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

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.

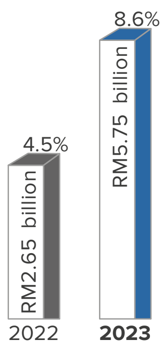
The policy aims to integrate sustainability considerations into our lending/financing and investment risk assessment processes. This is in line with our A25 key strategic objective, "Responsible Banking with Impact", whereby we aspire for our business activities to deliver a net positive and sustainable 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%.

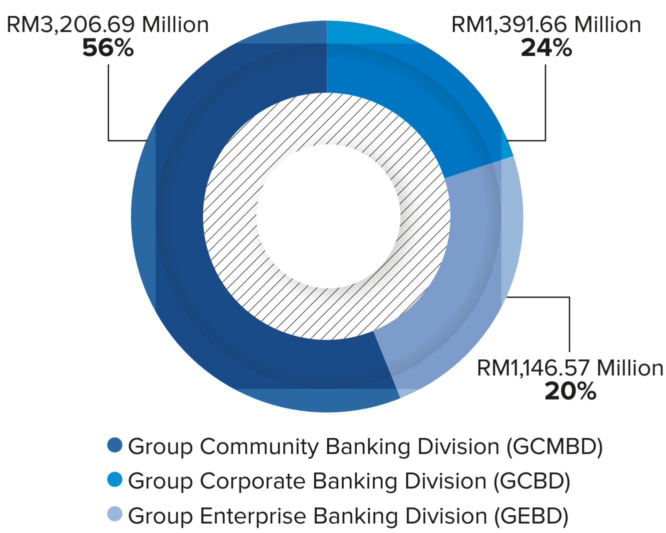
Sustainable Financing Portfolio FY2022 vs FY2023



"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.

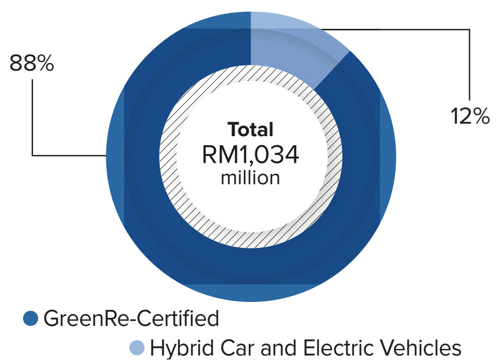
GROUP ENTERPRISE BANKING DIVISION

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.

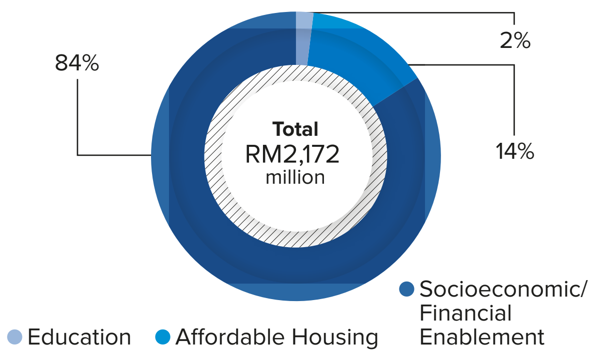
Sustainable Financing Portfolio by Sector

Group Community Banking Division

ENVIRONMENTAL

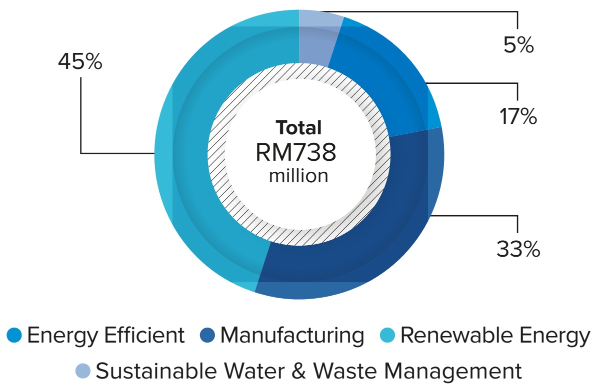


SOCIAL



Group Corporate Banking Division

ENVIRONMENTAL



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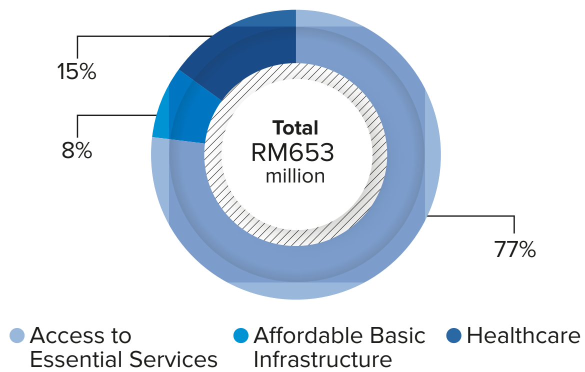
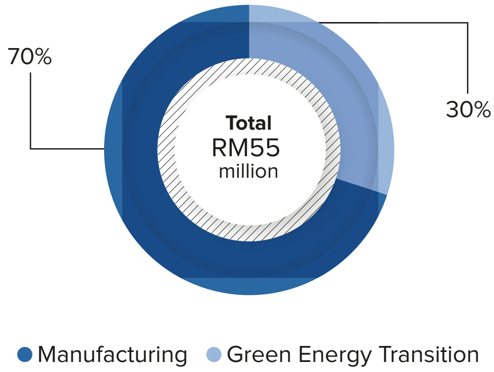
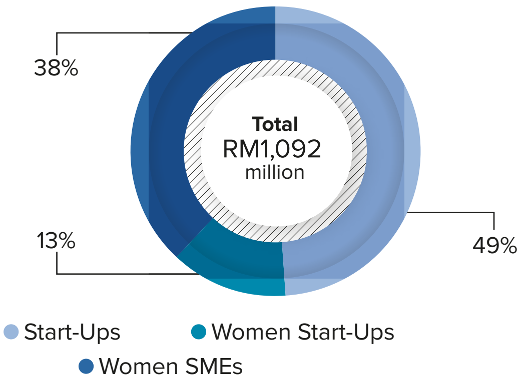


Group Enterprise Banking Division

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.

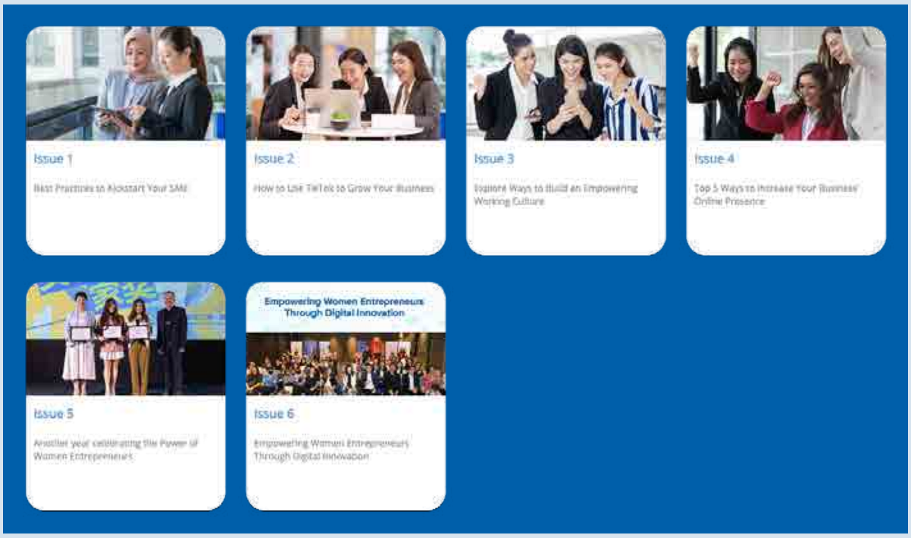
Recognising this, AFFINGEM aims to elevate these women entrepreneurs by helping them "Grow, Empower and Manage" their businesses as they scale up.

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.

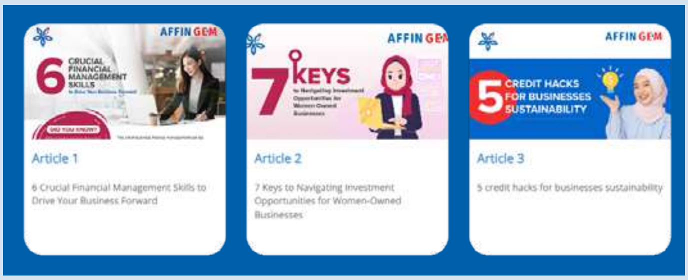
Summary of AFFINGEM Portfolio		
No. of Women Entrepreneurs Financed under AFFINGEM		Total Loan/Financing (RM 'mil)
Women SMEs	672	408.9
Women Start-Ups	177	146.8
Total	**849**	**555.7**

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

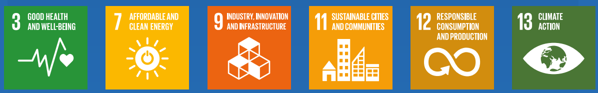
Sustainable Operations

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

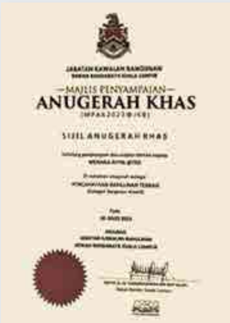
UN SDGs



SUSTAINABLE OPERATIONS

AWARDS

PAM Awards 2023
Commercial High Rise (Commendation)



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 | Final 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

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

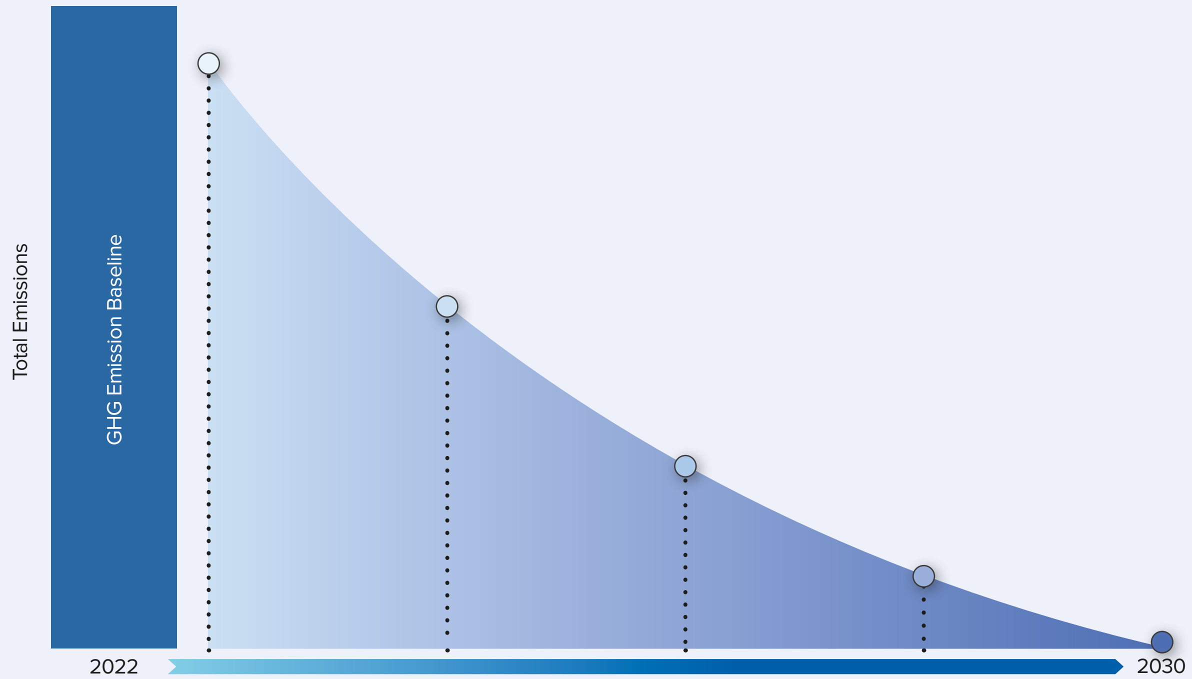
- Manage overall exposure to carbon-intensive sectors
- Increase portfolio exposure to climate supporting clients, activities and technologies
- Increase sustainable products/ services

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

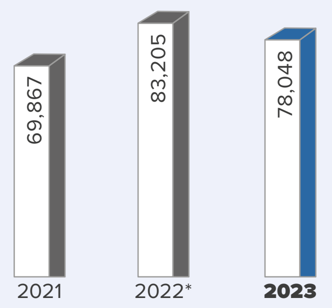
Across our business, we are taking steps to reduce energy consumption by adopting energy efficient infrastructure, appliances and technologies. Doing so reduces our environmental impact while also unlocking cost savings that directly impact our bottom line.

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

Energy Consumption (Gigajoules)



* Base year

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.

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."

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.

Operational Emissions by Scope (tCO_2e)

SUSTAINABLE OPERATIONS

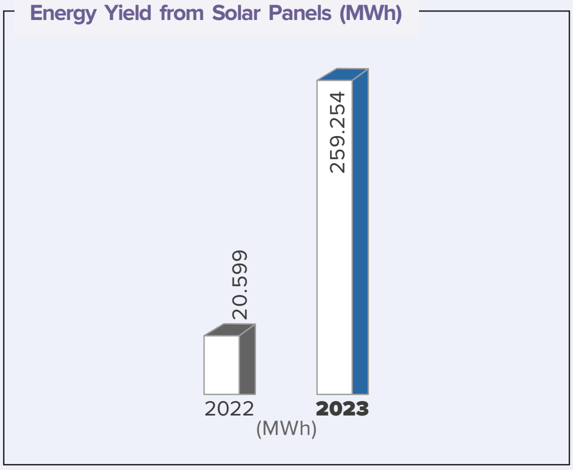
ADVANCING OUR ENVIRONMENTAL RESPONSIBILITY

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.

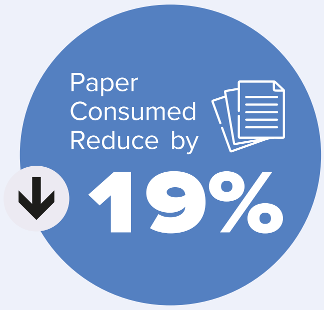
REDUCING PAPER CONSUMPTION

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

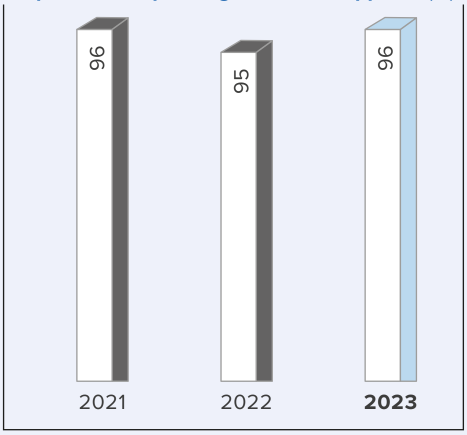
We strive to support the local business ecosystem through our procurement practices and commit to appointing local suppliers wherever practicable to our business. To this end, we have channelled our expenditure towards local suppliers over the past three years, while consistently maintaining our record 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

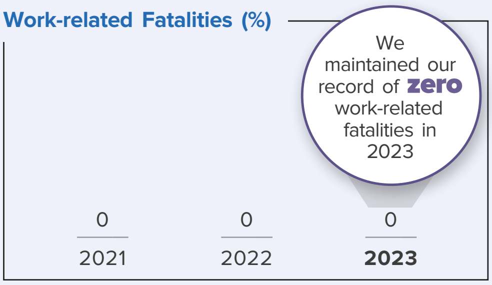
Our employees are the foundation of our business, and the protection of their health and safety is not only ethical but a wise investment that will reap dividends in the form of greater loyalty, retention and human capital growth, ultimately empowering us to reach our goals as a business.

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.

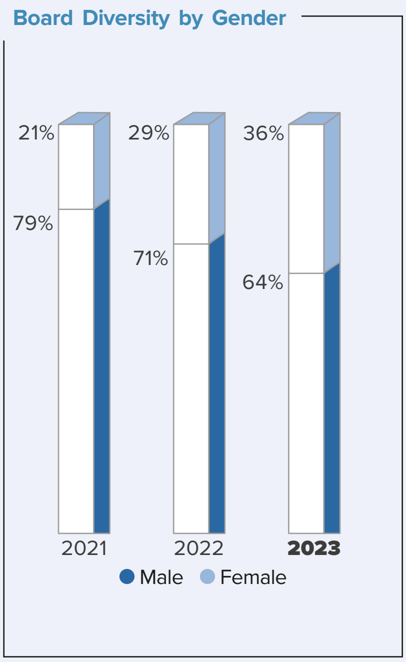
DIVERSITY, EQUITY AND INCLUSION (DEI)

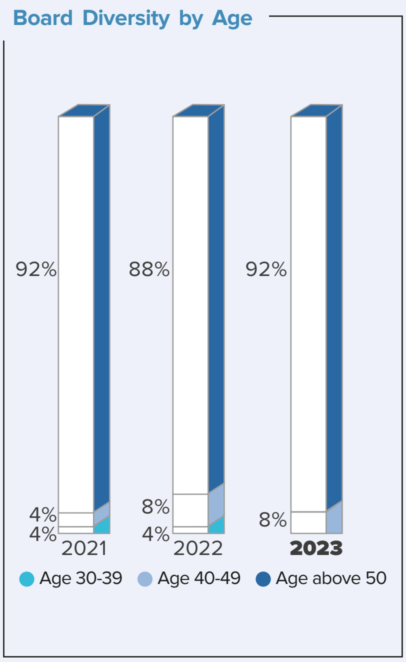
GRI 405-1

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



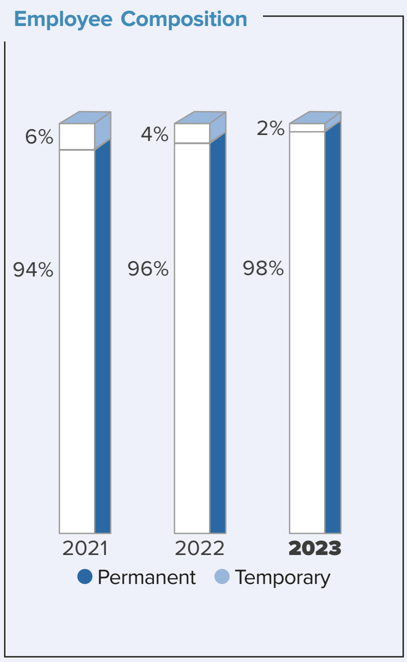


Over the past two years, we have witnessed a positive trend in women representation on the various Boards within AFFIN companies. From 21% in FY2021, the percentage of Board positions held by women increased to a commendable 36% in FY2023, showcasing our commitment to fostering gender diversity at the 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

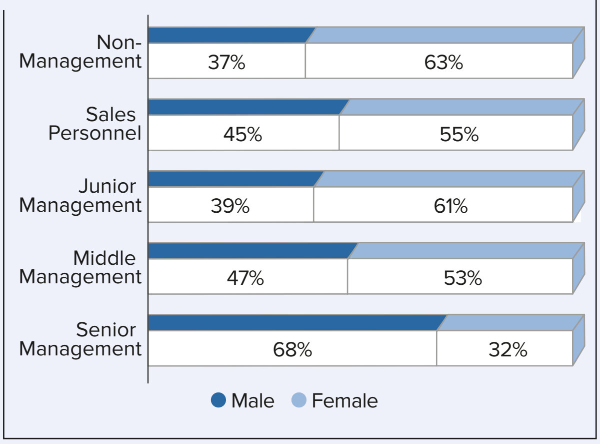


Over the past three years, there has been a clear increase in the proportion of permanent employees within our workforce. Our permanent employees demonstrate unwavering commitment to the organisation and play a crucial role in ensuring business stability. Their presence ensures consistency, continuity and the retention of valuable expertise within our workforce.

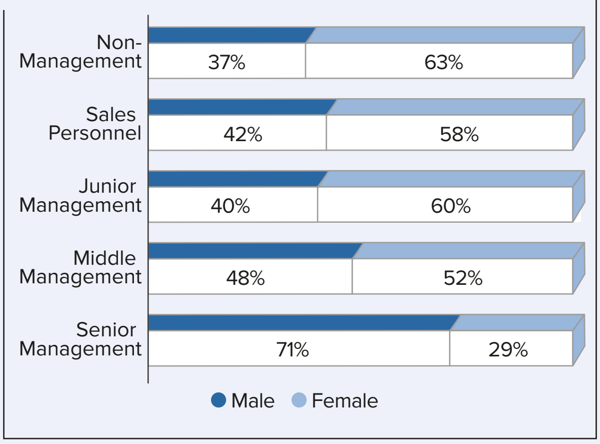
PEOPLE & CULTURE

Employee Composition by Category & Gender

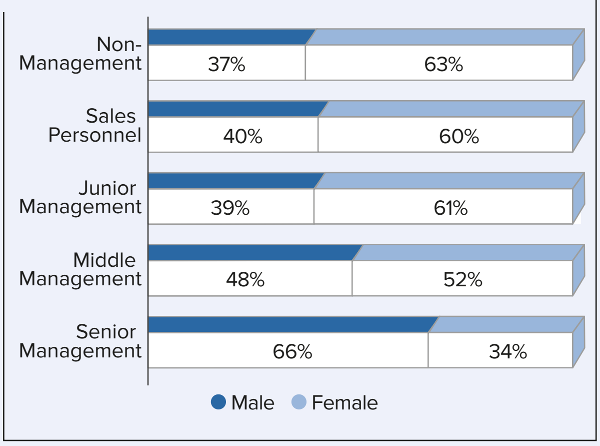
2021



2022



2023



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.

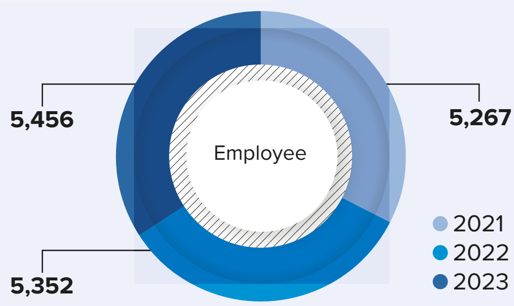
In FY2023, we made mandatory sustainability e-learning modules to upskill our employees in sustainable and responsible business practices. This empowers them to become change-makers on our ongoing ESG journey.

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.

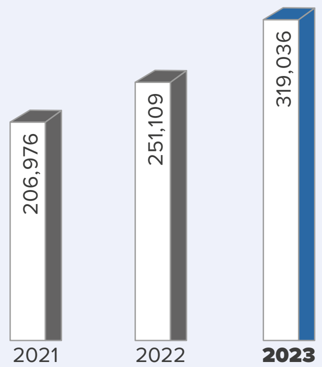
Our employees clocked a total of 319,036 training hours in FY2023, up from 251,109 in FY2022 and 206,796 in FY2021. This upward trend is a testament to our unwavering commitment to employee development, as honoured by the 2023 Best Employer Brand Award from Employer Branding Awards.

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.

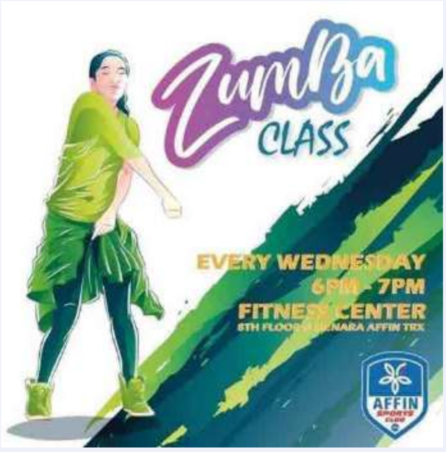
To empower faster and more effective response to emergency health problems, we have strategically placed Automated External Defibrillators ("AEDs") on levels 1, 8 and 41 of Menara AFFIN. In a cardiac emergency, having readily available AEDs can greatly improve response time, potentially saving lives. 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.

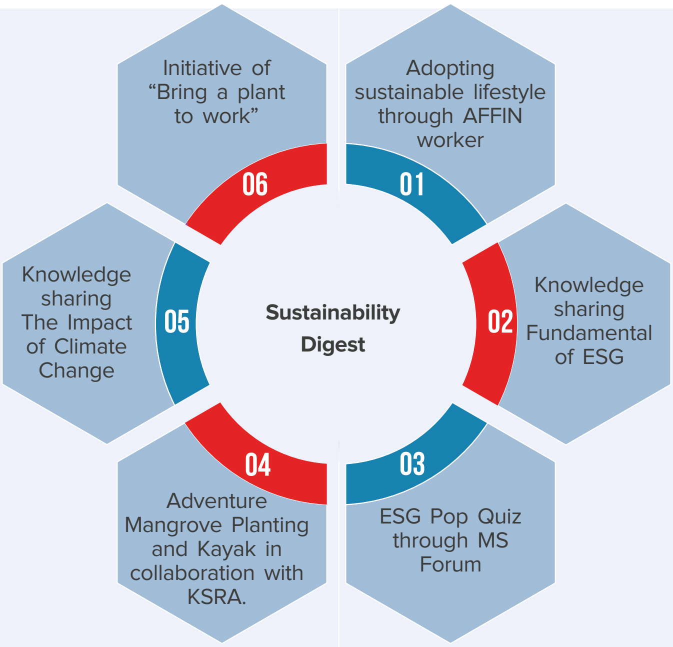
We also conducted the A25 Plan Readiness Survey in March 2023. The purpose of the survey was to gauge the employees' understanding and readiness for the transformation plan of A25 as well as obtain employees' feedback on workplace equity. Further to this, we also hosted Coffee Talk sessions with employees, 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

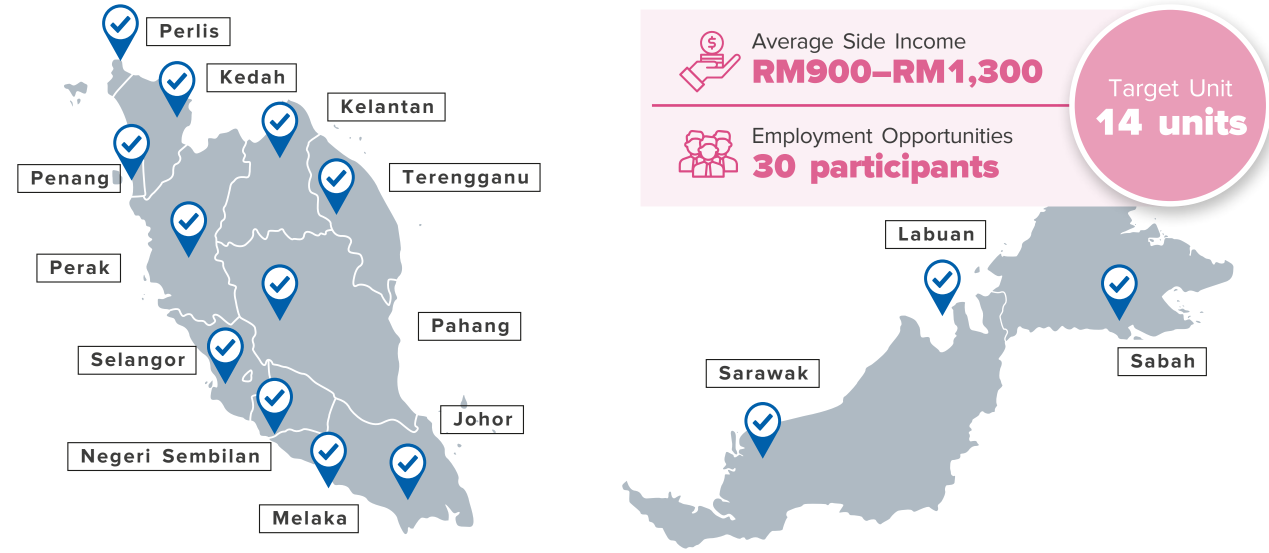
- RM100,000 to MSU Foundation.
- RM61,500 in zakat to *asnaf* students.
- RM38,500 to support the MSU Myopia project.

UN SDGs

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

	FY2021		FY2022		FY2023	
Employee Category	**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

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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
	G(b)	Describe management's role in assessing and managing 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	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

		The Group		The Bank	
	Note	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 2023 RM'000	The Group 2022 RM'000	The Bank 2023 RM'000	The Bank 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.

<u>Amendments to MFRS 101 and MFRS Practice Statement 2 on Disclosure of Accounting Policies</u>

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	-	-	-	-

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)

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

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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**
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.

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 %	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 %	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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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 %	Percentage of equity held 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%.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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

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 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

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 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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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

NOTES TO THE FINANCIAL STATEMENTS
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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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.

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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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for the financial year ended 31 December 2023

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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for the financial year ended 31 December 2023

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

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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.

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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.

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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
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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

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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

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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

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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	**-**	-

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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.

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

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

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 (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.

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)

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.

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

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.

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

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).

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

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

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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.

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								
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.

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								
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

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 (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

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

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.

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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							
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.

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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							
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.

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 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.

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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.

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.

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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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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):

Description	Fair value assets 2023 RM'000	Fair value assets 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	Level 2 RM'000	Level 3 RM'000	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	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Bank					
2022					
Financial assets					
Deposits and placements with banks and other financial institutions	251,389	-	251,389	-	251,389
Investment accounts due from designated financial institutions	2,719,680	-	3,229,990	-	3,229,990
Financial investments at AC	12,229,974	-	12,810,426	-	12,810,426
Loans, advances and financing	30,557,921	-	30,904,269	-	30,904,269
	45,758,964	-	47,196,074	-	47,196,074
Financial liabilities					
Deposits from customers	36,075,130	-	36,079,870	-	36,079,870
Obligation on securities sold under repurchase agreements	4,813,407	-	4,813,407	-	4,813,407
Recourse obligation on loans/financing sold to Cagamas Berhad	1,073,871	-	1,065,439	-	1,065,439
Borrowings and Sukuk	1,019,197	-	1,029,590	-	1,029,590
	42,981,605	-	42,988,306	-	42,988,306

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.

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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.

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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 of which:	(1,144,636)	(167,206)	-	(10,605)	5,701	(1,316,746)	(100,691)	(1,417,437)
Depreciation of property and equipment	(26,331)	(3,189)	-	(152)	-	(29,672)	(1,886)	(31,558)
Depreciation of right-of-use assets	(33,386)	(6,263)	-	(350)	1,699	(38,300)	(2,084)	(40,384)
Amortisation of intangible assets	(22,409)	(914)	-	(10)	-	(23,333)	(951)	(24,284)
(Allowances for)/write-back of impairment losses on loans, advances, financing and trade receivables/securities/other assets	(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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2023

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

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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.

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

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.

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.

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

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).

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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

As at 31 December 2023

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)

	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**
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**

	Past Due But Not Credit-impaired		Impaired	
The Bank 31.12.2022	Stage 1 RM'000	Stage 2 RM'000	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

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**
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**

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
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
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 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

As at 31 December 2023

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	Past Due But Not Credit-impaired 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

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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

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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	 Other countries	 Total	31.12.2022 Malaysia	 Other countries	 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	 Other countries	 Total	31.12.2022 Malaysia	 Other countries	 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

BASEL II PILLAR 3 DISCLOSURES
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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.

	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

BASEL II PILLAR 3 DISCLOSURES
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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 Exposure class	The Bank 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

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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 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.

	The Group				
31.12.2023 Exposure class	< 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

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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
As at 31 December 2023

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

As at 31 December 2023

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

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

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.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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.

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

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.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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 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	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		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	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 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 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 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 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"

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

DISCLOSURE ON CREDIT RISK: DISCLOSURES ON RISK WEIGHTS UNDER THE STANDARDISED APPROACH (RM'000) (CONTINUED)

The Group

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%	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

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"

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
31.12.2022

	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)

	Ratings of Corporate by Approved ECAIs					
The Group	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
31.12.2023	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	-	-	-	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)

		Ratings of Corporate by Approved ECAIs				
The Group	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
31.12.2022	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)

	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
The Bank	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
31.12.2023	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 31.12.2022	Ratings of Corporate by Approved ECAIs					
	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

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		15,545,558	1,096,870	108,523	271,886	-	7,631,554
Total		15,545,558	1,096,870	108,523	271,886	-	7,631,554

Exposure Class		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
	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

	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		15,718,494	1,450,764	-	177,759	-	5,292,611
Total		15,718,494	1,450,764	-	177,759	-	5,292,611

	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		3,888,444	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

BASEL II PILLAR 3 DISCLOSURES
As at 31 December 2023

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

As at 31 December 2023

Appendix IV

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.

BASEL II PILLAR 3 DISCLOSURES

As at 31 December 2023

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	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholder LTAT	187
	Boustead Travel Services Sdn Bhd ("**Boustead Travel**")	Provision of travelling related services to AFFIN BANK by Boustead Travel	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders 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)	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders 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)	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholder 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)	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders LTAT and Boustead	219
	Boustead Hotels & Resorts Sdn Bhd ("**Boustead Hotels & Resorts**")	Hotel facilities and refreshment provided by Boustead Hotels & Resorts to AFFIN BANK for staff in-house training and other expenses	Interested Director Mohammad Ashraf Md Radzi Interested Major Shareholders 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	The Bank
	RM'000	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.*

STATEMENT ACCOMPANYING NOTICE OF 48TH ANNUAL GENERAL MEETING

(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.

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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;

ADMINISTRATIVE GUIDE 48TH ANNUAL GENERAL MEETING

(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.

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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** **Fax Number** **E-mail**	 603-2783 9299 603-2783 9222 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.

CDS Account No. :	
No. of shares held :	
Proportion of shareholdings represented by proxies:	First proxy : % Second proxy: % 100%

____
Signature of Member/Common Seal

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

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

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