roles and responsibilities.

Empowered by the Board, the GBAC has the authority, among other responsibilities, to scrutinise and investigate any matters within its defined scope. It can also engage directly with external and internal auditors as well as the regulators, seek independent professional advice when necessary, and possess access to both Management and essential resources for the effective execution of its duties.

The full terms of reference of the GBAC are available on the Bank's corporate website at https://affin.listedcompany.com/others.html

MAIN ROLES AND 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.
- Implement and support the function of the Board by reinforcing the independence and objectivity of the Group Internal Audit Division (GIA).
- Ensure that Internal and External Audit functions are properly conducted, and audit recommendations are implemented timely and effectively.

ACTIVITIES OF GBAC FOR FINANCIAL YEAR ENDED 31 DECEMBER 2023

- Reviewed and approved GIA Annual Audit Plan for 2023.
- Deliberated the audit and investigation reports presented by GIA.
- Deliberated the monthly financial results and endorsed the quarterly and year-end financial statements prepared by the Group Finance Division.
- Reviewed the risks and controls culture pulse assessment that were embedded as part of the audit assessments.
- Reviewed the Internal Control Healthcheck.
- Reviewed the corrective actions taken by Management on findings from regulators, internal and external auditors.
- Provided oversight over audit matters of the Group's subsidiaries, discussing and providing recommendations to subsidiaries' Board Audit Committee as and when deemed necessary on the matters of significant governance, risk management and controls issues.
- Reviewed the progress of the Annual Audit Plan FY2023.
- Reviewed audit reports and internal control recommendations by the external auditors, including key audit matters and significant accounting issues.
- Reviewed and recommended the re-appointment and fees of external auditors.
- Reviewed and recommended the appointment of external auditors for non-audit related services.
- Revised the GBAC Terms of Reference for Board approval.
- Informed and updated the Board the audit and investigations conducted by GIA via GBAC summary reports.
- Reviewed the internal control processes and procedures relating to Related Party Transaction (RPT)
- Deliberated the Quality Assurance and Improvement Programme (QAIP) report to ensure conformance to IIA standards.

MEETINGS HELD AND ATTENDED

Name of GBAC Member	No. of meetings held and attended FY2023
Mr. Gregory Jerome Gerald Fernandes	15/15
Dato' Mohd Hata Bin Robani	15/15
Mr. Eugene Hon Kah Weng	15/15
En. Suffian Baharuddin	15/15
En. Dali Sardar	2/2

A total of fifteen (15) GBAC meetings were convened, encompassing both scheduled and special sessions.

The GBAC sessions were attended by the presence of the Group Chief Internal Auditor ('GCIA') alongside the Chief Internal Auditor ('CIA') of Affin Hwang Investment Bank Berhad, as well as, the Audit Heads. In addition, Management representative of the respected divisions also attended at the discretion of the GBAC, to provide insights on financials, explanation on specific or related audit concerns, and implemented remediation measures aligned with the topics under discussion. Crucial issues discussed during GBAC meetings, along with the committee's recommendations and decisions, are promptly summarised and presented to the Board in the same month. This ensures that the Board is well-informed and can take necessary actions based on the provided information.

TRAINING

During the financial year ending in 2023, GBAC members participated in various seminars and training programs to stay updated on the latest developments in the banking industry. Details regarding the seminars and training programs attended by GBAC members are outlined in Section A of the Corporate Governance Report.

INTERNAL AUDIT

a. Reviewed and approved the Group Internal Audit ("GIA") Annual Audit Plan ("AAP") for 2023, to ensure the adequacy of scope and coverage of critical risk areas were sufficiently comprehensive 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 updated the Board on the audits and investigations conducted by GIA;
f. 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;
g. Reviewed and approved Management's requests on audit finding rectification timeline extension, considering the justifications provided;
h. Reviewed interim GIA Dashboard outlining the audit progress as per approved AAP FY2023;
i. 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;
j. 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;
k. 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 2023;
l. Reviewed and recommended to the Board for approval the revised Group Board Audit Committee Terms of Reference;
m. 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);
n. Deliberated and approved the Key Performance Indicator (KPI) of the GCIA for 2023 and assessed performance of the GCIA with feedback provided for improvement;
o. 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;
p. 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;
q. Deliberated on the results of the Internal Quality Assurance and Improvement Programme (QAIP) to ensure GIA's continuous conformance with the IPPF.

GROUP BOARD AUDIT COMMITTEE REPORT

FINANCIAL RESULTS & REPORTING

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, summary of corrected and uncorrected misstatements, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed and resolved; and
- Compliance with accounting standards and other legal requirements

EXTERNAL AUDIT

a. Reviewed and approved the 2023 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 six (6) 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 2023, 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, as well as obtain feedback for improvements;

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.

NON-AUDIT SERVICES

a) Reviewed and recommended to the Board for approval non-audit services rendered by the External Auditors and the fees involved.

b) 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.

RELATED PARTY TRANSACTIONS

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.

OTHERS

a) Reviewed the Statement on Risk Management and Internal Control for inclusion in the FY2023 Annual Report before recommending to the Board for approval;

b) Reviewed the Group Board Audit Committee Report for inclusion in the FY2023 Annual Report.

INTERNAL AUDIT FUNCTIONS

Continuing the positive trajectory in 2023, the Group Internal Audit ("GIA") has taken another significant step in its commitment to transform into a future-proofed internal audit function. With the dedication to innovation and the adoption of pioneering approaches, the GIA serves as a dynamic force for progress, cultivating an environment conducive to continuous learning and transformation. Through close collaboration with various divisions, the GIA actively works to propel the Bank toward an even more resilient future.

Continued Streamlined Processes Through Centralisation

- GIA continued its efforts to enhance the integration of Affin Hwang Investment Bank Berhad's internal audit function with the broader structure of the AFFIN Group, as part of the Group's ongoing centralisation initiative in year 2024.
- 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.

Fostering Collaboration Across Boundaries

As the third line of defence, GIA recognises the vital role of a robust risk control culture at all levels and emphasises the significance of fostering its enhancement. This is achieved through collaborative efforts with the first and second lines of defence, promoting enterprise-wide awareness of risk control practices. This heightened collaboration materialised in various forms, including the following:

- Continuing the Guest Auditor Programme ("GAP"), which is aimed at heightening staff's internal controls awareness and reinforcing a strong risk control culture within the Bank;
- Seven (7) 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

Ramped Up Data Analytics Drive to Advance Risk Profiling and Audit Insights

- The extended utilisation of data analytics across a broader spectrum within the Bank facilitates the implementation of continuous auditing practices.
- GIA successfully and effectively implements data analytics projects, sharing the outcomes with the divisions/ departments to enhance Management's monitoring activities.

Enhancing Audit Assessments Through A Cultural Lens

- In a pioneering move, the Bank's GIA broadened its audit scope by integrating a specific cultural aspect into its methodology, recognising culture's incontrovertible effect on the Bank's overall risk and control environment.
- With the aim to accurately identify less tangible root causes of non-compliances and facilitating more effective improvement strategies, culture assessments collected information from various data sources. This data were used to evaluate how well the auditable area aligns with the Bank's desired culture.

GROUP BOARD AUDIT COMMITTEE REPORT

SUMMARY OF GROUP INTERNAL AUDIT ACTIVITIES UNDERTAKEN IN FY2023

a. GIA continued its initiatives to further integrate the internal audit function of Affin Hwang Investment Bank Berhad's into the broader framework of the AFFIN Group aligning with the Group's ongoing centralisation initiative in FY2023. As part of the consolidation, gaps in methodology and processes are being bridged with the goal of full synchronisation. This endeavour has resulted in a more streamlined process, employing a uniform framework for conducting audit across the Group.

b. As the third line of defence, GIA recognises the vital role of a robust risk control culture at all levels and emphasises the significance of fostering its enhancement. This is achieved through collaborative efforts with the first and second lines of defence, promoting enterprise-wide awareness of risk control practices.

c. Conducted joint reviews with the Group Compliance Division (GCD) for identified audits, combining expertise and perspectives from GIA and GCD to promote knowledge sharing and more holistic evaluation of the Bank's risk control environment.

d. Organised the inaugural Governance, Risk and Compliance (GRC) Awareness Week held on 1-2 August 2023 in collaboration with the Group Risk Management (GRC) and Group Compliance Division (GCD). The event aims to foster knowledge exchange between Group entities and to elevate the overall risk, controls and compliance culture in the Group. Distinguished speakers from various industries, regulators, as well as, from law enforcement officers were invited to provide insights on industry practices and law enforcement experiences.

e. Conducted the seventh (7th) cohorts of Guest Auditor Programme ("GAP"). This aims to increase internal controls awareness and reinforcing a strong risk control culture among staff across the Bank.

f. GIA also conducted engagement sessions with the Regional Offices, where GIA shared common audit findings to raise staff awareness on common internal control issues across the Bank.

g. Launched the Internal Audit newsletter throughout FY2023, offering insights into lessons learnt on the impact on failures of internal controls for the Bank.

h. Continued to utilise data analytics across the broader spectrum within the Bank to facilitate the implementation of continuous auditing practice, data analytics projects and sharing the outcomes with the divisions/ departments to enhance monitoring activities.

i. Presented the Internal Control Health Check Reports to the GBAC and Group Management Committee (GMC) providing a comprehensive review of the internal control status based on the audits conducted throughout FY2023. The report highlighted areas with identified improvements and outlined contributing factors to areas requiring attention.

j. Facilitated a two-days on-site Audit Planning and Challenge session at aligning and integrating the audit approach throughout GIA, incorporating newly introduced ESG risk elements.

k. Engaged with key stakeholders and business heads to have better insight and feedback on AAP FY2024. These interactive sessions served as a platform for transparent communication and collaborative exchange of ideas and perspectives contributing to the refinement of the overall audit plan.

l. Monitored and reported the progress of action plans undertaken by the Management to address audit findings identified by the GIA. Requests for timeline extension were also escalated to the GBAC for deliberation and approval.

m. Provided advisory and independent recommendation of IT systems and control within the Bank prior to implementation of IT solutions to ensure adequate controls were applied and identified risks were mitigated.

n. Obtained second place for Best Independent Assessment Report under Financial Conglomerates Category in November 2023 from Payment Network (PayNet).

o. Conducted an inaugural review covering all 116 branches of ABB and AIBB. The evaluation was completed within a two-month timeframe, utilising a combination of on-site inspection and off-site analysis, incorporating data analytics for data extraction anomalies, providing a snapshot of the branch's performance, risks, and areas for improvement.

ORGANISATIONAL 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 28 years of extensive experience in the financial services industry, as well as in the market operator and 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 31 December 2023, GIA has a total staff strength of 52 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 2023 is approximately RM9.3 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 are 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.

RESPONSIBILITIES

- 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 Institute of International Auditors' ("IIA") International Professional Practices Framework ("IPPF") as well as standards and requirements set out by regulators on the internal audit function.
- GIA adopts the 5 components outlined in the Internal Control Integrated Framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In addition to COSO, GIA also integrates the Control Objectives for Information and Related Technologies (COBIT) framework into its Information Technology (IT) audits. This framework outlines the essential components necessary for the efficient governance and management of an IT environment.
- GIA determines and prioritises the scope of its coverage through a systematic and regular risk assessment of key business and support units across the Group. The audited areas encompass, among others, retail and non-retail banking, Islamic banking, treasury-related functions, IT infrastructure and operations, support functions, subsidiaries, and specific focal points like 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

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

'Assalamualaikum warahmatullahi wabarakatuh'

ASSOCIATE PROFESSOR DR. KAMARUZAMAN NOORDIN Chairman, Shariah Committee

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, the members of the Shariah Committee of Affin Islamic Bank Berhad ('the Bank'), do hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications offered by the Bank during the financial period ended 31 December 2023. 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, relevant resolutions and rulings made by the Shariah Advisory Councils of Securities Commission Malaysia, as well as Shariah rulings and decisions made by us.

MANAGEMENT'S RESPONSIBILITY

The management of the Bank is responsible for ensuring that the Bank conducts its operations, business, affairs, and activities in accordance with Shariah principles. We have provided Shariah advisory services on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

SHARIAH REVIEW AND SHARIAH AUDIT

We have assessed the work carried out by the Shariah review and Shariah audit which includes examining, on a sample testing basis, each type of transaction, the relevant documentation and procedures adopted by the Bank. 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.

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 FOR BOARD OF DIRECTORS AND SHARIAH COMMITTEE

As part of the initiative to strengthen the good governance and oversight function over Shariah matters, two (2) interactive engagement sessions were held with the Board of Directors and Senior Managements. The engagement sessions were the avenues for effective discussion on, among others, the Bank's strategic direction, understanding key Shariah Committee resolutions, and issues in operationalising Shariah Committee resolutions.

TRAINING OF THE SHARIAH COMMITTEE

We have attended various conferences and seminars which includes the 17th Muzakarah Cendekiawan Syariah Nusantara 2023 ('MCSN 2023'), 18th Kuala Lumpur Islamic Finance Forum 2023 ('KLIFF 2023'), Muzakarah Penasihat Syariah Kewangan Islam Kali Ke-16 ('KLIFF 2023'), Al Baraka Symposium and 18th International Shariah Scholars Forum 2023 ('ISSF 2023').

The Shariah Committee members have 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) 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) 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. The calculation of zakat was disclosed to us and is in compliance with Shariah rules and principles. The zakat fund is distributed through various channels i.e. States Zakat Authorities, non-governmental organisations, and individuals under selected asnaf categories such as poor and needy.

We have performed an oversight function over the management and distribution of the Bank's Charity Funds. The sources of the Charity Funds are inclusive of contributions from realised profits by the depositors sourced from AFFIN Barakah Charity Account-i and a portion of the Bank's income derived from AFFIN Islamic Credit Card-i. The Charity Funds are allocated for individuals which include poor, needy, orphans, and eligible beneficiaries not limited to asnaf zakat as well as charitable societies, organisations, and institutions.

We are of the opinion that:

1. The Bank's overall operations, business, affairs, and activities which we have reviewed during the financial year ended 31 December 2023 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 of income were recorded from sources or by means prohibited by the Shariah principles for the financial year ended 31 December 2023;
4. There is one (1) Shariah non-compliant event discovered in relation to the practice of compounding profit and late payment charges. This event contravenes the internal resolutions made by us and AFFIN's Rescheduling and Restructuring Policy. The incident details are as follows:
   i. Misquote of principal amount and inclusion of outstanding profit and late payment charges in the calculation of restructuring amount for Islamic facilities. The rectification has been successfully carried out by recalculating the actual monthly instalment based on the correct principal amount. Furthermore, the Bank has waived the late payment charges charged during the tenure. In addition to that, an effective preventive measure had been carried out to avoid similar occurrences in the future i.e. refresher training to business units on Shariah requirements for rescheduling & restructuring of Islamic facilities.

During the financial year ended 31 December 2023, a total of 15 meetings were held. The Shariah Committee comprises 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 (completed tenure w.e.f. 31.03.2023)*	3/3
Associate Professor Dr. Asmak binti Ab Rahman *Interim Chairman (w.e.f. 1.4.2023 to 31.7.2023)* *Member*	15/15
Dr. Nor Fahimah binti Mohd Razif *Member*	15/15
Mohamad Salihin bin Deris *Member*	15/15
Ahmad Husni bin Abd Rahman *Member*	15/15
Lokmanulhakim bin Hussain *Member* (appointed w.e.f. 3.1.2023)	15/15
Associate Professor Dr. Kamaruzaman bin Noordin *Chairman* (appointed w.e.f. 1.8.2023)	7/7

We, the members of the Shariah Committee of Affin Islamic Bank Berhad, to the best of our knowledge based on the information provided and disclosed to us, do hereby confirm that the operations, business, affairs and activities of the Bank for the financial year ended 31 December 2023 have been conducted in conformity with the Shariah principles.

On behalf of the Shariah Committee:

Chairman of the Shariah Committee:
Associate Professor Dr. Kamaruzaman bin Noordin

Member:
Lokmanulhakim bin Hussain

Kuala Lumpur, Malaysia | 20 March 2024

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 90 to 97 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 inter alia 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.

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 back testing of risk models and tools
- Track corrective actions to remediate risk issues
- Provide risk advisory role
- Risk reporting and portfolio analytics

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.

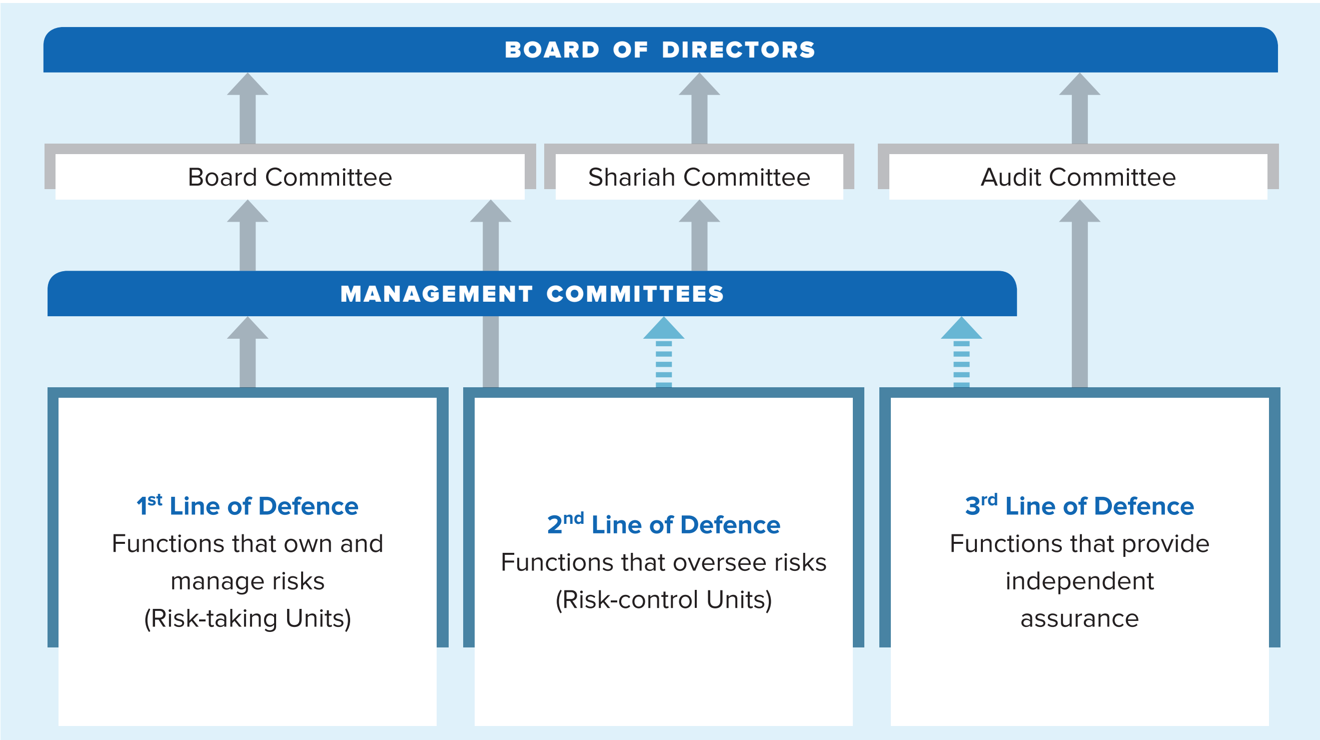
The GRMF is supported by the following pillars:

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

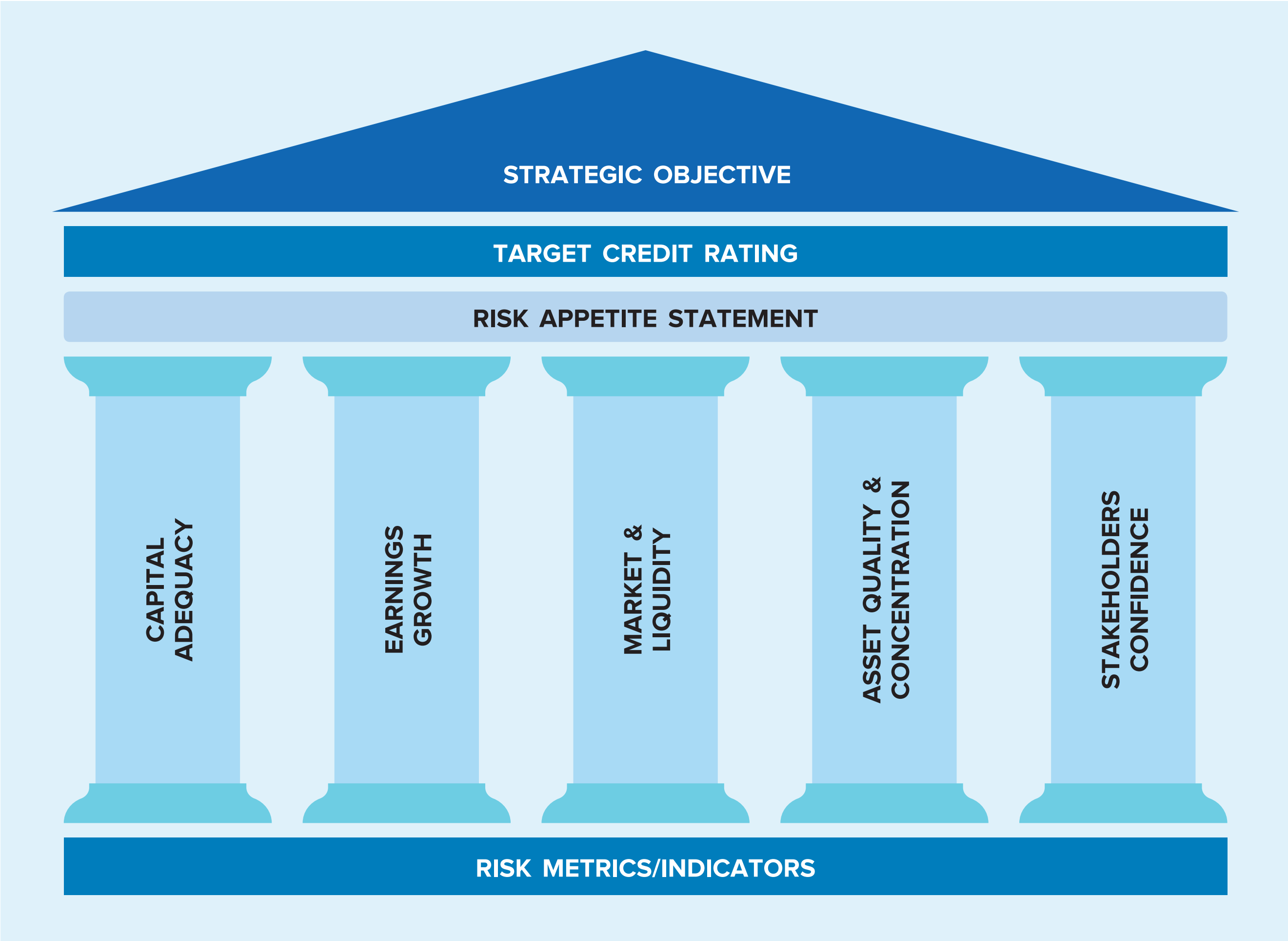
b) Risk Appetite

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 risks 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:



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.

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's Technology department, third-party service providers and other technology-related services/functions/departments in managing the technology and cyber risks involved in daily operations. It is imperative that employees at all levels understand their roles and responsibilities in managing technology and cyber risks to minimise disruptions to critical business operations.

As the second line of defence, the Group Technology Risk Management Department will provide oversight and risk monitoring on critical technology projects and ensure critical issues that may have an impact on the Group's risk tolerance are adequately deliberated or escalated in a timely manner; and provide independent views to the board and senior management on third party risk 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 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 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

SHARIAH GOVERNANCE POLICY ("SGP")

The SGP among others sets out the guiding principle to ensure that the planning, development and implementation of the Bank's products, services and conducts of business are in accordance with the Shariah principles. The SGP reflects the responsibilities of the Board of Directors, Shariah Committee, the Management, and Shariah Functions in line with Bank Negara Malaysia's Shariah Governance Policy Document.

The Shariah Committee of Affin Islamic Bank Berhad has the responsibility to provide objective and sound advice to ensure that aims and operations, business, affairs and activities of Affin Islamic Bank Berhad and Islamic Banking business of Affin Bank Berhad are in compliance with Shariah.

The implementation of the SGP is supported through the following Shariah Functions:

a) Shariah Research and Secretariat

Shariah Research is performed by officers with Shariah qualifications, mainly facilitating the product development process and performing in-depth research on Shariah issues. The Shariah Secretariat is the secretariat to the Shariah Committee and among others responsible for coordinating 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, documentation, and systems and will propose applicable Shariah-compliant solutions, which would be deliberated and endorsed by the Shariah Committee. This function is performed by officers with Shariah qualifications.

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 identifying, assessing and monitoring the compliance of the business operations and activities with Shariah. Findings related to SNC risks are reported to the Shariah Committee and the Group Board Compliance Committee.

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 that systematically identifies, measures, monitors and reports SNC risks in the operations, business, affairs and activities of the Bank. The SNC risks are reported to the Shariah Committee and the Group Board Risk Management Committee.

e) Shariah Audit

The Group Internal Audit Division provides independent assessment on the adequacy and effectiveness of the internal control systems, as well as the overall compliance of the Islamic operations, business, affairs and activities with Shariah. Findings related to SNC risks are reported to the Shariah Committee and the Group Board Audit Committee.

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-today 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 responsibilities of the GBAC include assisting the Board in evaluating the adequacy and effectiveness of the Group's internal controls, risk management and governance processes through the Group Internal Audit function. In addition, it has the authority to 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 147 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 148 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 149 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"). The purpose, authority and responsibilities of the GIA are guided by the provisions outlined in the Audit Charter, which is reviewed and approved by the GBAC annually and governed by the regulatory guidelines, Code of Ethics and mandatory guidance established under the International Professional Practices Framework by the Institute of Internal Auditors ("IIA").

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 166 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.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

Group Business Continuity Management Policy

The Group has established the Group 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.

Group Contingency Funding Plan

The Group's Contingency Funding Plan ("CFP") outlines the liquidity countermeasures for deployment in the event of adverse liquidity circumstances to ensure the response, continuation and recovery of business during short-term or prolonged liquidity disruptions. 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 Testing

Stress testing is an essential risk management tool to assess the Group's resilience to withstand potential adverse events or stressed economic conditions. The stress test exercise is governed by the Group Stress Test Policy and is conducted regularly to provide a forward-looking assessment by identifying the potential vulnerabilities and ascertaining the impact on the Group. This allows a better understanding of the risk profile and ensures proactive risk mitigation strategies can be taken to manage the risk. The Group is developing the climate risk scenario analysis and stress testing capabilities in compliance with the BNM Climate Risk Management and Scenario Analysis ("CRMSA") requirements.

Group Credit Policy on Sustainable Financing ("GCPSF")

The GCPSF was established as an internal policy, framework and approach to manage the ESG aspects of financing and investment activities that the Group is involved in. It sets the standards for the recognition of ESG aspects to be considered by the respective business divisions within the Group.

The Group's commitment to sustainable financing and investment is guided by the following principles:

- The incorporation of ESG considerations into the Group's financing and investment activities to effectively manage ESG risks and realise ESG opportunities
- Engagement and dialogue with clients or counterparties to improve on ESG awareness and compliance
- Identifying opportunities to minimise the ESG impact of the Group's operations, products and services
- Avoid financing and investment activities which contravene any laws or regulations pertaining to environmental, social and governance matters

The Group continues to develop its policy, framework and approach 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 key measures emplaced to prevent and mitigate money laundering and terrorist & proliferation financing activities, commensurate with 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. The ABC Policy is referred to on contractual document with third parties, such as vendors and service providers, having business relationship with the Group.

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 antibribery 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/behaviour. 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.

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 as well as the capital plans 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. Status update of the capital plan is presented to the Board on half-yearly basis, including any capital actions required to ensure there are sufficient buffers against the minimum requirements prescribed by BNM.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 is 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 is 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

Sustainable Financing

Sustainable Operations

People & Culture

Support the Community

RESPONSIBLE BANKING WITH IMPACT

INTRODUCTION

ABOUT THIS STATEMENT

At AFFIN, we have embarked on a transformation journey under the Affin 2025 Plan ("A25"), which runs from 2023 to 2025. Our vision under A25 is to become the Most Creative Financial Company in Malaysia and one of the three key strategic objectives of the plan is "Responsible Banking with Impact", which focuses on driving environmental sustainability, creating positive impact on society and promoting financial inclusion. To this end, we strive to integrate sustainability across our thinking and actions.

As we progress towards achieving our A25 transformation goals, we recognise the vital role of sustainability. It drives our innovation and customer-centric approach, cultivates productive and engaging work environments and demonstrates our adaptability and determination in addressing challenges and complexities as a responsible and progressive organisation.

This Sustainability Statement is an account of our metamorphosis on this journey between 1 January 2023 and 31 December 2023 ("FY2023"), with the reporting of our initiatives grouped based on our four Sustainability Focus Areas (details of which are outlined on page 190 of this statement).

This statement was approved by the Board on 19 March 2024 and published on 27 March 2024.

SCOPE

This statement covers our activities across our three main business entities – Affin Bank Berhad, Affin Islamic Bank Berhad ("AIBB") and Affin Hwang Investment Bank Berhad ("AHIBB") – collectively known as "AFFIN Group". It excludes Generali Insurance Malaysia Berhad (formerly known as AXA Affin General Insurance Berhad) and Generali Life Insurance Malaysia Berhad (formerly known as AXA Affin Life Insurance Berhad), as we no longer maintain full control. As per prior years, the statement's scope was determined based on the areas of our business that we believe have a significant impact on the economy, the environment and the surrounding communities. This statement primarily aims to highlight the latest developments to our Environment, Social and Governance ("ESG") related strategies, governance measures and initiatives in FY2023, unless stated otherwise, and should be read together with our previous statements. The statements are available on our website at www.affingroup.com.

OUR REPORTING APPROACH

In developing this statement, we are guided by global and local standards and frameworks, namely:

- Bursa Malaysia Sustainability Reporting Guide
- Global Reporting Initiative ("GRI") Standards
- Task Force on Climate–related Financial Disclosures ("TCFD")
- United Nations ("UN") Sustainable Development Goals ("SDGs")

Where possible, we have attempted to adopt industry best practices and standards, with the aim of ensuring that our stakeholders receive relevant information for informed decision-making. In addition, we have strived to apply the reporting principles of the International Integrated Reporting Council's ("IIRC") Framework: balance, comparability, clarity, completeness, reliability and accuracy.

FEEDBACK

In our effort to continuously improve our sustainability performance and disclosures, we welcome any feedback and suggestions regarding this statement. Please address all feedback to our Sustainability Office at esgchange@affingroup.com.

MESSAGE FROM THE CHAIRMAN OF THE GROUP BOARD SUSTAINABILITY COMMITTEE

At AFFIN, we recognise the growing importance of ESG factors, not just for our business but for society's well-being, and have made "Responsible Banking with Impact" core to our strategy.

Our newly established Sustainability Framework, guided by four key principles, ensures that everything we do aligns with our sustainability goals. This includes a commitment to increase sustainable financing to 15% by 2025 and the aim to achieve a 30% reduction in operational emissions by 2030 and Net Zero Carbon by 2050. We are also fostering a diverse, equitable and inclusive workplace and empowering communities through our various social programmes.

Leading with integrity is paramount in this journey, and we are committed to driving transparency through comprehensive ESG reporting to ensure that our stakeholders are informed of our progress. Our newly formed Group Board Sustainability Committee ("GBSC") reflects our unwavering commitment to integrating sustainability at every level, and our dedicated Group Chief Corporate Strategy & Sustainability Officer further strengthens this focus.

Thus far, our journey has already shown significant progress. Looking to the future, we are confident that our focus areas will continue to create lasting value for our stakeholders, empower our customers, serve the advancement of local communities and ensure a thriving environment for generations to come. To this end, we will continuously seek new ways to strengthen our sustainability culture, with the aim of making it the foundation of who we are as an organisation.

As Chairman of the Group Board Sustainability Committee, I am confident the steps we have taken and our unwavering focus position us for continued success in building a more sustainable future for all.

LEADING WITH INTEGRITY AND TRANSPARENCY IS PARAMOUNT IN THIS JOURNEY, AND WE ARE COMMITTED TO DRIVING TRANSPARENCY THROUGH COMPREHENSIVE ESG REPORTING TO ENSURE STAKEHOLDERS ARE INFORMED OF OUR PROGRESS.

ABDUL MALEK MOHAMED SAID
Group Chief Corporate Strategy and Sustainability Officer

EMELIANA DALLAN RICE-OXLEY
Chairman Group Board Sustainability Committee

GROUP CHIEF CORPORATE STRATEGY AND SUSTAINABILITY OFFICER'S MESSAGE

In today's challenging era, our role as a financial institution extends beyond profit. We hold a profound responsibility to drive meaningful change, not only within our organisation but also, across the communities we serve.

Our ambition is clear: prioritise environmental sustainability, create positive societal impact and promote financial inclusion. We envision a world where prosperity coexists harmoniously with environmental stewardship and social well-being, and we commit to providing sustainable products, minimising our ecological footprint and offering unrivalled customer service.

Sustainability is our cornerstone, guiding our risk management, driving long-term value creation and building a brighter future for the bank and our stakeholders

Together, let's make it a reality.

OUR APPROACH TO SUSTAINABILITY

OUR SUSTAINABILITY FRAMEWORK

We understand the importance of integrating sustainability into our operations. Our aim is to make a meaningful and positive impact on both the environment and the surrounding communities where we operate. To this end, we took a strong step forward on our sustainability journey with the launch of our Sustainability Framework in 2023.

The framework is a tangible representation of our dedication to seamlessly integrate sustainability principles into all aspects of our business operations and decision-making processes. At its heart, it connects our A.F.F.I.N. core values – which forms the foundation of our approach to business – with our sustainability vision and mission statement, outlining a strategic roadmap for us to turn aspiration into achievement.

The framework outlines four principles that serve as the cornerstone of our sustainability strategy, uniting our teams under a shared vision of what a sustainable future looks like at AFFIN.

Sustainability Principles

PRINCIPLE 1

Driving Sustainable & Equitable Financial Solutions

We are committed to driving positive change in the finance industry by demonstrating how sustainable and equitable practices can lead to better outcomes for both people and the planet.

PRINCIPLE 2

Preserving our Environment for a Sustainable Future

We believe that sustainable future begins with how we operate today, and we integrate the principle of environmental preservation into all aspects of our business, from procuring materials sustainably to reducing our carbon footprint.

PRINCIPLE 3

Empowering Communities and Fostering Inclusive Growth

We empower inclusive growth and champion diversity, equity and inclusion to cultivate a socially conscious workplace and foster a sense of shared responsibility.

PRINCIPLE 4

Leading with Integrity & Transparency

We believe that integrity and transparency are essential for creating long-term value for our stakeholders, as these principles drive responsible growth and innovation.

SUSTAINABILITY FOCUS AREAS

Our strategy for implementing sustainability is driven by four focus areas, each corresponding to key sustainability themes, which in turn form the basis of our reporting in this statement:

Sustainable Financing

To drive the transition to a sustainable economy by providing sustainable products and financing support to customers and clients

Sustainable Operations

To minimise the negative environmental and social impacts of our operations while maintaining economic viability

People & Culture

To create a diverse, inclusive and sustainability-focused organisation united by shared values across all levels

Support the Community

To reach out and give back to communities, improving the livelihoods of their residents through impactful Corporate Social Responsibility ("CSR") activities

The details of this strategy are outlined on page 190 of this statement.

OUR SUSTAINABILITY COMMITMENTS

Guided by our sustainability principles, we have formulated three sustainability commitments that act as a compass towards achieving the sustainable future we aspire to achieve:

Our three sustainability **commitments**, aligned with the framework:

1. Commit to increase Sustainable Financing to 25% by 2028
2. Achieve 30% reduction of operational emissions (Scope 1 & Scope 2) by 2030 and Net Zero Carbon by 2050
3. Commit to improve livelihood of the society through impactful CSR activities

COMMITMENT #1	DESCRIPTION	PERFORMANCE IN FY2023
➔ Achieve 25% sustainable financing as a percentage of our total financing portfolio by 2028	We actively allocate funds to sustainable financing through lending/financing and underwriting. Our approach involves integrating ESG evaluation criteria into our credit assessment processes enabling us to capitalise on sustainable financing opportunities and support the transition to a low carbon economy. In the shorter term, our aim is to grow our sustainability financing portfolio to 15% of our overall financing portfolio by 2025, in line with the A25 plan.	Our sustainable financing portfolio stands at 8.6% of our total financing portfolio, exceeding our FY2023 target of 7%

Please refer to the Sustainable Financing section on page 193 for more details.

COMMITMENT #2	DESCRIPTION	PERFORMANCE IN FY2023
➔ Achieve a 30% reduction in operational emissions (Scope 1 & 2) by 2030, compared to 2022 baseline ➔ Achieve Net Zero Carbon by 2050	1. We are committed to reduce our operational emissions by 30%, by the year 2030 (against year 2022 baseline) 2. Meanwhile, our commitment to achieve Net Zero Carbon by 2050 involves balancing all direct and indirect CO_2e emissions and removals. This includes our operations and the business activities we finance throughout our value chain	Achieved an 8% reduction in operational emissions (equivalent to 1,304 tonnes of tCO_2e) against 2022 baseline

Please refer to the Sustainable Operations section on page 203 for more details.

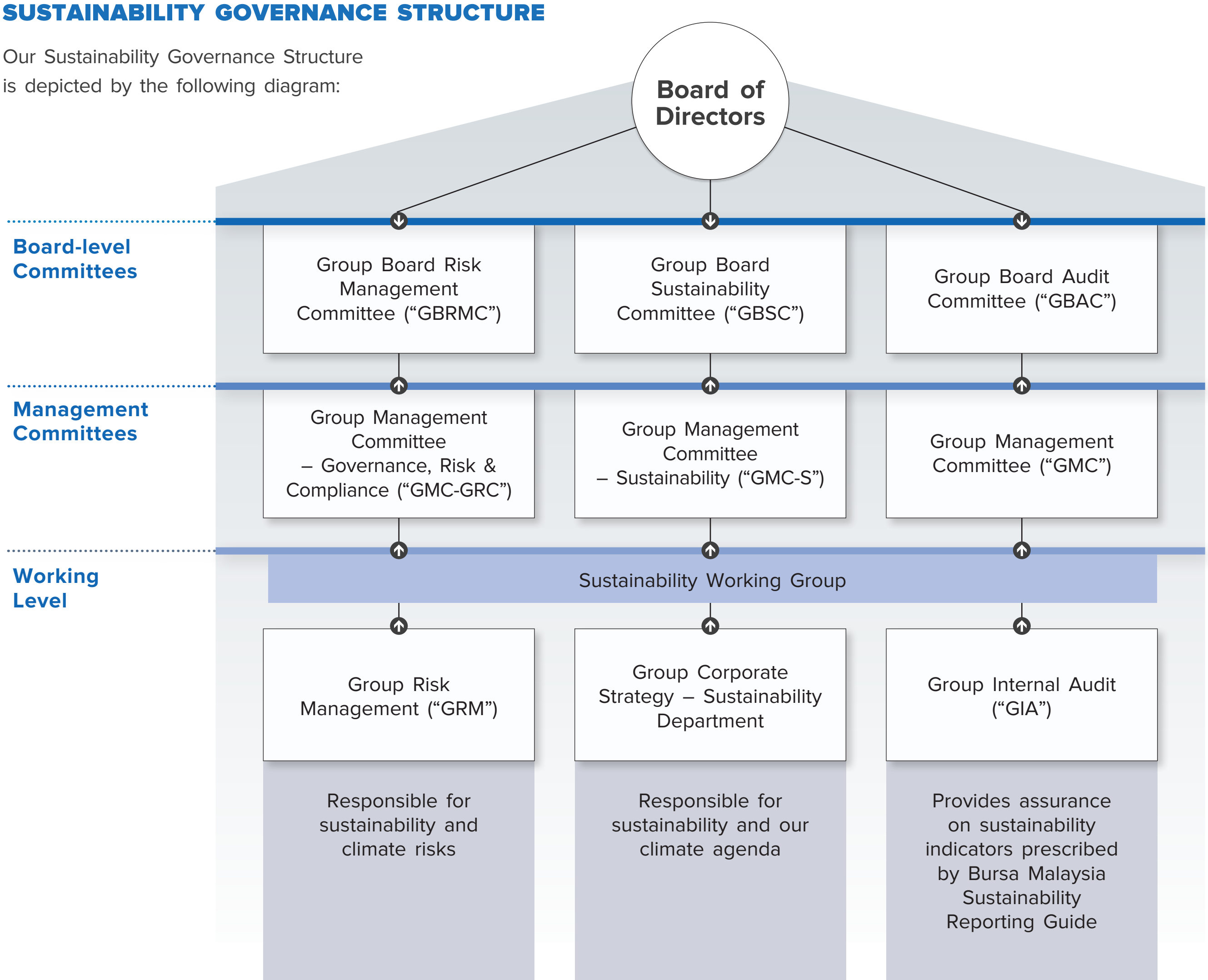
COMMITMENT #3	DESCRIPTION	PERFORMANCE IN FY2023
➔ Improve the livelihood of society through impactful CSR activities	To reach out and give back to communities through community-based activities covering critical issues such as access to healthcare, disaster relief, financial literacy, social development and environmental preservation	Impacted the lives of approximately 84,500 beneficiaries through our community-based initiatives

Please refer to the Supporting the Community section on page 227 for more details.

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE STRUCTURE

Our Sustainability Governance Structure is depicted by the following diagram:



Sustainability Governance is spearheaded by our Board of Directors ("Board"), who assume responsibility for our strategic direction on sustainability. The Board is supported by the Group Board Sustainability Committee ("GBSC"), the Group Board Risk Management Committee ("GBRMC"), the Group Board Audit Committee ("GBAC") and the Group Management Committee Sustainability ("GMC-S").

The responsibilities of the Board and its committees have also been broadened to encompass sustainability and climate risk elements, as reflected in their respective Terms of Reference ("TOR").

The respective responsibilities and accountability of each party within our sustainability governance structure are as follows:

Board of Directors

The Board is responsible for promoting the sustainable growth and financial soundness of the bank, as well as ensuring reasonable standards of fair dealings without undue influence from any party. This includes considering the long-term implications of the Board's decisions on the bank and its customers, officers, and the general public.

In fulfilling this role, the Board must, together with Senior Management, promote and ensure effective governance of sustainability by embedding appropriate ESG considerations in the bank's business strategies, priorities and targets.

Group Board Sustainability Committee

The Board took a significant step in enhancing AFFIN's Corporate Governance Framework with the formation of the Group Board Sustainability Committee ("GBSC") in November 2023. The GBSC comprises selected members of the Boards of ABB, AIBB, and AHIBB, whereas by permanent invitation, the President and Group Chief Executive Officer ("PGCEO"), selected members of the GMC and Senior Management. The committee meets on a bi-monthly basis to carry out the following key functions:

- Overseeing and endorsing the development, implementation and monitoring of strategies, frameworks, policies, performance, metrics and targets relating to sustainability, climate change, and the Value-based Intermediation Financing and Investment Impact Assessment Framework ("VBIAF")*.

  ** The VBIAF has a twofold purpose. Firstly, it aims to facilitate the implementation of an impact-based risk management system for evaluating the financing and investment endeavours of Islamic financial institutions in line with institutions' respective Value-Based Intermediation commitments. Secondly, the VBIAF serves as a valuable reference guide for other financial institutions intending to integrate ESG risk consideration into their own risk management system.*

- Ensuring that our sustainability strategy is compliant with the regulatory requirements issued by Bank Negara Malaysia and Bursa Malaysia

Prior to the formation of the GBSC, the Group Board Compliance Committee performed the oversight role for the implementation of our Climate Risk Management and Scenario Analysis ("CRMSA")* initiatives and the process of data collection for reporting under Bursa Malaysia's enhanced Sustainability Reporting Guide.

* *The CRMSA policy document sets out essential principles and requirements on climate risk management and scenario analysis for financial institutions to enhance their resilience against climate-related risks and help facilitate a just and orderly transition to a low carbon economy.*

Group Board Risk Management Committee

The Group Board Risk Management Committee's ("GBRMC") TOR has been expanded to encompass the oversight of our ESG as well as climate risk matters.

Please refer to page 148, within the Group Risk Management section of this report, for the full TOR and membership of the GBRMC.

Group Board Audit Committee

The Group Board Audit Committee ("GBAC") provides oversight of the assurance on some of the indicators reported in this statement against the requirements set out in Bursa Malaysia's enhanced Sustainability Reporting Guide.

Please refer to page 147, within the Group Internal Audit section of this report, for their TOR and membership.

Group Management Committee – Sustainability

The GMC-S comprises selected members of the GMC and Senior Management, and is chaired by the PGCEO. The committee meets on a bi-monthly basis to perform the following key functions:

- Steering, coordinating and ensuring the effective implementation of our sustainability agenda
- Developing and executing strategies, frameworks, policies and procedures for the embedding of sustainable practices throughout AFFIN Group.

Group Chief Corporate Strategy and Sustainability Officer

The Group Chief Corporate Strategy and Sustainability Officer ("GCCSSO") performs the following functions:

- Spearheading sustainability integration across AFFIN Group
- Leading the execution of our sustainability strategy and targets, and aligning our sustainability initiatives with existing policies and procedures

Sustainability Working Group

The Sustainability Working Group ("SWG") comprises members of sustainability departments and other relevant departments. It meets on a bi-monthly basis to perform the following functions:

- Supporting AFFIN Group in carrying out its sustainability agenda
- Executing sustainability strategies, frameworks, policies and procedures to ensure integration of our sustainability agenda across the organisation

Group Risk Management

Group Risk Management ("GRM") performs the following functions:

- Ensuring the embedding of ESG and climate risks into existing policies and procedures
- Carrying out scenario analysis and stress testing exercises, as guided by regulatory compliance standards.

Group Internal Audit

Group Internal Audit ("GIA") performs the following function:

- Conducting assurance of AFFIN's Sustainability Statement which are drafted in line with the Bursa Malaysia Sustainability Reporting Guide

SUSTAINABILITY STRATEGY

MATERIALITY ASSESSMENT

We recognise that, in our previous statement, we mentioned that we would conduct a fresh materiality assessment by 2023. We subsequently made preparations for the exercise – however, in view of the pace that destabilising global events such as geopolitical conflicts and interest rate hikes were unfolding, we decided to defer the exercise until 2024. We foresee that 2024 will be a less volatile year, allowing us to conduct a materiality assessment that holds greater relevance and meaning across the short to medium term. We remain committed to transparency and responsible governance, and this adjusted timeline aligns with our pursuit of long-term value creation.

SUSTAINABILITY FOCUS AREAS

Our strategy for implementing sustainability is driven by four Sustainability Focus Areas. Each of the focus areas contains specific themes, which form the basis for the development of our sustainability initiatives. These Sustainability Focus Areas are mapped against the 12 United Nations Sustainable Development Goals ("UN SDGs"), thus aligning our initiatives with global efforts and standards in sustainability.

These focus areas guide our actions, ensuring that sustainability remains at the core of our organisational character. Further to this, each initiative contains actionable steps aimed at integrating sustainable practices into our business.

Sustainable Financing

To drive the transition to a sustainable economy by providing sustainable products and financing support to customers and clients

Themes	Actionable Items	Desirable Outcomes	UN SDGs
Partnerships	1. To collaborate with industry and regulatory bodies 2. To adopt best practices and utilise effective tools	1. Integrating sustainable principles into our processes 2. Advancing our sustainability initiatives.	8 Decent Work and Economic Growth 17 Partnerships for the Goals
ESG Integration	To integrate ESG considerations into our core business activities, including lending/financing, capital markets advisory, fundraising and investment	1. Enhanced evaluation and control of our ESG risks 2. Strengthening our standing and competitive edge 3. Consistent financial performance and shareholder value creation	12 Responsible Consumption and Production 13 Climate Action
Sustainable Growth	To be financially sound, environmentally conscious and socially responsible	Achieving enduring success, resilience and positive impact	8 Decent Work and Economic Growth 13 Climate Action

Sustainable Operations

To minimise the negative environmental and social impacts of our operations while maintaining economic viability

Themes	Actionable Items	Desirable Outcomes	UN SDGs
Sustainable Supply Chain	To embed environmentally and socially responsible practices while engaging with partners, vendors and suppliers	1. Minimising our ecological footprint. 2. Upholding ethical labour standards 3. Securing our financial sustainability for the long term	12 Responsible Consumption and Production 13 Climate Action
Achieving Net Zero Carbon	To achieve Net Zero Carbon by 2050	1. Supporting climate stability 2. Nurturing our environmental resilience. 3. Promoting cleaner air and water, with positive effects on human health	7 Affordable and Clean Energy 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production 13 Climate Action
Energy Efficiency	To keep pace with and implement energy-efficient infrastructure advancements	1. Optimised resource usage, resulting in reduced carbon footprints 2. Reduced operational expenses, resulting in long-term financial savings	7 Affordable and Clean Energy 9 Industry, Innovation and Infrastructure 11 Sustainable Cities and Communities 13 Climate Action
Occupational Health & Safety	To prioritise the well-being and safety of our employees	Reduced incidents of injuries and illnesses, resulting in enhanced employee morale and productivity	3 Good Health and Well-Being

People & Culture

To create a diverse, inclusive and sustainability-focused organisation united by shared values across all levels

Themes	Actionable Items	Desirable Outcomes	UN SDGs
Embrace Good Practices	To integrate responsible values and ESG considerations at the heart of our vision, principles, commitments, strategies, policies, existing business tools and processes, product designs and operations	1. Minimising potential disruptions 2. Fostering confidence among our stakeholders 3. Setting an example through our actions	
Diversity, Equity and Inclusion	1. To establish a workplace that upholds Diversity, Equity and Inclusion ("DEI") 2. To treat our employees with dignity and respect	1. Fostering our ingenuity and inventive spirit 2. Elevating employee morale and job satisfaction 3. Enhancing our team's collaboration and synergy	
Talent Development	To create a wide range of employee development initiatives and programmes	1. Promoting individualised and impactful employee development 2. Empowering our valued employees with enhanced skills, knowledge and capabilities	

Supporting the Community

To reach out and give back to communities, improving the livelihoods of their residents through impactful CSR activities

Themes	Actionable Items	Desirable Outcomes	UN SDGs
Empower Community	To advance community support and foster social development initiatives	Empowering and creating a positive impact for surrounding communities	
Environment	1. To prioritise addressing climate change. 2. To protect our planet from a multitude of pressing environmental challenges	1. Contributing to the mitigation of extreme weather events, rising sea-levels and other catastrophic climate related impacts 2. Promoting cleaner air, water and healthier living conditions for both humans and wildlife 3. Ensuring the preservation of biodiversity	
Health	To capitalise on the expertise of our network of clients and partners in providing healthcare advisory assistance and education to the surrounding communities	Empowering individuals to make informed health decisions and enhance their overall well-being	
Education	To empower younger segments of society to participate in financial literacy programmes through strategic partnerships and leveraging our employees' expertise	Contribute to the financial well-being of targeted individuals, paving the way for a more informed and prosperous society	
Disaster Relief	To help the surrounding communities affected by major disasters to recover and build, whether through our own resources or strategic partner organisations	Accelerating the recovery and rebuilding process for impacted communities	

Our goal is to establish a robust ecosystem by aligning our internal processes with external collaborations. Through this synergy, we strive to catalyse positive transformation and actively contribute to a sustainable future, in line with the vision set forth by the UN SDGs.

SUSTAINABILITY STRATEGY

OUR INVOLVEMENT WITH INDUSTRY BODIES

We firmly believe that industry involvement and an inclusive and participatory approach are essential for creating a meaningful positive impact from a sustainability perspective as a financial institution.

We aim to enhance our impact through active engagement on climate change and the integration of Value-based Intermediation ("VBI") principles within our Islamic banking arm, as well as via various partnerships and building-coalitions. Our strategic collaborations with all our partners serve as a valuable platform for understanding the strategic initiatives of other financial institutions and facilitating the exchange of knowledge, expertise and best practices.

Here are a few examples of the strategic collaborations as of FY2023.

Climate Change and Principle-based Taxonomy

In keeping with our continued support of BNM's CCPT, we are also a member of the CCPT Implementation Group and an active member contributing to initiatives under the SME Subgroup, which promotes standardisation and consistent application of CCPT across all financial institutions.

Value-based Intermediation Community of Practitioners

As envisioned by BNM, 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 shareholders' sustainable returns and long-term interests."

Through our Islamic banking subsidiary Affin Islamic Bank Berhad ("AIBB"), we play an active role as a member of the VBI Community of Practitioners ("VBI CoP"), advancing VBI by working on the implementation of key components such as the VBI Scorecard, the VBIAF and the VBI Sectoral Guides.

The development of VBI Sectoral Guides is instrumental in promoting responsible financing. These guides, which complement BNM's Climate Change & Principle based Taxonomy ("CCPT"), provide sector specific ESG risk assessment templates to guide our business and credit teams in evaluating financing risks, particularly those related to the environment and social factors.

Notably, we participated in the second and third cohorts of the VBIAF Sectoral Guides, contributing to the development of the Sectoral Guides for Manufacturing and Agriculture.

Subcommittees of the Joint Committee on Climate Change

We actively engage within the subcommittees of the Joint Committee on Climate Change ("JC3") established by Bank Negara Malaysia ("BNM") to keep abreast of the shifting global landscape and emerging sustainability trends.

We are a member of the following subcommittees:

Sub Committee 1	Risk Management
Sub Committee 2	Governance and Disclosure

Association of Islamic Banking and Financial Institutions Malaysia

We proudly participated in myWakaf; an initiative led by the Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM"). myWakaf is a collaboration of nine Islamic banks under AIBIM, together with the State Islamic Religious Councils (SIRCs) for waqf initiatives, aiming to generate economic impact for the community. myWakaf places strong emphasis on community and economic empowerment, health, education and waqf investment.

We also engage in myZakat; an Islamic banking industry initiative led by AIBIM. myZakat fosters a collective zakat distribution effort among participating banks. By allocating a portion of the zakat refund received from the State Islamic Religious Councils, the pooled funds are dedicated to sustainable projects that benefit eligible *Asnaf* individuals; a party that is eligible to receive zakat aid collected from Muslims.

United Nations Global Compact Malaysia and Brunei

We are delighted to share that, effective 27 March 2023, AFFIN has become a proud member of the United Nations Global Compact Network Malaysia & Brunei ("UNGCMYB"). United Nations Global Compact ("UNGC") is the world's largest corporate sustainability initiative, and our participation marks our membership in its Malaysian chapter. Specifically, we are committed to the UNGC's corporate responsibility initiative and its principles in the areas of human rights, labour, environment and anti-corruption.

Our membership in the UNGCMYB provides us with valuable opportunities. By leveraging the expertise already established by the UNGC, we can enhance our understanding of sustainability and ESG issues. Additionally, our expanded network of fellow members enables us to accelerate capacity building and foster in-house knowledge in these critical areas.

FOCUS AREA 1

Sustainable Financing

To drive the transition to a sustainable economy by providing sustainable products and financing support to customers and clients

Topics Discussed

- ESG Integration
- Sustainable Portfolio Growth

UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

SUSTAINABLE FINANCING

AWARDS

Best Bank for SME in Malaysia
By Asiamoney Best Bank Awards 2023

Mortgage and Home Loan Product of the Year 2023 – Malaysia
By Asian Banking & Finance Retail Banking Awards

Best SME Financial Inclusion Initiative for AFFINWRKFZ
By the Digital Banker 2023

Our commitment under this focus area is to drive the transition to a sustainable economy by providing sustainable products and financing support to help our clients navigate their own sustainability transitions, thus contributing to the well-being of the economy, the environment and surrounding communities.

To this end, we aspire to increase the percentage of sustainable financing within our overall financing portfolio to 15% by 2025, in line with our A25 plan. By achieving a higher representation of sustainable financing, we can also position ourselves to effectively manage our climate-related risks and achieve Net Zero Carbon by 2050.

The following pages showcase the key initiatives we are investing in to uphold the principle of "Driving Sustainable and Equitable Financial Solutions".

Goals
- Increase sustainable financing to 15% by 2025
- Aligned with our A25 plan

Benefits
- Contribute to economy, environment, and communities' well-being
- Enhanced risk management
- Work towards achieving Net Zero Carbon by 2050

FY2023 KEY HIGHLIGHTS

INCREASED POSITIVE IMPACT

Facilitated more than
RM5.7 billion
in sustainable financing as of FY2023

OUR ENVIRONMENTAL FINANCING PORTFOLIO INCREASED BY

32%
against the same portfolio recorded in FY2022

OUR SOCIAL FINANCING PORTFOLIO INCREASED BY

16%
against the same portfolio recorded in FY2022

FINANCED ACROSS

ENVIRONMENTAL

- Sustainable Transitions
- Hybrid and Electric Vehicle
- Green Building
- Renewable Energy

SOCIAL

- Socioeconomic Empowerment
- Affordable Housing
- Infrastructure
- Education

Decreased negative Impact

Issued
988 AFFIN AURA* credit cards
new plastic consumption as of FY2023

AFFIN AURA credit card

* made from 84% recycled Polyvinyl Chloride ("PVC")** to gradually reduce new plastic consumption.
** Polyvinyl chloride is the third-most widely produced synthetic plastic polymer.

"Our commitment is to **drive the transition to a sustainable economy** by providing **sustainable products and financing support to our clients**"

SUSTAINABLE FINANCING

WHY THIS IS OUR FOCUS

The critical importance of sustainable development and the increasing urgency of climate action presents both risks and opportunities for us.

Failure to adopt sustainable financing practices may give rise to significant credit and reputational risks. Therefore, it is essential that we proactively address the evolving ESG risks that impact our financing activities. Simultaneously, we have the opportunity to innovate products across critical ESG issues such as transition and socioeconomic empowerment financing, thereby supporting our clients in their transition to a more sustainable, low carbon future.

OUR KEY PRIORITIES

In order to meet our sustainable financing aspirations, we have undertaken the following initiatives:

INFRASTRUCTURE DEVELOPMENT

We are in the process of building a robust infrastructure to support our sustainable finance targets across our core businesses. This involves:

- Intensifying efforts to fully implement Bank Negara Malaysia's ("BNM") CRMSA:
  This policy document aims to enhance the financial sector's resilience against climate-related risks. Supporting this aim, we have formulated strategies and requirements to manage and enhance our resilience against our climate-related risks.

- Improving the application of BNM's CCPT:
  The CCPT is a framework to facilitate financial institutions in identifying and categorising economic activities that contribute to climate resilience. As part of our climate risk assessment processes, we have adopted the Due Diligence Questionnaire developed by the CCPT Implementation Group.

- Establishing a sustainable financing data repository:
  We are currently in the planning phase to establish a data repository to record, monitor and measure our sustainable finance initiatives.

"Our **sustainable finance commitment** is **overseen at the highest level** within AFFIN and our **strategic approach** will be **implemented across all business divisions**. We are **dedicated to assisting individuals, SMEs and corporate clients** in their **transition towards a low-carbon economy** by providing them with **advice and financial solutions**"

BUSINESS GROWTH IN SUSTAINABLE FINANCE

Our efforts in expanding our sustainable finance business encompass:

- Defining a sustainable finance framework:
  In 2024, we will establish our own sustainable finance framework which will provide information to internal and external stakeholders on our standardised classification system for sustainability activities. Through the framework, we also aim to provide greater transparency and clarity on the definition of sustainable finance from our perspective.

- Deploying well-trained business teams:
  We are taking the necessary steps to empower our teams with the requisite knowledge and expertise to guide our clients through their sustainable transition journeys. The training we provide also empowers them to recognise and capitalise on sustainable finance prospects.

OUR APPROACH

Risk management and prudent lending/financing practices have always been our priority and will form the basis of our sustainable financing approach.

The rate at which global geopolitical and economic uncertainties, climate change and biodiversity risks are evolving will necessitate a continually enhanced approach to sustainable financing. Our sustainable finance framework, which will be established in 2024, aims to integrate ESG criteria into our financing. It also plays a crucial role in driving emissions reduction and advancing environmental goals. By aligning financial decisions with ESG considerations, we can contribute to a more sustainable and resilient financing portfolio that holistically benefits our clients, our investors and other stakeholders, in addition to our business.

Moving forward, we intend to avoid any involvement in the financing of activities that do or seem to cause irremediable adverse impacts on the environment, people or surrounding communities. Furthermore, as a baseline, we expect our clients to comply with environmental as well as human rights laws and regulations and actively seek to encourage their adoption of sustainable practices that are aligned with industry leading ESG expectations over time.

UPDATED GROUP CREDIT POLICY ON SUSTAINABLE FINANCING

In order to respond to evolving market practice and regulator's expectations in managing climate related risks, the Bank has continued to enhance our Group Credit Policy on Sustainable Financing ("GCPSF"), in which Climate Change and Principle-based Taxonomy ("CCPT") is implemented as part of our due diligence to assess and categorise economic activities according to the extent to which the activities meet climate objectives and contribute to the transition to low-carbon economy. This internal policy, initially introduced in October 2021, was revised in July 2023 to facilitate better understanding and consistent application of CCPT amongst all business units.

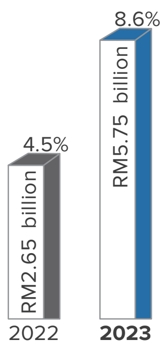
The policy aims to integrate sustainability considerations into our lending/financing and investment risk assessment processes. This is in line with our A25 key strategic objective, "Responsible Banking with Impact", whereby we aspire for our business activities to deliver a net positive and sustainable impact to the economy, the environment and surrounding communities.

- Revision for better stakeholder understanding
- Introduction of a new ESG risk assessment template
- Accessibility of guidance on the updated ESG risk assessment template for business teams

HOW WE PERFORMED

In FY2023, we significantly bolstered our efforts in ramping up our sustainable financing portfolio, focusing on various sectors such as GreenRe-certified properties, hybrid and Electric Vehicles ("EV"), energy efficient equipment and women's empowerment. In line with these efforts, the contribution of sustainable financing composition to our total lending/financing portfolio increased from 4.5% to 8.6%.

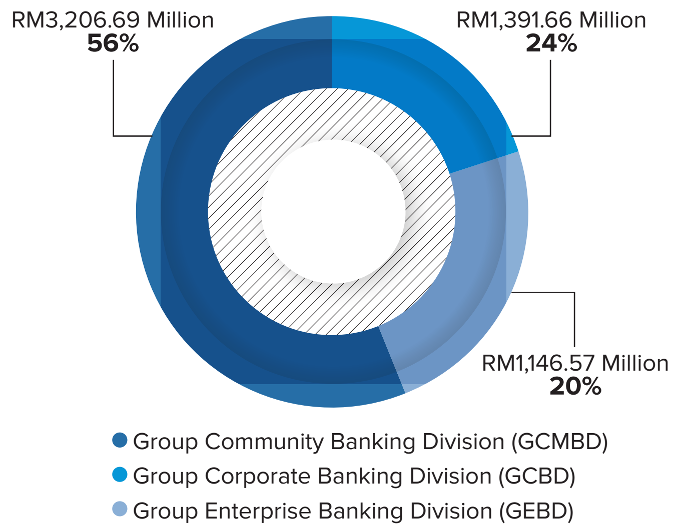
Sustainable Financing Portfolio FY2022 vs FY2023



"Our sustainable financing portfolio increased from 4.5% (FY2022) to 8.6% (FY2023) of our total lending/financing portfolio."

This positive performance demonstrates our commitment to drive the transition to a sustainable economy, standing as a testament to our support for individuals, SMEs and corporate clients in their pursuit of environmental and social sustainability.

Sustainable Financing Portfolio by Business Division



SUSTAINABLE FINANCING

GROUP COMMUNITY BANKING DIVISION

Our Group Community Banking Division ("GCMBD") operates at the grassroots level, seeking to understand and support the evolving needs of everyday Malaysians, including by providing financing for the adoption of sustainable technologies and lifestyle choices.

GROUP CORPORATE BANKING DIVISION

Our Group Corporate Banking Division ("GCBD") plays a key role in advancing sustainability across Malaysia's corporate landscape by incorporating ESG considerations into its lending/financing and investment decision-making processes as well as by promoting green projects through the funding of renewable energy power plants, energy efficient technologies and essential services.

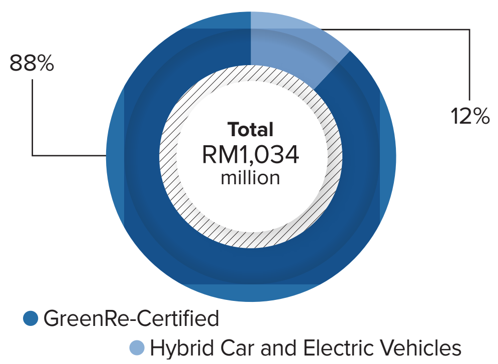
GROUP ENTERPRISE BANKING DIVISION

Our Group Enterprise Banking Division ("GEBD") recognises SMEs' potential to set best ESG practice standards across the board and reshape the business landscape towards prioritising nature, community inclusion and good governance. As such, the division is taking a proactive approach by encouraging SMEs to incorporate sustainability values early on and as part of their strategy for long-term business growth. The division has also continued its financial inclusion initiatives to support the SME ecosystem, including start-ups and women entrepreneurs.

Sustainable Financing Portfolio by Sector

Group Community Banking Division

ENVIRONMENTAL



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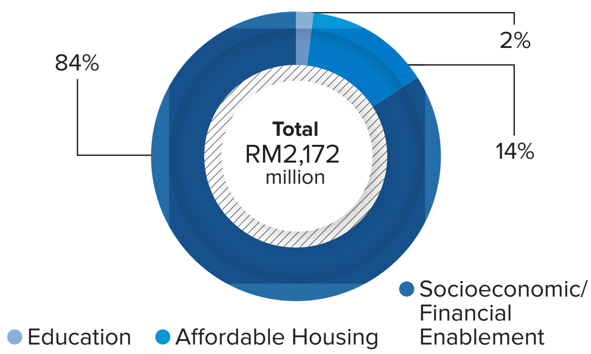
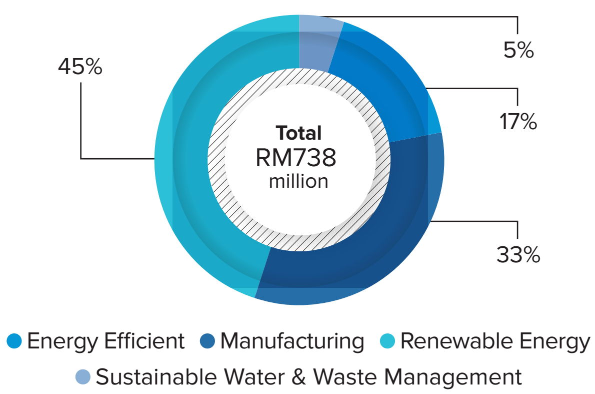


Group Corporate Banking Division

ENVIRONMENTAL



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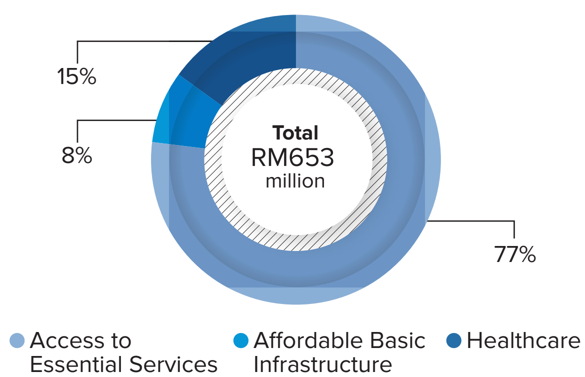
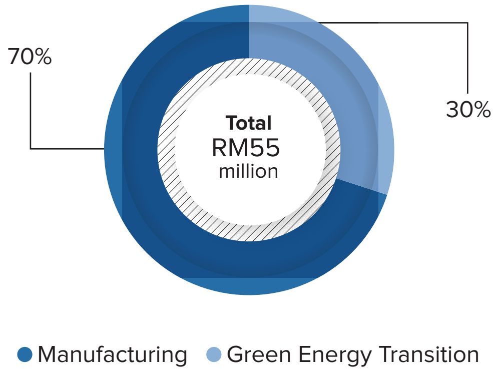
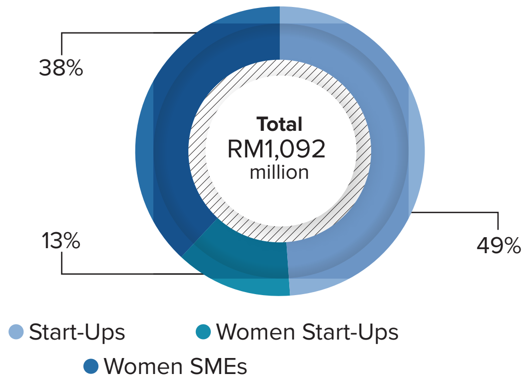


Group Enterprise Banking Division

ENVIRONMENTAL



SOCIAL



OUR IMPACT

In upholding the Malaysia Renewable Energy Roadmap ("MyRER") targets, we have co-jointly extended Islamic financing facilities amounting to RM225 million to Uzma Kuala Muda Sdn Bhd for the development and construction of a 50MWac Large Scale Solar Photovoltaic ("LSSPV") plant. This facility, situated across 182 acres of land in Bukit Selambau, Kedah, harnesses solar energy to generate clean electricity, contributing significantly to Malaysia's renewable energy goals.

This project is under the government's Large-Scale Solar 4@MEnTARI ("LSS4@MEnTARI") programme.

Green Financing

As per the United Nations, transition finance refers to financial services supporting the whole-of-economy transition, in the context of the UN SDGs, towards lower and net-zero emissions and climate resilience, in a way that is aligned with the goals of the Paris Agreement.

For the year under review, we have enhanced AFFIN BizSolar-i Financing, which is a financing scheme for the purchase and installation of solar photovoltaic (PV) systems by businesses without mandatory property collateral requirements, in line with the 12th Malaysian Plan. We have also launched the Green Technology Financing Scheme 4.0 ("GTFS 4.0") to support the green technology sector in line with the National Budget 2023.

In alignment with UN SDG #11 (Sustainable Cities and Communities), our financing to this sector for FY2023 amounted to RM54.6 million.

Summary of Green Financing Portfolio

	No. of SMEs Financed under Green Financing Portfolio	Total Loan/Financing (RM 'mil)
Manufacturing	2	38.3
Green Energy Transition	8	16.3
Total	**10**	**54.6**

AFFIN enhanced AFFIN BizSolari-Financing and launched Green Technology Financing Scheme 4.0 to support transition finance aligned with SDGs and the Paris Agreement, with RM54.6 million financing for sustainable cities and communities.

SUSTAINABLE FINANCING

GreenRe-certified Properties

Green Building Index ("GBI") defines a green building as a building that "focuses on increasing the efficiency of resource use – energy, water and materials – while reducing building impact on human health and the environment during the building's lifecycle, through better siting, design, construction, operation, maintenance and removal".

In alignment with UN SDG #11 (Sustainable Cities and Communities), our financing to this segment for FY2023 amounted to RM125.4 million, a marked increase on the RM63.0 million in financing provided in FY2022.

Summary of GreenRe-certified Properties Financed

State	No. of Projects Involved	No. of Property Units Financed	Total Loan/Financing (RM 'mil)
Selangor	19	76	41.83
Kuala Lumpur	15	86	75.56
Kedah	1	5	2.27
Pulau Pinang	5	9	5.38
Perak	1	1	0.39
Total		**177**	**125.4**

Hybrid and Electric Vehicles

Pursuant to the National Energy Transition Roadmap ("NETR"), green mobility is identified as a crucial driver of change due to its potential to tackle emissions related to transportation. Supporting this imperative, we advocate the adoption of EV and other sustainable transportation modes in order to substantially decrease carbon footprints and contribute to a healthier environment.

In alignment with UN SDG #11 (Sustainable Cities and Communities), our financing to this sector for FY2023 amounted to RM908.3 million, compared to RM623.5 million financing provided in FY2022.

Summary of EVs and Hybrid Cars Financed

No. of EVs and Hybrid Car Units Financed	Total Loan/Financing (RM 'mil)
4,548	908.3

Empowerment of Start-Ups

While SMEs represent 98% of businesses in Malaysia, the start-up segment remains underserved despite government support. Nurturing this dynamic segment is crucial to bolstering the nation's economic resilience.

In support of the government's financial inclusion and entrepreneurial development agenda, we have introduced and continually strengthen AFFIN ASPIRA – our cornerstone proposition aimed at nurturing start-ups holistically. We also recognise start-ups as early adopters of sustainable practices, contributing to the long-term green transitions of both the segment and the nation.

During the review period, we launched the 4th tranche of the BizDana-i Start-Up financing scheme with a RM20 million allocation. Additionally, we introduced the BizWira-i financing scheme, specifically designed to provide working capital to start-ups owned and controlled by Malaysian Armed Forces ("MAF") veterans.

In alignment with UN SDG #8 (Decent Work and Economic Growth), our financing to this sector for FY2023 amounted to RM536.3 million, compared to RM509.6 million in FY2022.

Summary of AFFIN ASPIRA Portfolio

No. of Start-Ups Financed under AFFIN ASPIRA	Total Loan/Financing (RM 'mil)
580	536.3

Women's Empowerment

Ensuring equitable access to financial resources and opportunities, regardless of gender, has consistently been at the forefront of our considerations.

In Malaysia, women make up around 20% of small and medium-sized ("SME") businesses. Through these businesses, they contribute significantly to Malaysia's economic growth and bring about positive social impact to their communities. As thought leaders and community champions, women entrepreneurs also play a pivotal role in setting an example when it comes to embracing ESG values.

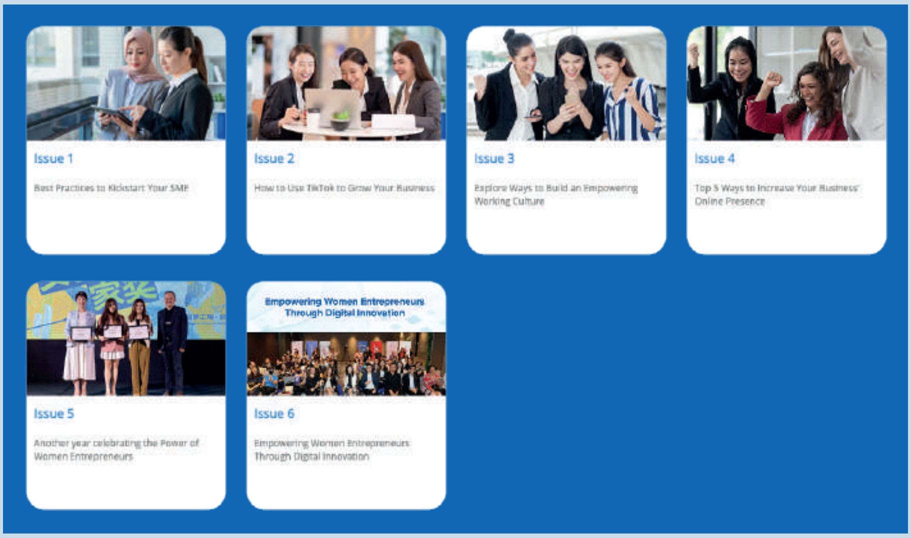
Recognising this, AFFINGEM aims to elevate these women entrepreneurs by helping them "Grow, Empower and Manage" their businesses as they scale up.

In alignment with UN SDG #5 (Gender Equality) and #8 (Decent Work and Economic Growth), our financing exposure to this segment for FY2023 amounted to RM555.7 million, compared to RM207.1 million in FY2022.

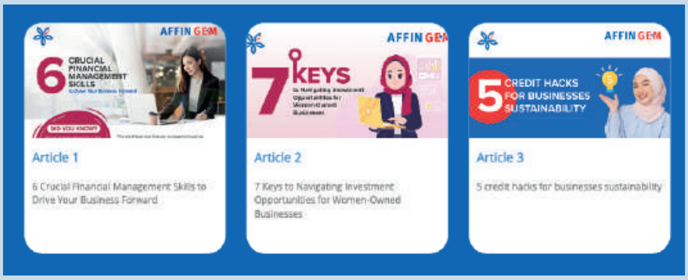
Summary of AFFINGEM Portfolio		
No. of Women Entrepreneurs Financed under AFFINGEM		Total Loan/Financing (RM 'mil)
Women SMEs	672	408.9
Women Start-Ups	177	146.8
Total	**849**	**555.7**

In addition to our sustainable financing activities in these and segments. We continue to seek out ways to further enhance our contribution on the path toward a sustainable economy.

AFFINGEM Newsletter



AFFINGEM Financial Literacy



AFFINGEM exclusively for women entrepreneurs

SUSTAINABLE FINANCING

CREATING LONG-TERM VALUE

Expanding upon our existing line-up of financial products, we strive persistently to enhance our sustainable finance offerings by introducing purpose-driven financing products that are tailored to address the unique requirements of our diverse clients across various segments.

Financial Solutions for Individuals, SMEs and Corporate Clients

	WHAT DO WE FINANCE/FACILITATE?	WHAT WE THINK OUR CLIENTS NEED?
Transition financing	Transition to low carbon operations such as by improving energy efficiency and installing renewable energy equipment • Low Carbon Transition Facility ("LCTF") Sustainability and green technology adoption • Green Technology Financing Scheme 4.0 ("GTFS 4.0")	Working capital and capital expenditure ("CAPEX") financing for the adoption of sustainable practices and the implementation of long-term environmental changes
Green buildings	Purchase, construction and refurbishment of energy-efficient buildings • Term Loan/Term Financing-i • Overdraft/Tawarruq Cashline-i • Trade Facilities/Islamic Trade Facilities	Bridging loan/financing for certified green buildings, solar panel installation and energy-efficient lighting
Clean mobility	Purchase of clean transport • Hire Purchase-i (Hybrid/Electric Vehicle)	Financing of hybrid/electric vehicles and charging stations
Renewable energy	Use of equipment for the production of renewable energy • AFFIN Solar Financing-i (individuals' clients) • AFFIN BizSolar-i Financing (SMEs and corporate clients)	Financing of solar panels, wind farms and storage battery production
Circular economy, water and waste management	Activities to adapt to, or mitigate climate change, boost the circular economy or drive sustainable water and waste management • Term Loan/Term Financing-i • Overdraft/Tawarruq Cashline-i • Trade Facilities/Islamic Trade Facilities	Financing of solutions for water, waste and soil treatment, energy efficiency, lower emissions and conservation
Socioeconomic empowerment	Support for start-up business • SMEmerge-i Start-up Financing • BizDana-i Start-up Financing Scheme Malaysian Armed Forces veteran to venture into entrepreneurship • AFFIN BizWira-i Financing Scheme	Working capital to build a solid foundation for start-up businesses
Affordable housing	Purchase of affordable homes under federal/state government homeownership schemes	Increased accessibility through financial assistance for low-income household individuals and first-time home buyers
Education	Education programme fees for selected university and colleges • AFFIN Education Financing-i	Access to quality education through financial assistance to achieve educational goals and aspirations without compromising financial stability.

FOCUS AREA 2

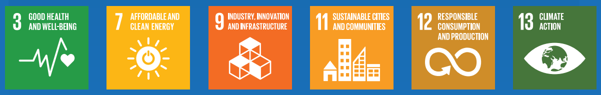
Sustainable Operations

To minimise the negative environmental and social impacts of our operations while maintaining economic viability

Topics Discussed

- Achieving Net Zero
- Energy Efficiency
- Occupational Safety & Health
- Customer Experience
- Sustainable Supply Chain

UN SDGs

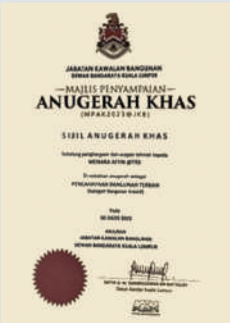


SUSTAINABLE OPERATIONS

AWARDS


PAM AWARDS 2023
PAM AWARD COMMENDATION
COMMERCIAL HIGH RISE
AFFIN BANK @ TRX

PAM Awards 2023
Commercial High Rise (Commendation)


MAJLIS PENYAMPAIAN
ANUGERAH KHAS
SIJIL ANUGERAH KHAS

Anugerah Khas DBKL 2023
Creative Building (Lighting)

At AFFIN, our social and environmental commitments and practices extend beyond moral obligations and ethics alone.

In line with our A25 key strategic objective, “Responsible Banking with Impact”, we uphold the principle of “Preserving Our Environment for a Sustainable Future”. Our commitment under this focus area is to minimise the negative environmental and social impacts of our operations through emissions reduction and the integration of sustainability practices, while maintaining the economic viability of our business.

We have set ourselves the following targets under the A25 plan:

1. Reducing our electricity usage by 220,000 kWh from 2021 to 2025*
2. Reducing our annual paper usage by 15,000 kg from 2021 to 2025

Note: In 2021, when we set our A25 target, the baseline for electricity usage was established using data from that same year. However, considering the impact of movement restrictions, we now find the 2021 baseline less comparable. Therefore, we have decided to re-establish the baseline using 2022 data, which provides more meaningful and comparable insights.

These targets contribute to our commitment to achieve a 30% reduction in our annual operational emissions (Scope 1 & 2) by 2030, compared to a 2022 baseline, and to achieve Net Zero Carbon by 2050.

In addition to reducing operational emissions, we also strive to enhance our sustainability practices by:

1. Integrating resource efficiency into our operations
2. Supporting local suppliers
3. Promoting a healthy and safe work environment for our employees

A25 Targets

- Reduce electricity usage by 220,000 kWh (2021-2025)
- Decrease annual paper usage by 15,000 kilograms (2021-2025)

Overall Emissions Reduction Goals

- Target: 30% reduction in annual operational emissions (Scope 1 & 2) by 2030 (compared to 2022 baseline)
- Aspire to achieve Net Zero Carbon by 2050

Our efforts and achievements in FY2023 towards these outcomes are detailed below.

FY2023 KEY HIGHLIGHTS

Reduced our operational emissions by an equivalent of

1,304 tCO_2e

from our FY2022 baseline

Increase of

7%

in the proportion of women

on our Board of Directors

"Our commitment is to minimise the negative environmental and social impacts of our operations through emissions reduction and the integration of sustainability practices"

WHY THIS IS OUR FOCUS

Sustainable practices help us in mitigating risks associated with ESG factors. This helps in building our resilience for long term-viability and stability.

By integrating sustainability into our operations, we can effectively manage risks related to climate change, resource scarcity and regulatory shifts. These practices not only attract investment and retain customers but also align with the UN SDGs. In addition, we believe that our long-term financial performance is closely linked to sustainable practices. In essence, operating sustainably is both a moral imperative and a strategic necessity for us, ensuring our continued relevance, resilience and positive impact on the environment and surrounding communities.

Benefits of Sustainable Practices

- Mitigation of risks associated with ESG factors
- Building resilience for long-term viability and stability

DRIVING EMISSIONS REDUCTIONS

We want to play a positive role in the world's fight against climate change and, in FY2023, we set measurable targets to guide our efforts. This includes:

1. Interim target – to achieve a 30% reduction in operational emissions (Scope 1 & 2) by 2030, compared to 2022 baseline; and
2. Final target – to achieve Net Zero Carbon by 2050.

In our commitment to achieving Net Zero Carbon by 2050, we recognise that we have embarked on a journey marked by steep learning curves and the need to adopt new working methods and embrace digital transformation.

To drive emissions reductions, we have identified and established three key strategic pillars under the AFFIN Climate Change Strategy:

AFFIN Climate Change Strategy

Interim target

1 Reducing 30% of operational emission

- Implementation of renewable energy and energy-saving initiatives, as well as promotion of behavioural changes toward sustainable practices.
- Procurement of Renewable Energy Certificate ("REC") through Green Energy Tariff ("GET")
- Purchasing carbon credit for unavoidable emission

Final target

2 Reducing our financed emissions

- Engagement with clients to support their decarbonization journey
- Provide sustainable/transition financing to top carbon – emitting clients
- Limit exposure to new and existing high carbon emitting clients

3 Financing the transition and increasing financing position

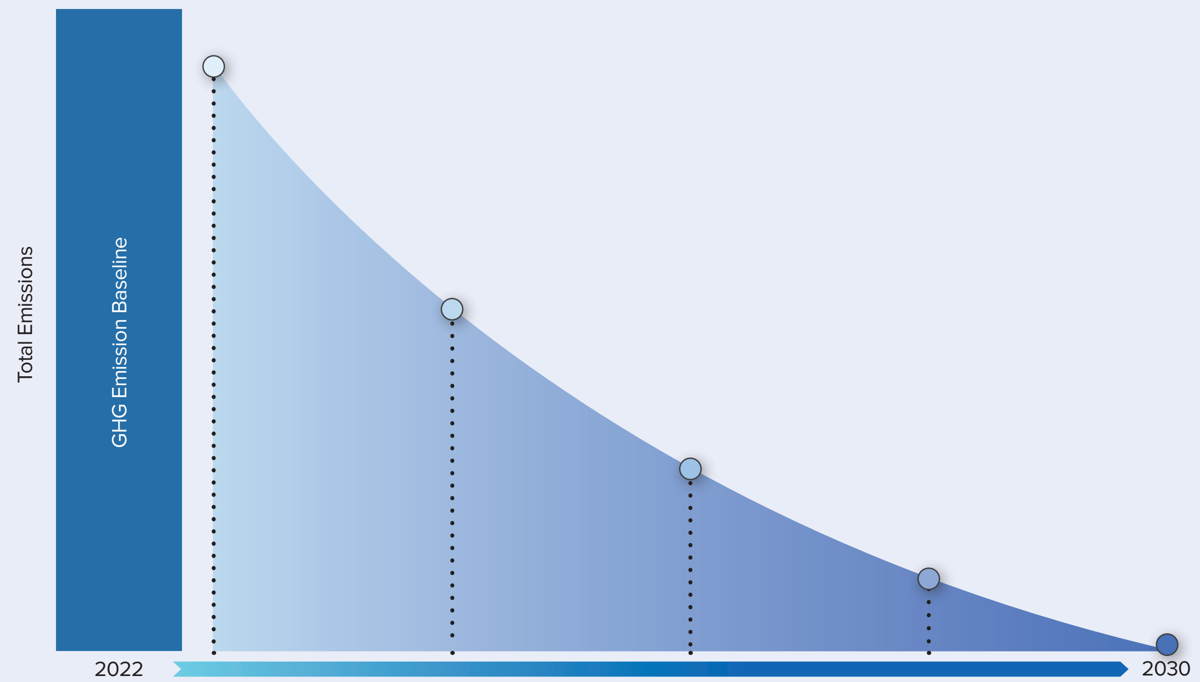
- Manage overall exposure to carbon-intensive sectors
- Increase portfolio exposure to climate supporting clients, activities and technologies
- Increase sustainable products/ services

SUSTAINABLE OPERATIONS

ROADMAP TOWARDS REDUCTION OF 30% OF OPERATIONAL EMISSIONS BY 2030

We have charted a roadmap to guide our journey, pillared on a five-pronged strategy that aims to reduce our operational emissions efficiently, responsibly and in a cost-optimised manner.

OPERATIONAL EMISSIONS REDUCTION ROADMAP



ACTION 1
RELOCATE TO TRX

Relocating to Tun Razak Exchange ("TRX") from Menara AFFIN Raja Chulan

ACTION 2
TRANSITION TO RENEWABLE ENERGY

Installing solar panels and transitioning to renewable energy sources

ACTION 3
ENERGY OPTIMISATION OF BUSINESS PREMISES

Optimising our head office and enhancing energy efficiency in our branches

ACTION 4
RENEWABLE ENERGY CERTIFICATES

Purchasing renewable energy certificates

ACTION 5
CARBON OFFSET

Purchasing carbon offsets for unavoidable emissions

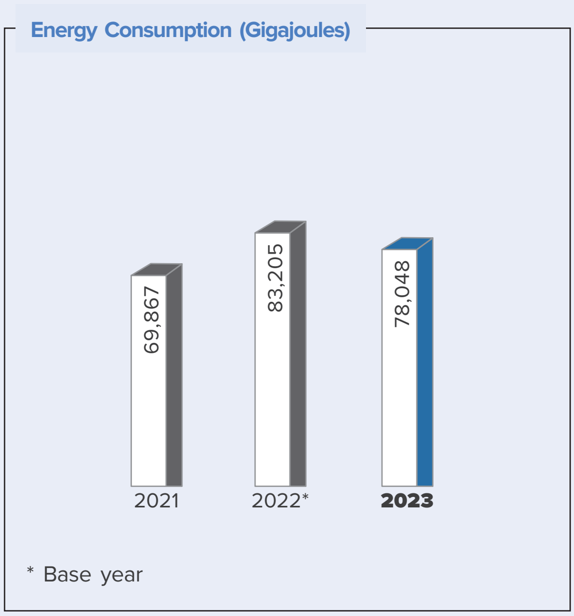
HOW WE IMPROVED

Across our business, we are taking steps to reduce energy consumption by adopting energy efficient infrastructure, appliances and technologies. Doing so reduces our environmental impact while also unlocking cost savings that directly impact our bottom line.

Our new headquarters, Menara AFFIN in TRX, is a prime example of an energy efficient building, boasting a design that drives resource efficiency in terms of energy, water and materials. Inaugurated in 2022, it received a Gold certification in Design Assessment under the GBI accreditation system, signalling its attainment of leading international standards in environmental impact.

REDUCED ENERGY CONSUMPTION

GRI 302-1, 302-4

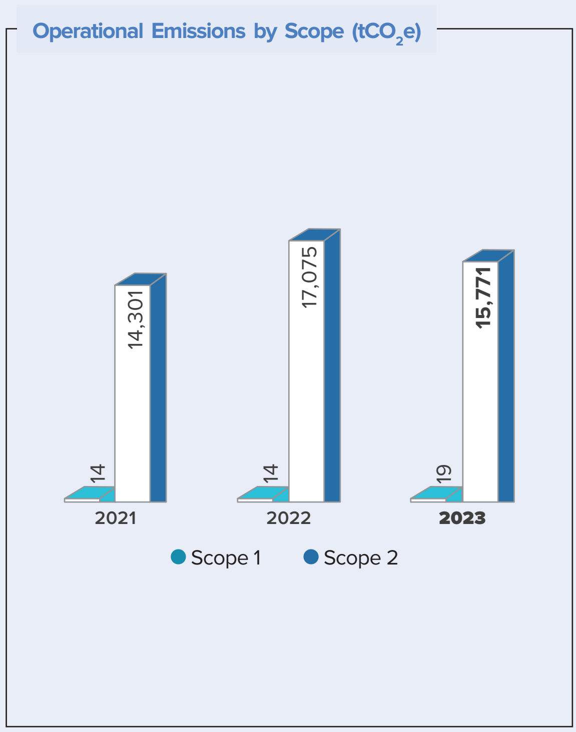


Note:
In FY2021, energy consumption was significantly lower than the previous year's average at Menara AFFIN (Jalan Raja Chulan) and Menara Boustead. This lower usage was a result of work-from-home arrangements implemented during COVID-19 restrictions, which led to most of our employees working remotely. However, in FY2022, energy usage rebounded as we resumed physical operations at Menara AFFIN (Jalan Raja Chulan) and Menara Boustead following the easing of travel restrictions. In FY2023, we relocated to Menara AFFIN at TRX, and subsequently, both Menara AFFIN (Jalan Raja Chulan) and Menara Boustead were handed back to the landlord. As a result, and with a more energy efficient headquarters, our overall energy consumption in FY2023 was lower than in FY2022.

In FY2023, we successfully reduced energy consumption by an impressive 5,157.41 GJ. This reduction was achieved through a combination of strategies, including the relocation to Menara AFFIN in TRX and various other energy-saving measures. We have implemented initiatives such as installing energy-saving appliances such as LED lights and modernising air conditioning units across our branches. By curbing our energy demand, we have simultaneously reduced our emissions footprint.

REDUCED EMISSIONS FOOTPRINT

In FY2023, we made significant strides in reducing operational emissions, implementing several strategies to reduce direct emissions. These include the above strategies and our progressive adoption of solar energy across our selected branches. In light of these contributions, we have achieved a substantial Scope 2 reduction of 1,304 tCO_2e in FY2023.



As we continue our commitment to sustainability, we recognize that sustainable operation remains a critical focus area.

"In FY2023, our operational emissions witnessed an 8% reduction compared to FY2022."

SUSTAINABLE OPERATIONS

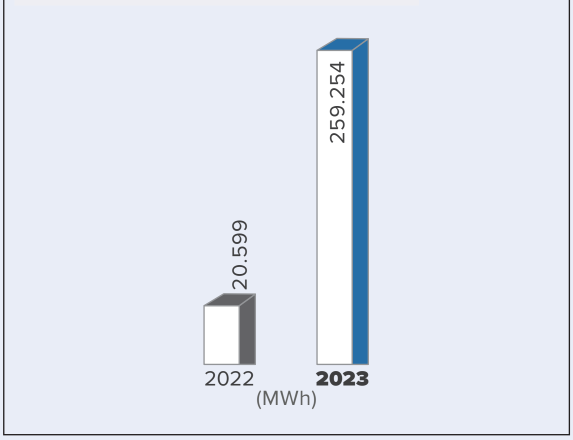
ADVANCING OUR ENVIRONMENTAL RESPONSIBILITY

INTEGRATING RENEWABLE ENERGY

GRI 302-1

With the aim of decreasing our reliance on non-renewable sources of energy, we have installed solar panels at 12 of our branches. These installations not only facilitate carbon emissions reductions but also directly contribute to a cleaner environment.

Energy Yield from Solar Panels (MWh)



Note:
The number of disclosed data for FY2022 has been restated due to data calibration.

INSTALLING EV CHARGING STATIONS

As part of our commitment to the energy transition, we have installed 3 EV charging points at our TRX headquarters. These charging stations come equipped with nine dedicated EV parking bays, providing convenient access for our customers and employees to charge their EVs while at work or conducting business at the branch. As such, this strategic initiative promotes the adoption of EVs among both our customers and employees, helping to lower customers' emissions and drive a reduction in our Scope 3 emissions associated with our employees' daily commutes.

Looking ahead to 2024, we plan to install an additional eight EV charging points to further enhance accessibility and encourage the adoption of EVs.

The effectiveness of these solar panels is evident in the increase in electricity they have generated for our business, with a more than 1,100% increase from 20.599 MWh in 2022 to 259.254 MWh in 2023. This has directly led to the avoidance of 202.21 tCO_2e of emissions.

Moving forward, we plan to carry out further installations over the coming years as part of our roadmap to reduce our operational emissions.

DEDICATED PARKING SPACES FOR FUEL-EFFICIENT VEHICLES

In our ongoing efforts to promote sustainability, we have taken a strategic step by allocating nine parking spaces for Low Emission Vehicles ("LEV") and hybrid vehicles. These designated spots encourage our employees and customers to choose fuel-efficient vehicles, contributing positively to both air quality and climate change mitigation.

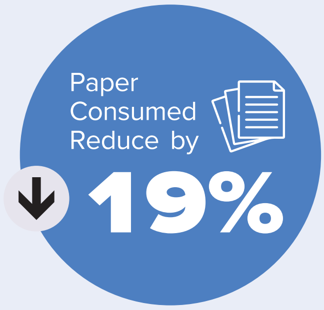
REDUCING PAPER CONSUMPTION

Paper is a key resource for banking activities and reducing our paper consumption can significantly contribute to our overall sustainability efforts. Specifically, with the advancement of digital technology, we have the opportunity to substitute manual processes with digital ones across our business, communications and operations.

Total Quantity of Paper Consumed

Year	FY2021 (kg)	FY2022 (kg)	**FY2023 (kg)**
(kilograms)	45,170	23,482	**18,948**

We encourage our employees to use document-sharing platforms in order to avoid unnecessary printing. We have also implemented a clean desk policy, a "one printer, one floor" rule and the 5S (Sort, Set in Order, Shine, Standardize and Sustain) concept to manage internal paper usage. This year, we achieved a 19% reduction in paper consumption, amounting to 4,534.3 kg, which stemmed from reduced printing due to the integration of digital platforms and improved employee awareness.



In addition, while the same information is available via clients' mobile or online banking applications, we actively encourage our individual customers to convert to e-statements and discourage printing hardcopy transaction slips for over-the-counter transactions at branches. For Non-individual Current Accounts/Current Account Islamic, we provide customers with three alternatives to printed statements:

1. Receive statement via email
2. Download statement via AFFINMAX (non-individual) or our retail internet banking platform (for individuals and sole proprietors)
3. Receive statement via secure file transfer (for large corporate clients)

We have also increased our procurement of paper certified by the Programme for the Endorsement of Forest Certification ("PEFC") and the EU Ecolabel. These certifications ensure that our paper products originate from responsibly managed forests and adhere to stringent environmental standards.

STEWARDING WATER RESPONSIBLY

GRI 303-5

Water consumption is an area where we can make a significant contribution to resource efficiency and we are driving progress on this front through rainwater harvesting and water recycling.

Amongst other features that drive resource-efficiency, our new headquarters in TRX is equipped with a rainwater harvesting system which collects rainwater for use in toilet flushing, general cleaning and Air Handling Unit ("AHU") condensate recovery.

To further reduce our water usage, we use native and drought-resistant plant species for all our landscaping needs. Furthermore, our gardens are 100% watered by harvested rainwater through a drip irrigation system that offers greater efficiency compared to other methods.

Water Management		
Common Indicator – C9 (a) Total volume of water used		
FY2021 (ML)	FY2022 (ML)	**FY2023 (ML)**
126	162	**174**

Note:
In 2021, water consumption significantly decreased due to reduced water usage at Menara AFFIN (Jalan Raja Chulan) and Menara Boustead. This decline was a result of work-from-home arrangements implemented during the COVID-19 restrictions, which led to most of our employees working remotely. However, in FY2022, water usage rebounded as we resumed operations in Menara AFFIN (Jalan Raja Chulan) and Menara Boustead following the easing of COVID-19 restrictions. In FY2023, we have expanded our operations by opening 10 new branches, resulting in a slight increase in water consumption as compared to FY2022.

In FY2021, water consumption at Menara AFFIN (Jalan Raja Chulan) reached its lowest point. This decline can be attributed to the widespread effects of the COVID-19 pandemic, which included the implementation of remote work arrangements and reduced on-site operations. Offices and other facilities experienced partial or full closures, resulting in reduced demand for water. However, the subsequent resumption of full operations led to a rebound in our water usage, and consumption in FY2023 (in our new headquarters in TRX) rose significantly, driven by the expansion of our business operations.*

Note: At present, we haven't established a baseline for water. We intend to do this in the future.

SUSTAINABLE OPERATIONS

INTEGRATING SUSTAINABILITY INTO CUSTOMER SUPPORT

At AFFIN, we believe that our customers are a key component of our operations and strive to provide exceptional service while building their trust in us as a reliable financial partner.

Moreover, as they become more conscious of and concerned about global challenges in light of shifting climate trends, customers are paying closer attention to the ESG activities of companies and are increasingly using sustainability as a major factor in decision-making and purchasing decisions. This heightens the need to remain attuned and responsive to our customers' needs.

Unrivalled Customer Service

Our focus remains centred on putting customers at the heart of our business. As part of A25 Strategic Objectives, "Unrivalled Customer Service" requires a deep understanding of our customers and the taking of actions to meet their needs. This is significant as we observe an increasing emphasis on customer experience within the Malaysian banking industry.

With these considerations in mind, our customer-centric framework takes a holistic approach in ensuring that our daily operations prioritise the interests of our customers.

Measuring Customer Experience

Key Measurements	How We Measure	2023 Performance
Net Promoter Score ("NPS")	Our NPS and CSAT scores were obtained from the Malaysian Banking Industry Customer Satisfaction Survey 2023, conducted by the Association of Banks in Malaysia ("ABM") and AIBIM, in collaboration with Bank Negara Malaysia.	+69
Customer Satisfaction ("CSAT")	The survey was carried out by Ipsos, a global leader in market research, from 8 May 2023 to 3 September 2023, with 19 participating banks	91%
Banking Customer Service Indicator ("BCSI")	Key service indicators were measured across the 4 pillars of the Customer Service Client Charter, detailing the performances of products and channels and measured against the bank's internal standards (e.g., waiting time at branches and contact centre, channel uptime)	84%

The 2023 Malaysian Banking Industry Customer Satisfaction Survey saw an overall increase in the industry's average NPS, which rose from +41 in 2019 to +69 in 2023. We secured 3rd position with an impressive NPS score of +69, marking a substantial increase from the +27 recorded in 2019. Additionally, our commitment to customer satisfaction is evident as our CSAT score rose to 91% in 2023, compared to 77% in 2019.

In the 2023 Malaysian Banking Survey, the industry's Net Promoter Score increased from +41 to +69. AFFIN ranked 3rd with an NPS of +69, up from +27 in 2019. Our satisfaction level rose to 91% in 2023, from 77% in 2019.

Delivering Unrivalled Customer Service

In driving customer-centric initiatives, we adhere to a framework that consists of four key areas that impact customer experience. As we move forward, we will look to accelerate our progress and foster sustainable practices through this enhanced framework.

Over the past four years, during our metamorphosis journey, we have made significant improvements to enhance our product offerings, improve processes, upgrade and expand our network and channels, and elevate the level of service we deliver to our customers.

ENHANCE VALUE PROPOSITION

Establishing customer segment propositions is critical to delivering unrivalled customer service. As our customers' demands continue to grow, we must be agile in meeting their expectations and offer personalised solutions. By focusing on the unique needs of customer segment, we have the opportunity to better understand their financial goals and how we can assist in driving success.

Segment	New/Enhanced Value Proposition
Underserved	We distributed 24 units of Cash Recycler Machines ("CRMs") to rural areas. This effort is part of our community service initiatives, with a primary focus on enhancing accessibility for communities that currently have fewer than five financial access points. Simultaneously, it serves as a strategic measure to strengthen our brand awareness.
Women Entrepreneurs	Affinita is a specially designed mortgage programme that aims to empower and uplift women by encouraging home ownership. According to the Statistics on Women Empowerment in Selected Domains, Malaysia, 2023 by the Department of Statistics Malaysia ("DOSM"), the female labour force participation rate currently stands at 55.8%, compared to the male labour force participation rate of 81.9%. This disparity is also evident in estimated earned income; men earn an average of RM63,117 compared to women at RM42,080. Furthermore, in the World Economic Forum ("WEF") Global Gender Gap Report 2023, it was highlighted that there are still uneven rights in Malaysia when it comes to landed assets. With this in mind, the Affinita programme strives to provide women with an added-value experience that complements their lifestyle and their home-ownership journey. In support of women entrepreneurship, AFFINGEM is an award-winning programme with an exclusive proposition designed for women entrepreneurs and women-led entities to "Grow, Empower and Manage" their businesses. The AFFINGEM proposition is continuously enhanced to ensure its relevance to the evolving needs of women entrepreneurs.
Start-ups	AFFIN Aspira is an award-winning comprehensive all-in-one solution that encompasses transactions, financing, protection, and advisory services, aimed at supporting the aspirations of Malaysian start-ups.
Merchants/Local Businesses	AFFINMAX Cashless Bazaar is a platform where QR merchants can showcase their products and connect with a wider audience. Through this platform, we support community growth and promote the adoption of ESG practices via our cashless payment system.
Small Medium Enterprise	AFFINWRKFZ is a members-only business development support initiative available on the award-winning SME Colony mobile app. It features a suite of non-financial long-term business and talent management solutions designed to future-proof SMEs and ensure their sustainability as they scale up.
Marketing Cloud	Phase 1 of our Customer Relationship Management ("CRM") system leverages a cloud based, comprehensive digital marketing platform to create and manage relationships and campaigns with customers, driving personalised experiences. Phase 2 of the CRM system, which due to be launched in the upcoming year, will enable us to strengthen customer relationships by gaining deeper insights, anticipating needs and delivering personalised engagements.
Sustainability	AFFIN AURA is our first credit card made using eco-friendly materials, consisting of 84% recycled PVC. This is aligned to our commitment of reducing our ecological footprint by ending the use of single-use plastics, and we aim to extend this solution to other credit cards in phases.

SUSTAINABLE OPERATIONS

TIMELY & EFFICIENT SERVICE

Enhancing Value Throughout the Customer Journey

We are committed to delivering a seamless banking service, and understanding the customer journey plays a pivotal role in achieving this.

When developing or enhancing our offerings, we collaborate closely with stakeholders to identify and address frictions and customer pain points. NPS and CSAT results are also analysed to uncover insights and identify areas of improvements before being shared with business units across the bank. This collaborative effort allows us to map the entire end-to-end process and elevate experiences based on customer feedback while also achieving our business goals.

In 2023, we implemented 15 key process improvement projects aimed at increasing efficiency and enhancing the employee and customer experience.

Integration of Customer Experience ("CX") **design thinking methodology** in all projects and initiatives, ensuring customer-centricity from inception to implementation.

Process improvement and digitalisation initiatives including paperless signature verification, automated reminders through digital channels, and the adoption of digital forms. These measures not only enhance efficiency but also result in significant cost savings by reducing paper usage.

Increased productivity and enhanced service delivery to customers by streamlining our internal processes. On this note, AFFINMAX Quick Assist serves as a comprehensive one-stop centre, empowering our sales representatives to streamline tasks and provide quick access to critical information during customer interactions.

Implementation of **Robotic Process Automation ("RPA")** to enhance efficiency and elevate customer satisfaction. This has resulted in a 50% reduction in processing time for Automated Delivery System ("ADS") debiting, while assignments for personal financing applications have seen a 67% improvement through automation.

Synergised Complaints Management

As part of our ongoing commitment to realising our A25 "Unrivalled Customer Service" aspiration, we prioritise consistency, efficiency and effective resolution to ensure fair treatment in addressing our customers' concerns and ultimately enhance the overall customer experience.

A **synergised and centralised approach** to complaints management across all AFFIN entities provides all customers with consistent handling, ensuring fair treatment in addressing their concerns.

The implementation of a **First Contact Resolution ("FCR")** framework that aims to resolve customers' issues during their initial interaction with the bank. This approach is particularly crucial in preventing recurring complaints. By prioritising FCR, we can minimise the need for escalating complaints, leading to swift and accurate resolutions.

Personalised engagements are held with our various business units to address recurring complaints, generate actionable insights and action items for continuous improvement, educate business units on the latest regulatory updates and share key performance indicators for complaint management.

Combating Fraud

In alignment with the banking industry's dedication to combating financial scams and curbing their increasing prevalence, we maintain our steadfast commitment to educating our customers and implementing stringent control measures. Ensuring the financial security of our customers remains our top priority.

EDUCATION

1. **Continuous fraud awareness** and consumer education **through AFFIN Digital Channels** (e.g., social media, AffinAlways website) to understand the various fraud/scam methods and security tips to protect their finances.
2. **Guides to frontliners** on the latest modus operandi to **educate on methods to detect and prevent scams.**

PREVENTION & CONTROLS

1. **Call back verification** performed on suspicious transactions.
2. Enforced **single device authentication** on mobile devices.
3. **'Kill Switch'** for online banking.
4. **Removal of clickable links** in SMS & emails to customers.
5. **Regular audits** to identify risks & gaps in existing controls.
6. Established **process to report phishing** and fraudulent sites to relevant authorities.

BANKING MADE ACCESSIBLE

We are enhancing nationwide banking accessibility by expanding and strategically relocating our branch network. Through this effort, we aim to ensure that our services are conveniently accessible to customers across various regions, underscoring our commitment to fostering stronger connections with them and meeting their evolving needs effectively.

Expanding our branch network footprint with 4 new branches and 21 branch relocations to high traffic areas, thus providing customers with greater convenience and ease of access to banking services. With an emphasis on modernisation, these relocations ensure that customers can enjoy a contemporary banking experience while benefiting from improved facilities and services. In line with our commitment to sustainability, we have also implemented significant steps to reduce our environmental footprint, including the installation of solar panels at 12 branches and the implementation of paperless onboarding for customers, as well as actions to reduce our electricity consumption and carbon footprint.

Taking significant leaps on our digital journey with the introduction of our **AffinAlways mobile internet banking app**, and **Affina**, our **24/7 AI-powered chatbot**. This helps pave the way for an omnichannel experience that empowers customers to fulfill their banking transactions through self-service solutions anywhere and anytime, minimising wait times.

Implementing our **Automated Safety Deposit Locker ("ASDL")**, the **first of its kind in Malaysia** by a financial institution. ASDL offers maximum security and convenience to customers via its self-service intelligent storage system. This fully automated feature uses robotic technology to retrieve lockers and is accessible to customers beyond traditional banking hours. In recognition, ASDL received the Highly Acclaimed: Best Technology Implementation by a Retail Bank award at the prestigious Global Retail Banking Innovation Awards 2023.

Our newly launched AFFINMAX 2.0 mobile app 2.0 introduced **My Cashier**, a feature that allows businesses to seamlessly accept payments and eliminate manual processes by generating QR codes through the app. Customers also get to enjoy simplified transactions with the Mobile Transfer feature, which offers a full suite of management tools for cash flow monitoring, account management and submission of payment transactions.

SUSTAINABLE OPERATIONS

TRANSPARENT & PERSONABLE SERVICE

Our people are key to driving sustainable practices in customer service. To this end, AFFIN C.A.R.E.S. (i.e., Customer-Focused, Accountability, Responsiveness, Empathy and Simplicity) was introduced to represent our commitment to customers and strengthen employees' capabilities in delivering positive experiences. First launched in 2022, these attributes have continued to be embedded across our initiatives, with the aim of driving standardisation and consistency in service.

Customer Centricity Survey In FY2023, we introduced the Customer Centricity Survey to measure the level of CX Maturity in AFFIN against four core competencies, tracking our progress across six levels of maturity. The baseline results indicated a positive reflection on leaders and employees advocating for CX in the bank. To drive further improvement, additional CX initiatives will be implemented to engage employees and drive customer-centric behaviour and action amongst our people.

Capability Building To ensure that we consistently deliver excellent service and maintains customer satisfaction and loyalty, it is crucial that our employees' fully embrace our C.A.R.E.S. attributes. To this end, key initiatives have been undertaken to embed and operationalise C.A.R.E.S. in our people and processes.

1. Implementing the interactive and comprehensive **C.A.R.E.S. Playbook**, which outlines our service standards, and provides a guide for branch staff in effectively handling customer interactions.

2. Encouraging staff engagement and participation **learning through gamification**, thus prompting employees to utilise customer experience tools creatively. These gamification strategies involve the use of storytelling, video creation and problem-solving to demonstrate employees' understanding and application of customer-centric principles in their work.

3. Collaborating with the Group People Office to conduct various trainings and workshops that **upskill, coach and refine** the knowledge and capabilities of our employees in meeting our expected customer service levels. A total of 1,044 staff attended these trainings, clocking more than 8,272 learning hours.

4. The **CX Speaker Series** featured distinguished speakers such as Mr. A. Santhakumaran, founder of CX Expert Asia, and Mr. Patrick Er, Chief Sales & Service Officer of Maxis Berhad, who shared their knowledge, insights and best practices with over 250 AFFIN employees during AFFIN CX Day, held in October 2023. Additionally, special guest speakers from the Credit Counselling and Debt Management Agency ("AKPK"), Ombudsman for Financial Services ("OFS") and Securities Industry Dispute Resolution Centre ("SIDREC") were invited for the "Day Out with The Experts" programme, contributing to the providing of awareness briefings on external redressal avenues to 200 participants.

5. **Improving CX communication** through the CX Spotlight, a bi-monthly CX newsletter featuring actionable insights into the latest trends and activities in CX –all tailored to provide employees with the knowledge and resources to realise our A25 strategic objective of "Unrivalled Customer Service". Further to this, the Customer Service Monthly Briefing ("CSMB") is a monthly communication aimed to improve customer service and enhancing customer interactions at our branches and amongst our frontliners.

6. Highlighting on-ground interviews with Senior Management and other staff on their definition and understanding of AFFIN C.A.R.E.S. through the **"C.A.R.E.S. & I" engagement video**

7. Launching our **rewards and recognition programme** to recognise **AFFIN C.A.R.E.S. Superheroes** – employees who epitomise the C.A.R.E.S. attributes. Over 40 AFFIN employees nationwide received a special custom-made pin as a form of recognition and appreciation for their dedication and commitment in delivering "Unrivalled Customer Service" to both internal and external customers.

ENABLING ACCESSIBILITY

We demonstrate our commitment to inclusivity by providing services that are tailored to the needs of persons with disabilities ("PWD"). These include:

- Integrating ramps into walkways across 15 branches, thus ensuring effortless access for wheelchair users and those with mobility impairments.
- Installing dedicated parking lots for PWDs which ensure proximity and ease of access to entrances across three branches
- Installing auto-sliding doors at two branches to facilitate smooth movement for PWDs as they enter the Self-Service Terminal ("SST") area
- Installing low-level counters and writing surfaces across all branches so that PWDs can conduct transactions comfortably
- Implementing a voice numbering and queuing system across all branches to reduce the need for physical queues
- Designating special waiting areas and counters for PWDs across all branches to ensure personalised service and comfort

Moving forward, we strive to further broaden our accessibility efforts. Efforts include the incorporation of restroom facilities for PWDs and the crafting of a diverse selection of specialised products designed to meet their distinct needs.

Below are selected C.A.R.E.S. Superhero Stories, submitted by our employees:

Rachel Toh, AFFIN Kluang Utara Branch

"I am delighted that we could help this customer. Having recently received approval for her personal financing application, which is crucial for her medical treatment, she needed to open an account but faced difficulty walking. When my Assistant Branch Manager received a phone call from the customer, the team sprang into action. We directed the customer to park at the OKU area, assuring her that we would come to her and eliminating the need for her to walk into the branch. Our team, equipped with laptops and a biometric machine, seamlessly conducted the entire onboarding process within the comfort of the customer's car. This experience shows the important role we play in our society and the impactful ways we contribute to local communities."

Mohamad Nashirul Azwan, Puchong Branch

"I would like to recommend Encik Mohamad Nashirul Azwan bin Md Nashir for his outstanding service and express my gratitude for his efforts. He has truly made a difference to the lives of our customers and has set a high standard for service excellence."

** Excerpt taken from customer compliment*

Taman Equine Branch

"It amazed me to see the positive impact that good customer service could have on me, the customer. From initial intention to complaint, now I am considering opening my business account with them.

Thank you AFFIN for the good customer experience. I am convinced that the best way to spend marketing money is by providing the best customer experience."

**Excerpt taken from customer compliment*

SUSTAINABLE OPERATIONS

EMBEDDING SUSTAINABILITY INTO THE SUPPLY CHAIN AND EMPLOYEES

SUPPORTING LOCAL SUPPLIERS

GRI 204-1

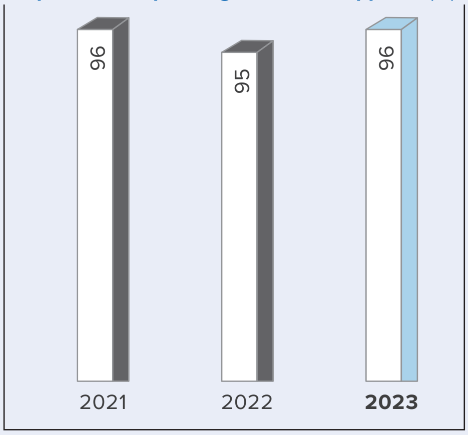
We strive to support the local business ecosystem through our procurement practices and commit to appointing local suppliers wherever practicable to our business. To this end, we have channelled our expenditure towards local suppliers over the past three years, while consistently maintaining our record of 100% of non-IT spend on Malaysian-owned companies.

Looking ahead, we are dedicated to further fortifying the local economy, cognisant that our support of local suppliers leads to positive multipliers through the creation of jobs and the generation of tax income for the Malaysian government.

Proportion of Spending on Local Suppliers

Year	FY2021(%)	FY2022 (%)	FY2023(%)
Percentage	96	95	**96**

Proportion of Spending on Local Suppliers (%)



SUSTAINABLE DELIVERIES THROUGH SUSTAINABLE AVIATION FUEL

In a significant move towards environmental responsibility, AFFIN Group has become the first Malaysian bank to sign up for DHL Express' GoGreen Plus program. This pioneering initiative utilizes Sustainable Aviation Fuel ("SAF") to significantly reduce carbon emissions for shipments towards sustainable shipping. By participating in GoGreen Plus, AFFIN aims to achieve a 70% reduction in its carbon footprint from its international shipment, aligning with the Group's commitment to "Responsible Banking with Impact." This program builds on AFFIN's A25 Plan, which prioritizes Sustainable Operation and aims to achieve Net Zero Carbon by 2050.

SAFEGUARDING OUR EMPLOYEES

GRI 403-9

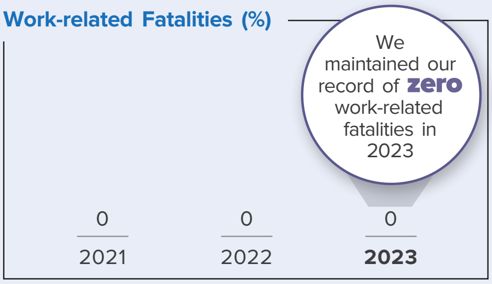
Our employees are the foundation of our business, and the protection of their health and safety is not only ethical but a wise investment that will reap dividends in the form of greater loyalty, retention and human capital growth, ultimately empowering us to reach our goals as a business.

To minimise workplace health and safety risks, we adhere to our Occupational Safety and Health ("OSH") Policy. The policy serves as a blueprint for creating a safe and healthy workplace, outlining clear processes and proactive measures that our teams can use to identify and eliminate potential workplace hazards. The policy also mandates that we continuously assess our workplaces and introduce enhanced safety measures to ensure that we remain in tune with industry best practices.

Work-related Fatalities

Year	FY2021	FY2022	FY2023
(unit number)	Nil	Nil	**Nil**

Work-related Fatalities (%)



We strive to enhance our operational performance in terms of safety and health in order to safeguard stakeholders and employees from risks and events that may arise across divisions. Supported by our comprehensive OSH policies and practices, we maintained our record of zero work-related fatalities throughout FY2021 to FY2023.

However, during the year under review, there were 6 incidences of non-permanent injuries reported, resulting in 148 total days lost in productive work time for employees and a Lost Time Incident Rate ("LTIR") of 0.05% (details of which are outlined on page 237 of this statement).

FOCUS AREA 3

People & Culture

To create a diverse, inclusive and sustainability-focused organisation united by shared values across all levels

Topics Discussed

- Embrace Good Practices
- Diversity, Equity & Inclusion
- Employee-centric Culture

UN SDGs

PEOPLE & CULTURE

Our commitment within this focus area is to create a diversity, equity and inclusion focused organisation by fostering shared values across all levels, thus bolstering investor confidence, elevating employee job satisfaction and amplifying team synergy.

The upcoming pages highlight our strategic efforts, all aimed at upholding the core principle of "Empowering Communities and Fostering Inclusive Growth".

FY2023 KEY HIGHLIGHTS

Number of Employees Certified with Professional Industry Certificates

655 employees

"Our aim is to create a diverse, equitable and inclusive-focused organisation by fostering shared values across all levels."

WHY THIS IS OUR FOCUS

As an emerging financial services group, our people are among our greatest assets and are integral to our business sustainability. Recognising this, we have identified "People & Culture" as one of our sustainability focus areas.

Our goal is to unleash the full potential of our workforce by fostering sustainable practices, enhancing employee skills and creating an inclusive work environment. In complement to this, we place a strong emphasis on teamwork, talent retention and fair treatment for all employees, regardless of their gender, age, ethnicity, religion or disability.

OUR APPROACH

Culture plays a pivotal role in people development and integrating it into our approach can yield significant benefits. Here are our approaches to align "People & Culture" with sustainability.

1. Adopting responsible workplace practices that support DEI
2. Being employee-centric by placing the needs of our employee as the focus of our operations

EMBRACE GOOD PRACTICES

GRI 205-2, 2-23, 2-27

We are dedicated to conducting business responsibly, transparently and with the utmost respect for the environment, surrounding communities and our stakeholders. To this end, we seek to inculcate ethical behaviours across our workforce via comprehensive training on relevant regulations, standards and guidelines.

Zero-Tolerance Against Bribery and Corruption

We firmly uphold a zero-tolerance policy against bribery and corruption in all our daily operations, adhering strictly to applicable laws and guidelines including those set by the Malaysian Anti-Corruption Commission ("MACC"). During the past three years, we have no confirmed incidents of corruption.

POLICY	DESCRIPTION
Gifts, Entertainment, Travel, Donation and Sponsorship	We have implemented a No-Gift Policy for all employees. The policy prohibits the solicitation or acceptance of gifts from third parties with business interests related to the Group. Additionally, both the giving and receiving of gifts, entertainment, travel, donations, and sponsorships to influence business decisions are strictly forbidden. Employees are required to comply with all relevant internal practices, procedures, and legal requirements across all locations where we operate.
Dealing with Third Parties	We are committed to combating bribery and corruption. In all business dealings, including interactions with customers, contractors, vendors, suppliers, solicitors, agents, consultants, joint venture partners and government intermediaries, third parties are expected to avoid any corrupt behaviour and strictly comply with anti-corruption laws and regulations.

Data Privacy and Security in Anti-Money Laundering

In FY2023, we exemplified our commitment to data privacy and security by educating our employees on the Personal Data Protection Act ("PDPA") and the Anti-Money Laundering Act ("AMLA"). Through this, we aim to enhance regulatory compliance and establish ourselves as a leader in transparency and accountability within Malaysia's financial ecosystem.

Taking action on this key issue also positions us as a socially responsible organisation, enabling us to maintain the trust of our stakeholders in an evolving environment marked by heightened data privacy risks, stricter regulations and increased demands in sustainability.

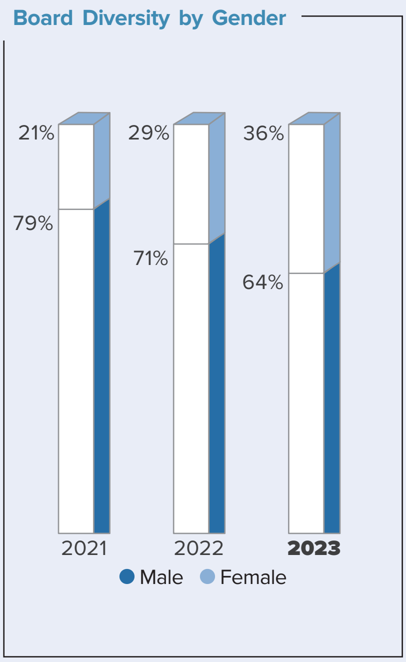
DIVERSITY, EQUITY AND INCLUSION (DEI)

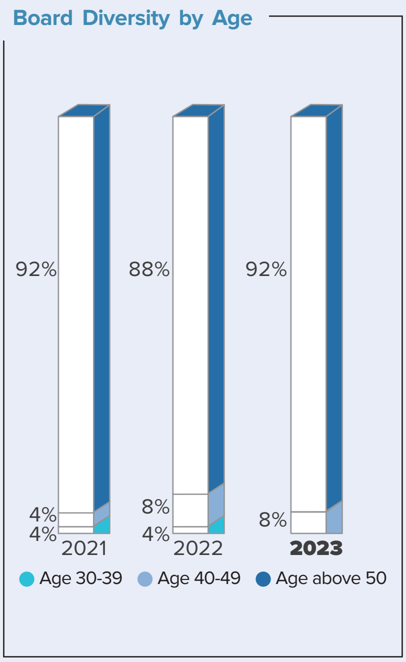
GRI 405-1

At AFFIN, we aim to foster diverse and inclusive workplaces that provide equal resources and opportunities to all, regardless of gender, age, ethnicity or religion, and for differently-abled individuals. We firmly believe that progress should be accessible to all.

Diversity at the Highest Level

Composition of Directors by Gender and Age



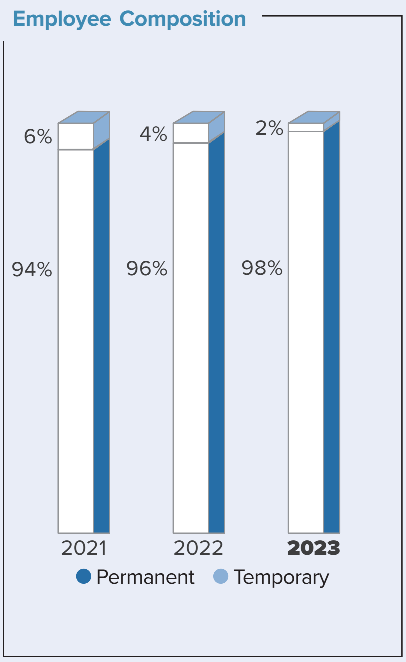


Over the past two years, we have witnessed a positive trend in women representation on the various Boards within AFFIN companies. From 21% in FY2021, the percentage of Board positions held by women increased to a commendable 36% in FY2023, showcasing our commitment to fostering gender diversity at the highest level.

In terms of age diversity, most of our Board members belong to the "Above 50" age category, with these seasoned leaders bringing stability and a wealth of experience. This is complemented by the diverse mix of skills, backgrounds and experiences offered by our Board, empowering more effective high-level decision-making.

Diversity Transcends at the Working Level

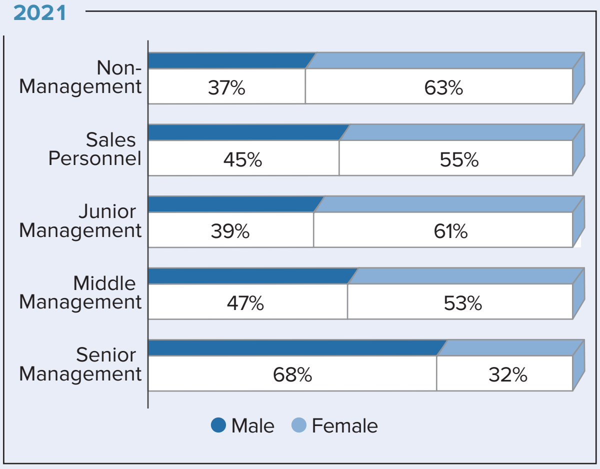
Composition of Employees by Employment Type

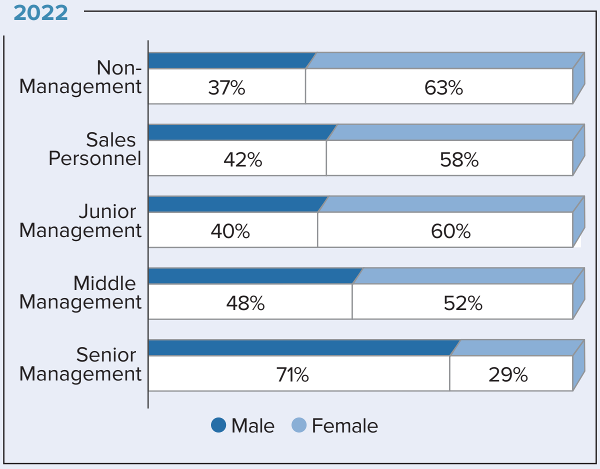


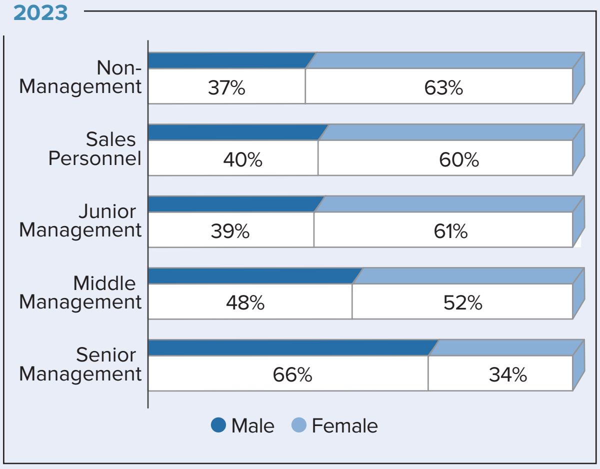
Over the past three years, there has been a clear increase in the proportion of permanent employees within our workforce. Our permanent employees demonstrate unwavering commitment to the organisation and play a crucial role in ensuring business stability. Their presence ensures consistency, continuity and the retention of valuable expertise within our workforce.

PEOPLE & CULTURE

Employee Composition by Category & Gender



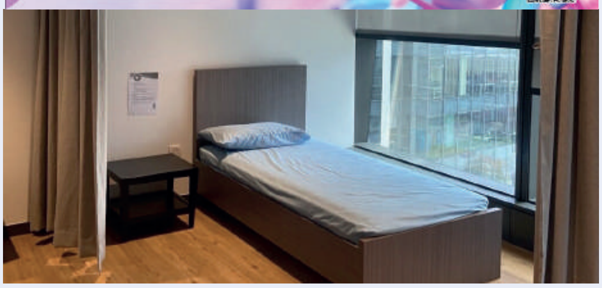




At the Senior Management level, female representation has increased slightly, from 32% in FY2021 to 34% in FY2023. Meanwhile, women make up the majority of employees at the Middle Management level, with roughly 52% representation in FY2023. At the Junior Management level, women constitute roughly 60% of the workforce, with a similar split observed at the Non-management level and in our sales personnel.

Supporting women employees can be seen through the imperative presence of a nursing bay in AFFIN. This facility provides a comfortable and supportive space for nursing mothers during working hours and promotes a conducive work environment that accommodates the needs of female employees. Overall, the presence of a nursing bay not only enhances the comfort of female employees but also underscores AFFIN's dedication to fostering inclusivity and employee satisfaction.

Meanwhile, in line with International Women's Day, we came together on 7 to 8 March 2023 to recognize and honour the women of AFFIN. Over the course of the two days, various activities unfolded including Affin Beauties, a collaboration with Grace & Glow, a live talk show highlighting women in leadership, the spirited Battle of Kingsman, a lively Mix Madness Dance session featuring Zumba, a delightful "Ladies Bazaar" and an informative health talk that was organised alongside health check-ups.



Disability Inclusion

At AFFIN, we are actively building a workplace culture that embraces diversity and inclusion. We trust that a diverse workforce, where everyone feels valued and respected, leads to a more creative, innovative and successful company.

By implementing disability inclusion practices across the entire AFFIN, we ensure a wider talent pool and open doors for qualified PWD candidates. In line with this, we were proud to onboard four PWD employees in FY2023 and look forward to further enriching our company culture with their unique perspectives and talents.

In 2023, AFFIN welcomed four Persons with Disabilities ("PWD") employees, aiming to empower individuals and enrich its culture with diverse perspectives, offering skill development opportunities and inclusive hiring practices for long-term career stability.

Embracing Cultural Differences

At AFFIN, we celebrate our diverse workforce while embracing different cultures and perspectives. On this note, our Merdeka parade in August 2023, which was themed "Malaysia MADANI," not only fostered a profound sense of national pride but also strengthened unity by emphasising the possibilities unleashed through the synergy of Malaysia's various ethnic groups. Our employees were active participants in the parade, proudly honouring Malaysian identity, promoting community well-being and showcasing the diverse cultural tapestry that makes Malaysia unique.

Additionally, we organise celebrations to mark major festive celebrations such as Chinese New Year, Hari Raya, Deepavali and Christmas every year. These events aim to facilitate cultural exploration among different races, fostering bonds and bridging gaps to create a more harmonious and inclusive environment.

PEOPLE & CULTURE

EMPLOYEE-CENTRIC CULTURE

GRI 404-2

Talent Development

Through targeted change management initiatives and purpose fit training programmes, we aim to cultivate an environment where our people can grow and equip them with the knowledge and experience to ascend to future leadership roles. This helps to maintain a strong pipeline of talent for future growth while fostering innovation and adaptability, thus enabling us to stay ahead of the curve in a constantly evolving business landscape.

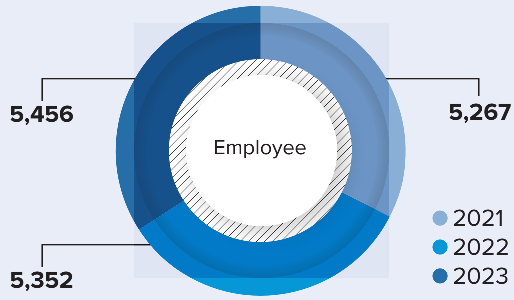
In FY2023, we made mandatory sustainability e-learning modules to upskill our employees in sustainable and responsible business practices. This empowers them to become change-makers on our ongoing ESG journey.

To further enhance talent development outcomes, our AFFINioVATION event was held from 7 to 9 November 2023. The main focus of the event was on gathering innovative ideas from our employees on fostering more vibrant work environments. Further to this, the event featured Innovation Gigs for new innovation initiatives, an AI Conference that educated employees on the transformative impacts of AI, and an E-sports tournament that promoted team spirit and healthy competition. Overall, the event united creativity, knowledge and teamwork, successfully reinforcing the culture of innovation that we strive to achieve within AFFIN.

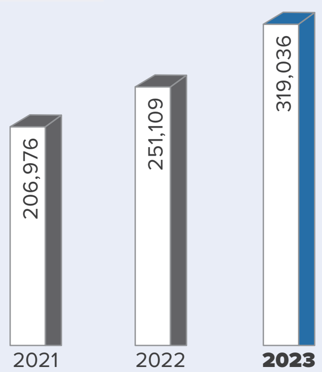
Our employees clocked a total of 319,036 training hours in FY2023, up from 251,109 in FY2022 and 206,796 in FY2021. This upward trend is a testament to our unwavering commitment to employee development, as honoured by the 2023 Best Employer Brand Award from Employer Branding Awards.

Employee Development

Total Number of Employees



Total Training Hours



Employee Safety & Well-Being

GRI 403-5

At AFFIN, we prioritise safety and take a holistic approach to ensuring our employees' well-being.

Employee Safety

Our actions in safety begin with providing compulsory Occupational, Safety & Health ("OSH") e-learning training modules that provide our employees with essential knowledge on workplace safety issues. Further to this, our Safety Policy explicitly includes provisions pertaining to OSH, empowering employees to identify and mitigate potential risks effectively.

In addition to the policy, we invest consistently in OSH training that equips employees with the necessary knowledge and skills to identify, prevent and respond to potential workplace hazards, empowering them to take a proactive role in ensuring safe working environments. In FY2023, we delivered OSH training for 209 employees.

Meanwhile, our fire drill exercises play a vital role in OSH risk mitigation by driving familiarisation of our emergency response procedures across our workforce.

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

PEOPLE & CULTURE

Employee Health

In terms of employee health, we maintain a holistic approach that covers both the physical and mental dimensions.

To empower faster and more effective response to emergency health problems, we have strategically placed Automated External Defibrillators ("AEDs") on levels 1, 8 and 41 of Menara AFFIN. In a cardiac emergency, having readily available AEDs can greatly improve response time, potentially saving lives. Additionally, level 8 of Menara AFFIN houses sick bay rooms to provide immediate care to employees facing urgent health issues.

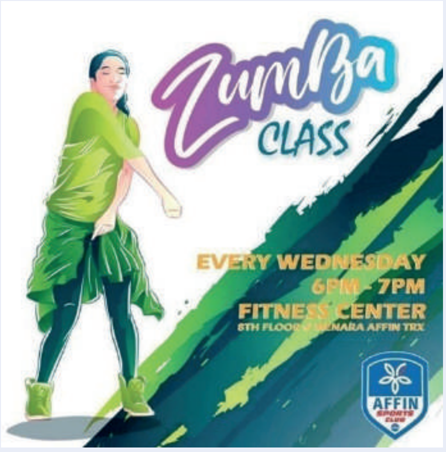
In line with our celebration of International Women's Day, we also organised the "Juggle Struggle" mental health talk, delving into the distinctive challenges that women encounter and highlighting mental health resources that they can use to manage stress and other mental health issues.

Employee Well-being and Fitness

We also invest in driving enhanced well-being across our workforce, conscious of its importance in maximising employee satisfaction and organisational productivity.

In FY2023, we introduced "Fun Fridays", whereby employees are encouraged to wrap up their tasks by 5pm every Friday. This enables employees to disconnect from work and focus more of their weekends on spending quality time with family and friends, thus contributing to improved well-being and a more positive work culture.

To encourage better physical health, we offer Zumba classes on level 8 of Menara AFFIN every Wednesday, allowing employees to disconnect from work and return more energised and motivated. In addition, we organised an exhilarating vertical marathon known as "Towerthon" at Menara AFFIN during FY2023, challenging participants to conquer all 42 floors of the tower. The event was open only to those employees who were in good health and free from serious diseases, with participants also having the chance to enter a lucky draw, thus adding an extra element of excitement to the event.



Employee Engagement

In our relentless pursuit of fostering better understanding and deeper engagement, we conducted the Employee Engagement Survey – Lenses 3.0. This survey serves as a direct channel for gathering feedback from our dedicated workforce, providing us with invaluable insights into how we can better support our employees. Notably, we achieved an impressive 93% participation rate among our employees in this engagement survey. The survey covers a variety of critical dimensions including communication, leadership, recognition, attitude and values, work culture, job satisfaction, and development opportunities.

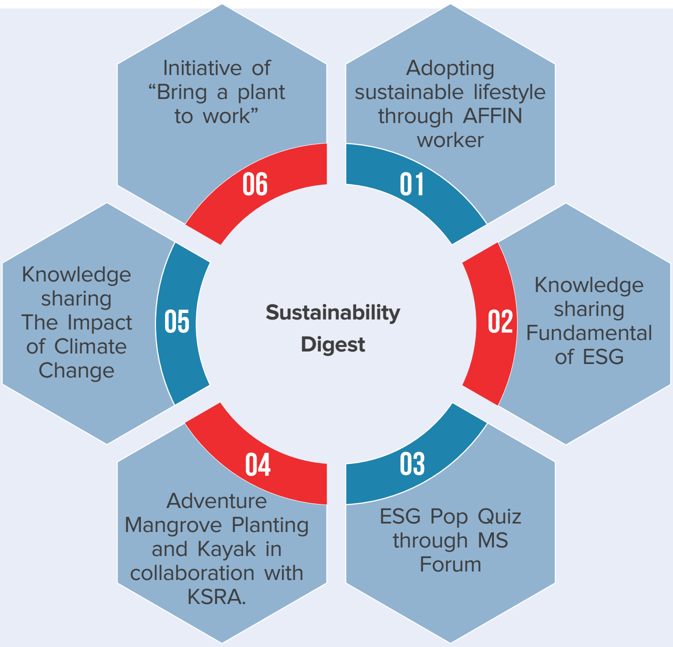
We also conducted the A25 Plan Readiness Survey in March 2023. The purpose of the survey was to gauge the employees' understanding and readiness for the transformation plan of A25 as well as obtain employees' feedback on workplace equity. Further to this, we also hosted Coffee Talk sessions with employees, featuring our Group Chief Corporate Strategy and Sustainability Officer ("GCCSSO"), Encik Abdul Malek Bin Mohamed Said. This programme aims to promote opportunities for open dialogue and fosters better transparency, trust, and a culture where every voice is heard.

PEOPLE & CULTURE

Employee Awareness

To drive awareness amongst our employees on sustainability, we established the ESG Employee Ambassador's programme, which empowered individuals to share sustainable practices and to inspire positive lifestyle changes across our workforce.

The programme reflects our broader efforts to integrate eco-friendly practices into our processes and our employees' daily actions, with this transition driven by concerted collaboration between our Change Management and Sustainability departments. This is supported by our sustainability digest bulletins, which effectively communicate with and educate employees on sustainable actions.



To further enhance employee engagement, we also conduct sustainability awareness talks across various branches, engaging Relationship Managers ("RMs") in the Klang Valley area. This strategic approach allows us to reach and engage audiences in additional regions, supporting our efforts to achieve broader outreach of our sustainability initiatives and drive improved knowledge sharing.

FOCUS AREA 4

Supporting the Community

To reach out and give back to communities, improving the livelihoods of their residents through impactful CSR activities

Topics Discussed

- Empower Community
- Environment
- Health
- Education
- Disaster Relief

UN SDGs

SUPPORTING THE COMMUNITY

GRI 413-1, 203-1, 203-2

As a financial institution that operates across Malaysia, we have a responsibility to support local communities and contribute to their sustainable development. We strive to achieve this by embedding financial well-being into the fabric of the communities we work with, thus addressing and alleviating the social challenges faced by underbanked households. To maximise reach and impact, we work closely with various non-profit organisations.

Our community support initiatives are aligned with BNM's vision for VBI, while also resonating with our A25 key strategic objective of "Responsible Banking with Impact" and our principle of "Empowering Communities and Fostering Inclusive Growth".

FY2023 KEY HIGHLIGHTS

CONTRIBUTED

RM3.8 million

in total community investments (donations and zakat)

IMPACTED

approximately **84,500**

Beneficiaries

OUR STAFF CONTRIBUTED

1,188

Volunteer Hours

Increased efficiency and enhanced security in banking by deploying

24 Cash Recycling Machines (CRMs)

in rural areas nationwide

WHY THIS IS OUR FOCUS

Building thriving communities is not merely advantageous for our business – it is essential for our sustained success.

Beyond being aligned with our core values, our community support activities enable us to contribute to a more sustainable and equitable future and enhance our reputation as an organisation. Ultimately, by actively supporting community development, we not only fulfil our social responsibility but also cultivate greater goodwill amongst our stakeholders.

OUR SOCIAL RESPONSIBILITY IN ACTION

Encouraging Employee Volunteerism

We encourage our employees to participate in social initiatives, whether organised by AFFIN or through their individual efforts, and provide them with various initiatives that they can volunteer in.

A highlight is our soup kitchen initiative, where employees contributed to providing essential food items to homeless individuals in the Kuala Lumpur region. The soup kitchen was organised twice during FY2023 and was conducted in collaboration with Pertubuhan Tindakan Wanita Islam Malaysia ("PERTIWI"), a charitable organisation that is dedicated to empowering women and children.

AFFIN x PERTIWI – Soup Kitchen
@ Pusat Gelandangan Medan Juanku
(3 February 2023)

AFFIN x PERTIWI – Soup Kitchen
@ Pusat Pembelajaran Komuniti Chow Kit
(14 September 2023)

Impact

- Total packed food distributed: **830 packed foods**
- Total staff involvement: **24 staff**
- Total Volunteer hours: **108 hours**

UN SDGs

3 GOOD HEALTH AND WELL-BEING
17 PARTNERSHIPS FOR THE GOALS

Meanwhile, in July 2023, our Change Management and the Sustainability departments joined forces with AFFIN Kelab Sukan dan Rekreasi AFFIN ("KSRA") for the Adventure Mangrove Planting and Kayak 2023 programme, which was held in conjunction with the International Day for the Conservation of the Mangrove Ecosystem. The event was held at Sungai Pelek, Sepang, and was graced by our GCCSO, Encik Abdul Malek Mohamed Said, and our Managing Director and Group Head of Corporate Strategy, Encik Zarir Mohd Salleh. A total of 120 KSRA members volunteered for this impactful event.

Impact

- Total staff involved: **120 staff**
- Total volunteer hours: **720 hours**
- Number of saplings: **400 mangrove saplings**
- Carbon capture: **4,420 kg of carbon dioxide from the atmosphere**

UN SDGs

Making Charitable Giving Easy

We are also working to empower charitable giving amongst our customers. Through the AFFIN Barakah Charity Account-i (ABCA-i), a savings account that incorporates a charitable component known as "Save and Donate," customers can directly contribute to community development by transferring a portion of their earned *Hibah* gifts (ranging from 25% to 100%) to selected communities.

TOTAL DONATION

RM269,009.94

(cumulative figure as of December 2023)

- Opportunity to help the needy
- Flexibility of charity contribution
- Free monthly charity fund transfer

In 2023, we contributed a total of RM10,000 to Pertubuhan Pembangunan Orang Buta Malaysia ("PPOBM") for a water rafting engagement with the blind community, with the funds raised from the *Hibah* generated by our customers' ABCA-i accounts. The programme had two objectives: to educate the participants on strategies to manage their physical disadvantages and to provide them with an opportunity to experience outdoor activities.

Impact

- Total blind participants: **40 adults**
- Total staff involved: **40 staff**
- Total volunteer hours: **360 hours**
- ABCA-i contribution: **RM10,000**

UN SDGs

SUPPORTING THE COMMUNITY

ADVANCING SOCIAL IMPACT THROUGH ISLAMIC SOCIAL FINANCE

In FY2023, we distributed zakat totalling to RM3.34 million, benefiting approximately 66,806 individuals.

RM3.34 million (zakat distributed in 2023)

Impacted approximately **66,806** individuals

Through **7** zakat initiatives

Seven Zakat Initiatives

In addition to our charitable work and strategic partnerships, we utilize our zakat funds to enhance our social initiatives, as listed below:

Initiatives	Our Action
Asnafpreneur Development Programmes * *Asnaf* refers to a party that is eligible to receive zakat aid collected from Muslims	We empower *Asnaf* individuals in their entrepreneurial pursuits by providing a blend of seed capital assistance, entrepreneurship training and project monitoring.
Special Programmes During Ramadhan	We assist the less fortunate and underprivileged school students as they prepare for the holy month of Ramadan and the *Eid al-Fitr* celebration.
Regular Assistance for Individuals	We fund eligible individuals by covering their monthly expenses, including medical bills, over the course of the year.
Collaboration with Non-Governmental Organisations ("NGOs")	We partner with NGOs to extend financial support to eligible beneficiaries, with a primary focus on family heads as identified by the NGOs.
Helping *Asnaf* through State Islamic Religious Councils ("SIRCs")	We direct our zakat funds to religious councils, leveraging their extensive network for assessment and distribution to eligible beneficiaries.
Funding *Asnaf* Students in Collaboration with Educational Institutions	We offer financial support to *Asnaf* as they pursue education at selected educational institutions.
Welfare Assistance for MAF Communities	We provide financial support to Malaysian Armed Forces personnel and their families, helping alleviate the financial burdens they may face.

Fostering Quality Education and Supporting Asnaf Entrepreneurship

In FY2023, we offered financial assistance to 754 *Asnaf* students at Management and Science University ("MSU"), helping them to continue their studies and achieve their career ambitions.

Impact

- 6 eligible *Asnaf* students received zakat for their program fees at MSU
- 625 *Asnaf* students received MSU-Affin zakat *duit raya*
- 123 *Asnaf* students received Affin zakat *duit raya*
- 631 *Asnaf* students received MSU-Affin zakat and *duit raya*, distributed across various faculties

AFFIN Islamic Bank also donated

- RM100,000 to MSU Foundation.
- RM61,500 in zakat to *asnaf* students.
- RM38,500 to support the MSU Myopia project.

UN SDGs

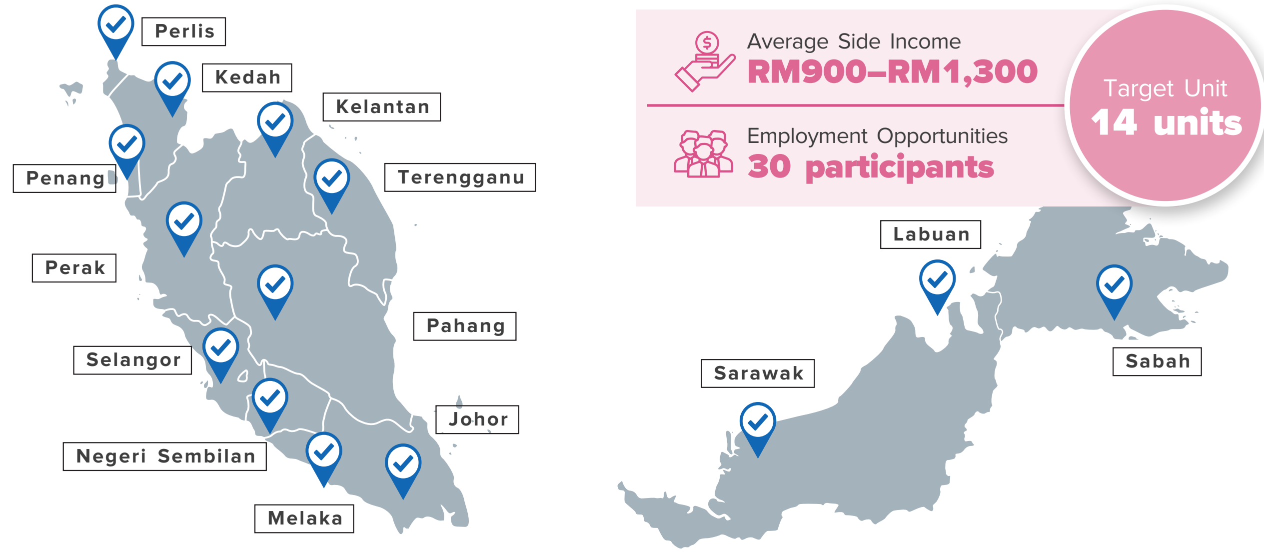
4 QUALITY EDUCATION

17 PARTNERSHIPS FOR THE GOALS

In addition, we distributed a total of RM50,000 under *Program Transformasi Usahawan Asnaf* ("PTUA"), directly benefitting 100 *Asnaf* entrepreneurs through skills training, the provision of business equipment and the donation of cash tokens. The programme was conducted in various locations over a span of eight months, beginning from August 2023 for Terengganu and November 2023 for Kedah.

Leveraging Waqf to Advance Sustainability

Under the leadership of AIBIM, we collaborated with other participating banks and SIRC under the myWakaf 2.0 initiative to launch the Solar Dome Dryer ("SDD").



The SDD provides fish and shrimp processors with a clean environment to dry their product in any weather condition, significantly reducing post-harvest losses and elevating product quality compared to the traditional method of natural sun-drying. This, in turn, enables these entrepreneurs to improve their livelihoods and generate additional economic value for their communities, in addition to creating new employment opportunities and empowering women within fishing communities.

Impact

- Phase 1 will see the completion of five projects in five different states, including Kedah, Perlis, Pulau Pinang, Negeri Sembilan and Selangor.
- As resident bank, AFFIN ISLAMIC plays a leading role by coordinating and overseeing the implementation of the programme in Pulau Pinang (phase 1) and Melaka (next phase).

UN SDGs

We recognise that continuous improvement is key to making a lasting impact on our surrounding communities. To this end, we are working on refining our community support strategies and building effective collaborations, with the vision of creating positive change that resonates far beyond our immediate reach.

PROMOTING WASTE MANAGEMENT

With a focus on raising awareness and educating people on recycling, AFFIN is dedicated to promoting a circular economy for recyclable materials.

To encourage the public to recycle and provide accessibility to contribute to a sustainable future, we have deployed 4 Malaysia's 1st AI-powered Reverse Vending Machine ("RVM") at these locations:

- BHP Damansara Utama
- BHP Taman Connaught
- MyTown Shopping Centre
- The Gardens Mall

The RVM is a machine that allows a person to trade a reward using the KLEAN app for a used or empty glass bottle, plastic bottle, or aluminium can.

ADOPTING THE RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

GRI 305-1, 305-2, 305-5

In FY2023, we commenced our journey towards complying with the recommendations of the TCFD, with the ultimate aim of empowering better decision-making and strategy formulation by fully considering the risks and opportunities brought about by climate change.

Our journey began with the establishment of a Board approved qualitative Risk Appetite Statement ("RAS"), which outlines our approach to managing climate-related risks. As our climate risk assessments mature, we plan to introduce a quantitative RAS that outlines climate-related risks and mitigation strategies in more measurable detail.

At the same time, we actively strive to incorporate the implications of climate change into our scenario analysis and stress testing exercises, thus allowing us to evaluate the potential impact of climate change on our business strategy and financial performance. We plan to develop capabilities to conduct a scenario analysis in FY2024 and stress testing in FY2025.

While there are areas for improvement in our TCFD disclosures, we remain dedicated to enhancing our transparency. As a result, we are sharing our current progress — a collective effort aligned against the four core TCFD pillars: Governance, Strategy, Risk Management, and Metrics & Targets. Looking forward, we are committed to drive further alignment with TCFD in the near future.

Governance

Our sustainability agenda is consistently and sufficiently addressed at the Board level as well as through our management committees, as detailed in our sustainability governance structure (see page 188 for more). This informs our ability to provide targeted supervision to our sustainability strategies as well as to enhance internal and external processes to be more sustainability-aligned.

In acknowledging the importance of climate change as a global concern, we have taken steps to improve our sustainability governance structure in 2023 by ensuring it complies with BNM's Policy Document on CRMSA and the TCFD recommendations. Furthermore, we adopt the Three Lines of Defence ("3LOD") model in implementing our Group Risk Management Framework ("GRMF"), which outlines the functional segregation and key roles and responsibilities of our independent oversight functions as well as the business and support units within AFFIN.

Strategy

Climate change calls for us to take careful measures and evaluate risks in accordance with the goals of our stakeholders. These risks, both physical and transitional, might have an impact on our operations and finances. With that said, this is the first year that we have outlined and carried out our Sustainability Framework, which includes commitments and actions to tackle climate change, and we continue to manage our operational emissions footprint by monitoring, tracking and addressing our Scope 1 and Scope 2 emissions.

To improve our transparency and engagement with stakeholders, we plan to disclose our Scope 3 emissions – covering employee commuting and business travel – in the upcoming year. We also intend to carry out detailed analysis on the risks and opportunities associated with climate change across our value chain in the future.

Risk Management

Climate-related risks have been integrated into our the GRMF, providing guiding principles to help us better identify, assess, monitor, manage and mitigate risks – thus ensuring our resilience as we support the transition towards a low carbon economy. Complementing this, our Climate Risk and Scenario Analysis Policy is currently being developed and will outline a more detailed approach to embedding climate-related risks within our overall risk management process.

Recognising the importance of managing sustainability risks and opportunities in building resiliency towards climate change, we have also developed the Group Credit Policy on Sustainable Financing ("GCPSF"), which sets out our approach in managing the sustainability aspect of our lending/financing and investment activities.

In ensuring effective management of climate-related risk, the Board approved a qualitative RAS, which has been embedded into our Risk Appetite Framework. The statement sets out our strategic direction towards managing climate-related risks, and will be augmented by quantitative risk appetite metrics, which will be introduced by end-2024 to unlock a more comprehensive and holistic approach in our monitoring of climate-related risks.

Furthermore, our climate-related risk taxonomy has been introduced and was incorporated into our FY2024 Material Risk Assessment[1] exercise, enhancing our ability to identify and assess potential impacts arising from climate risk drivers (i.e., physical and transition risks) on AFFIN. Continuous refinement will be made once our climate data repository is further enhanced.

As we strengthen our scenario analysis capabilities, we will be able to more effectively identify and assess the potential implications of climate-related risks on our business. This will enable us to identify and improve the resilience of our business against adverse impacts.

Metrics & Targets

In FY2023, we delivered significant improvements in terms of our emission disclosures while also developing future emissions targets, which are outlined below. This progress reflects our steadfast commitment to achieving a 30% reduction in operational emissions by 2030, compared to 2022 baseline, and achieving Net Zero Carbon emissions by 2050.

2023

- Established operational emissions (Scope 1 & Scope 2 Emissions) baseline
- Disclosing the Scope 1 & Scope 2 emission for 2021-2023

2024

- Disclosing the Scope 3 emissions (Employee Commuting and Business Travel)

Emissions	Unit	FY2021	FY2022	**FY2023**
Scope 1 Emissions	tCO_2-e	13.6	19.03	18.98
Scope 2 Emissions	tCO_2-e	14,301	17,075	15,771
Total GHG Emissions	tCO_2-e	14,314.6	17,094.03	15,789.98

[1] *The Material Risk Assessment exercise is conducted annually as part of Internal Capital Adequacy Assessment Process (ICAAP) to identify and assess material risks of the Bank.*

ESG PERFORMANCE DATA

As a listed company on Bursa Malaysia, we are committed to transparently report our sustainability efforts. Our disclosure includes key indicators relevant to sustainability matters, demonstrating our management of the critical aspects of our business.

Our sustainability reporting covers the last three financial years, unless otherwise specified, and provides insights into our performance in managing sustainability issues. Below, we outline the essential components of our disclosure:

1. Indicators: We present a set of prescribed common indicators that are deemed to be material for AFFIN. These indicators align with Bursa Malaysia's enhanced Sustainability Reporting Guide.
2. Data: Except if specified otherwise, we provide a minimum of three years of historical data for each reported indicator, allowing stakeholders to track our progress over time. The data provided represents the best available information provided during this the reporting time.
3. Internal Assurance: Some indicators undergo internal review by our Group Internal Audit. More indicators will be subject to assurance in the coming years as we strengthen our ESG data collection and repository capabilities.

KEY INDICATORS

Anti-Corruption

Common Indicator – C1 (a)
Percentage of employees who have received training on anti-corruption by employee category

Employee Category	FY2021		FY2022		FY2023	
	unit number	percentage	unit number	percentage	unit number	percentage
Top Management	11	0	4662	100	53	1
Senior Management	103	2			142	3
Middle Management	798	17			993	19
Junior Management	2,216	48			2,512	47
Non-Management	1,493	32			1,598	30
Overall Total of Employees	**4,621**	**100**	**4662**	**100**	**5,298**	**100**

Note:

1. There was no split data for training on anti-corruption by employee category for FY2022.

Anti-Corruption

Common Indicator – C1 (b)
Percentage of operations assessed for corruption-related risks

FY2021			FY2022			FY2023		
No of corruption risk areas identified and focused	No of corruption risk areas assessed	Percentage	No of corruption risk areas identified and focused	No of corruption risk areas assessed	Percentage	No of corruption risk areas identified and focused	No of corruption risk areas assessed	Percentage
7	7	100	4	4	100	8	8	100

Note:

1. The data for FY2021, FY2022 and FY2023 excludes AHIBB.

Anti-Corruption

Common Indicator – C1 (c)
Confirmed incidents of corruption and action taken

FY2021 (unit number)	**FY2022** (unit number)	**FY2023** (unit number)
0	0	0

Note:

1. Please refer to page 191 of the Embrace Good Practices sub-section for commentary.

Community/Society		
Common Indicator – C2 (a) **Total amount invested in the community where the target beneficiaries are external to us**		
FY2021 (RM 'mil)	**FY2022** (RM 'mil)	**FY2023** (RM 'mil)
3.53	3.85	3.82

Note:
1. *The number for the disclosed data for FY2021 and FY2022 has been restated due to data calibration.*
2. *The data for FY2021 and FY2022 refers to Zakat distributed by AIBB.*
3. *The data for FY2023 excludes AHIBB.*
4. *Please refer to page 191 of the Supporting the Community section for commentary.*

Community/Society		
Common Indicator – C2 (b) **Total number of beneficiaries of the investment in communities**		
FY2021 (unit number)	**FY2022** (unit number)	**FY2023** (unit number)
70,660	76,965	84,500

Note:
1. *The data for FY2021 and FY2022 excludes ABB and AHIBB.*
2. *The data for FY2023 excludes AHIBB.*
3. *Please refer to page 191 of the Supporting the Community section for commentary.*

Diversity							
Common Indicator – C3 (a) **Percentage of employees by gender group, for each employee category**							
Employee Category	**Gender**	**FY2021**		**FY2022**		**FY2023**	
		unit number	percentage	unit number	percentage	unit number	percentage
Senior Management	Male	106	68	117	71	119	66
	Female	51	32	47	29	62	34
	Total	**157**	**100**	**164**	**100**	**181**	**100**
Middle Management	Male	396	47	433	48	442	48
	Female	447	53	471	52	471	52
	Total	**843**	**100**	**904**	**100**	**913**	**100**
Junior Management	Male	910	39	981	40	1,013	39
	Female	1,452	61	1,466	60	1,581	61
	Total	**2,362**	**100**	**2,447**	**100**	**2,594**	**100**
Sales Personnel	Male	224	45	239	42	263	40
	Female	278	55	328	58	399	60
	Total	**502**	**100**	**567**	**100**	**662**	**100**
Non-management	Male	518	37	467	37	414	37
	Female	883	63	803	63	692	63
	Total	**1,401**	**100**	**1,270**	**100**	**1,106**	**100**
Overall Total Number of Employees		**5,265**		**5,352**		**5,456**	

Note:
1. *The number for the disclosed data for FY2021 and FY2022 has been restated due to data calibration.*
2. *This indicator has been assured by our Group Internal Audit. For further details, please refer to Statement of Assurance on page 244.*

ESG PERFORMANCE DATA

Diversity							
Common Indicator – C3 (a) Percentage of employees by age group, for each employee category							
Employee Category	**Age Group**	**FY2021**		**FY2022**		**FY2023**	
		unit number	percentage	unit number	percentage	unit number	percentage
Senior Management	<30 years	0	0	0	0	0	0
	30-39 years	10	6	10	6	11	6
	40-49 years	52	33	57	35	62	34
	50-59 years	84	54	88	54	101	56
	>=60 years	11	7	9	5	7	4
	Total	**157**	**100**	**164**	**100**	**181**	**100**
Middle Management	<30 years	5	1	3	0	3	0
	30-39 years	204	24	238	27	240	26
	40-49 years	346	41	362	40	368	40
	50-59 years	281	33	292	32	297	33
	>=60 years	7	1	9	1	5	1
	Total	**843**	**100**	**904**	**100**	**913**	**100**
Junior Management	<30 years	575	24	543	22	555	21
	30-39 years	735	31	795	32	838	32
	40-49 years	701	30	700	29	718	28
	50-59 years	349	15	406	17	480	19
	>=60 years	2	0	3	0	3	0
	Total	**2,362**	**100**	**2,447**	**100**	**2,594**	**100**
Sales Personnel	<30 years	192	38	202	36	206	31
	30-39 years	262	52	314	55	390	59
	40-49 years	47	9	49	9	62	9
	50-59 years	1	0	2	0	4	1
	>=60 years	0	0	0	0	0	0
	Total	**502**	**100**	**567**	**100**	**662**	**100**
Non-management	<30 years	225	16	162	13	112	10
	30-39 years	257	18	257	20	250	23
	40-49 years	698	50	593	47	459	41
	50-59 years	219	16	254	20	276	25
	>=60 years	2	0	4	0	9	1
	Total	**1,401**	**100**	**1,270**	**100**	**1,106**	**100**
Overall Total Number of Employees		**5,265**		**5,352**		**5,456**	

Note:
1. *The number for the disclosed data for FY2021 and FY2022 has been restated due to data calibration.*
2. *This indicator has been assured by our Group Internal Audit. For further details, please refer to Statement of Assurance on page 244.*

Diversity						
Common Indicator – C3 (b) Percentage of directors by gender group						
Category	**FY2021**		**FY2022**		**FY2023**	
	unit number	percentage	unit number	percentage	unit number	percentage
Male	22	79	17	71	16	64
Female	6	21	7	29	9	36
Overall Total Number of Directors	**28**		**24**		**25**	

Note:
1. *The number for the disclosed data for FY 2021 and FY2022 has been restated due to data calibration.*
2. *This indicator has been assured by our Group Internal Audit. For further details, please refer to Statement of Assurance on page 244.*

Diversity						
Common Indicator – C3 (b) Percentage of directors by age group						
Category	**FY2021**		**FY2022**		**FY2023**	
	unit number	percentage	unit number	percentage	unit number	percentage
70-75 years	4	14	4	17	4	16
60-69 years	15	53	12	50	14	56
50-59 years	7	25	5	21	5	20
40-49 years	1	4	2	8	2	8
30-39 years	1	4	1	4	0	0
Overall Total Number of Directors	**28**		**24**		**25**	

Note:
1. *The number for the disclosed data for FY2021 and FY2022 has been restated due to data calibration.*
2. *This indicator has been assured by our Group Internal Audit. For further details, please refer to Statement of Assurance on page 244.*

Energy Management		
Common Indicator – C4 a (i) Total energy consumption		
FY2021 (MWh)	**FY2022** (MWh)	**FY2023** (MWh)
19,407	23,113	21,680
Common Indicator – C4 a (ii) Total energy consumption		
FY2021 (gigajoules)	**FY2022** (gigajoules)	**FY2023** (gigajoules)
69,866.90	83,205.20	78,047.79

Note:
1. *The data includes both renewable and non-renewable energy.*
2. *Please refer to page 207 of the Reduced Energy Consumption sub-section for commentary.*
3. *The data for FY2021 & FY2022 has been restated due to data calibration.*

Health and Safety		
Common Indicator – C5 (a) Number of work-related fatalities		
FY2021 (unit number)	**FY2022** (unit number)	**FY2023** (unit number)
0	0	0

Note:
1. *The data excludes workers who are not employees of AFFIN.*
2. *Please refer to page 216 of the Safeguarding Our Employees sub-section for commentary.*

Health and Safety								
Common Indicator – C5 (b) Lost Time Incident Rate ("LTIR")								
FY2021			**FY2022**			**FY2023**		
number of hours worked	number of incidents	rate	number of hours worked	number of incidents	rate	number of hours worked	number of incidents	rate
9,082,640	1	0.02	9,692,200	3	0.06	10,737,408	2	0.05

Note:
1. *The data excludes workers who are not employees of AFFIN.*
2. *The data for FY2021 and FY2022 excludes AHIBB.*
3. *Please refer to page 216 of the Safeguarding Our Employees sub-section for commentary.*

ESG PERFORMANCE DATA

Health and Safety		
Common Indicator – C5 (c) Number of employees trained on health and safety standards		
FY2021 (unit number)	**FY2022** (unit number)	**FY2023** (unit number)
208	194	209

Note:
1. The data excludes workers who are not employees of AFFIN.
2. Please refer to page 223 of the Employee Safety & Well-Being sub-section for commentary.

Labour Practices & Standards			
Common Indicator – C6 (a) Total hours of training by employee category			
Employee Category	**FY2021**	**FY2022**	**FY2023**
Top Management	382	1,112	1,496
Senior Management	3,636	5,785	6,724
Middle Management	36,864	47,366	60,449
Junior Management	101,225	125,987	147,590
Non-management	64,689	70,859	102,777
Overall Total Number of Training Hours	**206,796**	**251,109**	**319,036**

Note:
1. The number for the disclosed data for FY2022 has been restated due to data calibration.
2. The numbers for FY2021 and FY2022 excludes AHIBB.
3. There was no split data for e-Learning by employee category for FY2022.
4. This indicator has been assured by our Group Internal Audit. For further details, please refer to Statement of Assurance on page 244.
5. Please refer to page 191 of the Talent Development section for commentary.

Labour Practices & Standards					
Common Indicator – C6 (b) Percentage of employees that are contractors or temporary staff					
FY2021		**FY2022**		**FY2023**	
unit number	percentage	unit number	percentage	unit number	percentage
316	6.00	236	4.40	88	1.61

Note:
1. Please refer to page 219 of the Diversity, Equity and Inclusion (DEI) sub-section for commentary.

Labour Practices & Standards						
Common Indicator – C6 (c) Total number of employee turnover by employee category						
	FY2021		**FY2022**		**FY2023**	
Employee Category	unit number	percentage	unit number	percentage	unit number	percentage
Senior Management	33	5	54	6	22	3
Middle Management	115	18	196	21	163	22
Junior Management	265	42	405	43	274	36
Sales Personnel	173	27	185	20	251	33
Non-management	48	8	93	10	42	6
Overall Total Number of Employee Turnover	**634**		**933**		**752**	

Note:
1. This indicator has been assured by our Group Internal Audit. For further details, please refer to Statement of Assurance on page 244.

Labour Practices & Standards		
Common Indicator – C6 (d) **Number of substantiated complaints concerning human rights violations**		
FY2021 (unit number)	**FY2022** (unit number)	**FY2023** (unit number)
1	1	0

Note:
1. *We have implemented appropriate measures to prevent any future reoccurrence.*

Supply Chain Management		
Common Indicator – C7 (a) **Proportion of spending on local suppliers**		
FY2021 (percentage)	**FY2022** (percentage)	**FY2023** (percentage)
96	95	96

Note:
1. *The data for FY2021 has been restated due to data calibration.*
2. *Please refer to page 216 of the Supporting Local Suppliers sub-section for commentary.*

Data Privacy and Security		
Common Indicator – C8 (a) **Number of substantiated complaints concerning breaches of customer privacy or losses of customer data**		
FY2021 (unit number)	**FY2022** (unit number)	**FY2023** (unit number)
2	1	3

Note:
1. *We have implemented appropriate measures to prevent any future reoccurrence.*
2. *The data for FY2021 & FY2022 has been restated due to data calibration.*

Water Management		
Common Indicator – C9 (a) **Total volume of water used**		
FY2021 (megalitres)	**FY2022** (megalitres)	**FY2023** (megalitres)
126	162	174

Note:
1. *The number for the disclosed data for FY2021 and FY2022 has been restated due to data calibration.*
2. *Please refer to page 209 of the Stewarding Water Responsibly sub-section for commentary.*

Waste Management			
Common Indicator – C10 (a) **Total waste generated**			
Category	**FY2021** tCO_2-e	**FY2022** tCO_2-e	**FY2023** tCO_2-e
Total waste diverted from disposal	0	0	0
Total waste directed to disposal	0	0	0
Overall Total of Waste	**0**	**0**	**0**

Note:
1. *n/a = not available.*
2. *Starting from FY2024, we will disclose our waste management activities, ensuring compliance with Bursa Malaysia's stipulated effective date for disclosing this indicator.*

ESG PERFORMANCE DATA

Emissions Management			
Common Indicator – C11 (a) **Scope 1 emissions in tonnes of CO_2e**			
Category	**FY2021** tCO_2e	**FY2022** tCO_2e	**FY2023** tCO_2e
Facilities' Generators	0.74	0.76	2.51
Own Vehicles	12.86	18.27	16.47
Overall Total of Scope 1 Emissions	**13.60**	**19.03**	**18.98**

Note:
1. *Data covers our facilities' generators and own vehicles.*
2. *Our calculation methodology is based on GHG Protocol Corporate Accounting and Reporting Standard.*
3. *Default emission factors for petrol were obtained from US EPA 2021AR5, which stands at 2.3228 $kgCO_2e$ per litre.*
4. *Default emission factors for diesel were obtained from US EPA 2021AR5, which stands at 2.7325 $kgCO_2e$ per litre.*
5. *Please refer to page 207 of the Reduced Energy Consumption sub-section for commentary.*

Emissions Management			
Common Indicator – C11 (b) **Scope 2 emissions in tonnes of CO_2e**			
Category	**FY2021** tCO_2e	**FY2022** tCO_2e	**FY2023** tCO_2e
Purchased electricity	14,301	17,075	15,771
Total	**14,301**	**17,075**	**15,771**

Note:
1. *Data covers purchased electricity.*
2. *Our calculation methodology is based on GHG Protocol Corporate Accounting and Reporting Standard.*
3. *Default emission factors for grid electricity were obtained from Malaysia Energy Information Hub in 2021 as follows:*
   i. *Peninsular: 0.758Gg CO_2e/GWh*
   ii. *Sabah: 0.425Gg CO_2e/GWh*
   iii. *Sarawak: 0.198Gg CO_2e/GWh*
4. *Please refer to page 207 of the Reduced Energy Consumption sub-section for commentary.*

Emissions Management			
Common Indicator – C11 (c) **Scope 3 emissions in tonnes of CO_2e**			
Category	**FY2021** tCO_2e	**FY2022** tCO_2e	**FY2023** tCO_2e
Business travel and employee commuting	0	0	0
Total	**0**	**0**	**0**

Note:
1. *n/a = not available.*
2. *Starting from FY2024, we will disclose our Scope 3 emission, covering employee commuting and business travel, ensuring compliance with Bursa Malaysia's stipulated effective date for disclosing this indicator.*

GRI CONTENT INDEX

In FY2023, we significantly enhanced our Sustainability Statement aligning with selected GRI indicators. As our GRI journey is still in its infancy, we were unable to fulfill all disclosure requirements due to data limitations. However, we are progressively enhancing our data collection processes with the aim of improving overall reporting transparency in future years.

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-2 Entities included in the organisation's sustainability reporting	About This Statement, page 184
	2-3 Reporting period, frequency and contact point	About This Statement, page 184
	2-4 Restatements of information	ESG Performance Data, page 234-239
	2-5 External assurance	Assurance Statement, page 244
	2-6 Activities, value chain and other business relationships	What We Do: Core Businesses, page 14-15 Our Products, page 16 Our Presence, page 17
	2-7 Employees	ESG Performance Data, page 234
	2-8 Workers who are not employees	ESG Performance Data, page 234
	2-9 Governance structure and composition	Sustainability Governance Structure, page 188
	2-10 Nomination and selection of the highest governance body	Corporate Governance Overview Statement, page 154
	2-11 Chair of the highest governance body	Corporate Governance Overview Statement, page 144
	2-12 Role of the highest governance body in overseeing the management of impacts	Sustainability Governance Structure, page 188
	2-13 Delegation of responsibility for managing impacts	Sustainability Governance Structure, page 188
	2-14 Role of the highest governance body in sustainability reporting	Sustainability Governance Structure, page 188
	2-19 Remuneration policies	Directors' Report, page 247
	2-20 Process to determine remuneration	Corporate Governance Overview Statement, page 141
	2-22 Statement on sustainable development strategy	Message from the Chairman of the Group Board Sustainability Committee, page 185
	2-23 Policy commitments	Embrace Good Practices, page 191
GRI 2: General Disclosures 2021	2-28 Membership associations	Our Involvement with Industry Bodies, page 192
	2-29 Approach to stakeholder engagement	Stakeholders Engagement, page 74-75

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality Assessment, page 80
	3-2 List of material topics	Materiality Assessment, page 190 Sustainability Focus Areas, page 190-191
	3-3 Management of material topics	Sustainability Focus Areas, page 190 Sustainable Financing, page 194 Sustainable Operations, page 204 People & Culture, page 218 Supporting the Community, page 228
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Supporting the Community, page 228
	203-2 Significant indirect economic impacts	Supporting the Community, page 228
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Supporting Local Suppliers, page 216 ESG Performance Data, page 239
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	ESG Performance Data, page 234
	205-2 Communication and training about anti-corruption policies and procedures	Embrace Good Practices, page 218 ESG Performance Data, page 234
	205-3 Confirmed incidents of corruption and actions taken	ESG Performance Data, page 234
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Reduced Energy Consumption, page 207 ESG Performance Data, page 237
	302-4 Reduction of energy consumption	Reduced Energy Consumption, page 207
GRI 303: Water and Effluents 2018	303-5 Water consumption	Stewarding Water Responsibly, page 209 ESG Performance Data, page 239
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Reduced Emissions Footprint, page 207 ESG Performance Data, page 240
	305-2 Energy indirect (Scope 2) GHG emissions	Reduced Emissions Footprint, page 207 ESG Performance Data, page 240
	305-5 Reduction of GHG emissions	Reduced Emissions Footprint, page 207
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employee Turnover, page 238
GRI 403: Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	Employee-Centric Culture, page 223-224 ESG Performance Data, page 238
	403-9 Work-related injuries	Safeguarding Our Employees, page 216
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	Employee-Centric Culture, page 222
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Diversity, Equity and Inclusion (DEI), page 219-220 ESG Performance Data, page 235-237
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	ESG Performance Data, page 239

TCFD CONTENT INDEX

Acknowledging the growing interest from our stakeholders, we remain committed to facilitating the transition toward a low-carbon economy. This year, in alignment with Bursa Malaysia's Main Market Listing Requirements, we have initiated the integration of the TCFD recommendations into our sustainability statement. Our effort focusses on risk management related to climate change and the proactive pursuit of opportunities that could impact our company, strategies and financial planning in order to position ourselves for long-term success and enhance our climate resilience within a rapidly evolving business landscape.

TCFD Pillars	TCFD recommended disclosures		Pages
Governance Disclose the organisation's governance around climate-related issues and opportunities	G(a)	Describe the Board's oversight of climate-related risks and opportunities.	232
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material	G(b)	Describe management's role in assessing and managing climate-related risks and opportunities.	232
	S(a)	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	We intend to carry out a detailed analysis on the risks and opportunities associated with climate change across our value chain in the near future.
	S(b)	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	To be disclosed subsequent to further analysis of our climate-related risks and opportunities.
	S(c)	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	To be disclosed subsequent to further analysis of our climate-related risks and opportunities.
Risk Management Disclose how the organisation identifies, assesses and managed climate-related risks	R(a)	Describe the organisation's processes for identifying and assessing climate-related risks.	233
	R(b)	Describe the organisation's processes for managing climate-related risks.	233
	R(c)	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	233
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	M(a)	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	To be disclosed subsequent to further analysis of our climate-related risks and opportunities.
	M(b)	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	233
	M(c)	Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	233

STATEMENT OF ASSURANCE

In strengthening the credibility of the Sustainability Statement, selected aspects/parts of this Sustainability Statement have been subjected to an internal review by the company's internal auditors and has been approved by the company's Audit Committee.

SUBJECT MATTER

The subject matters covered by the internal review include the following indicators:

a) Total hours of training by employee category
b) Percentage of employees by gender and age group, for each employee category
c) Percentage of directors by gender and age group
d) Total number of employee turnover by employee category

SCOPE

The boundary of the internal review includes the company's operation in the following location:

a) Malaysia

GLOSSARY

Term	Definition
CCPT	Climate Change & Principle based Taxonomy
CRMSA	Climate Risk Management & Scenario Analysis
GRI	Global Reporting Initiative
Group-wide	The "Group" term covers: 1. Affin Bank Berhad (ABB) 2. Affin Islamic Bank Berhad (AIBB) 3. Affin Hwang Investment Bank Berhad (AHIBB)
GHG	Greenhouse Gas Greenhouse gas emissions result from human activities which contribute to climate change such as gas released from burning fossil fuels, deforestation, industrial processes etc.
LCTF	Low Carbon Transition Facility
Materiality	Refers to the importance of specific issues within an organisation. It focuses on the significance of certain aspects in relation to their potential impact on investor decision.
Materiality Assessment	Materiality Assessment is a process that evaluates the perceived information of both financial and non-financial information about an organisation. The primary objective is to identify which information/topic that is material to the stakeholders.
Materiality Matrix	The final output of materiality assessment is the materiality matrix. The matrix provides a graphical representation of the assessment results, forming a two-dimensional coordinate system: - The horizontal x-axis indicates the material that matters for an organisation - The vertical y-axis indicates the material that matters to stakeholders
Net Zero Carbon	Means "Total emissions produced (such as carbon dioxide) are offset by an equal amount of emissions removed (such as through carbon capture or natural process)"
NPS	Net Promoter Score is a customer loyalty and satisfaction measurement. It gauges how likely customers are to recommend a product or service to others.
Offset	Means "compensate for something else"
Operational Emissions	Refers to Scope 1 and Scope 2 emissions
Scope 1	Direct emission owned or controlled by the company such as: - Fuel burned by company-owned vehicles. - On site combustion processes (e.g., generators, boiler etc.) These emissions are directly attributable to the company's operations and activities
Scope 2	Indirect emissions from purchased energy such as: - Purchase and use of electricity, steam, heating and cooling by the company These emissions occur from sources not owned or controlled by the company but are a consequence of its activities
Scope 3	Broader indirect emissions across the entire value chain such as: - Supply chain emission: Emissions from raw material extraction, manufacturing and transportation - Product use emissions: Emissions generated when customers use the company's products or services. - End-of-life emissions: Emissions related to disposal or recycling of products. These emissions often constitute a significant portion of a company's total carbon footprint
TCFD	Task Force on Climate related Financial Disclosure
TOR	Terms of Reference

financial statements

DIRECTORS' REPORT
for the financial year ended 31 December 2023

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 2023.

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, trustee services and information technology services. The principal activities of the joint venture are 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 16 of 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	522,887	260,483
Zakat	(4,600)	-
Profit before taxation	518,287	260,483
Taxation	(116,096)	(9,161)
Net profit for the financial year	402,191	251,322

DIVIDENDS

The dividends on ordinary shares paid or declared by the Bank since 31 December 2022 and 31 December 2023 were as follows:

	RM'000
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
In respect of the financial year ended 31 December 2022 and paid in financial year 2023:	
Single-tier final dividend of 7.77 sen per share paid on 11 July 2023	176,681

On 29 February 2024, the Board of Directors proposed a single-tier interim dividend of 5.76 sen per share amounting to RM135,157,728 in respect of the financial year ended 31 December 2023, based on the Bank's issued share capital of 2,346,488,338 ordinary shares at 31 December 2023.

On the same day, the Board of Directors resolved that the Dividend Reinvestment Plan 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 2023

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 CURRENT AND PRECEDING FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 56 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Events subsequent to the balance sheet date are disclosed in Note 57 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

Emeliana Dallan Rice-Oxley
Non-Independent Non-Executive Director (appointed w.e.f. 1 October 2023)

DIRECTORS' REPORT

for the financial year ended 31 December 2023

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
Suffian bin Baharuddin
Datuk Mohd Farid bin Mohd Adnan
Tan Ler Chin, Cindy
Muhammad Fitri bin Othman
Dali Kumar @ Dali bin Sardar (appointed w.e.f. 16 June 2023)
Dr. Sharbanom binti Abu Bakar (appointed w.e.f. 6 October 2023)

PAB Properties Sdn Bhd
Nazri bin Othman
Nimma Safira binti Khalid

ABB Nominee (Asing) Sdn Bhd
Nimma Safira binti Khalid
Joanne May Rodrigues (appointed w.e.f. 1 March 2023)

ABB Nominee (Tempatan) Sdn Bhd
Nimma Safira binti Khalid
Joanne May Rodrigues (appointed w.e.f. 1 March 2023)

Affin Business Services Sdn Bhd
Risham Akashah bin Kamaruzaman (appointed w.e.f. 24 March 2023)
Joanne May Rodrigues (appointed w.e.f. 24 March 2023)
Abdul Malek bin Mohamed Said (appointed w.e.f. 24 March 2023)

Affin Hwang Investment Bank Berhad
Tunku Afwida binti Tunku A. Malek
Eugene Hon Kah Weng
Hasli bin Hashim
Dato' Abdul Wahab bin Abu Bakar
Kong Yuen Ling
Datuk Wan Razly Abdullah bin Wan Ali
Ong Guat Kee, Tracy (appointed w.e.f. 18 May 2023)

Affin Hwang Nominees (Asing) Sdn Bhd and Affin Hwang Nominees (Tempatan) Sdn Bhd
Ng Meng Wah
Liao Pieng Sin
Anita binti Talib
Kan Chew Gan
Yeong Sook Kwan
Ang Swee Lean

AHC Global Sdn Bhd and AHC Associates Sdn Bhd
Mustafa Shafiq bin Razalli (resigned w.e.f. 7 April 2023)
Ng Meng Wah
Kameel bin Abdul Halim (appointed w.e.f. 5 April 2023, resigned w.e.f. 31 August 2023)
Ong Teng Chong, Andy (appointed w.e.f. 28 August 2023)

DIRECTORS' REPORT
for the financial year ended 31 December 2023

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):

Affin Hwang Trustee Berhad
Mustafa Shafiq bin Razalli (resigned w.e.f. 8 June 2023)
Kameel bin Abdul Halim (appointed w.e.f. 2 February 2023, resigned w.e.f. 31 August 2023)
Feizal Zawry bin Mohamed (appointed w.e.f. 6 June 2023)
Wong Wan Theng (resigned w.e.f. 20 February 2023)
Ong Teng Chong, Andy (appointed w.e.f. 1 November 2023)
Ng Meng Wah (appointed w.e.f. 1 August 2023)

Affin Moneybrokers Sdn Bhd
Admiral Tan Sri Dato' Seri Panglima Dr. Ahmad Kamarulzaman Hj Ahmad Badaruddin (R) (appointed w.e.f. 1 February 2023)
Chandra a/l K.V. Sreedharan Nair (resigned w.e.f. 29 February 2024)
Norhazlizawati binti Mohd Razali
Adzamimah binti Adzmi (appointed w.e.f. 1 August 2023)
Y. Bhg. Brig. Jen. Dato' Pahlawan Ahmad Lathfi bin Kamarul Bahrim (R) (retired w.e.f. 31 December 2023)

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. Marzida binti Mohd Noor
2. Gregory Jerome Gerald Fernandes
3. Chan Wai Yu

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. Emeliana Dallan Rice-Oxley

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.

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 2023 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 431 of the financial statements.

DIRECTORS' REPORT

for the financial year ended 31 December 2023

DIRECTORS' INTERESTS

The Directors in office at the end of the financial year did not hold any interest in shares in the Bank or its related companies during the financial year.

LONG TERM INCENTIVE PLAN ('LTIP')

The Group implemented a Long Term Incentive Plan ('LTIP') in the form of an employees' Share Grant Scheme ('SGS') on 1 August 2023, which was approved by the shareholders at the Annual General Meeting held on 25 May 2023. The SGS is governed by the SGS By-Laws and is administered by the Group Board Nomination & Remuneration Committee ('SGS Committee').

The SGS is a performance share unit scheme where vesting is subject to performance conditions and the SGS Committee may, at any time within the duration of the SGS, grant an SGS award to eligible employees, subject to the terms and conditions of the SGS By-Laws. The SGS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the SGS By-Laws.

The SGS primarily serves as an incentive plan to reward eligible employees and to align their interest with the corporate goals and objectives of the Group. Eligible employees refer to employees of the Group (excluding dormant subsidiary companies) who fulfil the eligibility criteria and have been selected to participate in the SGS by the Bank's Board of Directors, on the recommendations of the SGS Committee, subject to terms and conditions of the SGS By-Laws.

Any offer awarded to a person who is a director or chief executive of the Bank or a person connected to a director, major shareholder or chief executive of the Bank, and the related allotment of shares must be approved by shareholders at a general meeting. The SGS will not be extended to any non-executive directors of any company within the Group.

The maximum number of shares which may be made available under the SGS shall not in aggregate exceed 5% of the Bank's total number of issued shares (excluding treasury shares, if any) at any point in time during the duration of the SGS. Details of SGS are set out in Note 58 to the financial statements.

President & Group CEO who has been awarded with SGS during the financial year is listed below:

	No. of SGS Awarded (Units '000)
Datuk Wan Razly Abdullah bin Wan Ali	1,020

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 41 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.

DIRECTORS' REPORT
for the financial year ended 31 December 2023

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.

(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 56; 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.

DIRECTORS' REPORT

for the financial year ended 31 December 2023

ECONOMIC AND BUSINESS OUTLOOK FOR 2024

Malaysia's Gross Domestic Product ('GDP') is expected to increase to 4.5% from 3.7% in 2023 supported by continued growth in tourism activity, increased foreign direct investment and improved trade performance. Household spending will remain an anchor for growth, buoyed by increasing income levels and improving labour market conditions. The Malaysian Ringgit is expected to strengthen in 2024, reflecting the country's improving economic fundamentals and domestic headline inflation is expected to remain modest between 3.0% - 3.5% in 2024.

The forecasted GDP growth for 2024 signals economic expansion, providing opportunities for the banking industry to grow through increased lending/financing activities and rising demand for financial services. Margin compression may continue into 2024 as banks compete for deposits but is expected to be moderated by higher credit growth and lower credit costs. Strong capitalisation and adequate impairment buffers are expected to cushion moderate increases in credit stress.

The outlook in 2024 will hinge on domestic political factors and potential adverse global developments such as escalating geopolitical tensions may contribute to global financial market uncertainties.

BUSINESS STRATEGY MOVING FORWARD

The AFFIN Group strategy remains on track going into 2024 with the key objectives of providing unrivalled customer service, building towards digital leadership and ensuring that the Group practices responsible banking with impact. This strategy was formulated in 2021 as part of the A25 Transformation Plan which the group will continue to pursue as it improves on productivity and efficiency of its services and operations.

Guided by these principles, the AFFIN Group is committed to its strategic priorities into 2025 to include:

1. Gaining traction on CASA growth momentum through branch expansion and strategic collaborations.
2. Continuing to build stable income by prioritizing high margin products, maintaining steady loan/financing growth and adopting a selective segmental strategy.
3. Enhancing on our digital capabilities by expanding our offerings via Mobile Internet Banking and other channels.
4. Improving on efforts to effectively manage costs and safeguard asset quality.
5. Intensifying our commitment towards sustainable financing and fostering a team high performance culture within the organisation.

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:	17 November 2023
Rating classifications:	
- Long term:	AA_3
- Short term:	P1

RAM has reaffirmed 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.

DIRECTORS' REPORT
for the financial year ended 31 December 2023

ZAKAT OBLIGATION

The Bank's subsidiaries, Affin Islamic Bank Berhad ('AFFIN ISLAMIC') is obliged to pay zakat to comply with the principles of Shariah. AFFIN ISLAMIC does not pay zakat on behalf of its depositors.

SUBSIDIARIES

Details of subsidiaries are set out in Note 16 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	3,229	3,229
Directors' other emoluments	108	108
Directors of the Bank's Subsidiaries		
Director fees	3,401	–
Directors' other emoluments	1,174	–

There was no amount paid to or receivable by any third party for services provided by Directors of the Bank and its subsidiaries.

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 RM1,537,334 (2022: RM1,535,939) and RM210,367 (2022: RM200,350) 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.

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 41 to the financial statements.

ISSUANCE OF SHARES

During the financial year ended 31 December 2023, the Bank had increased its issued ordinary shares from 2,273.9 million to 2,346.5 million via issuance of 72.6 million new ordinary shares amounting to RM125.6 million arising from the Dividend Reinvestment Plan ('DRP') relating to electable portion of the final dividend of 7.77 sen per ordinary share, in respect of the financial year ended 31 December 2022, as disclosed in Note 32 to the financial statements.

DIRECTORS' REPORT

for the financial year ended 31 December 2023

AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Bank are RM3,442,000 (2022: RM2,848,000) and RM1,872,000 (2022: RM1,818,000) respectively. Details of auditors' remuneration are set out in Note 40 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
20 March 2024

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2023

		The Group		The Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
ASSETS					
Cash and short-term funds	2	**5,642,363**	4,903,601	**3,545,685**	1,986,132
Deposits and placements with banks and other financial institutions	3	**840,592**	301,438	**1,143,443**	251,389
Investment accounts due from designated financial institutions	4	**-**	-	**3,665,450**	2,719,680
Financial assets at fair value through profit or loss ('FVTPL')	5	**606,734**	544,503	**1,302,516**	508,433
Derivative financial instruments	6	**470,438**	495,389	**348,883**	407,517
Financial investments at fair value through other comprehensive income ('FVOCI')	7	**10,027,767**	3,782,504	**3,979,219**	206,993
Financial investments at amortised cost ('AC')	8	**16,604,902**	16,853,101	**11,180,419**	12,229,974
Loans, advances and financing	9	**65,224,997**	57,931,856	**34,510,450**	30,557,921
Trade receivables	10	**398,876**	405,401	**-**	-
Other assets	11	**702,252**	460,851	**500,681**	265,246
Amount due from subsidiaries	12	**-**	-	**22,126**	5,835
Amount due from joint ventures	13	**32**	455	**-**	-
Tax recoverable		**255,645**	168,480	**178,043**	109,350
Deferred tax assets	14	**138,283**	233,973	**72,072**	125,964
Statutory deposits with Bank Negara Malaysia	15	**1,395,600**	1,250,872	**780,000**	749,272
Investment in subsidiaries	16	**-**	-	**3,204,123**	3,203,899
Investment in joint ventures	17	**-**	-	**-**	-
Investment in associates	18	**841,260**	794,779	**667,279**	642,679
Property and equipment	19	**1,383,137**	1,306,725	**1,368,091**	1,293,824
Right-of-use assets	20	**54,127**	57,580	**44,938**	51,937
Intangible assets	21	**660,680**	629,369	**214,276**	183,219
TOTAL ASSETS		**105,247,685**	90,120,877	**66,727,694**	55,499,264
LIABILITIES AND EQUITY					
Deposits from customers	22	**70,834,111**	64,995,050	**41,782,111**	36,075,130
Investment accounts of customers	23	**359**	859	**-**	-
Deposits and placements of banks and other financial institutions	24	**9,050,682**	3,364,156	**5,695,017**	1,185,120
Obligation on securities sold under repurchase agreements	25	**4,917,910**	4,813,407	**4,103,954**	4,813,407
Derivative financial instruments	6	**395,726**	542,254	**328,579**	436,209
Bills and acceptances payable		**40,686**	35,471	**40,686**	35,471
Recourse obligation on loans/financing sold to Cagamas Berhad	26	**3,974,491**	1,073,871	**2,859,450**	1,073,871
Trade payables	27	**214,162**	338,867	**-**	-
Lease liabilities	28	**45,721**	49,233	**38,278**	45,440
Other liabilities	29	**1,360,615**	1,748,943	**657,093**	833,972
Amount due to subsidiaries	30	**-**	-	**292,935**	300,371
Provision for taxation		**6**	7	**-**	-
Borrowings and Sukuk	31	**3,304,401**	2,529,931	**1,006,030**	1,019,197
TOTAL LIABILITIES		**94,138,870**	79,492,049	**56,804,133**	45,818,188
Share capital	32	**5,371,044**	5,245,447	**5,371,044**	5,245,447
Reserves	33	**5,737,771**	5,383,381	**4,552,517**	4,435,629
TOTAL EQUITY		**11,108,815**	10,628,828	**9,923,561**	9,681,076
TOTAL LIABILITIES AND EQUITY		**105,247,685**	90,120,877	**66,727,694**	55,499,264
COMMITMENTS AND CONTINGENCIES	48	**87,430,950**	56,647,807	**63,141,622**	42,276,944

The accounting policies and notes form an integral part of these financial statements.

INCOME STATEMENTS

for the financial year ended 31 December 2023

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Bank 2023 RM'000	The Bank 2022 RM'000
Interest income	34	**2,649,698**	2,053,451	**2,389,999**	1,869,661
Interest expense	35	**(1,866,817)**	(1,030,878)	**(1,671,175)**	(922,949)
Net interest income		**782,881**	1,022,573	**718,824**	946,712
Income from Islamic banking business	36	**595,643**	688,261	**-**	-
		1,378,524	1,710,834	**718,824**	946,712
Fee and commission income	37(a)	**261,508**	248,581	**166,963**	154,754
Fee and commission expense	37(b)	**(10,930)**	(9,111)	**(10,930)**	(9,111)
Net fee and commission income	37	**250,578**	239,470	**156,033**	145,643
Net gains on financial instruments	38	**168,084**	70,663	**87,881**	21,853
Other income	39	**188,597**	33,668	**383,057**	1,308,629
Other operating income		**607,259**	343,801	**626,971**	1,476,125
Net income		**1,985,783**	2,054,635	**1,345,795**	2,422,837
Other operating expenses	40	**(1,421,157)**	(1,316,746)	**(992,855)**	(894,102)
Operating profit before allowances		**564,626**	737,889	**352,940**	1,528,735
Allowances for credit impairment losses	42	**(75,005)**	(438,532)	**(92,457)**	(196,969)
(Allowances for)/write-back of impairment losses on other assets and goodwill	43	**(3,200)**	(68,577)	**-**	1,894
Operating profit		**486,421**	230,780	**260,483**	1,333,660
Share of results of a joint venture	17	**-**	791	**-**	-
Share of results of associates	18	**36,466**	7,820	**-**	-
Profit before zakat and taxation		**522,887**	239,391	**260,483**	1,333,660
Zakat		**(4,600)**	(4,150)	**-**	-
Profit before taxation		**518,287**	235,241	**260,483**	1,333,660
Taxation	45	**(116,096)**	(157,209)	**(9,161)**	(63,122)
Profit from continuing operations		**402,191**	78,032	**251,322**	1,270,538
Profit from discontinued operations	56	**-**	1,125,455	**-**	-
Net profit after zakat and taxation		**402,191**	1,203,487	**251,322**	1,270,538
Attributable to:					
Equity holders of the Bank		**402,191**	1,178,523	**251,322**	1,270,538
Non-controlling interest		**-**	24,964	**-**	-
		402,191	1,203,487	**251,322**	1,270,538
Attributable to equity holders of the Bank:-					
Continuing operations		**402,191**	78,032	**251,322**	1,270,538
Discontinued operations	56	**-**	1,100,491	**-**	-
		402,191	1,178,523	**251,322**	1,270,538
Earnings per share attributable to equity holders of the Bank (sen):					
- Basic					
Continuing operations	46	**17.4**	3.6	**10.9**	58.6
Discontinued operations	46	**-**	50.8	**-**	-
- Diluted	46	**17.3**	3.6	**10.8**	58.6

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2023

	Note	The Group		The Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit after zakat and taxation		**402,191**	1,203,487	**251,322**	1,270,538
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Net fair value change in financial investments at FVOCI (debt instruments)		**136,232**	(51,143)	**35,304**	-
Net credit impairment loss change in financial investments at FVOCI (debt instruments)		**2,747**	(166)	**407**	-
Net loss on financial investments measured at FVOCI reclassified to profit or loss on disposal (debt instruments)		**(4,642)**	(2,380)	**(2,454)**	-
Exchange differences on translation of foreign operations		**-**	(39)	**-**	-
Deferred tax on financial investments at FVOCI	14	**(33,237)**	12,832	**(9,038)**	-
Share of other comprehensive income of a joint venture	17	**-**	3,702	**-**	-
Share of other comprehensive income/(loss) of associates	18	**8,908**	(16,960)	**-**	-
Items that may not be reclassified subsequently to profit or loss:					
Net fair value change in financial investments designated at FVOCI (equity instruments)		**14,726**	20,623	**13,882**	18,205
Other comprehensive income/(loss) for the financial year, net of tax		**124,734**	(33,531)	**38,101**	18,205
Total comprehensive income for the financial year		**526,925**	1,169,956	**289,423**	1,288,743
Total comprehensive income for the financial year attributable to:					
Equity holders of the Bank		**526,925**	1,144,992	**289,423**	1,288,743
Non-controlling interest		**-**	24,964	**-**	-
		526,925	1,169,956	**289,423**	1,288,743
Total comprehensive income attributable to the equity holders of the Bank:					
Continuing operations		**526,925**	44,501	**289,423**	1,288,743
Discontinued operations		**-**	1,100,491	**-**	-
		526,925	1,144,992	**289,423**	1,288,743

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 2023

			Attributable to Equity Holders of the Bank				
The Group	**Note**	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 January 2023		5,245,447	44,806	479,799	-	4,858,776	10,628,828
Net profit for the financial year		-	-	-	-	402,191	402,191
Other comprehensive income (net of tax)							
- Financial investments at FVOCI		-	115,826	-	-	-	115,826
- Share of other comprehensive income of associates		-	8,908	-	-	-	8,908
Total comprehensive income for the financial year		-	124,734	-	-	402,191	526,925
Issuance of new shares	32	125,597	-	-	-	-	125,597
Share grant scheme granted	58	-	-	-	4,146	-	4,146
Transfer from regulatory reserves		-	-	(142,038)	-	142,038	-
Dividends	47	-	-	-	-	(176,681)	(176,681)
At 31 December 2023		5,371,044	169,540	337,761	4,146	5,226,324	11,108,815

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 2023

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
			Attributable to Equity Holders of the Bank							
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 associates		-	(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	32	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		-	-	-	-	79,337	5,169	84,506	49,629	134,135
Disposal of subsidiary #		-	-	-	-	9,400	(9,400)	-	(82,279)	(82,279)
Transfer from regulatory reserves		-	-	(274,804)	-	-	274,804	-	-	-
Dividends	47	-	-	-	-	-	(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.

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 ('AVA') 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 2023

		Non-distributable				Distributable	
The Bank	**Note**	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Other reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 January 2023		**5,245,447**	**166,472**	**416,620**	**-**	**3,852,537**	**9,681,076**
Net profit for the financial year		**-**	**-**	**-**	**-**	**251,322**	**251,322**
Other comprehensive income (net of tax)							
- Financial investments at FVOCI		**-**	**38,101**	**-**	**-**	**-**	**38,101**
Total comprehensive income for the financial year		**-**	**38,101**	**-**	**-**	**251,322**	**289,423**
Issuance of new shares	32	**125,597**	**-**	**-**	**-**	**-**	**125,597**
Share grant scheme granted	58	**-**	**-**	**-**	**4,146**	**-**	**4,146**
Transfer from regulatory reserves		**-**	**-**	**(146,057)**	**-**	**146,057**	**-**
Dividends	47	**-**	**-**	**-**	**-**	**(176,681)**	**(176,681)**
At 31 December 2023		**5,371,044**	**204,573**	**270,563**	**4,146**	**4,073,235**	**9,923,561**

			Non-distributable		Distributable	
The Bank	**Note**	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
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	32	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	47	-	-	-	(765,937)	(765,937)
At 31 December 2022		5,245,447	166,472	416,620	3,852,537	9,681,076

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2023

	Note	The Group 2023 RM'000	The Group 2022 RM'000	The Bank 2023 RM'000	The Bank 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation					
- Continuing operations		**518,287**	235,241	**260,483**	1,333,660
- Discontinued operations		**-**	1,141,598	**-**	-
		518,287	1,376,839	**260,483**	1,333,660
Adjustments for items not involving the movement of cash and cash equivalents:					
Interest income:					
- financial investments at FVOCI	34	**(197,510)**	(109,627)	**(72,966)**	-
- financial investments at AC	34	**(393,869)**	(361,190)	**(397,581)**	(388,162)
Dividend income:					
- financial assets at FVTPL	38	**(3,201)**	(4,374)	**(1,826)**	-
- financial investments at FVOCI	38	**(922)**	(922)	**(732)**	(732)
- subsidiaries	39	**-**	-	**(151,295)**	(1,281,045)
Gain on sale/redemption:					
- financial assets at FVTPL	38	**(44,892)**	(24,560)	**(14,774)**	(4,392)
- financial investments at FVOCI	38	**(4,669)**	(2,417)	**(2,454)**	-
- financial investments at AC	38	**(62)**	(1)	**(62)**	(1)
- derivatives	38	**(15,494)**	(1,153)	**(5,843)**	(1,156)
Unrealised (gain)/loss on revaluation:					
- financial assets at FVTPL	38	**(16,286)**	9,576	**(4,706)**	13,070
- derivatives	38	**757**	(12,836)	**(1,191)**	(15,268)
- fair value hedges	38	**963**	14	**1,686**	14
- foreign exchange	39	**(119,399)**	17,883	**(52,124)**	25,692
Depreciation of property and equipment	19	**59,741**	31,558	**56,574**	25,973
Depreciation of right-of-use assets	20	**27,535**	40,384	**24,003**	32,876
Property and equipment written-off	19	**3**	189	**5**	107
Intangible assets written-off	21	**-**	18	**-**	-
Gain on sale of property and equipment	39	**(1,043)**	(1,504)	**(1,032)**	(1)
Amortisation of intangible assets	40	**21,651**	24,284	**20,678**	22,195
Gain on sale of foreclosed properties	39	**(661)**	-	**(661)**	-
Gain on disposal of subsidiary		**-**	(1,075,051)	**-**	-
Gain on disposal of associates	39	**(25,000)**	-	**(56,317)**	-
Share of results of a joint venture		**-**	(791)	**-**	-
Share of results of associates		**(36,466)**	(7,820)	**-**	-
Expected credit losses made/(written-back) on:					
- loans, advances and financing	42	**94,686**	521,915	**104,223**	252,518
- trade receivables	10	**(533)**	(507)	**-**	-
- securities and placements	42	**25,734**	(22,791)	**31,845**	(26,489)
- loans/financing commitments and financial guarantee	42	**10,209**	(18,006)	**520**	(16,775)
Bad debt and financing written-off	42	**10,302**	32,529	**6,189**	29,010
Allowances for impairment losses on other assets and goodwill		**3,200**	68,577	**-**	(1,894)
Interest/profit expense on borrowings	31	**150,545**	122,810	**56,836**	81,521
Interest/profit expense on the lease liability	28	**457**	2,674	**249**	1,589
Finance cost on call options		**-**	657	**-**	-
Profit expense - Recourse obligation on loans/ financing sold to Cagamas Berhad	26	**106,521**	30,512	**72,250**	29,303
Share grant scheme granted	58	**4,146**	-	**4,146**	-
Zakat		**4,600**	4,150	**-**	-
Operating profit/(loss) before changes in working capital		**179,330**	641,019	**(123,877)**	111,613

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2023

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)				
Decrease/(Increase) 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	**(1,773,991)**	(199,711)	**(870,209)**	(199,711)
Investment accounts due from designated financial institutions	**-**	-	**(945,703)**	(894,191)
Financial assets at FVTPL	**(1,052)**	(48,386)	**(774,603)**	(148,434)
Loans, advances and financing	**(7,398,129)**	(7,958,232)	**(4,062,941)**	(3,960,114)
Other assets	**(221,343)**	(148,422)	**(194,040)**	(99,282)
Trade receivables	**7,058**	(706)	**-**	-
Derivative financial instruments	**(102,750)**	44,713	**(41,836)**	23,091
Statutory deposits with Bank Negara Malaysia	**(144,728)**	(1,182,247)	**(30,728)**	(690,947)
Amount due (to)/from subsidiaries	**-**	-	**(23,728)**	1,050,960
Amount due (to)/from joint ventures	**(2,777)**	11,727	**-**	-
Amount due from associate	**-**	30,930	**-**	30,930
Increase/(Decrease) in operating liabilities:				
Deposits from customers	**5,839,061**	6,200,646	**5,706,981**	2,833,367
Investment accounts of customers	**(500)**	(470)	**-**	-
Deposits and placements of banks and other financial institutions	**5,686,526**	498,116	**4,509,897**	(1,092,603)
Obligation on securities sold under repurchase agreements	**104,503**	4,813,407	**(709,453)**	4,813,407
Bills and acceptances payable	**5,215**	6,827	**5,215**	6,827
Trade payables	**(124,705)**	(319,407)	**-**	-
Other liabilities	**(425,681)**	387,825	**(201,740)**	113,463
Cash generated from operations	**1,626,037**	2,777,629	**2,243,235**	1,898,376
Zakat paid	**(3,211)**	(8,501)	**-**	-
Tax refund	**54,091**	-	**44,917**	-
Tax paid	**(185,059)**	(227,930)	**(77,917)**	(69,500)
Net cash generated from operating activities	**1,491,858**	2,541,198	**2,210,235**	1,828,876
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received:				
- financial investments at FVOCI	**166,332**	138,895	**31,888**	-
- financial investments at AC	**(439,163)**	396,187	**456,773**	422,182
Dividend income:				
- financial assets at FVTPL	**3,201**	4,374	**1,826**	-
- financial investments at FVOCI	**922**	922	**732**	732
- subsidiaries	**-**	-	**151,295**	1,281,045
Purchase of:				
- financial investments at FVOCI	**(8,064,570)**	(411,930)	**(4,890,483)**	-
- financial investments at AC	**(1,442,667)**	(8,020,971)	**(771,878)**	(5,405,127)
Redemption/Disposal of:				
- financial investments at FVOCI	**2,012,624**	449,778	**1,217,427**	9,360
- financial investments at AC	**2,526,489**	2,592,734	**1,755,397**	2,209,792
Proceeds from disposal of:				
- property and equipment	**1,313**	2,661	**1,227**	-
- foreclosed properties	**5,295**	-	**-**	-

The accounting policies and notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2023

	Note	The Group		The Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)					
Purchase of property and equipment	19	**(187,258)**	(284,104)	**(181,009)**	(280,495)
Purchase of intangible assets	21	**(2,130)**	(4,427)	**(1,767)**	(2,066)
Investment in subsidiary	16	**-**	-	**(224)**	(150,000)
Investment in associate	18	**(24,600)**	(12,300)	**(24,600)**	(12,300)
Net disposal of equity interest in joint venture and associate		**-**	168,661	**-**	168,661
Cash flow arising from disposal of subsidiary		**-**	982,769	**-**	-
Net cash used in investing activities		**(5,444,212)**	(3,996,751)	**(2,253,396)**	(1,758,216)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment in borrowings	31	**(1,200,000)**	(2,000,000)	**(500,000)**	(2,000,000)
Drawdown in borrowings	31	**2,035,000**	1,250,000	**500,000**	500,000
Interest payment on borrowings	31	**(209,755)**	(141,946)	**(68,683)**	(106,397)
Payment of dividend to the equity holders of the Bank		**(51,084)**	(489,640)	**(51,084)**	(489,640)
Payment of dividend to non-controlling interest		**-**	(36,999)	**-**	-
Addition/(redemption) of recourse obligation on loans/ financing loans/financing sold to Cagamas Berhad	26	**2,872,012**	381,251	**1,772,013**	431,254
Interest/profit payment from recourse obligation on loans/financing sold to Cagamas Berhad	26	**(84,596)**	(7,104)	**(62,127)**	(5,865)
Lease payments	28	**(24,697)**	(41,064)	**(17,684)**	(33,649)
Net cash generated from/(used in) financing activities		**3,336,880**	(1,085,502)	**1,572,435**	(1,704,297)
Net (decrease)/increase in cash and cash equivalents		**(615,474)**	(2,541,055)	**1,529,274**	(1,633,637)
Effects of foreign exchange		**119,399**	(17,883)	**52,124**	(25,692)
Cash and cash equivalents at beginning of the financial year		**4,931,805**	7,490,743	**1,964,287**	3,623,616
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		**4,435,730**	4,931,805	**3,545,685**	1,964,287
Cash and cash equivalents comprise the following:					
Cash and short-term funds	2	**5,642,363**	4,903,601	**3,545,685**	1,986,132
Deposits and placements of banks and other financial institutions	3	**840,592**	301,438	**1,143,443**	251,389
		6,482,955	5,205,039	**4,689,128**	2,237,521
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		**(2,047,225)**	(273,234)	**(1,143,443)**	(273,234)
		4,435,730	4,931,805	**3,545,685**	1,964,287

The accounting policies and notes form an integral part of these financial statements.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

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 material 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 material 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 and are effective

Below are the annual improvements and amendments to MFRS effective for the financial year beginning 1 January 2023:

- Amendments to MFRS 101 and MFRS Practice Statement 2 on Disclosure of Accounting Policies
- Amendments to MFRS 108 on Definition of Accounting Estimates
- Amendments to MFRS 112 on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The adoption of MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' and Amendments to MFRS 112 'International Tax Reform - Pillar Two Model Rules' resulted in changes in accounting policies.

The adoption of other 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.

Amendments to MFRS 101 and MFRS Practice Statement 2 on Disclosure of Accounting Policies

The amendments to MFRS 101 require the Group and the Bank to disclose material accounting policies rather than significant accounting policies. The Group and the Bank are expected to make disclosure of accounting policies specific to the Group and the Bank and not generic disclosures on MFRS applications.

The amendment explains an accounting policy is material if, when considered together with other information included in the Group and the Bank 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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES
for the financial year ended 31 December 2023

(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 and are effective (continued)

Amendments to MFRS 108 'Definition of Accounting Estimates'

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.

Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The amendments clarify that the initial recognition exception does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations.

In accordance with the transition provisions, the Group and the Bank applied the amendments and recognises both deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities as at 1 January 2022 for all deductible and taxable temporary differences arising from:

- right-of-use assets and lease liabilities; and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

(b) International Financial Reporting Interpretations Committee ('IFRIC') agenda decisions that are concluded and published

IFRIC agenda decision - demand deposits with restrictions on use arising from a contract with a third party

The Group previously excluded the security deposits held for dealer's representatives from the classification of cash and cash equivalents in the Statements of Cash Flows, as the use of the security deposits are contractually restricted based on the terms of the agreement signed with the dealer's representatives.

Following the IFRIC agenda decision on Demand Deposits with Restrictions on Use arising from a Contract with a Third Party, the Group has adopted the principles set out in the IFRIC agenda decision and reassessed the classification of security deposits held for dealer's representative as cash and cash equivalents. This change in accounting treatment has been accounted for retrospectively and the comparative information of the Group's Statements of Cash Flows for the financial year ended 31 December 2022 has been restated as follows:

	31.12.2022 RM'000	Adjustments RM'000	As restated 31.12.2022 RM'000
The Group			
Statements of Cash Flows			
Increase/(Decrease) in operating liabilities:			
Other liabilities	391,983	(4,158)	387,825
Cash generated from operations	2,781,787	(4,158)	2,777,629
Net cash generated from operating activities	2,545,356	(4,158)	2,541,198
Net decrease in cash and cash equivalents	(2,536,897)	(4,158)	(2,541,055)
Cash and cash equivalents at beginning of the financial year	7,422,090	68,653	7,490,743
Cash and cash equivalents at end of the financial year	4,867,310	64,495	4,931,805
Amount held on behalf of commissioned dealer's representatives	(64,495)	64,495	-

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(A) BASIS OF PREPARATION (CONTINUED)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2024. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Bank, except the following set out below:

- 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).

  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 noncurrent 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 annual reporting periods beginning on or after 1 January 2024 and 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.

- Amendments to MFRS 121 'Lack of Exchangeability' (effective 1 January 2025) clarify that a currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations. If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot exchange rate at the measurement date.

  The amendments do not specify how an entity estimates the spot exchange rate, but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective for estimating the spot exchange rate set out in the amendments.

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 MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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 MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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)

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.

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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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.

(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 is 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

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(D) INTANGIBLE ASSETS (CONTINUED)

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.

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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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.

- 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 is recognised on an accrual basis.

SUMMARY OF MATERIAL ACCOUNTING POLICIES
for the financial year ended 31 December 2023

(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').

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.

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 are recognised in profit or loss and presented net within 'net gains and losses on financial instruments' in the period which it arises.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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.

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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES
for the financial year ended 31 December 2023

(H) FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

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 49 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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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 MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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 MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(H) FINANCIAL ASSETS (CONTINUED)

(e) Regulatory reserve requirements

Pursuant to BNM Financial Reporting policy 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.

(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).

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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).

(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 losses 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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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 year 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

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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(M) LEASES (CONTINUED)

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.

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.

(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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(N) FOREIGN CURRENCY TRANSLATIONS (CONTINUED)

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.

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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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.

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 and as approved by the Group's Shariah Committee.

(R) CASH AND CASH EQUIVALENTS

Cash and short-term funds consist 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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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.

(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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(W) EMPLOYEE BENEFITS (CONTINUED)

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.

Share-based payments

The settlement method of the Bank's stock option incentive scheme for key employees is dependent on an uncertain future event which is outside the control of the Bank or its employees. At each reporting date, the Bank 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 Bank receives services from employees as consideration for equity instruments (stock options) of the Bank. 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 Bank 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 Bank 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 Bank 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.

Long Term Incentive Plan ('LTIP')

The Bank operates Long Term Incentive Plan ('LTIP') in the form of Share Grant Scheme ('SGS'), which is an equity-settled share-based payment arrangements with the Group's and the Bank's employees as compensation for services provided by the employees. Equity-settled share-based payment arrangements entitle the employees to receive equity instruments of the Bank.

In the consolidated financial statements of the Group, the cost of share-based payment arrangements with the employees is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense over the vesting period, with a corresponding credit to the equity.

In the separate financial statements of the Bank, the SGS granted to the subsidiaries without recharge is accounted for as capital contribution to the subsidiary with a corresponding credit to equity, while the SGS granted to the subsidiaries with recharge is accounted for as amount due from subsidiaries with a corresponding credit to equity. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(W) EMPLOYEE BENEFITS (CONTINUED)

Long Term Incentive Plan ('LTIP') (continued)

Fair value is determined by using market prices or appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. Vesting conditions include service conditions and performance conditions; any other features of a share-based payment arrangement are non-vesting conditions. Market performance conditions and non-vesting conditions are taken into account when estimating the fair value of equity instruments at the date of grant, so that an award is treated as vesting irrespective of whether the market performance condition or non-vesting condition is satisfied, provided all other vesting conditions are satisfied.

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions.

Where an award has been modified, as a minimum, the expense of the original award continues to be recognised as if it had not been modified. Where the effect of a modification is to increase the fair value of an award or increase the number of equity instruments, the incremental fair value of the award or incremental fair value of the extra equity instruments is recognised in addition to the expense of the original grant, measured at the date of modification, over the modified vesting period.

A cancellation that occurs during the vesting period is treated as an acceleration of vesting, and recognised immediately for the amount that would otherwise have been recognised for services over the remaining vesting period.

(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.

(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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(Z) SHARE CAPITAL (CONTINUED)

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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

for the financial year ended 31 December 2023

(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 49, which also sets out key sensitivities of the ECL to changes in these elements.

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.

SUMMARY OF MATERIAL ACCOUNTING POLICIES
for the financial year ended 31 December 2023

(AE) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Measurement of the expected credit losses ('ECL') allowance (continued)

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 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 2023.

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 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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, trustee services and information technology 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 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 2023.

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	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Cash and bank balances with banks and other financial institutions	**1,095,505**	474,638	**856,235**	561,460
Money at call and deposit placements maturing within one month	**4,546,878**	4,429,240	**2,689,465**	1,424,741
Less: Expected credit losses	**(20)**	(277)	**(15)**	(69)
	5,642,363	4,903,601	**3,545,685**	1,986,132

Inclusive in cash and short-term funds of the Group and the Bank are trust accounts maintained for dealer's representatives amounting to RM64,818,000 (2022: RM64,495,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Licensed banks	**810,449**	301,438	**1,113,299**	251,389
Other financial institutions	**30,144**	-	**30,144**	-
Less: Expected credit losses	**(1)**	-	**-**	-
	840,592	301,438	**1,143,443**	251,389

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

4 INVESTMENT ACCOUNTS DUE FROM DESIGNATED FINANCIAL INSTITUTIONS

	The Bank	
	2023 RM'000	2022 RM'000
Licensed banks	**3,665,450**	2,719,747
Less: Expected credit losses	-	(67)
	3,665,450	2,719,680

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL')

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	**79,679**	99,589	**79,679**	99,589
Cagamas Bonds/Sukuk	**45,165**	50,293	**45,165**	50,293
Negotiable Instruments of Deposit	**239,229**	233,043	**1,041,847**	233,043
	364,073	382,925	**1,166,691**	382,925
Quoted securities:				
Shares, warrants and REITs in Malaysia	**89,123**	34,631	-	-
Shares, warrants and REITs outside Malaysia	-	230	-	-
Unit Trusts in Malaysia	**1,257**	1,207	-	-
	90,380	36,068	-	-
Unquoted securities:				
Shares in Malaysia	**115,602**	110,395	**115,602**	110,395
Corporate bonds/Sukuk in Malaysia	**20,225**	15,115	**20,223**	15,113
Corporate bonds/Sukuk outside Malaysia	**16,454**	-	-	-
	152,281	125,510	**135,825**	125,508
	606,734	544,503	**1,302,516**	508,433

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.

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The Group				
Money market instruments:				
Negotiable Instruments of Deposit				
- Kuala Lumpur Interbank Offered Rate ('KLIBOR')	**239,229**	233,043	**239,229**	233,043

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

6 DERIVATIVE FINANCIAL INSTRUMENTS

	2023			2022		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
The Group						
At fair value						
Trading Derivatives						
Foreign exchange derivatives:						
- Currency forwards	**9,438,954**	**36,254**	**101,014**	7,273,308	30,342	197,669
- Cross currency interest rate swaps	**115,408**	**1,343**	**1,216**	145,847	2,337	2,154
- Currency swaps	**39,468,251**	**283,523**	**151,516**	20,274,137	344,328	242,015
- Currency options	**82,951**	**514**	**504**	-	-	-
Interest/profit rate derivatives:						
- Interest/profit rate swaps	**11,183,722**	**116,800**	**104,827**	9,661,273	118,337	98,061
Equity derivatives	**16,910**	**-**	**2,562**	-	-	-
Hedging Derivatives						
Interest/profit rate derivatives:						
- Interest/profit rate swaps (a)	**3,493,945**	**32,004**	**34,087**	700,000	45	2,355
	63,800,141	**470,438**	**395,726**	38,054,565	495,389	542,254
The Bank						
At fair value						
Trading Derivatives						
Foreign exchange derivatives:						
- Currency forwards	**6,726,288**	**23,446**	**58,497**	3,816,746	10,612	115,692
- Currency swaps	**33,327,215**	**200,789**	**156,640**	17,741,086	293,397	231,343
- Currency options	**82,951**	**514**	**504**	-	-	-
Interest rate derivatives:						
- Interest rate swaps	**7,661,942**	**102,686**	**92,345**	6,561,273	103,463	86,819
Hedging Derivatives						
Interest rate derivatives:						
- Interest rate swaps (a)	**2,619,830**	**21,448**	**20,593**	700,000	45	2,355
	50,418,226	**348,883**	**328,579**	28,819,105	407,517	436,209

(a) Fair value hedges

The Group and the Bank's fair value hedges principally consist of interest/profit rate swaps that are used to protect against changes in the fair value of financial assets and financial liabilities due to movement in interest/profit rates. The Group and the Bank have undertaken fair value hedges on interest/profit rate risk of RM3,493.9 million (2022: RM700.0 million) at the Group and RM2,619.8 million (2022: RM700.0 million) at the Bank respectively on financial investments measured at AC/FVOCI, borrowings and recourse obligation on loans/financing using interest/profit rate swaps. The total fair value net loss of the said profit/interest rate swaps related to these hedges amounted to RM963,000 (2022: RM14,073) at the Group and RM1,686,000 (2022: RM14,073) at the Bank.

Included in the net non-interest income is the net loss arising from fair value hedges that were effective during the financial year are as follows:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Loss on hedging instruments	**(2,809)**	(1,129)	**(4,684)**	(1,129)
Gain on hedged items attributable to the hedged risks	**1,846**	1,115	**2,998**	1,115
	(963)	(14)	**(1,686)**	(14)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

IBOR Reform

The Group and the Bank hold the following derivative financial instruments which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	The Group Contract/Notional Amount		The Bank Contract/Notional Amount	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
2023				
Interest rate derivatives:				
Interest rate swaps				
- KLIBOR	**63,238**	38,998	**58,147**	37,676
2022				
Interest rate derivatives:				
Interest rate swaps				
- KLIBOR	**66,126**	52,476	**66,126**	52,476

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

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At fair value				
Money market instruments:				
Malaysian Government treasury bills	**307,819**	-	**307,819**	-
Malaysian Government securities	**1,736,804**	797,643	**680,929**	-
Malaysian Government investment issues	**2,360,106**	1,090,216	**351,225**	-
Cagamas Bonds/Sukuk	**923,900**	124,487	**620,944**	-
Bank Negara Malaysia Bills	**9,994**	-	**-**	-
Khazanah Bonds/Sukuk	**-**	9,797	**-**	-
	5,338,623	2,022,143	**1,960,917**	-
Unquoted securities:				
Shares in Malaysia *	**245,640**	230,918	**220,875**	206,993
Corporate bonds/Sukuk in Malaysia #	**3,669,088**	1,529,443	**1,211,290**	-
Corporate bonds/Sukuk outside Malaysia	**774,416**	-	**586,137**	-
	4,689,144	1,760,361	**2,018,302**	206,993
	10,027,767	3,782,504	**3,979,219**	206,993

* Equity securities designated at FVOCI.
# Certain unquoted perpetual bonds are designated at FVOCI

Included in the financial investments at FVOCI are Corporate bonds/Sukuk outside Malaysia, Malaysian Government Islamic Investment Issues and Malaysian Government Securities which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group amounting to RM904,087,261 (2022: RM Nil), while for the Bank is Corporate bonds/Sukuk outside Malaysia amounting to RM45,187,261 (2022: RM Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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				
2023				
At beginning of the financial year	**817**	**18,125**	**-**	**18,942**
Total transfer between stages due to change in credit risk:-	**(393)**	**393**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(393)**	**393**	**-**	**-**
Financial assets derecognised (other than write-off)	**(3,079)**	**-**	**-**	**(3,079)**
New financial assets purchased	**4,985**	**-**	**-**	**4,985**
Changes due to change in credit risk	**(1,797)**	**2,638**	**-**	**841**
At end of the financial year	**533**	**21,156**	**-**	**21,689**
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

	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				
2023				
At beginning of the financial year	**-**	**-**	**-**	**-**
Total transfer between stages due to change in credit risk:-	**(197)**	**197**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(197)**	**197**	**-**	**-**
Financial assets derecognised (other than write-off)	**(2,148)**	**-**	**-**	**(2,148)**
New financial assets purchased	**3,468**	**-**	**-**	**3,468**
Changes due to change in credit risk	**(951)**	**38**	**-**	**(913)**
At end of the financial year	**172**	**235**	**-**	**407**
The Bank				
2022				
At beginning/end of the financial year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI') (CONTINUED)

Movements in the gross carrying amount of financial investments 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				
2023				
At beginning of the financial year	**3,450,924**	**100,662**	**-**	**3,551,586**
Total transfer between stages due to change in credit risk:-	**(103,024)**	**103,024**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(103,024)**	**103,024**	**-**	**-**
Financial assets derecognised (other than write-off)	**(2,007,951)**	**-**	**-**	**(2,007,951)**
New financial assets purchased	**8,064,570**	**-**	**-**	**8,064,570**
Changes in interest/profit accrual and accretion/amortisation	**36,178**	**(5,000)**	**-**	**31,178**
Other adjustments				
- Foreign exchange and other movements	**4,258**	**-**	**-**	**4,258**
- Changes in fair value	**137,783**	**703**	**-**	**138,486**
At end of the financial year	**9,582,738**	**199,389**	**-**	**9,782,127**
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

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2023				
At beginning of the financial year	**-**	**-**	**-**	**-**
Total transfer between stages due to change in credit risk:-	**(51,996)**	**51,996**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(51,996)**	**51,996**	**-**	**-**
Financial assets derecognised (other than write-off)	**(1,214,973)**	**-**	**-**	**(1,214,973)**
New financial assets purchased	**4,890,483**	**-**	**-**	**4,890,483**
Changes in interest accrual and accretion/amortisation	**41,079**	**(1)**	**-**	**41,078**
Other adjustments				
- Foreign exchange and other movements	**41,907**	**(151)**	**-**	**41,756**
At end of the financial year	**3,706,500**	**51,844**	**-**	**3,758,344**
The Bank				
2022				
At beginning/end of the financial year	-	-	-	-

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unquoted securities:				
Shares in Malaysia:				
Credit Guarantee Corporation	**40,072**	39,924	**40,072**	39,924
Cagamas Berhad	**23,420**	22,662	**-**	-
PayNet	**87,937**	72,856	**87,937**	72,856
TPPT Sdn Bhd	**92,173**	93,571	**92,173**	93,571
Malaysian Rating Corporation Berhad	**1,339**	1,253	**-**	-
Others *	**699**	652	**693**	642
	245,640	230,918	**220,875**	206,993

* 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The Group						
Unquoted securities	**245,640**	230,918	**922**	922	**-**	-
The Bank						
Unquoted securities	**220,875**	206,993	**732**	732	**-**	-

In financial year 2022, the Group and the Bank disposed its shares in RAM Holdings Berhad 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. Other than the above, there have been no new acquisition or disposal of equity investments designated at FVOCI during the current and previous financial years.

IBOR Reform

The Group and the Bank hold the following financial instruments at FVOCI which are referenced to the current benchmark interest rates and have yet to transition to an alternative benchmark interest rate.

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unquoted securities:				
Corporate bonds/Sukuk outside Malaysia				
- Bank Bill Swap Rate ('BBSW')	**36,251**	-	**36,251**	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC')

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government treasury bills	**-**	49,822	**-**	-
Malaysian Government securities	**3,908,873**	3,635,264	**3,718,178**	3,568,139
Malaysian Government investment issues	**5,672,708**	5,742,314	**3,066,433**	3,077,857
Cagamas Bonds/Sukuk	**121,143**	272,271	**80,852**	181,624
Bank Negara Malaysia Sukuk	**-**	10,139	**-**	-
Negotiable Instruments of Deposit and Islamic Debt Certificates	**-**	-	**200,074**	754,595
	9,702,724	9,709,810	**7,065,537**	7,582,215
Unquoted securities:				
Shares in Malaysia	**14,915**	14,915	**14,915**	14,915
Corporate bonds/Sukuk in Malaysia	**6,370,749**	6,715,837	**3,614,670**	4,227,952
Corporate bonds/Sukuk outside Malaysia	**615,576**	481,153	**577,790**	466,137
Loan stock in Malaysia	**8,101**	15,560	**-**	-
	7,009,341	7,227,465	**4,207,375**	4,709,004
	16,712,065	16,937,275	**11,272,912**	12,291,219
Fair value changes arising from fair value hedges	**(2,582)**	(2,893)	**(2,582)**	(2,893)
	16,709,483	16,934,382	**11,270,330**	12,288,326
Less: Expected credit losses	**(104,581)**	(81,281)	**(89,911)**	(58,352)
	16,604,902	16,853,101	**11,180,419**	12,229,974

Included in the financial investments at AC are Malaysian Government securities, Malaysian Government investment issues and Corporate bonds/Sukuk outside Malaysia which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group amounting to RM3,592,471,865 (2022: RM6,596,150,920) and the Bank amounting to RM3,582,471,865 (2022: RM6,596,150,920).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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				
2023				
At beginning of the financial year	**9,985**	**55,736**	**15,560**	**81,281**
Total transfer between stages due to change in credit risk:-	**(198)**	**198**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(198)**	**198**	**-**	**-**
Financial assets derecognised (other than write-off)	**(1,137)**	**-**	**(7,064)**	**(8,201)**
New financial assets purchased	**407**	**-**	**-**	**407**
Changes due to change in credit risk	**(2,369)**	**33,839**	**-**	**31,470**
Other adjustments				
- Foreign exchange and other movements	**19**	**-**	**(395)**	**(376)**
At end of the financial year	**6,707**	**89,773**	**8,101**	**104,581**
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

	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				
2023				
At beginning of the financial year	**2,616**	**55,736**	**-**	**58,352**
Total transfer between stages due to change in credit risk:-	**(99)**	**99**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(99)**	**99**	**-**	**-**
Financial assets derecognised (other than write-off)	**(677)**	**-**	**-**	**(677)**
New financial assets purchased	**260**	**-**	**-**	**260**
Changes due to change in credit risk	**(1,976)**	**33,933**	**-**	**31,957**
Other adjustments				
- Foreign exchange and other movements	**19**	**-**	**-**	**19**
At end of the financial year	**143**	**89,768**	**-**	**89,911**
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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

8 FINANCIAL INVESTMENTS AT AMORTISED COST ('AC') (CONTINUED)

Movements in the gross carrying amount of financial investments 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				
2023				
At beginning of the financial year	**16,310,291**	**611,424**	**15,560**	**16,937,275**
Total transfer between stages due to change in credit risk:-	**(25,439)**	**25,439**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(25,439)**	**25,439**	**-**	**-**
Financial assets derecognised (other than write-off)	**(2,519,363)**	**-**	**(7,064)**	**(2,526,427)**
New financial assets purchased	**1,442,667**	**-**	**-**	**1,442,667**
Changes in interest/profit accrual and accretion/amortisation	**833,236**	**(204)**	**-**	**833,032**
Other adjustments				
- Foreign exchange and other movements	**25,913**	**-**	**(395)**	**25,518**
At end of the financial year	**16,067,305**	**636,659**	**8,101**	**16,712,065**
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

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
2023				
At beginning of the financial year	**11,679,795**	**611,424**	**-**	**12,291,219**
Total transfer between stages due to change in credit risk:-	**(25,439)**	**25,439**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(25,439)**	**25,439**	**-**	**-**
Financial assets derecognised (other than write-off)	**(1,755,335)**	**-**	**-**	**(1,755,335)**
New financial assets purchased	**771,878**	**-**	**-**	**771,878**
Changes in interest accrual and accretion/amortisation	**(59,107)**	**(85)**	**-**	**(59,192)**
Other adjustments				
- Foreign exchange and other movements	**24,342**	**-**	**-**	**24,342**
At end of the financial year	**10,636,134**	**636,778**	**-**	**11,272,912**
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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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.

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Money market instruments:				
Cagamas Bonds/Sukuk				
- KLIBOR	**-**	151,065	**-**	100,710
Unquoted securities:				
Corporate bonds/Sukuk inside Malaysia				
- KLIBOR	**100,037**	-	**-**	-
Corporate bonds/Sukuk outside Malaysia				
- USD LIBOR	**-**	120,467	**-**	120,467
- BBSW	**143,648**	78,091	**143,648**	78,091
	243,685	349,623	**143,648**	299,268

9 LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(i) By type				
Overdrafts	**2,448,677**	2,101,930	**1,556,737**	1,401,411
Term loans/financing				
- Housing loans/financing	**20,187,936**	17,070,281	**10,042,140**	7,741,034
- Hire purchase receivables	**14,844,361**	13,142,578	**8,900,963**	7,952,640
- Syndicated financing	**2,806,668**	1,806,320	**1,242,113**	539,422
- Business term loans/financing	**17,365,088**	16,129,552	**8,573,241**	8,436,896
- Other term loans/financing	**144,143**	112,621	**-**	-
Bills receivables	**877,094**	524,475	**606,365**	373,227
Trust receipts	**298,452**	118,989	**283,965**	105,019
Claims on customers under acceptances credits	**2,904,620**	2,674,388	**1,895,681**	1,887,330
Staff loans/financing (of which RM Nil to Directors)	**217,849**	215,411	**87,768**	92,774
Credit cards	**454,513**	366,556	**376,733**	305,699
Revolving credits	**2,489,684**	3,883,788	**1,902,535**	2,613,435
Margin financing	**1,623,784**	1,195,788	**-**	-
Gross loans, advances and financing	**66,662,869**	59,342,677	**35,468,241**	31,448,887
Less: Expected credit losses	**(1,437,872)**	(1,410,821)	**(957,791)**	(890,966)
Total net loans, advances and financing	**65,224,997**	57,931,856	**34,510,450**	30,557,921

Included in the Group's other term loans/financing before expected credit losses as at reporting date is RM56.8 million (2022: RM57.4 million) of term financing disbursed by AFFIN ISLAMIC to its joint venture company AFFIN-i Nadayu Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

		The Group		The Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(ii)	**By maturity structure**				
	Maturing within one year	**12,275,006**	11,388,930	**7,119,792**	6,885,471
	One year to three years	**3,913,266**	3,910,370	**2,375,510**	2,378,538
	Three years to five years	**6,181,258**	5,750,025	**4,072,877**	3,915,002
	Over five years	**44,293,339**	38,293,352	**21,900,062**	18,269,876
		66,662,869	59,342,677	**35,468,241**	31,448,887
(iii)	**By type of customers**				
	Domestic banking institutions	**7,287**	10,452	**7,287**	10,452
	Domestic non-banking institutions				
	- Others	**669,501**	534,770	**211,984**	165,925
	Domestic business enterprises				
	- Small medium enterprises	**11,087,598**	10,288,102	**7,998,011**	7,466,478
	- Others	**12,560,264**	13,307,420	**7,448,727**	8,121,386
	Government and statutory bodies	**904,324**	795,660	**1,436**	6,444
	Individuals	**39,960,390**	33,848,784	**18,519,326**	15,303,577
	Other domestic entities	**7,882**	862	**865**	707
	Foreign entities	**1,465,623**	556,627	**1,280,605**	373,918
		66,662,869	59,342,677	**35,468,241**	31,448,887
(iv)	**By interest/profit rate sensitivity**				
	Fixed rate				
	- Housing loans/financing	**199,596**	204,381	**144,057**	157,077
	- Hire purchase receivables	**14,694,074**	13,143,921	**8,900,963**	7,952,640
	- Other fixed rate loans/financing	**1,514,610**	1,472,212	**530,490**	474,818
	Variable rate				
	- Base lending rate and base rate plus	**29,829,841**	29,245,941	**15,446,225**	14,404,061
	- Cost plus	**9,649,847**	10,257,940	**4,649,547**	5,484,204
	- Other variable rate	**10,774,901**	5,018,282	**5,796,959**	2,976,087
		66,662,869	59,342,677	**35,468,241**	31,448,887
(v)	**By economic sector**				
	Primary agriculture	**1,501,595**	1,365,361	**701,814**	658,238
	Mining and quarrying	**393,026**	226,642	**284,353**	78,390
	Manufacturing	**4,042,298**	3,986,495	**2,752,809**	2,721,219
	Electricity, gas and water supply	**474,648**	524,815	**87,559**	75,821
	Construction	**2,083,785**	1,886,093	**1,010,607**	904,683
	Real estate	**4,938,887**	5,319,183	**3,578,499**	3,832,281
	Wholesale, retail trade, hotels and restaurants	**6,226,712**	5,514,688	**4,793,959**	4,208,002
	Transport, storage and communication	**2,420,702**	2,049,447	**1,536,815**	1,450,534
	Finance, insurance and business services	**2,331,069**	2,304,699	**1,480,144**	1,384,783
	Education, health and others	**2,113,853**	2,180,709	**604,066**	747,224
	Household	**40,135,534**	33,984,433	**18,636,856**	15,387,600
	Others	**760**	112	**760**	112
		66,662,869	59,342,677	**35,468,241**	31,448,887

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

		The Group		The Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(vi)	**By economic purposes**				
	Purchase of securities	**3,024,949**	2,617,025	**326,206**	365,490
	Purchase of transport vehicles	**15,500,675**	13,711,407	**9,217,571**	8,275,966
	Purchase of landed property of which:				
	- Residential	**20,548,761**	17,403,630	**10,185,729**	7,891,028
	- Non-residential	**6,993,057**	6,617,393	**4,570,282**	4,244,458
	Fixed assets other than land and building	**479,659**	546,492	**191,638**	250,740
	Personal use	**3,746,713**	2,743,248	**691,031**	625,008
	Credit card	**454,513**	366,556	**376,733**	305,699
	Consumer durable	**237**	334	**17**	4
	Construction	**2,353,404**	2,261,816	**1,449,449**	1,321,128
	Merger and acquisition	**12,078**	77,588	**12,078**	56,052
	Working capital	**11,613,969**	11,320,779	**7,064,878**	7,273,936
	Others	**1,934,854**	1,676,409	**1,382,629**	839,378
		66,662,869	59,342,677	**35,468,241**	31,448,887
(vii)	**By geographical distribution**				
	Perlis	**129,564**	127,996	**23,142**	22,862
	Kedah	**2,055,506**	1,770,004	**682,064**	589,872
	Pulau Pinang	**4,084,333**	3,597,189	**2,352,305**	2,159,262
	Perak	**1,847,668**	1,674,743	**872,516**	848,537
	Selangor	**20,247,720**	19,085,253	**10,541,603**	10,043,686
	Wilayah Persekutuan	**14,815,495**	13,296,991	**7,643,753**	6,971,473
	Negeri Sembilan	**2,331,533**	1,973,865	**827,989**	664,273
	Melaka	**1,199,734**	1,121,516	**674,944**	664,916
	Johor	**9,476,772**	7,985,757	**5,854,763**	4,786,541
	Pahang	**1,992,509**	1,858,859	**878,717**	871,519
	Terengganu	**1,132,807**	1,098,455	**186,537**	196,242
	Kelantan	**748,713**	627,189	**38,403**	43,859
	Sarawak	**2,918,423**	2,518,818	**2,077,936**	1,818,402
	Sabah	**2,504,646**	2,340,854	**1,675,413**	1,520,315
	Labuan	**282,039**	47,548	**243,951**	29,497
	Outside Malaysia	**895,407**	217,640	**894,205**	217,631
		66,662,869	59,342,677	**35,468,241**	31,448,887
(viii)	**Movements of impaired loans, advances and financing**				
	At beginning of the financial year	**1,171,181**	1,305,953	**735,434**	841,839
	Classified as impaired	**1,251,499**	511,707	**924,699**	273,510
	Reclassified as non-impaired	**(884,100)**	(293,450)	**(526,219)**	(150,186)
	Amount recovered	**(163,173)**	(314,298)	**(101,557)**	(206,984)
	Amount written-off	**(109,996)**	(122,762)	**(59,212)**	(84,431)
	Other movements	**-**	84,031	**-**	61,686
	At end of the financial year	**1,265,411**	1,171,181	**973,145**	735,434
	Ratio of gross impaired loans, advances and financing to gross loans, advances and financing *	**1.90%**	1.97%	**2.49%**	2.58%

* For the Bank, RIA included in the ratio calculation amounting to RM3,572.1 million (2022: RM2,723.1 million) with impaired financing amounting to RM Nil (2022: RM145.6 million).

The outstanding contractual amounts of such assets written-off during the financial year amounting to RM109,996,000 (2022: RM122,762,000) for the Group and RM59,212,000 (2022: RM84,431,000) for the Bank respectively.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

		The Group		The Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(ix)	**Impaired loans by economic sector**				
	Primary agriculture	**9,686**	18,955	**9,513**	18,657
	Mining and quarrying	**29,941**	27,531	**10,124**	6,907
	Manufacturing	**40,733**	49,997	**34,007**	41,763
	Electricity, gas and water supply	**4**	-	**1**	-
	Construction	**179,913**	99,804	**121,028**	46,338
	Real estate	**204,395**	133,373	**168,038**	58,692
	Wholesale, retail trade, hotels and restaurants	**343,533**	74,697	**323,915**	68,622
	Transport, storage and communication	**98,939**	316,154	**96,312**	157,203
	Finance, insurance and business services	**21,211**	24,251	**10,617**	20,731
	Education, health and others	**13,671**	195,051	**12,660**	194,224
	Household	**323,385**	231,368	**186,930**	122,297
		1,265,411	1,171,181	**973,145**	735,434
(x)	**Impaired loans by economic purposes**				
	Purchase of securities	**18,305**	22,443	**16**	35
	Purchase of transport vehicles	**79,745**	356,931	**43,336**	177,182
	Purchase of landed property of which:				
	- Residential	**242,475**	157,364	**147,602**	79,071
	- Non-residential	**186,479**	258,512	**147,345**	186,299
	Fixed assets other than land and building	**5,139**	1,956	**5,073**	1,956
	Personal use	**18,434**	16,360	**9,234**	7,390
	Credit card	**4,163**	2,104	**3,507**	1,909
	Consumer durable	**-**	3	**-**	3
	Construction	**194,380**	160,153	**194,380**	160,153
	Working capital	**490,761**	185,038	**403,096**	117,270
	Others	**25,530**	10,317	**19,556**	4,166
		1,265,411	1,171,181	**973,145**	735,434
(xi)	**Impaired loans by geographical distribution**				
	Perlis	**4,437**	3,572	**621**	81
	Kedah	**48,031**	52,952	**32,478**	41,498
	Pulau Pinang	**129,073**	56,812	**119,639**	47,091
	Perak	**15,768**	10,651	**9,111**	5,569
	Selangor	**374,058**	243,513	**263,021**	147,135
	Wilayah Persekutuan	**350,641**	82,190	**315,905**	51,821
	Negeri Sembilan	**34,555**	23,389	**19,349**	15,096
	Melaka	**132,140**	38,930	**123,206**	20,520
	Johor	**54,104**	258,135	**30,132**	203,596
	Pahang	**27,532**	25,127	**24,219**	23,096
	Terengganu	**3,606**	292,567	**667**	144,800
	Kelantan	**6,732**	2,969	**244**	591
	Sarawak	**73,315**	68,205	**25,711**	23,674
	Sabah	**11,373**	12,135	**8,796**	10,832
	Outside Malaysia	**46**	34	**46**	34
		1,265,411	1,171,181	**973,145**	735,434

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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				
2023				
At beginning of the financial year	**211,373**	**778,214**	**421,234**	**1,410,821**
Total transfer between stages due to change in credit risk:-	**(169,761)**	**305,516**	**(135,755)**	**-**
- Transfer to 12-month ECL (Stage 1)	**46,853**	**(41,757)**	**(5,096)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(215,896)**	**436,284**	**(220,388)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(718)**	**(89,011)**	**89,729**	**-**
Loans/financing derecognised (other than write-off)	**(67,652)**	**(58,675)**	**(26,487)**	**(152,814)**
New loans/financing originated or purchased	**290,231**	**-**	**-**	**290,231**
Changes due to change in credit risk	**(115,159)**	**(320,651)**	**371,623**	**(64,187)**
Write-off	**-**	**-**	**(69,723)**	**(69,723)**
Other adjustments	**228**	**261**	**23,055**	**23,544**
At end of the financial year	**149,260**	**704,665**	**583,947**	**1,437,872**
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				
- Foreign exchange and other movements	92	243	84,031	84,366
At end of the financial year	211,373	778,214	421,234	1,410,821

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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				
2023				
At beginning of the financial year	**144,574**	**448,993**	**297,399**	**890,966**
Total transfer between stages due to change in credit risk:-	**(1,009)**	**100,548**	**(99,539)**	**-**
- Transfer to 12-month ECL (Stage 1)	**25,133**	**(21,763)**	**(3,370)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(25,554)**	**191,214**	**(165,660)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(588)**	**(68,903)**	**69,491**	**-**
Loans/financing derecognised (other than write-off)	**(45,423)**	**(44,966)**	**(21,126)**	**(111,515)**
New loans/financing originated or purchased	**73,097**	**-**	**-**	**73,097**
Changes due to change in credit risk	**(75,819)**	**(112,039)**	**309,046**	**121,188**
Write-off	**-**	**-**	**(26,627)**	**(26,627)**
Other adjustments	**225**	**261**	**10,196**	**10,682**
At end of the financial year	**95,645**	**392,797**	**469,349**	**957,791**

	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				
- Unwind of discount	86	243	61,686	62,015
At end of the financial year	144,574	448,993	297,399	890,966

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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				
2023				
At beginning of the financial year	**53,533,797**	**4,637,699**	**1,171,181**	**59,342,677**
Total transfer between stages due to change in credit risk:-	**(5,827,730)**	**5,484,437**	**343,293**	**-**
- Transfer to 12-month ECL (Stage 1)	**1,954,096**	**(1,940,731)**	**(13,365)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(7,714,617)**	**8,585,352**	**(870,735)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(67,209)**	**(1,160,184)**	**1,227,393**	**-**
Loans/financing derecognised (other than write-off)	**(23,107,525)**	**(3,659,775)**	**(79,947)**	**(26,847,247)**
New loans/financing originated or purchased	**37,696,495**	**-**	**-**	**37,696,495**
Changes due to change in credit risk	**(2,682,634)**	**(705,648)**	**(64,170)**	**(3,452,452)**
Unwinding of modification loss during the year *(Note)*	**22,257**	**2,762**	**-**	**25,019**
Write-off	**-**	**-**	**(109,996)**	**(109,996)**
Other adjustments				
- Foreign exchange and other movements	**(12,863)**	**16,186**	**5,050**	**8,373**
At end of the financial year	**59,621,797**	**5,775,661**	**1,265,411**	**66,662,869**

Note: The amount of loans, advances and financing whose cash flows were modified in 2023 were RM1,962,999,172.

	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	(2,748,513)	(408,854)	(308,773)	(3,466,140)
Unwinding of modification loss during the year *(Note)*	27,082	5,528	1,434	34,044
Write-off	-	-	(122,762)	(122,762)
Other adjustments				
- Unwind of discount	(791)	(4,650)	84,031	78,590
- Foreign exchange and other movements	11,157	6,682	70,523	88,362
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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

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				
2023				
At beginning of the financial year	**27,898,976**	**2,814,477**	**735,434**	**31,448,887**
Total transfer between stages due to change in credit risk:-	**(1,809,488)**	**1,430,591**	**378,897**	**-**
- Transfer to 12-month ECL (Stage 1)	**1,040,092**	**(1,032,896)**	**(7,196)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(2,789,386)**	**3,308,409**	**(519,023)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(60,194)**	**(844,922)**	**905,116**	**-**
Loans/financing derecognised (other than write-off)	**(10,753,962)**	**(597,878)**	**(71,074)**	**(11,422,914)**
New loans/financing originated or purchased	**17,059,410**	**-**	**-**	**17,059,410**
Changes due to change in credit risk	**(1,158,936)**	**(420,403)**	**(13,586)**	**(1,592,925)**
Unwinding of modification loss during the year *(Note)*	**12,860**	**1,351**	**-**	**14,211**
Write-off	**-**	**-**	**(59,212)**	**(59,212)**
Other adjustments				
- Foreign exchange and other movements	**3,274**	**14,824**	**2,686**	**20,784**
At end of the financial year	**31,252,134**	**3,242,962**	**973,145**	**35,468,241**

Note: The amount of loans, advances and financing whose cash flows were modified in 2023 were RM1,024,420,996.

	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	(1,506,101)	(269,381)	(206,641)	(1,982,123)
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
- Foreign exchange and other movements	14,175	(821)	53,896	67,250
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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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.

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The Group				
Gross loans, advances and financing:				
- USD LIBOR	-	213,859	-	155,375
- KLIBOR	**402,094**	426,121	**207,473**	219,180
	402,094	639,980	**207,473**	374,555

10 TRADE RECEIVABLES

	The Group	
	2023 RM'000	2022 RM'000
Amount due from stock-broking clients:		
- performing accounts	**337,519**	376,714
- impaired accounts (i)	**114**	941
Amount due from brokers	**34,991**	28,502
Amount due from Bursa Securities Clearing Sdn Bhd	**26,475**	-
	399,099	406,157
Less: Expected credit losses (ii)	**(223)**	(756)
	398,876	405,401
(i) Movements of impaired trade receivables		
At beginning of the financial year	**941**	942
Classified as impaired	**412**	1,504
Reclassified as non-impaired	**(1,239)**	(1,505)
At end of the financial year	**114**	941
(ii) Movements in expected credit losses		
At beginning of the financial year	**756**	1,533
Allowance made	**506**	3,094
Amount written-back	**(1,039)**	(3,601)
Disposal of a subsidiary	**-**	(270)
At end of the financial year	**223**	756

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

11 OTHER ASSETS

	The Group		The Bank	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Other debtors	**528,999**	274,519	**396,842**	175,261
Prepayments and deposits	**125,901**	99,453	**85,536**	75,275
Cheque clearing accounts	**51,287**	67,678	**33,368**	6,225
Foreclosed properties (i)	**19,316**	23,950	**5,901**	8,485
	725,503	465,600	**521,647**	265,246
Less: Expected credit losses (ii)	**(23,251)**	(4,749)	**(20,966)**	-
	702,252	460,851	**500,681**	265,246
(i) Foreclosed properties				
At beginning of the financial year	**23,950**	13,358	**8,485**	8,485
Purchased	**-**	13,240	**-**	-
Disposal	**(4,634)**	-	**(2,584)**	-
Diminution in value	**-**	(2,648)	**-**	-
At end of the financial year	**19,316**	23,950	**5,901**	8,485
(ii) Movements in expected credit losses				
At beginning of the financial year	**4,749**	4,039	**-**	-
Allowance made	**22,500**	2,417	**20,966**	-
Amount written-back	**(2,983)**	(1,707)	**-**	-
Amount written-off	**(1,015)**	-	**-**	-
At end of the financial year	**23,251**	4,749	**20,966**	-

12 AMOUNT DUE FROM SUBSIDIARIES

	The Bank	
	2023 RM'000	**2022 RM'000**
Amount due from subsidiaries	**22,126**	5,835

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	
	2023 RM'000	**2022 RM'000**
Advances to joint ventures	**52,499**	48,273
Less: Expected credit losses (i)	**(52,467)**	(47,818)
	32	455
(i) Movements in expected credit losses		
At beginning of the financial year	**47,818**	44,263
Allowance made	**4,649**	3,555
At end of the financial year	**52,467**	47,818

The advances to joint ventures are unsecured, bear no interest/profit rate and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

14 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets	**138,283**	233,973	**72,072**	125,964
Deferred tax assets:				
- settled more than 12 months	**50,773**	61,285	**21,395**	17,603
- settled within 12 months	**251,913**	191,340	**184,507**	124,268
Deferred tax liabilities:				
- settled more than 12 months	**(147,079)**	(13,321)	**(132,922)**	(11,620)
- settled within 12 months	**(17,324)**	(5,331)	**(908)**	(4,287)
	138,283	233,973	**72,072**	125,964

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At beginning of the financial year	**233,973**	223,344	**125,964**	111,900
Recognised in income statement (Note 45)				
- Tax expenses	**(62,453)**	45,955	**(44,854)**	35,889
- Deferred tax impact arising from Prosperity Tax	**-**	^ (33,537)	**-**	^ (21,825)
Recognised in equity	**(33,237)**	12,832	**(9,038)**	-
Disposal of subsidiary	**-**	(14,621)	**-**	-
At end of the financial year	**138,283**	233,973	**72,072**	125,964

^ 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

14 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	Right-of-use assets 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											
2023											
At beginning of financial year	**(9,870)**	**(10,377)**	**11,069**	**(8,182)**	**107,127**	**88,906**	**(4,260)**	**-**	**19,550**	**40,010**	**233,973**
Recognised in income statement	**(35,919)**	**1,557**	**(1,795)**	**(2,519)**	**(8,511)**	**(3,001)**	**(16,146)**	**-**	**3,669**	**212**	**(62,453)**
Recognised in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,237)**	**(33,237)**
At end of the financial year	**(45,789)**	**(8,820)**	**9,274**	**(10,701)**	**98,616**	**85,905**	**(20,406)**	**-**	**23,219**	**6,985**	**138,283**
2022											
At beginning of the financial year	(8,117)	(6,740)	7,201	(7,223)	64,981	131,393	(4,074)	334	18,407	27,182	223,344
Recognised in income statement											
- Tax expenses	(4,267)	(3,637)	3,868	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)	(10,377)	11,069	(8,182)	107,127	88,906	(4,260)	-	19,550	40,010	233,973

^ 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

14 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	Right-of-use assets 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									
2023									
At beginning of the financial year	**(10,042)**	**(10,309)**	**10,906**	**(6,463)**	**65,037**	**59,706**	**17,129**	**-**	**125,964**
Recognised in income statement	**(36,185)**	**1,567**	**(1,719)**	**(2,663)**	**(5,907)**	**(3,779)**	**3,791**	**41**	**(44,854)**
Recognised in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,038)**	**(9,038)**
At end of the financial year	**(46,227)**	**(8,742)**	**9,187**	**(9,126)**	**59,130**	**55,927**	**20,920**	**(8,997)**	**72,072**
2022									
At beginning of the financial year	(6,075)	(6,567)	7,016	(6,307)	46,838	60,152	16,844	-	111,901
Recognised in income statement									
- Tax expenses	(5,314)	(3,742)	3,890	506	28,096	12,167	285	-	35,888
- Deferred tax impact arising from Prosperity Tax ^	1,347	-	-	(662)	(9,897)	(12,613)	-	-	(21,825)
At end of the financial year	(10,042)	(10,309)	10,906	(6,463)	65,037	59,706	17,129	-	125,964

^ 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

15 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') guideline 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 was available until 31 December 2022.

16 INVESTMENT IN SUBSIDIARIES

	The Bank	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost	**3,206,788**	3,206,778
Capital contribution to a subsidiary @	**214**	-
	3,207,002	3,206,778
Less: Allowance for impairment losses	**(2,879)**	(2,879)
	3,204,123	3,203,899

@ Being LTIP which was implemented by the Bank in 2023, that is granted to Affin Islamic Bank Berhad's employees.

	2023	2022
Movements in cost of investment in subsidiaries		
At beginning of the financial year	**3,206,778**	3,056,778
Capital contribution to a subsidiary	**214**	-
Capital injection into Affin Business Services Sdn Bhd	**10**	-
Capital injection into Affin Islamic Bank Berhad	**-**	150,000
At end of the financial year	**3,207,002**	3,206,778
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 2023 %	Percentage of equity held 2022 %
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
Affin Business Services Sdn Bhd	Information technology services	10	**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*

^ 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

17 INVESTMENT IN JOINT VENTURES

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At beginning of the financial year	-	181,853	-	194,240
Share of profit for the financial year	-	791	-	-
Share of other comprehensive income for the financial year	-	3,702	-	-
Disposal of investment in joint ventures (a)	-	(76,731)	-	(79,981)
Reclassification to investment in associates (Note 18)	-	(109,615)	-	(114,259)
At end of the financial year	-	-	-	-

The joint ventures, 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 2023 %	Percentage of equity held 2022 %
Generali Life Insurance Malaysia Berhad *	Underwriting of life insurance business	(a)	-	**-**	-
AFFIN-i Nadayu Sdn Bhd #	Property development	(b)	1,000	**50**	50
KL South Development Sdn Bhd #	Property development	(b)	500	**30**	30

* Shareholding held directly by the Bank
# Shareholding held directly by Affin Islamic Bank Berhad.

(a) Generali Life Insurance Malaysia Berhad ('GLIMB')(formerly known as AXA Affin Life Insurance Berhad ('AALI'))

On 30 August 2022, the Bank completed the sale of 21% of its shareholding in GLIMB 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%. GLIMB is reclassified from investment in joint ventures to associate with effect from 30 August 2022.

(b) AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd

As at 31 December 2023, the Bank's share of cumulative loss is RM25.9 million (2022: cumulative loss of RM24.0 million).

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for the financial year ended 31 December 2023

18 INVESTMENT IN ASSOCIATES

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At beginning of the financial year	**794,779**	725,440	**642,679**	548,482
Share of profit for the financial year	**36,466**	7,820	**-**	-
Share of other comprehensive income/(loss) for the financial year	**8,908**	(16,960)	**-**	-
Disposal of interest in investment in associates (b)	**-**	(43,436)	**-**	(32,362)
Reclassification from investment in joint venture (Note 18)	**-**	109,615	**-**	114,259
Acquisition of additional shares (a)	**24,600**	12,300	**24,600**	12,300
Loss on dilution of interest arising from the Merger (b)	**(23,493)**	-	**-**	-
At end of the financial year	**841,260**	794,779	**667,279**	642,679

The associates, 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 2023 %	2022 %
Generali Malaysia Holding Berhad ('GMHB') #	Investment holding company	56	2,553,318	**30.00**	-
Generali Life Insurance Malaysia Berhad *	Underwriting of life insurance business	18 (a)	581,000	**30.00**	30.00
Generali Insurance Malaysia Berhad *	Underwriting of general insurance business	18 (b)	945,645	**30.00**	47.00
Raeed Holdings Sdn Bhd ^^	Investment holding company		^^	**-**	-
TradePlus S&P New China Tracker ^	Investment in equity instruments		^	**-**	-

On 31 May 2023, the Share Swap completed, since then GMHB became an associate to the Group.
* Shareholding held directly by the Bank.
^^ A company was placed in members voluntary winding up during financial year 2022.
^ On 29 July 2022, the Group completed the divestment of AHAM, since then the fund has been ceased from the Group.

(a) During the financial year, the Bank subscribed RM24,600,000 (2022: Nil) new ordinary shares at RM1.00 each in GLIMB.

(b) Generali Insurance Malaysia Berhad ('GIMB') (formerly known as AXA Affin General Insurance Berhad ('AAGI'))

On 30 August 2022, the Bank completed the sale of 2.95% of its shareholding in GIMB 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%.

On 1 April 2023, the merger of the general insurance business of GIMB and MPI Generali Insurance Berhad ('MPIG') has been completed. The consideration was satisfied by the issuance of new GIMB shares to Generali Asia A.V. and subsequently, the Bank's interest was diluted from 47% to 30%.

18 INVESTMENT IN ASSOCIATES (CONTINUED)

The summarised financial information of the material associates are as follows:

	GIMB		GLIMB	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Total assets	**6,132,057**	4,142,431	**3,070,398**	2,902,244
Total liabilities	**(3,858,090)**	(2,776,884)	**(2,639,324)**	(2,547,687)
Net assets	**2,273,967**	1,365,547	**431,074**	354,557
Capital commitment for property and equipment	**9,057**	11,364	**-**	-
The above amounts of assets and liabilities include the following:				
Cash and cash equivalent	**149,485**	14,399	**44,015**	54,090
Revenue	**1,982,833**	1,434,344	**229,815**	175,874
Profit/(loss) after taxation	**139,511**	46,644	**(23,623)**	(50,116)
Other comprehensive income/(loss)	**10,509**	(34,357)	**18,140**	7,099
Total comprehensive income/(loss)	**150,020**	12,287	**(5,483)**	(43,017)

	GIMB		GLIMB	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Reconciliation of the summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements:				
Net assets				
Opening net assets at beginning of the financial year	**1,365,547**	1,353,260	**354,557**	356,574
Profit/(loss) for the financial year	**139,511**	46,644	**(23,623)**	(50,116)
Other comprehensive income/(loss)	**10,509**	(34,357)	**18,140**	7,099
Issuance of new shares	**758,400**	-	**82,000**	41,000
Closing net assets at end of the financial year	**2,273,967**	1,365,547	**431,074**	354,557
Interest in associate:				
- in percentage (%)	**30.00**	47.00	**30.00**	30.00
- in thousand (RM'000)	**682,190**	641,807	**129,322**	106,367
- premium on acquisition	**29,748**	46,605	**-**	-
	711,938	688,412	**129,322**	106,367
Share of results of an associate	**43,553**	23,320*	**(7,087)**	(15,500)*
Share of other comprehensive income/(loss) of an associate	**3,466**	(16,912)*	**5,442**	(48)*

* In reference to Note 17(a) and 18(a), share of results and other comprehensive (loss)/income are apportioned based on the interest before and after the disposal.

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for the financial year ended 31 December 2023

19 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									
2023									
Cost									
At beginning of the financial year	278,905	683,233	26,967	172,704	135,870	233,785	4,167	182,781	1,718,412
Additions	-	-	1,929	22,768	27,455	11,030	1,136	122,940	187,258
Disposals	-	-	(423)	-	(7)	(157)	(160)	-	(747)
Write-off	-	-	-	(1,007)	(1,219)	(1,890)	-	-	(4,116)
Reclassification to intangible assets	-	-	-	-	-	-	-	(50,832)	(50,832)
Reclassification	-	12,425	-	675	-	7,311	-	(20,411)	-
At end of the financial year	278,905	695,658	28,473	195,140	162,099	250,079	5,143	234,478	1,849,975
Accumulated depreciation and impairment losses									
At beginning of the financial year	140	14,723	13,514	149,403	57,930	173,162	2,815	-	411,687
Charge	-	13,866	573	9,846	11,065	23,791	600	-	59,741
Disposal	-	-	(228)	-	(7)	(157)	(85)	-	(477)
Write-off	-	-	-	(1,005)	(1,217)	(1,891)	-	-	(4,113)
At end of the financial year	140	28,589	13,859	158,244	67,771	194,905	3,330	-	466,838
Net book value at end of the financial year	278,765	667,069	14,614	36,896	94,328	55,174	1,813	234,478	1,383,137

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

19 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									
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	-	659,493	-	349	63,085	-	-	(722,927)	-
Disposal of subsidiary	-	-	-	(8,005)	(6,171)	(6,460)	(1,118)	-	(21,754)
At end of the financial year	278,905	683,233	26,967	172,704	135,870	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	668,510	13,453	23,301	77,940	60,623	1,352	182,781	1,306,725

19 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									
2023									
Cost									
At beginning of the financial year	276,397	681,934	26,059	147,149	125,816	184,545	1,757	181,536	1,625,193
Additions	-	-	1,929	18,500	27,364	9,830	1,001	122,385	181,009
Disposals	-	-	(423)	-	-	-	-	-	(423)
Write-off	-	-	-	(759)	(175)	(1,824)	-	-	(2,758)
Reclassification to intangible assets	-	-	-	-	-	-	-	(49,968)	(49,968)
Reclassification	-	12,425	-	675	-	7,311	-	(20,411)	-
At end of the financial year	276,397	694,359	27,565	165,565	153,005	199,862	2,758	233,542	1,753,053
Accumulated depreciation and impairment losses									
At beginning of the financial year	-	13,680	12,830	124,957	48,597	129,989	1,316	-	331,369
Charge	-	13,866	528	9,449	10,888	21,642	201	-	56,574
Disposal	-	-	(228)	-	-	-	-	-	(228)
Write-off	-	-	-	(757)	(174)	(1,822)	-	-	(2,753)
At end of the financial year	-	27,546	13,130	133,649	59,311	149,809	1,517	-	384,962
Net book value at end of the financial year	276,397	666,813	14,435	31,916	93,694	50,053	1,241	233,542	1,368,091

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19 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	-	659,493	-	349	63,085	-	-	(722,927)	-
At end of the financial year	276,397	681,934	26,059	147,149	125,816	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	668,254	13,229	22,192	77,219	54,556	441	181,536	1,293,824

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

20 RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Properties RM'000	Equipment RM'000	Total RM'000
The Group				
2023				
Cost				
At beginning of financial year	**15,689**	**153,242**	**16,676**	**185,607**
Additions	**-**	**23,836**	**520**	**24,356**
Termination of contracts	**(508)**	**-**	**-**	**(508)**
End of lease term	**-**	**(28,009)**	**-**	**(28,009)**
At end of the financial year	**15,181**	**149,069**	**17,196**	**181,446**
Less: Accumulated depreciation				
At beginning of financial year	**5,129**	**119,583**	**3,315**	**128,027**
Charge	**204**	**23,874**	**3,457**	**27,535**
Termination of contracts	**(234)**	**-**	**-**	**(234)**
End of lease term	**-**	**(28,009)**	**-**	**(28,009)**
At end of the financial year	**5,099**	**115,448**	**6,772**	**127,319**
Net book value at end of the financial year	**10,082**	**33,621**	**10,424**	**54,127**

	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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

20 RIGHT-OF-USE ASSETS (CONTINUED)

	Leasehold land RM'000	Properties RM'000	Equipment RM'000	Total RM'000
The Bank				
2023				
Cost				
At beginning of financial year	13,799	137,363	15,041	166,203
Additions	-	16,758	519	17,277
Termination of contracts	(507)	-	-	(507)
Write-off	-	(19,184)	-	(19,184)
At end of the financial year	13,292	134,937	15,560	163,789
Less: Accumulated depreciation				
At beginning of financial year	4,812	106,300	3,154	114,266
Charge	197	20,682	3,124	24,003
Termination of contracts	(234)	-	-	(234)
Write-off	-	(19,184)	-	(19,184)
At end of the financial year	4,775	107,798	6,278	118,851
Net book value at end of the financial year	**8,517**	**27,139**	**9,282**	**44,938**

	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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

21 INTANGIBLE ASSETS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Intangible assets (a)				
- Computer software	**79,311**	48,000	**76,953**	45,896
Goodwill on consolidation (b)	**581,369**	581,369	**137,323**	137,323
	660,680	629,369	**214,276**	183,219

(a) Intangible assets

	Computer software	
	2023 RM'000	2022 RM'000
The Group		
Cost		
At beginning of the financial year	**314,506**	317,462
Additions	**2,130**	4,427
Disposals	-	(1,696)
Write-off	-	(208)
Reclassification from property and equipment (Note 19)	**50,832**	4,615
Disposal of subsidiary	-	(10,094)
At end of the financial year	**367,468**	314,506
Less: Accumulated amortisation		
At beginning of the financial year	**266,506**	248,556
Amortised during the financial year	**21,651**	24,284
Disposals	-	(539)
Write-off	-	(190)
Disposal of subsidiary	-	(5,605)
At end of the financial year	**288,157**	266,506
Net book value at end of the financial year	**79,311**	48,000

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

21 INTANGIBLE ASSETS (CONTINUED)

(a) Intangible assets (continued)

	Computer software	
	2023 RM'000	2022 RM'000
The Bank		
Cost		
At beginning of the financial year	**284,984**	278,311
Additions	**1,767**	2,066
Write-off	**-**	(8)
Reclassification from property and equipment (Note 19)	**49,968**	4,615
At end of the financial year	**336,719**	284,984
Less: Accumulated amortisation		
At beginning of the financial year	**239,088**	216,901
Amortised during the financial year	**20,678**	22,195
Write-off	**-**	(8)
At end of the financial year	**259,766**	239,088
Net book value at end of the financial year	**76,953**	45,896

(b) Goodwill on consolidation

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cost				
At beginning of the financial year	**646,013**	826,944	**137,323**	137,323
Disposal of a subsidiary	**-**	(180,931)	**-**	-
At end of the financial year	**646,013**	646,013	**137,323**	137,323
Less: Accumulated impairment losses				
At beginning of the financial year	**64,644**	20,200	**-**	-
Impairment made during the financial year	**-**	44,444	**-**	-
At end of the financial year	**64,644**	64,644	**-**	-
Net book value at end of the financial year	**581,369**	581,369	**137,323**	137,323

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

21 INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill on consolidation (continued)

The carrying amount of the Group's and the Bank's goodwill (after impairment allowances) has been allocated to the following Group and the Bank's cash-generating units ('CGUs'):

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 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')	**-**	-	**-**	-
Investment banking - Treasury & Markets ('T&M')	**213,360**	213,360	**-**	-
Stock-broking ('SB')	**230,686**	230,686	**-**	-
	581,369	581,369	**137,323**	137,323

(i) 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 is determined based on value-in-use ('VIU') calculations using the cash flow projections based on financial budgets or forecasts covering a five-year (2022: five-year) period. Cash flows beyond the fifth-year period are assumed to grow at 4.50% (2022: 3.70%) 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 2023 and 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. Four scenarios have been adopted to represent the possible outcomes, namely the best case scenario, base case scenario and the worst case scenario, where probability weightage are assigned to these scenarios. Management believes that the probability weightage provides a reasonable assessment of the likelihood of the scenarios. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU's.

The discount rate and terminal growth rate used for the value in use calculation are as follows:

	Discount rate		Terminal growth rate	
	2023 %	2022 %	2023 %	2022 %
Business banking	**8.58**	8.64	**4.50**	3.70
Community banking	**8.56**	8.59	**4.50**	3.70
Investment banking - Advisory ('IB')	**9.50**	10.06	**4.50**	3.70
Investment banking - Treasury & Markets ('T&M')	**9.49**	10.09	**4.50**	3.70
Stock-broking ('SB')	**9.23**	9.75	**4.50**	3.70

21 INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill on consolidation (continued)

(i) Goodwill impairment assessment (continued)

Current Financial Year

There are no impairment losses recognised during the year.

Preceding Financial Year

Management has recognised an impairment loss on the IB, T&M and Money-broking CGUs 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.

(ii) Sensitivity to changes in assumptions

Current Financial Year

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.

Preceding Financial Year

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 assumptions would have resulted in an increase in the impairment losses 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

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for the financial year ended 31 December 2023

22 DEPOSITS FROM CUSTOMERS

		The Group		The Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(i)	**By type of deposit**				
	Demand deposits	**13,592,568**	11,073,400	**7,259,773**	6,182,379
	Savings deposits	**5,321,126**	4,176,804	**3,400,698**	2,701,194
	Fixed deposits	**50,613,977**	47,730,252	**30,436,648**	26,513,154
	Commodity Murabahah	**601,655**	1,238,215	**-**	-
	Money market deposits	**273,597**	415,034	**273,597**	415,034
	Negotiable Instruments of Deposit ('NID')	**411,394**	263,369	**411,395**	263,369
	Others	**19,794**	97,976	**-**	-
		70,834,111	64,995,050	**41,782,111**	36,075,130
(ii)	**Maturity structure of fixed deposits, NID and others**				
	Due within six months	**36,909,085**	34,347,860	**21,751,922**	17,977,704
	Six months to one year	**13,815,130**	13,438,321	**8,865,763**	8,083,231
	One year to three years	**294,052**	223,683	**228,643**	713,795
	Three years to five years	**2,001**	1,940	**1,715**	1,793
	Five years and above	**24,897**	79,793	**-**	-
		51,045,165	48,091,597	**30,848,043**	26,776,523
(iii)	**By type of customers**				
	Government and statutory bodies	**10,092,396**	11,150,332	**1,857,667**	1,313,722
	Business enterprises	**21,272,651**	18,036,571	**12,194,550**	10,202,954
	Individuals	**32,748,571**	31,054,474	**24,081,177**	22,407,042
	Domestic banking institutions	**423,641**	371,612	**524,354**	371,362
	Domestic non-banking financial institutions	**4,486,579**	2,833,080	**1,862,856**	602,036
	Foreign entities	**619,851**	552,973	**483,323**	429,923
	Other entities	**1,190,422**	996,008	**778,184**	748,091
		70,834,111	64,995,050	**41,782,111**	36,075,130

23 INVESTMENT ACCOUNTS OF CUSTOMERS

		The Group	
		2023 RM'000	2022 RM'000
(i)	**By type of deposit**		
	Mudharabah	**359**	859

		The Group			
		Average PSR (%)		Average ROR (%)	
		2023	2022	2023	2022
(ii)	**Profit Sharing Ratio ('PSR') and Rate of Return ('ROR')**				
	Due within:				
	One year to three years	**85**	85	**5.58**	5.58

24 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Licensed banks	**4,416,132**	866,809	**4,513,756**	474,046
Licensed investment banks	**1,241,807**	657,559	**885,122**	448,948
Other financial institutions	**3,392,743**	1,839,788	**296,139**	262,126
	9,050,682	3,364,156	**5,695,017**	1,185,120
Maturity structure of deposits				
Due within six months	**9,013,954**	3,142,856	**5,659,790**	1,185,120
Six months to one year	**36,728**	221,300	**35,227**	-
	9,050,682	3,364,156	**5,695,017**	1,185,120

25 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.

26 RECOURSE OBLIGATION ON LOANS/FINANCING SOLD TO CAGAMAS BERHAD

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Recourse obligation on loans/financing sold to Cagamas Berhad	**3,974,491**	1,073,871	**2,859,450**	1,073,871
Movements in recourse obligation on loans/financing sold to Cagamas Berhad:				
At beginning of the financial year	**1,073,871**	669,212	**1,073,871**	619,179
Additions	**3,490,020**	450,001	**2,390,021**	450,001
Redemption	**(618,008)**	(68,750)	**(618,008)**	(18,747)
Interest/Profit payment	**(84,596)**	(7,104)	**(62,127)**	(5,865)
Interest/Profit expense	**106,521**	30,512	**72,250**	29,303
Fair value changes arising from fair value hedges	**6,683**	-	**3,443**	-
At end of the financial year	**3,974,491**	1,073,871	**2,859,450**	1,073,871

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

27 TRADE PAYABLES

	The Group	
	2023 RM'000	**2022 RM'000**
Amount due to clients	**174,921**	132,889
Amount due to brokers	**39,241**	105,246
Amount due to Bursa Malaysia Securities Sdn Bhd	**-**	100,732
	214,162	338,867

Trade payables include amount payable under outstanding contracts from the stock and sharebroking activities.

The credit terms of amounts due to creditors range from 1 to 30 days (2022: 1 to 30 days).

28 LEASE LIABILITIES

	The Group		The Bank	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
At beginning of the financial year	**49,233**	36,872	**45,440**	29,232
Additions	**20,728**	52,909	**10,273**	48,268
Interest/Profit expense	**457**	2,674	**249**	1,589
Lease payment	**(24,697)**	(41,064)	**(17,684)**	(33,649)
Disposal of subsidiary	**-**	(2,158)	**-**	-
At end of the financial year	**45,721**	49,233	**38,278**	45,440
Potential future rental payments relating to periods following the exercise date of termination options are summarised below:				
Lease liabilities recognised (discounted)	**45,721**	49,233	**38,278**	45,440
Potential future lease payments not included in lease liabilities (undiscounted):				
- Payable in 2024 to 2028	**85,587**	109,703	**66,306**	60,004
- Payable in 2029 to 2033	**13,339**	18,141	**13,193**	17,884
	98,926	127,844	**79,499**	77,888

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

29 OTHER LIABILITIES

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding programmes (a)	**212,017**	245,602	**195,215**	227,297
Margin and collateral deposits	**125,111**	122,545	**104,773**	102,946
Other creditors and accruals	**316,832**	164,622	**115,297**	84,038
Sundry creditors	**78,757**	308,594	**56,650**	233,550
Clearing accounts	**-**	451,311	**-**	-
Treasury and cheque clearing accounts	**-**	22,525	**-**	22,525
Provision for zakat	**5,383**	3,474	**710**	190
Defined contribution plan (b)	**61,048**	31,552	**59,074**	30,210
Accrued employee benefits	**109,736**	139,849	**73,183**	103,084
Unearned income	**127,312**	20,716	**37,124**	15,584
Commissioned dealer's representatives trust balances	**64,818**	64,495	**-**	-
Securities borrowings and lending - borrow	**151,709**	71,962	**-**	-
Amounts payable to commissioned and salaried dealer's representatives	**58,775**	62,788	**-**	-
Expected credit losses (c)				
- loan/financing commitments and financial guarantees	**49,117**	38,908	**15,067**	14,548
	1,360,615	1,748,943	**657,093**	833,972

(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 RM160.8 million (2022: 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

29 OTHER LIABILITIES (CONTINUED)

(c) 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				
2023				
At beginning of the financial year	**15,821**	**3,876**	**19,211**	**38,908**
Total transfer between stages due to change in credit risk:-	**(52)**	**52**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(52)**	**52**	**-**	**-**
Net remeasurement of loss allowance	**(6,711)**	**34,026**	**888**	**28,203**
New loan commitments and financial guarantees issued	**10,501**	**1,165**	**-**	**11,666**
Loan commitment and financial guarantees derecognised	**(6,107)**	**(22,947)**	**(606)**	**(29,660)**
At end of the financial year	**13,452**	**16,172**	**19,493**	**49,117**
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

	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				
2023				
At beginning of the financial year	**11,079**	**2,915**	**554**	**14,548**
Net remeasurement of loss allowance	**(5,168)**	**1,952**	**1,084**	**(2,132)**
New loan commitments and financial guarantees issued	**6,951**	**2,153**	**-**	**9,104**
Loan commitment and financial guarantees derecognised	**(3,772)**	**(1,935)**	**(746)**	**(6,453)**
At end of the financial year	**9,090**	**5,085**	**892**	**15,067**
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

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for the financial year ended 31 December 2023

30 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.

31 BORROWINGS AND SUKUK

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a) Tier-2 Subordinated Medium Term Notes ('MTN')	**510,890**	510,890	**510,890**	510,890
(b) Additional Tier-1 Capital Securities ('AT1CS')	**500,468**	512,315	**500,468**	512,315
(c) Additional Tier-1 Sukuk Wakalah ('AT1S')	**505,808**	303,425	**-**	-
(d) MTN Tier-2 Sukuk Murabahah	**505,113**	455,768	**-**	-
(e) Senior Sukuk	**1,287,450**	751,541	**-**	-
	3,309,729	2,533,939	**1,011,358**	1,023,205
Fair value changes arising from fair value hedges	**(5,328)**	(4,008)	**(5,328)**	(4,008)
	3,304,401	2,529,931	**1,006,030**	1,019,197

(a) Tier-2 Subordinated Medium Term Notes ('MTN')

The Bank had on 7 February 2017 and 20 September 2017 issued RM1.0 billion in nominal value each of Subordinated MTNs. Both Subordinated MTNs were fully redeemed on its first callable date of 7 February 2022 and 20 September 2022 respectively.

The Bank had, on 26 July 2022, issued the 3rd series of the Subordinated MTNs amounting to RM500.0 million 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 5.00%. The Subordinated MTNs were issued for the purpose of general banking business and working capital requirements of the Bank.

(b) Additional Tier-1 Capital Securities ('AT1CS')

The Bank had, on 31 July 2018, issued first series of AT1CS of RM500.0 million out of its approved BASEL III Compliant AT1CS Programme of up to RM3.0 billion in nominal value. The first series AT1CS was issued on perpetual non-callable 5-year basis, at a coupon rate of 5.80%. The Bank had on, 31 July 2023 fully redeemed the first series of AT1CS of RM500.0 million and on 23 June 2023, the Bank had issued a second series of AT1CS of RM500.0 million. The second series AT1CS was issued on perpetual non-callable 5-year basis, at a fixed coupon rate of 5.70%. The second series AT1CS was issued for the purpose of general banking business and working capital requirements of the Bank.

(c) Additional Tier-1 Sukuk Wakalah ('AT1S')

AFFIN ISLAMIC had, on 18 October 2018, issued the AT1S of RM300.0 million out of its approved BASEL III Compliant Islamic MTN Programme of RM5.0 billion in nominal value. The AT1S was issued on a perpetual non-callable 5 years basis, at a distribution rate of 5.65%. The AT1S was fully redeemed on the first callable date on 18 October 2023.

On 10 October 2023, AFFIN ISLAMIC had issued the second tranche of AT1S of RM500.0 million. The AT1S was issued on a perpetual non-callable 5-year basis, at a fixed distribution rate of 5.10%. The AT1S was issued for the purpose of general banking business and working capital requirements of AFFIN ISLAMIC.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

31 BORROWINGS AND SUKUK (CONTINUED)

(d) MTN Tier-2 Sukuk Murabahah

AFFIN ISLAMIC had, on 23 October 2018, issued the MTN Tier-2 Sukuk Murabahah of RM800.0 million out of its approved BASEL III Compliant MTN 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 profit rate of 5.05%. The MTN Tier-2 Sukuk Murabahah was fully redeemed on the first callable date on 23 October 2023.

On 13 October 2023, AFFIN ISLAMIC had issued the second tranche of MTN Tier-2 Sukuk Murabahah of RM500.0 million. This 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 profit rate of 4.66%. This Sukuk Murabahah was issued for the purpose of general banking business and working capital requirements of AFFIN ISLAMIC.

(e) Senior Sukuk

AFFIN ISLAMIC 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 profit rate of 4.55% and RM520.0 million for a tenure of 5 years from the issue date, at a profit rate of 4.75%. The Senior Sukuk was issued for the purpose of general banking business and working capital requirements of AFFIN ISLAMIC.

On 12 December 2023, AFFIN ISLAMIC had issued another tranche of Senior Sukuk Murabahah of RM600.0 million out of its Sukuk Programme. The Sukuk is issued for a tenure of 3 years from the issue date, at a profit rate of 4.15%. The Senior Sukuk Murabahah was issued for the purpose of general banking business and working capital requirements of AFFIN ISLAMIC.

	At beginning of the financial year RM'000	Net Issuance/ (Redemption) RM'000	Interest/Profit expense RM'000	At end of the financial year RM'000
The Group				
2023				
Tier-2 Subordinated MTN	**510,890**	**(25,000)**	**25,000**	**510,890**
AT1CS	**512,315**	**(43,683)**	**31,836**	**500,468**
AT1S *	**303,425**	**183,049**	**19,334**	**505,808**
MTN Tier-2 Sukuk Murabahah *	**455,768**	**11,442**	**37,903**	**505,113**
Senior Sukuk *	**751,541**	**499,437**	**36,472**	**1,287,450**
	2,533,939	**625,245**	**150,545**	**3,309,729**
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

* inclusive of profit expense on AT1CS, Senior Sukuk and Senior Sukuk Murabahah from Islamic banking business.

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31 BORROWINGS AND SUKUK (CONTINUED)

	At beginning of the financial year RM'000	Net Issuance/ (Redemption) RM'000	Interest/Profit expense RM'000	At end of the financial year RM'000
The Bank				
2023				
Tier-2 Subordinated MTN	**510,890**	**(25,000)**	**25,000**	**510,890**
AT1CS	**512,315**	**(43,683)**	**31,836**	**500,468**
	1,023,205	**(68,683)**	**56,836**	**1,011,358**
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

32 SHARE CAPITAL

	The Group and The Bank			
	2023	2023	2022	2022
	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	**2,273,889**	**5,245,447**	2,124,062	4,969,150
Issued on 7 July 2022 (a)	-	-	88,267	162,412
Issued on 29 December 2022 (b)	-	-	61,560	113,885
Issued on 11 July 2023 (c)	**72,599**	**125,597**	-	-
At end of the financial year	**2,346,488**	**5,371,044**	2,273,889	5,245,447

(a) 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.

(b) 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.

(c) The Bank increased its issued ordinary shares from 2,273.9 million to 2,346.5 million via issuance of 72.6 million new ordinary shares amounting to RM125.6 million arising from the DRP relating to electable portion of the final dividend of 7.77 sen per ordinary share, in respect of the financial year ended 31 December 2022.

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33 RESERVES

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
FVOCI revaluation reserves (a)	**169,540**	44,806	**204,573**	166,472
Regulatory reserves (b)	**337,761**	479,799	**270,563**	416,620
Other reserves (c)	**4,146**	-	**4,146**	-
Retained profits	**5,226,324**	4,858,776	**4,073,235**	3,852,537
	5,737,771	5,383,381	**4,552,517**	4,435,629

(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 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 arose from the Long Term Incentive Plan ('LTIP') as disclosed in Note 58.

34 INTEREST INCOME

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Loans, advances and financing	**1,953,143**	1,503,878	**1,690,598**	1,348,764
Money at call and deposit placements with financial institutions	**97,210**	70,925	**226,889**	128,987
Financial investments at FVOCI	**197,510**	109,627	**72,966**	-
Financial investments at AC	**393,869**	361,190	**397,581**	388,162
Others	**7,966**	7,831	**1,965**	3,748
	2,649,698	2,053,451	**2,389,999**	1,869,661

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

35 INTEREST EXPENSE

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deposits from customers	**1,414,709**	808,435	**1,261,478**	704,661
Deposits and placements of banks and other financial institutions	**171,035**	35,212	**154,244**	33,694
Securities sold under repurchase agreements	**139,026**	69,435	**123,032**	69,176
Loan sold to Cagamas Berhad	**72,250**	29,303	**72,250**	29,303
Subordinated medium term notes	**56,836**	81,521	**56,836**	81,521
Others	**12,961**	6,972	**3,335**	4,594
	1,866,817	1,030,878	**1,671,175**	922,949

36 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2023 RM'000	2022 RM'000
Income derived from investment of depositors' funds and others	**1,442,523**	1,141,542
Income derived from investment of investment account funds	**161,804**	88,745
Income derived from investment of shareholders' funds	**131,768**	104,226
Total distributable income	**1,736,095**	1,334,513
Income attributable to depositors and others	**(1,140,452)**	(646,252)
	595,643	688,261

37 OTHER OPERATING INCOME

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a) Fee and commission income:				
Net brokerage	**60,462**	68,600	**-**	-
Corporate advisory fees	**4,696**	4,888	**-**	-
Commission	**54,074**	50,106	**53,843**	51,040
Service charges and fees	**99,456**	89,174	**99,130**	88,869
Guarantee fees	**14,173**	15,594	**13,574**	14,845
Arrangement fees	**1,923**	3,333	**-**	-
Other fee income	**26,724**	16,886	**416**	-
	261,508	248,581	**166,963**	154,754
(b) Fee and commission expenses:				
Commission and referral expense	**(10,930)**	(9,111)	**(10,930)**	(9,111)
Net fee and commission income	**250,578**	239,470	**156,033**	145,643

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

38 NET GAINS ON FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Income from financial instruments:				
Gain/(Loss) arising on financial assets at FVTPL:				
- net gain on disposal	**44,892**	24,560	**14,774**	4,392
- unrealised gain/(loss)	**16,286**	(9,576)	**4,706**	(13,070)
- interest/profit income	**78,302**	33,245	**53,048**	15,618
- gross dividend income	**3,201**	4,374	**1,826**	-
	142,681	52,603	**74,354**	6,940
Gain/(Loss) on derivatives instruments:				
- realised gain	**15,494**	1,153	**5,843**	1,156
- unrealised (loss)/gain	**(757)**	12,836	**1,191**	15,268
- interest/profit income/(expense)	**7,163**	745	**4,931**	(2,230)
	21,900	14,734	**11,965**	14,194
Gain arising on financial investments at FVOCI:				
- net gain on disposal	**4,205**	2,417	**2,454**	-
- gross dividend income	**922**	922	**732**	732
	5,127	3,339	**3,186**	732
Gain arising on financial investments at AC:				
- net gain on redemption	**62**	1	**62**	1
Unrealised loss on fair value changes arising from fair value hedges	**(1,686)**	(14)	**(1,686)**	(14)
Net gains on financial instruments	**168,084**	70,663	**87,881**	21,853

39 OTHER INCOME

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Foreign exchange gain/(loss):				
- realised	**35,985**	40,588	**88,891**	43,346
- unrealised	**119,399**	(17,883)	**52,124**	(25,692)
Rental income	**227**	13	**3,018**	107
Gain on sale of property and equipment	**1,043**	408	**1,032**	1
Gain on disposal of foreclosed properties	**661**	-	**661**	-
Other non-operating income	**6,282**	10,542	**29,719**	9,822
Gross dividend received from subsidiaries	**-**	-	**151,295**	1,281,045
Net gain on disposal/dilution of interest in associates	**25,000**	-	**56,317**	-
	188,597	33,668	**383,057**	1,308,629

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

40 OTHER OPERATING EXPENSES

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Personnel costs	**884,380**	835,120	**599,662**	550,944
Establishment costs	**346,136**	311,587	**260,166**	215,689
Marketing expenses	**48,498**	41,038	**40,070**	34,099
Administrative and general expenses	**142,143**	129,001	**92,957**	93,370
	1,421,157	1,316,746	**992,855**	894,102
Personnel costs				
Wages, salaries and bonuses	**673,049**	643,078	**460,106**	412,216
Defined contribution plan ('EPF')	**116,709**	108,219	**81,800**	71,092
Voluntary separation scheme	**963**	368	**610**	318
Employee benefits share grant scheme ('SGS') [1]	**4,146**	-	**2,922**	-
Other personnel costs	**89,513**	83,455	**54,224**	67,318
	884,380	835,120	**599,662**	550,944
Establishment costs				
Equipment rental	**2,888**	7,166	**1,930**	1,915
Repair and maintenance	**126,821**	95,697	**92,955**	60,145
Depreciation of property and equipment	**59,741**	29,672	**56,574**	25,973
Depreciation of right-of-use assets	**27,535**	38,300	**24,003**	32,876
Amortisation of intangible assets	**21,651**	23,333	**20,678**	22,195
IT consultancy fees	**967**	16,903	**605**	1,780
Dataline rental	**21,187**	28,410	**12,250**	20,627
Security services	**16,955**	16,331	**12,722**	10,669
Electricity, water and sewerage	**15,786**	12,576	**11,524**	4,961
Insurance/Takaful and indemnities	**25,724**	25,178	**19,118**	17,797
Other establishment costs	**26,881**	18,021	**7,807**	16,751
	346,136	311,587	**260,166**	215,689

[1] The long term incentive plan ('LTIP') was implemented by the Group in August 2023. The LTIP awards ordinary shares of the Bank to eligible employees within the Group and its subsidiary companies. The eligibility of participation in the LTIP shall be at the discretion of SGS Committee, and the awarded shares will be vested by stages at predetermined dates subject to continuation employment and performance conditions. Kindly refer to Note 58.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

40 OTHER OPERATING EXPENSES (CONTINUED)

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Marketing expenses				
Business promotion and advertisement	**22,572**	20,802	**20,735**	18,913
Entertainment	**1,654**	5,169	**985**	4,581
Traveling and accommodation	**4,612**	3,800	**3,142**	2,799
Commission and brokerage expenses	**13,170**	6,859	**11,892**	5,906
Other marketing expenses	**6,490**	4,408	**3,316**	1,900
	48,498	41,038	**40,070**	34,099
Administration and general expenses				
Telecommunication expenses	**9,172**	11,000	**2,236**	2,756
Auditors' remuneration	**3,442**	2,848	**1,872**	1,818
Professional fees	**22,328**	25,483	**7,185**	21,911
Property and equipment written-off	**3**	126	**5**	107
Mail and courier charges	**4,463**	3,916	**3,405**	2,818
Stationery and consumables	**12,269**	10,657	**8,679**	7,265
Directors' fees and allowances	**7,912**	8,303	**3,337**	3,438
Donations	**2,933**	2,053	**2,641**	1,897
Settlement, clearing and bank charges	**50,158**	36,846	**45,383**	35,222
Stamp duties	**225**	168	**170**	165
Operational and litigation write-off expenses	**1,678**	121	**1,678**	121
Subscription fees	**9,998**	8,755	**-**	-
Other administration and general expenses	**17,562**	18,725	**16,366**	15,852
	142,143	129,001	**92,957**	93,370

Included in other operating expenses of the Group and the Bank are President/Group CEO and Directors' remuneration totalling RM15,360,000 (2022: RM14,055,000) and RM10,785,000 (2022: RM9,190,000) respectively.

The expenditure includes the following required statutory disclosures:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors' remuneration (Note 41)	**7,912**	8,303	**3,337**	3,438
Auditors' remuneration^:				
(i) Statutory audit fees	**2,333**	2,179	**1,370**	1,371
(ii) Regulatory related fees	**854**	216	**385**	114
(iii) Tax fees	**166**	123	**37**	36
(iv) Non audit fees	**89**	330	**80**	297

^ There was no indemnity given to or insurance effected for the Group and the Bank during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

41 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
Emeliana Dallan Rice-Oxley

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
President/Group CEO				
Salaries	**2,160**	2,040	**2,160**	2,040
Bonuses	**3,713**	2,094	**3,713**	2,094
Defined contribution plan ('EPF')	**1,326**	993	**1,326**	993
Other employee benefits	**166**	507	**166**	507
Benefits-in-kind	**83**	118	**83**	118
President/Group CEO remuneration	**7,448**	5,752	**7,448**	5,752
Non-Executive Directors				
Fees and other emoluments	**3,229**	3,330	**3,229**	3,330
Benefits-in-kind	**108**	108	**108**	108
Directors' remuneration	**3,337**	3,438	**3,337**	3,438
Directors of subsidiaries	**4,575**	4,865	**-**	-
Total Directors' remuneration (Note 41)	**7,912**	8,303	**3,337**	3,438
President/Group CEO and Directors' remuneration	**15,360**	14,055	**10,785**	9,190

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 (2022: RM108,000) and RM108,000 (2022: RM108,000) respectively.

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 RM1,537,334 (2022: RM1,535,939) and RM210,367 (2022: RM200,350) respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

41 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:

	Salaries RM'000	Bonuses RM'000	Directors' fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
The Group						
2023						
President & Group CEO						
Datuk Wan Razly Abdullah bin Wan Ali	**2,160**	**3,713**	**-**	**1,492**	**83**	**7,448**
Total	**2,160**	**3,713**	**-**	**1,492**	**83**	**7,448**
Non-Executive Directors						
Dato' Agil Natt	**-**	**-**	**489**	**-**	**108**	**597**
Dato' Abdul Aziz bin Abu Bakar	**-**	**-**	**293**	**-**	**-**	**293**
Dato' Mohd Hata bin Robani	**-**	**-**	**365**	**-**	**-**	**365**
Ignatius Chan Tze Ching	**-**	**-**	**207**	**-**	**-**	**207**
Dato' Rozalila binti Abdul Rahman	**-**	**-**	**360**	**-**	**-**	**360**
Peter Yuen Wai Hung	**-**	**-**	**262**	**-**	**-**	**262**
Marzida binti Mohd Noor	**-**	**-**	**362**	**-**	**-**	**362**
Gregory Jerome Gerald Fernandes	**-**	**-**	**362**	**-**	**-**	**362**
Chan Wai Yu	**-**	**-**	**387**	**-**	**-**	**387**
Mohammad Ashraf bin Md Radzi	**-**	**-**	**82**	**-**	**-**	**82**
Emeliana Dallan Rice-Oxley	**-**	**-**	**60**	**-**	**-**	**60**
Total	**-**	**-**	**3,229**	**-**	**108**	**3,337**
Grand total	**2,160**	**3,713**	**3,229**	**1,492**	**191**	**10,785**

	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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

41 PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' REMUNERATION (CONTINUED)

A summary of the total remuneration of the 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						
2023						
President & Group CEO						
Datuk Wan Razly Abdullah bin Wan Ali	**2,160**	**3,713**	**-**	**1,492**	**83**	**7,448**
Total	**2,160**	**3,713**	**-**	**1,492**	**83**	**7,448**
Non-Executive Directors						
Dato' Agil Natt	**-**	**-**	**489**	**-**	**108**	**597**
Dato' Abdul Aziz bin Abu Bakar	**-**	**-**	**293**	**-**	**-**	**293**
Dato' Mohd Hata bin Robani	**-**	**-**	**365**	**-**	**-**	**365**
Ignatius Chan Tze Ching	**-**	**-**	**207**	**-**	**-**	**207**
Dato' Rozalila binti Abdul Rahman	**-**	**-**	**360**	**-**	**-**	**360**
Peter Yuen Wai Hung	**-**	**-**	**262**	**-**	**-**	**262**
Marzida binti Mohd Noor	**-**	**-**	**362**	**-**	**-**	**362**
Gregory Jerome Gerald Fernandes	**-**	**-**	**362**	**-**	**-**	**362**
Chan Wai Yu	**-**	**-**	**387**	**-**	**-**	**387**
Mohammad Ashraf bin Md Radzi	**-**	**-**	**82**	**-**	**-**	**82**
Emeliana Dallan Rice-Oxley	**-**	**-**	**60**	**-**	**-**	**60**
Total	**-**	**-**	**3,229**	**-**	**108**	**3,337**
Grand total	**2,160**	**3,713**	**3,229**	**1,492**	**191**	**10,785**

	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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

42 ALLOWANCES FOR/(WRITE-BACK OF) CREDIT IMPAIRMENT LOSSES

	The Group		The Bank	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Expected credit losses made/(written-back) on:				
- loans, advances and financing	**94,686**	521,915	**104,223**	252,518
- trade receivables	**(533)**	(544)	**-**	-
- securities and placements	**25,734**	(22,791)	**31,845**	(26,489)
- loans/financing commitments and financial guarantee	**10,209**	(18,006)	**520**	(16,775)
Bad debts and financing				
- recovered	**(65,393)**	(74,571)	**(50,320)**	(41,295)
- written-off	**10,302**	32,529	**6,189**	29,010
	75,005	438,532	**92,457**	196,969

43 ALLOWANCES FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON OTHER ASSETS AND GOODWILL

	The Group		The Bank	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Allowance for impairment made/(written-back) on:				
- goodwill	**-**	64,644	**-**	-
- amount due from joint ventures	**4,649**	3,555	**-**	-
- amount due from associates	**-**	(42)	**-**	(42)
- other debtors	**(1,449)**	420	**-**	(1,852)
	3,200	68,577	**-**	(1,894)

44 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')	Substantial shareholder, which is Government-Linked Investment Company of the Government of Malaysia
Subsidiaries and associates of LTAT	Subsidiaries and associate companies of the substantial shareholder
Subsidiaries of Affin Bank Berhad as disclosed in Note 16	Subsidiaries
Joint ventures as disclosed in Note 17	Joint ventures
Associates as disclosed in Note 18	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 41.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

44 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 party transactions and balances

	Substantial shareholder		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The Group										
Income										
Interest on NID purchased	**-**	-	**5,900**	5,900	**-**	-	**-**	-	**-**	-
Interest on loans, advances and financing	**12**	-	**42,340**	41,691	**-**	-	**2,198**	1,767	**185**	205
Interest/profit on Corporate bond/Sukuk (PDS)	**-**	-	**36,000**	36,000	**-**	-	**-**	-	**-**	-
Interest/profit on subordinated term loan	**-**	-	**-**	-	**-**	1,652	**-**	-	**-**	-
Commission income	**-**	-	**-**	-	**17,810**	1,575	**-**	-	**-**	-
Other income	**570**	419	**3,028**	5,766	**-**	-	**-**	-	**-**	-
	582	419	**87,268**	89,357	**17,810**	3,227	**2,198**	1,767	**185**	205
Expenditure										
Interest/profit on deposits and placements of banks and other financial institutions	**851**	495	**6,847**	7,606	**246**	222	**570**	635	**21**	18
Insurance premium	**-**	-	**-**	-	**279**	254	**-**	-	**-**	-
Rental	**26**	318	**13,193**	19,985	**-**	-	**-**	-	**-**	-
Other expenditure	**707**	98	**1,380**	6,253	**1,414**	1,353	**-**	-	**-**	-
	1,584	911	**21,420**	33,844	**1,939**	1,829	**570**	635	**21**	18

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions and balances (continued)

	Substantial shareholder		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The Group										
Amount due from										
Cash and short-term funds	**-**	-	**100,379**	-	**-**	-	**-**	-	**-**	-
Corporate bonds/Sukuk/NID	**-**	-	**598,786**	597,034	**-**	-	**-**	-	**-**	-
Loans, advances and financing	**-**	-	**1,190,143**	1,347,672	**-**	-	**29,912**	30,471	**8,523**	7,409
Unquoted equities	**-**	-	**15,082**	15,070	**-**	-	**-**	-	**-**	-
Other assets	**-**	-	**1,152**	1,311	**-**	-	**-**	-	**-**	-
	-	-	**1,905,542**	1,961,087	**-**	-	**29,912**	30,471	**8,523**	7,409
Amount due to										
Demand and savings deposits	**28,641**	896,345	**277,247**	153,458	**-**	7,551	**1,477**	5,493	**24,585**	18,877
Fixed deposits	**-**	-	**352,709**	482,879	**-**	81,190	**297,580**	247,154	**8,471**	6,300
Short-term deposits	**33,719**	15,602	**-**	-	**-**	-	**-**	-	**-**	-
Money market deposits	**87,455**	14,371	**91,748**	1,296	**-**	-	**-**	-	**-**	-
Other liabilities	**-**	23,206	**90,013**	83,638	**-**	-	**-**	-	**-**	-
	149,815	949,524	**811,717**	721,271	**-**	88,741	**299,057**	252,647	**33,056**	25,177
Commitments and contingencies	**2,923,864**	29,910	**437,531**	715,403	**-**	50,000	**610**	902	**39**	39

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions and balances (continued)

	Substantial shareholder		Subsidiaries		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The Bank												
Income												
Interest on deposits and placements with banks and other financial institutions	-	-	17,395	10,106	-	-	-	-	-	-	-	-
Profit on RIA	-	-	146,918	77,407	-	-	-	-	-	-	-	-
Interest on NID	-	-	28,617	19,920	-	-	-	-	-	-	-	-
Interest on loans, advances and financing	12	-	-	-	28,816	24,683	-	-	-	-	-	137
Interest on Corporate Bond/Sukuk	-	-	-	-	36,000	36,000	-	-	-	-	-	-
Interest on subordinated term loan	-	-	15,222	17,298	-	-	-	1,652	-	-	-	-
Other income	-	-	-	200,088	1,748	1,523	17,810	1,575	-	-	-	-
	12	-	208,152	324,819	66,564	62,206	17,810	3,227	-	-	-	137
Expenditure												
Interest on fixed deposits	20	-	216	190	28	187	246	222	-	2	11	10
Interest on NID	-	-	5,240	9,129	-	-	-	-	-	-	-	-
Interest on deposits and placements of banks and other financial institutions	-	-	648	118	-	-	-	-	-	-	-	-
Interest on money market deposits	33	276	1,885	504	327	318	-	-	-	-	-	-
Brokerage fees	-	-	656	405	-	-	-	-	-	-	-	-
Rental	26	318	1,024	238	9,212	13,149	-	-	-	-	-	-
Other expenditure	-	-	19,325	666	964	2,051	1,414	1,353	-	-	-	-
	79	594	28,994	11,250	10,531	15,705	1,660	1,575	-	2	11	10

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions and balances (continued)

	Substantial shareholder		Subsidiaries		Other related companies		Joint ventures/ Associates		Companies in which certain Directors have substantial interest		Key management personnel	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The Bank												
Amount due from												
Restricted investment accounts	-	-	**3,665,451**	2,719,747	-	-	-	-	-	-	-	-
Negotiable instruments of Deposit	-	-	**804,231**	754,595	-	-	-	-	-	-	-	-
Loans, advances and financing	-	-	-	-	**502,471**	601,013	-	-	-	-	**4,079**	5,218
Deposits and placements with banks and other financial institutions	-	-	**1,331,334**	304,213	-	-	-	-	-	-	-	-
Subordinated term loan	-	-	**65,252**	296,892	-	-	-	-	-	-	-	-
Corporate Bond/Sukuk	-	-	-	-	**598,786**	597,034	-	-	-	-	-	-
Unquoted equities	-	-	-	-	**15,082**	15,070	-	-	-	-	-	-
	-	-	**5,866,268**	4,075,447	**1,116,339**	1,213,117	-	-	-	-	**4,079**	5,218
Amount due to												
Demand and savings deposits	-	867,704	**172,960**	21,035	**189,167**	114,366	-	7,128	-	1,541	**9,866**	8,053
Fixed deposits	-	-	**92,993**	109,323	**79,860**	110,335	-	81,190	**51,007**	1,233	**6,681**	3,716
Negotiable instruments of deposit	-	-	**400,576**	251,457	-	-	-	-	-	-	-	-
Money market deposits	**87,455**	14,371	**395,600**	449,448	**4,852**	1,296	-	-	-	-	-	-
Intercompany balances	-	-	**315,062**	306,207	-	-	-	-	-	-	-	-
	87,455	882,075	**1,377,191**	1,137,470	**273,879**	225,997	-	88,318	**51,007**	2,774	**16,547**	11,769
Commitments and contingencies	**28,000**	28,000	**309,822**	781,263	**219,342**	493,037	-	50,000	-	-	**39**	39

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

44 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors' fees, other emoluments and benefits				
Fees	**6,630**	6,868	**3,229**	3,330
Other emoluments	**854**	1,000	**-**	-
Benefits-in-kind	**428**	435	**108**	108
	7,912	8,303	**3,337**	3,438
Short-term employment benefits				
Salaries	**17,898**	16,734	**11,632**	10,096
Bonuses	**10,839**	9,697	**9,123**	6,892
Defined contribution plan ('EPF')	**6,866**	5,935	**5,296**	4,438
Other employee benefits	**3,189**	7,199	**1,817**	5,000
Benefits-in-kind	**616**	1,095	**437**	675
	39,408	40,660	**28,305**	27,101

Included in the above is the President/Group CEO and directors' remuneration as disclosed in Note 41.

45 TAXATION

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysian income tax				
Current tax	**90,882**	181,420	**2,786**	74,046
(Over)/under provision in prior financial year	**(37,239)**	4,350	**(38,479)**	3,140
Deferred tax (Note 14)	**62,453**	(12,418)	**44,854**	(14,064)
Tax expense for the financial year	**116,096**	173,352	**9,161**	63,122
Tax expense attributable to:				
- Continuing operations	**116,096**	157,209	**9,161**	63,122
- Discontinued operations	**-**	16,143	**-**	-
	116,096	173,352	**9,161**	63,122

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

45 TAXATION (CONTINUED)

	The Group		The Bank	
	2023 %	2022 %	2023 %	2022 %
Statutory tax rate in Malaysia	**24.00**	24.00	**24.00**	24.00
Tax effect in respect of:				
- Non-allowable expenses	**5.92**	2.76	**9.60**	1.02
- Non taxable income	**(3.01)**	(19.26)	**(19.75)**	(23.18)
- Effect of different tax rate ^	**-**	4.81	**-**	2.66
- (Over)/under provision in prior financial year +	**(7.06)**	0.32	**(14.77)**	0.24
- Unutilised capital allowances for lease income	**2.19**	-	**4.44**	-
- Unrecognised tax losses of which temporary differences not recognised	**(0.03)**	(0.01)	**-**	-
Average effective tax rate	**22.01**	* 12.62	**3.52**	4.74

^ 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.

\+ The overprovision of tax in 2023 is mainly due to claims on capital allowances on TRX building.

46 EARNINGS PER SHARE

(a) BASIC 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	
	2023	2022	2023	2022
The Group				
Net profit attributable to equity holders of the Bank (RM'000)	**402,191**	78,032	**-**	1,100,491
Weighted average number of ordinary shares in issue ('000)	**2,308,498**	2,167,445	**-**	2,167,445
Basic earnings per share (sen)	**17.4**	3.6	**-**	50.8

	Continuing operations		Discontinued operations	
	2023	2022	2023	2022
The Bank				
Net profit attributable to equity holders of the Bank (RM'000)	**251,322**	1,270,538	**-**	-
Weighted average number of ordinary shares in issue ('000)	**2,308,498**	2,167,445	**-**	-
Basic earnings per share (sen)	**10.9**	58.6	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

46 EARNINGS PER SHARE

(b) DILUTED EARNINGS PER SHARE

During the financial year ended 31 December 2023, diluted EPS is calculated by dividing the net profit attributable to equity holders of the Bank, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares in issue during the financial year and the weighted average number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares.

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The Group				
Net profit attributable to equity holders of the Bank (RM'000)	**402,191**	78,032	**251,322**	1,270,538
Weighted average number of ordinary shares in issue ('000)				
- during the year	**2,308,498**	2,167,445	**2,308,498**	2,167,445
- effect of dilutive of potential ordinary shares [1]	**15,425**	-	**10,858**	-
Weighted average number of potential shares for diluted EPS ('000)	**2,323,923**	2,167,445	**2,319,356**	2,167,445
Diluted earnings per share (sen)	**17.3**	3.6	**10.8**	58.6

[1] The dilutive potential ordinary shares are arising from Shares Grant Scheme ('SGS'). The SGS is a restricted share unit scheme where vesting is subject to performance conditions. The number of shares calculated as above is compared with the number of shares that would have been issued assuming performance conditions are achieved.

47 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Bank:

	2023		2022	
	Dividend per share sen	Amount of dividend RM'000	Dividend per share sen	Amount of dividend RM'000
The Group and The Bank				
Ordinary shares				
Dividend for the financial year ended 31 December 2021:				
- Single-tier final dividend	-	-	12.50	265,508
Dividend for the financial year ended 31 December 2022:				
- Single-tier interim dividend	-	-	4.53	100,219
- Single-tier special dividend	-	-	18.09	400,210
- Single-tier final dividend	**7.77**	**176,681**	-	-
	7.77	**176,681**	35.12	765,937

On 29 February 2024, the Board of Directors proposed a single-tier interim dividend of 5.76 sen per share amounting to RM135,157,728 in respect of the financial year ended 31 December 2023, based on the Bank's issued share capital of 2,346,488,338 ordinary shares at 31 December 2023.

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 2023

48 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 principal amount of commitments and contingencies constitute the following:

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Direct credit substitutes *	**528,245**	500,774	**370,153**	381,708
Transaction-related contingent items	**1,385,471**	1,331,367	**840,151**	854,221
Short-term self-liquidating trade-related contingencies	**4,620,093**	413,248	**100,039**	112,285
Irrevocable commitments to extend credit:	**10,210,074**	8,427,010	**6,405,339**	5,700,607
- maturity less than one year	**7,383,227**	5,557,413	**4,480,382**	3,831,479
- maturity more than one year	**2,826,847**	2,869,597	**1,924,957**	1,869,128
Foreign exchange related contracts #:	**49,035,370**	27,693,293	**40,095,245**	21,557,832
- less than one year	**48,708,481**	26,850,314	**40,095,245**	21,557,832
- one year to less than five years	**326,889**	842,979	**-**	-
Interest/Profit rate related contracts #:	**14,677,667**	10,361,273	**10,281,772**	7,261,273
- less than one year	**2,577,284**	2,535,790	**1,907,284**	1,595,790
- one year to less than five years	**11,343,119**	7,155,483	**7,734,449**	4,995,483
- more than five years	**757,264**	670,000	**640,039**	670,000
Equity related contracts:	**16,910**	-	**-**	-
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	**1,624,905**	1,279,899	**-**	-
Lending of the 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	**3,619,584**	5,175,091	**3,619,584**	5,175,091
Unutilised credit card lines	**1,712,631**	1,458,431	**1,429,339**	1,233,927
	87,430,950	56,647,807	**63,141,622**	42,276,944

* Included in direct credit substitutes above are financial guarantee contracts of RM528.2 million and RM370.2 million at the Group and the Bank respectively (2022: RM499.9 million and RM380.8 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 has been recognised as 'derivative financial instruments' in the statement of financial position and disclosed in Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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 policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management procedures 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 are committed to enhance the knowledge and skills set of its staff. They placed strong emphasis on creating and enhancing risk awareness in the organisation.

The Group and the Bank are supportive of credit officers in pursuing Professional Credit Certification ('PCC') 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/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.

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

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/financing 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 loans/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 2023

49 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				
2023				
Community Banking				
- Overdraft/Cash Line-i	**5,582**	**(1,819)**	**3,763**	**13,957**
- Credit cards	**4,163**	**(2,863)**	**1,300**	**-**
- Term loans/financing	**122,228**	**(46,761)**	**75,467**	**138,350**
- Mortgages	**210,871**	**(53,084)**	**157,787**	**229,108**
- Hire purchase	**79,868**	**(44,971)**	**34,897**	**263,239**
Corporate Banking	**526,965**	**(253,031)**	**273,934**	**1,479,926**
Enterprise Banking	**315,734**	**(181,418)**	**134,316**	**906,699**
Total credit-impaired assets	**1,265,411**	**(583,947)**	**681,464**	**3,031,279**
The Group				
2022				
Community Banking				
- Overdraft/Cash Line-i	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

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for the financial year ended 31 December 2023

49 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				
2023				
Community Banking				
- Overdraft	**5,487**	**(1,788)**	**3,699**	**13,957**
- Credit cards	**3,507**	**(2,412)**	**1,095**	**-**
- Term loans/financing	**32,427**	**(7,842)**	**24,585**	**32,139**
- Mortgages	**116,819**	**(29,374)**	**87,445**	**128,764**
- Hire purchase	**43,393**	**(24,444)**	**18,949**	**164,037**
Corporate Banking	**496,655**	**(245,257)**	**251,398**	**1,446,526**
Enterprise Banking	**274,857**	**(158,232)**	**116,625**	**753,820**
Total credit-impaired assets	**973,145**	**(469,349)**	**503,796**	**2,539,243**
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 financial effect of collateral held for loans, advances and financing of the Group and the Bank are 82.4% (2022: 81.3%) and 79.5% (2022: 78.4%) respectively. The financial effects of collateral for the other financial assets are insignificant.

49 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Nature of assets				
Industrial and residential properties	**19,316**	23,950	**5,901**	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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Derivatives	**2,700**	5,113	**-**	-

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 losses 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit risk measurement (continued)

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).

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-Months 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 up to 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 2023.

49 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 loans/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 derived 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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:

	2023 %	2022 %
Measurement variables - MEV change		
House Price Index	**1.02**	0.10
Private Consumption Expenditure	**28.03**	14.67
USD Dollar to Malaysian Ringgit Exchange Rate	**1.25**	0.10
Malaysia Economic Indicator Leading Index ('MEILI') 2015	**0.55**	3.86
Automative Association Malaysia Total Car Sales Growth ('AAM')	*** N/A**	5.94
Overnight Policy Rate	*** N/A**	9.65
Malaysia Debt Service Ratio	**0.32**	0.82
Current Account (as a percentage of Gross Domestic Product)	**5.22**	18.84
Unemployment Rate	**2.39**	0.97
Average Lending Rate	**2.77**	4.44

* N/A – Not applicable as a results of change in MEV made during the financial year.

	2023 (Write-back)/made		2022 (Write-back)/made	
	RM'000 +	RM'000 -	RM'000 +	RM'000 -
The Group				
Impact on expected credit losses	**23**	**491**	(26,756)	29,725
The Bank				
Impact on expected credit losses	**1,373**	**(1,047)**	(16,138)	17,968

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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 loans/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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Maximum credit risk exposure				
Credit risk exposures of on-balance sheet assets:				
Cash and short-term funds *	**5,359,108**	4,657,207	**3,262,435**	1,739,784
Financial assets at FVTPL **	**400,753**	398,040	**1,186,915**	398,038
Financial investments at FVOCI #	**9,782,127**	3,551,586	**3,758,344**	-
Other assets @	**1,040,365**	804,509	**482,433**	230,533
	16,582,353	9,411,342	**8,690,127**	2,368,355
Credit risk exposure of off-balance sheet items:				
Financial guarantees	**528,245**	500,774	**370,153**	381,708
Loan commitments and other credit related commitments	**23,172,758**	18,085,046	**12,394,452**	13,076,131
	23,701,003	18,585,820	**12,764,605**	13,457,839
Total maximum credit risk exposure	**40,283,356**	27,997,162	**21,454,732**	15,826,194

* Excluded cash in hand

** Excluded investment in exchange traded fund, shares, unit trusts and REITs

Excluded investment in unquoted shares

@ Included amount due from joint ventures and subsidiaries, trade receivables and other assets (excluded 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.

49 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 instruments 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										
2023										
Agriculture	-	-	-	-	-	75,208	1,486,285	-	1,561,493	372,114
Mining and quarrying	-	-	-	-	-	15,291	381,515	-	396,806	260,640
Manufacturing	-	-	16,456	4,627	25,488	274,641	3,865,896	235	4,187,343	1,915,772
Electricity, gas and water supply	-	-	-	1,086	109,210	141,073	468,482	297	720,148	360,682
Construction	-	-	5,086	-	355,333	101,668	1,980,543	-	2,442,630	2,207,231
Real estate	-	-	-	22	100,972	218,457	4,740,278	699	5,060,428	920,215
Transport, storage and communication	-	-	-	3,514	453,815	776,176	2,355,418	185	3,589,108	685,985
Finance, insurance and business services	2,249,216	840,592	284,394	458,120	4,463,128	10,951,591	2,213,988	33,734	21,494,763	4,581,818
Government and government agencies	3,109,892	-	79,679	-	3,082,791	2,901,989	2,338,283	-	11,512,634	5,394,329
Wholesale, retail trade, hotel and restaurants	-	-	15,138	3,069	101,563	521,694	5,858,174	-	6,499,638	1,535,052
Others	-	-	-	-	1,089,827	614,780	39,536,135	1,005,215	42,245,957	5,467,165
Total assets	5,359,108	840,592	400,753	470,438	9,782,127	16,592,568	65,224,997	1,040,365	99,710,948	23,701,003

^ Others include amount due from joint ventures, trade receivables and other assets (excluded prepayment and foreclosed properties).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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 instruments 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 (excluded prepayment and foreclosed properties).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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 instruments 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 Bank											
2023											
Agriculture	-	-	-	-	-	-	10,164	687,618	-	697,782	134,293
Mining and quarrying	-	-	-	-	-	-	5,097	274,801	-	279,898	68,763
Manufacturing	-	-	-	-	4,223	5,148	162,727	2,618,506	-	2,790,604	1,435,663
Electricity, gas and water supply	-	-	-	-	-	57,289	60,307	82,089	-	199,685	36,171
Construction	-	-	-	5,086	-	148,286	50,700	934,176	-	1,138,248	1,330,195
Real estate	-	-	-	-	22	15,189	35,313	3,443,096	-	3,493,620	679,664
Transport, storage and communication	-	-	-	-	3,514	40,955	435,780	1,477,817	-	1,958,066	429,244
Finance, insurance and business services	2,613,277	1,143,443	3,665,450	1,087,012	340,011	2,780,486	8,036,655	1,379,965	-	21,046,299	4,470,074
Government and government agencies	649,158	-	-	79,679	-	239,681	1,524,336	1,435,553	-	3,928,407	84,622
Wholesale, retail trade, hotel and restaurants	-	-	-	15,138	1,113	-	521,694	4,488,836	-	5,026,781	1,010,630
Others	-	-	-	-	-	471,310	325,312	17,687,993	482,433	18,967,048	3,085,286
Total assets	3,262,435	1,143,443	3,665,450	1,186,915	348,883	3,758,344	11,168,085	34,510,450	482,433	59,526,438	12,764,605

^ Others include amount due from subsidiaries and other assets (excluded prepayment and foreclosed properties).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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 instruments 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 (excluded prepayment and foreclosed properties).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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 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.

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				
2023				
Neither past due nor impaired	**56,917,986**	**3,103,554**	**-**	**60,021,540**
Past due but not impaired	**2,703,812**	**2,672,106**	**-**	**5,375,918**
Impaired	**-**	**-**	**1,265,411**	**1,265,411**
Gross loans, advances and financing	**59,621,798**	**5,775,660**	**1,265,411**	**66,662,869**
Less: Expected credit losses	**(149,260)**	**(704,665)**	**(583,947)**	**(1,437,872)**
Net loans, advances and financing	**59,472,538**	**5,070,995**	**681,464**	**65,224,997**

	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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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				
2023				
Neither past due nor impaired	**29,969,670**	**1,802,538**	**-**	**31,772,208**
Past due but not impaired	**1,282,464**	**1,440,424**	**-**	**2,722,888**
Impaired	**-**	**-**	**973,145**	**973,145**
Gross loans, advances and financing	**31,252,134**	**3,242,962**	**973,145**	**35,468,241**
Less: Expected credit losses	**(95,645)**	**(392,797)**	**(469,349)**	**(957,791)**
Net loans, advances and financing	**31,156,489**	**2,850,165**	**503,796**	**34,510,450**

	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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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				
2023				
Credit grade				
Satisfactory	**17,139,594**	**2,776,421**	**-**	**22,765,066**
Special mention	**2,980,090**	**428,201**	**-**	**559,240**
Default/impaired	**-**	**-**	**1,265,411**	**1,265,411**
Unrated	**39,502,114**	**2,571,038**	**-**	**42,073,152**
Gross loans, advances and financing	**59,621,798**	**5,775,660**	**1,265,411**	**66,662,869**
Less: Expected credit losses	**(149,260)**	**(704,665)**	**(583,947)**	**(1,437,872)**
Net loans, advances and financing	**59,472,538**	**5,070,995**	**681,464**	**65,224,997**

	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	16,437,987	2,449,059	-	21,607,344
Special mention	3,043,221	350,500	-	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

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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				
2023				
Credit grade				
Satisfactory	**9,393,060**	**1,708,806**	**-**	**13,066,206**
Special mention	**1,969,638**	**286,960**	**-**	**292,258**
Default/impaired	**-**	**-**	**973,145**	**973,145**
Unrated	**19,889,436**	**1,247,196**	**-**	**21,136,632**
Gross loans, advances and financing	**31,252,134**	**3,242,962**	**973,145**	**35,468,241**
Less: Expected credit losses	**(95,645)**	**(392,797)**	**(469,349)**	**(957,791)**
Net loans, advances and financing	**31,156,489**	**2,850,165**	**503,796**	**34,510,450**

	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	9,591,472	1,734,784	-	12,719,980
Special mention	1,539,953	227,026	-	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

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').

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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 Assessment 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				
2023				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	3,109,897	-	-	3,109,897
AAA	960,039	-	-	960,039
AA- to AA+	1,663,397	-	-	1,663,397
A- to A+	340,032	-	-	340,032
Lower than A-	103,398	-	-	103,398
Unrated	22,958	-	-	22,958
Expected credit losses ('ECL')	(21)	-	-	(21)
	6,199,700	-	-	6,199,700
Financial investments at FVOCI				
Sovereigns	4,425,447	-	-	4,425,447
AAA	1,665,347	-	-	1,665,347
AA- to AA+	1,447,162	97,825	-	1,544,987
A- to A+	359,501	-	-	359,501
Lower than A-	310,229	-	-	310,229
Unrated	1,375,052	101,564	-	1,476,616
	9,582,738	199,389	-	9,782,127
Expected credit losses ('ECL') ^^	(533)	(21,156)	-	(21,689)
Financial investments at AC				
Sovereigns	13,014,574	-	-	13,014,574
AAA	1,025,221	-	-	1,025,221
AA- to AA+	1,177,744	50,404	-	1,228,148
A- to A+	308,937	-	-	308,937
Lower than A-	186,428	-	-	186,428
Unrated	314,283	611,457	8,101	933,841
Expected credit losses ('ECL')	(6,707)	(89,773)	(8,101)	(104,581)
	16,020,480	572,088	-	16,592,568
Amount due from joint ventures				
Unrated	-	52,499	-	52,499
Expected credit losses ('ECL')	-	(52,467)	-	(52,467)
	-	32	-	32

^^ 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 2023

49 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				
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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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				
2023				
Short-term funds, deposits and placements with banks and other financial institutions				
Sovereigns	649,158	-	-	649,158
AAA	424,068	-	-	424,068
AA- to AA+	3,105,855	-	-	3,105,855
A- to A+	166,718	-	-	166,718
Lower than A-	37,136	-	-	37,136
Unrated	22,958	-	-	22,958
Expected credit losses ('ECL')	(15)	-	-	(15)
	4,405,878	-	-	4,405,878
Investment accounts due from designated financial institution				
AA- to AA+	3,665,451	-	-	3,665,451
Expected credit losses ('ECL')	(1)	-	-	(1)
	3,665,450	-	-	3,665,450
Financial investments at FVOCI				
Sovereigns	239,681	-	-	239,681
AAA	857,647	-	-	857,647
AA- to AA+	774,021	51,844	-	825,865
A- to A+	298,688	-	-	298,688
Lower than A-	196,490	-	-	196,490
Unrated	1,339,973	-	-	1,339,973
	3,706,500	51,844	-	3,758,344
Expected credit losses ('ECL')	(172)	(235)	-	(407)
Financial investments at AC				
Sovereigns	8,795,819	-	-	8,795,819
AAA	589,818	-	-	589,818
AA- to AA+	801,421	25,202	-	826,623
A- to A+	247,851	-	-	247,851
Lower than A-	186,428	-	-	186,428
Unrated	-	611,457	-	611,457
Expected credit losses ('ECL')	(143)	(89,768)	-	(89,911)
	10,621,194	546,891	-	11,168,085
Amount due from subsidiaries				
AA- to AA+	-	22,126	-	22,126

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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				
Unrated	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 2023

49 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					
2023					
Trade receivables	**-**	**398,908**	**191**	**399,099**	**(223)**
Other assets	**614,852**	**26,598**	**2,293**	**643,743**	**(2,286)**
2022					
Trade receivables	-	405,793	364	406,157	(756)
Other assets	379,550	19,095	4,757	403,402	(4,749)

	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					
2023					
Other assets	**460,307**	**-**	**-**	**460,307**	**-**
2022					
Other assets	224,698	-	-	224,698	-

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 2023

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Other financial assets - credit quality (continued)

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				
2023				
Loans/Financing commitments and financial guarantees				
Satisfactory	**22,996,987**	**454,536**	**-**	**23,451,523**
Special mention	**55**	**93,742**	**-**	**93,797**
Default/impaired	**-**	**-**	**155,683**	**155,683**
	22,997,042	**548,278**	**155,683**	**23,701,003**
Expected credit losses	**13,452**	**16,172**	**19,493**	**49,117**
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

	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				
2023				
Loans/Financing commitments and financial guarantees				
Satisfactory	**12,381,273**	**232,962**	**-**	**12,614,235**
Special mention	**55**	**25,160**	**-**	**25,215**
Default/impaired	**-**	**-**	**125,155**	**125,155**
	12,381,328	**258,122**	**125,155**	**12,764,605**
Expected credit losses	**9,090**	**5,085**	**892**	**15,067**
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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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.

Back testing 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 Macro-economic 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 2023

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Interest/profit rate sensitivity analysis (continued)

	2023		2022	
	+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	**10.8**	**(10.8)**	(5.1)	5.1
Impact on equity	**(183.0)**	**183.0**	(174.0)	174.0
The Bank				
Impact on profit after taxation	**(1.9)**	**1.9**	(10.1)	10.1

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
+1%				
Euro	**357**	(4)	**230**	(35)
United States Dollar	**(26,076)**	(15,128)	**(27,583)**	(12,209)
Great Britain Pound	**(162)**	25	**19**	18
Australian Dollar	**2,432**	(374)	**1,960**	(221)
New Zealand Dollar	**(59)**	3	**(59)**	3
Japanese Yen	**12**	(3)	**3**	(3)
Others	**168**	(1,678)	**(291)**	(2,013)
	(23,328)	(17,159)	**(25,721)**	(14,460)
-1%				
Euro	**(357)**	4	**(230)**	35
United States Dollar	**26,076**	15,128	**27,583**	12,209
Great Britain Pound	**162**	(25)	**(19)**	(18)
Australian Dollar	**(2,432)**	374	**(1,960)**	221
New Zealand Dollar	**59**	(3)	**59**	(3)
Japanese Yen	**(12)**	3	**(3)**	3
Others	**(168)**	1,678	**291**	2,013
	23,328	17,159	**25,721**	14,460

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.

49 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								
2023								
Assets								
Short-term funds	72,988	515,636	16,827	7,431	953	2,736	85,194	701,765
Deposits and placements with banks and other financial institutions	-	-	-	7,905	-	-	-	7,905
Financial assets at FVTPL	-	-	-	-	-	-	16,454	16,454
Derivative financial instruments	5,768	58,811	56	3,133	212	10	596	68,586
Financial investments at FVOCI	-	670,200	-	104,216	-	-	-	774,416
Financial investments at AC	-	394,268	-	221,193	-	-	65	615,526
Loans, advances and financing	2,758	1,088,935	435,148	-	-	-	208,126	1,734,967
Trade receivables	-	2,971	1,034	149	-	-	7,790	11,944
Other assets	-	2,648	1	(159)	-	3	1,411	3,904
Total financial assets	81,514	2,733,469	453,066	343,868	1,165	2,749	319,636	3,935,467
Liabilities								
Deposits from customers	33,610	3,562,835	34,170	23,770	8,910	1,142	101,986	3,766,423
Deposits and placements of banks and other financial institutions	-	2,229,532	440,158	-	-	-	192,232	2,861,922
Derivative financial instruments	814	228,798	1	5	1	-	58	229,677
Trade payables	-	686	85	59	-	-	3,168	3,998
Other liabilities	54	142,641	22	12	6	-	73	142,808
Total financial liabilities	34,478	6,164,492	474,436	23,846	8,917	1,142	297,517	7,004,828
Net on-balance sheet financial position	47,036	(3,431,023)	(21,370)	320,022	(7,752)	1,607	22,119	(3,069,361)
Off balance sheet commitments	819,037	29,312,633	28,095	77,802	9,230	186	234,387	30,481,370

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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								
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 instruments	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 instruments	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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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								
2023								
Assets								
Short-term funds	54,368	475,488	41,203	1,291	953	1,411	48,048	622,762
Deposits and placements with banks and other financial institutions	-	-	-	7,905	-	-	-	7,905
Investment accounts due from designated financial institution	-	66,374	-	-	-	-	-	66,374
Derivative financial instruments	5,634	57,623	156	3,698	212	10	1,234	68,567
Financial investments at FVOCI	-	501,136	-	85,001	-	-	-	586,137
Financial investments at AC	-	394,268	-	183,409	-	-	-	577,677
Loans, advances and financing	-	973,156	406,067	-	-	-	206,386	1,585,609
Other assets	-	1,784	-	-	-	-	-	1,784
Total financial assets	60,002	2,469,829	447,426	281,304	1,165	1,421	255,668	3,516,815
Liabilities								
Deposits from customers	28,854	3,895,313	34,045	23,440	8,910	1,036	101,618	4,093,216
Deposits and placements of banks and other financial institutions	-	1,978,312	410,848	-	-	-	192,232	2,581,392
Derivative financial instruments	869	225,085	1	5	1	-	58	226,019
Other liabilities	54	524	22	12	6	-	-	618
Total financial liabilities	29,777	6,099,234	444,916	23,457	8,917	1,036	293,908	6,901,245
Net on-balance sheet financial position	30,225	(3,629,405)	2,510	257,847	(7,752)	385	(38,240)	(3,384,430)
Off balance sheet commitments	775,850	23,619,758	30,298	78,829	9,230	186	147,354	24,661,505

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Investment accounts due from designated financial institution	-	99,645	-	-	-	-	-	99,645
Financial assets held-for-trading	-	-	-	-	-	-	-	-
Derivative financial instruments	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 instruments	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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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								
2023								
Assets								
Cash and short-term funds	4,735,423	-	-	-	-	906,940	-	5,642,363
Deposits and placements with banks and other financial institutions	-	626,623	207,841	-	-	6,128	-	840,592
Financial assets at FVTPL	-	-	-	-	-	-	606,734	606,734
Derivative financial instruments	-	-	-	-	-	-	470,438	470,438
Financial investments at FVOCI	9,992	94,993	676,464	1,982,085	1,610,741	5,653,492	-	10,027,767
Financial investments at AC	250,000	107,776	639,681	9,341,600	6,122,235	143,610	-	16,604,902
Loans, advances and financing								
- non-impaired	43,546,653	4,569,083	1,297,639	6,627,452	9,356,631	(853,925)^	-	64,543,533
- impaired	-	-	-	-	-	681,464#	-	681,464
Others [(1)]	40,113	-	-	-	-	1,000,252	-	1,040,365
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,395,600	-	1,395,600
Total assets	48,582,181	5,398,475	2,821,625	17,951,137	17,089,607	8,933,561	1,077,172	101,853,758

^ 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.

49 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								
2023								
Liabilities								
Deposits from customers	31,854,813	12,881,038	25,066,865	316,560	24,807	690,029	-	70,834,111
Investment accounts of customers	345	-	-	12	-	2	-	359
Deposits and placements of banks and other financial institutions	5,305,276	2,257,963	1,449,619	-	-	37,822	-	9,050,682
Obligation on securities sold under repurchase agreements	2,205,203	2,184,460	490,794	-	-	37,454	-	4,917,910
Derivative financial instruments	-	-	-	-	-	-	395,726	395,726
Bills and acceptances payable	-	-	-	-	-	40,686	-	40,686
Recourse obligation on loans/financing sold to Cagamas Berhad	-	450,008	-	3,496,712	-	27,772	-	3,974,491
Lease liabilities	3,430	1,015	7,502	33,774	-	-	-	45,721
Borrowings and Sukuk	-	-	-	2,284,601	994,672	25,129	-	3,304,401
Others [2]	240,425	-	-	-	-	1,163,568	-	1,403,993
Total liabilities	39,609,492	17,774,484	27,014,780	6,131,659	1,019,479	2,022,462	395,726	93,968,080
Net interest/profit sensitivity gap	8,972,689	(12,376,009)	(24,193,156)	11,819,478	16,070,129			

[2] Others include trade payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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								
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 instruments	-	-	-	-	-	-	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 associates and trade receivables.

49 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 instruments	-	-	-	-	-	-	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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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								
2023								
Assets								
Cash and short-term funds	2,689,465	-	-	-	-	856,220	-	3,545,685
Deposits and placements with banks and other financial institutions	-	1,130,000	7,841	-	-	5,602	-	1,143,443
Investment accounts due from designated financial institutions	371,615	20,000	247,395	1,243,245	1,783,195	-	-	3,665,450
Financial assets at FVTPL	-	-	-	-	-	-	1,302,516	1,302,516
Derivative financial instruments	-	-	-	-	-	-	348,883	348,883
Financial investments at FVOCI	-	-	-	-	-	3,979,219	-	3,979,219
Financial investments at AC	200,000	55,152	715,291	6,723,472	3,387,875	98,628	-	11,180,419
Loans, advances and financing								
- non-impaired	21,239,021	2,793,355	1,131,498	4,439,062	4,892,160	(488,442)^	-	34,006,654
- impaired	-	-	-	-	-	503,796#	-	503,796
Others [(1)]	-	-	-	-	-	482,433	-	482,433
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	780,000	-	780,000
Total assets	24,500,101	3,998,507	2,102,025	12,405,779	10,063,230	6,217,456	1,651,399	60,938,498

^ 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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								
2023								
Liabilities								
Deposits from customers	17,482,778	7,916,790	15,678,370	249,290	-	454,883	-	41,782,111
Deposits and placements of banks and other financial institutions	3,449,419	1,686,718	533,176	-	-	25,704	-	5,695,017
Obligation on securities sold under repurchase agreements	1,672,320	1,907,454	490,794	-	-	33,386	-	4,103,954
Derivative financial instruments	-	-	-	-	-	-	328,579	328,579
Bills and acceptances payable	-	-	-	-	-	40,686	-	40,686
Recourse obligation on loans/financing sold to Cagamas Berhad	-	450,008	-	2,393,467	-	15,975	-	2,859,450
Borrowings and Sukuk	-	-	-	-	994,672	11,358	-	1,006,030
Lease liabilities	2,308	291	4,580	31,099	-	-	-	38,278
Others [2]	-	-	-	-	-	817,771	-	817,771
Total liabilities	22,606,825	11,961,261	16,706,920	2,673,856	994,672	1,399,763	328,579	56,671,876
Net interest sensitivity gap	1,893,276	(7,962,753)	(14,604,896)	9,731,923	9,068,559			

[2] Others include other liabilities and amount due to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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 instruments	-	-	-	-	-	-	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 and associates.

49 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 instruments	-	-	-	-	-	-	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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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						
2023						
Deposits from customers	**31,998,671**	**13,194,647**	**25,981,650**	**362,939**	**27,727**	**71,565,634**
Investment accounts of customers	**-**	**-**	**355**	**14**	**-**	**369**
Deposits and placements of banks and other financial institutions	**5,329,411**	**3,016,647**	**1,479,659**	**-**	**-**	**9,825,717**
Obligation on securities sold under repurchase agreements	**2,222,590**	**2,205,445**	**505,960**	**-**	**-**	**4,933,995**
Bills and acceptances payable	**40,686**	**-**	**-**	**-**	**-**	**40,686**
Recourse obligation on loans/financing sold to Cagamas Berhad	**-**	**469,035**	**1,012,059**	**2,736,897**	**-**	**4,217,991**
Trade payables	**214,162**	**-**	**-**	**-**	**-**	**214,162**
Lease liabilities	**2,064**	**3,887**	**17,310**	**23,788**	**-**	**47,049**
Other liabilities	**330,035**	**15,680**	**578,810**	**243,251**	**22,055**	**1,189,831**
Borrowings and Sukuk	**26,942**	**-**	**114,233**	**3,411,774**	**600,616**	**4,153,565**
	40,164,561	**18,905,341**	**29,690,036**	**6,778,663**	**650,398**	**96,188,999**

	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 sold under 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

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for the financial year ended 31 December 2023

49 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						
2023						
Deposits from customers	**17,578,214**	**8,118,258**	**16,259,974**	**261,949**	**-**	**42,218,395**
Deposits and placements of banks and other financial institutions	**3,467,298**	**1,712,161**	**548,224**	**-**	**-**	**5,727,683**
Obligation on securities sold under repurchase agreements	**1,685,097**	**1,925,787**	**505,960**	**-**	**-**	**4,116,844**
Bills and acceptances payable	**40,686**	**-**	**-**	**-**	**-**	**40,686**
Recourse obligation on loans/financing sold to Cagamas Berhad	**-**	**456,813**	**979,335**	**1,581,473**	**-**	**3,017,621**
Lease liabilities	**1,990**	**3,781**	**15,362**	**17,822**	**-**	**38,955**
Other liabilities	**-**	**-**	**310,326**	**199,442**	**15,068**	**524,836**
Amount due to subsidiaries	**292,935**	**-**	**-**	**-**	**-**	**292,935**
Borrowings and Sukuk	**26,942**	**-**	**26,649**	**713,874**	**600,616**	**1,368,081**
	23,093,162	**12,216,800**	**18,645,830**	**2,774,560**	**615,684**	**57,346,036**

	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
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
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

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for the financial year ended 31 December 2023

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Derivative financial instruments

Derivative financial instruments (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						
2023						
Derivatives settled on net basis						
Interest rate derivatives	**(2,040)**	**(1,637)**	**(10,757)**	**(47,864)**	**2,569**	**(59,729)**
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	**(11,066,570)**	**(7,558,938)**	**(7,309,496)**	**(178,312)**	**-**	**(26,113,316)**
Inflow	**10,982,821**	**7,471,913**	**7,207,073**	**169,555**	**-**	**25,831,362**
	(83,749)	**(87,025)**	**(102,423)**	**(8,757)**	**-**	**(281,954)**

	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)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Liquidity risk (continued)

Derivative financial instruments (continued)

Derivative financial instruments 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						
2023						
Derivatives settled on net basis						
Interest rate derivatives	**(1,514)**	**(1,007)**	**(7,257)**	**(35,824)**	**2,569**	**(43,033)**
Derivatives settled on gross basis						
Foreign exchange derivatives:						
Outflow	**(8,975,295)**	**(5,111,474)**	**(6,682,945)**	**-**	**-**	**(20,769,714)**
Inflow	**8,915,340**	**5,050,576**	**6,595,621**	**-**	**-**	**20,561,537**
	(59,955)	**(60,898)**	**(87,324)**	**-**	**-**	**(208,177)**

	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)

49 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							
2023							
Assets							
Cash and short-term funds	5,642,363	-	-	-	-	-	5,642,363
Deposits and placements with banks and other financial institutions	-	632,284	208,308	-	-	-	840,592
Financial assets at FVTPL	324	361	60,303	260,085	79,679	205,982	606,734
Derivative financial instruments	296,102	77,760	23,904	66,664	6,008	-	470,438
Financial investments at FVOCI	10,094	96,207	682,379	2,000,110	1,626,109	5,612,868	10,027,767
Financial investments at AC	200,071	71,017	577,416	9,438,768	6,317,630	-	16,604,902
Loans, advances and financing	4,251,378	2,350,701	2,215,013	9,914,753	46,450,476	42,676	65,224,997
Trade receivables	398,876	-	-	-	-	-	398,876
Other assets	542,147	740	81,898	10,662	2,766	3,244	641,457
Amount due from joint ventures	32	-	-	-	-	-	32
Statutory deposits with Bank Negara Malaysia	1,395,600	-	-	-	-	-	1,395,600
Other non-financial assets [1]	113,187	281	41,905	33,532	-	3,205,022	3,393,927
	12,850,174	3,229,351	3,891,126	21,724,574	54,482,668	9,069,792	105,247,685

[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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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							
2023							
Liabilities							
Deposits from customers	31,969,632	13,105,574	25,410,778	323,319	24,808	-	70,834,111
Investment accounts of customers	346	-	-	13	-	-	359
Deposits and placements of banks and other financial institutions	5,321,610	2,274,981	1,454,091	-	-	-	9,050,682
Obligation on securities sold under repurchase agreements	2,220,193	2,191,757	505,960	-	-	-	4,917,910
Derivative financial instruments	131,873	107,497	87,726	63,467	5,163	-	395,726
Bills and acceptances payable	40,686	-	-	-	-	-	40,686
Recourse obligation on loans/financing sold to Cagamas Berhad	-	462,506	15,273	3,496,712	-	-	3,974,491
Trade payables	214,162	-	-	-	-	-	214,162
Lease liabilities	2,679	1,014	8,266	33,762	-	-	45,721
Other liabilities	330,035	15,680	578,810	243,251	22,055	-	1,189,831
Borrowings and Sukuk	10,890	-	14,238	2,284,601	994,672	-	3,304,401
Other non-financial liabilities [2]	137,364	3,816	29,609	-	-	1	170,790
	40,379,470	18,162,825	28,104,751	6,445,125	1,046,698	1	94,138,870
Net liquidity gap	(27,529,296)	(14,933,474)	(24,213,625)	15,279,449	53,435,970	9,069,791	

[2] Other non-financial liabilities include deferred tax liabilities, provision for taxation, defined contribution plan and accrued employee benefits.

49 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							
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 instruments	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

[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.

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for the financial year ended 31 December 2023

49 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 instruments	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.

49 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							
2023							
Assets							
Cash and short-term funds	3,545,685	-	-	-	-	-	3,545,685
Deposits and placements with banks and other financial institutions	-	1,135,538	7,905	-	-	-	1,143,443
Investment accounts due from designated financial institutions	371,615	20,000	247,395	1,243,244	1,783,196	-	3,665,450
Financial assets at FVTPL	100,193	150,861	60,303	795,878	79,679	115,602	1,302,516
Derivative financial instruments	222,438	34,924	44,090	43,048	4,383	-	348,883
Financial investments at FVOCI	-	-	-	-	-	3,979,219	3,979,219
Financial investments at AC	200,071	55,776	653,131	6,755,830	3,515,611	-	11,180,419
Loans, advances and financing	1,494,135	1,560,106	1,618,878	6,340,258	23,497,073	-	34,510,450
Other assets	408,840	-	42,880	5,878	2,709	-	460,307
Amount due from subsidiaries	22,126	-	-	-	-	-	22,126
Statutory deposits with Bank Negara Malaysia	780,000	-	-	-	-	-	780,000
Other non-financial assets [(1)]	74,144	281	38,893	29,651	-	5,646,227	5,789,196
	7,219,247	2,957,486	2,713,475	15,213,787	28,882,651	9,741,048	66,727,694

[(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.

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49 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							
2023							
Liabilities							
Deposits from customers	17,564,109	8,063,818	15,902,349	251,835	-	-	41,782,111
Deposits and placements of banks and other financial institutions	3,461,987	1,697,185	535,845	-	-	-	5,695,017
Obligation on securities sold under repurchase agreements	1,683,918	1,914,076	505,960	-	-	-	4,103,954
Derivative financial instruments	111,921	65,682	105,324	41,789	3,863	-	328,579
Bills and acceptances payable	40,686	-	-	-	-	-	40,686
Lease liabilities	2,308	291	4,580	31,099	-	-	38,278
Recourse obligation on loans/financing sold to Cagamas Berhad	-	455,037	10,946	2,393,467	-	-	2,859,450
Other liabilities	-	-	310,326	199,442	15,068	-	524,836
Amount due to subsidiaries	292,935	-	-	-	-	-	292,935
Borrowings and Sukuk	10,890	-	468	500,000	494,672	-	1,006,030
Other non-financial liabilities [2]	132,257	-	-	-	-	-	132,257
	23,301,011	12,196,089	17,375,798	3,417,632	513,603	-	56,804,133
Net liquidity gap	(16,081,764)	(9,238,603)	(14,662,323)	11,796,155	28,369,048	9,741,048	

[2] Other non-financial liabilities include defined contribution plan and accrued employee benefits.

49 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							
Assets							
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 instruments	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

[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.

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for the financial year ended 31 December 2023

49 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 instruments	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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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 from 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.

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. The Group Management Committee - Governance Risk and Compliance ('GMC-GRC') supports GBRMC in the review and monitoring of operational risk and establishes a 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 an independent capacity to facilitate Business and/or Support Units in 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: Refers to a process of assisting Business and/or Support Units to identify and assess their key operational risks and controls, inherent risk rating, control effectiveness and residual risk rating
- Key Risk Indicator ('KRI')
  Note: Refers to a process of monitoring and managing key operational risk exposures over time and measured against a set of threshold levels (Red, Amber & Green)
- Operational Risk Event Reporting
  Note: Refers to a process of evaluating, reporting, and monitoring operational risk event resulting from inadequate or failed internal processes, people, and systems, or from external events
- Scenario Analysis ('ScAn')
  Note: Refers to a process of developing plausible operational risk scenarios under which the identified major operational risks could materialise, evaluate the control effectiveness, estimate the probability of occurrence as well as severity of the impact, and readiness of the Bank in response to the scenario.

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 and/or Support Units and GORM as the independent oversight function in managing operational risk. As part of the 1st Line of Defence, Business Risk and Compliance Manager ('BRCM') is appointed as champions of Operational Risk Management ('ORM') activities within their respective Business and/or Support Units. BRCM is responsible for the reporting of ORM activities and acts as a point of liaison with GORM on all operational lapses and results.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Technology risk

Technology risk refers to any risk 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. GBITC 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 Shariah Governance Policy 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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, PayNet, Bursa Malaysia and Securities Commission Malaysia Guidelines on Business Continuity Management ('BCM').

The 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. The 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 programmes. 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') 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. The introduction of a new alternative reference rate ('ARR') or IBOR reform aims to facilitate usage of benchmarks rates that are more robust and based upon transactions in active, liquid markets. The Bank has ceased offering IBOR contracts with our counterparties and customers and completed the IBOR migration on 30 June 2023, the last date before USD LIBOR was decommissioned. As at 31 December 2023, the Group and the Bank only has exposures to Kuala Lumpur Interbank Offered Rate ('KLIBOR') and AUD Bank Bill Swap ('BBSW') based financial instruments. BNM and Reserve Bank of Australia ('RBA') have yet to discontinued the current KLIBOR and BBSW index to an alternative reference rate.

49 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 are 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 (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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				
2023				
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**364,073**	**-**	**364,073**
- Corporate bonds/Sukuk	**-**	**36,679**	**-**	**36,679**
- Shares and unit trusts	**90,380**	**-**	**115,602**	**205,982**
Derivative financial instruments	**-**	**470,438**	**-**	**470,438**
Financial investments at FVOCI				
- Money market instruments	**-**	**5,338,623**	**-**	**5,338,623**
- Shares	**-**	**-**	**245,640**	**245,640**
- Corporate bonds/Sukuk	**-**	**4,443,504**	**-**	**4,443,504**
Total	**90,380**	**10,653,317**	**361,242**	**11,104,939**
Financial Liabilities				
Derivative financial instruments	**-**	**395,726**	**-**	**395,726**
Other liabilities - equities trading	**981**	**-**	**-**	**981**
Total	**981**	**395,726**	**-**	**396,707**

	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 instruments	-	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 instruments	-	542,254	-	542,254
Other liabilities - equities trading	149	-	-	149
Total	149	542,254	-	542,403

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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				
2023				
Financial Assets				
Financial assets at FVTPL				
- Money market instruments	**-**	**1,166,691**	**-**	**1,166,691**
- Corporate bonds/Sukuk	**-**	**20,223**	**-**	**20,223**
- Unquoted shares	**-**	**-**	**115,602**	**115,602**
Derivative financial instruments	**-**	**348,883**	**-**	**348,883**
Financial investments at FVOCI				
- Money market instruments	**-**	**1,960,917**	**-**	**1,960,917**
- Unquoted shares	**-**	**-**	**220,875**	**220,875**
- Corporate bonds/Sukuk	**-**	**1,797,427**	**-**	**1,797,427**
Total	**-**	**5,294,141**	**336,477**	**5,630,618**
Financial Liabilities				
Derivative financial instruments	**-**	**328,579**	**-**	**328,579**

	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 instruments	-	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 instruments	-	436,209	-	436,209

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At beginning of the financial year	**341,313**	329,026	**317,388**	302,319
Redemption	**-**	(360)	**-**	(360)
Total gains recognised in other comprehensive income	**19,929**	12,647	**19,089**	15,429
At end of the financial year	**361,242**	341,313	**336,477**	317,388

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	2023 RM'000	2022 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	**115,602**	110,395	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
Financial investments at FVOCI					
The Group					
Unquoted shares	**245,640**	230,918	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
The Bank					
Unquoted shares	**220,875**	206,993	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 reflect 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

49 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	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value Total RM'000
The Group					
2023					
Financial assets					
Deposits and placements with banks and other financial institutions	**840,592**	**-**	**840,592**	**-**	**840,592**
Financial investments at AC	**16,604,902**	**1,056,550**	**15,069,261**	**-**	**16,125,811**
Loans, advances and financing	**65,224,997**	**-**	**65,738,113**	**-**	**65,738,113**
	82,670,491	**1,056,550**	**81,647,966**	**-**	**82,704,516**
Financial liabilities					
Deposits from customers	**70,834,111**	**-**	**70,835,987**	**-**	**70,835,987**
Obligation on securities sold under repurchase agreements	**4,917,910**	**-**	**4,917,910**	**-**	**4,917,910**
Recourse obligation on loans/financing sold to Cagamas Berhad	**3,974,491**	**-**	**4,498,852**	**-**	**4,498,852**
Borrowings and Sukuk	**3,304,401**	**-**	**3,360,434**	**-**	**3,360,434**
	83,030,913	**-**	**83,613,127**	**-**	**83,613,127**

	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value 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	-	58,526,526	-	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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

49 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).

	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value Total RM'000
The Bank					
2023					
Financial assets					
Deposits and placements with banks and other financial institutions	1,143,443	-	1,143,443	-	1,143,443
Investment accounts due from designated financial institutions	3,665,450	-	3,671,695	-	3,671,695
Financial investments at AC	11,180,419	-	10,850,217	-	10,850,217
Loans, advances and financing	34,510,450	-	34,815,765	-	34,815,765
	50,499,762	-	50,481,120	-	50,481,120
Financial liabilities					
Deposits from customers	41,782,111	-	41,802,668	-	41,802,668
Obligation on securities sold under repurchase agreements	4,103,954	-	4,103,954	-	4,103,954
Recourse obligation on loans/financing sold to Cagamas Berhad	2,859,450	-	2,888,336	-	2,888,336
Borrowings and Sukuk	1,006,030	-	1,029,415	-	1,029,415
	49,751,545	-	49,824,373	-	49,824,373

	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value 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

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 2023

49 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.

49 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. or 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/Sukuk 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.

50 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 2023

50 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						
2023						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	**699,866**	**(673,391)**	**26,475**	**-**	**-**	**26,475**
Derivative financial instruments	**470,438**	**-**	**470,438**	**(322,889)**	**(2,700)**	**144,849**
	1,170,304	**(673,391)**	**496,913**	**(322,889)**	**(2,700)**	**171,324**
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	**673,391**	**(673,391)**	**-**	**-**	**-**	**-**
Obligation on securities sold under repurchase agreement	**4,917,910**	**-**	**4,917,910**	**(4,917,910)**	**-**	**-**
Derivative financial instruments	**395,726**	**-**	**395,726**	**(322,889)**	**(86,001)**	**(13,164)**
	5,987,027	**(673,391)**	**5,313,636**	**(5,240,799)**	**(86,001)**	**(13,164)**
The Group						
2022						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	458,682	(458,682)	-	-	-	-
Derivative financial instruments	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 agreements	4,813,407	-	4,813,407	(4,813,407)	-	-
Derivative financial instruments	542,254	-	542,254	(300,995)	(8)	
	5,915,075	(458,682)	5,456,393	(5,114,402)	(8)	100,732

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

50 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						
2023						
Financial assets						
Derivative financial instruments	**348,883**	**-**	**348,883**	**(275,253)**	**-**	**73,630**
Financial liabilities						
Obligation on securities sold under repurchase agreements	**4,103,954**	**-**	**4,103,954**	**(4,103,954)**	**-**	**-**
Derivative financial instruments	**328,579**	**-**	**328,579**	**(275,253)**	**-**	**53,326**
	4,432,533	**-**	**4,432,533**	**(4,379,207)**	**-**	**53,326**
The Bank						
2022						
Financial assets						
Derivative financial instruments	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 instruments	436,209	-	436,209	(271,007)	-	165,202
	5,249,616	-	5,249,616	(5,084,414)	-	165,202

51 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 15 December 2023.

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 2023.

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 52 below summarises the composition of regulatory capital and the ratios of the Group and the Bank for the financial year ended 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

52 CAPITAL ADEQUACY

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
The components of CET 1, Tier 1 and Tier 2 capital:				
CET 1				
Paid-up share capital	**5,371,044**	5,245,447	**5,371,044**	5,245,447
Retained profits	**5,226,324**	4,858,776	**4,073,235**	3,852,537
Unrealised gains on FVOCI instruments	**169,540**	44,806	**204,573**	166,472
Other reserves	**4,146**	-	**4,146**	-
	10,771,054	10,149,029	**9,652,998**	9,264,456
Less: Regulatory adjustments:				
- Goodwill and other intangibles	**(660,680)**	(629,369)	**(214,275)**	(183,216)
- Deferred tax assets	**(138,283)**	(233,973)	**(72,072)**	(125,964)
- 55% of cumulative unrealised gains on FVOCI instruments	**(93,247)**	(24,644)	**(112,515)**	(91,560)
- Investment in subsidiaries, joint ventures and associates	**(841,260)**	(794,779)	**(3,871,402)**	(3,846,578)
- Other CET 1 transitional adjustment	**326,618**	571,609	**175,370**	327,591
Total CET 1 capital	**9,364,202**	9,037,873	**5,558,104**	5,344,729
Additional Tier 1 capital				
Additional Tier 1 capital	**1,000,000**	800,000	**500,000**	500,000
Total Tier 1 capital	**10,364,202**	9,837,873	**6,058,104**	5,844,729
Tier 2 capital				
Subordinated medium term loans	**1,000,000**	955,000	**500,000**	500,000
Expected loss provisions #	**594,530**	454,429	**346,186**	280,013
Less: Regulatory adjustments:				
- Investment in capital instruments of unconsolidated financial and insurance entities	**-**	-	**-**	(345,000)
Total Tier 2 capital	**1,594,530**	1,409,429	**846,186**	435,013
Total Capital	**11,958,732**	11,247,302	**6,904,290**	6,279,742
The breakdown of risk-weighted assets:				
Credit risk	**59,600,642**	52,982,623	**39,013,653**	33,967,295
Market risk	**1,828,658**	631,065	**1,230,139**	403,534
Operational risk	**4,029,830**	3,951,028	**2,063,846**	1,858,354
Total risk-weighted assets	**65,459,130**	57,564,716	**42,307,638**	36,229,183

Qualifying loss provisions are restricted to allowances on the unimpaired portion of the loans, advances and other financing.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

52 CAPITAL ADEQUACY (CONTINUED)

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
Capital adequacy ratios:				
With transitional arrangements				
CET 1 capital ratio	**14.305%**	15.700%	**13.137%**	14.753%
Tier 1 capital ratio	**15.833%**	17.090%	**14.319%**	16.133%
Total capital ratio	**18.269%**	19.539%	**16.319%**	17.333%
CET 1 capital ratio (net of proposed dividends) Note 1	**14.259%**	15.597%	**13.066%**	14.588%
Tier 1 capital ratio (net of proposed dividends) Note 1	**15.787%**	16.986%	**14.247%**	15.968%
Total capital ratio (net of proposed dividends) Note 1	**18.223%**	19.435%	**16.247%**	17.169%
Without transitional arrangements				
CET 1 capital ratio	**13.806%**	14.707%	**12.723%**	13.848%
Tier 1 capital ratio	**15.334%**	16.097%	**13.905%**	15.228%
Total capital ratio	**18.000%**	18.907%	**16.239%**	16.828%
CET 1 capital ratio (net of proposed dividends) Note 1	**13.760%**	14.604%	**12.651%**	13.684%
Tier 1 capital ratio (net of proposed dividends) Note 1	**15.288%**	15.993%	**13.833%**	15.064%
Total capital ratio (net of proposed dividends) Note 1	**17.954%**	18.803%	**16.167%**	16.664%

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 9 December 2020.

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 Guidelines 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 2023, RIA assets included in the Total Capital Ratio calculation amounted to RM3,572.1 million (2022: RM2,723.1 million).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

52 CAPITAL ADEQUACY (CONTINUED)

The capital adequacy ratios of AFFIN ISLAMIC are as follows:

	Economic Entity		The Bank	
	2023	**2022**	**2023**	**2022**
With transitional arrangements				
CET 1 capital ratio	**12.733%**	12.965%	**12.733%**	12.965%
Tier 1 capital ratio	**15.100%**	14.502%	**15.100%**	14.502%
Total capital ratio	**18.473%**	19.363%	**18.473%**	19.363%
Without transitional arrangements				
CET 1 capital ratio	**12.076%**	11.813%	**12.076%**	11.813%
Tier 1 capital ratio	**14.443%**	13.351%	**14.443%**	13.351%
Total capital ratio	**17.985%**	18.635%	**17.985%**	18.635%

The capital adequacy ratios of AHIBB are as follows:

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
With transitional arrangements				
CET 1 capital ratio	**36.670%**	42.923%	**41.849%**	55.446%
Tier 1 capital ratio	**36.670%**	42.923%	**41.849%**	55.446%
Total capital ratio	**37.330%**	43.516%	**42.603%**	56.214%
Without transitional arrangements				
CET 1 capital ratio	**36.394%**	42.127%	**41.532%**	54.413%
Tier 1 capital ratio	**36.394%**	42.127%	**41.532%**	54.413%
Total capital ratio	**37.054%**	42.720%	**42.286%**	55.181%

53 LITIGATION AGAINST THE BANK

There is no material litigation during the financial year ended 31 December 2023.

54 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	
	2023	**2022**	**2023**	**2022**
(i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	**6,603,913**	6,349,089	**4,796,082**	3,986,727
(ii) The percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**6%**	7%	**8%**	8%
(iii) The percentage of outstanding credit exposures with connected parties which is impaired or in default	**Nil**	Nil	**Nil**	Nil

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

55 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 President/Group 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 the business of banking in all aspects including Islamic Banking operations. Its activities are generally structured into four (4) key areas, Corporate Banking, Enterprise Banking, Community Banking and Treasury.

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, treasury, credit cards, unit trusts and bancassurance products.

The treasury department oversees liquidity and investments, ensuring optimal financial performance by strategically allocating funds and monitoring market conditions.

Investment Banking

The Investment Banking segment focuses on business of a merchant bank, stock-broking and other related financial services.

This segment focuses on business needs of 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 a 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, information technology 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 2023

55 SEGMENT ANALYSIS (CONTINUED)

	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Elimination RM'000	Total RM'000
2023						
Revenue						
External revenue	1,749,614	223,758	-	12,411	-	1,985,783
Intersegment revenue	190,778	16,877	-	864	(208,519)	(0)
Segment revenue	1,940,392	240,635	-	13,275	(208,519)	1,985,783
Operating expenses	(1,262,736)	(173,416)	-	(13,577)	28,572	(1,421,157)
of which:						
Depreciation of property and equipment	(56,852)	(2,519)	-	(370)	-	(59,741)
Depreciation of right-of-use assets	(24,305)	(7,207)	-	(359)	4,336	(27,535)
Amortisation of intangible assets	(20,812)	(826)	-	(13)	-	(21,651)
(Allowances for)/write-back of impairment losses on loans, advances, financing and trade receivables/securities/other assets	(94,715)	25,276	-	-	(8,766)	(78,205)
Segment results	582,941	92,495	-	(302)	(188,713)	486,421
Share of results of associates (net of tax)	-	-	36,466	-	-	36,466
Profit before zakat and taxation	582,941	92,495	36,466	(302)	(188,713)	522,887
Zakat	(4,600)	-	-	-	-	(4,600)
Profit before taxation	578,341	92,495	36,466	(302)	(188,713)	518,287
Taxation						(116,096)
Net profit for the financial year						402,191
Segment assets	95,288,834	9,053,699	-	9,765	-	104,352,298
ROU assets	46,744	15,302	-	753	(8,672)	54,127
Investment in associates	-	-	841,260	-	-	841,260
Total segment assets						105,247,685
Segment liabilities						
Total segment liabilities	88,531,754	5,602,598	-	4,518	-	94,138,870
Other information						
Capital expenditure	200,554	14,924	-	1,078	(2,812)	213,744

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

55 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	(1,144,636)	(167,206)	-	(10,605)	5,701	(1,316,746)	(100,691)	(1,417,437)
of which:								
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	(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						(157,209)	(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 joint ventures	-	-	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

56 SIGNIFICANT EVENTS DURING THE CURRENT AND PRECEDING FINANCIAL YEAR

Current Financial Year

Disposals of 21% equity interest in Generali Life Insurance Malaysia Berhad ('GLIMB') (formerly known as AXA Affin Life Insurance Berhad) and 2.95% equity interest in Generali Insurance Malaysia Berhad ('GIMB') (formerly known as AXA Affin General Insurance Berhad) and proposed merger of the businesses of MPI Generali Insurans Berhad and GIMB.

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 (now known as Generali Life Insurance Malaysia Berhad) ('GLIMB Disposal'); and
(ii) Disposal of 2.95% equity interest in AXA Affin General Insurance Berhad (now known as Generali Insurance Malaysia Berhad) ('GIMB Disposal').

Simultaneously with the GLIMB Disposal and GIMB Disposal, AXA Asia has also sold its entire 49% shareholding in GLIMB and 49.99% shareholding in GIMB.

The Minister of Finance had on 28 April 2022, approved the GLIMB Disposal and GIMB 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 GLIMB and 47% equity interest in GIMB.

With the completion of the GLIMB Disposal and GIMB Disposal, the Bank had also on 30 August 2022 entered into the following agreements:

(i) a shareholders' agreement with Generali and GIMB for the purpose of regulating the affairs of GIMB and the respective rights and obligations of the Bank and Generali, between themselves, as shareholders of GIMB;
(ii) a shareholders' agreement with Generali and GLIMB for the purpose of regulating the affairs of GLIMB and the respective rights and obligations of the Bank and Generali, between themselves, as shareholders of GLIMB;
(iii) a 15-year bancassurance distribution agreement with GIMB for the distribution of the general insurance products through the Bank's channels in Malaysia; and
(iv) a 15-year bancassurance distribution agreement with GLIMB for the distribution of the life insurance products through the Bank's channels in Malaysia.

Following the completion of the GLIMB Disposal and GIMB Disposal, the Bank had on 9 December 2022 entered into a business transfer agreement with Generali, MPI Generali Insurans Berhad ('MPIG') and GIMB where GIMB will acquire certain assets and liabilities of MPIG via a business transfer to AAGI ('Merger'). The Merger was completed on 1 April 2023 and subsequent to completion of the Merger, the Bank holds 30% equity interest in GIMB.

On 27 April 2023, Generali had incorporated GANV Holdings Malaysia Berhad (now known as Generali Malaysia Holding Berhad) ('HoldCo') for the purpose of holding all of the shares in GLIMB and GIMB.

On 31 May 2023, AFFIN, Generali and HoldCo had executed a share swap agreement where AFFIN and Generali have agreed to sell, and HoldCo will purchase, all the shares held by AFFIN and Generali in GLIMB and GIMB in consideration for:

(i) 765,995,451 new ordinary shares in the capital of HoldCo to be issued by HoldCo to AFFIN; and
(ii) 1,787,322,713 new ordinary shares in the capital of HoldCo to be issued by HoldCo to Generali.

(Collectively referred to as the 'Share Swap')

Completion of the Share Swap had taken place on 31 May 2023 and pursuant thereto HoldCo is 30.00% and 70.00% held by AFFIN and Generali respectively. Affin and Generali's shareholding in HoldCo is reflective of their shareholdings in GLIMB and GIMB prior to the completion of the Share Swap.

Simultaneous with the completion of the Share Swap, AFFIN, Generali and HoldCo had on 31 May 2023 executed a shareholders' agreement for the purpose of regulating the affairs of HoldCo and to spell out the respective rights and obligations of AFFIN and Generali, among themselves, as shareholders of HoldCo and, indirectly through HoldCo, also of GLIMB and GIMB. The earlier shareholders' agreements entered into between AFFIN, Generali and AALI/AAGI (as the case may be) on completion of the AALI Disposal and AAGI Disposal have been terminated accordingly.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

56 SIGNIFICANT EVENTS DURING THE CURRENT AND PRECEDING FINANCIAL YEAR (CONTINUED)

Preceding Financial Year

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 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 Securities 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

56 SIGNIFICANT EVENTS DURING THE CURRENT AND PRECEDING FINANCIAL YEAR (CONTINUED)

Preceding Financial Year (continued)

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)

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'.

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	RM'000
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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

56 SIGNIFICANT EVENTS DURING THE CURRENT AND PRECEDING FINANCIAL YEAR (CONTINUED)

Preceding Financial Year (continued)

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	
	2023 RM'000	2022 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

57 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

There are no material events subsequent to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

58 LONG TERM INCENTIVE PLAN ('LTIP')

The Group implemented a Long Term Incentive Plan ('LTIP') in the form of an employees' Share Grant Scheme ('SGS') on 1 August 2023, which was approved by the shareholders at the Annual General Meeting held on 25 May 2023. The SGS is governed by the SGS By-Laws and is administered by the Group Board Nomination & Remuneration Committee ('SGS Committee').

The SGS is a performance share unit scheme where vesting is subject to performance conditions and the SGS Committee may, at any time within the duration of the SGS, grant an SGS award to eligible employees, subject to the terms and conditions of the SGS By-Laws. The SGS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the SGS By-Laws.

The SGS primarily serves as an incentive plan to reward eligible employees and to align their interest with the corporate goals and objectives of the Group. Eligible employees refer to employees of the Group (excluding dormant subsidiary companies) who fulfil the eligibility criteria and have been selected to participate in the SGS by the Bank's Board of Directors, on the recommendations of the SGS Committee, subject to terms and conditions of the SGS By-Laws.

Any offer awarded to a person who is a director or chief executive of the Bank or a person connected to a director, major shareholder or chief executive of the Bank, and the related allotment of shares must be approved by shareholders at a general meeting. The SGS will not be extended to any non-executive directors of any company within our Group.

The maximum number of shares which may be made available under the SGS shall not in aggregate exceed 5% of the Bank's total number of issued shares (excluding treasury shares, if any) at any point in time during the duration of the SGS. Details of SGS are set out below.

	Fair value RM	Awarded (Units '000)	Vesting Date *
Award Date			
7 August 2023 – First grant	1.806	15,592	30 June 2026

* subject to performance conditions

The following table indicates the number and movement of SGS shares during the financial year ended 31 December 2023:

	As at 1 January 2023 (Units '000)	Movement during the year		As at 31 December 2023 (Units '000)
		Awarded (Units '000)	Forfeited (Units '000)	
Award Date				
The Group				
7 August 2023 – First grant	-	15,592	(167)	**15,425**
The Bank				
7 August 2023 – First grant	-	10,858	-	**10,858**

President & Group CEO who has been awarded with SGS during the financial year is listed below:

	No of SGS Awarded (Units '000)
Datuk Wan Razly Abdullah bin Wan Ali	1,020

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2023

58 LONG TERM INCENTIVE PLAN ('LTIP') (CONTINUED)

The fair value of SGS shares awarded was estimated taking into account the terms and conditions upon which the SGS shares were awarded. The fair value of SGS shares measured, closing share price at grant date and the assumptions were as follows:

	Award Date 7 August 2023
Fair value of SGS Shares (RM)	**1.806**
Closing share price at award date (RM)	**1.950**
Expected volatility (%)	**22.21**
Vesting period (years)	**2.90**
Risk-free rate (%)	**3.47**
Expected dividend yield (%)	**5.44**

59 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 dated 20 March 2024.

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 256 to 430 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 2023 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
20 March 2024

STATUTORY DECLARATION

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

I, JOANNE MAY 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 256 to 430, 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 MAY RODRIGUES
MIA No. CA17745

Subscribed and solemnly declared by the abovenamed JOANNE MAY RODRIGUES at Kuala Lumpur in Malaysia on 20 March 2024, 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 2023, 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 2023 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 material accounting policies, as set out on pages 256 to 430.

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 matter	How our audit addressed the key audit matter
Impairment of loans, advances and financing assets (expected credit losses) (Refer to Summary of Material Accounting Policies Note H (d), Note AE and Note 9 to the financial statements). 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 Group and the Bank 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 future cash flows based on realisation of collateral or borrowers'/customer's business cash flows *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	We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered: • Identification of loans/financing displaying indicators of impairment or loans/financing 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 *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 accounts, with a particular focus on high risk industries and borrower's/customer's 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 has been identified for loans, advances and financing, we assessed the adequacy of impairment allowance by examining both the quantum and timing of future cash flows used by the Group and the Bank in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. We also reperformed the calculations of discounted cash flows. *Collective assessment* Where ECL was calculated on a collective basis, our testing, on a sample basis, included the following: • Assessed the methodologies and significant modelling assumptions inherent within the ECL models applied against the requirements of MFRS 9 • Assessed and considered the reasonableness of forward-looking forecasts assumptions • Checked the accuracy of data inputs used in the ECL models and checked the calculation of ECL • Assessed the reasonableness and tested the identification and calculation of overlay adjustments to the ECL

We have determined that there 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 Directors' Report and Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the 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)

(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
03482/01/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
20 March 2024

BASEL II PILLAR 3 disclosures

AS AT 31 DECEMBER 2023

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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 2023. 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 2023 Annual Report for the year ended 31 December 2023.

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.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. Any such transfers would require the approvals of the Board of Directors and BNM.

There were no capital deficiencies in any of the subsidiaries of the Group as at the financial year ended 31 December 2023.

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

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 are 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 organisational alignments, where necessary, to the Board.

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.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

2. RISK GOVERNANCE STRUCTURE (CONTINUED)

2.2 Board Committee (continued)

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 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.

Shariah Committee ('SC')

The SC is formed as legislated under the Islamic Financial Services Act 2013 and as per the Shariah Governance Framework 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 and the Islamic financing business of the Bank 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.

Group Board Sustainability Committee ('GBSC')

The GBSC is responsible for supervising the development and execution of the Group Sustainability matters. This includes the Value-based Intermediation Financing & Investment Impact Assessment Framework (VBIAF). The committee assist the Board by providing advice and direction in the formulation, execution, and monitoring of strategies, frameworks, and policies related to Sustainability, VBIAF, climate change and ensuring compliance with regulatory requirements namely Bursa Malaysia, Bank Negara, etc. with regards to sustainability matters.

The GBSC conducts reviews and makes recommendations to the Board regarding the appropriateness of the Group's strategies related to climate, VBIAF, and sustainability. These strategies include position statements, frameworks, ambitions, metrics, and targets. The committee's recommendations are based on thorough assessments and are aimed at ensuring that the Group's strategies align with its sustainability goals and commitments to addressing climate change.

2. RISK GOVERNANCE STRUCTURE (CONTINUED)

2.3 Group Management Committee

Group Management Committee ('GMC')

The GMC comprises the senior management team chaired by PGCEO of Affin Bank Berhad. 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.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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 is 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 unfavourable 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.

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.

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

3. CAPITAL MANAGEMENT (CONTINUED)

3.1 Internal Capital Adequacy Assessment Process ('ICAAP') (continued)

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% (2022: 7.000%) and 8.500% (2022: 8.500%) respectively for year 2023. The minimum regulatory capital adequacy requirement is 10.500% (2022: 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 2023.

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Paid-up share capital	**5,371,044**	5,245,447	**5,371,044**	5,245,447
Retained profits	**5,226,324**	4,858,776	**4,073,235**	3,852,537
Unrealised gains on FVOCI instruments	**169,540**	44,806	**204,573**	166,472
Other disclosed reserves	**4,146**	-	**4,146**	-
Foreign exchange reserves	**-**	-	**-**	-
	10,770,054	10,149,029	**9,652,998**	9,264,456
Less: Regulatory adjustments				
Goodwill and other intangibles	**(660,680)**	(629,369)	**(214,275)**	(183,216)
Deferred tax assets	**(138,283)**	(233,973)	**(72,072)**	(125,964)
55% cumulative unrealised gains on FVOCI instruments	**(93,247)**	(24,644)	**(112,515)**	(91,560)
Investment in subsidiaries, joint ventures and associates	**(841,260)**	(794,779)	**(3,871,402)**	(3,846,578)
Other CET 1 transitional adjustment	**326,618**	571,609	**175,370**	327,591
CET 1 capital	**9,364,202**	9,037,873	**5,558,104**	5,344,729

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

3. CAPITAL MANAGEMENT (CONTINUED)

3.2 Capital Structure (continued)

	The Group		The Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Additional Tier 1 Capital				
Additional Tier 1 Capital	**1,000,000**	800,000	**500,000**	500,000
	1,000,000	800,000	**500,000**	500,000
Total Tier 1 Capital	**10,364,202**	9,837,873	**6,058,104**	5,844,729
Subordinated term financing and medium term notes (MTNs)	**1,000,000**	955,000	**500,000**	500,000
Qualifying loss provisions #	**594,530**	454,429	**346,186**	280,013
Less: Regulatory adjustments				
Investment in capital instruments of unconsolidated financial and insurance entities	**-**	-	**-**	(345,000)
Total Tier 2 capital	**1,594,530**	1,409,429	**846,186**	435,013
Total capital	**11,958,732**	11,247,302	**6,904,290**	6,279,742
Risk weighted assets for:				
Credit risk	**59,600,642**	52,982,623	**39,013,653**	33,967,295
Market risk	**1,828,658**	631,065	**1,230,139**	403,534
Operational risk	**4,029,830**	3,951,028	**2,063,846**	1,858,354
Total risk weighted assets	**65,459,130**	57,564,716	**42,307,638**	36,229,183
Capital adequacy ratios:				
With transitional arrangements*				
CET 1 capital ratio	**14.305%**	15.700%	**13.137%**	14.753%
Tier 1 capital ratio	**15.833%**	17.090%	**14.319%**	16.133%
Total capital ratio	**18.269%**	19.539%	**16.319%**	17.333%
Net of proposed dividends (Note 1)				
CET 1 capital ratio	**14.259%**	15.597%	**13.066%**	14.588%
Tier 1 capital ratio	**15.787%**	16.986%	**14.247%**	15.968%
Total capital ratio	**18.223%**	19.435%	**16.247%**	17.169%
Without transitional arrangements				
CET 1 capital ratio	**13.806%**	14.707%	**12.723%**	13.848%
Tier 1 capital ratio	**15.334%**	16.097%	**13.905%**	15.228%
Total capital ratio	**18.000%**	18.907%	**16.239%**	16.828%
Net of proposed dividends (Note 1)				
CET 1 capital ratio	**13.760%**	14.604%	**12.651%**	13.684%
Tier 1 capital ratio	**15.288%**	15.993%	**13.833%**	15.064%
Total capital ratio	**17.954%**	18.803%	**16.167%**	16.664%

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 CET 1 capital.

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

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 CET1 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 Guidelines 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 2023, RIA assets included in the Total Capital Ratio calculation amounted to RM3,572.1 million (2022: RM2,723.1 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 5.70% Non-Convertible Perpetual Additional Tier 1 Capital Securities Non-Callable 5 Years	RM500 million 5.10% Non-Convertible Perpetual Additional Tier 1 Sukuk Wakalah	RM500 million 5% Non-Convertible 10 Years Non-callable 5 Years Tier 2 Subordinated Medium Term Notes	RM500 million 4.66% Non- Convertible 10 Years Non-callable 5 Years 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	RM500 million	RM500 million	RM500 million
Original date of issuance	23-Jun-23	10-Oct-23	26-Jul-22	13-Oct-23
Perpetual or dated	Perpetual	Perpetual	Dated	Dated
Original maturity date	No Maturity	No Maturity	26-Jul-32	13-Oct-33
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
First call date	23-Jun-28	10-Oct-28	26-Jul-27	13-Oct-28
Fixed or floating dividend/ coupon	Fixed	Fixed	Fixed	Fixed
Coupon rate	5.70%	5.10%	5.00%	4.66%
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

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

3. CAPITAL MANAGEMENT (CONTINUED)

3.3 Capital Adequacy

The Group and the Bank have in place an internal limit for its CET 1 capital ratio, Tier I 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.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

5. CREDIT RISK (CONTINUED)

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.

The following is a summary of the prescribed rules governing the Standardised Approach for rated and unrated exposures.

Long Term Credit Rating Category by ECAIs under Standardised Approach:

Rating Category	External Credit Assessment Institutions (ECAIs)				
	S&P	Moody's	Fitch	RAM	MARC
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB1 to B3	BB+ to B-
5	CCC+ to D	Caa1 to C	CCC+ to D	C1 to D	C+ to D
Unrated	Unrated				

Long term Credit Rating Risk Weight Category by ECAIs under Standardised Approach for Banking Institution, Corporate and Sovereign & Central Bank:

Rating Category	Risk weights based on Credit Ratings of the Counterparty Exposure Class		
	Corporate	Banking Institutions	Sovereign & Central Bank
1	20%	20%	0%
2	50%	50%	20%
3	100%	50%	50%
4	150%	100%	100%
5	150%	150%	150%
Unrated	100%	50%	100%

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.2 Application of Standardised Approach for Credit Risk (continued)

Short term Credit Rating Category by ECAIs under Standardised Approach:

Rating Category	External Credit Assessment Institutions (ECAIs)				
	S&P	Moody's	Fitch	RAM	MARC
1	A-1	P-1	F1+. F1	P-1	MARC-1
2	A-2	P-2	F2	P-2	MARC-2
3	A-3	P-3	F3	P-3	MARC-3
4	Others	Others	B to D	NP	MARC-4

Short term Credit Rating Risk Weight Category by ECAIs under Standardised Approach for Banking Institution and Corporate:

Rating Category	Risk weights based on Credit Ratings of the Counterparty Exposure Class	
	Corporate	Banking Institutions
1	20%	20%
2	50%	50%
3	100%	100%
4	150%	150%

Refer to Appendix II and Appendix III.

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.

5.4 Risk Limit Control and Mitigation Policies

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.

The Group and the Bank employ various policies and practices to control and mitigate credit risk.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.4 Risk Limit Control and Mitigation Policies (continued)

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.

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.

Guarantee

A guarantee is a legally binding contractual commitment made to the Bank that ensures that the guarantor is legally responsible to meet the obligations of a borrower in the event the borrower fails to pay.

The Bank may substitute its exposure to the direct counterparty with an exposure to the guarantor or protection provided that the guarantor or protection provider is of a better rating than the direct counterparty, and that the guarantee or the protection is irrevocable and unconditional. However, where the direct counterparty and the guarantor or protection provider are connected, the exposure shall be treated as a single group exposure.

In case of guarantees being provided (for HP and ASB Loans/ATTF-i (ASB/ASB2) only), the combined DSR of both customer/borrower/counterparty and guarantor shall be taken. For this purpose, acceptable guarantors shall be restricted to immediate family members (spouse/parents/sibling/child) regardless of cohabitation. Guarantors not defined as immediate family members shall not be included in DSR computation.

5. CREDIT RISK (CONTINUED)

5.4 Risk Limit Control and Mitigation Policies (continued)

Offsetting financial instruments

The Bank also uses legal agreements to reduce credit risk, 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.

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 losses 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.

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).

5. CREDIT RISK (CONTINUED)

5.5 Credit Risk Measurement (continued)

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 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 months 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 up to 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 2023.

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').

BASEL II PILLAR 3 DISCLOSURES

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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.

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.

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.5 Credit Risk Measurement (continued)

Measurement of ECL (continued)

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, 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.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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 exception reporting 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.

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’).

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors

	Past Due But Not Credit-impaired		Impaired	
The Group 31.12.2023	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Primary agriculture	**13,548**	**10,882**	**9,686**	**34,116**
Mining and quarrying	**309**	**1,587**	**29,941**	**31,837**
Manufacturing	**26,946**	**81,616**	**40,733**	**149,295**
Electricity, gas and water supply	**3,313**	**10,540**	**4**	**13,857**
Construction	**165,752**	**99,240**	**179,913**	**444,905**
Real estate	**23,569**	**270,248**	**204,395**	**498,212**
Wholesale & retail trade and restaurants & hotels	**173,259**	**111,194**	**343,533**	**627,986**
Transport, storage and communication	**67,583**	**51,476**	**98,939**	**217,998**
Finance, insurance/takaful and business services	**58,984**	**56,461**	**21,211**	**136,656**
Education, health and others	**17,122**	**101,142**	**13,671**	**131,935**
Household	**2,153,427**	**1,877,720**	**323,385**	**4,354,532**
	2,703,812	**2,672,106**	**1,265,411**	**6,641,329**

	Past Due But Not Credit-impaired		Impaired	
The Group 31.12.2022	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Primary agriculture	5,271	9,873	18,955	34,099
Mining and quarrying	84	3,678	27,531	31,293
Manufacturing	39,386	50,883	49,998	140,267
Electricity, gas and water supply	10	112	-	122
Construction	67,931	147,532	99,805	315,268
Real estate	27,766	205,693	133,373	366,832
Wholesale & retail trade and restaurants & hotels	115,289	154,031	74,697	344,017
Transport, storage and communication	48,732	43,674	316,154	408,560
Finance, insurance/takaful and business services	67,644	46,065	24,250	137,959
Education, health and others	80,611	12,727	195,050	288,388
Household	1,658,547	1,289,374	231,368	3,179,289
	2,111,271	1,963,642	1,171,181	5,246,094

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

The Bank 31.12.2023	**Past Due But Not Credit-impaired Stage 1 RM'000**	**Past Due But Not Credit-impaired Stage 2 RM'000**	**Impaired Stage 3 RM'000**	**Total RM'000**
Primary agriculture	5,370	9,592	9,513	24,475
Mining and quarrying	205	451	10,124	10,780
Manufacturing	17,976	35,787	34,007	87,770
Electricity, gas and water supply	2,068	10,391	1	12,460
Construction	45,430	41,123	121,028	207,581
Real estate	21,598	219,067	168,038	408,703
Wholesale & retail trade and restaurants & hotels	91,650	67,777	323,915	483,342
Transport, storage and communication	49,175	31,863	96,312	177,350
Finance, insurance and business services	34,667	29,307	10,617	74,591
Education, health and others	8,503	97,673	12,660	118,836
Household	1,005,822	897,393	186,930	2,090,145
	1,282,464	1,440,424	973,145	3,696,033

The Bank 31.12.2022	Past Due But Not Credit-impaired Stage 1 RM'000	Past Due But Not Credit-impaired Stage 2 RM'000	Impaired Stage 3 RM'000	Total RM'000
Primary agriculture	4,310	8,961	18,656	31,927
Mining and quarrying	-	1,974	6,907	8,881
Manufacturing	34,500	43,639	41,764	119,903
Electricity, gas and water supply	-	82	-	82
Construction	50,158	83,632	46,339	180,129
Real estate	16,879	152,134	58,692	227,705
Wholesale & retail trade and restaurants & hotels	76,044	111,192	68,622	255,858
Transport, storage and communication	39,403	31,823	157,204	228,430
Finance, insurance and business services	43,554	22,614	20,730	86,898
Education, health and others	5,895	9,856	194,223	209,974
Household	730,909	577,353	122,297	1,430,559
	1,001,652	1,043,260	735,434	2,780,346

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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**	
31.12.2023	**RM'000**	**RM'000**	**RM'000**	**Total**
Primary agriculture	**5,113**	**1,767**	**8,359**	**15,239**
Mining and quarrying	**4,987**	**24,360**	**70,797**	**100,144**
Manufacturing	**3,185**	**212,482**	**4,635**	**220,302**
Electricity, gas and water supply	**1,619**	**3,908**	**4**	**5,531**
Construction	**3,356**	**81,809**	**22,534**	**107,699**
Real estate	**70,405**	**113,574**	**122,443**	**306,422**
Wholesale & retail trade and restaurants & hotels	**12,199**	**118,987**	**19,632**	**150,818**
Transport, storage and communication	**630**	**4,668**	**10,087**	**15,385**
Finance, insurance/takaful and business services	**21,484**	**50,000**	**41,928**	**113,412**
Education, health and others	**4,301**	**8,809**	**23,462**	**36,572**
Household	**21,981**	**84,301**	**260,066**	**366,348**
Government	**-**	**-**	**-**	**-**
	149,260	**704,665**	**583,947**	**1,437,872**

	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL credit impaired	
The Group	Stage 1	Stage 2	Stage 3	
31.12.2022	RM'000	RM'000	RM'000	Total
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	184,120	6,060	193,958
Household	100,761	78,246	100,432	279,439
Government	-	-	-	-
	211,373	778,214	421,234	1,410,821

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Expected credit losses (continued)

The Bank 31.12.2023	**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**
Primary agriculture	**4,203**	**1,699**	**8,184**	**14,086**
Mining and quarrying	**4,034**	**11,096**	**61,884**	**77,014**
Manufacturing	**2,019**	**13,856**	**4,156**	**20,031**
Electricity, gas and water supply	**935**	**3,900**	**1**	**4,836**
Construction	**2,084**	**80,879**	**5,488**	**88,451**
Real estate	**33,908**	**73,228**	**59,959**	**167,095**
Wholesale & retail trade and restaurants & hotels	**9,619**	**91,803**	**16,192**	**117,614**
Transport, storage and communication	**585**	**789**	**8,423**	**9,797**
Finance, insurance and business services	**20,370**	**34,718**	**34,619**	**89,707**
Education, health and others	**3,703**	**29,572**	**21,981**	**55,256**
Household	**14,185**	**51,257**	**248,462**	**313,904**
Government	**-**	**-**	**-**	**-**
	95,645	**392,797**	**469,349**	**957,791**

The Bank 31.12.2022	**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**
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

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	
	Write-Offs for Lifetime ECL Credit Impaired (Stage 3)		Write-Offs for Lifetime ECL Credit Impaired (Stage 3)	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Primary agriculture	**292**	99	**94**	1
Mining and quarrying	**-**	5	**-**	5
Manufacturing	**536**	1,649	**451**	1,432
Electricity, gas and water supply	**-**	31	**-**	31
Construction	**973**	6,567	**934**	2,194
Real estate	**451**	15	**451**	-
Wholesale & retail trade and restaurants & hotels	**938**	7,918	**523**	6,184
Transport, storage and communication	**378**	1,225	**177**	1,131
Finance, insurance/takaful and business services	**227**	12,324	**164**	12,100
Education, health and others	**83**	565	**54**	563
Household	**86,812**	53,999	**44,746**	29,066
	90,690	84,397	**47,594**	52,707

Analysed by geographical area

	Past Due But Not Credit-impaired		Impaired	
The Group 31.12.2023	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Perlis	**4,835**	**3,052**	**4,437**	**12,324**
Kedah	**110,437**	**138,070**	**48,031**	**296,538**
Pulau Pinang	**141,183**	**151,748**	**129,073**	**422,004**
Perak	**82,292**	**189,885**	**15,768**	**287,945**
Selangor	**1,017,187**	**864,288**	**374,058**	**2,255,533**
Wilayah Persekutuan	**411,068**	**370,604**	**350,641**	**1,132,313**
Negeri Sembilan	**139,262**	**154,294**	**34,555**	**328,111**
Melaka	**55,688**	**71,143**	**132,140**	**258,971**
Johor	**379,663**	**451,358**	**54,104**	**885,125**
Pahang	**65,089**	**56,363**	**27,532**	**148,984**
Terengganu	**43,580**	**33,307**	**3,606**	**80,493**
Kelantan	**32,154**	**28,388**	**6,732**	**67,274**
Sarawak	**94,078**	**61,497**	**73,315**	**228,890**
Sabah	**113,259**	**97,840**	**11,373**	**222,472**
Labuan	**125**	**119**	**-**	**244**
Outside Malaysia	**13,912**	**150**	**46**	**14,108**
	2,703,812	**2,672,106**	**1,265,411**	**6,641,329**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

	Past Due But Not Credit-impaired		Impaired	
The Group 31.12.2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Perlis	3,399	2,891	3,572	9,862
Kedah	74,492	134,227	52,952	261,671
Pulau Pinang	97,519	120,430	56,812	274,761
Perak	67,818	69,024	10,651	147,493
Selangor	728,400	589,007	243,513	1,560,920
Wilayah Persekutuan	395,258	447,862	82,189	925,309
Negeri Sembilan	111,324	96,554	23,389	231,267
Melaka	53,806	68,547	38,930	161,283
Johor	282,159	227,901	258,135	768,195
Pahang	52,905	44,044	25,127	122,076
Terengganu	40,086	25,877	292,568	358,531
Kelantan	30,591	20,378	2,969	53,938
Sarawak	72,933	51,745	68,205	192,883
Sabah	92,258	65,122	12,135	169,515
Labuan	102	-	-	102
Outside Malaysia	8,221	33	34	8,288
	2,111,271	1,963,642	1,171,181	5,246,094

	Past Due But Not Credit-impaired		Impaired	
The Bank 31.12.2023	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Perlis	**1,728**	**904**	**621**	**3,253**
Kedah	**31,762**	**26,104**	**32,478**	**90,344**
Pulau Pinang	**79,133**	**97,090**	**119,639**	**295,862**
Perak	**32,566**	**144,433**	**9,111**	**186,110**
Selangor	**431,762**	**414,878**	**263,021**	**1,109,661**
Wilayah Persekutuan	**188,027**	**188,785**	**315,905**	**692,717**
Negeri Sembilan	**47,557**	**47,238**	**19,349**	**114,144**
Melaka	**23,127**	**37,136**	**123,206**	**183,469**
Johor	**224,194**	**320,344**	**30,132**	**574,670**
Pahang	**22,710**	**18,415**	**24,219**	**65,344**
Terengganu	**2,308**	**1,929**	**667**	**4,904**
Kelantan	**1,781**	**2,028**	**244**	**4,053**
Sarawak	**84,126**	**53,815**	**25,711**	**163,652**
Sabah	**97,696**	**87,226**	**8,796**	**193,718**
Labuan	**125**	**-**	**-**	**125**
Outside Malaysia	**13,862**	**99**	**46**	**14,007**
	1,282,464	**1,440,424**	**973,145**	**3,696,033**

BASEL II PILLAR 3 DISCLOSURES

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5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

The Bank 31.12.2022	Past Due But Not Credit-impaired Stage 1 RM'000	Stage 2 RM'000	Impaired Stage 3 RM'000	Total RM'000
Perlis	1,222	1,131	81	2,434
Kedah	21,550	16,064	41,498	79,112
Pulau Pinang	49,672	39,725	47,091	136,488
Perak	30,956	35,119	5,569	71,644
Selangor	328,938	286,440	147,135	762,513
Wilayah Persekutuan	176,900	334,102	51,821	562,823
Negeri Sembilan	33,052	29,399	15,096	77,547
Melaka	27,431	48,793	20,520	96,744
Johor	167,281	122,879	203,596	493,756
Pahang	13,844	16,895	23,096	53,835
Terengganu	2,488	2,097	144,800	149,385
Kelantan	2,563	2,568	591	5,722
Sarawak	58,779	48,316	23,674	130,769
Sabah	78,653	59,699	10,832	149,184
Labuan	102	-	-	102
Outside Malaysia	8,221	33	34	8,288
	1,001,652	1,043,260	735,434	2,780,346

Expected credit losses

The Group 31.12.2023	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
Perlis	**156**	**2,451**	**2,575**	**5,182**
Kedah	**3,800**	**20,877**	**38,484**	**63,161**
Pulau Pinang	**7,730**	**68,552**	**103,235**	**179,517**
Perak	**4,432**	**21,314**	**6,091**	**31,837**
Selangor	**48,645**	**250,723**	**133,445**	**432,813**
Wilayah Persekutuan	**30,956**	**231,144**	**121,964**	**384,064**
Negeri Sembilan	**4,643**	**10,101**	**8,721**	**23,465**
Melaka	**2,457**	**8,705**	**81,937**	**93,099**
Johor	**20,461**	**32,251**	**22,299**	**75,011**
Pahang	**4,312**	**8,988**	**19,896**	**33,196**
Terengganu	**1,492**	**22,589**	**2,160**	**26,241**
Kelantan	**1,926**	**3,472**	**3,021**	**8,419**
Sarawak	**8,079**	**9,434**	**34,653**	**52,166**
Sabah	**5,757**	**9,952**	**5,433**	**21,142**
Labuan	**1,587**	**4,101**	**0**	**5,688**
Outside Malaysia	**2,829**	**11**	**33**	**2,872**
	149,260	**704,665**	**583,947**	**1,437,872**

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses (continued)

The Group 31.12.2022	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
Perlis	329	80	2,306	2,715
Kedah	5,008	11,217	37,837	54,062
Pulau Pinang	12,023	68,046	14,890	94,959
Perak	5,034	5,416	5,051	15,501
Selangor	79,297	248,302	102,572	430,171
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	5,191	-	5,331
Outside Malaysia	322	3	23	348
	211,373	778,214	421,234	1,410,821

The Bank 31.12.2023	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
Perlis	**49**	**2,303**	**95**	**2,447**
Kedah	**1,268**	**2,279**	**31,496**	**35,043**
Pulau Pinang	**4,244**	**52,208**	**100,214**	**156,666**
Perak	**2,304**	**19,281**	**3,558**	**25,143**
Selangor	**32,477**	**56,228**	**85,184**	**173,889**
Wilayah Persekutuan	**21,605**	**190,649**	**109,511**	**321,765**
Negeri Sembilan	**1,799**	**1,624**	**3,539**	**6,962**
Melaka	**1,392**	**5,717**	**74,977**	**82,086**
Johor	**13,725**	**22,836**	**13,657**	**50,218**
Pahang	**2,436**	**6,146**	**18,153**	**26,735**
Terengganu	**178**	**20,003**	**401**	**20,582**
Kelantan	**150**	**86**	**206**	**442**
Sarawak	**6,187**	**3,970**	**23,719**	**33,876**
Sabah	**3,593**	**9,459**	**4,606**	**17,658**
Labuan	**1,418**	**1**	**0**	**1,419**
Outside Malaysia	**2,820**	**7**	**33**	**2,860**
	95,645	**392,797**	**469,349**	**957,791**

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

5. CREDIT RISK (CONTINUED).

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses (continued)

The Bank 31.12.2022	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
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	1,528	20,839	27,983
Sabah	5,019	5,454	5,612	16,085
Labuan	136	3	-	139
Outside Malaysia	322	3	23	348
	144,574	448,993	297,399	890,966

Movement in expected credit loss for loans/financing

The Group **31.12.2023**	**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**
At beginning of the financial period	**211,373**	**778,214**	**421,234**	**1,410,821**
Total transfer between stages due to change in credit risk:	**(169,761)**	**305,516**	**(135,755)**	**-**
- Transfer to 12-month ECL (Stage 1)	**46,853**	**(41,757)**	**(5,096)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(215,896)**	**436,284**	**(220,388)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(718)**	**(89,011)**	**89,729**	**-**
Loans/financing derecognised (other than write-off)	**(67,652)**	**(58,675)**	**(26,487)**	**(131,847)**
New loans/financing originated or purchased	**290,231**	**-**	**-**	**290,231**
Changes due to change in credit risk	**(115,159)**	**(320,651)**	**371,623**	**(44,493)**
Write-off	**-**		**(69,723)**	**(90,690)**
Other adjustments	**228**	**261**	**23,055**	**3,850**
At end of the financial period	**149,260**	**704,665**	**583,947**	**1,437,872**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Expected credit losses (continued)

Movement in expected credit loss for loans/financing (continued)

The Group 31.12.2022	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
At beginning of the financial period	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 period	211,373	778,214	421,234	1,410,821

The Bank 31.12.2023	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
At beginning of the financial period	**144,574**	**448,993**	**297,399**	**890,966**
Total transfer between stages due to change in credit risk:	**(1,009)**	**100,548**	**(99,539)**	**-**
- Transfer to 12-month ECL (Stage 1)	**25,133**	**(21,763)**	**(3,370)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(25,554)**	**191,214**	**(165,660)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(588)**	**(68,903)**	**69,491**	**-**
Loans/financing derecognised (other than write-off)	**(45,423)**	**(44,966)**	**(21,126)**	**(111,515)**
New loans/financing originated or purchased	**73,097**	**-**	**-**	**73,097**
Changes due to change in credit risk	**(75,819)**	**(112,039)**	**309,046**	**121,188**
Write-off	**-**	**-**	**(26,627)**	**(26,627)**
Other adjustments	**225**	**261**	**10,196**	**10,682**
At end of the financial period	**95,645**	**392,797**	**469,349**	**957,791**

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.7 Credit Quality of Financial Assets (continued)

Expected credit losses (continued)

Movement in expected credit loss for loans/financing (continued)

The Bank 31.12.2022	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
At beginning of the financial period	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 period	144,574	448,993	297,399	890,966

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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 the geographical location where the credit risk resides.

The Group Exposure class	31.12.2023 Malaysia	31.12.2023 Other countries	31.12.2023 Total	31.12.2022 Malaysia	31.12.2022 Other countries	31.12.2022 Total
On Balance Sheet Exposures						
Corporates	**28,209,355**	**724,377**	**28,933,732**	28,407,079	152,690	28,559,769
Regulatory Retail	**27,959,467**	**2,814**	**27,962,281**	20,826,141	1,062	20,827,203
Other Assets	**5,304,673**	**-**	**5,304,673**	4,578,409	-	4,578,409
Sovereigns/Central Banks	**21,944,937**	**364,017**	**22,308,954**	19,280,368	173,401	19,453,769
Banks, Development Financial Institutions & MDBs	**5,435,811**	**858,026**	**6,293,837**	2,420,716	309,664	2,730,380
Insurance/Takaful Companies, Securities Firms & Fund Managers	**53,337**	**-**	**53,337**	51,869	-	51,869
Residential Mortgages	**12,810,207**	**-**	**12,810,207**	12,099,523	-	12,099,523
Higher Risk Assets	**45,213**	**-**	**45,213**	32,370	-	32,370
Defaulted Exposures	**819,240**	**14**	**819,254**	763,366	6	763,372
Total for On Balance Sheet Exposures	**102,582,240**	**1,949,248**	**104,531,488**	88,459,841	636,823	89,096,664
Off Balance Sheet Exposures						
Over-the-counter ("OTC") derivatives	**1,328,425**	**25,984**	**1,354,409**	1,113,435	21,307	1,134,742
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	**9,338,260**	**243,560**	**9,581,820**	10,063,594	83,512	10,147,106
Defaulted Exposures	**41,116**	**-**	**41,116**	15,762	-	15,762
Total for Off Balance Sheet Exposures	**10,707,801**	**269,544**	**10,977,345**	11,192,791	104,819	11,297,610
Total for On and Off Balance Sheet Exposures	**113,290,041**	**2,218,792**	**115,508,833**	99,652,632	741,642	100,394,274

The Bank Exposure class	31.12.2023 Malaysia	31.12.2023 Other countries	31.12.2023 Total	31.12.2022 Malaysia	31.12.2022 Other countries	31.12.2022 Total
On Balance Sheet Exposures						
Corporates	**18,649,145**	**693,963**	**19,343,108**	17,413,459	124,492	17,537,951
Regulatory Retail	**17,533,514**	**1,612**	**17,535,126**	14,288,142	1,053	14,289,195
Other Assets	**4,074,512**	**-**	**4,074,512**	3,486,578	-	3,486,578
Sovereigns/Central Banks	**10,725,303**	**364,017**	**11,089,320**	9,445,340	173,401	9,618,741
Banks, Development Financial Institutions & MDBs	**6,141,828**	**791,756**	**6,933,584**	2,708,063	309,664	3,017,727
Insurance Companies, Securities Firms & Fund Managers	**15,812**	**-**	**15,812**	15,426	-	15,426
Residential Mortgages	**3,084,139**	**-**	**3,084,139**	2,972,292	-	2,972,292
Higher Risk Assets	**34,673**	**-**	**34,673**	24,597	-	24,597
Defaulted Exposures	**639,509**	**14**	**639,523**	606,882	6	606,888
Total for On Balance Sheet Exposures	**60,898,435**	**1,851,362**	**62,749,797**	50,960,779	608,616	51,569,395
Off Balance Sheet Exposures						
Over-the-counter ("OTC") derivatives	**936,431**	**25,984**	**962,415**	838,714	21,307	860,021
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	**6,931,195**	**242,943**	**7,174,138**	8,769,168	83,441	8,852,609
Defaulted Exposures	**39,082**	**-**	**39,082**	15,212	-	15,212
Total for Off Balance Sheet Exposures	**7,906,708**	**268,927**	**8,175,635**	9,623,094	104,748	9,727,842
Total for On and Off Balance Sheet Exposures	**68,805,143**	**2,120,289**	**70,925,432**	60,583,873	713,364	61,297,237

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.

	The Group												
31.12.2023 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	1,470,273	353,707	3,795,628	843,462	1,892,993	5,001,586	5,348,081	2,119,013	2,451,806	1,763,111	2,548,091	1,345,981	28,933,732
Regulatory Retail	90,066	14,336	517,068	8,292	434,037	183,493	1,248,624	399,483	475,959	141,068	24,449,095	760	27,962,281
Other Assets	-	-	-	-	-	-	-	-	24,759	-	-	5,279,914	5,304,673
Sovereigns/Central Banks	-	-	-	27,215	767,345	-	-	1,033,203	18,758,013	949,370	21	773,787	22,308,954
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	1,910	-	-	-	-	-	403	-	6,289,706	1,818	-	-	6,293,837
Insurance/Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	807	-	52,530	-	-	-	53,337
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	12,810,207	-	12,810,207
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	30,298	14,915	45,213
Specialised Financing/Investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Exposure	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitisation Exposure	-	-	-	-	-	-	-	-	-	-	-	-	-
Defaulted Exposures	1,667	25,153	22,123	-	101,367	142,185	97,002	76,830	45,276	70,446	237,205	-	819,254
Total for On Balance Sheet Exposures	1,563,916	393,196	4,334,819	878,969	3,195,742	5,327,264	6,694,917	3,628,529	28,098,049	2,925,813	40,074,917	7,415,357	104,531,488
Off Balance Sheet Exposures													
Over-the-counter ("OTC") derivatives	-	-	14,358	2,849	-	-	7,526	11,715	1,262,921	55,040	-	-	1,354,409
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	120,686	90,509	616,406	116,881	670,346	299,875	407,118	250,281	4,540,400	1,130,689	1,338,402	227	9,581,820
Defaulted Exposures	-	7,731	392	-	9,926	-	15,597	1,155	2,916	1,847	1,552	-	41,116
Total for Off Balance Sheet Exposures	120,686	98,240	631,156	119,730	680,272	299,875	430,241	263,151	5,806,237	1,187,576	1,339,954	227	10,977,345
Total for On and Off Balance Sheet Exposures	1,684,602	491,436	4,965,975	998,699	3,876,014	5,627,139	7,125,158	3,891,680	33,904,286	4,113,389	41,414,871	7,415,584	115,508,833

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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).

	The Group												
31.12.2022 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
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-
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

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).

31.12.2023	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/ takaful and business services	Education, health and others	Household	Others	Total
On Balance Sheet Exposures													
Corporates	1,050,819	334,034	2,713,561	522,528	1,102,785	4,144,447	4,160,451	1,669,592	1,073,115	1,275,179	419,026	877,571	19,343,108
Regulatory Retail	73,162	9,790	407,541	3,496	308,713	152,234	939,009	309,423	311,299	86,033	14,933,666	760	17,535,126
Other Assets	-	-	-	-	-	-	-	-	-	-	-	4,074,512	4,074,512
Sovereigns/Central Banks	-	-	-	-	232,394	-	-	430,745	9,798,364	310,785	21	317,011	11,089,320
Banks, Development Financial Institutions & MDBs	1,910	-	-	-	-	-	-	-	6,931,674	-	-	-	6,933,584
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	807	-	15,005	-	-	-	15,812
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	3,084,139	-	3,084,139
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	19,758	14,915	34,673
Defaulted Exposures	1,667	6,836	18,918	-	62,311	134,817	88,119	75,620	38,814	69,616	142,805	-	639,523
Total for On Balance Sheet Exposures	1,127,558	350,660	3,140,020	526,024	1,706,203	4,431,498	5,188,386	2,485,380	18,168,271	1,741,613	18,599,415	5,284,769	62,749,797
Off Balance Sheet Exposures													
Over-the-counter ("OTC") derivatives	-	-	13,159	-	-	-	2,245	11,656	880,315	55,040	-	-	962,415
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	46,344	19,387	411,426	9,320	428,039	247,431	268,799	185,751	4,509,143	66,691	981,580	227	7,174,138
Defaulted Exposures	-	7,731	392	-	9,667	-	15,597	1,155	2,693	1,847	-	-	39,082
Total for Off Balance Sheet Exposures	46,344	27,118	424,977	9,320	437,706	247,431	286,641	198,562	5,392,151	123,578	981,580	227	8,175,635
Total for On and Off Balance Sheet Exposures	1,173,902	377,778	3,564,997	535,344	2,143,909	4,678,929	5,475,027	2,683,942	23,560,422	1,865,191	19,580,995	5,284,996	70,925,432

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

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).

	The Bank												
31.12.2022 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	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
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

BASEL II PILLAR 3 DISCLOSURES

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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.

31.12.2023 Exposure class	The Group < 1 year	> 1-5 years	> 5 years	No specific maturity	Total
On Balance Sheet Exposures					
Corporates	8,862,922	7,023,489	11,313,707	1,733,614	28,933,732
Regulatory Retail	586,298	5,192,595	21,352,056	831,332	27,962,281
Other Assets	-	-	-	5,304,673	5,304,673
Sovereigns/Central Banks	4,649,411	8,558,535	8,970,315	130,693	22,308,954
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	4,386,794	1,565,124	339,902	2,017	6,293,837
Insurance/Takaful Companies, Securities Firms & Fund Managers	12,675	40,194	463	5	53,337
Residential Mortgages	1,600	57,534	12,721,394	29,679	12,810,207
Higher Risk Assets	923	18,915	25,375	-	45,213
Defaulted Exposures	102,292	112,767	512,622	91,573	819,254
Total for On Balance Sheet Exposures	**18,602,915**	**22,569,153**	**55,235,834**	**8,123,586**	**104,531,488**
Off Balance Sheet Exposures					
Over-the-counter ("OTC") derivatives	883,172	414,220	57,017	-	1,354,409
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	6,748,010	446,693	1,025,329	1,361,788	9,581,820
Defaulted Exposures	27,029	10,775	123	3,189	41,116
Total for Off Balance Sheet Exposures	**7,658,211**	**871,688**	**1,082,469**	**1,364,977**	**10,977,345**
Total for On and Off Balance Sheet Exposures	**26,261,126**	**23,440,841**	**56,318,303**	**9,488,563**	**115,508,833**

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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).

	The Group				
31.12.2022 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

BASEL II PILLAR 3 DISCLOSURES

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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.

	The Bank				
31.12.2023 **Exposure class**	**< 1 year**	**> 1-5 years**	**> 5 years**	**No specific maturity**	**Total**
On Balance Sheet Exposures					
Corporates	5,456,461	5,177,375	7,730,238	979,034	19,343,108
Regulatory Retail	216,985	3,472,042	13,233,401	612,698	17,535,126
Other Assets	-	-	-	4,074,512	4,074,512
Sovereigns/Central Banks	1,102,570	5,562,589	4,424,111	50	11,089,320
Banks, Development Financial Institutions & MDBs	4,885,024	1,723,076	323,478	2,006	6,933,584
Insurance Companies, Securities Firms & Fund Managers	-	15,344	463	5	15,812
Residential Mortgages	1,256	38,177	3,016,000	28,706	3,084,139
Higher Risk Assets	923	15,401	18,349	-	34,673
Defaulted Exposures	78,795	76,474	393,802	90,452	639,523
Total for On Balance Sheet Exposures	11,742,014	16,080,478	29,139,842	5,787,463	62,749,797
Off Balance Sheet Exposures					
Over-the-counter ("OTC") derivatives	645,613	266,819	49,983	-	962,415
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	5,826,792	327,026	16,370	1,003,950	7,174,138
Defaulted Exposures	26,601	10,705	123	1,653	39,082
Total for Off Balance Sheet Exposures	6,499,006	604,550	66,476	1,005,603	8,175,635
Total for On and Off Balance Sheet Exposures	18,241,020	16,685,028	29,206,318	6,793,066	70,925,432

BASEL II PILLAR 3 DISCLOSURES

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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).

	The Bank				
31.12.2022 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
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

6. SECURITISATION

The Group and the Bank currently does not have any securitisation activities.

7. MARKET RISK

7.1 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.

7.2 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.

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

7. MARKET RISK (CONTINUED)

7.3 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.

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.

7.4 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.

8. LIQUIDITY RISK

8.1 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.

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.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

8. LIQUIDITY RISK (CONTINUED)

8.2 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.

GBRMC endorses all policies and changes relating to liquidity risk management prior to the Board's approval. The strategic management of liquidity has been delegated to the GALCO. GBRMC is informed regularly on the liquidity position of the Group and the Bank.

9. OPERATIONAL RISK

9.1 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 from 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.

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 establishes a forum to discuss and manage all aspects of operational risk, including control lapses.

The GORM is a function within the GRM that operates in an independent capacity to facilitate Business and/or Support Units in managing the risks in activities associated with the operational function of the Group and the Bank.

9.2 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.

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9. OPERATIONAL RISK (CONTINUED)

9.3 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 operational risk tools for risk and control identification and assessment:

- Risk Control Self-Assessment ('RCSA')

- Control Self Testing ('CST')

Note: Refers to a process of assisting Business and/or Support Units to identify and assess their key operational risks and controls, inherent risk rating, control effectiveness and residual risk rating.

- Key Risk Indicator ('KRI')

Note: Refers to a process of monitoring and managing key operational risk exposures over time and measured against a set of threshold levels (Red, Amber & Green).

- Operational Risk Event Reporting ('ORER')

Note: Refers to a process of evaluating, reporting and monitoring operational risk event resulting from inadequate or failed internal processes, people and systems, or from external events.

- Scenario Analysis ('ScAn')

Note: Refers to a process of developing plausible operational risk scenarios under which the identified major operational risks could materialise, evaluate the control effectiveness, estimate the probability of occurrence as well as severity of the impact, and readiness of the Group and the Bank in response to the scenario.

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 and/or 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') is appointed as champions of Operational Risk Management ('ORM') activities within their respective Business and/or Support Units. BRCM is responsible for the reporting of ORM activities and acts as a point of liaison with GORM on all operational lapses and results.

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10. TECHNOLOGY RISK

10.1 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.

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.

10.2 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.

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11. SHARIAH NON-COMPLIANCE RISK

11.1 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 Shariah Governance Policy and Shariah Risk Management Policy are the main references for the Shariah risk management process within the Group and the Bank.

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 2023 Annual Report under section "Shariah Supervision and Compliance Framework".

11.2 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.

11.3 Shariah Non-Compliance Income During The Year

	The Group	
	2023 RM'000	2022 RM'000
Shariah Non-Compliance Income	-	-

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

12. BUSINESS CONTINUITY RISK

12.1 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.

The Group Business Continuity Management Policy governs the management of business continuity issues, in line with BNM, PayNet, Bursa Malaysia and Securities Commission Malaysia Guidelines on Business Continuity Management ('BCM').

GBRMC endorses all policies and changes relating to business continuity management prior to the Board's approval. 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.

12.2 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.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

13. 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.

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 2023 Annual Report.

	2023		2022	
The Group	**Fair Value RM'000**	**Risk Weighted Assets RM'000**	**Fair Value RM'000**	**Risk Weighted Assets RM'000**
Type of Equity Investments				
Privately held	**245,640**	**245,672**	230,918	230,945
Publicly traded	-	-	-	-
Total	**245,640**	**245,672**	230,918	230,945

	2023	2022
	RM'000	RM'000
Cumulative realised gains/(losses) from sales and liquidations of equity investments	**-**	12,175
Total unrealised gains/(losses) in other comprehensive income	**14,726**	20,623

	2023		2022	
The Bank	**Fair Value RM'000**	**Risk Weighted Assets RM'000**	**Fair Value RM'000**	**Risk Weighted Assets RM'000**
Type of Equity Investments				
Privately held	**220,875**	**220,913**	206,993	207,030
Publicly traded	-	-	-	-
Total	**220,875**	**220,913**	206,993	207,030

	2023	2022
	RM'000	RM'000
Cumulative realised gains/(losses) from sales and liquidations of equity investments	**-**	9,000
Total unrealised gains/(losses) in other comprehensive income	**13,882**	18,205

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix I

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

31.12.2023

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	28,933,732	27,105,646	22,888,173	1,831,054
Regulatory Retail	27,962,281	26,502,992	19,744,019	1,579,522
Other Assets	5,304,673	5,304,673	2,737,555	219,004
Sovereigns/Central Banks	22,308,954	22,308,954	215,033	17,202
Banks, Development Financial Institutions & MDBs	6,293,837	6,290,262	1,483,294	118,664
Insurance/Takaful Companies, Securities Firms & Fund Managers	53,337	53,337	25,184	2,015
Residential Mortgages	12,810,207	12,793,856	7,027,546	562,203
Higher Risk Assets	45,213	45,213	67,819	5,426
Defaulted Exposures	819,254	816,545	1,028,625	82,290
Total for On Balance Sheet Exposures	**104,531,488**	**101,221,478**	**55,217,248**	**4,417,380**
Off Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	1,354,409	1,354,408	524,579	41,966
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	9,581,820	6,714,711	3,797,872	303,830
Defaulted Exposures	41,116	41,115	60,943	4,875
Total for Off Balance Sheet Exposures	**10,977,345**	**8,110,234**	**4,383,394**	**350,671**
Total for On and Off Balance Sheet Exposures	**115,508,833**	**109,331,712**	**59,600,642**	**4,768,051**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix I

DISCLOSURE ON CAPITAL ADEQUACY (RM'000) (CONTINUED)

The Group

31.12.2023

	Exposure Class	Gross Exposures/ EAD before CRM		Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
		Long Position	Short Position			
2	**MARKET RISK**					
	Interest Rate/Rate of Return Risk	58,216,154	57,203,775	1,012,379	1,252,134	100,171
	Equity Position Risk	89,122	976	88,146	252,365	20,189
	Foreign Currency Risk	2,570,068	2,710,802	(140,736)	324,046	25,924
	Option Risk	625	7,687	(7,062)	113	9
	TOTAL MARKET RISK	60,875,969	59,923,240		1,828,658	146,293
3	**OPERATIONAL RISK**					
	Operational Risk				4,029,830	322,386
	Total RWA and Capital Requirements				65,459,130	5,236,730

The Group

31.12.2022

	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
	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
	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

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix I

DISCLOSURE ON CAPITAL ADEQUACY (RM'000) (CONTINUED)

The Group

31.12.2022

Exposure Class		Gross Exposures/ EAD before CRM Long Position	Gross Exposures/ EAD before CRM Short Position	Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
2	MARKET RISK					
	Interest Rate/Rate of Return 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

The Bank

31.12.2023

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	**19,343,108**	**18,813,457**	**16,455,014**	**1,316,401**
	Regulatory Retail	**17,535,126**	**17,425,168**	**12,994,098**	**1,039,528**
	Other Assets	**4,074,512**	**4,074,512**	**2,345,932**	**187,675**
	Sovereigns/Central Banks	**11,089,320**	**11,089,320**	**155,279**	**12,422**
	Banks, Development Financial Institutions & MDBs	**6,933,584**	**6,932,743**	**1,739,419**	**139,154**
	Insurance Companies, Securities Firms & Fund Managers	**15,812**	**15,812**	**3,812**	**305**
	Residential Mortgages	**3,084,139**	**3,077,005**	**1,489,789**	**119,183**
	Higher Risk Assets	**34,673**	**34,673**	**52,009**	**4,161**
	Defaulted Exposures	**639,523**	**639,465**	**845,212**	**67,617**
	Total for On Balance Sheet Exposures	**62,749,797**	**62,102,155**	**36,080,564**	**2,886,445**
	Off Balance Sheet Exposures				
	Over-the-counter ("OTC") derivatives	**962,415**	**962,415**	**370,864**	**29,669**
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	**7,174,138**	**4,361,168**	**2,503,687**	**200,295**
	Defaulted Exposures	**39,082**	**39,082**	**58,538**	**4,683**
	Total for Off Balance Sheet Exposures	**8,175,635**	**5,362,665**	**2,933,089**	**234,647**
	Total for On and Off Balance Sheet Exposures	**70,925,432**	**67,464,820**	**39,013,653**	**3,121,092**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix I

DISCLOSURE ON CAPITAL ADEQUACY (RM'000) (CONTINUED)

The Bank

31.12.2023

	Exposure Class	Gross Exposures/ EAD before CRM		Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
		Long Position	Short Position			
2	**MARKET RISK**					
	Interest Rate Risk	**43,266,464**	**42,317,469**	**948,995**	**905,944**	**72,475**
	Foreign Currency Risk	**165,595**	**324,195**	**(158,601)**	**324,195**	**25,936**
	Option Risk	**-**	**-**	**-**	**-**	**-**
	TOTAL MARKET RISK	**43,432,059**	**42,641,664**		**1,230,139**	**98,411**
3	**OPERATIONAL RISK**					
	Operational Risk				**2,063,846**	**165,108**
	Total RWA and Capital Requirements				**42,307,638**	**3,384,611**

The Bank

31.12.2022

	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
	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

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix I

DISCLOSURE ON CAPITAL ADEQUACY (RM'000) (CONTINUED)

The Bank

31.12.2022

	Exposure Class	Gross Exposures/ EAD before CRM		Net Exposures/ EAD after CRM	Risk Weighted Assets	Minimum Capital Requirements at 8%
		Long Position	Short Position			
2	MARKET RISK					
	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

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 2023

Appendix II

DISCLOSURE ON CREDIT RISK: DISCLOSURES ON RISK WEIGHTS UNDER THE STANDARDISED APPROACH (RM'000)

The Group

31.12.2023

	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%	23,125,230	-	-	-	-	-	-	-	1,802,961	-	-	-	24,928,191	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	1,019,549	-	6,849,174	35,191	5,243,530	246,309	-	-	955,194	-	-	-	14,348,947	2,869,789
35%	-	-	-	-	-	-	6,664,322	-	-	-	-	-	6,664,322	2,332,513
50%	380,409	-	1,113,414	-	254,269	28,672	3,147,190	115	-	-	-	-	4,924,069	2,462,035
75%	-	-	-	-	-	27,325,615	30,819	-	-	-	-	-	27,356,434	20,517,325
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	129,203	-	11,331	115,595	24,367,478	59,949	3,261,214	-	2,546,517	-	-	-	30,491,287	30,491,287
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	9,791	-	326,427	226,096	-	56,148	-	-	-	-	618,462	927,693
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight													-	55%
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	24,654,391	-	7,983,710	150,786	30,191,704	27,886,641	13,103,545	56,263	5,304,672	-	-	-	109,331,712	59,600,642

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) (CONTINUED)

The Group

31.12.2022

Risk Weights	Exposures after Netting and Credit Risk Mitigation													
	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											-		-	56%
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 2023

Appendix II

DISCLOSURE ON CREDIT RISK: DISCLOSURES ON RISK WEIGHTS UNDER THE STANDARDISED APPROACH (RM'000) (CONTINUED)

The Bank

31.12.2023

	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%	11,902,280	-	-	-	-	-	-	-	1,260,176	-	-	-	13,162,456	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	97,506	-	6,820,248	15,000	2,880,439	140,083	-	-	585,505	-	-	-	10,538,781	2,107,756
35%	-	-	-	-	-	-	2,003,911	-	-	-	-	-	2,003,911	701,369
50%	271,886	-	1,455,253	-	194,957	19,194	589,293	115	-	-	-	-	2,530,698	1,265,349
70%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	18,273,023	28,672	-	-	-	-	-	18,301,695	13,726,271
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	129,203	-	11,331	44,624	17,405,877	34,896	501,263	-	2,228,831	-	-	-	20,356,025	20,356,025
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	9,791	-	295,024	224,939	-	41,501	-	-	-	-	571,255	856,883
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	58%
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	12,400,875	-	8,296,623	59,624	20,776,297	18,692,135	3,123,139	41,616	4,074,512	-	-	-	67,464,821	39,013,653

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) (CONTINUED)

The Bank
31.12.2022

	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%	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											-		-	59%
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"

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

Appendix III

DISCLOSURES ON RATED EXPOSURES ACCORDING TO RATINGS BY ECAIS (RM'000)

The Group 31.12.2023	Ratings of Corporate by Approved ECAIs					
Exposure Class	Moody's S&P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D	Unrated Unrated Unrated Unrated 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		20,191	-	-	-	130,595
Corporates		2,195,749	57,945	11,514	1	29,933,719
Total		2,215,940	57,945	11,514	1	30,064,314

DISCLOSURES ON RATED EXPOSURES ACCORDING TO RATINGS BY ECAIS (RM'000) (CONTINUED)

The Group	Ratings of Corporate by Approved ECAIs					
31.12.2022	Moody's	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
Exposure Class	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		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 2023

Appendix III

DISCLOSURES ON RATED EXPOSURES ACCORDING TO RATINGS BY ECAIS (RM'000) (CONTINUED)

The Bank	Ratings of Corporate by Approved ECAIs					
31.12.2023	Moody's	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
Exposure Class	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)		-	-	-	-	-
Takaful/Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	59,624
Corporates		108,808	37,801	11,514	-	21,278,012
Total		108,808	37,801	11,514	-	21,337,636

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

DISCLOSURES ON RATED EXPOSURES ACCORDING TO RATINGS BY ECAIS (RM'000) (CONTINUED)

The Bank		Ratings of Corporate by Approved ECAIs				
31.12.2022	Moody's	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
Exposure Class	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 2023

Appendix III

DISCLOSURES ON RATED EXPOSURES ACCORDING TO RATINGS BY ECAIS (RM'000) (CONTINUED)

The Group

31.12.2023

	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	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	A to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
Exposure Class	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		15,545,558	1,096,870	108,523	271,886	-	7,631,554
Total		15,545,558	1,096,870	108,523	271,886	-	7,631,554

	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	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	A to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
Exposure Class	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		5,444,895	346,912	138,982	12,213	1	4,693,477
Total		5,444,895	346,912	138,982	12,213	1	4,693,477

DISCLOSURES ON RATED EXPOSURES ACCORDING TO RATINGS BY ECAIS (RM'000) (CONTINUED)

The Group

31.12.2022

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	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	A 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	A 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 2023

Appendix III

DISCLOSURES ON RATED EXPOSURES ACCORDING TO RATINGS BY ECAIS (RM'000) (CONTINUED)

The Bank

31.12.2023

	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	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	A to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
Exposure Class	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	-	10,001,258	1,069,408	-	271,886	-	1,058,323
Total		10,001,258	1,069,408	-	271,886	-	1,058,323

	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	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	A to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
Exposure Class	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	-	3,829,275	192,602	138,982	12,213	-	6,773,587
Total		3,829,275	192,602	138,982	12,213	-	6,773,587

DISCLOSURES ON RATED EXPOSURES ACCORDING TO RATINGS BY ECAIS (RM'000) (CONTINUED)

The Bank

31.12.2022

	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	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	A to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
Exposure Class	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

	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	A to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
Exposure Class	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

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix IV

A) DISCLOSURES ON CREDIT RISK MITIGATION (RM'000)

The Group

31.12.2023

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	22,308,954	-	-	-
Banks, Development Financial Institutions & MDBs	6,293,837	-	3,574	-
Insurance/Takaful Companies, Securities Firms & Fund Managers	53,337	-	-	-
Corporates	28,933,732	1,198,751	1,828,087	-
Regulatory Retail	27,962,281	245,346	1,459,288	-
Residential Mortgages	12,810,207	-	16,351	-
Higher Risk Assets	45,213	-	-	-
Other Assets	5,304,673	-	-	-
Defaulted Exposures	819,254	3,622	2,710	-
Total for On Balance Sheet Exposures	104,531,488	1,447,719	3,310,010	-
Off Balance Sheet Exposures				
Over-the-counter("OTC") derivatives	1,354,409	-	-	-
Off Balance sheet exposures other than OTC derivatives or credit derivatives	9,581,820	25,158	2,867,111	-
Defaulted Exposures	41,116	-	-	-
Total for Off Balance Sheet Exposures	10,977,345	25,158	2,867,111	-
Total On and Off Balance Sheet Exposures	115,508,833	1,472,877	6,177,121	-

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix IV

A) DISCLOSURES ON CREDIT RISK MITIGATION (RM'000) (CONTINUED)

The Group

31.12.2022

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 2023

Appendix IV

A) DISCLOSURES ON CREDIT RISK MITIGATION (RM'000) (CONTINUED)

The Bank

31.12.2023

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	11,089,320	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	6,933,584	-	841	-
Insurance Companies, Securities Firms & Fund Managers	15,812	-	-	-
Corporates	19,343,108	1,009,603	529,639	-
Regulatory Retail	17,535,126	139,831	109,958	-
Residential Mortgages	3,084,139	-	7,134	
Higher Risk Assets	34,673	-	-	-
Other Assets	4,074,512	-	-	-
Defaulted Exposures	639,523	2,652	59	-
Total for On Balance Sheet Exposures	**62,749,797**	**1,152,086**	**647,631**	**-**
Off Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	962,415	-	-	-
Off Balance sheet exposures other than OTC derivatives or credit derivatives	7,174,138	3,997	2,812,980	-
Defaulted Exposures	39,082	-	0	-
Total for Off Balance Sheet Exposures	**8,175,635**	**3,997**	**2,812,980**	**-**
Total On and Off Balance Sheet Exposures	**70,925,432**	**1,156,083**	**3,460,611**	**-**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix IV

A) DISCLOSURES ON CREDIT RISK MITIGATION (RM'000) (CONTINUED)

The Bank

31.12.2022

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	-	-	-
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	-

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.

The Group

31.12.2023

Description	Total Principal Amount	Positive Fair Value of Derivative Contracts	Total Credit Equivalent Amount	Total Risk Weighted Amount
Direct Credit Substitutes	528,246	-	528,245	494,592
Transaction related contingent items	1,385,471	-	680,360	625,540
Short Term Self Liquidating trade related contingencies	4,620,093	-	924,019	208,024
Forward Asset Purchases	-	-	-	-
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	3,619,584	-	4,259,454	85,968
Foreign exchange related contracts				
One year or less	48,727,877	315,996	877,661	348,355
Over one year to five years	326,890	5,822	28,995	20,096
Interest/Profit rate related contracts				
One year or less	2,577,284	17,187	5,952	2,393
Over one year to five years	11,298,499	116,869	384,782	136,540
Over five years	757,264	14,564	57,016	17,196
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,826,847	-	1,411,690	1,070,154
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	7,383,227	-	1,476,644	1,121,744
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	1,624,905	-	-	-
Unutilised credit card lines	1,712,631	-	342,526	252,793
Total	**87,388,818**	**470,438**	**10,977,344**	**4,383,395**

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix IV

B) DISCLOSURE ON OFF BALANCE SHEET AND COUNTERPARTY CREDIT RISK (RM'000) (CONTINUED)

The Group

31.12.2022

Description	Total Principal 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
Over five years	-	-	-	-
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	5,557,414	-	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	56,640,387	495,389	11,297,610	3,811,834

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix IV

B) DISCLOSURE ON OFF BALANCE SHEET AND COUNTERPARTY CREDIT RISK (RM'000) (CONTINUED)

The Bank

31.12.2023

Description	Total Principal Amount	Positive Fair Value of Derivative Contracts	Total Credit Equivalent Amount	Total Risk Weighted Amount
Direct Credit Substitutes	370,153	-	370,153	338,863
Transaction related contingent items	840,151	-	420,076	368,438
Short Term Self Liquidating trade related contingencies	100,039	-	20,008	19,772
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	3,619,584	-	4,259,454	85,968
Foreign exchange related contracts				
One year or less	40,095,245	224,749	640,783	271,874
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	1,907,284	16,810	4,830	1,925
Over one year to five years	7,734,449	94,384	266,819	83,386
Over five years	640,039	12,940	49,983	13,679
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,924,957	-	961,586	775,946
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,480,382	-	896,075	762,984
Unutilised credit card lines	1,429,339	-	285,868	210,253
Total	**63,141,622**	**348,883**	**8,175,634**	**2,933,088**

BASEL II PILLAR 3 DISCLOSURES

Appendix IV

As at 31 December 2023

B) DISCLOSURE ON OFF BALANCE SHEET AND COUNTERPARTY CREDIT RISK (RM'000) (CONTINUED)

The Bank

31.12.2022

Description	Total Principal 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

C) DISCLOSURE ON MARKET RISK – INTEREST RATE/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate/rate of return 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 rate/rate of return risk management is to achieve a stable and sustainable net interest/profit income from the following perspectives:

1) Next 12 months' Earnings - Interest rate/rate of return 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.

C) DISCLOSURE ON MARKET RISK – INTEREST RATE/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

Interest rate/rate of return 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.

When measuring the Interest Rate/Rate of Return Risk in the Banking Book as at 31 December 2023, behavioural models are employed specifically for portfolios or products exhibiting behavioural optionalities. The objective is to incorporate and analyse the behavioural patterns of customers or products concerning changes in interest rates, contributing to a comprehensive understanding of the interest rate risk profile within the banking book.

The reported numbers are generated based on assumptions used in IRRBB/RORBB BNM template.

	The Group		The Group	
	Impact on Positions (+100 basis points) Parallel Shift		Impact on Positions (-100 basis points) Parallel Shift	
31.12.2023 **Type of Currency (RM million)**	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value
Ringgit Malaysia	**81.6**	**(660.1)**	**(81.6)**	**660.1**
US Dollar	**(47.0)**	**(28.0)**	**47.0**	**28.0**
Euro	**(0.1)**	**0.1**	**0.1**	**(0.1)**
Great Britain Pound	**(2.8)**	**(2.6)**	**2.8**	**2.6**
Australian Dollar	**1.8**	**(3.1)**	**(1.8)**	**3.1**
Singapore Dollar	**(0.4)**	**0.2**	**0.4**	**(0.2)**
Japanese Yen	**(0.0)**	**0.0**	**0.0**	**(0.0)**
Others (#)	**(0.2)**	**(1.9)**	**0.2**	**1.9**
Total	**32.8**	**(695.6)**	**(32.8)**	**695.6**

	The Group		The Group	
	Impact on Positions (+100 basis points) Parallel Shift		Impact on Positions (-100 basis points) Parallel Shift	
31.12.2022 Type of Currency (RM million)	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)	(23.5)	1,097.2
US Dollar	(18.4)	(7.6)	18.4	7.6
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	2.2	(0.2)
Total	2.3	(1,104.9)	(2.3)	1,104.9

Others comprise of NZD and HKD currencies where the amount of each currency is relatively small.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

Appendix IV

C) DISCLOSURE ON MARKET RISK – INTEREST RATE/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

	The Bank		The Bank	
	Impact on Positions (+100 basis points) Parallel Shift		Impact on Positions (-100 basis points) Parallel Shift	
31.12.2023 **Type of Currency (RM million)**	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value
Ringgit Malaysia	**30.3**	**(369.2)**	**(30.3)**	**369.2**
US Dollar	**(43.8)**	**(25.1)**	**43.8**	**25.1**
Euro	**(0.1)**	**0.1**	**0.1**	**(0.1)**
Great Britain Pound	**(2.8)**	**(2.6)**	**2.8**	**2.6**
Australian Dollar	**1.8**	**(3.1)**	**(1.8)**	**3.1**
Singapore Dollar	**(0.4)**	**0.2**	**0.4**	**(0.2)**
Japanese Yen	**(0.0)**	**0.0**	**0.0**	**(0.0)**
Others (#)	**(0.5)**	**(0.7)**	**0.5**	**0.7**
Total	**(15.5)**	**(400.4)**	**15.5**	**400.4**

	The Bank		The Bank	
	Impact on Positions (+100 basis points) Parallel Shift		Impact on Positions (-100 basis points) Parallel Shift	
31.12.2022 Type of Currency (RM million)	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value	Increase/ (Decline) in Earnings	Increase/ (Decline) in Economic Value
Ringgit Malaysia	5.8	(635.8)	(5.8)	635.8
US Dollar	(16.4)	(9.7)	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 (#)	(2.1)	0.3	2.1	(0.3)
Total	(13.3)	(645.5)	13.3	645.5

Others comprise of NZD and HKD currencies where the amount of each currency is relatively small.

ADDITIONAL COMPLIANCE INFORMATION

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

During the financial year ended 31 December 2023, Affin Bank Berhad ("AFFIN BANK") and its subsidiaries have issued the following instruments:

(a) Additional Tier 1 Capital Securities ("AT1CS") programme of RM3.0 billion in nominal value ("AT1CS Programme") by AFFIN BANK

On 23 June 2023, ABB issued AT1CS with a nominal value of RM500,000,000 ("Series 2 AT1CS"). The AT1CS issued from the AT1CS Programme qualifies as BASEL-III Additional Tier 1 Capital of AFFIN BANK in accordance with the Capital Adequacy Framework (Capital Components) issued on 2 February 2018 by Bank Negara Malaysia. The tenure of the Series 1 AT1CS is perpetual on a non-callable 5 years basis.

The proceeds raised have been utilised for the general banking working capital requirements and business purposes of AFFIN BANK.

(b) Islamic Medium-Term Notes programme of RM5.0 billion in nominal value for the issuance of Senior Sukuk Murabahah, Tier 2 Sukuk Murabahah ("T2 Sukuk Murabahah") and/or Additional Tier 1 Sukuk Wakalah ("AT1 Sukuk Wakalah") by Affin Islamic Bank Berhad ("AFFIN ISLAMIC") ("Sukuk Programme")

(i) On 10 October 2023, AFFIN ISLAMIC issued AT1 Sukuk Wakalah with a nominal value of RM500,000,000 under the Sukuk Programme. The AT1 Sukuk Wakalah issued under the Sukuk Programme qualifies as Basel III-compliant Additional Tier 1 capital of AFFIN ISLAMIC, in accordance with the Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 2 February 2018 by Bank Negara Malaysia. The tenure of the AT1 Sukuk Wakalah issued is perpetual on a non-callable 5 years basis.

The proceeds raised have been utilised for general banking working capital requirements and business purposes of AFFIN ISLAMIC in Shariah compliant manner.

(ii) On 13 October 2023, AFFIN ISLAMIC issued T2 Sukuk Murabahah with a nominal value of RM500,000,000 under the Sukuk Programme. The T2 Sukuk Murabahah qualifies as Basel III-compliant Tier 2 capital of AFFIN ISLAMIC, in accordance with the Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 2 February 2018 by Bank Negara Malaysia. The tenure of the T2 Sukuk Murabahah issued is 10 years on a non-callable 5 years basis.

The proceeds raised have been utilised for general banking working capital requirements and business purposes of AFFIN ISLAMIC in Shariah compliant manner.

(iii) On 12 December 2023, AFFIN ISLAMIC issued Senior Sukuk Murabahah with a nominal value of RM600,000,000 under the Sukuk Programme. The tenure of the Senior Sukuk Murabahah issued is 3 years, which will mature on 11 December 2026.

The proceeds raised have been utilised for general banking working capital requirements and business purposes of AFFIN ISLAMIC in Shariah compliant manner.

2. MATERIALS CONTRACTS

There were no material contracts entered into by AFFIN BANK 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 2023 or, if not then subsisting entered into since the end of the previous financial year.

ADDITIONAL COMPLIANCE INFORMATION

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Annual General Meeting held on 25 May 2023, AFFIN BANK had obtained shareholders' mandate to allow AFFIN BANK 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 AFFIN BANK and/or its subsidiaries within the ordinary course of business of AFFIN BANK 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 2023 by AFFIN BANK 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
AFFIN BANK	Perbadanan Perwira Niaga Malaysia ("**Perwira Niaga**")	Rental payment by AFFIN BANK 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	<u>Interested Director</u> Mohammad Ashraf Md Radzi <u>Interested Major Shareholder</u> LTAT	187
	Boustead Travel Services Sdn Bhd ("**Boustead Travel**")	Provision of travelling related services to AFFIN BANK by Boustead Travel	<u>Interested Director</u> Mohammad Ashraf Md Radzi <u>Interested Major Shareholders</u> LTAT and Boustead	1,239
	Boustead Properties Sdn Bhd ("**Boustead Properties**")	Rental payment by AFFIN BANK to Boustead Properties for office premises and car park payable monthly for a lease term renewable every five (5) years (Menara AFFIN)	<u>Interested Director</u> Mohammad Ashraf Md Radzi <u>Interested Major Shareholders</u> LTAT and Boustead	8,296
	Lembaga Tabung Angkatan Tentera ("**LTAT**")	Rental payment by AFFIN BANK to LTAT for office premises and car park payable monthly for a lease term renewable every three (3) years (Bangunan LTAT)	<u>Interested Director</u> Mohammad Ashraf Md Radzi <u>Interested Major Shareholder</u> LTAT	26
	Boustead Curve Sdn Bhd ("**Boustead Curve**")	Rental payment by AFFIN BANK 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)	<u>Interested Director</u> Mohammad Ashraf Md Radzi <u>Interested Major Shareholders</u> LTAT and Boustead	219
	Boustead Hotels & Resorts Sdn Bhd ("**Boustead Hotels & Resorts**")	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to AFFIN BANK for staff in-house training and other expenses	<u>Interested Director</u> Mohammad Ashraf Md Radzi <u>Interested Major Shareholders</u> LTAT and Boustead	134

ADDITIONAL COMPLIANCE INFORMATION

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
AFFIN BANK (continued)	Boustead Hotels & Resorts	Rental payment by AFFIN BANK 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 AFFIN BANK to Boustead Petroleum	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	0
	Boustead Petroleum	Rental payment by AFFIN BANK 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	186
	Boustead Ikano Sdn Bhd	Rental payment by AFFIN BANK 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	210
	Boustead Weld Quay Sdn Bhd	Hotel facilities and refreshment provided by Boustead Weld Quay Sdn Bhd to AFFIN BANK 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	33
AFFIN ISLAMIC	Boustead Travel	Provision of travelling related services to AFFIN ISLAMIC by Boustead Travel	Interested Director Muhammad Fitri Othman Interested Major Shareholders LTAT and Boustead	0
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to AFFIN ISLAMIC 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	1,478

ADDITIONAL COMPLIANCE INFORMATION

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	190
	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	2,137
	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	17
	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	9
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	382
	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	116
Total				**14,871**

ADDITIONAL COMPLIANCE INFORMATION

4. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2023, the total audit and non-audit fees paid or payable incurred for services rendered to the Group and the Bank by the external auditors or a firm affiliated to the external auditors, Messrs. PricewaterhouseCoopers are as follows:

	The Group RM'000	The Bank RM'000
Audit related services		
• Statutory Audit	2,333	1,370
• Limited Review	210	103
• Review of Liquidity Coverage Ratio	627	265
• SORMIC	17	17
Total Audit Services	**3,187**	**1,755**
Non-Audit related services		
• Tax Services	166	37
• Agreed-upon procedures in relation to the certification of renovation and refurbishment expenses for special tax deduction	64	55
• Treasury Training	25	25
Total Non-Audit Related Services	**255**	**117**
TOTAL FEES	**3,442**	**1,872**

5. VARIATIONS IN RESULTS

There were no variances of 10% or more between audited results for financial year ended 31 December 2023 and the unaudited results previously announced.

6. SHARE BUY-BACK

There was no share buy-back by the Company during the financial year.

7. PROFIT GUARANTEE

There was no profit guarantee for the financial year.

TOP 10 PROPERTIES

As at 31 December 2023

NO.	TITLE/MUKIM	ADDRESS/PROPERTY	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ FT)	APPROX AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31/12/2023 (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	1	920,201,321.89
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	23	4,011,025.49
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	32	3,584,419.14
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	23	3,087,114.04
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	FREEHOLD	LAND : 4,659 BUILT-UP : 11,858	32	2,602,553.48
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	26	2,196,330.76
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/VACANT PREMISES	LEASEHOLD EXP: 21/1/2901	LAND: 2,780 BUILT-UP: 10,144	30	1,986,430.22
8.	HS(D) 96849 (30438 [new]) LOT/PT 6536 (28035 [new]) MUKIM OF SETAPAK DISTRICT & STATE OF WILAYAH PERSEKUTUAN HS(D) 96848 (30437 [new]) LOT/PT 6537 (28034 [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] NO. 4, JLN 1/27F KLSC WANGSA MAJU 53300 KUALA LUMPUR [C7/5O/85-1, C7/50/85-2 & C7/5O/85-3]	4 STOREY SHOP OFFICE CORNER UNIT/ BRANCH PREMISES 3 STOREY SHOP OFFICE/BRANCH PREMISES	LEASEHOLD EXP: 19/04/2083 LEASEHOLD EXP: 19/04/2083	LAND: 4,480 BUILT-UP: 14,920 LAND: 1,920 BUILT-UP: 5,760	25	1,775,005.08
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	30	1,671,918.96
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	35	1,631,597.80

ANALYSIS OF SHAREHOLDINGS

As at 29 February 2024

Stock Code	: 5185
Stock Name	: AFFIN
Issued Share Capital	: 2,346,488,338
Class of Shares	: Ordinary Share
Number of Shareholders	: 22,358
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	%
Less than 100	1,361	6.09	34,992	0.00
100 to 1,000	3,737	16.71	2,468,659	0.11
1,001 to 10,000	12,833	57.40	52,038,004	2.22
10,001 to 100,000	3,928	17.57	110,783,145	4.72
100,001 to 117,324,415*	495	2.21	352,558,668	15.02
117,324,416 and above**	4	0.02	1,828,604,870	77.93
Total	**22,358**	**100**	**2,346,488,338**	**100**

* *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	675,458,252	28.785
2.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR THE BANK OF EAST ASIA LIMITED (INVESTMENT AC)	561,557,883	23.931
3.	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	469,677,689	20.016
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	121,911,046	5.195
5	STATE FINANCIAL SECRETARY SARAWAK	112,558,000	4.796
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	13,742,600	0.585
7	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	8,171,600	0.348
8.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	7,963,200	0.339
9.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	7,486,494	0.319
10.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)	6,608,100	0.281

ANALYSIS OF SHAREHOLDINGS

As at 29 February 2024

No.	Name	Shareholdings	%
11.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	4,055,848	0.172
12.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	3,651,500	0.155
13.	CHEAH FOOK LING	3,633,800	0.154
14.	SUBRAMANIAM PILLAI A/L SANKARAN PILLAI	3,320,000	0.141
15.	B-OK SDN BHD	3,320,007	0.136
16.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIVA KUMAR A/L M JEYAPALAN	3,130,000	0.133
17.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SIVA KUMAR A/L M JEYAPALAN (PB)	3,106,000	0.132
18.	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAYLAND PARKVIEW SDN BHD (KLC)	2,978,353	0.126
19.	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM MAYBANK) (412183)	2,595,900	0.110
20.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR EMERGING MARKETS SMALL CAPITALIZATION EQUITY INDEX NONLENDABLE FUND	2,512,400	0.107
21.	WAN RAZLY ABDULLAH BIN WAN ALI	2,490,401	0.106
22.	KEY DEVELOPMENT SDN.BERHAD	2,474,582	0.105
23.	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR AUSTRALIANSUPER	2,425,800	0.103
24.	CHEE SAI MUN	2,289,310	0.097
25.	RHB INVESTMENT BANK BERHAD IVT (SHQ-SW BOOK 1) EQD TEAM	2,262,300	0.096
26.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (UOB AM SC EQ)	2,223,900	0.094
27.	LEE GUAN SEONG	2,149,748	0.091
28.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,124,923	0.090
29.	HSBC NOMINEES (ASING) SDN BHD HSBC BK PLC FOR ABU DHABI INVESTMENT AUTHORITY (INSESC)	2,060,414	0.087
30.	HII YU HO SDN BHD	2,057,750	0.087
TOTAL		**2,039,877,800**	**86.933**

ANALYSIS OF SHAREHOLDINGS

As at 29 February 2024

LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name	Direct shareholdings	%	Indirect shareholdings	%
1.	LEMBAGA TABUNG ANGKATAN TENTERA (LTAT)	675,458,252	28.785	469,677,689*	20.016
2.	CITIGROUP NOMINEES (ASING) SDN BHD CBHK FOR THE BANK OF EAST ASIA LIMITED (INVESTMENT AC)	561,557,883	23.931	-	-
3.	BOUSTEAD HOLDINGS BERHAD (BHB) ACCOUNT NON-TRADING	469,677,689	20.016	-	-
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	121,911,046	5.195	-	-

* *Deemed interest by virtue of LTAT's interest in BHB*

ANALYSIS BY CATEGORY

Category of Holders	No. of Holders			No. of Shares			%		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumiputera	Non-Bumiputera		Bumiputera	Non-Bumiputera		Bumiputera	Non-Bumiputera	
Individual	949	16,922	290	9,484,440	179,741,228	6,045,430	0.404	7.660	0.257
Body Corporate									
Banks/Finance Companies	6	3	3	12,011,000	22,000	318,000	0.511	0.000	0.013
Investment Trust/ Foundation/Charities	4	5	0	1,253,500	27,600	0	0.053	0.001	0.000
Industrial and Commercial Companies	27	222	9	472,654,933	26,705,671	394,57	20.143	1.138	0.016
Government Agencies/ Institutions	4	0	0	788,388,784	0	0	33.598	0.000	0.000
Nominees	2,136	1,572	204[#]	43,095,812	172,218,854	634,121,279[#]	1.836	7.339	27.024[#]
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:	**3,126**	**18,726**		**1,326,888,469**	**378,720,563**		**56.545**	**16.138**	
Total:	**21,852**		**506**	**1,705,609,032**		**640,879,306**	**72.683**		**27.310**

	No. of Holders	No. of Shares	%
Grand Total:	**22,358**	**2,346,488,338**	**100.00**

[#] *These holdings include securities in the nominee companies with foreign beneficiaries*

NOTICE OF 48TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 48TH ANNUAL GENERAL MEETING ("AGM") OF AFFIN BANK BERHAD [197501003274 (25046-T)] ("ABB/THE COMPANY") WILL BE HELD **ON THURSDAY, 25 APRIL 2024 AT 10.00 A.M.** AT THE TAMING SARI GRAND BALLROOM, THE ROYALE CHULAN KUALA LUMPUR, 5 JALAN CONLAY, 50450 KUALA LUMPUR ("MAIN VENUE") AND VIRTUALLY BY WAY OF ELECTRONIC MEANS VIA THE TIIH ONLINE WEBSITE AT HTTPS://TIIH.ONLINE ("ONLINE PLATFORM") 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 2023 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of a single-tier final dividend of 5.76 sen per ordinary share in respect of the financial year ended 31 December 2023. **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 Puan Marzida binti Mohd Noor **Resolution 2**
   3.2 Mr. Gregory Jerome Gerald Fernandes **Resolution 3**
   3.3 Ms. Chan Wai Yu **Resolution 4**

4. To re-elect Puan Emeliana Dallan Rice-Oxley who retires pursuant to Article 124 of the Company's Constitution and who being eligible, offers herself 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 48th AGM to the 49th 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 48th AGM to the 49th 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 2024 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 Ordinary Resolutions:

8. **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.

NOTICE OF 48TH ANNUAL GENERAL MEETING

AND THAT in connection with the above, pursuant to Section 85 of the Act read together with Article 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. **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. **PROPOSED ALLOCATION TO DATUK WAN RAZLY ABDULLAH WAN ALI, THE PRESIDENT & GROUP CHIEF EXECUTIVE OFFICER OF ABB FOR THE YEAR 2024 PURSUANT TO THE COMPANY'S LONG-TERM INCENTIVE PLAN IN THE FORM OF AN EMPLOYEES' SHARE GRANT SCHEME ("SGS")** **Resolution 11**

"THAT the Board be and is hereby authorised to cause or procure the offering and the allocation to Datuk Wan Razly Abdullah Wan Ali, being the President & Group Chief Executive Officer of ABB, of up to a maximum of 2,700,000 new ABB Shares under the SGS as they shall deem fit, being the allocation for the year 2024 and will be measured against the 2026 targets, which will be vested to him in the year 2027, 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 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 pursuant to Section 85 of the Act read together with Article 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.

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 SGS to him from time to time pursuant to the vesting of his Grant(s)."

NOTICE OF 48TH ANNUAL GENERAL MEETING

11. 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
27 March 2024

Notes:

1. HYBRID 48th AGM

1.1. The 48th AGM of the Company will be held through a hybrid mode whereby Member(s), proxy(ies), corporate representative(s), or attorney(s) will have an option, either:

(a) To attend in person at the Main Venue ("Physical Attendance"); OR

(b) To attend virtually using the 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 ("Virtual Attendance").

Please refer to the Administrative Guide for the full guide to Physical Attendance and Virtual Attendance at the 48th AGM.

1.2. All Member(s), proxy(ies), corporate representative(s) or attorney(s) who wish to attend the 48th AGM of the Company **must register** as a user with TIIH Online first and **pre-register** their attendance on TIIH Online to verify their eligibility to attend the 48th AGM based on the General Meeting Record of Depositors ("General Meeting ROD") as at 17 April 2024 and to confirm their mode of attendance, either Physical Attendance or Virtual Attendance.

1.3. The pre-registration is open from the date of the Notice of the 48th AGM on Wednesday, 27 March 2024 and the closing date and time shall be:

(a) at 10.00 a.m. on Tuesday, 23 April 2024 for Physical Attendance at the Main Venue; or

(b) until such time before the voting session ends at the 48th AGM on Thursday, 25 April 2024 for Virtual Attendance using RPV facilities.

2. PROXY

2.1. 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.

2.2. 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 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.

2.3. 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.

2.4. 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.

2.5. 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.

2.6. With respect to deposited securities, only Members whose names appear in the General Meeting ROD on 17 April 2024 shall be entitled to participate and vote at the 48th AGM.

2.7. The appointment of proxy may be submitted in hard copy form or electronically via the 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 48th AGM or no later than 23 April 2024 at 10.00 a.m.

2.8. If Members wish to submit their Proxy Form electronically via Tricor's TIIH Online website at https://tiih.online, please refer to the Procedures for Electronic Submission of Proxy Form as set out in the Administrative Guide for Members.

3. VOTING

3.1. Pursuant to Paragraph 8.29A(1) of MMLR of Bursa Malaysia, all resolutions set out in the Notice of the 48th AGM of the Company shall be put to vote by way of a poll.

NOTICE OF 48TH ANNUAL GENERAL MEETING

4. EXPLANATORY NOTES ON ORDINARY BUSINESSES:

4.1. **Audited Financial Statements for the Financial Year Ended 31 December 2023**

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.

4.2. **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.

4.3. **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.

Group Board Nomination and Remuneration Committee ("GBNRC") has assessed the fitness and proprietary as well as the independence of the Independent Non-Executive Directors ("INEDs") seeking re-election. The GBNRC also considered the performance and contribution of each of the retiring Directors.

Based on the results of the Board Effectiveness Evaluation conducted internally for the financial year ended 31 December 2023, the performance of each of the retiring Directors under Article 118 of the Company's Constitution was found to be satisfactory.

In addition, all four (4) of the retiring Directors have also provided their annual declaration/confirmation of independence in January 2024.

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 profiles of the Directors who are standing for re-election at the 48th AGM are provided herein.

4.4. **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 claimable benefits or otherwise such as monthly subscription of club membership and other facilities made available by the Company to eligible NEDs.

At the 47th AGM of the Company held on 25 May 2023, the benefits payable to the NEDs from the 47th AGM to the 48th AGM were approved for an amount of up to RM1,800,000. The utilisation of this approved amount as of 15 March 2024 is approximately 70%.

NOTICE OF 48TH ANNUAL GENERAL MEETING

The exact amounts received by each NED are provided in Note 41 of the Audited Financial Statements for FY2023.

The total amount of benefits payable to the NEDs is estimated to be up to RM1,800,000 for the Current Period, taking into account various factors including the number of meetings for the Board/ Board Committees as well as the number of NEDs involved in these meetings.

4.5. **Ordinary Resolution 8 – Re-appointment of External Auditors**

The Group Board Audit Committee ("GBAC") had at its meeting held on 22 January 2024, conducted an annual review on the external auditors, Messrs. PricewaterhouseCoopers PLT in accordance with BNM's Guidelines 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, 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 2024 ("FY2024").

The Board had at its meeting held on 29 January 2024 endorsed the GBAC's recommendation for the shareholders' approval to be sought at the 48th AGM on the re-appointment of Messrs. PricewaterhouseCoopers PLT as the external auditors of the Company for FY2024.

The Board is also seeking shareholders' approval to authorise the Directors to fix the remuneration of the external auditors for FY2024.

5. EXPLANATORY NOTES ON SPECIAL BUSINESSES:

5.1. **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 47th AGM held on 25 May 2023 and will lapse at the conclusion of the 48th AGM to be held on 25 April 2024.

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 Article 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.

5.2. **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.

5.3. **Ordinary Resolution 11 – Proposed Allocation to Datuk Wan Razly Abdullah Wan Ali, the President & Group Chief Executive Officer of ABB for the year 2024 pursuant to the Company's Long-Term Incentive Plan in the form of SGS**

The proposed Ordinary Resolution 11, if passed, will enable the Company to allocate up to a maximum of 2,700,000 new ABB Shares under the SGS as the Board deems fit, being the allocation for the year 2024 and will be measured against the 2026 targets, which will be vested in 2027, to Datuk Wan Razly Abdullah Wan Ali, the President & Group Chief Executive Officer of ABB pursuant to the Group's Share Grant Scheme.

Pursuant to Section 85 of the Act read together with Article 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.

For the Board to issue new ABB Shares to Datuk Wan Razly Abdullah Wan Ali free of pre-emptive rights, such pre-emptive rights must be waived. The proposed Ordinary Resolution 11, if passed, will exclude Members' pre-emptive rights over all new ABB Shares arising from the issuance of new ABB Shares to Datuk Wan Razly Abdullah Wan Ali pursuant to the SGS.

STATEMENT ACCOMPANYING NOTICE OF 48TH 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 48th AGM are as follows:

Resolution 2

PUAN MARZIDA BINTI MOHD NOOR *Independent Non-Executive Director*	
Nationality/Age/Gender	Malaysian/60 years old /Female
Date of Appointment	1 March 2020
Length of Service (as at 31 March 2024)	4 years
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
Past Directorship(s)/Working Experience	• Director, Allianz Malaysia Berhad • Director, Green Laundry Sdn Bhd • Director, Tegas Lestari Sdn Bhd • Director, Aricend Bella Visage Sdn Bhd • Director, MNF Properties Sdn Bhd • Director, Trifiniti Online Sdn Bhd • Director, Trifiniti Ventures Sdn Bhd • Manager, HRIT Competency Centre, Shell Business Operations Oil & Gas • Programme Manager, SAP Business Objects Software License Management, Shell Business Operations Oil & Gas • Programme Manager, Global Retail Site Systems Support Services, Shell Business Operations Oil & Gas • Planning and Programme Manager & Downstream IT Global Strategy, Shell Business Operations Oil & Gas • Chief Information Officer, Malaysia Airlines Air Transportation • Senior General Manager, Programme Management Office, Malaysia Airlines Air Transportation • Programme Manager, Support Services Business Improvement Programme, Malaysia Airlines Air Transportation • Vice President, IT Planning & Development, Malaysia Airlines Air Transportation • Programme Director, Y2K Corporate, Malaysia Airlines Air Transportation Business Information Controller, Corporate Planning Department, Malaysia Airlines Air Transportation
Present Directorship(s) in Public/Public Listed Companies and/or appointments	**Other 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. • Member of Advisory Panel, Precious Amber International Berhad.
Membership of Board Committees	• Chair, Group Board Information Technology Committee • Member, Group Board Nomination and Remuneration Committee

Notes:

- *Puan Marzida Mohd Noor 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 Puan Marzida Mohd Noor based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ending 31 December 2023.*
- *Puan Marzida Mohd Noor 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, or the ability to act in the best interests of AFFIN.*
- *Puan Marzida Mohd Noor does not hold any shares in Affin Bank Berhad, has no family relationship with any Director and/or major shareholders of AFFIN, has no conflict of interest with AFFIN, has not been convicted of any offence within the past five (5) years and has not been imposed any penalty by the relevant regulatory bodies during FY2023.*

STATEMENT ACCOMPANYING NOTICE OF 48TH ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

Resolution 3

MR. GREGORY JEROME GERALD FERNANDES *Independent Non-Executive Director*	
Nationality/Age/Gender	Malaysian/68 years old /Male
Date of Appointment	1 April 2020
Length of Service (as at 31 March 2024)	3 years 11 months
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
Past Directorship(s)/Working Experience	• Director, Chubb Insurance Malaysia Berhad • Corporate Advisor/CEO Office, Offshore Works Sdn Bhd • Consultant/Finance, Platinum Energy Sdn Bhd • Senior Vice President Global Marketing Scomi Engineering Berhad • Chief Financial Officer, Scomi Engineering Berhad • Associate Director, Innovation Associates • Director/Corporate Finance, Nikkei Pacific Corporate Advisors Sdn Bhd • Principal/Assurance, AJ Shah & Associates (EY Technical Associate Firm), Seychelles • Manager-Principal/Assurance, Ernst & Young
Present Directorship(s) in Public/Public Listed Companies and/or appointments	• Nil
Membership of Board Committees	• Chair, Group Board Audit Committee • Member, Group Board Compliance Committee

Notes:

- *Mr. Gregory Jerome Gerald Fernandes 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. Gregory Jerome Gerald Fernandes based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ending 31 December 2023.*
- *Mr. Gregory Jerome Gerald Fernandes 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, or the ability to act in the best interests of AFFIN.*
- *Mr. Gregory Jerome Gerald Fernandes does not hold any shares in Affin Bank Berhad, has no family relationship with any Director and/or major shareholders of AFFIN, has no conflict of interest with AFFIN, has not been convicted of any offence within the past five (5) years and has not been imposed any penalty by the relevant regulatory bodies during FY2023.*

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(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

Resolution 4

MS. CHAN WAI YU *Independent Non-Executive Director*	
Nationality/Age/Gender	Malaysian/65 years old /Female
Date of Appointment	1 April 2021
Length of Service (as at 31 March 2024)	2 years 11 months
Academic/ Professional Qualification	• Bachelor of Economics (Analytical Economics), 2nd Class Upper Hons, University of Malaya (UM)
Past Directorship(s)/Working Experience	• VP, Chairman/CEO Secretariat, OCBC Bank (Malaysia) Berhad • Director, Head, Operational Risk Management, Bank of Singapore • VP, Head, Operational Risk Management, OCBC Bank (Malaysia) Berhad • Head, Risk Portfolio Management, OCBC Bank (Malaysia) Berhad • Head, Credit Risk Management, Maybank • Head, Operational Risk Management, Maybank • Project Director, Basel II Project Management Office, Maybank • Project Manager, Integrated Risk Management Project, Maybank • Head, Credit Risk Analytics, Maybank • Head, Credit Policy, Maybank
Present Directorship(s) in Public/Public Listed Companies and/or appointments	• Nil
Membership of Board Committees	• Chair, Group Board Risk Management Committee

Notes:

- *Ms. Chan Wai Yu 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 Ms. Chan Wai Yu based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ending 31 December 2023.*
- *Ms. Chan Wai Yu 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, or the ability to act in the best interests of AFFIN.*
- *Ms. Chan Wai Yu does not hold any shares in Affin Bank Berhad, has no family relationship with any Director and/or major shareholders of AFFIN, has no conflict of interest with AFFIN, has not been convicted of any offence within the past five (5) years and has not been imposed any penalty by the relevant regulatory bodies during FY2023.*

STATEMENT ACCOMPANYING NOTICE OF 48TH ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

Resolution 5

PUAN EMELIANA DALLAN RICE-OXLEY *Non-Independent Non-Executive Director*	
Nationality/Age/Gender	Malaysian/61 years old /Female
Date of Appointment	1 October 2023
Length of Service (as at 31 March 2024)	5 months
Academic/ Professional Qualification	• Advanced Management Program, Harvard Business School, USA • Professional Certification in Decision Quality and Risk Management, Stanford University, USA • Bachelor of Science in Geology, University of South Carolina, USA
Past Directorship(s)/Working Experience	• Non-Independent Non-Executive Director of Petronas Management Training Sdn Bhd • Non-Independent Non-Executive Director of PETRONAS Gas Berhad • Non-Independent Non-Executive Director of PETRONAS E&P Overseas Ventures Sdn Bhd • Non-Independent Non-Executive Director of Petronas Carigali Overseas Sdn. Bhd • VP, Exploration Upstream, Petronas • VP, Exploration Malaysia, Petronas • Senior General Manager, Exploration Malaysia • Hydrocarbon Maturation Manager, Onshore US and Latin America, SHELL • Brazil Exploration Team Leader, SHELL • Manager, Exploration Portfolio & Planning. Asia Pacific • Various Technical and team leader roles, SHELL
Present Directorship(s) in Public/Public Listed Companies and/or appointments	**Directorship in Public Listed Companies** • Independent Non-Executive Director of Hibiscus Petroleum Berhad **Other Directorships** • Independent Non-Executive Director of PGS ASA **Other Appointments** • Member of the Business Advisory Board of Heriot-Watt University Malaysia
Membership of Board Committees	• Chair, Group Board Sustainability Committee

Notes:

- *Puan Emeliana Dallan Rice-Oxley 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 Puan Emeliana Dallan Rice-Oxley based on the satisfactory results of the Board Effectiveness Evaluation conducted for the financial year ending 31 December 2023.*
- *Puan Emeliana Dallan Rice-Oxley 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, or the ability to act in the best interests of AFFIN.*
- *Puan Emeliana Dallan Rice-Oxley does not hold any shares in Affin Bank Berhad, has no family relationship with any Director and/or major shareholders of AFFIN, has no conflict of interest with AFFIN, has not been convicted of any offence within the past five (5) years and has not been imposed any penalty by the relevant regulatory bodies during FY2023.*

ADMINISTRATIVE GUIDE 48TH ANNUAL GENERAL MEETING

1. HYBRID 48TH ANNUAL GENERAL MEETING ("AGM")

The 48th AGM of Affin Bank Berhad ("the Company") will be conducted via a hybrid mode (physical and virtual) in accordance with the revised *'Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers'* issued by the Securities Commission Malaysia ("SC's Guidance") on 7 April 2022. This is in line with Principle C of the Malaysian Code of Corporate Governance ("MCCG"). In this respect, the Company will continue to leverage on technology to ensure that the 48th AGM supports meaningful engagement between the Board/Management and Shareholders of the Company.

The date, time and venue for the 48th AGM of the Company are as below:

Date	Time
Thursday, 25 April 2024	10.00 a.m.
Venue	
(a) **Main Venue** Taming Sari Grand Ballroom The Royale Chulan Kuala Lumpur 5, Jalan Conlay 50450 Kuala Lumpur	(b) **Online Platform** TIIH Online website at https://tiih.online with Remote Participation and Voting ("RPV") facilities

Shareholders shall have the option to attend the hybrid 48th AGM either in person ("Physical Attendance") at the Main Venue or virtually using the RPV facilities ("Virtual Attendance") at TIIH Online website at https://tiih.online. The Main Venue is the main venue in Malaysia where the Chairman of the meeting will be physically present in accordance with Section 327(2) of the Companies Act ("CA") 2016.

2. GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining a member who shall be entitled to attend the 48th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 69(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors ("General Meeting ROD") as at 17 April 2024. Only a depositor whose name appears on the Record of Depositors as at 17 April 2024 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

3. PRE-REGISTRATION TO ATTEND THE 48TH AGM

Shareholders of the Company are invited to attend the 48th AGM to exercise your right to attend, participate and vote at the 48th AGM by Physical Attendance or Virtual Attendance at the AGM Main Venue or participating remotely by RPV at TIIH Online website https://tiih.online. As such, shareholders are required to take the following steps to pre-register yourself in order to participate at the 48th AGM. To do so, shareholders must take the following steps at TIIH Online:

(a) Register as a user with TIIH Online
- (i) Access the TIIH Online website at https://tiih.online.
- (ii) Under "e-Services", select the Sign-Up button followed by "Create Account by Individual Holder. Refer to the tutorial guide posted on the homepage for assistance.
- (iii) Registration as a user will be approved within one (1) working day and shareholders will be notified via e-mail.

(b) Register your attendance for the 48th AGM
- (i) Shareholder(s), proxy(ies), corporate representative(s) and attorney(s) are required to pre-register your attendance for the 48th AGM for verification of your eligibility to attend the 48th AGM based on the General Meeting ROD as at 17 April 2024. This is to ensure that the Company is able to make the necessary preparations to allow shareholders to attend the 48th AGM in person should they wish to.
- (ii) The pre-registration is open from the date of the Notice of 48th AGM on Wednesday, 27 March 2024.
- (iii) The closing date and time for the pre-registration shall be as follows:

Physical attendance	at 10.00 am on Tuesday, 23 April 2024
Remote participation	such time before the voting session ends at the 48th AGM on Thursday, 25 April 2024

ADMINISTRATIVE GUIDE 48TH ANNUAL GENERAL MEETING

(iv) Pre-registration and attendance for shareholder(s) as follows:

	Physical Meeting Attendance	Virtual remote participation via RPV
Pre-Meeting day	• Go to https://tiih.online • Login in with your user ID (e-mail address) and password and select the corporate event: **"(REGISTRATION) AFFIN BANK BERHAD 48TH AGM"**. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Physical Attendance at Meeting Venue". • Review your registration information and proceed to submit your pre-registration. • TIIH Online will send an e-mail to notify that your pre-registration for physical attendance is received and will be verified. • Upon system verification against the General Meeting ROD as at 17 April 2024, TIIH Online will send an e-mail on or after 23 April 2024 to confirm your physical attendance at the AGM Main Venue. • In the event your registration is not approved, you will be notified via e-mail. ***PLEASE NOTE:*** Should you no longer wish to attend the 48th AGM physically, kindly inform is.enquiry@my.tricorglobal.com to switch your registration from physical attendance to remote participation via RPV before the cut-off date at 10 a.m. on 23 April 2024.	• Go to https://tiih.online • Login in with your user ID (e-mail address) and password and select the corporate event: **"(REGISTRATION) AFFIN BANK BERHAD 48TH AGM"**. • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration information and proceed to submit your pre-registration. • TIIH Online will send an e-mail to notify that your pre-registration for remote participation via RPV has been received and will be verified. • Upon system verification against the General Meeting ROD as at 17 April 2024, TIIH Online will send an e-mail on or after 23 April 2024 to confirm your remote participation via RPV. • In the event your registration is not approved, you will be notified via e-mail. ***PLEASE NOTE:*** Should you decide to attend physically after successful registration, kindly inform is.enquiry@my.tricorglobal.com to switch your registration from remote participation via RPV to physical attendance before the cut-off date at 10 a.m. on 23 April 2024.
Meeting day – participation at AGM	• Please produce your original MyKad/ Passport (for foreigners) for verification purposes at the verification counters on AGM day. • Kindly note that your entry into the AGM Main Venue shall only be allowed subject to verification of your pre-registration of attendance as per above.	• Please refer to **Note 9** below.

ADMINISTRATIVE GUIDE 48TH ANNUAL GENERAL MEETING

4. PROXY

(a) Appointment of Chairman of the meeting as proxy

If a shareholder is not able to attend the 48th AGM, he/she can appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form. The same must be deposited or submitted in accordance with Note 5 below.

(b) Appointment of proxy, corporate representative or attorney

(i) A shareholder who has appointed a proxy(ies), corporate representative(s) or attorney(s) to participate at this 48th AGM must ensure that the proxy form is completed with the required information, signed and dated accordingly. The same must be deposited in accordance with **Note 5** below.

(ii) The shareholder must also request his/her proxy(ies), authorised representative or attorney to register himself/herself as a user with the TIIH Online website at https://tiih.online.

(iii) The representative of a corporation or institutional shareholder must register as a user first in accordance with **Note 5(b)(ii)** below, before he/she can subscribe to this corporate holder electronic submission.

(c) Documents relating to appointment as corporate representative

For a corporate member who has appointed a representative to participate at the 48th AGM, please deposit the ORIGINAL certificate of appointment with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. (“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. The certificate of appointment should be executed in the following manner:

(i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.

(ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two (2) authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

(d) Documents relating to appointment of proxy by power of attorney

(i) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company, 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.

(ii) A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

5. CUT-OFF DATE AND TIME FOR LODGEMENT OF PROXY FORM

As approved by the Board with reference to Article 102 of the Company’s Constitution, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 48th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than 10.00 a.m. on Tuesday, 23 April 2024 in accordance with Article 104 of the Company’s Constitution:

(a) In hard copy:

(i) By hand or post: to the office of 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 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;

(b) In electronic form via TIIH Online:

(i) The steps to be taken by individual shareholders are as follows:

- You should have completed the steps in accordance with Note 3(a) above.
- As a registered user of TIIH Online, go to https://tiih.online and login with your user ID (i.e. e-mail address) and password.
- Select the Corporate Exercise/Event: **"AFFIN BANK BERHAD 48TH 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(s) to vote on your behalf.
- Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy.
- Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote.
- Review and confirm your proxy(s) appointment.
- Print proxy form for your record.

(ii) The steps to be taken by authorised/nominated representatives of corporate/institutional shareholders are as follows:

A. Register as a user with TIIH Online

- Access the TIIH Online website at https://tiih.online.
- Under "e-Services", select the **Sign-Up** button followed by **"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 e-mail within one (1) to two (2) working days.
- Proceed to activate your account with the temporary password given in the e-mail and re-set your own password.

B. Prepare proxy appointment

- As a registered user of TIIH Online, go to https://tiih.online and login with your user ID (i.e. e-mail address) and password.
- Select the Corporate Exercise/Event: **"AFFIN BANK BERHAD 48TH AGM – Submission of Proxy Form"**.
- Read and agree to the Terms & Conditions and confirm the Declaration.
- Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note given therein.
- Prepare the file for the appointment of proxies by inserting the required data.

C. Submit the proxy appointment file

- Select the Corporate Exercise/Event: **"AFFIN BANK BERHAD 48TH 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.

6. ANNUAL REPORT 2023

The Company's Annual Report 2023 is available on the Company's website at https://affin.listedcompany.com/ar.html

You may request a printed copy of the Annual Report 2023 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 2023.

ADMINISTRATIVE GUIDE 48TH ANNUAL GENERAL MEETING

7. SUBMISSION OF QUESTIONS FOR THE 48TH AGM

(a) Prior to the meeting

Shareholders may submit questions in relation to the agenda items for the 48th AGM prior to the 48th AGM via TIIH Online at https://tiih.online by selecting "e-Services" to log in, pose questions and submit electronically not later than 10.00 a.m. on Tuesday, 23 April 2024. The responses to these questions will be shared at the 48th AGM.

(b) During the meeting

For submission of questions 'live' during the 48th AGM

Physical Meeting Attendance	Virtual remote participation via RPV
Verified shareholder(s), proxy(ies) and corporate representative(s) will be able to ask questions in person at the AGM Main Venue.	Verified shareholder(s), proxy(ies) and corporate representative(s) may use the Query Box facility to ask questions real-time (in the form of typed text) during the meeting.

The Board and Senior Management will provide the responses to the questions accordingly.

8. POLL VOTING

The voting at the 48th AGM will be conducted by poll in accordance with Paragraph 8.29A(1) of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

(a) All shareholders and proxies attending the 48th AGM physically at the Main Venue or virtually using the RPV facilities shall exercise their rights to vote via the TIIH Online website at https://tiih.online. As such, all shareholders and proxies attending the 48th AGM physically at the Main Venue are advised to bring their own personal devices to vote via the TIIH Online website at https://tiih.online. Please refer to Note 9(c) below on steps for online remote voting.

(b) The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as Poll Administrator to conduct the poll by way of online remote voting. During the meeting, the Chairman will invite the Poll Administrator to brief shareholders on the online remote voting process. The online remote voting session will commence from the start of the meeting at 10.00 a.m. on 25 April 2024 until such time when the Chairman announces the end of the voting session. This is in line with the SC's Guidance which provides that Members shall be allowed to cast their votes remotely and contemporaneously (live) during the proceeding of the general meeting.

(c) The Company has appointed Scrutineer Solutions Sdn Bhd as scrutineers to verify the poll results. Upon completion of the "in time" voting session for the 48th AGM, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration of whether the resolutions are duly passed.

9. VIRTUAL ATTENDANCE USING RPV ON THE DATE OF THE 48TH AGM

With the approved registration for RPV, shareholders have the right to join the live stream meeting and vote remotely. Shareholders' login to TIIH Online indicates their attendance at the virtual 48th AGM. The procedures for the RPV facilities are summarised below:

Procedure	Action
(a) Login to TIIH Online	• Login with your user ID and password for remote participation at the 48th AGM at any time from **9.00 a.m.** i.e. one (1) hour before the commencement of the 48th AGM at 10.00 a.m. on Thursday, 25 April 2024.

ADMINISTRATIVE GUIDE 48TH ANNUAL GENERAL MEETING

Procedure	Action
(b) Participate through Live Streaming	• Select the corporate event: **"(LIVE STREAM MEETING) AFFIN BANK BERHAD 48TH AGM"** to engage in the proceedings of the 48th AGM remotely. • If you have any questions for the Chairman/Board, you may use the Query Box to transmit your question. The Chairman/Board will try to respond to questions submitted by you during the 48th AGM. If the questions are received late after the Questions & Answers session, the responses will be e-mailed to you after the meeting. • Please note that the quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
(c) Online Remote Voting	The Online Remote Voting session commences from 10.00 a.m. o**n Thursday, 25 April 2024** until a time when the Chairman announces the end of the said voting session. • Select the corporate event: **"(REMOTE VOTING) AFFIN BANK BERHAD 48TH 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 & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.

Helpline Contact

In the event you encounter any issues with logging in, connection to the live stream meeting or online voting, kindly call Tricor Help Line at 011-4080 5616/011-4080 3168/011-4080 3169 011-4080 3170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

End of Live Streaming for remote participation

The Live Streaming will end upon the announcement by the Chairman at the conclusion of the 48th AGM after the outcome of the resolutions has been declared.

10. PHYSICAL ATTENDANCE

(a) Parking

Limited parking lots are available at the meeting venue at a flat rate of RM12.00. The parking at Royale Chulan Kuala Lumpur is cashless which allows you to come and leave the hotel by tapping your TnG card, credit card or debit card on the untended kiosk at the entry and exit lanes.

(b) Verification of attendance

(i) Verification of attendance will start at 9.00 a.m. and will end at a time as directed by the Chairman of the meeting. As you enter the hotel, the verification counters are located at Taman Mahsuri, in front of the Grand Ballroom.

(ii) Please produce your original MyKad/Passport at the verification counter and make sure you collect your MyKad/Passport thereafter.

(iii) You will be given a wristband for entry to the meeting room.

(iv) There will be no replacement of the wristband in the event that you lose or misplace the wristband.

(v) No person will be allowed to verify on behalf of another person even with the original MyKad/Passport of that other person.

(vi) The verification counter will handle only verification of your pre-registration. If you have any enquiry, please proceed to the Help Desk. The Help Desk will be located next to the verification counter in the same area.

ADMINISTRATIVE GUIDE 48TH ANNUAL GENERAL MEETING

11. ENQUIRY

If you have any enquiry prior to the 48th AGM, please contact the following officers during office hours from 9.00 a.m. to 5.00 p.m. (Monday to Friday, except for public holidays):

(b) Tricor Investor & Issuing House Services Sdn Bhd Registration No. 197101000970 (11324-H) Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia	**Telephone Number** **General Line** 603-2783 9299 **Fax Number** 603-2783 9222 **E-mail** is.enquiry@my.tricorglobal.com

The Company shall abide by the prevailing and applicable procedures and guidelines as well as precautionary measures as prescribed by the Government and other relevant authorities. In the event that any new procedures, guidelines, or measures may affect the administration of the 48th AGM as set out in this Administrative Guide and require a material change to the proceedings of the meeting, the Company will issue announcement on the same accordingly. Hence, please contact the above officers or check the Company's website for announcements on the latest update (if any) in relation to the 48th AGM.

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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 of proxy in capital letters	NRIC (new & old)/Passport No. of proxy	Proportion of shareholdings to be represented	
		No. of shares	%

and (if more than one (1) proxy)

Full name of proxy in capital letters	NRIC (new & old)/Passport No. of proxy	Proportion of shareholdings to be represented	
		No. of shares	%

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 48th Annual General Meeting (AGM) of the Company to be held on **Thursday, 25 April 2024** at **10.00 a.m.** at the **Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur ("Main Venue")** and virtually by way of electronic means via the TIIH Online website at **https://tiih.online ("Online Platform")** 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 5.76 sen per ordinary share in respect of the financial year ended 31 December 2023.		
	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	Puan Marzida binti Mohd Noor		
3	Mr. Gregory Jerome Gerald Fernandes		
4	Ms. Chan Wai Yu		
5	To re-elect Puan Emeliana Dallan Rice-Oxley who retires pursuant to Article 124 of the Company's Constitution and who being eligible, offers herself for re-election.		
6	To approve the following fees and payment of the same to the Non-Executive Directors for the period from the 48th AGM to the 49th 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 48th AGM to the 49th AGM of the Company.		
8	To re-appoint Messrs PricewaterhouseCoopers PLT as the Company's Auditors for the financial year ending 31 December 2024 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 Allocation to Datuk Wan Razly Abdullah Wan Ali, the President & Group Chief Executive Officer of ABB for the year 2024 pursuant to the Company's long-term incentive plan in the form of an Employees' Share Grant Scheme ("SGS")		

Signed this on ____________ day of ____________ 2024.

____
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 48th AGM of the Company will be held via a hybrid mode whereby Member(s), proxy(ies), corporate representative(s), or attorney(s) will have an option, either:

(a) To attend in person at the Main Venue ("Physical Attendance"); OR
(b) To attend virtually using the 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 ("Virtual Attendance").

Please refer to the Administrative Guide for the full guide to Physical Attendance and Virtual Attendance at the 48th AGM.

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(2) All Member(s), proxy(ies), corporate representative(s) or attorney(s) who wish to attend the 48th AGM of the Company must register as a user with TIIH Online first and pre-register their attendance on TIIH Online to verify their eligibility to attend the 48th AGM based on the General Meeting Record of Depositors ("General Meeting ROD") as at 17 April 2024 and to confirm their mode of attendance, either Physical Attendance or Virtual Attendance.

(3) The pre-registration is open from the date of the Notice of the 48th AGM on Wednesday, 27 March 2024 and the closing date and time shall be:

(a) at 10.00 a.m. on Tuesday, 23 April 2024 for Physical Attendance at the Main Venue: or
(b) until such time before the voting session ends at the 48th AGM on Thursday, 25 April 2024 for Virtual Attendance using RPV facilities.

(4) 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.

(5) 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 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.

(6) 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.

(7) 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.

(8) 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.

(9) With respect to deposited securities, only Members whose names appear in the General Meeting ROD on 17 April 2024 shall be entitled to participate and vote at the 48th AGM.

(10) The appointment of proxy may be submitted in hard copy form or electronically via the 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 48th AGM or no later than 23 April 2024 at 10.00 a.m.

(11) If Members wish to submit their Proxy Form electronically via Tricor's TIIH Online website at https://tiih.online, please refer to the Procedures for Electronic Submission of Proxy Form as set out in the Administrative Guide for Members.

(12) Pursuant to Paragraph 8.29A(1) of MMLR of Bursa Malaysia, all resolutions set out in the Notice of the 48th 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
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