Registration No. 199401009721 (295400-W)

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Domiciled in Malaysia
Registered office:
19th Floor Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

PRINCIPAL ACTIVITIES

The Group and the Bank is principally engaged in banking and related financial services. There has been no significant change in the nature of these activities during the financial year.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard Oversea-Chinese Banking Corporation Limited ("OCBC Ltd"), a licensed commercial bank incorporated in Singapore, as the immediate and ultimate holding company of the Bank during the financial year and until the date of this report.

SUBSIDIARY COMPANIES

The details of the Bank's subsidiary companies are disclosed in Note 13 to the financial statements.

FINANCIAL RESULTS

	Group 2022 RM'000	Bank 2022 RM'000
Profit for the year attributable to the owner of the Bank	1,253,052	1,058,682

SHARE CAPITAL AND DEBENTURES

There were no changes in the issued and paid-up share capital nor debentures issued by the Bank during the financial year other than those disclosed in the financial statements.

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the Bank paid:

- a final dividend of 151 sen per ordinary share totalling RM434,125,000 in respect of the financial year ended 31 December 2021 as reported in the Directors' Report of that year, on 28 April 2022.

- an interim dividend of 138 sen per ordinary share totalling RM396,750,000 in respect of the financial period ended 30 June 2022, on 28 November 2022.

The Directors recommend a final dividend of 151 sen per ordinary share in respect of the current financial year amounting to RM434,125,000. This dividend will be accounted for in shareholders’ equity as an appropriation of retained earnings in the subsequent financial period upon approval by the Board of Directors and shareholder of the Bank.

FINANCIAL PERFORMANCE

The Group recorded a net profit of RM1,253 million for the financial year ended 31 December 2022; an increase of RM589 million or 89% compared to the previous financial year. This was mainly contributed by net writeback in expected credit loss allowances of RM329 million, as opposed to net charge of RM721 million in the previous financial year, as customers previously on relief assistance resume repayments and from a better forward looking economic outlook.

The Group generated better net interest income, income from Islamic banking operations and trading income by 9%, 3% and 72% respectively but suffered from loss on disposal of off-the-run securities held at fair value through other comprehensive income ("FVOCI") of RM121 million against a gain of RM38 million in the previous year, and lower wealth management fees and commission income.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

FINANCIAL PERFORMANCE (continued)

After deducting proposed dividends, the Group and the Bank remained well capitalised with Common Equity Tier 1 capital ratios of 15.315% and 14.302%, Tier 1 capital ratios of 15.315% and 14.302% and Total capital ratios of 17.863% and 17.283%, respectively.

MARKET OUTLOOK

Malaysia's gross domestic product ("GDP") grew 7% year-on-year ("YoY") in the fourth quarter of 2022 ("4Q 2022") versus 14.2% growth in 3Q 2022, as support from stimulus measures and low base effect waned. While private sector activity, supported by private consumption and investment, remained the key driver of growth, overall exports moderated in line with weaker external demand. Full year 2022 GDP growth was 8.7% YoY, marking the highest GDP growth in more than two decades.

Moving into 2023, the Malaysian economy is expected to expand at a more moderate pace of 4.5% amid a challenging external environment. Domestic demand will continue to drive growth, supported by sustained improvements in employment and income prospects, higher tourist arrivals and the realisation of large infrastructure projects. The services and manufacturing sectors will also continue to drive growth. However, the balance of risks remains susceptible to a weaker-than-expected global growth, tighter financial conditions, re-escalation of geopolitical conflicts and worsening supply chain disruptions. As awareness and interest in sustainable financing grow, we expect greater adoption of supporting products across business segments and will continue innovating to meet market demands. To this end, we will place more emphasis on developing our people through sustainability workshops and certifications.

Bank Negara Malaysia decided to maintain the Overnight Policy Rate ("OPR") at 2.75% in its Monetary Policy Committee meetings on 19 January and 9 March 2023. At the current OPR level, the monetary policy remains accommodative and supportive of economic growth.

ACTIVITIES AND ACHIEVEMENTS

During the period under review, OCBC Bank (Malaysia) Berhad ("OCBC Malaysia") and its subsidiaries won several industry awards in recognition of our overall performance as a bank and for demonstrating excellence in particular fields. These included awards for our payments, collection and cash management; our cutting-edge approaches to sustainable financing and Islamic banking; our consistent support of small and medium sized enterprises ("SME"); transformational programmes in human resource management; and corporate social responsibility strategy. Among others, the awards recognised innovations such as our QR code payment collections app *OCBC OneCollect* and our foreign exchange initiatives for structured hedging solutions and proprietary trading. We were recognised as a Top FI Partner (both Commercial and Islamic Banking) by Credit Guarantee Malaysia Berhad, as one of the top 15 companies to work at for career growth by LinkedIn Malaysia, and also for our Excellence in CSR Strategy (Silver) by HR Online for a second consecutive year. OCBC Al-Amin won several notable Islamic banking awards including for Best SRI Sukuk, Best Sustainability-linked Term Financing and Best Sukuk. It was also bestowed the Special Award for Sustainable Energy Financing (Islamic Financing) at the National Energy Awards 2021.

OCBC Malaysia stepped up its sustainability efforts across the Bank by formalising its adoption of the OCBC Group Sustainable Finance Taxonomy and local SME Sustainable Financing Frameworks, and setting a target to achieve RM10 billion in sustainable financing assets by 2025. We actively expanded our retail consumer environmental, social and corporate ("ESG") wealth and lending product shelf as well as our range of Treasury-related sustainability-linked investment instruments to build a holistic suite of sustainable finance offerings. In addition to the implementation of industry-wide Climate Change and Principle-based Taxonomy reporting, we kept abreast of Bank Negara Malaysia's latest climate risk related developments through frequent industry and supervisory engagement. We remained committed to reducing our environmental footprint with various initiatives promoting mindful consumption across our operations in support of the OCBC Group's quest for net zero operational emissions and to reduce reliance on carbon offsets in doing so to commemorate the Group's 90th anniversary, OCBC Malaysia embarked on a three-year journey to plant and nurture 9,000 mangrove trees in Tebuk Mendeleng, Sabak Bernam. The effort is expected to give rise to a total carbon sequestration of 90 tonnes by 2025. Besides increased staff and vendor engagement through regular sustainability-related courses, new staff benefit options and monthly newsletters, OCBC Malaysia voluntarily published its maiden sustainability report in the spirit of transparency and accountability to our wider stakeholders.

In consumer banking, we introduced the ground-breaking OCBC Group Wealth Platform to our Premier Banking clients. The regional wealth platform enhances our Wealth Management offerings by availing private banking capabilities to the segment. We also launched our first digital wealth product, Online Unit Trust, through which customers can now buy and sell unit trust funds fully digitally at their convenience without the need to step into a branch. On the sustainability front, we continue to increase the number of sustainability wealth products on our product shelves where more than half of our unit trust and bonds offerings are now ESG rated.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

ACTIVITIES AND ACHIEVEMENTS (continued)

As part of our digital roadmap for SME development, we became the first foreign bank to provide a digital account opening option for businesses, with a relatively low initial deposit that comes with a business debit card. The initiative benefits SME proprietors by removing the need to visit a branch to open an account. This was made possible through a remote application process that comes replete with the electronic Know Your Customer ("eKYC") function. We also successfully launched our first SME business debit card.

In corporate and commercial banking, we continued to make inroads into higher-growth industries such as healthcare and in the high-tech manufacturing and electronics space. We supported the national affordable housing agenda with the relevant housing development financing and continued to support viable industrial projects in high tech manufacturing industries. We grew our sustainable financing portfolio significantly by tapping into opportunities in renewable energy, advanced manufacturing and property development.

In Treasury, we scaled up our customer reach, particularly in the digital space, by actively converting existing customers onto our FX Online platform and auto-onboarding new ones. Beyond vanilla products, we closed the first USD SOFR interest rate swap for a commercial customer. In structured solutions, we secured the largest cross border deal where a foreign owner company in Malaysia was able to use its surplus ringgit funds to provide short term financial support to its parent seamlessly and without exposure to foreign exchange risks. In the investment space, we closed Fixed Rate negotiable intruments of deposit and sold investment grade bonds to local corporates seeking opportunities with rising interest rates.

On the retail front, we launched sustainability linked callable range accruals investments along with variations to our equity linked investments that allow customers to access principal-protected investments linked to exchange-traded funds ("ETF"). Given the bearish market, we launched investment products that allow customers to express their views as they assessed the downside momentum.

We maintained our leading position in providing investment banking and cross border financing solutions to domestic government linked companies ("GLC") and top tier conglomerates with financing mandates for several major establishments. Against the backdrop of a rising interest rate environment and increased market competitiveness, we tailored our product suite to the needs of our client franchise. We also continued to be the prime mover in pioneering innovative sustainable and transition financing structures. We consistently engaged with the market regulators, industry players and media in various local and international sustainability conferences, demonstrating our effort to accelerate the transition toward a low carbon economy.

We empowered, inspired and spurred learning among employees to enhance growth and ultimately build a learning community. The Future Smart Learning Festival 2022 was organised with the tagline “Learn It, Live It” to celebrate and motivate our employees in their learning journeys. The festival featured speaker sessions and experiential activities. In pushing towards a sustainable tomorrow, we equipped our employees with sustainability training, addressing topics such as sustainability financing and investing, ESG & Islamic Finance, climate risks, carbon footprint and the circular economy. Partnering with renowned universities, we offered a comprehensive suite of leadership development programmes for leaders at all levels.

In our quest for digitalisation, we enhanced our HR in Your Pocket ("HIP") mobile app by adding new features for greater access to human resources services. We contributed to employment by recruiting significantly more staff than the previous year. In promoting ESG, policies on entertainment and business travel were enhanced to include the element of sustainability. We also introduced a 3-year interest-free Electric Vehicle loan for staff.

Our corporate social responsibility ("CSR") efforts continued to thrive based on our three-pronged corporate, division and branch-level approach, benefitting more than 130,000 recipients of our aid through the collective voluntary efforts of more than 4,000 staff. The various projects by the divisions and branches focused on addressing the difficulties brought about by the pandemic and centred on families, education, the environment, community and humanitarian work.

RATINGS BY EXTERNAL AGENCY

RAM Rating Services Berhad (“RAM”) has reaffirmed OCBC Bank (Malaysia) Berhad’s financial institution rating on 17 August 2022 at AAA/P1 with stable outlook, reflecting the Group's healthy credit metrics and established franchise.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

DIRECTORS OF THE BANK

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

Tan Ngiap Joo, *Independent Non-executive Chairman*
Tong Hon Keong, *Independent Non-executive Director*
Janet Yap Seong Yong, *Independent Non-executive Director*
Helen Wong Pik Kuen, *Non-independent executive Director*
George Lee Lap Wah, *Independent Non-executive Director*
Datuk Azizan Bin Haji Abd Rahman, *Independent Non-executive Director* (Resigned on 31 March 2022)

In accordance with clauses 112 and 113 of the Bank’s Constitution, Tong Hon Keong and Janet Yap Seong Yong shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

PROFILE OF THE BOARD OF DIRECTORS

Mr Tan Ngiap Joo

Mr Tan Ngiap Joo was first appointed to the Board on 1 October 2015 and later appointed as Chairman of the Board on 30 March 2018. He spent 20 years in an international bank prior to joining Oversea-Chinese Banking Corporation Limited ("OCBC Bank") in August 1990 where he held senior positions over the years, including as Chief Executive of OCBC's Australian operations, and Head of Group Business Banking. He was appointed Deputy President in December 2001 and retired in December 2007. He is also Chairman of OCBC Al-Amin Bank Berhad and an independent director in Gemstone Asset Holdings Pte Ltd. He also chairs the Investment Committee of MASCOT Private Trust. He holds a Bachelor of Arts from University of Western Australia.

Ms Helen Wong Pik Kuen

Ms Helen Wong Pik Kuen was appointed to the Board on 15 April 2021. She is currently the Group Chief Executive Officer and Executive Director of OCBC Bank. She is also Chairman of OCBC Wing Hang Bank (China) Limited, a Board Commissioner of PT Bank OCBC NISP Tbk and a Director of Bank of Singapore, Great Eastern Holdings Limited, OCBC Wing Hang Bank Limited and the Dr Goh Keng Swee Scholarship Fund as well as a council member of the Association of Banks in Singapore and the Institute of Banking & Finance Singapore. She also serves as a Board member at Enterprise Singapore, and as a member of the Monetary Authority of Singapore ("MAS") Financial Centre Advisory Panel, MAS Payments Council and MAS Financial Sector Tripartite Committee.

Ms Wong joined OCBC Bank in February 2020 as Deputy President and Head of Global Wholesale Banking. She has more than 38 years of banking experience, having started out as a Management Trainee in OCBC Bank and was its first China Desk Manager, based at the Hong Kong Branch. She has vast experience in Greater China, covering a wide range of roles in capital markets, syndicated finance and corporate banking. Before returning to OCBC Bank, Ms Wong spent 27 years at HSBC, where her last role was as its Chief Executive for Greater China. She also held non-executive directorships at Baoshan Iron & Steel from 2012 to 2015, and at Bank of Communications from 2016 to 2019. Ms Wong holds a Bachelor of Social Sciences from the University of Hong Kong.

Mr Tong Hon Keong

Mr Tong Hon Keong was appointed to the Board on 21 July 2014. He built his career at Maybank over a span of 30 years, with functional responsibilities covering Planning, Information Systems, Central Operations and Management Information Services. He holds a Bachelor of Economic (Hons.) from University of Malaya.

Ms Janet Yap Seong Yong

Ms Janet Yap Seong Yong was appointed to the Board on 1 April 2019. She was the Technology Managing Director and Corporate Social Responsibility Lead of Accenture Malaysia and has more than 32 years of experience in technology and management information consultancy covering various industries and geographies, including Malaysia, Hong Kong, China, Thailand, Indonesia and Singapore, where she carved her niche in systems implementation and SAP consulting. From the time of her retirement from Accenture until June 2021, she was Chief Executive Officer of Cancer Research Malaysia. She is presently a member of the Board of Trustees of World Vision Malaysia and a Director of PW PAC Sdn Bhd and Sun Life Malaysia Assurance Berhad.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

PROFILE OF THE BOARD OF DIRECTORS (continued)

Mr George Lee Lap Wah

Mr George Lee Lap Wah was appointed to the Board on 1 September 2021. An experienced banker with extensive knowledge of the Malaysian market, he was an advisor to the CEO and Management Committee of OCBC Bank (Malaysia) Berhad from April 2016 to July 2017. Mr Lee served as an Executive Vice President and Head of Global Corporate Banking at OCBC Bank from February 2012 until his retirement in April 2016. Prior to this, since 2002, he was Executive Vice President and Head of Group Investment Banking of OCBC Bank. Mr Lee started his career as a Finance Officer in the Group Treasury Department of Keppel Shipyard in 1978 and joined Marine Midland Bank in 1982 as Assistant Vice President. Subsequently, Mr Lee held managerial positions at various merchant banking units based in Singapore. In 1989, he was appointed Country Manager of Security Pacific Bank. In 1993, he joined Credit Suisse Singapore as Head of Corporate Banking for South East Asia and left as Director, Corporate Leading of Credit Suisse First Boston in 1998 before joining OCBC Bank.

Mr Lee is an independent Director of RE&S Holdings Ltd, Wearnes Starchase Ltd and Bumitama Agri Ltd. He was awarded the Chartered Financial Analyst ("CFA") in 1987 and currently sits on the advisory panel of CFA Society Singapore. He is also a member of the SGX Disciplinary Committee and MAS Finance Scholarship Selection Committee. Mr Lee obtained his Bachelor of Business Administration (Honours) from the University of Singapore in 1976.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The interests and deemed interests in the shares of the Bank and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of financial year (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Registrar of Directors' Shareholding are as follows:

Oversea-Chinese Banking Corporation Limited

Shareholdings registered in the name of Directors or in which Directors have a direct interest	**At 1 January 2022**	**Acquired/ Awarded**	**Disposed**	**At 31 December 2022**
Ordinary Shares				
Tan Ngiap Joo	1,424,993	6,000	-	1,430,993
Helen Wong Pik Kuen	135,779	126,652	-	262,431
George Lee Lap Wah	85,143	-	-	85,143

OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan	**At 1 January 2022**	**Awarded/ Granted**	**Exercised/ Forfeited/ Lapsed**	**At 31 December 2022**
Ordinary Shares				
Helen Wong Pik Kuen	342,061	190,323	(97,671)	434,713

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than the benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in the Bank or any other body corporate except for the share options granted to executives of the Group and of the Bank pursuant to the OCBC Share Option Scheme 2001, shares granted under the OCBC Deferred Share Plan which will vest three years from the grant date and will lapse when the Director ceases employment during the vesting period, and acquisition rights under the OCBC Employee Share Purchase Plan.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises five Directors, all of whom are Independent Non-executive Directors except for one Non-independent executive Director. The independent Non-executive Directors are Mr Tan Ngiap Joo (Chairman of the Board), Mr Tong Hon Keong, Ms Janet Yap Seong Yong and Mr George Lee Lap Wah while the Non-independent executive Director is Ms Helen Wong Pik Kuen. Datuk Azizan Bin Haji Abd Rahman resigned as an Independent Director with effect from 31 March 2022.

The Bank has set a policy on the tenure limit at 9 continuous years for Independent Directors. The Nominating & Remuneration Committee shall assess the independence of the Directors who have served the Bank continuously for 9 years or more. The Committee can invite the Independent Director to serve his or her tenure beyond 9 years if the Committee is satisfied, after the assessment, that the relevant Director’s independence is not compromised and it is in the interest of the Bank to retain the service of the relevant Director in the same capacity.

The roles of the Chairman and the Chief Executive Officer ("CEO") are separated, which is consistent with the principles of corporate governance as set out in BNM's Policy on Corporate Governance, to institute an appropriate balance of power and authority. The Chairman's responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agendas; ensuring that Directors receive accurate, timely and clear information; encouraging constructive relations between the Board and management; facilitating the effective contribution of Non-executive Directors; and promoting high standards of corporate governance.

The members of the Board, as a group, provide skills and competencies to ensure the effectiveness of the Board. These include banking, accounting, finance, legal, strategy formulation, business acumen, management experience, familiarity with regulatory requirements, knowledge of risk management and technology.

As a principle of good corporate governance, all Directors are subject to re-election or re-appointment (by rotation) pursuant to the Bank’s Constitution and BNM's approval.

Some of the Directors are also members of the Board Audit Committee, the Nominating & Remuneration Committee and the Risk Management Committee. The Board is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Bank, in addition to their representation at Board Committees.

Board Conduct and Responsibilities

The Board is elected by the shareholder to supervise the management of business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interests of the shareholder and other stakeholders.

Broadly, the responsibilities of the Board include, but are not limited, to the following:

- Reviewing and approving overall business strategy developed and recommended by management;
- Ensuring that decisions and investments are consistent with long-term strategic goals;
- Ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- Overseeing, through the Board Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee, the quality of the risk management processes and systems;
- Reviewing any transaction for the acquisition or disposal of assets that is material to the Bank;
- Providing oversight in ensuring that the Bank’s risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards; and
- Promoting sustainability through appropriate environmental, social and governance considerations in the Bank’s business strategies.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

CORPORATE GOVERNANCE (continued)

Board Conduct and Responsibilities (continued)

Prior to each meeting, members are provided with timely and adequate information to enable them to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial reports, risk management reports, budgets, forecasts and reports of variance from budgets and forecasts.

The Board and the Board Audit Committee have separate and independent access to the internal auditors, external auditors, the Bank's senior management and the Bank's Company Secretary. The Directors may, in addition, seek independent professional advice at the Bank's expense as may be deemed appropriate.

Training and development is provided to the Directors, on a continuing basis, to develop and refresh their skills and knowledge to enable them to effectively perform their roles on the Board and its Committees. This, among others, includes updates on regulatory developments, new business and products, accounting and finance, corporate governance, risk management, cybersecurity and technology, which are provided by subject matter experts from within and outside the Bank. A separate programme is established for new Directors which focuses on introductory information, briefings by senior executives on their respective areas and external courses, where relevant.

Board Audit Committee ("BAC")

The BAC comprises Mr George Lee Lap Wah (BAC Chairman appointed on 31 March 2022), Mr Tong Hon Keong and Mr Tan Ngiap Joo; all of whom are independent Directors. Datuk Azizan Bin Haji Abd Rahman stepped down as the BAC Chairman with effect from 31 March 2022 following his resignation from the Board.

The Board approved the terms of reference of the BAC that describe the responsibilities of its members. The BAC meets regularly, preferably not less than once in every three months or more often, as necessary. It has full access to and co-operation from management, and has the discretion to invite any Director and/or executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Bank's financial statements, the BAC reviews, with the external auditors and internal auditors, the adequacy of the system of internal controls including financial, operational and compliance controls. It reviews the audit scope and audit reports, assesses the effectiveness of external audit and internal audit functions as well as ensures the independence and objectivity of the external auditors and internal auditors. When the external auditors provide non-audit services to the Bank, the BAC keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The BAC also reviews significant financial reporting issues and judgements to ensure the integrity of the financial statements.

The BAC meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management to consider any matters which might be raised privately. The BAC has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Bank and the external auditors are compatible with maintaining the independence of the external auditors.

The BAC approves the Audit Charter of Internal Audit and reviews the effectiveness of the internal audit function. In line with leading practice, Internal Audit's mission statement and charter require it to provide independent and objective assessments to help improve the quality and effectiveness of governance, risk management and internal control processes, and enable the Bank to accomplish its strategic objectives, using a risk-based, systematic and disciplined audit approach.

The scope of work of Internal Audit is to provide reasonable, but not absolute, assurance to the BAC and Senior Management that the Bank's governance, risk management and internal control processes, as designed and implemented by senior management, are adequate and effective.

Internal Audit also provides consulting or advisory services where the objective is to add value and improve an organisation's governance, risk management and control processes without Internal Audit assuming management responsibility.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

CORPORATE GOVERNANCE (continued)

Internal Audit Function

Internal Audit also performs investigations into alleged staff misconduct or suspected internal frauds (involving staff), that may arise from a whistle-blow complaint or referred by Business Units. The primary objectives of the investigation are to conduct fact finding, review and assess the facts, gather evidence to substantiate an individual's involvement in an allegation, and identify root causes, so as to facilitate decision making and remedial actions by the necessary stakeholders to protect the interest of the Bank.

Internal Controls

The Bank has established an internal control policy to provide a solid foundation for building an effective internal control system and to help strengthen the control culture of the Bank. The policy outlines the key control objectives that are essential for internal control activities to remain focused. The policy is reviewed at least annually or as when required.

The Bank also has in place self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their internal controls, and their level of compliance with applicable rules and regulations. Senior management attests annually to the CEO and the Risk Management Committee ("RMC") on the adequacy and effectiveness of the internal control system, as well as to report key control deficiencies and accompanying remedial plans.

The Bank also has in place a whistle blowing policy and an independent investigation process to investigate all whistleblowing reports based on investigation protocol which accords with the principles of fairness, independence and propriety.

Based on the internal controls established and maintained by the Bank, work performed by the internal auditors and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the BAC and the RMC, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective, to address the risks which the Bank considers relevant and material to its operations.

The system of internal controls provides reasonable, but not absolute assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Nominating & Remuneration Committee ("NRC")

The NRC comprises Mr George Lee Lap Wah ("NRC Chairman"), Mr Tan Ngiap Joo, Datuk Azizan Bin Haji Abd Rahman and Ms Janet Yap Seong Yong; all of whom are independent Directors. Datuk Azizan Bin Haji Abd Rahman stepped down as a NRC member with effect from 31 March 2022 following his resignation from the Board.

The Board approved the terms of reference of the NRC. The Committee shall be entitled to secure the attendance of any person with relevant experience and expertise at committee meetings if the Committee considers this appropriate.

The Committee shall assess and recommend nominees for directorship, Board Committee membership and for the CEO position, including reappointment of Directors before an application is submitted to BNM for approval. The actual decision as to who shall be nominated shall be the responsibility of the full Board. The Committee shall oversee the annual review of the overall composition of the Board and Board balance, Directors' independence, competency and skills as well as the assessment to ensure that the Directors and key senior management officers are not disqualified under Section 59 of the Financial Services Act 2013. The annual performance evaluation process of the Board as a whole, the Board Committees as well as of the individual Directors was established with the endorsement of the Committee. The Committee will oversee the appointment, management succession planning and performance evaluation of key senior management officers, including recommending to the Board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

CORPORATE GOVERNANCE (continued)

Nominating & Remuneration Committee ("NRC") (continued)

The Committee may review the human resource management policies and make recommendations to the Board on policies governing the remuneration of the Executive Directors, including the CEO, and the Non-executive Directors. In considering its recommendations to the Board on the remuneration policies, the Committee shall take into consideration the feedback and inputs from the RMC. In addition, the Committee shall make recommendations to the Board on the remuneration, fee and benefits of the Directors as well as the compensation of the CEO. The Committee shall review and approve the compensation of executive officers of the Bank of any rank as may be delegated by the Board, including key senior management officers and Material Risk Takers.

Remuneration Policy

The objective of the Group's remuneration policy is to attract, motivate, reward and retain quality staff. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Group, and do not give rise to conflicts between the objectives of the Group and the interests of individual Directors and key executives.

The total compensation packages for employees comprise basic salary, variable performance bonus, allowances and deferred share awards for eligible executives, as well as benefits. Compensation is significantly differentiated between performance levels. Executives are remunerated based on the achievements of their own performance measures, and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles. Compensation packages are linked to personal performance, the performance of organisational function as a whole and the overall performance of the Group. Compensation is tied to the achievement of business and performance objectives based on a balanced scorecard approach and adherence to core values. Where relevant, financial measures are adjusted as appropriate for the various types of risk (such as market, credit and operational risks) and include:

- Operating efficiency measures which include revenue, direct and allocated costs and operating profits, net profits as well as efficiency indicators such as unit costs.
- Economic efficiency measures such as cost of capital. Capital is attributed to each business based on the amount of risk-weighted assets used and the return on capital.
- Liquidity is factored into the performance measurement of each business through the application of liquidity premiums charged or credited according to the behavioural maturity of each type of asset and liability booked.

Each business unit has its own performance measures that match its functions and objectives that are consistent with the Group's risk appetite. In the determination of remuneration of senior executives, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing business performance. The performance of risk and compliance functions is measured independently of the businesses they oversee. Employees in these functions are assessed based on the achievement related to their respective performance measures.

In determining the composition of compensation packages, the Group takes into account the time horizon of risk and include, in the total compensation for executives, a portion of deferred payment in the form of deferred shares. For senior management and officers entrusted with the effective implementation of Shariah governance in the business and operations of OCBC Al-Amin Bank Berhad, the Group shall also take into account the reinforcement of a risk culture that is in line with Shariah governance objectives.

The Group has identified a group of senior executives whose authorities and actions are deemed to have a major influence on the long term performance of the Group. This group (“Material Risk Takers”) comprises certain members of senior management, employees of Senior Vice President rank and above, key personnel at business units, senior control staff, employees who had been awarded high variable performance bonuses and supervisors of staff are identified as Material Risk Taker.

The Group's remuneration policy requires Material Risk Taker to have 40% of their total variable compensation deferred as long term incentive, if the total variable compensation meets a minimum threshold. The long term incentive will be in the form of OCBC Bank deferred shares. Share awards under the OCBC Deferred Share Plan ("the Plan") are also granted annually to other eligible executives who are paid high variable performance bonuses. The share awards form 20% to 40% of their total variable performance bonus for the year.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

CORPORATE GOVERNANCE (continued)

Remuneration Policy (continued)

Under the Plan, 50% of the share awards will vest after two years with the remaining 50% vesting at the end of the third year in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

(i) The amount of remuneration received by directors during the financial year ended 31 December 2022 are as follows :

	Variable remuneration Cash Based Directors' Fees	
	Group	Bank
Name	RM'000	RM'000
Tan Ngiap Joo	542	381
Tong Hon Keong	178	178
Datuk Azizan Bin Haji Abd Rahman (Resigned on 31 March 2022)	61	41
Janet Yap Seong Yong	163	163
George Lee Lap Wah	191	191

Quantitative disclosure of the Group's and the Bank's key management and other material risk taker remuneration is disclosed in Note 29 to the financial statements.

All variable cash compensation and share grants of Material Risk Taker are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Group's risk profile/rating and/or the employee has committed a gross misconduct, fraud or breach of trust in relation to the Group.

The Group's and the Bank's compensation practices are reviewed annually by an independent party to ensure that it meets the Financial Stability Forum ("FSF") principles and implementation standards for Sound Compensation Practices, as well as regulatory requirements.

Risk Management Committee ("RMC")

The RMC comprises Mr Tong Hon Keong ("RMC Chairman"), Mr Tan Ngiap Joo, Ms Janet Yap Seong Yong and Mr George Lee Lap Wah; all of whom are independent Directors. Datuk Azizan Bin Haji Abd Rahman stepped down as a RMC member with effect from 31 March 2022 following his resignation from the Board.

BNM had, on 8 February 2007, approved the delegation of approving authority of the Board of Directors pertaining to risk management matters to the RMC. The Board approved the terms of reference of the RMC. The Committee shall meet at least once every quarter. The Committee shall be entitled to secure the attendance of any person with relevant experience and expertise at committee meetings if the Committee considers this appropriate.

The Committee shall review and approve risk management strategies, policies and risk tolerance; review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk including environmental, social and governance risks, technology and cybersecurity risks. The Committee shall ensure the infrastructure, resources and systems are in place for risk management; review management's periodic reports on risk exposure, risk portfolio composition and risk management activities; the Committee shall ensure compliance with OCBC Group's risk management strategies, policies and tolerance.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

CORPORATE GOVERNANCE (continued)

Management Information

All Directors review the Board and Board Committee reports prior to the Board meetings. Information and materials, duly endorsed by the CEO and the relevant functional heads, that are important to the Directors' understanding of the agenda items and related topics are distributed in advance of the meeting. These are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Bank will provide information on business, financials and risks to the Directors on a regular basis as well as on an ad-hoc basis.

The Board and Board Committee reports include, amongst others, the following:

- Minutes of meetings of all Board and Board Committees;
- Performance Report;
- Credit Risk Management Report;
- Asset Liability & Market Risk Report; and
- Operational Risk Management Report.

The Board provides input on the Bank's policies from the country perspective in line with the prevailing regulatory framework, economic and business environment.

Directors' Attendance At Board And Board Committee Meetings in 2022

Name of Director	Attendance of Meetings Held			
	Board	Board Audit Committee	Nominating & Remuneration Committee	Risk Management Committee
Tan Ngiap Joo	8 of 8	7 of 7	4 of 4	6 of 6
Tong Hon Keong	8 of 8	7 of 7	1 of 1*	6 of 6
Janet Yap Seong Yong	8 of 8		4 of 4	6 of 6
Helen Wong Pik Kuen	8 of 8		1 of 1*	
George Lee Lap Wah	8 of 8	7 of 7	4 of 4	6 of 6
Ng Hon Soon (Al-Amin Board Member)			1 of 1*	
Lee Kok Keng, Andrew (Al-Amin Board Member)			1 of 1*	
Ismail Bin Alowi (Al-Amin Board Member)			1 of 1*	
Datuk Azizan Bin Haji Abd Rahman (Resigned on 31 March 2022)	2 of 2	1 of 1	1 of 1	

* *OCBC Malaysia and Al-Amin Board Members were invited to attend OCBC Malaysia's Ad-Hoc NRC meeting on 28 September 2022.*

The Bank's Constitution provides for Directors to participate in the Board and Board Committee meetings by means of telephone conferencing, video conferencing or audio visual equipment.

COMPLIANCE WITH BNM'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that BNM's expectations on financial reporting have been complied with, including those as set out in BNM's Guidelines and Policies on Financial Reporting, Capital Funds and Corporate Governance.

DIRECTORS' INDEMNITY

A Directors' and Officers' Liability Insurance has been entered into by the Group and the Bank for the financial year ended 31 December 2022. The policy provides appropriate cover for legal action brought against its Directors in accordance with qualifying third party indemnity provisions (as defined by Section 289 of the Companies Act 2016). During the financial year, the cost of this insurance effected for the Directors and Officers of the Group and the Bank amounted to RM114,718 and RM109,376 (2021: RM114,718 and RM108,149) respectively.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that:

- all known bad debts and financing have been written off and adequate impairment allowance made for doubtful debts and financing, and
- any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances:

- that would render the amount written off for bad debts and financing or the amount of the impairment allowance for doubtful debts and financing in the Group and in the Bank inadequate to any substantial extent, or
- that would render the value attributed to the current assets in the financial statements of the Group and of the Bank misleading, or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate, or
- not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Bank misleading.

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

- any charge on the assets of the Group and of the Bank that have arisen since the end of the financial year and which secures the liabilities of any other person, or
- any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year, other than in the ordinary course of banking business.

No contingent liability or other liability of the Group and of the Bank, other than those arising from the transactions made in the ordinary course of business of the Group and of the Bank have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Bank for the financial year ended 31 December 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, PricewaterhouseCoopers PLT, has expressed its willingness to accept re-appointment.

Auditors' remuneration for the financial year is RM1,513,000 for the Group and RM1,236,000 for the Bank (2021: RM1,332,000 for the Group and RM966,650 for the Bank). Details of auditors' remuneration are set out in Note 28 to the financial statements.

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

TAN NGIAP JOO
Chairman

TONG HON KEONG
Director

Kuala Lumpur, Malaysia
18 April 2023

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 20 to 150 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

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

TAN NGIAP JOO
Chairman

TONG HON KEONG
Director

Kuala Lumpur, Malaysia
18 April 2023

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Teoh Yin Meng, the officer primarily responsible for the financial management of OCBC Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 150 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TEOH YIN MENG

Subscribed and solemnly declared by the abovenamed, Teoh Yin Meng at Kuala Lumpur in Malaysia on 18 April 2023, before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)
Registration No.199401009721 (295400-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 150.

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.

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, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)
Registration No.199401009721 (295400-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Group and of the Bank do 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 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:

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)
(Registration No.199401009721 (295400-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Identify and assess the risks of material misstatement of the financial statements of the Group, 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.

(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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No.199401009721 (295400-W)

OTHER MATTERS

This report is made solely to the member 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	NG YEE LING
LLP0014401-LCA & AF 1146	03032/01/2025 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
18 April 2023

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		Group		Bank	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and cash equivalents	3	6,952,345	4,828,528	5,591,793	2,916,893
Deposits and placements with banks and other financial institutions	4	1,863,600	449,227	2,107,603	670,103
Investment account placements	5	-	-	3,093,946	2,567,432
Financial assets at fair value through profit or loss ("FVTPL")	6	566,098	1,833,268	561,059	1,823,178
Financial investments at fair value through other comprehensive income ("FVOCI")	7	22,901,346	18,896,597	19,702,128	15,377,703
Loans, advances and financing	8	64,298,998	65,831,689	51,563,714	53,398,910
Derivative financial assets	10	1,307,652	927,507	1,307,663	928,246
Other assets	11	364,470	350,468	420,034	609,400
Statutory deposits with Bank Negara Malaysia	12	903,160	63,937	703,160	63,937
Investments in subsidiaries	13	-	-	557,051	557,051
Property and equipment	14	133,974	147,231	130,853	142,856
Right-of-use ("ROU") assets	15	14,814	25,523	12,775	22,769
Tax recoverable		5,770	15,575	81	-
Deferred tax assets	16	231,043	285,075	190,656	243,465
Total assets		99,543,270	93,654,625	85,942,516	79,321,943
LIABILITIES					
Deposits from customers	17	77,717,263	73,986,617	65,747,671	61,046,763
Deposits and placements of banks and other financial institutions	18	5,720,234	5,648,806	5,676,869	5,620,070
Bills and acceptances payable		114,286	56,827	102,529	44,497
Derivative financial liabilities	10	1,447,264	860,074	1,447,629	860,439
Other liabilities	19	4,100,040	2,643,802	3,946,907	2,532,919
Tax payable and zakat		117,204	22,126	105,030	19,204
Subordinated bonds	20	1,050,000	1,509,279	1,050,000	1,509,279
Total liabilities		90,266,291	84,727,531	78,076,635	71,633,171
EQUITY					
Share capital	21	754,000	754,000	754,000	754,000
Reserves	22	8,522,979	8,173,094	7,111,881	6,934,772
Total equity		9,276,979	8,927,094	7,865,881	7,688,772
Total liabilities and equity		99,543,270	93,654,625	85,942,516	79,321,943
Commitments and contingencies	34	117,466,765	100,696,245	113,725,526	97,528,733

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Bank	
		2022	**2021**	**2022**	**2021**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Interest/Finance income		2,774,497	2,441,138	2,852,944	2,491,983
Interest income for financial assets at FVTPL		39,309	60,406	39,309	60,406
Interest/Finance expense		(1,098,153)	(921,427)	(1,161,599)	(957,278)
Net interest/finance income	23	1,715,653	1,580,117	1,730,654	1,595,111
Income from Islamic banking operations	24	486,247	470,871	-	-
Net fee and commission income	25	366,679	476,055	361,659	469,171
Net trading income	26	312,534	181,554	312,534	181,554
Other operating income	27	(92,362)	68,330	18,217	170,809
Operating income		2,788,751	2,776,927	2,423,064	2,416,645
Operating expenses	28	(1,265,473)	(1,222,433)	(1,204,361)	(1,161,153)
Operating profit before impairment allowances and provisions		1,523,278	1,554,494	1,218,703	1,255,492
Impairment allowances and provisions writeback/(charge)	30	329,273	(721,471)	361,071	(537,790)
Profit before income tax and zakat		1,852,551	833,023	1,579,774	717,702
Income tax expense	31	(599,449)	(168,685)	(521,092)	(147,556)
Zakat		(50)	(50)	-	-
Profit for the year		1,253,052	664,288	1,058,682	570,146
Items that will not be reclassified to profit or loss					
Change in fair value reserve (equity instruments)		3,993	4,198	3,993	4,198
Items that are or may be reclassified subsequently to profit or loss					
Fair value reserve (debt instruments)					
- Change in fair value		(222,243)	(348,764)	(192,933)	(296,126)
- Amount transferred to profit or loss		121,570	(55,864)	120,796	(38,223)
- Related tax		24,163	97,120	17,314	80,251
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		225	(1,470)	132	(1,434)
Other comprehensive expense for the year		(72,292)	(304,780)	(50,698)	(251,334)
Total comprehensive income for the year		1,180,760	359,508	1,007,984	318,812
Profit attributable to owner of the Bank		1,253,052	664,288	1,058,682	570,146
Total comprehensive income attributable to owner of the Bank		1,180,760	359,508	1,007,984	318,812
Basic earnings per ordinary share (sen)	32	435.8	231.1	368.2	198.3

The accompanying notes form an integral part of the financial statements.

Registration No.199401009721 (295400-W)

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Non-distributable			*Distributable*	
Group	**Share capital RM'000**	**Regulatory reserve RM'000**	**ECL reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2022	754,000	600,000	446	30,069	7,542,579	8,927,094
Fair value reserve						
- Change in fair value	-	-	-	(218,250)	-	(218,250)
- Transferred to profit or loss	-	-	-	121,570	-	121,570
- Related tax	-	-	-	24,163	-	24,163
Change in ECL reserve	-	-	225	-	-	225
Total other comprehensive income/(expense) for the year	-	-	225	(72,517)	-	(72,292)
Profit for the year	-	-	-	-	1,253,052	1,253,052
Total comprehensive income/(expense) for the year	-	-	225	(72,517)	1,253,052	1,180,760
Transfer upon disposal of equity investment designated at FVOCI	-	-	-	(10,150)	10,150	-
Contributions by and distributions to owner of the Bank						
Final 2021 ordinary dividend paid	-	-	-	-	(434,125)	(434,125)
Interim 2022 ordinary dividend paid	-	-	-	-	(396,750)	(396,750)
At 31 December 2022	754,000	600,000	671	(52,598)	7,974,906	9,276,979
At 1 January 2021	754,000	600,000	1,916	333,379	7,085,291	8,774,586
Fair value reserve						
- Change in fair value	-	-	-	(344,566)	-	(344,566)
- Transferred to profit or loss	-	-	-	(55,864)	-	(55,864)
- Related tax	-	-	-	97,120	-	97,120
Change in ECL reserve	-	-	(1,470)	-	-	(1,470)
Total other comprehensive expense for the year	-	-	(1,470)	(303,310)	-	(304,780)
Profit for the year	-	-	-	-	664,288	664,288
Total comprehensive (expense)/income for the year	-	-	(1,470)	(303,310)	664,288	359,508
Contributions by and distributions to owner of the Bank						
Final 2020 ordinary dividend paid	-	-	-	-	(207,000)	(207,000)
At 31 December 2021	754,000	600,000	446	30,069	7,542,579	8,927,094

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Non-distributable			*Distributable*	
Bank	**Share capital RM'000**	**Regulatory reserve RM'000**	**ECL reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2022	754,000	509,000	392	35,539	6,389,841	7,688,772
Fair value reserve						
- Change in fair value	-	-	-	(188,940)	-	(188,940)
- Transferred to profit or loss	-	-	-	120,796	-	120,796
- Related tax	-	-	-	17,314	-	17,314
Change in ECL reserve	-	-	132	-	-	132
Total other comprehensive income/(expense) for the year	-	-	132	(50,830)	-	(50,698)
Profit for the year	-	-	-	-	1,058,682	1,058,682
Total comprehensive income/(expense) for the year	-	-	132	(50,830)	1,058,682	1,007,984
Transfer upon disposal of equity investment designated at FVOCI	-	-	-	(10,150)	10,150	-
Contributions by and distributions to owner of the Bank						
Final 2021 ordinary dividend paid	-	-	-	-	(434,125)	(434,125)
Interim 2020 ordinary diividend paid	-	-	-	-	(396,750)	(396,750)
At 31 December 2022	754,000	509,000	524	- 25,441	6,627,798	7,865,881
At 1 January 2021	754,000	509,000	1,826	285,439	6,026,695	7,576,960
Fair value reserve						
- Change in fair value	-	-	-	(291,928)	-	(291,928)
- Transferred to profit or loss	-	-	-	(38,223)	-	(38,223)
- Related tax	-	-	-	80,251	-	80,251
Change in ECL reserve	-	-	(1,434)	-	-	(1,434)
Total other comprehensive expense for the year	-	-	(1,434)	(249,900)	-	(251,334)
Profit for the year	-	-	-	-	570,146	570,146
Total comprehensive (expense)/income for the year	-	-	(1,434)	(249,900)	570,146	318,812
Contributions by and distributions to owner of the Bank						
Final 2020 ordinary dividend paid	-	-	-	-	(207,000)	(207,000)
At 31 December 2021	754,000	509,000	392	35,539	6,389,841	7,688,772

The accompanying notes form an integral part of the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before income tax and zakat	1,852,551	833,023	1,579,774	717,702
Adjustments for:				
Depreciation of property and equipment	22,362	24,122	20,932	22,528
Depreciation of right-of-use assets	12,524	15,561	11,043	13,782
Impairment allowances and provisions (writeback)/charge	(250,233)	771,362	(307,450)	569,675
Finance expense on lease liabilities	474	724	420	645
Net loss/(gain) on disposal of:				
- Financial investments at FVOCI	121,570	(55,864)	120,796	(38,223)
- Property and equipment	148	47	-	-
Share-based expense	16,817	11,390	16,700	11,047
Unrealised (gain)/loss on:				
- Financial assets at FVTPL	(9,108)	9,204	(9,264)	9,139
- Hedging derivatives	250	(2)	250	(2)
- Trading derivatives	200,044	(164,006)	200,451	(163,099)
- Subordinated bonds (foreign exchange)	-	17,952	-	17,952
Operating profit before changes in working capital	1,967,399	1,463,513	1,633,652	1,161,146
Changes in operating assets and operating liabilities:				
Deposits and placements with banks and other financial institutions	(1,414,425)	(105,053)	(1,437,552)	(4,964)
Investment account placements	-	-	(530,784)	(1,090,859)
Financial assets at FVTPL	1,276,278	(528,997)	1,271,383	(528,997)
Loans, advances and financing	1,763,836	(297,558)	2,104,810	1,082,877
Other assets	(13,081)	21,030	(9,708)	(50,032)
Statutory deposits with Bank Negara Malaysia	(839,223)	33,664	(639,223)	33,664
Derivative financial assets and liabilities	23,125	27,749	23,446	27,773
Deposits from customers	3,730,646	611,085	4,700,908	(835,550)
Deposits and placements of banks and other financial institutions	71,428	453,125	56,799	462,782
Bills and acceptances payable	57,459	(31,910)	58,032	(29,176)
Other liabilities	1,469,010	648,673	1,449,064	615,592
Cash generated from operations	8,092,452	2,295,321	8,680,827	844,256
Income tax and zakat paid	(416,421)	(314,719)	(365,224)	(275,228)
Net cash generated from operating activities	7,676,031	1,980,602	8,315,603	569,028

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Proceeds from redemption of Murabahah subordinated sukuk issued by subsidiary	-	-	200,000	-
Acquisition of financial investments at FVOCI	(23,614,261)	(20,736,872)	(18,197,841)	(12,110,872)
Acquisition of property and equipment	(10,678)	(21,972)	(10,349)	(21,340)
Dividends received from financial investments at FVOCI	599	774	599	774
Proceeds from disposal of financial investments at FVOCI	19,374,289	21,598,578	13,667,503	12,339,559
Proceeds from disposal of property and equipment	1,423	2,573	1,423	2,572
Net cash (used in)/generated from investing activities	(4,248,628)	843,081	(4,338,665)	210,693
Cash flows from financing activities				
Dividends paid to owner of the Bank	(830,875)	(207,000)	(830,875)	(207,000)
Proceeds from issuance of subordinated bonds	500,000	-	500,000	-
Redemption of subordinated bonds	(959,279)	-	(959,279)	-
Payment of lease liabilities	(13,432)	(14,361)	(11,884)	(12,526)
Repayment of recourse obligation on loans sold to Cagamas Berhad	-	(700,000)	-	(700,000)
Net cash used in financing activities	(1,303,586)	(921,361)	(1,302,038)	(919,526)
Net increase/(decrease) in cash and cash equivalents	2,123,817	1,902,322	2,674,900	(139,805)
Cash and cash equivalents at 1 January	4,828,528	2,926,206	2,916,893	3,056,698
Cash and cash equivalents at 31 December	6,952,345	4,828,528	5,591,793	2,916,893

Details of cash and cash equivalents are disclosed in Note 3 to the financial statements.

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

Changes in liabilities arising from financing activities

2022	**At 1 January RM'000**	**Net Cash outflows RM'000**	**Foreign exchange movement RM'000**	**Acquisition of new leases RM'000**	**Finance cost RM'000**	**At 31 December RM'000**
Group						
Subordinated bonds	1,509,279	(459,279)	-	-	-	1,050,000
Lease liabilities	24,429	(13,432)	-	1,815	474	13,286
Total liabilities from financing activities	1,533,708	(472,711)	-	1,815	474	1,063,286
Bank						
Subordinated bonds	1,509,279	(459,279)	-	-	-	1,050,000
Lease liabilities	21,620	(11,884)	-	1,049	420	11,205
Total liabilities from financing activities	1,530,899	(471,163)	-	1,049	420	1,061,205
2021						
Group						
Recourse obligation on loans sold to Cagamas Berhad	700,000	(700,000)	-	-	-	-
Subordinated bonds	1,491,327	-	17,952	-	-	1,509,279
Lease liabilities	27,739	(14,361)	-	10,327	724	24,429
Total liabilities from financing activities	2,219,066	(714,361)	17,952	10,327	724	1,533,708
Bank						
Recourse obligation on loans sold to Cagamas Berhad	700,000	(700,000)	-	-	-	-
Subordinated bonds	1,491,327	-	17,952	-	-	1,509,279
Lease liabilities	23,259	(12,526)	-	10,242	645	21,620
Total liabilities from financing activities	2,214,586	(712,526)	17,952	10,242	645	1,530,899

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022

GENERAL INFORMATION

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 19th Floor, Menara OCBC, 18 Jalan Tun Perak, 50050 Kuala Lumpur.

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

The Bank is principally engaged in banking and related financial services, whilst its subsidiaries are principally engaged in the businesses of Islamic Banking, corporate finance and related advisory services and the provision of nominee services. There has been no significant change in the nature of these activities during the financial year.

The immediate and ultimate holding company of the Bank is Oversea-Chinese Banking Corporation Limited ("OCBC Bank" or "OCBC Ltd"), a licensed commercial bank incorporated in Singapore.

The financial statements were approved and authorised for issue by the Board of Directors on 18 April 2023.

1 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for the assets and liabilities which are stated at fair value as disclosed in the notes to the financial statements: financial assets at FVTPL, financial investments at FVOCI and derivative financial instruments. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank’s functional currency. All financial information presented in RM have been rounded to the nearest thousand, unless otherwise stated.

(a) Statement of compliance

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

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

The following new standards and amendments to accounting standards have been adopted by the Group and the Bank during the financial year:

- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 16, *Leases - COVID-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*
- *Annual Improvements to MFRS Standards 2018-2020*

The adoption of the abovementioned amendments to accounting standards did not have any material impact on the financial statements of the Group and of the Bank.

The Group and the Bank have not adopted the following amendments to accounting standards issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective:

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Effective for annual periods commencing on or after 1 January 2023

- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2, *Making Materiality Judgements Disclosure of Accounting Policies*

- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

- Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective for annual periods commencing on or after 1 January 2024

- Amendments to MFRS 16, *Leases - Lease Liability in a Sale and Leaseback*

- Amendments to MFRS 101, *Presentation of Financial Statements Non current Liabilities with Covenants*

Effective date to be announced by MASB

- Amendments to MFRS 10 and MFRS 128, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned accounting standards and amendments, which are relevant to the Group and the Bank, when they become effective in the respective financial periods. The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements of the Group and of the Bank.

(b) Use of estimates and judgements

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

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

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

(i) Fair value estimation for financial assets at fair value through profit or loss ("FVTPL") (Note 6), financial investments at fair value through other comprehensive income ("FVOCI") (Note 7) and derivative financial assets and liabilities (Note 10). Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market (for example, over-the-counter derivatives), the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads.

Where observable market data is not available, judgement is required in the determination of model input, which normally incorporates assumptions that other market participants would use in their valuations, including assumptions about interest/profit rate yield curves, exchange rates, volatilities and prepayment and default rates. Judgement is also required in assessing the impairment of financial investments at FVOCI as the Group and the Bank evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

(ii) Impairment of financial assets

In determining whether the credit risk of the Group's and of the Bank's financial exposures have increased significantly since initial recognition, the Group and the Bank will consider reasonable and supportable information that is readily available without undue cost or effort. This includes both quantitative and qualitative information such as the Group's historical credit assessment experience and available forward-looking information. Expected credit loss ("ECL") estimates are produced for all relevant instruments based on probability-weighted forward-looking economic scenarios. The measurement of ECL is primarily calculated based on the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). These are parameters derived from internal rating models after adjusting them to be unbiased and forward-looking. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. The underlying models and their calibration, including how they react to forward-looking economic conditions, are subject to continuous review and refinement. The assumptions and judgements used by management may affect impairment allowances computed.

COVID-19 pandemic

The COVID-19 pandemic and the effects on the global economy were unprecedented in its scale and impact. These increased the estimated uncertainty in the preparation of these financial statements. Sources of estimation uncertainty include the impact of the pandemic on the duration and extent of disruption to businesses, individuals and the wider economy (including macroeconomic forecasts, credit, liquidity and market conditions).

The significant accounting estimates impacted by these uncertainties relate mainly to impairment of financial assets, as follows:

<u>Allowances for non-credit impaired loans to customers</u>

The forward-looking scenarios used in the ECL model have been updated to reflect the latest available macroeconomic view of recovery in 2022 onwards as the country moves towards endemicity. However, post-model adjustment continue to be applied during the year to account for the estimated impact of continued economic uncertainties not reflected in the modelled outcome.

During the financial year, various loan reliefs, such as payment holidays and moratoriums offered to affected customers as part of a broader set of COVID-19 support measures, have expired. Post expiry of the moratorium, the Group and the Bank continue to monitor the repayments of borrowers under repayment assistance and upgrade these borrowers if they are not in arrears at the end of 6 months.

<u>Allowances for credit impaired loans to customers</u>

In respect of credit impaired exposures, management judgement and estimation are applied in, amongst others, identifying impaired exposures, estimating the related recoverable cash flows and where applicable, determining collateral values and timing of realisation. Judgements and assumptions in respect of these matters have been updated to reflect the potential impact of COVID-19 and other economic uncertainties, where applicable.

The Group’s and the Bank's allowances for financial assets are disclosed in Note 9 and Note 30.

(iii) Management judgement is required for estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome is not determined until a later date. Whereas, for deferred tax, management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group to the periods presented in these financial statements.

A Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less any impairment allowances, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(b) Business combinations

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

Business combinations are recognised at the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the difference above is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(c) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

A Basis of consolidation (continued)

(d) Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group is accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amount recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

(e) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(f) Transactions eliminated on consolidation

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

B Foreign currency transactions

Transactions in foreign currencies are translated to RM, which is the functional currency of the Group entities at exchange rates at the dates of the transactions.

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Foreign Currency Translation Reserve ("FCTR") in equity.

C Financial instruments

(a) Recognition and initial measurement

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(a) Recognition and initial measurement (continued)

A financial instrument is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issuance.

The Group account for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of MFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

(b) Financial instrument categories and subsequent measurement

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

Financial assets

The categories of financial assets are as follows:

(i) Amortised cost

Amortised cost category comprises financial assets that are held within a business model which objective is to hold assets to collect contractual cash flows and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and are not designated as FVTPL. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment allowances, if any. Interest income, foreign exchange gains and losses and impairment allowances are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest/profit income is recognised by applying effective interest/profit rate to the gross carrying amount except for credit-impaired financial assets (see Note 2K(a)) where the effective interest/profit rate is applied to the amortised cost.

Financing and advances consist of sales based contracts (Bai' Inah, Bai' Bithaman Ajil, Tawarruq, Murabahah and Bai' Dayn), leased based contracts (Ijarah Thumma Al-Bai, Ijarah and Ijarah Muntahiah Bi Al-Tamlik), equity based contracts (Musharakah Mutanaqisah) and other contracts (Wakalah and Qard). The Group entity's core business is in providing financing to customers and not into leasing business. As a result, the lease-based financing contracts are recognised accordingly as financial instruments under MFRS 9. Except for Ijarah financing, assets funded under Ijarah Thumma Al-Bai and Ijarah Muntahiah Bi Al-Tamlik contracts are owned by the Group throughout the tenure of the financing and ownership of the assets will be transferred to the customer at the end of the financing.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(b) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(ii) Fair value through other comprehensive income ("FVOCI")

Debt investments

FVOCI category comprises debt investments that are held within a business model which objective is achieved by both collecting contractual cash flows and selling the debt investments, and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and are not designated as at FVTPL. Interest/profit income calculated using the effective interest/profit method, foreign exchange gains and losses and impairment allowances are recognised in profit or loss. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Debt instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest/profit.

Interest/Profit income is recognised by applying effective interest/profit rate to the gross carrying amount except for credit-impaired financial assets (see Note 2K(a)) where the effective interest/profit rate is applied to the amortised cost.

Equity investments

This category comprise investments in equity that are not held for trading, and the Group irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(iii) Fair value through profit or loss ("FVTPL")

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

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment (see Note 2G(a)).

Financial liabilities

At the end of the reporting year, there are no non-derivative financial liabilities categorised as FVTPL.

All financial liabilities are subsequently measured at amortised cost, other than those categorised as FVTPL.

FVTPL category comprises financial liabilities that are derivatives (except for derivatives that are financial guarantee contracts or designated as effective hedging instruments) or financial liabilities that are specifically designated into this category upon initial recognition.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(b) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

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

Where derivatives are embedded in the host contract (e.g. structured investments), the embedded derivatives are required to be separated and accounted as a derivative and the host contract at amortised cost (in Other Liabilities) if the economic risks and characteristics of the embedded derivatives are not closely related to the economic risks and characteristics of the host contract. Separate accounting is not required if the combined instrument is fair valued with changes in fair value recognised in profit or loss.

Financial liabilities categorised as FVTPL are measured at their fair values with the gain or loss recognised in profit or loss.

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, guarantees and acceptances.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other allowances.

(d) Regular way purchase or sale of financial assets

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

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

- the recognition of an asset to be received and the liability to pay for it on the settlement date; and
- the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for a payment on the settlement date.

(e) Hedge accounting

At inception of a designated hedging relationship, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(e) Hedge accounting (continued)

(i) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group has elected to present subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at FVOCI, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in FVOCI, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

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.

(ii) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In cash flow hedge, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(e) Hedge accounting (continued)

(ii) Cash flow hedge (continued)

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(f) Derivatives

Derivatives are categorised as trading unless they are designated as hedging instruments.

Financial derivatives include forward contracts for the purchase and sale of foreign currencies, interest/profit rate and currency swaps, financial futures and option contracts. These instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest/profit rate risks.

All derivative financial instruments are recognised at inception on the statement of financial position (including transaction costs), which are normally zero or negligible at inception at fair value, and subsequent changes in fair value as a result of fluctuation in market interest/profit rates or foreign exchange rates are recorded as assets when fair value is positive and as liabilities when fair value is negative.

When the Group enters into derivatives for trading purposes, realised and unrealised gains and losses are recognised in trading income. Observable market data are used to determine the fair values of derivatives held-for-trading. Valuations are either based on quoted price or valuation technique. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices.

(g) Derecognition

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

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(h) Modification

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual cash flows of the financial asset. Financial assets that are renegotiated or otherwise modified will be accounted based on the nature and extent of changes that is expected to arise as a result of the modification or renegotiation.

(i) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted by the accounting standards. 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.

D Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment allowance.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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

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

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

(b) Subsequent costs

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

(c) Depreciation

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

D Property and equipment (continued)

(c) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciate as it has indefinite life. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

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

• Buildings on freehold land	50 years
• Leasehold land and buildings	50 years or remaining life of the lease, whichever is shorter
• Office equipment and furniture	3-5 years
• Computer equipment and software	3-8 years
• Motor vehicles	5 years
• Renovation	8 years or remaining lease term, whichever is shorter

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

E Leases

(a) Definition of a lease

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

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group will account for the lease and non-lease components as a single lease component.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

E Leases (continued)

(b) Recognition and initial measurement

As a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

As a lessor

When the Group acts as a lessor, it determines, at the lease inception, whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

E Leases (continued)

(c) Subsequent measurement

As a lessee

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*

During the financial year, the Group adopted the 2021 amendments that extended the applicable period of the practical expedient provided by the 2020 amendments to MFRS 16 to cover rent concessions that reduce lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The adoption of the amendment had no impact on the opening balance of retained earnings as at 1 January 2022.

F Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and central banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of one month or less.

Cash and cash equivalents are categorised and measured as amortised cost in accordance with Note 2(C)(b)(i).

G Impairment

(a) Financial assets

The Group recognised impairment allowances for ECL on financial assets measured at amortised cost, financial investments measured at FVOCI and most off-balance sheet loan commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

G Impairment (continued)

(a) Financial assets (continued)

(i) ECL impairment model

Under MFRS 9, impairment allowances on the aforesaid financial assets are measured on each reporting date according to a three-stage ECL impairment model:

- Stage 1: On initial recognition, ECL will be that resulting from default events that are possible over the next 12 months (12-month ECL).

- Stage 2: Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that which results from all possible default events over the expected life of the asset (Lifetime ECL non credit-impaired). See details in Note 2G(a)(iii).

- Stage 3: When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, its loss allowance will be the full lifetime ECL (credit-impaired).

Loans/Financing are written off against impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote.

(ii) Measurement

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are non credit-impaired at the reporting date: At the present value of all cash shortfalls, being the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;

- Financial assets that are credit-impaired at the reporting date: At the difference between the gross carrying amount and the present value of estimated future cash flows;

- Undrawn loan commitments: At the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- Financial guarantee contracts: The expected payments to reimburse the holder less any amounts that the Group expects to recover.

The Group uses three forecast economic scenarios to calculate an unbiased Stage 1 and Stage 2 ECL. They represent a "most likely" Base scenario, and two other less likely "Upside" and "Downside" scenarios. These scenarios are probability-weighted and underlying key macro-economic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to constantly reflect the latest economic situation. Stage 3 ECL adopts the recovery strategy, whereby the Group takes into account other factors including forward looking scenarios, market conditions and credit risk mitigants in calculation of Stage 3 ECL.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

G Impairment (continued)

(a) Financial assets (continued)

(iii) Movement between stages

Movements between Stage 1 and Stage 2 classification are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial recognition.

In accordance with MFRS 9, financial assets are classified in Stage 2 where there is a significant increase in credit risk since initial recognition, where impairment allowance will be measured using lifetime ECL.

The Group considers both qualitative and quantitative parameters in the assessment of significant increase in credit risk. These include the following:

- The Group has established thresholds for significant increases in credit risk based on both relative and absolute changes in lifetime probability of default ("PD") relative to initial recognition.
- The Group conducts qualitative assessment to ascertain if there has been significant increase in credit risk.
- The Group uses days past due as a further indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 classification are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under MFRS 9 will be based on objective evidence of impairment.

The Group is also guided by the policy document on Financial Reporting issued by Bank Negara Malaysia ("BNM") whereby, a credit facility is classified as credit-impaired if it is past due for more than 3 months or where the amount is past due for less than 3 months but exhibits weakness in accordance with the Group's internal credit risk assessment. In addition, where repayments are scheduled on intervals of 3 months or longer, the credit facility is classified as credit-impaired as soon as default occurs.

The assessments for significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired. For credit-impaired portfolio, Stage 3 ECL is assessed individually and measured as described in Note 40 of the financial statements.

(iv) Regulatory framework

Under BNM's policy document on Financial Reporting, the Group must maintain, in aggregate, impairment allowance for non credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of impairment allowance for credit impaired exposures.

(b) Other assets

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

G Impairment (continued)

(b) Other assets (continued)

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

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

Impairment allowance is recognised in profit or loss. Impairment allowance recognised in respect of cash-generating units is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

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

H Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently. Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

Ordinary shares are classified as equity.

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Bank’s option, and any dividend is discretionary. Dividend is recognised as distributions within equity.

Interim dividend on ordinary shares and dividend on preference shares are recorded in the financial year in which they are declared payable by the Board of Directors. Final dividends are recorded in the financial year when the dividends are approved at the annual general meeting. 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 is recognised directly in equity.

I Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, paid annual leave and sick leave, variable cash performance bonus and non-monetary benefits are measured on an undiscounted basis and expensed as the related service is provided.

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

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated as at the end of the reporting period.

The Group’s contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once contributions have been paid, the Group has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

I Employee benefits (continued)

(b) Share-based payment transactions

(i) OCBC Deferred Share Plan

Under the OCBC Deferred Share Plan ("the Plan"), shares of the immediate and ultimate holding company of the Bank, Oversea-Chinese Banking Corporation Limited ("OCBC Ltd"), are awarded to eligible executives. A trust is set up to administer the shares purchased under the Plan. 50% of the share awards will vest after two years with the remaining 50% vesting at the end of the third year in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares. The awards will lapse immediately on the termination of employment, except in the event of retirement, redundancy, death, or where approved by the relevant approving authorities at OCBC Ltd whom may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined.

(ii) OCBC Share Option Scheme 2001

Under the OCBC Share Option Scheme 2001, shares of the immediate and ultimate holding company of the Bank are offered to executives of the rank of Manager and above, including Non-Executive Directors. Options granted are exercisable for a period commencing after the 1st anniversary and expire on the 10th anniversary of the respective dates of grant except for options granted to Non-executive Directors which are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary. OCBC Ltd has ceased granting share options under the OCBC Share Option Scheme 2001 effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by recipients.

(iii) OCBC Employee Share Purchase Plan

The Employee Share Purchase Plan ("ESP Plan") is a savings-based share ownership plan that allows eligible employees to participate in shares of the immediate and ultimate holding company of the Bank by making monthly contributions to the ESP Plan Account and interest accrued at a preferential rate determined by the OCBC Ltd Remuneration Committee. The Committee will fix the offering period and acquisition price for the new ordinary shares to be issued under the ESP Plan.

Equity instruments granted are recognised as expense in profit or loss based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, based on the recharge by the immediate and ultimate holding company. At each reporting date, the Group revises the estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in profit or loss over the remaining vesting period. A liability is recognised based on the recharge by the immediate and ultimate holding company of the Bank over the vesting period. The Group accrues for interest/profit on the monthly contributions made by employees to the savings-based ESP Plan. Further details of the equity compensation benefits are disclosed in Note 19(b) to the financial statements.

J Provisions

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

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

K Income and expenses

(a) Interest/finance income and interest/finance expense

Interest/finance income or expense is recognised using the effective interest/profit method.

The effective interest/finance rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

In calculating the interest/finance income and expense, the effective interest/profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest/finance income is calculated by applying the effective interest/profit rate to the amortised cost of the financial asset, net of ECL. If the asset is no longer credit-impaired, then the calculation of interest income/profit reverts to the gross basis. The gross carrying amount of a financial asset refers to amortised cost of a financial asset before adjusting for any ECL.

Finance income for sale-based contracts (Bai' Inah, Bai' Bithaman Ajil, Tawarruq, Murabahah and Bai' Dayn) are recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding.

Finance income for lease-based contracts (Ijarah Thumma Al-Bai, Ijarah and Ijarah Muntahiah Bi Al-Tamlik) are recognised on effective profit rate basis over the lease term.

Finance income for equity-based contracts (Musharakah Mutanaqisah and Mudharabah) are recognised on the basis of the reducing balance on a time-apportioned basis that reflects the effective yield on the asset.

(b) Fee and commission income

The Group earns fees and commissions from a range of services rendered to its customers. Fees and commissions are recognised when the Group has satisfied its performance obligations in providing the services to the customer. Transaction based fees and commissions are generally recognised upon the completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised over the relevant period. Expenses are offset against gross fees and commissions in the income statement only when they are directly related.

(c) Net trading income

Net trading income comprises gains and losses from changes in financial assets at FVTPL and trading derivatives, gains and losses on foreign exchange trading and other trading activities.

(d) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(e) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(f) Other income

Pursuant to BNM's Guidelines on Late Payment Charges for Islamic Banking Institutions, the Group recognises all late penalty income arising from Islamic banking under income from Islamic banking operations in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

L Income tax

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

M Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit or loss attributable to the ordinary shareholder of the Bank less preference shares dividend by the weighted average number of ordinary shares outstanding during the period.

N Restricted profit sharing investment accounts ("RPSIA")

The RPSIA used to fund specific financing follow the principle of Mudharabah which states that profits will be shared with the Group entity as mudarib and losses borne by depositors.

O Contingencies

(a) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Possible obligations, which existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

O Contingencies (continued)

(b) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not being wholly within the control of the Group, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

P Fair value measurements

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

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

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

Q Zakat contribution

Zakat represents business zakat payable by the Group to comply with the principles of Shariah and as approved by the Shariah Committee. The Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholder.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

3 CASH AND CASH EQUIVALENTS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	542,616	597,312	433,049	505,341
Money at call and deposit placements with financial institutions maturing within one month	892,873	148,818	1,185,591	417,583
Deposit placements with Bank Negara Malaysia	5,516,914	4,082,429	3,973,200	1,994,000
	6,952,403	4,828,559	5,591,840	2,916,924
Stage 1 ECL allowance	(58)	(31)	(47)	(31)
	6,952,345	4,828,528	5,591,793	2,916,893

(a) By geographical distribution

	Group		Bank	
Malaysia	6,571,855	4,374,847	5,294,329	2,526,515
Singapore	133,507	139,782	97,519	108,476
Other ASEAN countries	10,373	7,126	9,622	6,198
Rest of the world	236,668	306,804	190,370	275,735
	6,952,403	4,828,559	5,591,840	2,916,924

The analysis by geography is determined based on where the credit risk resides.

(b) Included in the Bank's cash and cash equivalents are deposits and placements with its Islamic Banking subsidiary, OCBC Al-Amin Bank Berhad, amounting to RM293 million (31 December 2021: RM269 million), which are unsecured and profit bearing.

(c) Movements in ECL allowance

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Stage 1 ECL				
At 1 January	31	18	31	18
New financial assets originated or purchased	16	9	16	9
Financial assets derecognised	(4)	(9)	(4)	(9)
Net remeasurement during the year	15	12	4	12
Other movements	-	1	-	1
At 31 December	58	31	47	31

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed bank	1,863,660	449,235	2,107,663	670,111
Stage 1 ECL allowance	(60)	(8)	(60)	(8)
	1,863,600	449,227	2,107,603	670,103

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

(a) By geography determined based on where the credit risk resides

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Malaysia	1,863,660	339,926	2,107,663	560,802
Singapore	-	108,223	-	108,223
Rest of the world	-	1,086	-	1,086
	1,863,660	449,235	2,107,663	670,111

(b) By residual contractual maturity

	Group 2022	Group 2021	Bank 2022	Bank 2021
Maturity within one year	1,863,660	449,235	2,107,663	670,111

(c) Included in the Bank's deposits and placements with licensed banks are deposits and placements with its Islamic Banking subsidiary, OCBC Al-Amin Bank Berhad, amounting to RM244 million (31 December 2021: RM221 million), which are unsecured and profit bearing.

(d) Movements in ECL allowance

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Stage 1 ECL				
At 1 January	8	-	8	-
New financial assets originated or purchased	92	50	92	50
Financial assets derecognised	(15)	(15)	(15)	(15)
Net remeasurement during the year	(25)	(27)	(25)	(27)
At 31 December	60	8	60	8

5 INVESTMENT ACCOUNT PLACEMENTS

Bank	**2022 RM'000**	**2021 RM'000**
Restricted Profit Sharing Investment Accounts	3,134,656	2,603,872
ECL allowance	(40,710)	(36,440)
	3,093,946	2,567,432

(a) By geography based on where the credit risk resides

	2022	2021
Malaysia	3,134,656	2,603,872

(b) By residual contractual maturity

	2022	2021
Within one year	3,109,650	2,566,162
Over five years	25,006	37,710
	3,134,656	2,603,872

The exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") is an arrangement with its subsidiary, OCBC Al-Amin Bank Berhad, which the contract is based on Mudharabah principle to fund a specific business venture where the Bank solely provides capital and the business venture is managed solely by OCBC Al-Amin Bank Berhad. The profit of the business venture arrangement is shared with the Bank as mudarib based on a pre-agreed ratio, and losses borne by the Bank.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

5 INVESTMENT ACCOUNT PLACEMENTS (continued)

(c) Movements in ECL allowance

Bank	*Non credit-impaired*		*Credit-impaired*	
	Stage 1 12 months RM'000	**Stage 2 Lifetime RM'000**	**Stage 3 Lifetime RM'000**	**Total RM'000**
2022				
At 1 January	2,970	701	32,769	36,440
New financial assets originated or purchased	906	10,156	-	11,062
Financial assets derecognised	(605)	-	-	(605)
Net remeasurement during the year	16	1,521	(7,763)	(6,226)
Other movements	39	-	-	39
At 31 December	3,326	12,378	25,006	40,710
2021				
At 1 January	1,776	-	32,769	34,545
Transferred to Stage 2	(313)	313	-	-
New financial assets originated or purchased	3,765	-	-	3,765
Financial assets derecognised	(176)	-	-	(176)
Net remeasurement during the year	(2,095)	388	-	(1,707)
Other movements	13	-	-	13
At 31 December	2,970	701	32,769	36,440

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group		**Bank**	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At fair value				
Malaysian Government Investment Issues	68,761	574,337	68,761	574,337
Malaysian Government Securities	477,196	957,467	477,196	957,467
Malaysian Government Treasury Bills	-	256,356	-	256,356
Corporate Bonds and Sukuk	20,141	45,108	15,102	35,018
	566,098	1,833,268	561,059	1,823,178

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group		**Bank**	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At fair value				
Malaysian Government Investment Issues	5,758,688	7,772,731	3,773,562	5,694,130
Malaysian Government Securities	6,155,399	4,549,807	6,155,399	4,549,807
Malaysian Treasury Bills and Islamic Treasury Bills	1,547,820	2,002,423	1,184,615	1,456,004
Malaysian Government Debt Securities and Sukuk	30,077	30,543	30,077	30,543
Foreign Government Debt Securities and Sukuk	-	161,226	-	161,226
Negotiable Instruments of Deposit and Islamic Negotiable Instruments of Deposit	6,995,336	1,248,206	6,596,563	698,711
Corporate and Islamic Corporate Bonds, Sukuk and Sanadat Mudharabah Cagamas	2,304,486	3,015,614	1,852,372	2,671,235
Unquoted shares in Malaysia				
- Cagamas Holdings Berhad	85,595	83,597	85,595	83,597
- Others	23,945	32,450	23,945	32,450
	22,901,346	18,896,597	19,702,128	15,377,703

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (continued)

ECL allowance for financial investments at FVOCI is recognised in the ECL reserve.

	2022			2021		
	Stage 1 12 months RM'000	Stage 2 Lifetime RM'000	Total ECL non credit-impaired RM'000	Stage 1 12 months RM'000	Stage 2 Lifetime RM'000	Total ECL non credit-impaired RM'000
Group						
At 1 January	415	31	446	1,916	-	1,916
Transferred to Stage 1	-	-	-	48	(48)	-
Transferred to Stage 2	(26)	26	-	(72)	72	-
New financial assets originated or purchased	895	-	895	574	-	574
Financial assets derecognised	(341)	(16)	(357)	(736)	(10)	(746)
Net remeasurement during the year	(325)	(2)	(327)	(1,336)	17	(1,319)
Other movements	14	-	14	21	-	21
At 31 December	632	39	671	415	31	446
Bank						
At 1 January	361	31	392	1,826	-	1,826
Transferred to Stage 1	-	-	-	48	(48)	-
Transferred to Stage 2	(26)	26	-	(65)	65	-
New financial assets originated or purchased	671	-	671	393	-	393
Financial assets derecognised	(275)	(16)	(291)	(634)	(4)	(638)
Net remeasurement during the year	(260)	(2)	(262)	(1,228)	18	(1,210)
Other movements	14	-	14	21	-	21
At 31 December	485	39	524	361	31	392

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

8 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At amortised cost				
Overdrafts	2,530,791	2,585,536	2,035,037	2,145,481
Term loans/financing				
- Housing loans/financing	19,752,258	21,667,064	18,095,328	19,870,536
- Syndicated term loans/financing	7,417,938	7,389,689	5,578,093	5,201,915
- Hire purchase receivables	284,183	285,998	47,156	32,116
- Other term loans/financing	20,737,068	21,207,975	15,849,279	16,463,917
Credit cards	522,666	500,460	522,666	500,460
Bills receivable	180,673	137,955	113,281	105,279
Trust receipts	32,793	30,395	32,309	30,395
Claims on customers under acceptance credits	2,843,233	2,583,166	2,554,259	2,240,143
Revolving credit	9,487,215	8,986,911	5,877,252	6,009,014
Staff loans/financing	42,022	42,684	42,022	42,684
Other loans/financing	1,736,751	2,337,184	1,645,649	2,206,007
	65,567,591	67,755,017	52,392,331	54,847,947
ECL allowance	(1,268,593)	(1,923,328)	(828,617)	(1,449,037)
Net loans, advances and financing	64,298,998	65,831,689	51,563,714	53,398,910

(a) By type of customer

	Group 2022	Group 2021	Bank 2022	Bank 2021
Domestic non-bank financial institutions	3,266,364	2,524,749	1,358,622	1,216,049
Domestic business enterprises				
- Small and medium enterprises	12,328,093	13,935,576	9,989,121	11,534,668
- Others	25,814,507	24,608,190	18,947,544	17,838,253
Individuals	21,948,651	24,035,508	20,149,035	22,045,361
Foreign entities	2,209,976	2,650,994	1,948,009	2,213,616
	65,567,591	67,755,017	52,392,331	54,847,947

(b) By interest/profit rate sensitivity

	Group 2022	Group 2021	Bank 2022	Bank 2021
Fixed rate				
- Housing loans/financing	92,830	109,722	12,446	20,503
- Hire purchase receivables	186,643	179,736	32,472	21,778
- Other fixed rate loans/financing	7,432,400	7,096,688	6,180,938	5,975,709
Variable rate				
- Base rate/Base lending rate/Base financing rate plus/Standardised base rate	31,736,883	35,054,619	28,030,303	31,142,775
- Cost plus	25,197,049	23,339,108	17,265,592	15,742,111
- Other variable rates	921,786	1,975,144	870,580	1,945,071
	65,567,591	67,755,017	52,392,331	54,847,947

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

8 LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(c) By sector				
Agriculture, hunting, forestry and fishing	1,861,704	2,171,968	1,574,281	1,700,396
Mining and quarrying	159,646	465,620	66,127	203,416
Manufacturing	6,754,012	6,775,330	5,527,020	5,546,125
Electricity, gas and water	600,182	676,435	468,170	603,014
Construction	1,365,812	1,515,157	934,739	1,111,825
Real estate	6,739,612	6,734,908	5,645,109	5,786,732
Wholesale & retail trade and restaurants & hotels	7,213,726	7,227,408	6,154,067	6,141,013
Transport, storage and communication	1,548,505	2,204,216	808,762	1,057,578
Finance, insurance and business services	13,907,495	12,254,107	8,297,900	7,698,617
Community, social and personal services	1,897,893	1,969,329	1,294,762	1,334,142
Household				
- Purchase of residential properties	20,547,323	22,529,991	18,882,491	20,724,648
- Purchase of non-residential properties	692,624	783,998	646,004	732,796
- Others	2,279,057	2,446,550	2,092,899	2,207,645
	65,567,591	67,755,017	52,392,331	54,847,947

(d) By geography determined based on where the credit risk resides

Malaysia	63,532,347	65,333,495	50,592,639	52,795,891
Singapore	1,214,290	1,366,595	1,152,043	1,297,966
Other ASEAN countries	238,387	309,316	231,954	253,004
Rest of the world	582,567	745,611	415,695	501,086
	65,567,591	67,755,017	52,392,331	54,847,947

(e) By residual contractual maturity

Up to one year	18,647,546	18,867,220	14,008,300	14,517,255
Over one year to three years	6,179,765	5,132,932	5,144,936	4,018,451
Over three years to five years	8,562,621	7,744,271	5,510,390	4,997,280
Over five years	32,177,659	36,010,594	27,728,705	31,314,961
	65,567,591	67,755,017	52,392,331	54,847,947

9 IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	2,443,262	1,929,115	1,898,710	1,314,024
Impaired during the year	1,825,968	1,862,420	1,485,174	1,606,597
Reclassified as non-credit impaired	(321,501)	(263,113)	(276,099)	(238,893)
Amount recovered	(849,238)	(830,963)	(772,528)	(597,967)
Amount written off	(138,130)	(254,771)	(107,324)	(185,625)
Other	-	574	-	574
At 31 December	2,960,361	2,443,262	2,227,933	1,898,710
Stage 3 ECL allowance	(816,365)	(531,926)	(499,066)	(311,031)
Net impaired loans, advances and financing	2,143,996	1,911,336	1,728,867	1,587,679

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(i) Movements in impaired loans, advances and financing (continued)

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) By sector				
Agriculture, hunting, forestry and fishing	23,113	27,264	21,542	24,302
Mining and quarrying	13,023	14,442	13,023	14,442
Manufacturing	447,198	450,690	346,973	419,686
Electricity, gas and water	89,492	77,031	89,296	76,805
Construction	109,818	101,001	45,815	40,390
Real estate	193,751	123,751	158,428	118,365
Wholesale & retail trade and restaurants & hotels	608,587	478,748	403,323	345,465
Transport, storage and communication	39,052	48,994	6,429	5,366
Finance, insurance and business services	127,047	135,997	51,733	53,881
Community, social and personal services	18,030	45,603	16,137	38,241
Household				
- Purchase of residential properties	1,131,856	796,033	943,551	649,118
- Purchase of non-residential properties	30,642	20,020	28,653	18,883
- Others	128,752	123,688	103,030	93,766
	2,960,361	2,443,262	2,227,933	1,898,710
(b) By geography based on where the credit risk resides				
Malaysia	2,856,964	2,366,972	2,134,502	1,828,599
Singapore	69,205	56,198	64,725	50,070
Rest of the world	34,192	20,092	28,706	20,041
	2,960,361	2,443,262	2,227,933	1,898,710
(c) By collateral type				
Property	2,118,156	1,656,407	1,723,987	1,383,412
Fixed deposits	3,973	4,476	3,973	4,476
Stock and shares	-	42,502	-	6,174
Machinery	421	2,211	-	-
Secured - others	42,592	48,454	19,266	15,715
Unsecured - corporate and other guarantees	42,964	133,837	38,850	53,721
Unsecured - clean	752,255	555,375	441,857	435,212
	2,960,361	2,443,262	2,227,933	1,898,710

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing

	Non credit-impaired		*Credit-impaired*	**2022**	*Non credit-impaired*		*Credit-impaired*	**2021**
Group	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January	164,509	1,226,893	531,926	1,923,328	316,391	681,077	464,752	1,462,220
Transferred to Stage 1	361,351	(344,599)	(16,752)	-	296,613	(281,464)	(15,149)	-
Transferred to Stage 2	(20,317)	58,185	(37,868)	-	(149,027)	176,670	(27,643)	-
Transferred to Stage 3	(344)	(317,848)	318,192	-	(2,183)	(212,362)	214,500	(45)
New financial assets originated or purchased	121,505	181,891	-	303,396	163,988	262,368	-	426,356
Financial assets derecognised	(51,535)	(151,227)	(52,845)	(255,607)	(129,502)	(266,794)	(34,752)	(431,048)
Net remeasurement during the year	(422,644)	(108,793)	248,686	(282,751)	(333,368)	865,868	187,616	720,116
Written off	-	-	(138,130)	(138,130)	-	-	(254,771)	(254,771)
Reclassified to Other Liabilities	(41,323)	(207,290)	-	(248,613)	-	-	-	-
Other movements	1,209	2,605	(36,844)	(33,030)	1,597	1,530	(2,627)	500
At 31 December	112,411	339,817	816,365	1,268,593	164,509	1,226,893	531,926	1,923,328

During the financial year, the Group and the Bank reclassified the ECL Stage 1 and Stage 2 allowances on loan commitments and financial guarantees from Note 8: Loans, Advances and Financing to Note 19: Other Liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

	Non credit-impaired		*Credit-impaired*	**2022**	*Non credit-impaired*		*Credit-impaired*	**2021**
Bank	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January	130,289	1,007,717	311,031	1,449,037	248,182	538,952	315,437	1,102,571
Transferred to Stage 1	311,456	(298,147)	(13,309)	-	235,166	(222,579)	(12,587)	-
Transferred to Stage 2	(11,796)	41,295	(29,499)	-	(110,909)	136,496	(25,587)	-
Transferred to Stage 3	(162)	(237,149)	237,311	-	(1,391)	(159,803)	161,194	-
New financial assets originated or purchased	108,033	140,041	-	248,074	138,263	221,234	-	359,497
Financial assets derecognised	(42,448)	(114,454)	(46,469)	(203,371)	(116,256)	(222,275)	(27,336)	(365,867)
Net remeasurement during the year	(366,796)	(126,479)	176,538	(316,737)	(263,692)	714,475	102,005	552,788
Written off	-	-	(107,324)	(107,324)	-	-	(185,625)	(185,625)
Reclassified to Other Liabilities	(38,150)	(176,117)	-	(214,267)	-	-	-	-
Other movements	1,113	1,305	(29,213)	(26,795)	926	1,217	(16,470)	(14,327)
At 31 December	91,539	238,012	499,066	828,617	130,289	1,007,717	311,031	1,449,037

During the financial year, the Group and the Bank reclassified the ECL Stage 1 and Stage 2 allowances on loan commitments and financial guarantees from Note 8: Loans, Advances and Financing to Note 19: Other Liabilities.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

(a) By sector

ECL allowance on loans, advances and financing, including on loan commitments and financial guarantees (Note 19)

	Group				Bank			
	Non credit-impaired	*Credit-impaired*	Stage 3		*Non credit-impaired*	*Credit-impaired*	Stage 3	
	Stage 1 and 2 RM'000	Stage 3 RM'000	Made during the year (Note 30) RM'000	Written off RM'000	Stage 1 and 2 RM'000	Stage 3 RM'000	Made during the year (Note 30) RM'000	Written off RM'000
31 December 2022								
Agriculture, hunting, forestry and fishing	21,799	688	550	-	11,327	670	549	-
Mining and quarrying	1,376	121	-	-	824	121	-	-
Manufacturing	81,847	146,579	139,201	12,123	64,090	99,132	95,414	9,861
Electricity, gas and water	4,511	41,635	12,972	-	3,267	41,554	12,972	-
Construction	152,846	95,746	43,942	22,505	109,938	16,263	24,253	19,290
Real estate	36,099	17,589	17,436	37	28,709	17,284	17,081	37
Wholesale & retail trade and restaurants & hotels	96,588	113,241	107,485	27,239	84,866	58,117	61,766	21,947
Transport, storage and communication	14,910	28,742	4,330	843	10,252	2,544	3,317	710
Finance, insurance and business services	98,963	100,938	50,215	7,601	46,711	34,941	14,181	2,452
Community, social and personal services	8,093	2,862	5,192	163	7,480	2,429	3,414	163
Household								
- Purchase of residential properties	54,129	227,418	233,000	38,554	49,929	175,027	207,696	38,536
- Purchase of non-residential properties	3,744	5,107	5,992	1,376	2,947	4,469	5,330	1,376
- Others	94,563	80,618	37,529	27,689	82,151	63,692	23,175	12,952
	669,468	861,284	657,844	138,130	502,491	516,243	469,148	107,324

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

(a) By sector (continued)

ECL allowance on loans, advances and financing, including loan commitments and financial guarantees (Note 19)

	Group				Bank			
	Non credit-impaired	*Credit-impaired*	Stage 3		*Non credit-impaired*	*Credit-impaired*	Stage 3	
	Stage 1 and 2 RM'000	Stage 3 RM'000	Made during the year (Note 30) RM'000	Written off RM'000	Stage 1 and 2 RM'000	Stage 3 RM'000	Made during the year (Note 30) RM'000	Written off RM'000
31 December 2021								
Agriculture, hunting, forestry and fishing	15,173	1,024	1,172	179	12,818	882	927	138
Mining and quarrying	6,091	707	5,662	12,141	2,756	707	5,662	12,141
Manufacturing	143,001	51,923	21,872	9,675	106,243	43,301	16,510	8,001
Electricity, gas and water	9,083	41,656	42,280	35	7,895	41,546	42,280	-
Construction	204,219	83,959	107,042	36,763	165,768	18,041	6,248	1,947
Real estate	45,457	463	20,780	83,881	38,230	463	20,780	83,881
Wholesale & retail trade and restaurants & hotels	217,954	60,119	77,680	23,323	183,794	36,960	51,541	17,909
Transport, storage and communication	33,091	34,041	5,192	2,785	24,222	416	2,191	1,004
Finance, insurance and business services	149,476	68,695	35,417	4,609	95,005	31,296	28,248	2,416
Community, social and personal services	21,235	1,181	1,268	16	18,524	1,159	1,268	16
Household								
- Purchase of residential properties	405,383	164,562	183,932	42,729	367,337	121,531	150,833	34,417
- Purchase of non-residential properties	13,714	1,980	5,081	3,583	12,377	1,943	5,035	3,583
- Others	127,525	53,606	60,418	35,052	103,037	29,997	37,589	20,172
	1,391,402	563,916	567,796	254,771	1,138,006	328,242	369,112	185,625

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing including loan commitments and financing guarantees (Note 19) (continued)

(b) By geographical distribution

	Group			Bank		
	Non credit-impaired	*Credit-impaired*		*Non credit-impaired*	*Credit-impaired*	
2022	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Malaysia	639,126	830,850	1,469,976	489,696	488,065	977,761
Singapore	6,132	22,629	28,761	5,944	22,146	28,090
Other ASEAN countries	1,054	22	1,076	838	-	838
Rest of the world	23,155	7,783	30,938	6,013	6,032	12,045
	669,467	861,284	1,530,751	502,491	516,243	1,018,734
2021						
Malaysia	1,314,890	542,300	1,857,190	1,089,380	308,088	1,397,468
Singapore	33,305	16,295	49,600	32,032	14,884	46,916
Other ASEAN countries	2,824	51	2,875	2,100	-	2,100
Rest of the world	40,383	5,270	45,653	14,494	5,270	19,764
	1,391,402	563,916	1,955,318	1,138,006	328,242	1,466,248

(c) **Impact of movements in gross carrying amount on ECL allowance**

Stage 1 ECL allowance decreased by RM11 million for the Group compared to the previous financial year mainly from net measurement writeback on the back of better economic outlook, partially offset by higher net migration of loans, advances and financing from Stage 2, as customers previously on relief assistance resumed repayments continuously.

Stage 2 ECL allowance decreased by RM680 million and RM594 million respectively for the Group and the Bank mainly due to higher net migration of loans, advances and financing to either Stage 1 as customers previously on relief assistance resumed repayments continuously and were upgraded, or were downgraded to Stage 3. In addition, better economic outlook and improved repayment as well as delinquency trend resulted in net remeasurement writebacks.

Stage 3 ECL allowance increased by RM284 million and RM188 million respectively for the Group and the Bank mainly due to increase in transfers from Stage 2 to Stage 3 and less write off during the financial year.

10 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Financial derivatives are instruments which values change in response to the change in one or more "underlying" such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet the specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The tables below analyse the principal amounts and the positive (assets) and negative (liabilities) fair values of the Group's and the Bank's financial derivatives. The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting date for both trading and hedging instruments. They do not necessarily indicate the amount of future cash flows or the fair value of the derivatives and therefore, do not represent total amount of risk. The positive (assets) and negative (liabilities) fair values represent the favourable and unfavourable fair value respectively of hedging and trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

	2022			2021		
	Contract or underlying principal	Fair value		Contract or underlying principal	Fair value	
Group	**amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading						
Foreign exchange derivatives						
- Forwards	5,540,884	41,230	99,394	5,893,921	15,665	23,195
- Swaps	33,373,090	660,279	793,290	16,613,329	328,149	221,604
- Options	1,459,862	18,804	494	590,916	3,991	126
Interest rate derivatives						
- Swaps	39,674,806	450,672	441,809	45,434,944	341,219	384,858
- Futures	35,202	-	11	200,412	13	29
Equity and other derivatives						
- Swaps	400,574	17,387	17,387	1,361,364	111,160	111,160
- Exchange traded futures	4,444	38	-	4,910	-	32
- Options	1,062,796	87,532	87,532	915,805	103,074	103,074
- Commodity related contracts	9,008	1,090	1,090	73,450	5,612	5,611
- Credit linked notes	1,341,773	3,894	3,894	690,600	9,636	9,636
- Credit default swaps	387,224	883	883	33,402	35	35
	83,289,663	1,281,809	1,445,784	71,813,053	918,554	859,360
Hedging						
Interest rate derivatives						
- Swaps	1,085,000	25,843	1,480	735,876	8,953	714
	84,374,663	1,307,652	1,447,264	72,548,929	927,507	860,074

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

10 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

	2022			2021		
	Contract or underlying principal amount	Fair value		Contract or underlying principal amount	Fair value	
Bank	**RM'000**	**Assets RM'000**	**Liabilities RM'000**	**RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading						
Foreign exchange derivatives						
- Forwards	5,541,525	41,009	99,392	5,849,651	15,270	23,207
- Swaps	33,438,290	660,510	793,695	16,757,078	328,723	221,957
- Options	1,459,862	18,804	494	590,916	3,991	126
Interest rate derivatives						
- Swaps	39,674,806	450,673	441,771	45,434,944	341,779	384,858
- Futures	35,202	-	11	200,412	13	29
Equity and other derivatives						
- Swaps	400,574	17,387	17,387	1,361,364	111,160	111,160
- Exchange traded futures	4,444	38	-	4,910	-	32
- Options	1,062,796	87,532	87,532	915,805	103,074	103,074
- Commodity related contracts	9,008	1,090	1,090	73,450	5,612	5,611
- Credit linked notes	1,341,773	3,894	3,894	690,600	9,636	9,636
- Credit default swaps	387,224	883	883	33,402	35	35
	83,355,504	1,281,820	1,446,149	71,912,532	919,293	859,725
Hedging						
Interest rate derivatives						
- Swaps	1,085,000	25,843	1,480	735,876	8,953	714
	84,440,504	1,307,663	1,447,629	72,648,408	928,246	860,439
Of which related to wholly-owned subsidiary	448,324	5,282	1	470,648	13,367	70

11 OTHER ASSETS

		Group		Bank	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Amount due from subsidiaries	(a)	-	-	76,201	85,745
Interest/Profit receivable		137,642	136,557	120,747	117,595
Unquoted redeemable Islamic subordinated bonds of subsidiary	(b)	-	-	-	200,000
Other receivables, deposits and prepayments		225,773	213,229	222,565	205,378
Amount due from holding company		1,055	682	521	682
		364,470	350,468	420,034	609,400

(a) The amount due from subsidiaries are unsecured, interest/profit free and repayable on demand.

(b) On 24 May 2022, OCBC Al-Amin redeemed in full the RM200 million redeemable 10 years non-callable 5 years subordinated Sukuk issued by OCBC Al-Amin on 24 November 2016 under the principle of Murabahah at a profit rate of 4.80% per annum payable semi-annually in arrears from the issue date. The Murabahah subordinated Sukuk had qualified as a Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

12 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) and Section26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities. The flexibility extended to banking institutions by BNM on 20 January 2021 to recognise holdings of Malaysian Government Investment Issues and Malaysian Government Securities as part of their Statutory Reserve Requirement ("SRR") compliance expired on 31 December 2022.

13 INVESTMENTS IN SUBSIDIARIES

Bank	2022 RM'000	2021 RM'000
Unquoted shares in Malaysia, at cost	557,051	557,051

Details of the subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows:

Subsidiaries	Principal activities	Effective ownership and voting interest 2022	Effective ownership and voting interest 2021
OCBC Al-Amin Bank Berhad	Islamic banking	100%	100%
Malaysia Nominees (Tempatan) Sdn Bhd	Nominee services	100%	100%
Malaysia Nominees (Asing) Sdn Bhd	Nominee services	100%	100%
OCBC Advisers (Malaysia) Sdn Bhd	Corporate finance and related advisory services	100%	100%

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

14 PROPERTY AND EQUIPMENT

Group	Freehold land and buildings* RM'000	Buildings on leasehold land: Less than 50 years RM'000	Buildings on leasehold land: 50 years or more RM'000	Office equipment and furniture RM'000	Computer equipment/ software RM'000	Motor vehicles RM'000	Renovation RM'000	Work in progress RM'000	Total RM'000
2022									
Cost									
At 1 January	131,076	3,607	7,018	148,877	316,809	910	98,518	1,445	708,260
Additions	-	-	-	2,021	7,700	-	671	286	10,678
Disposals/Written off	-	-	-	(3,942)	(5,716)	-	(4,376)	-	(14,034)
Transfer from related parties	-	-	-	43	6	-	-	-	49
Transfer to related parties	-	-	-	(20)	(9)	-	-	-	(29)
At 31 December	131,076	3,607	7,018	146,979	318,790	910	94,813	1,731	704,924
Accumulated depreciation									
At 1 January	(44,829)	(1,740)	(2,822)	(130,728)	(282,670)	(718)	(92,914)	-	(556,421)
Depreciation for the year	(2,055)	(53)	(89)	(5,382)	(12,452)	(79)	(2,252)	-	(22,362)
Disposals/Written off	-	-	-	2,803	5,370	-	4,290	-	12,463
Transfer from related parties	-	-	-	(42)	(6)	-	-	-	(48)
Transfer to related parties	-	-	-	17	9	-	-	-	26
At 31 December	(46,884)	(1,793)	(2,911)	(133,332)	(289,749)	(797)	(90,876)	-	(566,342)
Impairment allowance									
At 1 January	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
At 31 December	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount									
At 1 January	84,624	782	2,296	18,149	34,139	192	5,604	1,445	147,231
At 31 December	82,569	729	2,207	13,647	29,041	113	3,937	1,731	133,974

* Included in freehold land and buildings are buildings amounting to RM105 million (2021: RM105 million) and accumulated depreciation of RM47 million (2021: RM45 million).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

14 PROPERTY AND EQUIPMENT (continued)

Group (continued)	Freehold land and buildings* RM'000	Buildings on leasehold land: Less than 50 years RM'000	Buildings on leasehold land: 50 years or more RM'000	Office equipment and furniture RM'000	Computer equipment/ software RM'000	Motor vehicles RM'000	Renovation RM'000	Work in progress RM'000	Total RM'000
2021									
Cost									
At 1 January	131,076	3,607	7,018	148,376	306,389	910	98,223	1,445	697,044
Additions	-	-	-	2,503	18,474	-	995	-	21,972
Disposals/Written off	-	-	-	(1,891)	(8,039)	-	(700)	-	(10,630)
Transfer from related parties	-	-	-	-	2	-	-	-	2
Transfer to related parties	-	-	-	(111)	(17)	-	-	-	(128)
At 31 December	131,076	3,607	7,018	148,877	316,809	910	98,518	1,445	708,260
Accumulated depreciation									
At 1 January	(42,774)	(1,687)	(2,733)	(126,417)	(275,176)	(639)	(90,996)	-	(540,422)
Depreciation for the year	(2,055)	(53)	(89)	(6,205)	(13,023)	(79)	(2,618)	-	(24,122)
Disposals/Written off	-	-	-	1,793	5,517	-	700	-	8,010
Transfer from related parties	-	-	-	-	(2)	-	-	-	(2)
Transfer to related parties	-	-	-	101	14	-	-	-	115
At 31 December	(44,829)	(1,740)	(2,822)	(130,728)	(282,670)	(718)	(92,914)	-	(556,421)
Impairment allowance									
At 1 January	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
At 31 December	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount									
At 1 January	86,679	835	2,385	21,959	31,213	271	7,227	1,445	152,014
At 31 December	84,624	782	2,296	18,149	34,139	192	5,604	1,445	147,231

* Included in freehold land and buildings are buildings amounting to RM105 million (2020: RM105 million) and accumulated depreciation of RM45 million (2020: RM43 million).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

14 PROPERTY AND EQUIPMENT (continued)

Bank	Freehold land and buildings* RM'000	Building on leasehold land: Less than 50 years RM'000	Building on leasehold land: 50 years or more RM'000	Office equipment and furniture RM'000	Computer equipment/ software RM'000	Motor vehicles RM'000	Renovation RM'000	Work in progress RM'000	Total RM'000
2022									
Cost									
At 1 January	130,944	3,607	7,018	138,593	299,293	821	86,591	1,445	668,312
Additions	-	-	-	1,946	7,489	-	628	286	10,349
Disposals/Written off	-	-	-	(2,862)	(4,478)	-	(2,457)	-	(9,797)
Transfer from related parties	-	-	-	120	59	-	-	-	179
Transfer to related parties	-	-	-	(20)	(16)	-	-	-	(36)
At 31 December	130,944	3,607	7,018	137,777	302,347	821	84,762	1,731	669,007
Accumulated depreciation									
At 1 January	(44,792)	(1,740)	(2,822)	(123,779)	(265,732)	(629)	(81,354)	-	(520,848)
Depreciation for the year	(2,055)	(53)	(89)	(4,644)	(12,138)	(79)	(1,874)	-	(20,932)
Disposals/Written off	-	-	-	1,871	4,132	-	2,371	-	8,374
Transfer from related parties	-	-	-	(114)	(59)	-	-	-	(173)
Transfer to related parties	-	-	-	17	16	-	-	-	33
At 31 December	(46,847)	(1,793)	(2,911)	(126,649)	(273,781)	(708)	(80,857)	-	(533,546)
Impairment allowance									
At 1 January	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
At 31 December	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount									
At 1 January	84,529	782	2,296	14,814	33,561	192	5,237	1,445	142,856
At 31 December	82,474	729	2,207	11,128	28,566	113	3,905	1,731	130,853

* Included in freehold land and buildings are buildings amounting to RM105 million (2021: RM105 million) and accumulated depreciation of RM47 million (2021: RM45 million).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

14 PROPERTY AND EQUIPMENT (continued)

Bank (continued)	**Freehold land and buildings* RM'000**	**Building on leasehold land Less than 50 years RM'000**	**Building on leasehold land 50 years or more RM'000**	**Office equipment and furniture RM'000**	**Computer equipment/ software RM'000**	**Motor vehicles RM'000**	**Renovation RM'000**	**Work in progress RM'000**	**Total RM'000**
2021									
Cost									
At 1 January	130,944	3,607	7,018	137,585	288,699	821	85,619	1,445	655,738
Additions	-	-	-	2,389	17,956	-	995	-	21,340
Disposals/Written off	-	-	-	(1,389)	(7,362)	-	(23)	-	(8,774)
Transfer from related parties	-	-	-	119	-	-	-	-	119
Transfer to related parties	-	-	-	(111)	-	-	-	-	(111)
At 31 December	130,944	3,607	7,018	138,593	299,293	821	86,591	1,445	668,312
Accumulated depreciation									
At 1 January	(42,737)	(1,687)	(2,733)	(119,721)	(257,998)	(550)	(79,129)	-	(504,555)
Depreciation for the year	(2,055)	(53)	(89)	(5,424)	(12,580)	(79)	(2,248)	-	(22,528)
Disposals/Written off	-	-	-	1,338	4,846	-	23	-	6,207
Transfer from related parties	-	-	-	(73)	-	-	-	-	(73)
Transfer to related parties	-	-	-	101	-	-	-	-	101
At 31 December	(44,792)	(1,740)	(2,822)	(123,779)	(265,732)	(629)	(81,354)	-	(520,848)
Impairment allowance									
At 1 January	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
At 31 December	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount									
At 1 January	86,584	835	2,385	17,864	30,701	271	6,490	1,445	146,575
At 31 December	84,529	782	2,296	14,814	33,561	192	5,237	1,445	142,856

* Included in freehold land and buildings are buildings amounting to RM105 million (2020: RM105 million) and accumulated depreciation of RM45 million (2020: RM43 million).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

14 PROPERTY AND EQUIPMENT (continued)

The Bank rents out space, primarily to its Islamic subsidiary and a related company for the purpose of providing services to the Group. The rental income is disclosed in Note 27 and the operating lease payments to be received are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Less than one year	2,924	3,125	2,967	3,167
Between one to five years	51	103	51	103
Total undiscounted lease payments	2,975	3,228	3,018	3,270

15 RIGHT-OF-USE ("ROU") ASSETS

	2022			2021		
Group	Leasehold land RM'000	Properties RM'000	Total RM'000	Leasehold land RM'000	Properties RM'000	Total RM'000
Cost						
At 1 January	6,792	47,796	54,588	6,792	63,054	69,846
Additions	-	2,104	2,104	-	10,854	10,854
Derecognition during the year	-	(6,606)	(6,606)	-	(26,112)	(26,112)
At 31 December	6,792	43,294	50,086	6,792	47,796	54,588
Accumulated depreciation						
At 1 January	(1,582)	(25,879)	(27,461)	(1,511)	(35,974)	(37,485)
Depreciation for the year	(71)	(12,453)	(12,524)	(71)	(15,490)	(15,561)
Derecognition during the year	-	6,317	6,317	-	25,585	25,585
At 31 December	(1,653)	(32,015)	(33,668)	(1,582)	(25,879)	(27,461)
Impairment allowance						
At 1 January	(1,604)	-	(1,604)	(1,604)	-	(1,604)
At 31 December	(1,604)	-	(1,604)	(1,604)	-	(1,604)
Carrying amount						
At 1 January	3,606	21,917	25,523	3,677	27,080	30,757
At 31 December	3,535	11,279	14,814	3,606	21,917	25,523
Bank						
Cost						
At 1 January	6,792	39,491	46,283	6,792	54,834	61,626
Additions	-	1,458	1,458	-	10,769	10,769
Derecognition during the year	-	(2,762)	(2,762)	-	(26,112)	(26,112)
At 31 December	6,792	38,187	44,979	6,792	39,491	46,283
Accumulated depreciation						
At 1 January	(1,582)	(20,328)	(21,910)	(1,511)	(32,202)	(33,713)
Depreciation for the year	(71)	(10,972)	(11,043)	(71)	(13,711)	(13,782)
Derecognition during the year	-	2,353	2,353	-	25,585	25,585
At 31 December	(1,653)	(28,947)	(30,600)	(1,582)	(20,328)	(21,910)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

15 RIGHT-OF-USE ("ROU") ASSETS (continued)

	2022			2021		
Bank (continued)	**Leasehold land RM'000**	**Properties RM'000**	**Total RM'000**	**Leasehold land RM'000**	**Properties RM'000**	**Total RM'000**
Impairment allowance						
At 1 January	(1,604)	-	(1,604)	(1,604)	-	(1,604)
At 31 December	(1,604)	-	(1,604)	(1,604)	-	(1,604)
Carrying amount						
At 1 January	3,606	19,163	22,769	3,677	22,632	26,309
At 31 December	3,535	9,240	12,775	3,606	19,163	22,769

16 DEFERRED TAX ASSETS

	Assets		Liabilities		Net	
Group	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Change in fair value of financial instruments	47,166	23,003	-	-	47,166	23,003
Capital allowance over depreciation	-	-	(2,341)	(5,249)	(2,341)	(5,249)
Stage 1 and 2 ECL allowance	119,281	175,295	-	-	119,281	175,295
Provision for expenses	52,340	73,667	-	-	52,340	73,667
Other temporary differences	14,597	18,359	-	-	14,597	18,359
Tax assets/(liabilities)	233,384	290,324	(2,341)	(5,249)	231,043	285,075
Set off of tax	(2,341)	(5,249)	2,341	5,249	-	-
Net tax assets	231,043	285,075	-	-	231,043	285,075
Bank						
Change in fair value of financial instruments	38,588	21,274	-	-	38,588	21,274
Capital allowance over depreciation	-	-	(1,909)	(4,646)	(1,909)	(4,646)
Stage 1 and 2 ECL allowance	92,187	142,256	-	-	92,187	142,256
Provision for expenses	50,565	70,900	-	-	50,565	70,900
Other temporary differences	11,225	13,681	-	-	11,225	13,681
Tax assets/(liabilities)	192,565	248,111	(1,909)	(4,646)	190,656	243,465
Set off of tax	(1,909)	(4,646)	1,909	4,646	-	-
Net tax assets	190,656	243,465	-	-	190,656	243,465

(i) Movement in deferred tax

Group	**At 1 January RM'000**	**Recognised in profit or loss (Note 31) RM'000**	**Recognised in other comprehensive income RM'000**	**At 31 December RM'000**
2022				
Change in fair value of financial instruments	23,003	-	24,163	47,166
Capital allowance over depreciation	(5,249)	2,908	-	(2,341)
Stage 1 and 2 ECL allowance	175,295	(56,014)	-	119,281
Provision for expenses	73,667	(21,327)	-	52,340
Other temporary differences	18,359	(3,762)	-	14,597
	285,075	(78,195)	24,163	231,043

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

16 DEFERRED TAX ASSETS (continued)

(i) Movement in deferred tax (continued)

Group (continued)	**At 1 January RM'000**	**Recognised in profit or loss (Note 31) RM'000**	**Recognised in other comprehensive income RM'000**	**At 31 December RM'000**
2021				
Change in fair value of financial instruments	(74,117)	-	97,120	23,003
Capital allowance over depreciation	1,450	(6,699)	-	(5,249)
Stage 1 and 2 ECL allowance	82,754	92,541	-	175,295
Provision for expenses	46,900	26,767	-	73,667
Other temporary differences	11,810	6,549	-	18,359
	68,797	119,158	97,120	285,075
Bank				
2022				
Change in fair value of financial instruments	21,274	-	17,314	38,588
Capital allowance over depreciation	(4,646)	2,737	-	(1,909)
Stage 1 and 2 ECL allowance	142,256	(50,069)	-	92,187
Provision for expenses	70,900	(20,335)	-	50,565
Other temporary differences	13,681	(2,456)	-	11,225
	243,465	(70,123)	17,314	190,656
2021				
Change in fair value of financial instruments	(58,977)	-	80,251	21,274
Capital allowance over depreciation	1,905	(6,551)	-	(4,646)
Stage 1 and 2 ECL allowance	63,941	78,315	-	142,256
Provision for expenses	44,442	26,458	-	70,900
Other temporary differences	9,422	4,259	-	13,681
	60,733	102,481	80,251	243,465

17 DEPOSITS FROM CUSTOMERS

	Group		**Bank**	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(a) By type of deposit				
Demand deposits	24,261,679	23,353,343	18,157,074	17,369,548
Saving deposits	13,438,063	15,800,784	12,573,718	14,895,468
Fixed/term deposits	32,126,180	30,774,338	27,407,129	25,665,250
Negotiable instruments of deposit	4,444,278	-	4,444,278	-
Short-term money market deposits	3,447,063	4,058,152	3,165,472	3,116,497
	77,717,263	73,986,617	65,747,671	61,046,763
(b) By type of customer				
Government and statutory bodies	210,292	180,795	109,125	16,451
Non-bank financial institutions	3,047,330	4,679,027	1,845,413	2,832,093
Business enterprises	28,089,634	27,572,365	21,734,236	21,312,232
Individuals	36,368,556	37,149,206	32,408,180	32,859,783
Foreign entities	9,264,626	3,568,506	8,985,285	3,303,694
Others	736,825	836,718	665,432	722,510
	77,717,263	73,986,617	65,747,671	61,046,763

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

17 DEPOSITS FROM CUSTOMERS (continued)

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(c) By residual maturity for fixed/term deposits, negotiable instruments of deposit and short-term money market deposits				
Up to six months	32,193,659	29,594,961	28,238,961	24,277,343
Over six months to one year	7,495,515	5,152,713	6,479,186	4,424,481
Over one year to three years	325,644	76,694	297,179	71,964
Over three years to five years	2,703	8,122	1,553	7,959
	40,017,521	34,832,490	35,016,879	28,781,747

(d) Included in the Bank's deposits from customers are deposits from its corporate finance and related advisory services subsidiary, OCBC Advisers (Malaysia) Sdn Bhd, amounting to RM9 million (31 December 2021: RM7 million).

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Licensed banks and other financial institutions	5,720,234	5,648,806	5,676,869	5,620,070

19 OTHER LIABILITIES

		Group		Bank	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Amount due to subsidiaries	(a)	-	-	2,113	1,753
Equity compensation benefits	(b)	25,371	21,553	24,759	20,712
Interest/Profit payable		321,504	185,491	288,881	156,205
Structured investments		2,893,894	1,845,729	2,893,894	1,845,729
Lease liabilities		13,286	24,429	11,205	21,620
Other payables and accruals		583,827	534,610	535,938	469,689
ECL allowance for loan commitments and financial guarantees	(c)	262,158	31,990	190,117	17,211
		4,100,040	2,643,802	3,946,907	2,532,919

(a) The amount due to subsidiaries is unsecured, interest/profit free and repayable on demand.

(b) Equity compensation benefits

Equity compensation benefits which are granted by the ultimate holding company refer to the fair value for all goods and services received in respect of equity-settled share-based payment transactions recognised under MFRS 2, *Share-based Payment*. A liability is recognised based on the recharge by the immediate and ultimate holding company of the Bank over the vesting period. Included in equity compensation benefits are:

(i) **OCBC Deferred Share Plan**

Under the OCBC Deferred Share Plan ("the Plan"), shares of the ultimate holding company of the Bank are awarded to eligible executives where share awards form 20% to 40% of their total variable performance bonus for the year. A trust is set up to administer the shares purchased under the Plan. 50% of the share awards will vest after two years with the remaining 50% vesting at the end of the third year in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(i) OCBC Deferred Share Plan (continued)

The awards will lapse immediately on the termination of employment, except in the event of retirement, redundancy, death, or where approved by the relevant approving authorities at OCBC Ltd whom may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined.

(ii) OCBC Share Option Scheme 2001

Under the OCBC Share Option Scheme 2001, shares of the immediate and ultimate holding company of the Bank are offered to eligible executives who are of Manager rank and above, including Directors. Options granted are exercisable for a period commencing after the 1st anniversary and expiring on the 10th anniversary of the respective dates of grant except for options granted to Non-executive Directors which are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and options granted fully vested after the 3rd anniversary. OCBC Ltd has ceased granting share options under the OCBC Share Option Scheme 2001 effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by recipients.

The options will lapse immediately on the termination of employment, except in the event of retirement, redundancy, death, or where approved by the relevant approving authorities at OCBC Ltd, in which case the relevant approving authorities may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined.

Movements in the number of options and weighted average exercise prices, denominated in Singapore dollar (S$), are as follows:

	2022		2021	
Group	**Number of share options**	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	261,474	11.382	426,748	10.691
Exercised	(74,667)	9.707	(160,389)	9.482
Forfeited/Lapsed	(13,495)	9.093	(4,885)	13.340
At 31 December	173,312	12.283	261,474	11.382
Exercisable at 31 December	173,312	12.283	261,474	11.382
Weighted average share price underlying the options exercised (S$)		12.245		11.841

Details of the options outstanding and exercisable are as follows:

				2022	2021
Grant year	**Grant date**	**Exercise period**	**Acquisition price (S$)**	**Number of share options**	**Number of share options**
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	-	13,495
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	-	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	15,000	40,479
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	17,432	37,016
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	5,295	14,686
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	15,447	25,581
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	120,138	120,138
				173,312	261,474

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) **OCBC Share Option Scheme 2001 (continued)**

	2022		2021	
Bank	**Number of share options**	**Weighted average acquisition price**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	250,627	11.298	391,854	10.649
Exercised	(74,667)	9.707	(136,342)	9.359
Forfeited/Lapsed	(13,495)	9.093	(4,885)	13.340
At 31 December	162,465	12.212	250,627	11.298
Exercisable at 31 December	162,465	12.212	250,627	11.298
Weighted average share price underlying the options exercised (S$)		12.245		11.841

Details of the options outstanding and exercisable are as follows:

				2022	2021
Grant year	**Grant date**	**Exercise period**	**Acquisition price (S$)**	**Number of share options**	**Number of share options**
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	-	13,495
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	-	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	15,000	40,479
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	17,432	37,016
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	5,295	14,686
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	15,447	25,581
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	109,291	109,291
				162,465	250,627

(iii) **OCBC Employee Share Purchase Plan**

The OCBC Employee Share Purchase Plan is a savings-based share ownership plan to help employees of the Group and the Bank own ordinary shares in the immediate and ultimate holding company through their monthly contributions via deductions from payroll. The employees have the option to convert the contributions to ordinary shares after one year or withdraw the contributions. As a further incentive to employees to enrol in the ESP Plan, interest is given on the amounts saved at a preferential interest rate.

The duration of offering period is 24 months and the share acquisition price is fixed before the offering period based on average of the last traded prices over five consecutive trading days immediately preceding the price fixing date.

In July 2022, OCBC Ltd launched its 17th offering of ESP Plan for its employees, which commenced on 1 September 2022 and expires on 31 August 2024 respectively. Under the offering, OCBC Ltd granted the Group and the Bank employees 816,376 (2021: 787,902) and 806,924 (2021: 777,199) rights to acquire ordinary shares in OCBC Ltd. The fair value of the Group's and Bank's employees' rights for the OCBC Ltd shares, determined using the binomial valuation model were S$737,188 (2021: S$1,008,751) and S$728,653 (2021:S$995,048) respectively. Significant inputs to the valuation model are set out below:

	2022	**2021**
Acquisition price (S$)	12.07	11.58
Closing share price at valuation date (S$)	12.24	12.42
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	16.51	17.11
Risk-free rate based on 2-year swap rate (%)	2.45	0.35
Expected dividend yield (%)	4.05	4.00

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(iii) **OCBC Employee Share Purchase Plan (continued)**

Movements in the number of acquisition rights of the ESP Plan are as follows:

	2022		2021	
Group	**Number of share options**	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	1,767,763	10.106	1,793,739	9.837
Acquired	816,376	12.070	787,902	11.580
Forfeited/Lapsed	(206,424)	10.596	(220,470)	10.492
Exercised and converted upon expiry	(929,002)	9.007	(593,408)	11.109
At 31 December	1,448,713	11.848	1,767,763	10.106
Weighted average share price underlying acquisition rights exercised/converted (S$)		11.986		12.041
Bank				
At 1 January	1,746,790	10.106	1,769,733	9.837
Acquired	806,924	12.070	777,199	11.580
Forfeited/Lapsed	(202,298)	10.656	(213,965)	10.492
Exercised and converted upon expiry	(918,100)	9.007	(586,177)	11.109
At 31 December	1,433,316	11.848	1,746,790	10.106
Weighted average share price underlying acquisition rights exercised/converted (S$)		11.986		12.041

(c) ECL allowance for loan commitments and financial guarantees

We have reclassified the ECL Stage 1 & 2 allowances on loan commitments and financial guarantees previously reported in Note 8: Loans, Advances and Financing and Note 9(ii) to Note 19: Other Liabilities. The reclassification consolidates the movements in ECL Stage 1, 2 and 3 allowances for loan commitments and financial guarantees into Note 19.

The movements in ECL allowance for loan commitments and financial guarantees are as follows:

	Non credit-impaired		*Credit-impaired*	
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Group				
2022				
At 1 January	-	-	31,990	31,990
Transferred to Stage 1	48,066	(48,066)	-	-
Transferred to Stage 2	(5,836)	5,836	-	-
Transferred to Stage 3	(28)	(5,056)	5,084	-
New financial assets originated or purchased	21,122	27,478	-	48,600
Financial assets derecognised	(7,995)	(40,406)	(2,034)	(50,435)
Net remeasurement during the year	(56,874)	29,758	9,879	(17,237)
Reclassified from ECL allowance on Loans, Advances and Financing	41,323	207,290	-	248,613
Other movements	367	260	-	627
At 31 December	40,145	177,094	44,919	262,158

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

19 OTHER LIABILITIES (continued)

(c) ECL allowance for loan commitments and financial guarantees (continued)

	Non credit-impaired		*Credit-impaired*	
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Group (continued)				
2021				
At 1 January	-	-	2,034	2,034
New financial assets originated or purchased	-	-	29,956	29,956
At 31 December	-	-	31,990	31,990

	Non credit-impaired		*Credit-impaired*	
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Bank				
2022				
At 1 January	-	-	17,211	17,211
Transferred to Stage 1	43,272	(43,272)	-	-
Transferred to Stage 2	(4,793)	4,793	-	-
Transferred to Stage 3	(28)	(3,030)	3,058	-
New financial assets originated or purchased	18,457	19,654	-	38,111
Financial assets derecognised	(6,853)	(37,362)	-	(44,215)
Net remeasurement during the year	(51,664)	19,100	(3,092)	(35,656)
Reclassified from ECL allowance on Impaired Loans, Advances and Financing	38,150	176,117	-	214,267
Other movements	347	52	-	399
At 31 December	36,888	136,052	17,177	190,117

	Non credit-impaired		*Credit-impaired*	
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2021				
At 1 January	-	-	-	-
New financial assets originated or purchased	-	-	17,211	17,211
At 31 December	-	-	17,211	17,211

20 SUBORDINATED BONDS

Group and Bank	**Note**	**2022 RM'000**	**2021 RM'000**
USD110 million Additional Tier 1 Capital Securities	(a)	-	459,279
RM390 million Redeemable Subordinated Bonds 2017/2027	(b)	-	390,000
RM110 million Redeemable Subordinated Bonds 2017/2027	(b)	-	110,000
RM550 million Redeemable Subordinated Bond 2020/2030	(c)	550,000	550,000
RM500 million Redeemable Subordinated Bond 2022/2032	(d)	500,000	-
		1,050,000	1,509,279

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

20 SUBORDINATED BONDS (continued)

(a) On 18 March 2022, the Bank redeemed, the full amount of USD110 million Basel III-compliant Additional Tier 1 ("AT1") Capital Securities which was issued on 18 September 2015 with perpetual non-callable five year tenure at a fixed coupon rate of 5.00% per annum payable semi-annually from and including 18 September 2015 (the Issue Date). The AT1 Capital Securities (“AT1CS”) subscribed by OCBC Ltd qualified as Additional Tier 1 capital for the purpose of determining the capital adequacy ratio of the Bank.

(b) On 27 October, the Bank redeemed the full amount of RM390 million and RM110 million Basel III-compliant Tier 2 subordinated bonds which were issued on 15 August and 30 September 2017 respectively. The subordinated bonds were 10 years non-callable 5 years tenure at a coupon rate of 4.65% per annum payable semi-annually and were subscribed by OCBC Ltd and qualified as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

(c) On 4 November 2020 (the Issue Date), the Bank issued RM550 million Basel III-compliant redeemable 10 years non-callable 5 years subordinated bond, at a coupon rate of 2.90% per annum payable semi-annually from and including the Issue Date up to (but excluding) the maturity date or the date of early redemption of the subordinated bond, whichever is earlier. The 2.90% Subordinated Bonds may, subject to BNM approval, be redeemed in whole or in part, at the option of the Bank on or after 4 November 2025 (First Call Date). The subordinated bond may also be redeemed if a qualifying tax event or a change of qualification event occurs. The subordinated bond can be written off in whole or in part if the Bank is determined by BNM and/or PIDM to be non-viable. The subordinated bond is subscribed by OCBC Ltd and qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

(d) On 27 October 2022 (the Issue Date), the Bank issued RM500 million Basel III-compliant redeemable 10 years non-callable 5 years subordinated bond, at a coupon rate of 4.91% per annum payable semi-annually from and including the Issue Date up to (but excluding) the maturity date or the date of early redemption of the subordinated bond, whichever is earlier. The 4.91% Subordinated Bonds may, subject to BNM approval, be redeemed in whole or in part, at the option of the Bank on or after 27 October 2027 (First Call Date). The subordinated bond may also be redeemed if a qualifying tax event or a change of qualification event occurs. The subordinated bond can be written off in whole or in part if the Bank is determined by BNM and/or PIDM to be non-viable. The subordinated bond is subscribed by OCBC Ltd and qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

21 SHARE CAPITAL

	2022		2021	
Group and Bank	**Number of shares '000**	**Amount RM'000**	**Number of shares '000**	**Amount RM'000**
Issued and fully paid				
Ordinary shares				
At 1 January/31 December	287,500	754,000	287,500	754,000

The ordinary shareholder is entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

22 RESERVES

The detailed breakdown of the reserves are shown in the Consolidated Statement of Changes in Equity and Statement of Changes in Equity for the Group and the Bank respectively.

Regulatory reserve is maintained in compliance with the requirements under BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions to maintain, in aggregate, loss allowance for non credit-impaired exposures (Stage 1 and Stage 2 ECL) and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures (Stage 3 ECL).

ECL reserve comprises ECL allowance for financial investments at FVOCI. The ECL allowance will be reversed to profit or loss upon disposal or derecognition of the financial instruments.

Fair value reserve comprises fair value of both debt and equity financial investments at FVOCI. The cumulative fair value adjustments for debt instruments at FVOCI will be reversed to profit or loss upon disposal or derecognition of the financial instruments. The cumulative fair value adjustments for equity instruments at FVOCI will be reversed from this reserve to retained earnings upon disposal or derecognition of the financial instruments.

23 NET INTEREST/FINANCE INCOME

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest/Finance income				
Loans, advances and financing				
- Interest income other than recoveries	2,010,730	1,861,821	2,010,730	1,861,821
- Recoveries from credit-impaired loans, advances and financing	128,230	102,159	128,230	102,159
- Discount unwind from credit-impaired loans, advances and financing	29,214	16,912	29,214	16,912
Money at call and deposit placements with banks and other financial institutions	138,342	52,031	213,028	93,276
Financial investments at FVOCI	444,718	398,700	444,718	398,700
Profit income from unquoted Islamic subordinated Sukuk of subsidiary	-	-	3,761	9,600
Others	23,263	9,515	23,263	9,515
	2,774,497	2,441,138	2,852,944	2,491,983
Financial assets at FVTPL	39,309	60,406	39,309	60,406
	2,813,806	2,501,544	2,892,253	2,552,389
Interest/Finance expense				
Deposits from customers	(917,035)	(835,889)	(917,161)	(835,966)
Deposits and placements of banks and other financial institutions	(91,817)	(5,024)	(113,979)	(17,545)
Recourse obligation on loans sold to Cagamas Berhad	-	(9,299)	-	(9,299)
Subordinated bonds	(44,293)	(62,232)	(44,293)	(62,232)
Lease liabilities	(419)	(645)	(420)	(645)
Others	(44,589)	(8,338)	(85,746)	(31,591)
	(1,098,153)	(921,427)	(1,161,599)	(957,278)
Net interest/Finance income	1,715,653	1,580,117	1,730,654	1,595,111

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

23 NET INTEREST/FINANCE INCOME (continued)

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) By category of financial instruments				
Interest income				
- Financial assets at FVTPL	39,309	60,406	39,309	60,406
- Loans/Financing and receivables at amortised cost	2,329,779	2,042,438	2,408,226	2,093,283
- Financial investments at FVOCI	444,718	398,700	444,718	398,700
	2,813,806	2,501,544	2,892,253	2,552,389
Interest expense				
- Liabilities at amortised cost	(1,098,153)	(921,427)	(1,161,599)	(957,278)
	1,715,653	1,580,117	1,730,654	1,595,111

24 INCOME FROM ISLAMIC BANKING OPERATIONS

<u>Group</u>	**2022 RM'000**	**2021 RM'000**
Income derived from investment of depositors' funds and others	499,735	496,610
Income derived from investment of specific investment account funds	89,046	50,670
Income derived from investment of shareholder's funds	141,848	136,432
Income attributable to depositors	(181,063)	(177,066)
Income attributable to investment account holder	(63,319)	(35,775)
	486,247	470,871

25 NET FEE AND COMMISSION INCOME

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Commission	206,031	306,006	201,011	299,122
Service charges and fees	153,648	164,275	153,648	164,275
Guarantee fees	213	627	213	627
Other fee income	6,787	5,147	6,787	5,147
	366,679	476,055	361,659	469,171

Included in the Group's and the Bank's commission income are net fee income on loans, advances and financing from holding company and related companies amounting to RM112 million (2021: RM126 million).

26 NET TRADING INCOME

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Foreign exchange loss	(150,405)	(143,003)	(150,405)	(143,003)
Foreign exchange loss on subordinated bonds	(9,541)	(17,952)	(9,541)	(17,952)
Realised loss on financial assets at FVTPL	(31,455)	(21,475)	(31,455)	(21,475)
Realised gain on trading derivatives	695,122	210,024	695,122	210,024
Unrealised gain/(loss) on financial assets at FVTPL	9,264	(9,139)	9,264	(9,139)
Unrealised (loss)/gain on trading derivatives	(200,451)	163,099	(200,451)	163,099
	312,534	181,554	312,534	181,554

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

27 OTHER OPERATING INCOME

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Loss)/Gain on disposal of financial investments at FVOCI	(120,796)	38,223	(120,796)	38,223
Gross dividends from financial investments at FVOCI, in Malaysia	599	774	599	774
Rental of premises	4,127	4,350	4,181	4,410
Rental of safe deposit boxes	6,290	6,362	6,290	6,362
Shared services fee income received from subsidiaries (Note 36)	-	-	110,539	102,423
Shared services fee income received from holding company and related companies (Note 36)	18,069	17,012	18,069	17,012
Net unrealised (loss)/gain on hedging derivatives	(250)	2	(250)	2
Others	(401)	1,607	(415)	1,603
	(92,362)	68,330	18,217	170,809

28 OPERATING EXPENSES

	Note	Group		Bank	
		2022	2021	2022	2021
Personnel expenses	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonus		493,881	511,045	474,801	490,392
Employees Provident Fund contributions		77,318	80,904	74,281	77,520
Equity settled share-based payment transactions		16,817	11,390	16,700	11,047
Others		58,500	49,398	55,755	46,499
		646,516	652,737	621,537	625,458
Establishment expenses					
Depreciation of property and equipment		22,362	24,122	20,932	22,528
Depreciation of ROU assets		12,524	15,561	11,043	13,782
Rental of premises	(a)	1	17	-	22
Repair and maintenance		12,590	10,224	11,974	9,535
Information technology costs		39,899	44,152	39,260	43,488
Hire of equipment	(a)	947	962	867	856
Others		18,013	17,787	15,972	15,545
		106,336	112,825	100,048	105,756
Marketing expenses					
Advertisement and business promotion		15,459	11,316	15,057	11,064
Transport and travelling		2,803	1,410	2,697	1,352
Others		2,164	1,407	2,147	1,405
		20,426	14,133	19,901	13,821
General administrative expenses					
Auditors' remuneration					
- Statutory audit fees		799	722	625	566
- Audit related fees		174	174	122	122
- Non-audit related		540	436	489	278
IT and transaction processing fees (Note 36)		349,908	332,802	329,000	311,253
Others		140,774	108,604	132,639	103,899
		492,195	442,738	462,875	416,118
Total operating expenses		1,265,473	1,222,433	1,204,361	1,161,153

(a) These expenses are in respect of short-term and/or low-value item leases which the Group and the Bank elected not to recognise as ROU assets and lease liabilities under MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION

(a) The remuneration of the CEO and the Directors during the year are as follows:

	Unrestricted				*Deferred*	**2022**	*Unrestricted*				*Deferred*	**2021**
Group	**Salaries and fees* RM'000**	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options* RM'000**	**Total RM'000**	**Salaries and fees RM'000**	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options^ RM'000**	**Total RM'000**
CEO of the Bank												
Dato' Ong Eng Bin	1,628	900	77	405	600	3,610	1,538	756	47	367	504	3,212
CEO of OCBC Al-Amin												
Syed Abdull Aziz Jailani bin Syed Kechik	949	450	10	224	300	1,933	920	378	13	208	252	1,771
Non Executive Directors												
Tan Ngiap Joo	542	-	-	-	-	542	575	-	-	-	-	575
Tong Hon Keong	178	-	-	-	-	178	194	-	-	-	-	194
Ng Hon Soon	188	-	-	-	-	188	205	-	-	-	-	205
Datuk Azizan bin Haji Abd Rahman (Resigned on 31 March 2022)	61	-	-	-	-	61	315	-	-	-	-	315
Janet Yap Seong Yong	163	-	-	-	-	163	180	-	-	-	-	180
George Lee Lap Wah	191	-	-	-	-	191	62	-	-	-	-	62
Andrew Lee Kok Keng	191	-	-	-	-	191	179	-	-	-	-	179
Ismail bin Alowi	167	-	-	-	-	167	185	-	-	-	-	185
Mevin Nevis a/l AF Nevis (Appointed on 1 November 2022)	23	-	-	-	-	23	-	-	-	-	-	-
	4,281	1,350	87	629	900	7,247	4,353	1,134	60	575	756	6,878

* Excluding Sales Tax and Services Tax.

^ Deferred shares and share options are awarded/granted under the OCBC Deferred Share Plan, OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan as disclosed in Note 19(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(a) The remuneration of the CEO and the Directors during the year are as follows: (continued)

	Unrestricted				*Deferred*	**2022**	*Unrestricted*				*Deferred*	**2021**
	Salaries and fees* RM'000	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options* RM'000**	**Total RM'000**	**Salaries and fees RM'000**	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options^ RM'000**	**Total RM'000**
Bank												
CEO												
Dato' Ong Eng Bin	1,628	900	77	405	600	3,610	1,538	756	47	367	504	3,212
Non Executive Directors												
Tan Ngiap Joo	381	-	-	-	-	381	395	-	-	-	-	395
Tong Hon Keong	178	-	-	-	-	178	194	-	-	-	-	194
Datuk Azizan bin Haji Abd Rahman (Resigned on 31 March 2022)	41	-	-	-	-	41	203	-	-	-	-	203
Janet Yap Seong Yong	163	-	-	-	-	163	180	-	-	-	-	180
George Lee Lap Wah	191	-	-	-	-	191	62	-	-	-	-	62
	2,582	900	77	405	600	4,564	2,572	756	47	367	504	4,246

* Excluding Sales Tax and Services Tax.

^ Deferred shares and share options are awarded/granted under the OCBC Deferred Share Plan, OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan as disclosed in Note 19(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(b) The remuneration of senior management (including the CEO of the Bank and the CEO of the Islamic Banking subsidiary) and other material risk takers are as follows:

	2022				2021			
Group	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**
Senior Management								
Fixed remuneration								
Cash-based								
Sign-on awards	-	-	-		364	-	364	
Others	19,551	-	19,551		17,380	-	17,380	
Others	668	-	668		235	-	235	
	20,219	-	20,219		17,979	-	17,979	
Variable remuneration								
Cash-based	9,078	-	9,078	27	7,774	-	7,774	25
Shares and share options	-	4,440	4,440	17	-	3,771	3,771	15
	9,078	4,440	13,518		7,774	3,771	11,545	
Other material risk takers								
Fixed remuneration								
Cash-based								
Sign-on awards	155	-	155	1	-	-	-	
Others	24,593	-	24,593		21,313	-	21,313	
Others	583	-	583		204	-	204	
	25,331	-	25,331		21,517	-	21,517	
Variable remuneration								
Cash-based	8,083	-	8,083	48	6,902	-	6,902	42
Shares and share options	-	2,525	2,525	22	-	2,369	2,369	16
	8,083	2,525	10,608		6,902	2,369	9,271	

Other than the above, no senior management nor other material risk takers received any guaranteed bonuses, sign-on awards and severance payments.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(b) The remuneration of senior management (including the CEO of the Bank and the CEO of the Islamic Banking subsidiary) and other material risk takers are as follows: (continued)

	2022				2021			
Bank	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**
Senior Management								
Fixed remuneration								
Cash-based								
Sign-on awards	-	-	-		364	-	364	1
Others	17,205	-	17,205		15,264	-	15,264	
Others	633	-	633		214	-	214	
	17,838	-	17,838		15,842	-	15,842	
Variable remuneration								
Cash-based	8,265	-	8,265	23	6,976	-	6,976	20
Shares and share options	-	4,140	4,140	16	-	3,519	3,519	14
	8,265	4,140	12,405		6,976	3,519	10,495	
Other material risk takers								
Fixed remuneration								
Cash-based								
Sign-on awards	155	-	155	1	-	-	-	
Others	24,593	-	24,593		21,313	-	21,313	
Others	583	-	583		204	-	204	
	25,331	-	25,331		21,517	-	21,517	
Variable remuneration								
Cash-based	8,083	-	8,083	48	6,902	-	6,902	42
Shares and share options	-	2,525	2,525	22	-	2,369	2,369	16
	8,083	2,525	10,608		6,902	2,369	9,271	

Other than the above, no senior management nor other material risk takers received any guaranteed bonuses, sign-on awards and severance payments.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(c) Outstanding deferred remuneration

	2022			2021		
Group	**Senior management RM'000**	**Other material risk RM'000**	**Total RM'000**	**Senior management RM'000**	**Other material risk RM'000**	**Total RM'000**
Share and share options						
Exposed to ex-post explicit and implicit adjustments	10,354	5,794	16,148	13,530	7,138	20,668
Deferred remuneration paid out during the year	4,945	2,315	7,260	3,494	1,187	4,681
Reduction during the year due to:						
(i) Ex-post explicit adjustments (such as malus, clawbacks or similar reversals of downward revaluations of awards)	-	-	-	-	-	-
(ii) Ex-post implicit adjustm shares or performance units)	-	-	-	-	-	-
Bank						
Share and share options						
Exposed to ex-post explicit and implicit adjustments	9,627	5,794	15,421	12,553	7,138	19,691
Deferred remuneration paid out during the year	4,584	2,315	6,899	3,208	1,187	4,395
Reduction during the year due to:						
(i) Ex-post explicit adjustments (such as malus, clawbacks or similar reversals of downward revaluations of awards)	-	-	-	-	-	-
(ii) Ex-post implicit adjustments (such as fluctuations in the value of shares or performance units)	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

30 IMPAIRMENT ALLOWANCES AND PROVISIONS WRITEBACK/(CHARGE)

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
Stage 1 and 2 ECL net write back/(charge) during the year	690,561	(393,934)	594,188	(350,872)
Stage 3 ECL				
- Made during the year	(642,847)	(536,654)	(469,148)	(351,901)
- Write back	183,434	191,154	144,576	154,212
- Recovered during the year	79,040	49,891	53,621	31,885
Investment account placements				
Stage 1 and 2 ECL net charge during the year	-	-	(12,033)	(1,895)
Stage 3 ECL net write back during the year	-	-	7,763	-
Financial investments at FVOCI				
Stage 1 and 2 ECL net (charge)/write back during the year	(225)	1,470	(132)	1,434
Other financial assets				
Stage 1 and 2 ECL net charge during the year	(80)	(19)	(70)	(19)
Stage 3 ECL net write back/(charge) during the year	945	(3,423)	945	(3,423)
Loan commitments and financial guarantees				
Stage 1 and 2 ECL net writeback during the year	31,374	-	41,327	-
Stage 3 ECL				
- Made during the year	(14,997)	(31,142)	-	(17,211)
- Write back	2,068	1,186	34	-
	329,273	(721,471)	361,071	(537,790)

31 INCOME TAX EXPENSE

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current year	523,624	285,091	444,478	247,305
- Prior years	(2,370)	2,752	6,491	2,732
	521,254	287,843	450,969	250,037
Deferred tax (Note 16)				
- Origination and reversal of temporary differences	84,319	(116,152)	76,262	(99,500)
- Prior years	(6,124)	(3,006)	(6,139)	(2,981)
	78,195	(119,158)	70,123	(102,481)
	599,449	168,685	521,092	147,556

31 INCOME TAX EXPENSE (continued)

The reconciliation between the average effective tax rate and the applicable statutory tax rate is as follows:

	Note	Group		Bank	
		2022	2021	2022	2021
		%	%	%	%
Malaysian prevailing corporate tax rate		32.01	24.00	32.43	24.00
Tax effect of:					
Expenses not (taxable)/deductible for tax purposes		0.47	1.75	0.52	1.98
Income not subject to tax		(0.03)	(0.02)	(0.01)	(0.03)
Effect of changes in tax rate	(a)	0.37	(5.45)	0.03	(5.36)
Under/(Over) provision in prior years:					
- Income tax		(0.13)	0.33	0.41	0.38
- Deferred tax		(0.33)	(0.36)	(0.39)	(0.42)
Average effective tax rate		32.36	20.25	32.99	20.55

(a) Deferred tax asset was recognised on temporary differences expected to be reversed in 2022 at the prevailing Cukai Makmur (Prosperity Tax) rate applicable in that year. Chargeable income in excess of RM100 million will be taxed at 33% in year 2022 (2021: 24%).

32 BASIC EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share of the Group and of the Bank are calculated by dividing profit attributable to ordinary equity holder of the Group and of the Bank by the weighted average number of ordinary shares in issue during the financial year. The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

	Group		Bank	
	2022	2021	2022	2021
Profit attributable to ordinary equity holder of the Group (RM'000)	1,253,052	664,288	1,058,682	570,146
Weighted average number of ordinary shares in issue ('000)	287,500	287,500	287,500	287,500
Basic earnings per share (sen)	435.8	231.1	368.2	198.3

33 DIVIDENDS

	Sen per share	Total amount RM'000	Date of payment
2022			
Final 2021 ordinary	151.00	434,125	28/04/2022
Interim 2022 ordinary	138.00	396,750	28/11/2022
2021			
Final 2020 ordinary	72.00	207,000	28/04/2021

The Directors recommend a final dividend of 151 sen per ordinary share in respect of the current financial year amounting to RM434,125,000. This dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the subsequent financial period upon approval by the shareholder of the Bank.

34 COMMITMENTS AND CONTINGENCIES

(a) 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.

The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in BNM's Capital Adequacy Framework (Basel ll) - Internal Ratings Approach.

<u>Group</u>	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
2022			
Direct credit substitutes	109,820	109,820	134,220
Transaction-related contingent items	3,631,151	1,856,232	1,007,593
Short-term self-liquidating trade-related contingencies	351,092	78,308	44,161
Foreign exchange related contracts			
- One year or less	35,921,175	221,776	103,450
- Over one year to five years	4,430,978	834,168	391,185
- Over five years	21,683	3,693	3,750
Interest rate related contracts			
- One year or less	9,247,422	366	179
- Over one year to five years	28,333,779	452,047	65,132
- Over five years	3,213,807	71,704	42,768
Equity and commodity related contracts	1,476,822	126,759	31,031
Credit derivative contracts	1,728,997	70	5
Formal standby facilities and credit lines			
- Maturity not exceeding one year	762,522	571,892	522,078
- Original maturity exceeding one year	4,226,697	3,578,914	2,121,821
Other unconditionally cancellable commitments	24,010,820	2,208,317	375,084
Total	117,466,765	10,114,066	4,842,457
2021			
Direct credit substitutes	139,131	139,131	127,908
Transaction-related contingent items	3,053,501	1,564,286	927,029
Short-term self-liquidating trade-related contingencies	333,585	70,936	40,619
Foreign exchange related contracts			
- One year or less	17,335,062	100,889	49,402
- Over one year to five years	5,228,375	684,349	428,700
- Over five years	534,729	46,272	52,597
Interest rate related contracts			
- One year or less	19,303,544	12,228	4,682
- Over one year to five years	22,539,814	381,716	84,008
- Over five years	4,527,874	221,425	147,019
Equity and commodity related contracts	2,355,529	48,207	13,957
Credit derivative contracts	724,002	13,350	1,701
Formal standby facilities and credit lines			
- Maturity not exceeding one year	13,000	9,750	6,060
- Original maturity exceeding one year	4,930,354	4,163,894	2,437,543
Other unconditionally cancellable commitments	19,677,745	2,301,934	393,645
Total	100,696,245	9,758,367	4,714,870

The fair value of derivatives have been recognised as derivative financial assets and liabilities in Note 10.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

34 COMMITMENTS AND CONTINGENCIES (continued)

Bank	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**
2022			
Direct credit substitutes	63,776	63,776	62,804
Transaction-related contingent items	3,127,846	1,601,421	849,283
Short-term self-liquidating trade-related contingencies	281,148	63,504	33,704
Foreign exchange related contracts			
- One year or less	35,986,195	221,148	102,828
- Over one year to five years	4,431,799	834,168	363,147
- Over five years	21,683	3,693	3,750
Interest rate related contracts			
- One year or less	9,247,422	366	179
- Over one year to five years	28,333,779	452,047	65,132
- Over five years	3,213,807	71,704	43,673
Equity and commodity related contracts	1,476,822	126,759	31,031
Credit derivative contracts	1,728,997	70	5
Formal standby facilities and credit lines			
- Maturity not exceeding one year	752,522	564,392	521,368
- Original maturity exceeding one year	3,687,080	3,154,870	1,779,245
Other unconditionally cancellable commitments	21,372,650	2,040,962	346,943
Total	113,725,526	9,198,880	4,203,092
2021			
Direct credit substitutes	93,587	93,587	79,901
Transaction-related contingent items	2,687,912	1,378,217	803,846
Short-term self-liquidating trade-related contingencies	282,802	60,550	34,376
Foreign exchange related contracts			
- One year or less	17,435,091	101,181	48,978
- Over one year to five years	5,227,825	684,349	427,812
- Over five years	534,729	46,272	52,596
Interest rate related contracts			
- One year or less	19,303,544	12,228	4,682
- Over one year to five years	22,539,814	381,716	84,008
- Over five years	4,527,874	221,425	122,747
Equity and commodity related contracts	2,355,529	48,207	13,957
Credit derivative contracts	724,002	13,350	1,701
Formal standby facilities and credit lines			
- Maturity not exceeding one year	10,000	7,500	4,078
- Original maturity exceeding one year	4,330,085	3,690,104	2,076,388
Other unconditionally cancellable commitments	17,475,939	2,127,938	362,342
Total	97,528,733	8,866,624	4,117,412

The fair value of derivatives have been recognised as derivative financial assets and liabilities in Note 10.

(b) Litigation

On 25 January 2019, a Borrower of the Bank, with outstanding credit facilities comprising loans of RM6.7 million and banker's acceptances of RM11.6 million including accrued interest at the time, filed a suit against the Bank alleging, inter alia, that the Bank had breached its contract and its duty of care towards the Borrower. On 22 January 2021, the High Court awarded the Borrower with RM289 million as damages together with statutory interest as well as aggravated and exemplary damages which amounts were to be assessed. The Bank appeal and on 30 January 2023, the Court of Appeal upheld the Bank's appeal and dismissed the Borrower's suit, with a cost of RM80,000 in favour of the Bank. The Borrower has applied to the Federal Court for leave to appeal. The Federal Court has fixed 20 June 2023 to hear the application for leave to appeal.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

35 CAPITAL COMMITMENTS

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capital expenditure commitments in respect of property and equipment contracted but not provided for	3,873	4,267	3,835	4,078

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank if:

- the Group and the Bank have the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions or vice versa; or
- where the Group and the party are subject to common control or common significant influence.

Related parties may be individuals or other entities. Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly and entities that provide key management personnel services to the Group and the Bank. The key management personnel include all Directors and senior management of the Group and the Bank.

The Group and the Bank have related party relationship with the following:

- Holding company, Oversea-Chinese Banking Corporation Limited;
- Subsidiaries of the Bank as disclosed in Note 13 to the financial statements;
- Other related companies within the Oversea-Chinese Banking Corporation Limited Group; and
- Key management personnel, including close family members of key management personnel and entities that are controlled or jointly controlled by them.

(a) **Credit exposure arising from credit transactions with connected parties**

The following disclosure is made pursuant to the BNM Guidelines on Credit Transactions and Exposures with Connected Parties:

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Aggregate value of outstanding credit exposure with connected parties^:				
Credit facility and leasing (except guarantee)	907,815	726,626	715,390	719,545
Commitments and contingencies*	461,428	843,119	296,318	740,954
	1,369,243	1,569,745	1,011,708	1,460,499
Credit-impaired or in default	-	-	-	-
Outstanding credit exposures to connected parties				
As a proportion of total credit exposures	1.76%	1.95%	1.59%	2.19%

^ Comprises total outstanding balances and unutilised limits.
* Commitment and contingencies transactions that give rise to credit and/or counterparty risk.

(b) Key management personnel remuneration of the Group and of the Bank are disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties

	2022			2021		
Group	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Income						
Interest on deposits and placements with banks and other financial institutions	316	-	-	111	-	-
Interest on loans, advances and financing	-	3,553	5	-	4,320	9
Shared services fee income	3,648	14,421	-	3,541	13,471	-
Fee and commission income	58,201	53,510	-	61,834	63,982	-
Rental income	-	3,912	-	-	4,160	-
Other income	-	482	-	-	1,202	-
	62,165	75,878	5	65,486	87,135	9
Expenditure						
Interest on deposits from customers	22,070	20,594	90	-	16,557	97
Interest on deposits and placements of banks and other financial institutions	105,542	-	-	10,690	-	-
Interest/Profit on subordinated bonds	44,293	-	-	62,232	-	-
IT and transaction processing fees	-	349,908	-	-	332,802	-
Rental expenses	-	793	-	-	793	-
Other expenses	23,755	16,289	-	10,144	15,479	-
	195,660	387,584	90	83,066	365,631	97

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

	2022				2021			
Group (continued)	**Malaysia RM'000**	**Singapore RM'000**	**Others RM'000**	**Total RM'000**	**Malaysia RM'000**	**Singapore RM'000**	**Others RM'000**	**Total RM'000**
Intercompany charges paid/payable to related parties								
IT and transaction processing fees	228,939	120,542	427	349,908	235,983	96,460	362	332,805
Rental expenses	793	-	-	793	793	-	-	793
Insurance expenses	13,991	-	-	13,991	15,476	-	-	15,476
Other expenses	116	25,937	-	26,053	-	10,144	-	10,144
	243,839	146,479	427	390,745	252,252	106,604	362	359,218

	2022			2021		
	Holding Company RM'000	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Amount due from						
Cash and cash equivalents	134,262	6,935	-	271,767	279	-
Deposits and placements with banks and other financial institutions	-	363	-	-	211	-
Interest receivables	1	202	-	43	216	-
Loans, advances and financing	-	235,000	143	-	220,000	123
Derivative financial assets	150,265	52,892	-	24,635	5	-
Other assets	1,066	9,500	-	2,356	18,387	-
Shared service fee receivable	1,110	406	-	81	228	-
	286,704	305,298	143	298,882	239,326	123

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

	2022			2021		
Group (continued)	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Amount due to						
Deposits from customers	-	1,725,991	5,136	-	2,407,269	5,851
Deposits and placements of banks and other financial institutions	4,640,091	-	-	4,765,873	-	-
Other liabilities	15,875	1,983	-	28,493	1,226	-
Interest payables	77,993	576	-	19,147	472	-
Derivative financial liabilities	43,227	87,488	-	129,711	48,320	-
Subordinated bonds	5,494,278	-	-	1,509,278	-	-
	10,271,464	1,816,038	5,136	6,452,502	2,457,287	5,851
Commitments						
Foreign exchange derivatives	2,967,582	406	-	2,828,467	2,888	-
Interest rate derivatives	4,323,856	250,000	-	3,968,021	250,000	-
Transaction related contingent items	36,275	24,202	-	25,052	12,526	-
	7,327,713	274,608	-	6,821,540	265,414	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

	2022				2021			
Bank	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Income								
Interest on investment account placements	-	11,366	-	-	-	5,471	-	-
Interest on deposits and placements with banks and other financial institutions	316	63,320	-	-	111	35,775	-	-
Interest on loans, advances and financing	-	-	3,553	5	-	-	4,320	9
Profit on unquoted Islamic subordinated Sukuk	-	3,761	-	-	-	9,600	-	-
Shared services fee income	3,648	110,539	14,421	-	3,542	102,423	13,470	-
Fee and commission income	44,297	-	51,339	-	49,483	-	61,775	-
Rental income	-	51	3,912	-	-	52	4,160	-
Other income	-	3	482	-	-	8	1,202	-
	48,261	189,040	73,707	5	53,136	153,329	84,927	9

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

Bank (continued)	**2022** Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	**2021** Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Expenditure								
Interest on deposits from customers	22,070	126	16,433	83	-	77	10,472	90
Interest on deposits and placements of banks and other financial institutions	105,542	-	-	-	10,690	-	-	-
Interest/Profit on subordinated bonds	44,293	-	-	-	62,232	-	-	-
Fee and commission expense	-	4,147	-	-	-	-	-	-
Shared service fees	-	4,606	-	-	-	6,017	-	-
IT and transaction processing fees	-	-	329,000	-	-	-	311,253	-
Rental expenses	-	-	793	-	-	-	793	-
Other expenses	23,742	-	15,654	-	10,144	-	14,615	-
	195,647	8,879	361,880	83	83,066	6,094	337,133	90

	2022 Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000	**2021** Malaysia RM'000	Singapore RM'000	Others RM'000	Total RM'000
Intercompany charges paid/payable to related parties								
Shared service fees	4,606	-	-	4,606	6,017	-	-	6,017
IT and transaction processing fees	210,387	118,186	427	329,000	216,834	94,057	362	311,253
Rental expenses	793	-	-	793	793	-	-	793
Insurance expenses	13,357	-	-	13,357	14,615	-	-	14,615
Other expenses	115	25,924	-	26,039	-	10,144	-	10,144
	229,258	144,110	427	373,795	238,259	104,201	362	342,822

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

	2022				2021			
Bank (continued)	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Amount due from								
Cash and cash equivalents	97,887	292,718	6,935	-	239,745	268,765	279	-
Deposits and placements with banks and other financial institutions	-	244,003	-	-	-	220,876	-	-
Investment account placements	-	3,109,650	-	-	-	2,571,103	-	-
Interest receivables	1	6,239	202	-	43	3,998	216	-
Subordinated Sukuk	-	-	-	-	-	200,000	-	-
Loans, advances and financing	-	-	235,000	143	-	-	220,000	123
Derivative financial assets	150,265	5,282	52,892	-	24,635	13,367	-	-
Other assets	520	66,423	9,500	-	2,349	79,309	18,377	-
Shared services fee receivable	1,110	9,778	406	-	81	6,436	228	-
	249,783	3,734,093	304,935	143	266,853	3,363,854	239,100	123
Amount due to								
Deposits from customers	-	9,310	1,357,537	4,954	-	7,322	1,850,420	5,021
Deposits and placements of banks and other financial institutions	4,640,091	-	-	-	4,765,873	-	-	-
Other liabilities	15,834	2,113	1,983	-	27,795	1,753	1,226	-
Interest payables	77,993	46	473	-	19,147	37	194	-
Derivative financial liabilities	43,227	983	87,488	-	129,711	482	48,320	-
Subordinated bonds	5,494,278	-	-	-	1,509,278	-	-	-
	10,271,423	12,452	1,447,481	4,954	6,451,804	9,594	1,900,160	5,021
Commitments								
Foreign exchange derivatives	2,967,582	419,204	406	-	2,828,467	259,191	482	-
Interest rate derivatives	4,323,856	29,120	250,000	-	3,968,021	211,457	250,000	-
Transaction related contingent items	36,275	-	24,202	-	25,052	-	12,526	-
	7,327,713	448,324	274,608	-	6,821,540	470,648	263,008	-

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below set out carrying amounts of recognised financial assets and financial liabilities that are subject to International Swaps and Derivatives Association ("ISDA") and/or similar master netting arrangements but do not meet the criteria for offsetting in the statements of financial position. This is because the parties to the ISDA agreement provide the right of set-off of recognised amounts that is only enforceable in event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. Malaysia was not a clear netting jurisdiction previously and hence the Group and the Bank were not able to enforce set-off in the event of default. The Netting of Financial Agreement Act (“the Act”) which came into force in 2015 provides assurance that the close-out netting mechanism for financial transactions is enforceable under the law.

The related financial instruments not offset pertain to financial assets and financial liabilities that are not presented net in the Group’s and the Bank's statements of financial position but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

				Related amount not offset in the statements of financial position		
Types of financial assets/liabilities	**Carrying amount in the statement of financial position RM'000**	**Financial instruments not in scope for offsetting disclosures RM'000**	**Gross recognised financial instruments in scope RM'000**	**Financial instruments RM'000**	**Cash collateral received/ pledged RM'000**	**Net amount in scope RM'000**
<u>Group</u>						
2022						
Derivative financial assets	1,307,652	(171,994)	1,135,658	(405,854)	(430,632)	299,172
Derivative financial liabilities	1,447,264	(95,812)	1,351,452	(405,854)	(366,612)	578,986
2021						
Derivative financial assets	927,507	(112,874)	814,633	(299,355)	(169,380)	345,898
Derivative financial liabilities	860,074	(90,920)	769,154	(299,355)	(374,847)	94,952
<u>Bank</u>						
2022						
Derivative financial assets	1,307,663	(166,919)	1,140,744	(405,854)	(430,632)	304,258
Derivative financial liabilities	1,447,629	(95,194)	1,352,435	(405,854)	(366,612)	579,969
2021						
Derivative financial assets	928,246	(100,263)	827,983	(299,355)	(169,380)	359,248
Derivative financial liabilities	860,439	(90,873)	769,566	(299,355)	(374,847)	95,364

38 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of MFRS 9 which requires fair value information to be disclosed. These include property and equipment, investments in subsidiaries, tax recoverable and deferred tax assets.

For financial assets and liabilities not carried at fair value on the statements of financial position, the Group and the Bank determined that their fair values were not materially different from the carrying amount at the reporting date. The carrying amounts and fair values of financial instruments of the Group and of the Bank are described below.

(A) Financial assets and financial liabilities

(a) Short term financial instruments

The carrying amounts approximate the fair values of cash and cash equivalents, deposits and placements with/of banks and other financial institutions with maturity less than one year, interest/profit and other short-term receivables due to their short tenor or frequent re-pricing.

(b) Deposits and placements with/of banks and other financial institutions and investment account placements

For deposits and placements with maturity of one year or more, the fair value is estimated based on discounted cash flows using prevailing money market interest/profit rates for deposits and placements with similar remaining period to maturity.

(c) Financial assets at FVTPL and financial investments at FVOCI

The fair value of financial assets that are actively traded is determined by quoted bid prices. For non-actively traded financial investments, independent broker quotations are obtained or valuation techniques are used to fair value the financial investments. The fair value of unquoted equity instruments classified under FVOCI portfolio is estimated using internal valuation techniques.

(d) Loans, advances and financing

The fair values of variable rate loans, advances and financing are carried approximately to their carrying amounts. For fixed rate loan, advances and financing, the fair values are valued based on the expected future discounted cash flows using market rates of loan, advances and financing of similar credit risks and maturity. For impaired loans, advances and financing, the fair values are carried at amortised cost net of ECL.

(e) Derivative financial assets and liabilities

Observable market data are used to determine the fair values of derivatives at FVTPL. Valuations are either based on quoted price or valuation technique. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices.

(f) Deposits from customers

For deposits with maturity of less than one year, the carrying amount is a reasonable estimate of the fair value. For deposits with maturity of one year or more, the fair value is estimated using discounted cash flows based on market rates for similar products and maturity.

(g) Bills and acceptances payable

Bills and acceptances payable are substantially with maturity of less than one year. The carrying amount of bills and acceptances payable is a reasonable estimate of the fair value.

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(A) Financial assets and financial liabilities (continued)

(h) Subordinated bonds/Sukuk

Fair value for the subordinated bonds/Sukuk is determined using quoted market prices where available, or by reference to quoted market prices of similar instruments.

(i) Recourse obligation on loans sold to Cagamas Berhad

For floating rate contracts, the carrying amount is generally a reasonable estimate of the fair value. The fair value of fixed rate contracts is estimated based on discounted cash flows using prevailing rates offered by Cagamas Berhad for similar products and remaining period to maturity.

Off-balance sheet financial instruments

The fair value of off-balance sheet financial instruments is the estimated amount the Group or the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of off-balance sheet financial instruments are disclosed in Note 34 to the financial statements.

(B) Fair value hierarchy of financial instruments

The Group measures the fair value of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The valuation hierarchy and the types of instruments classified into each level within that hierarchy, are set out below:

	Level 1	**Level 2**	**Level 3**
Fair value determined	Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.	Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.	Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.
Type of financial assets	Actively traded government and government agency securities	Corporate and other government bonds/Sukuk and loans	Private debt equity investments
	Actively traded quoted equity securities of corporations	OTC derivatives	Corporate bonds/Sukuk with illiquid markets

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

	Level 1	Level 2	Level 3
Type of financial assets	Over-the counter ("OTC") derivatives	Cash and cash equivalents	Loans, advances and financing
		Deposits and placements with banks and other financial institutions	Unquoted shares
		Investment account placements	OTC derivatives
		Other assets	
Type of financial liabilities	OTC derivatives	OTC derivatives	OTC derivatives
		Deposits from customers	
		Deposits and placements of banks and other financial institutions	
		Subordinated bonds/ Sukuk	
		Other liabilities	

(i) Fair value hierarchy of financial instruments carried at fair value

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
Financial assets at fair value				
Financial assets at FVTPL	566,098	-	-	566,098
Financial investments at FVOCI	15,796,470	6,995,336	109,540	22,901,346
Derivative financial assets	1,201	1,272,986	33,465	1,307,652
	16,363,769	8,268,322	143,005	24,775,096
Financial liabilities at fair value				
Derivative financial liabilities	968	1,416,216	30,080	1,447,264
2021				
Financial assets at fair value				
Financial assets at FVTPL	1,833,240	28	-	1,833,268
Financial investments at FVOCI	17,532,344	1,248,206	116,047	18,896,597
Derivative financial assets	570	923,258	3,679	927,507
	19,366,154	2,171,492	119,726	21,657,372
Financial liabilities at fair value				
Derivative financial liabilities	388	853,562	6,124	860,074

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value (continued)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2022				
Financial assets at fair value				
Financial assets at FVTPL	561,059	-	-	561,059
Financial investments at FVOCI	12,996,025	6,596,563	109,540	19,702,128
Derivative financial assets	1,352	1,272,893	33,418	1,307,663
	13,558,436	7,869,456	142,958	21,570,850
Financial liabilities at fair value				
Derivative financial liabilities	968	1,416,581	30,080	1,447,629
2021				
Financial assets at fair value				
Financial assets at FVTPL	1,823,150	28	-	1,823,178
Financial investments at FVOCI	14,562,945	698,711	116,047	15,377,703
Derivative financial assets	575	924,028	3,643	928,246
	16,386,670	1,622,767	119,690	18,129,127
Financial liabilities at fair value				
Derivative financial liabilities	458	853,858	6,123	860,439

Movements in the Group's and the Bank's Level 3 financial assets and liabilities are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at fair value				
At 1 January	119,726	130,399	119,690	130,398
Purchased	43	-	43	-
Settled/Disposed	(350)	(10,324)	(350)	(10,324)
Transferred to Level 3	120,796	-	120,796	-
Realised loss				
- Recognised in net trading income	(115,297)	(6,987)	(115,297)	(6,987)
Unrealised gain				
- Recognised in net trading income	24,233	2,440	24,233	2,405
- Recognised in other comprehensive income	(6,146)	4,198	(6,157)	4,198
At 31 December	143,005	119,726	142,958	119,690
Financial liabilities at fair value				
At 1 January	6,124	38,149	6,123	38,145
Issued	43	-	43	-
Transferred to Level 3	120,796	-	120,796	-
Realised gain				
- Recognised in net trading income	(117,634)	(38,145)	(117,634)	(38,145)
Unrealised loss				
- Recognised in net trading income	20,751	6,120	20,752	6,123
At 31 December	30,080	6,124	30,080	6,123

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair value within Level 3, as well as the unobservable inputs used in the valuation model:

Group	2022 Fair value RM'000	2021 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Financial investments at FVOCI	109,540	116,047	FVOCI	Net asset value approach	Net asset value
Derivative financial assets	33,465	3,679	Hedge for trading	Option pricing model	Standard deviation
	143,005	119,726			
Liabilities					
Derivative financial liabilities	30,080	6,124	Hedge for trading	Option pricing model	Standard deviation
Bank					
Assets					
Financial investments at FVOCI	109,540	116,047	FVOCI	Net asset value approach	Net asset value
Derivative financial assets	33,418	3,643	Hedge for trading	Option pricing model	Standard deviation
	142,958	119,690			
Liabilities					
Derivative financial liabilities	30,080	6,123	Hedge for trading	Option pricing model	Standard deviation

The Group and the Bank consider that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value (continued)

Valuation control framework

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management ("MRM") function within the Risk Management Division and with support from Group Risk Management Division, is responsible for market data validation, assessment of model validation and ongoing performance monitoring.

The Treasury Financial Control & Advisory - Valuation Control function within the Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation related policies are reviewed annually by Finance division. Any material change to the framework is recommended by the Asset and Liability Management Committee ("ALCO") for the approval of the Group Risk Management Committee. Group Internal Audit provide independent assurance on the respective divisions' compliance with the policies.

(ii) Fair value hierarchy of financial instruments not carried at fair value

The table below is a comparison of the carrying amounts and fair values of those financial instruments of the Group and the Bank which are not measured at fair value. It does not include those short term financial assets and financial liabilities where their fair values were not materially different from the carrying amounts.

<u>Group</u>	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2022				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	1,863,600	-	1,863,600	1,863,600
Loans, advances and financing	-	64,215,702	64,215,702	64,298,998
	1,863,600	64,215,702	66,079,302	66,162,598
Financial liabilities not carried at fair value				
Deposits from customers	77,717,929	-	77,717,929	77,717,263
Deposits and placements of banks and other financial institutions	5,571,916	-	5,571,916	5,720,234
Subordinated bonds	1,073,760	-	1,073,760	1,050,000
	84,363,605	-	84,363,605	84,487,497

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(ii) Fair value hierarchy of financial instruments not carried at fair value (continued)

Group (continued)	**Level 2 RM'000**	**Level 3 RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
2021				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	449,227	-	449,227	449,227
Loans, advances and financing	-	65,796,546	65,796,546	65,831,689
	449,227	65,796,546	66,245,773	66,280,916
Financial liabilities not carried at fair value				
Deposits from customers	73,987,007	-	73,987,007	73,986,617
Deposits and placements of banks and other financial institutions	5,648,806	-	5,648,806	5,648,806
Subordinated bonds	1,527,710	-	1,527,710	1,509,279
	81,163,523	-	81,163,523	81,144,702

Bank	**Level 2 RM'000**	**Level 3 RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
2022				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	2,107,603	-	2,107,603	2,107,603
Investment account placements	3,093,946	-	3,093,946	3,093,946
Loans, advances and financing	-	51,470,395	51,470,395	51,563,714
	5,201,549	51,470,395	56,671,944	56,765,263
Financial liabilities not carried at fair value				
Deposits from customers	65,749,215	-	65,749,215	65,747,671
Deposits and placements of banks and other financial institutions	5,528,551	-	5,528,551	5,676,869
Subordinated bonds	1,073,760	-	1,073,760	1,050,000
	72,351,526	-	72,351,526	72,474,540

Bank	**Level 2 RM'000**	**Level 3 RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
2021				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	670,103	-	670,103	670,103
Investment account placements	2,567,432	-	2,567,432	2,567,432
Loans, advances and financing	-	53,356,207	53,356,207	53,398,910
Other assets - unquoted redeemable Islamic subordinated Sukuk of a subsidiary	204,800	-	204,800	200,000
	3,442,335	53,356,207	56,798,542	56,836,445
Financial liabilities not carried at fair value				
Deposits from customers	61,047,153	-	61,047,153	61,046,763
Deposits and placements of banks and other financial institutions	5,620,070	-	5,620,070	5,620,070
Subordinated bonds	1,527,710	-	1,527,710	1,509,279
	68,194,933	-	68,194,933	68,176,112

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

39 HEDGING ACTIVITIES

Fair value hedge

The Group and the Bank use fair value hedges to protect the Group and the Bank against the changes in fair value of fixed-rate long-term financial instruments due to movements in the market interest rates. The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

The net gains and losses arising from fair value hedges during the year are as follows:

Group and Bank	**2022 RM'000**	**2021 RM'000**
Gains on hedging instruments	16,124	9,212
Losses on the hedged items attributable to the hedged risk	(16,374)	(9,210)
	(250)	2

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's risk management framework encompasses strong governance, sound policies and methodologies, and skilled professionals, supported by fit for purpose technology, infrastructure and data. It is underpinned by a corporate culture that emphasizes accountability, ownership and high ethical standards. We aim to take risks that are consistent with our corporate strategy and risk appetite, well understood and can be holistically analysed and monitored, and appropriately priced to provide us with an adequate return.

While the categorisation of risks can be complex because of inter-relationships, we generally categorise the risks we take into the following principal risk types:

(i) Credit risk is the risk of loss of principal and/or income arising from the failure of an obligor or counterparty to meet its financial or contractual obligations or an adverse change in the credit profile of the obligor or counterparty.

(ii) Market risk is the risk of losing income and/or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatility or correlations between such factors.

(iii) Liquidity risk is the risk arising from the inability to meet financial and cash outflow obligations as they fall due without incurring unacceptable costs or losses from funding capital and asset liquidation.

(iv) Interest/Profit Rate Risk in the Banking Book is the risk to income and/or capital arising from exposure to adverse changes in the interest rate environment.

(v) Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management or from external events. This is a broad risk category that encompasses pandemic risk, compliance risk, reputational risk, fiduciary risk, physical and people security risk, business continuity risk, third-party risk, fraud risk, legal and regulatory risk, anti-money laundering/countering the financing of terrorism and sanctions risk, technology and information risk, as well as cyber risk.

We adopt a disciplined risk management approach to identify, assess, measure, control, monitor and report our risk positions at granular and aggregate levels. We regularly assess the potential shifts in risk drivers and potential impact on the Group's business to formulate appropriate risk mitigation actions where necessary. There are multiple risk drivers that arise from developments in the economic, business and physical environment, geopolitical shifts, regulatory and social changes, pandemic risk, cyber threats, data loss, fraud and human error. These drivers impinge on one or more of the risk types mentioned above with consequential impact to earnings and asset quality as well as to reputation, customer franchise, and ability to do business.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Governance and Organisation

The Board of Directors has the ultimate responsibility for the effective management of risk and establishes the Group's corporate strategy. It establishes the corporate strategy and and approves its risk appetite within which senior management should execute the strategy. The Group's Risk Management Committee ("RMC") is the designated board committee that ensures the Bank's overall risk management philosophy are aligned with the corporate strategy and within the approved risk appetite. It also ensures that the overall risk management organisation is implemented and effective. To build the resilience of our lending portfolio against Environmental, Social and Governance (ESG) risks and support our commitment to sustainability, RMC oversees the integration of responsible financing practices into our risk management processes and the adequate channelling of capital – through green and transition finance – to support decarbonisation of the economy. Based on the approved risk appetite, RMC approves various quantitative guidance and qualitative expectations and these are cascaded to major business units and risk functions to guide risk-taking. Risk drivers, risk profiles across major lines of business and risk types, as well as major risk policies and compliance matters are regularly reviewed by the senior management, risk committees, Country Chief Executive Officer (Country CEO) and RMC. These matters are reviewed and discussed in greater detail at the dedicated risk committees for major risk types.

Group Risk Management ("GRM") has the day-to-day functional responsibility for providing independent risk control and managing credit, market, liquidity and operational risks. It provides regular risk reports and updates on development in material risk drivers, potential vulnerabilities and the recommended mitigating actions to the senior management, risk committees, RMC and the Board. Risk management staff work closely with the business and other support units to ensure that risks are well understood and managed. In addition to the above, GRM oversees the New Product Approval Process ("NPAP") to ensure that all inherent risks associated with new products and services are comprehensively identified, managed and mitigated. Compliance with regulatory requirements and adequacy of resources to support the new products and services are also addressed through the Group's New Product Approval Process ("NPAP").

Senior management actively manages risks through the Group's various risk management committees such as the Credit Risk Management Committee, the Operational Risk Management Committee as well as the Bank's Asset Liability Management Committee.

Three Lines of Defence

All employees are responsible for identifying and managing risk – an accountability that is embedded in our corporate culture and robust internal control environment. This is operationalised through a three-line defence structure with clear delineation of the roles, responsibilities and accountability for risk ownership.

(i) **First Line - Day-to-day Risk Management**
Business and Support Units own and manage risks generated from their business activities on a day-to-day basis. It executes business activities which are consistent with our Group's strategy and risk appetite and operates within the approved boundaries of our policies, limits and ensures compliance with applicable laws and regulations.

(ii) **Second Line - Risk and Control Oversight**
The Risk and Control Function independently and objectively assesses risk-taking activities undertaken by the first line of defence. It establishes relevant risk management frameworks, policies, processes and risk systems, and provides independent identification, assessment, monitoring and reporting of the Group's risk profiles, portfolio concentrations and material risk issues.

(iii) **Third Line - Independent Assurance**
Internal Audit independently provides assurance to the Country CEO, Audit Committee and the Board of the adequacy and effectiveness of the Group's risk management and internal control systems by evaluating the overall risk awareness and control consciousness of the management in discharging its supervisory and oversight responsibilities.

Risk Appetite

The Group's objective is to manage risks prudently and sustainably for the long term viability of the Group while balancing the needs of all stakeholders. In this regard, the Board has established the Group's risk appetite, which defines the level and nature of risks that we are willing to take in the conduct of our business on behalf of our shareholders while maintaining our commitments to customers, debt holders, employees, regulators, and other stakeholders. Business plans are designed having due regard to the risk appetite which in turn is a function of our capacity to absorb risks taking into account capital, funding, and other resources.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Appetite (continued)

Our risk appetite takes into account the forward-looking operating environment and any downside risks. Business plans are guided by our risk appetite through policies, limits and processes to ensure that we operate within our available risk capacity.

Senior business and risk managers participate in regular forums to review the macroeconomic and financial development and discuss the operating environment, event risks and potential “dark clouds” that may have a significant impact on our earnings or solvency. These are quantified via stress tests as well as segment-specific and ad hoc event-specific portfolio reviews to assess the potential impact of alternative scenarios on the Group’s earnings and capital, and the vulnerabilities of material portfolios.

An Internal Capital Adequacy Assessment Process ("ICAAP") incorporating the results of stress tests covering various risk types is conducted annually. The objective is to evaluate if our multi-year business plans allow us to maintain sound capital levels under both forward-looking operating environment and severe stress scenarios. Appropriate risk-mitigating actions are taken to manage downside risks.

Credit Risk Management

Credit risk arises from our lending activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from our trading and investment banking activities.

Credit Risk Management Approach

The Group's credit risk management framework captures the complete credit risk management cycle. It is operationalized through policies and procedures covering the identification, assessment, measurement and monitoring, as well as control and mitigation of credit risk at the enterprise level.

The Group's credit risk management approach varies depending on the characteristics or nature of the portfolios or customer segments. There are specific policies and procedures for major customer segments.

Credit Risk Management Approach for Major Customer Segments:	
Consumer and Small Businesses	• Credit risks are managed on portfolio basis. • Bankruptcy, credit bureau checks, along with systems and processes such as source identification of credit origination and independent verification of documentation are used to detect fraud. • Comprehensive risk management information systems (MIS) are used to track and monitor the performance of the portfolios.
Corporate and Institutional Customers	• Credits extended are individually assessed and risk rated. • The extensions are guided by predefined target market and risk acceptance criteria. • Credit decisions are made after comprehensive qualitative and quantitative risk assessment, with understanding of the customer and customer group’s interdependencies. • Credits are jointly approved by business and credit risk units to ensure objectivity and shared risk ownership.

Managing Counterparty Credit Risk

Counterparty Credit Risk ("CCR") typically arises from our trading and/or banking activities in derivatives and debt securities. CCR is the risk that the counterparty may default on its obligations during the term of the financial contract. The credit exposure to a counterparty is measured as the sum of current mark-to-market value of the transaction plus an appropriate add-on for potential future exposures in response to market prices changes. CCR also covers settlement risk which is the risk of loss during the settlement process due to a counterparty’s failure to fulfil its obligation after the Group has performed its obligation under a contract or agreement at the settlement date.

Credit limits are established for each counterparty based on our assessment of the counterparty’s creditworthiness, the suitability and appropriateness of the product offered and alignment with approved trading mandates and investment strategies. Credit risk mitigation tools are also used to manage CCR where appropriate. Please refer to Credit Risk Mitigation Section for details.

Credit exposures are independently managed through daily limit monitoring, excess escalation and approval and pre-deal excess approval, and timely risk reporting.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

ESG Risk Management

Managing ESG risks is an integral part of our credit risk management. We have a dedicated responsible financing framework that defines our approach and commitment in managing ESG risks. This framework is operationalised through supporting policies and procedures (including the requirements of the Equator Principles) to integrate ESG considerations into our credit risk evaluation and approval process for corporate lending, debt issuance and underwriting activities. Transactions with high ESG risks are subject to enhanced evaluation and approval requirements, including escalation of transactions with significant reputational risks to the Reputational Risk Review Group.

Credit Portfolio Management

Credit portfolio management focuses on managing the ‘collective or aggregate risk’ of our credit portfolio, rather than the credit risk of individual borrowers. We have developed and implemented a range of capabilities to better understand, measure and monitor credit risk at a portfolio level. These capabilities include:

(i) **Portfolio Segmentation:** This is the process of grouping credit exposures that are similar in nature. It involves the use of attributes that represent common business drivers such as location, industry and product type, as well as common risk drivers such as exposure to material downside risks like a property bubble.

(ii) **Portfolio Modelling:** This includes the use of internal rating models to quantify the exposure risk, default risk and potential losses of our borrowers. Please refer to the table below for information on our internal rating models. We also use stress testing models to simulate the potential increase in our credit losses and credit risk-weighted assets under stressed scenarios.

Internal Rating Models
Internal credit rating models and their parameters – probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") – are used in limit setting, credit approval, portfolio monitoring and reporting, remedial management, stress testing, internal assessment of the capital adequacy and impairment allowances.
The Group's Model Risk Management Framework governs the development, validation, application and maintenance of rating models. All rating models are assessed against internal and regulatory requirements and approved by regulators for use in capital assessment. Approval for the adoption and continued use of material models rests with the RMC. While our internal risk grades are not explicitly mapped to external credit ratings, they may correlate to external credit ratings in terms of the PD ranges as factors used to rate obligors would be similar - an obligor rated poorly by an external rating agency is likely to have a weak internal risk rating.

The table below describes the approach used to estimate the key parameters for Advanced Internal Ratings Based ("A-IRB") and Foundation Internal Ratings Based ("F-IRB") credit risk models used to calculate Credit RWA.

Key Components of Internal Ratings Based ("IRB") Models		
IRB Models and Portfolios	**PD**	**LGD and EAD**
A-IRB approach includes major retail portfolios such as residential mortgages, credit cards and small businesses lending	• Estimated based on the application and behaviour scores of obligors. • The PD models are calibrated to the expected long-term average one-year default rate over an economic cycle.	• Product and collateral characteristics are major • LGD models are calibrated to reflect the economic loss under downturn conditions. • EAD models are calibrated to reflect the default-weighted average and economic downturn conditions.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Portfolio Management (continued)

(ii) **Portfolio Modelling (continued)**

Key Components of Internal Ratings Based ("IRB") Models		
IRB Models and Portfolios	**PD**	**LGD and EAD**
F-IRB (Non-Supervisory Slotting) approach includes major wholesale portfolios such as Bank, Non-Bank Financial Institutions, Corporate Real Estate (including Income Producing Real Estate) and General Corporate	• PD models are statistical based or expert judgement models that use both quantitative and qualitative factors to assess an obligor's repayment capacity and are calibrated to the expected long-term average one-year default rate over an economic cycle. • Expert judgement models based on inputs from internal credit experts are typically used for portfolios with low defaults.	• Estimated based on rules prescribed in BNM's Risk-Weighted Capital Adequacy Framework (RWCAF).
F-IRB (Supervisory Slotting) approach includes other specialised lending portfolios such as Project Finance, Object Finance and Commodities Finance	• For portfolios on supervisory slotting, risk grades derived from internal models are mapped to the five supervisory slotting categories prescribed in BNM's RWCAF.	• Estimated based on rules prescribed in BNM's RWCAF.

(iii) **Portfolio Reporting:** This includes internal and external reporting of portfolio risk information to respective stakeholders. These reports provide a better understanding of how the quality of our credit portfolio is evolving in response to the changing operating environment and downside risks. Regular risk reports covering detailed credit exposures, credit migration, expected losses and risk concentrations by business segment are provided to the Credit Risk Management Committee ("CRMC"), CEO, RMC and the Board for review and make timely, better-informed decisions.

With the insights provided by portfolio modelling and reporting, we allocate appropriate risk and financial resources (such as funding and capital) to support growth opportunities. We also use these insights to set credit concentration limits to manage the potential downside risks from adverse changes in the operating environment. The design of such credit concentration limits takes into consideration direct risk drivers (such as economic sector, industry, geographic location) and indirect risk drivers (such as collateral type or credit protection by a single counterparty) arising from credit risk mitigation.

Credit Risk Control

Credit Risk Mitigation

Credit risk mitigation techniques are used to reduce credit risk. Where possible, the Group takes collateral from the borrower to mitigate credit risk. However, risk mitigation is not a substitute to the proper assessment of the obligor's ability to repay which remains the primary repayment source. The key considerations for eligible credit risk mitigants are set out in the Group's credit policies. These criteria include legal certainty and enforceability, correlation, liquidity, marketability, counterparty risk of the protection provider and collateral-specific minimum operational requirements. Eligible physical and financial collateral types include cash, real estate, marketable securities, standby letters of credit and credit insurances.

Appropriate haircuts are applied to the market value of collaterals to reflect the underlying nature, quality, liquidity and volatility. Collateral is independently valued on regular basis while collateral holdings are regularly monitored and concentration avoided via diversification across asset classes and markets. Guarantees from individuals, corporates, and institutions mainly as a form of support. Where guarantees are recognised as credit risk mitigants via the PD substitution approach, eligibility criteria and guidelines are in place.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Risk Control (continued)

Credit Risk Mitigation (continued)

Netting, collateral arrangements, early termination options and central clearing mechanisms are common risk mitigation tools for managing counterparty credit risk. Netting agreements in netting jurisdictions reduces the credit risk exposure where all amounts with the counterparty are settled on a net basis if a default occurs. Collateral arrangements, typically covered under market standard documentation such as International Swaps and Derivatives Association ("ISDA") and Credit Support Annexes ("CSA") or Global Master Repurchase Agreements ("GMRA"), require additional collateral to be posted if the mark-to-market exposures exceed an agreed threshold. A haircut is applied to the value of the eligible collateral to cover potential adverse market volatility and the agreed threshold amount may be subject to regulatory margin requirements. ISDA agreements with rating triggers allow termination of the transactions or require posting of additional collateral in event of a rating downgrade.

Remedial Management

The Group safeguards its position through proactive and regular monitoring of our portfolios. We have a robust process to detect vulnerable customers with signs of potential credit deterioration at an early stage. Such customers are reviewed regularly via various internal credit forums or committees.

Credit exposures are categorised into “Pass”, “Special Mention” or “Impaired Loans” ("ILs"). ILs are further categorised into “Substandard”, “Doubtful” or “Loss”. The categorisation of credit exposures is based on our assessment of the borrowers’ ability to repay their financial obligations. ILs may be upgraded to non-impaired status when there is an established trend of credit improvement, supported by an assessment of the borrower’s repayment capability, cash flows and financial position.

Credit exposures are classified as restructured assets when the Group grants non-commercial concessions to borrowers which will result in substantial diminished financial obligation. A restructured credit exposure is classified into the appropriate impaired loans grades based on the assessment of the borrower’s financial condition and ability to repay under the restructured terms. Such credit exposure must comply fully with the restructured terms before it can be restored to non credit-impaired status.

Dedicated remedial management units manage the restructuring, work-out and recovery of ILs for wholesale portfolios. The objective is to rehabilitate ILs where possible or maximise recoveries for ILs that are on exit strategy. For the retail portfolios, the Group develops appropriate risk-based and time-based collection strategies to maximise recoveries. The Group uses data such as delinquency buckets and adverse status tags for delinquent retail loans to constantly analyse, fine-tune and prioritise our collection efforts.

Impairment allowances for Loans, Advances and Financing

Sufficient impairment allowances are maintained to absorb credit losses inherent in our loan portfolio. Allowance for Expected Credit Losses ("ECL") is recognised for credit impaired and non-credit impaired exposures in accordance with MFRS 9, *Financial Instruments* through a forward looking ECL model. ECL allowances are assessed and measured based on the stages of asset quality.

Stages of Asset Quality and Expected Credit Losses		
Non Credit-Impaired		**Credit-Impaired**
Stage 1 12-month ECL Non-impaired exposures without significant increase in credit risk since initial recognition	Stage 2 Lifetime ECL Non-impaired exposures with significant increase in credit risk since initial recognition	Stage 3 Lifetime ECL Impaired exposures

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest/profit rates, foreign exchange rates, equity and commodity prices, changes in volatility or correlations of such factors. The Group is exposed to market risks from its trading and balance sheet management activities.

The Group's market risk management strategy and market risk limits are established within the Group's risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

Market Risk Management Oversight and Organisation

The Asset Liability Management Committee ("ALCO") is the senior management group that supports the RMC and the CEO in managing market risk. The ALCO establishes the market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies, measurement systems, and internal controls.

The ALCO is supported at the working level by Market Risk Management ("MRM") within Group Risk Management ("GRM") division, and Corporate Treasury ("CT") within Group Finance Division. MRM is the independent risk control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

Market Risk Management Approach

Market risk management is a shared responsibility. Business units are responsible for proactive managing within their approved trading strategies and investment mandates, whilst MRM acts as the independent monitoring unit to ensure sound governance. The key risk management activities of identification, measurement, monitoring, control, and reporting are regularly reviewed to ensure effective risk management.

Market Risk Identification

Risk identification is addressed via the Group's new product approval process at product inception. Market risks are also identified by our risk managers from their on-going interactions with the business units.

Several market risk measurements are also utilised regularly to quantify and assess potential losses. These include Value-at-Risk ("VAR"), Present Value of Basis Point ("PV01"), Credit Sensitivity of a Basis Point ("CS01"), FX Basis Sensitivity of a Basis Point ("FXBasis01"), FX Net Open Position ("FX NOP") and derivative greeks.

The Group also performs stress testing and scenario analysis to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Group's trading activities, risk profile, and prevailing and forecast economic conditions. These analyses determine if potential losses from such extreme market conditions are within the Group's risk tolerance.

Risk Monitoring and Control

Only authorised trading activities for approved products may be undertaken by the various trading units. All trading risk positions are monitored on a daily basis against approved and allocated limits by independent support units. Limits are approved to reflect available and anticipated trading opportunities, with clearly defined exception escalation procedures. Exceptions, including any temporary breaches, are promptly reported and escalated to senior management for resolution. Multiple risk limits (VAR and risk sensitivities), profit/loss, and other measures allow for more holistic analysis and management of market risk exposures.

Model validation is also an integral part of the Group's risk control process. Models are used to price financial instruments and to measure risk. The models used are verified and assessed to ensure that they are fit for their intended purpose. Market data used for risk measurements and valuation are sourced independently.

To ensure the continued integrity of the VAR computation, back-testing is conducted to confirm the consistency of actual daily trading profit or loss ("P&L") and theoretical P&L against VAR's statistical assumptions.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset Liability Management

Asset liability management is the strategic management of the statement of financial position structure and liquidity needs, covering liquidity sourcing and diversification, and interest/profit rate risk management.

Asset Liability Management Oversight and Organisation

The ALCO is the senior management group that is responsible for the management of the Group's statements of financial position and liquidity risks. The ALCO is chaired by the CEO and includes senior management from the business, risk and support units.

The ALCO is supported by CT within Group Finance Division and MRM within GRM.

Asset Liability Management Approach

The asset liability management framework comprises liquidity risk management and interest/profit rate risk management.

Liquidity Risk

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

The Group’s liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and refining contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. Simulations of liquidity exposures under stressed market scenarios are performed and the results are taken into account in the risk management processes. Indicators such as liquidity and deposit concentration ratios are employed to maintain an optimal funding mix and asset composition. Funding strategies are in place to provide effective diversification and stability in funding sources across tenors and products. In addition, liquid assets in excess of regulatory requirements are maintained for contingent use in the event of a liquidity crisis. These liquid assets comprise statutory reserve, eligible securities as well as marketable shares and debt securities.

Interest/Profit Rate Risk

The primary goal of interest/profit rate risk management is to ensure that interest/profit rate risk exposures are maintained within defined risk tolerances.

Interest/Profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates. The material sources of interest/profit rate risk are repricing risk, basis risk and optionality risk. A range of techniques are employed to measure these risks from an earnings and economic value perspective. One method involves the simulation of the impact of a variety of interest/profit rate scenarios on the net interest/profit income and the economic value of the Group's equity. Other measures include interest/profit rate sensitivity measures such as PV01 as well as repricing gap profile analysis.

Limits and policies to manage interest/profit rate exposures are established in line with the Group's strategy and risk appetite. Thresholds and policies are appropriately approved, and reviewed regularly to ensure they remain relevant against the external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. This includes legal risk and reputational risk.

The Group’s operational risk management aims to manage both expected and unexpected losses, including those caused by catastrophic events. The twin goals enable new business opportunities to be pursued in a risk-conscious and controlled manner.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Operational Risk Management Oversight and Organisation

The Operational Risk Management Committee (“ORC”) is the senior management group that oversees the execution of the Group’s operational risk management, information security and technology risk practices. The ORC ensures that various risk management programmes that are in place are appropriate, effective, and support the Group’s business strategy.

The Operational Risk Management (“ORM”) department within GRM establishes the ORM framework, including supporting policies and techniques. The ORM department also provides independent oversight of operational risk monitoring and controls that reside within business, products and process owners. The ORM programmes are actively implemented through the respective Operational Risk Partners or managers in the business units. Operational Risk Partners or managers are put through an accreditation programme to raise competency levels in managing operational risk.

Operational Risk Management Approach

The Group adopts a framework that ensures operational risks are properly identified, managed, monitored, mitigated and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the Group's control culture.

Each business unit undertakes self-assessment on a regular basis by assessing the robustness of its own risk and control environment, including meeting all legal and regulatory requirements. Self-assessment declarations are subject to risk-based independent reviews. Performance metrics are also used to detect early warning signals and to drive appropriate management actions before risks become material losses. To enhance controls over trading activities and data loss prevention, the Group has specific risk units in place to perform surveillance over these areas.

Senior management attests annually to the CEO and the RMC regarding the adequacy and effectiveness of the internal control and risk management systems and also reports on key control deficiencies and accompanying remedial plans. Operational risk data (e.g. operational risk events, self-assessments) are collected and stored in operational risk management systems, analysed and reported regularly.

To mitigate operational losses, insurance programmes are in place to protect the Group and its employees against adverse events. These programmes cover losses relating to crime, cyber risks, professional indemnity, Directors’ and officers’ liability, property damage and public liability.

Operational Risk Scenario Analysis

The Group performs impact analysis on severe operational risk scenarios for the purpose of assessing the adequacy of operational risk capital requirements. The analysis forms part of the annual Group ICAAP.

Third-Party Risk Management

The Group recognises the risks associated with third-party arrangements. The Group has in place a third-party risk management programme to manage subcontractor risks in a structured, systematic and consistent manner. A Third-Party Risk Management Commitee ("TPRC"), comprising members from different risk and internal control functions, supports the ORC in managing the Group’s third-party risk.

Physical and People Security Risk Management

The Group recognises that their personnel and assets may be exposed to external threats. To address this ever changing threat landscape, the Group has a programme to ensure that physical and security risk to people and assets are adequately addressed.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Business Continuity Risk Management

The Group has a comprehensive and robust business continuity management programme that aims to minimise the interruption to essential business activities and services during times of crisis. This is achieved through the implementation of robust recovery strategies and business recovery plans which are reviewed and tested annually. Senior management also provides an annual attestation to the RMC which includes a measurement of the programme's maturity across the entity, the extent of alignment to regulatory guidelines, and a declaration of acceptable residual risk.

Fraud Risk Management

The Group's fraud risk management and whistle-blowing programmes help prevent and detect fraud or misconduct. Fraud incident reports, including root cause analysis, extent of damage, supporting remedial actions and recovery steps of major incidents, are regularly reported to the ORC and the RMC. Internal Audit independently reviews all fraud and whistle-blowing cases, and reports their finding to the Board Audit Committee.

Reputational Risk Management

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the Group's image by customers, counterparties, shareholders, investors and regulators. The Group has a reputational risk management programme which focuses on understanding and managing the Group's responsibilities towards its different stakeholders, and protecting the Group's reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management

The Group has a fiduciary risk management programme to manage risks associated with fiduciary relationships from managing funds or providing other agency services. The programme provides guidelines on regular identification, assessment, monitoring and mitigation of fiduciary risk exposures, to ensure the Group's compliances with applicable corporate standards.

Legal and Regulatory Risk Management

The Group holds to high standards when conducting business and at all times observe and comply with applicable laws, rules and standards. The Group has in place a compliance risk programme which defines the required environment and organisational components for managing the risk in a structured systematic and consistent manner. Each business unit is responsible for having adequate and effective controls to manage both legal and regulatory risks. Senior management provides the CEO and the RMC with an annual Regulatory Compliance Certification regarding the state of regulatory compliance.

Information Security and Digital Risk Management

The Group adopts a holistic approach to ensure that these risks are properly monitored, assessed, mitigated and reported. Appropriate controls are in place to ensure confidentiality, integrity, and availability of the Group information assets.

The Group raises staff vigilance on cyber and information risk through regular awareness advisories, trainings and campaigns that include the use of simulated phishing emails. The Group collaborates with industry participants and government agencies to share intelligence and counter measures against new forms of cyber attacks.

Shariah principles are the foundation of the practice of Islamic Finance through the observance of the tenets, conditions and principles espoused by Shariah to ensure all the operations and activities of OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") complies with Shariah rules and principles at all times. OCBC Al-Amin is governed by the Shariah Governance Framework ("SGF") of OCBC Al-Amin which, in essence, sets out the following:

(i) Sets out the Shariah governance framework and structures to ensure that all its operations and business activities are in accordance with Shariah;

(ii) Outlines the responsibilities of the Board, Shariah Committee and Management of the Bank in discharging their respective duties in matters relating to Shariah;

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Information Security and Digital Risk Management (continued)

(iii) Outlines the functions relating to key Shariah control functions consist of Shariah Review, Shariah Risk Management and Shariah Audit to ensure effective management of Shariah non-compliance risk; and

(iv) Outlines the roles of Shariah Secretariat in providing operational support for effective functioning of the Shariah Committee.

Shariah Governance

The SGF is applicable to all employees of OCBC Al-Amin and also extends to all employees of the Group who are involved in the business and operations of OCBC Al-Amin under shared services and other service providers under outsourcing arrangements.

Shariah Non-Compliance Risk

Shariah Non-Compliance Risk Management is a unique feature of the Group’s risk management framework. Shariah Non-Compliance Risk arises from Islamic banks’ failure to comply with the Shariah rules and principles as determined by BNM's Shariah Advisory Council (“SAC”), Securities Commission's SAC and OCBC Al-Amin's Shariah Committee.

The responsibility for complying with Shariah rules and principles, does not only lie/reside with the Board and the management. As compliance with all relevant regulations is a key part of our organisational culture, every business division and their staff are also responsible and accountable for any breaches of applicable laws, guidelines, rules and regulations related to Islamic banking and finance. Pursuant to this, the Group is committed to promote a strong Shariah compliance risk culture.

During the life cycle of the products and services, Shariah requirements that are embedded in the said products and services must also be strictly adhered to and failing which, the income generated from the Islamic Banking business potentially cannot be recognised and will be donated to charities.

The key components of the Group’s Shariah Non-Compliance Risk Management process are namely:

(i) *Risk Identification* – Identification of the potential Shariah Non-Compliance events.

(ii) *Risk Assessment/Measurement* – Assessment and measurement of the impact of the potential Shariah Non-Compliance Event. The process takes into account the existing controls that have been put in place and their effectiveness in mitigating Shariah Non-Compliance Risk.

(iii) *Mitigation/Control/Awareness* – Shariah Non-Compliance Risk are mitigated by the implementation and enforcement of appropriate control measures, such as policies, guidelines and procedures on Shariah requirements. OABB Finance's Shariah Review team periodically reviews the operations and processes of OABB Finance's activities and will escalate any potential non-compliance events to the Shariah Committee for decision. Training is also provided to all personnel involved in Shariah Banking activities and operations.

(iv) *Monitoring & Reporting* – Establishing early warning, monitoring and reporting mechanism on Shariah Non-Compliance Risk exposures.

All potential Shariah Non-Compliant Events ("SNCEs") are initially assessed by the Shariah Review Department ("SRD"), as the control function that is responsible for the assessment, and submitted to the Bank’s Shariah Committee for confirmation and decision in order to determine the status of the events and potential Shariah non-compliant income. All potential and actual SNCEs upon confirmation by SRD and Shariah Committee are to be reported to BNM within a stipulated timeframe.

There is no Shariah non-compliant income that requires distribution to charitable organization for the years 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK

Credit risk is the risk of a financial loss to the Group and the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Bank's maximum credit exposure on the financial assets without taking into account any collateral held or other credit enhancements of the Group and of the Bank equal their carrying amount as reported in the statements of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For loan commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents*	6,791,404	4,655,031	5,454,421	2,770,853
Deposits and placements with banks and other financial institutions	1,863,600	449,227	2,107,603	670,103
Investment account placements	-	-	3,093,946	2,567,432
Financial assets at FVTPL	566,098	1,833,268	561,059	1,823,178
Financial investments at FVOCI**	22,791,806	18,780,550	19,592,588	15,261,656
Loans, advances and financing	64,298,998	65,831,689	51,563,714	53,398,910
Derivative financial assets	1,307,652	927,507	1,307,663	928,246
Other assets***	351,109	335,539	407,374	594,926
Contingent liabilities and commitments	33,092,102	28,147,316	29,285,022	24,880,325
	131,062,769	120,960,127	113,373,390	102,895,629

* Excluding cash in hand
** Excluding unquoted shares
*** Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis

Group	2022 Financial assets at FVTPL RM'000	2022 Financial investments at FVOCI RM'000	2022 Loans, advances and financing* RM'000	2022 Derivative financial assets RM'000	2022 Contingent liabilities and loan commitments RM'000	2021 Financial assets at FVTPL RM'000	2021 Financial investments at FVOCI RM'000	2021 Loans, advances and financing* RM'000	2021 Derivative financial assets RM'000	2021 Contingent liabilities and loan commitments RM'000
(i) By issuer/counterparty										
Government and Central Bank	545,956	13,491,984	-	-	-	1,788,160	14,355,503	-	-	-
Foreign government	-	-	-	-	-	-	161,227	-	-	-
Public sector	15,060	1,383,575	-	-	-	-	892,076	-	-	-
Banks	9	6,695,832	-	982,114	174,302	28	540,442	-	529,295	147,975
Non-bank financial institutions	-	1,088,087	-	70,289	503,241	34,990	1,798,757	81	116,322	527,504
Business enterprises	5,073	132,328	6,467	131,237	21,637,016	10,090	1,032,545	10,005	199,136	18,005,040
Small and medium enterprises	-	-	28,911	-	5,928,584	-	-	42,606	-	4,641,470
Individuals	-	-	147,431	124,012	4,848,959	-	-	73,439	82,754	4,825,327
	566,098	22,791,806	182,809	1,307,652	33,092,102	1,833,268	18,780,550	126,131	927,507	28,147,316
(ii) By geographical distribution										
Malaysia	566,055	22,747,766	165,279	985,275	31,997,818	1,833,240	17,957,508	117,081	721,707	27,077,405
Singapore	-	-	6,737	151,065	196,533	-	62,722	6,095	24,697	190,356
Other ASEAN countries	-	-	-	-	481,190	-	281,351	483	901	554,078
Rest of the world	43	44,040	10,793	171,312	416,561	28	478,969	2,472	180,202	325,477
	566,098	22,791,806	182,809	1,307,652	33,092,102	1,833,268	18,780,550	126,131	927,507	28,147,316

* Past due but not credit-impaired. The analysis of financing and advances by geographical distribution is detailed in Note 8(c) and Note 8(e) respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

Group (continued)	2022 Financial assets at FVTPL RM'000	2022 Financial investments at FVOCI RM'000	2022 Loans, advances and financing* RM'000	2022 Derivative financial assets RM'000	2022 Contingent liabilities and loan commitments RM'000	2021 Financial assets at FVTPL RM'000	2021 Financial investments at FVOCI RM'000	2021 Loans, advances and financing* RM'000	2021 Derivative financial assets RM'000	2021 Contingent liabilities and loan commitments RM'000
(iii) By sector										
Agriculture, hunting, forestry and fishing	-	-	329	1,237	939,403	-	-	2,152	5,796	1,068,409
Mining and quarrying	-	-	-	79,648	329,325	-	175,445	-	133,051	320,373
Manufacturing	-	-	5,622	14,325	8,275,366	-	999	7,808	12,152	6,477,255
Electricity, gas and water	5,103	117,126	159	-	332,503	-	340,802	178	-	220,796
Construction	-	-	1,904	6,629	5,508,842	-	22,847	9,284	3,786	3,999,034
Real estate	-	-	224	6,548	2,706,341	-	-	232	4,311	2,184,414
Wholesale & retail trade and restaurants & hotels	-	-	13,619	19,142	4,327,053	-	51,459	20,949	5,728	3,884,438
Transport, storage and communication	9,985	159,931	1,932	33	757,554	-	216,809	2,064	32,536	682,440
Finance, insurance and business services	15	8,404,384	10,019	1,054,040	3,915,286	35,018	2,425,872	9,989	647,330	3,393,029
Community, social and personal services	5,039	585,536	1,570	2,031	906,850	10,090	984,442	36	-	1,050,729
Household										
- Purchase of residential properties	-	-	134,993	-	1,790,260	-	-	60,527	-	1,888,957
- Purchase of non-residential properties	-	-	3,935	-	2,698	-	-	5,269	-	3,571
- Others	-	-	8,503	124,013	3,287,409	-	-	7,643	82,816	2,966,860
Others	545,956	13,524,829	-	6	13,212	1,788,160	14,561,875	-	1	7,011
	566,098	22,791,806	182,809	1,307,652	33,092,102	1,833,268	18,780,550	126,131	927,507	28,147,316

* Past due but not credit-impaired.The analysis of financing and advances by sector and residual contractual maturity are detailed in Note 8(c) and Note 8(e) respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

	2022					2021				
Group (continued)	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**
(iv) By residual maturity										
Within one year	-	11,185,623	6,501	438,020	23,079,376	515,027	6,503,369	19,122	270,323	17,454,051
One to five years	350,654	10,450,912	13,798	699,140	3,147,050	965,691	10,298,954	11,083	341,929	3,058,152
Over five years	215,444	1,155,271	162,510	170,492	6,865,676	352,550	1,978,227	95,926	315,255	7,635,113
	566,098	22,791,806	182,809	1,307,652	33,092,102	1,833,268	18,780,550	126,131	927,507	28,147,316
Bank										
(i) By issuer/counterparty										
Government and Central Bank	545,956	11,143,653	-	-	-	1,788,160	11,730,485	-	-	-
Foreign government	-	-	-	-	-	-	161,226	-	-	-
Public sector	15,060	1,065,454	-	-	-	-	628,494	-	-	-
Banks	9	6,596,563	-	987,397	174,302	28	240,697	-	530,973	147,975
Non-bank financial institutions	-	703,599	-	70,286	503,000	34,990	1,534,037	81	116,317	520,811
Business enterprises	34	83,319	-	125,968	17,928,569	-	966,717	-	198,202	14,844,812
Small and medium enterprises	-	-	28,911	-	5,928,584	-	-	42,606	-	4,641,470
Individuals	-	-	132,931	124,012	4,750,567	-	-	60,930	82,754	4,725,257
	561,059	19,592,588	161,842	1,307,663	29,285,022	1,823,178	15,261,656	103,617	928,246	24,880,325
(ii) By geographical distribution										
Malaysia	561,016	19,548,548	144,312	985,286	28,202,942	1,823,150	14,438,614	95,050	722,451	23,825,605
Singapore	-	-	6,737	151,065	196,533	-	62,722	6,095	24,697	190,356
Other ASEAN countries	-	-	-	-	470,911	-	281,351	-	896	542,207
Rest of the world	43	44,040	10,793	171,312	414,636	28	478,969	2,472	180,202	322,157
	561,059	19,592,588	161,842	1,307,663	29,285,022	1,823,178	15,261,656	103,617	928,246	24,880,325

* Past due but not credit-impaired. The analysis of loans, advances and financing by sector and residual contractual maturity is detailed in Note 8(c) and Note 8(e) respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

Bank (continued)	**2022** Financial assets at FVTPL RM'000	**2022** Financial investments at FVOCI RM'000	**2022** Loans, advances and financing* RM'000	**2022** Derivative financial assets RM'000	**2022** Contingent liabilities and credit commitments RM'000	**2021** Financial assets at FVTPL RM'000	**2021** Financial investments at FVOCI RM'000	**2021** Loans, advances and financing* RM'000	**2021** Derivative financial assets RM'000	**2021** Contingent liabilities and credit commitments RM'000
(iii) By sector										
Agriculture, hunting, forestry and fishing	-	-	329	1,237	921,505	-	-	2,152	5,796	1,049,043
Mining and quarrying	-	-	-	79,648	292,660	-	175,445	-	133,051	288,683
Manufacturing	-	-	2,033	14,248	7,446,308	-	-	3,288	12,115	5,715,705
Electricity, gas and water	5,103	58,260	159	-	181,408	-	265,447	178	-	217,013
Construction	-	-	1,904	1,773	4,310,206	-	22,847	8,436	3,786	3,240,901
Real estate	-	-	224	6,548	2,414,431	-	-	232	3,513	1,731,134
Wholesale & retail trade and restaurants & hotels	-	-	12,739	18,824	3,914,270	-	51,459	17,630	5,630	3,480,319
Transport, storage and communication	9,985	115,139	1,932	32	410,029	-	196,457	1,775	32,536	392,443
Finance, insurance and business services	15	7,920,627	8,021	1,059,313	3,512,309	35,018	1,861,408	8,960	649,003	2,969,584
Community, social and personal services	-	355,854	1,570	2,028	899,919	-	751,738	36	-	1,036,183
Household										
- Purchase of residential properties	-	-	122,319	-	1,694,634	-	-	52,010	-	1,792,457
- Purchase of non-residential properties	-	-	2,799	-	-	-	-	4,393	-	-
- Others	-	-	7,813	124,012	3,287,343	-	-	4,527	82,816	2,966,860
Others	545,956	11,142,708	-	-		1,788,160	11,936,855	-	-	-
	561,059	19,592,588	161,842	1,307,663	29,285,022	1,823,178	15,261,656	103,617	928,246	24,880,325

* Past due but not credit-impaired. The analysis of loans, advances and financing by sector and residual contractual maturity is detailed in Note 8(c) and Note 8(e) respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

	2022					2021				
Bank (continued)	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**
(iv) By residual maturity										
Within one year	-	9,896,742	6,142	437,803	20,314,078	510,015	4,857,251	16,114	270,502	15,332,454
One to five years	345,615	8,740,794	10,451	699,368	2,670,781	960,613	8,632,999	6,763	341,929	2,495,799
Over five years	215,444	955,052	145,249	170,492	6,300,163	352,550	1,771,406	80,740	315,815	7,052,072
	561,059	19,592,588	161,842	1,307,663	29,285,022	1,823,178	15,261,656	103,617	928,246	24,880,325

* Past due but not credit-impaired. The analysis of loans, advances and financing by sector and residual contractual maturity are detailed in Note 8(c) and Note 8(e) respectively.

(v) By credit rating/internal grading and ECL stage

	2022				2021			
Group	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and cash equivalents	6,791,404	-	-	6,791,404	4,655,031	-	-	4,655,031
Deposits and placements with banks and other financial institutions	1,863,600	-	-	1,863,600	449,227	-	-	449,227

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

(v) By credit rating/internal grading and ECL stage (continued)

	2022				2021			
Group (continued)	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Financial assets at FVTPL*								
Government and central bank (unrated)	-	-	-	139,362	-	-	-	1,339,164
Government (AAA to BBB)	-	-	-	406,595	-	-	-	448,995
Investment grade (AAA to BBB)	-	-	-	20,141	-	-	-	10,119
Unrated	-	-	-	-	-	-	-	34,990
	-	-	-	566,098	-	-	-	1,833,268
Financial investments at FVOCI								
Government (AAA to BBB)	5,910,297	-	-	5,910,297	4,063,813	-	-	4,063,813
Government and central bank (unrated)	7,581,687	-	-	7,581,687	10,291,692	-	-	10,291,692
Foreign government (AAA to BBB)	-	-	-	-	161,225	-	-	161,225
Investment grade (AAA to BBB)	1,190,580	148,026	-	1,338,606	2,135,589	72,185	-	2,207,774
Unrated	7,961,216	-	-	7,961,216	2,035,694	20,352	-	2,056,046
	22,643,780	148,026	-	22,791,806	18,688,013	92,537	-	18,780,550

* ECL stage is not disclosed for financial assets at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

(v) By credit rating/internal grading and ECL stage (continued)

	2022				2021			
Group (continued)	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Contingent liabilities and commitments (excluding derivative assets)								
Pass	29,915,891	2,724,888	-	32,640,779	24,964,481	2,639,656	-	27,604,137
Special Mention	-	295,517	-	295,517	-	390,980	-	390,980
Credit-impaired	-	-	155,806	155,806	-	-	152,199	152,199
	29,915,891	3,020,405	155,806	33,092,102	24,964,481	3,030,636	152,199	28,147,316

	2022				2021			
Bank	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and cash equivalents	5,454,421	-	-	5,454,421	2,770,853	-	-	2,770,853
Deposits and placements with banks and other financial institutions	2,107,603	-	-	2,107,603	670,103	-	-	670,103
Investment account placements	2,988,622	105,324	-	3,093,946	2,480,045	82,446	4,941	2,567,432
Financial assets at FVTPL*								
					-	-		
Government and central bank (unrated)	-	-	-	139,362	-	-	-	1,339,164
Government (AAA to BBB)	-	-	-	406,595	-	-	-	448,995
Investment grade (AAA to BBB)	-	-	-	15,102	-	-	-	29
Unrated	-	-	-	-	-	-	-	34,990
	-	-	-	561,059	-	-	-	1,823,178

* ECL stage is not disclosed for financial assets at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

(v) By credit rating/internal grading and ECL stage (continued)

Bank (continued)	**2022** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	**2021** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at FVOCI								
Government (AAA to BBB)	5,749,369	-	-	5,749,369	3,793,474	-	-	3,793,474
Government and central bank (unrated)	5,394,284	-	-	5,394,284	7,937,011	-	-	7,937,011
Foreign government (AAA to BBB)	-	-	-	-	161,225	-	-	161,225
Investment grade (AAA to BBB)	913,920	148,026	-	1,061,946	1,929,965	72,185	-	2,002,150
Unrated	7,386,989	-	-	7,386,989	1,367,796	-	-	1,367,796
	19,444,562	148,026	-	19,592,588	15,189,471	72,185	-	15,261,656
Contingent liabilities and commitments (excluding derivative assets)								
Pass	27,506,550	1,539,961	-	29,046,511	22,753,512	1,703,514	-	24,457,026
Special Mention	-	141,137	-	141,137	-	337,520	-	337,520
Credit-impaired	-	-	97,374	97,374	-	-	85,779	85,779
	27,506,550	1,681,098	97,374	29,285,022	22,753,512	2,041,034	85,779	24,880,325

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing

Credit quality

Loans, advances and financing are categorised according to the Group's and the Bank's customer classification grades as Pass, Special Mention, Substandard, Doubtful and Loss.

Loans, advances and financing classified as Pass and Special Mention are not credit-impaired whereas Substandard, Doubtful and Loss are credit-impaired.

Past due but not credit-impaired are loans, advances and financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes financing which are past due one or more days after the contractual due date but less than 3 months.

Credit quality and ECL stage

	2022				2021			
Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Neither past due nor credit-impaired								
By internal grading								
Pass	51,770,779	9,270,310	-	61,041,089	45,582,654	8,407,165	-	53,989,819
Special Mention	-	1,358,983	-	1,358,983	-	11,165,983	-	11,165,983
	51,770,779	10,629,293	-	62,400,072	45,582,654	19,573,148	-	65,155,802
Past due but not credit-impaired								
By period overdue								
Less than 2 months	-	158,429	-	158,429	-	111,570	-	111,570
2 months to less than 3 months	-	48,729	-	48,729	-	44,383	-	44,383
	-	207,158	-	207,158	-	155,953	-	155,953
Credit-impaired								
Past due	-	-	1,801,340	1,801,340	-	-	1,268,133	1,268,133
Not past due	-	-	1,159,021	1,159,021	-	-	1,175,129	1,175,129
	-	-	2,960,361	2,960,361	-	-	2,443,262	2,443,262
	51,770,779	10,836,451	2,960,361	65,567,591	45,582,654	19,729,101	2,443,262	67,755,017
ECL Allowance	(112,411)	(339,817)	(816,365)	(1,268,593)	(164,509)	(1,226,893)	(531,926)	(1,923,328)
Net Loans, Advances and Financing	51,658,368	10,496,634	2,143,996	64,298,998	45,418,145	18,502,208	1,911,336	65,831,689

Past due but not credit-impaired loans, advances and financing are classified as part of Special Mention.
The analysis of credit-impaired loans, advances and financing are disclosed in Note 9(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Credit quality and ECL stage (continued)

	2022				2021			
Bank	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Neither past due nor credit-impaired								
By internal grading								
Pass	41,970,476	6,774,267	-	48,744,743	36,392,270	6,648,918	-	43,041,188
Special Mention	-	1,236,816	-	1,236,816	-	9,780,317	-	9,780,317
	41,970,476	8,011,083	-	49,981,559	36,392,270	16,429,235	-	52,821,505
Past due but not credit-impaired								
By period overdue								
Less than 2 months	-	137,660	-	137,660	-	95,455	-	95,455
2 months to less than 3 months	-	45,179	-	45,179	-	32,277	-	32,277
	-	182,839	-	182,839	-	127,732	-	127,732
Credit-impaired								
Past due	-	-	1,381,781	1,381,781	-	-	924,851	924,851
Not past due	-	-	846,152	846,152	-	-	973,859	973,859
	-	-	2,227,933	2,227,933	-	-	1,898,710	1,898,710
	41,970,476	8,193,922	2,227,933	52,392,331	36,392,270	16,556,967	1,898,710	54,847,947
ECL Allowance	(91,539)	(238,012)	(499,066)	(828,617)	(130,289)	(1,007,717)	(311,031)	(1,449,037)
Net Loans, Advances and Financing	41,878,937	7,955,910	1,728,867	51,563,714	36,261,981	15,549,250	1,587,679	53,398,910

Past due but not credit-impaired loans, advances and financing are classified as part of Special Mention.
The analysis of credit-impaired loans, advances and financing are disclosed in Note 9(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Collateral

(i) The main types of collateral obtained by the Group and the Bank are as follows:

- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, charges over the properties being financed;
- For vehicle loans/financing, charges over the vehicles being financed;
- For other loans/financing, charges over business assets such as premises, inventories, trade receivables, shares, equipment or deposits.

(ii) The quantification of the extent to which collateral and other credit enhancements mitigate credit risk and that best represents the maximum exposure to credit risk for credit-impaired loans, advances and financing is as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fair value of collateral held against the covered portion of credit-impaired loans, advances and financing	2,927,876	2,521,672	2,404,879	2,096,478
Covered portion of credit-impaired loans, advances and financing	2,165,143	1,754,050	1,747,226	1,409,776
Uncovered portion of credit-impaired loans, advances and financing	795,219	689,212	480,707	488,934
	2,960,362	2,443,262	2,227,933	1,898,710

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK

(i) The tables below show the Group's and the Bank's maturity analysis of assets and liabilities based on remaining contractual maturities and/or their behavioral profile.

Group	Note	Gross Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2022									
Cash and cash equivalents		6,952,345	6,952,287	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	(a)	1,863,660	1,663,660	200,000	-	-	-	-	-
Financial assets at FVTPL		566,098	-	-	-	30,002	320,652	215,444	-
Financial investments at FVOCI		22,901,346	5,531,117	3,182,819	2,471,687	5,810,245	4,750,206	1,045,732	109,540
Loans, advances and financing	(a)	65,567,591	16,881,970	2,160,536	2,782,197	8,306,016	7,818,566	27,618,306	-
Derivative financial assets		1,307,652	311,796	59,786	66,441	289,941	409,197	170,491	-
Statutory deposits with Bank Negara Malaysia		903,160	-	-	-	-	-	-	903,160
Other balances	(b)	750,071	223,630	2,449	28,637	52,256	34,314	15,977	392,808
Total assets		100,811,923	31,564,460	5,605,590	5,348,962	14,488,460	13,332,935	29,065,950	1,405,508
Deposits from customers		77,717,263	62,603,982	7,289,419	7,495,515	325,644	2,703	-	-
Deposits and placements of banks and other financial institutions		5,720,234	5,017,752	521	2,417	14,005	234,839	450,700	-
Bills and acceptances payable		114,286	114,286	-	-	-	-	-	-
Derivative financial liabilities		1,447,264	552,649	43,671	94,950	215,514	344,864	195,616	-
Other balances	(c)	3,941,800	820,449	367,915	349,969	239,162	1,811,529	254,029	98,747
Lease liabilities		13,286	3,103	2,278	3,494	4,286	75	50	-
Subordinated bonds		1,050,000	-	-	-	-	-	1,050,000	-
Total liabilities		90,004,133	69,112,221	7,703,804	7,946,345	798,611	2,394,010	1,950,395	98,747

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.
(c) Other liabilities balances consist of other liabilities, tax payable and zakat but excludes lease liabilities and ECL allowances on loan commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK (continued)

Group (continued)	**Note**	**Gross Carrying amount RM'000**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**
2021									
Cash and cash equivalents		4,828,528	4,828,528	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	(a)	449,235	449,235	-	-	-	-	-	-
Financial assets at FVTPL		1,833,268	145,494	105,603	263,931	624,834	340,857	352,549	-
Financial investments at FVOCI		18,896,597	2,195,891	2,946,934	1,360,545	6,408,383	3,890,569	1,978,228	116,047
Loans, advances and financing	(a)	67,755,017	16,331,767	2,535,648	2,352,114	8,519,201	7,641,519	30,374,768	-
Derivative financial assets		927,507	106,358	86,381	77,585	242,261	99,668	315,254	-
Statutory deposits with Bank Negara Malaysia		63,937	-	-	-	-	-	-	63,937
Other balances	(b)	823,872	203,025	5,956	33,683	54,367	33,008	24,637	469,196
Total assets		95,577,961	24,260,298	5,680,522	4,087,858	15,849,046	12,005,621	33,045,436	649,180
Deposits from customers		73,986,617	59,917,215	8,831,872	5,152,714	76,694	8,122	-	-
Deposits and placements of banks and other financial institutions		5,648,806	3,082,687	1,879,378	1,035	10,279	252,271	423,156	-
Bills and acceptances payable		56,827	56,827	-	-	-	-	-	-
Derivative financial liabilities		860,074	89,974	95,029	56,138	160,802	120,345	337,786	-
Other balances	(c)	2,641,499	762,390	286,172	331,401	164,735	719,564	282,862	94,375
Lease liabilities		24,429	3,263	3,297	6,554	10,889	338	88	-
Subordinated bonds		1,509,279	459,279	-	500,000	-	-	550,000	-
Total liabilities		84,727,531	64,371,635	11,095,748	6,047,842	423,399	1,100,640	1,593,892	94,375

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.
(c) Other liabilities balances consist of other liabilities, tax payable and zakat but excludes lease liabilities and ECL allowances on loan commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK (continued)

Bank	**Note**	**Gross Carrying amount RM'000**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**
2022									
Cash and cash equivalents		5,591,793	5,591,746	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	(a)	2,107,663	1,907,663	200,000	-	-	-	-	-
Investment account placements		3,134,656	3,109,650	-	-	-	-	25,006	-
Financial assets at FVTPL		561,059	-	-	-	24,963	320,652	215,444	-
Financial investments at FVOCI		19,702,128	5,122,330	3,012,793	1,761,618	4,682,512	4,167,822	845,513	109,540
Loans, advances and financing	(a)	52,392,331	12,567,211	1,959,931	2,658,315	7,271,187	4,766,335	23,169,352	-
Derivative financial assets		1,307,663	311,581	59,782	66,441	289,941	409,426	170,492	-
Statutory deposits with Bank Negara Malaysia		703,160	-	-	-	-	-	-	703,160
Other balances	(b)	1,311,450	272,726	2,756	21,355	53,718	38,233	17,014	905,648
Total assets		86,811,903	28,882,907	5,235,262	4,507,729	12,322,321	9,702,468	24,442,821	1,718,348
Deposits from customers		65,747,671	52,747,688	6,222,065	6,479,186	297,179	1,553	-	-
Deposits and placements of banks and other financial institutions		5,676,869	4,978,012	33	1,626	12,104	234,558	450,536	-
Bills and acceptances payable		102,529	102,529	-	-	-	-	-	-
Derivative financial liabilities		1,447,629	553,051	43,671	94,950	215,514	344,864	195,579	-
Other balances	(c)	3,850,615	781,985	356,869	331,057	238,852	1,811,513	254,029	76,310
Lease liabilities		11,205	2,589	1,939	2,923	3,629	75	50	-
Subordinated bonds		1,050,000	-	-	-	-	-	1,050,000	-
Total liabilities		77,886,518	59,165,854	6,624,577	6,909,742	767,278	2,392,563	1,950,194	76,310

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.
(c) Other liabilities balances consist of other liabilities, tax payable and zakat but excludes lease liabilities and ECL allowances on loan commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK (continued)

Bank (continued)	**Note**	**Gross Carrying amount RM'000**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**
2021									
Cash and cash equivalents		2,916,893	2,916,893	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	(a)	670,111	670,111	-	-	-	-	-	-
Investment account placements		2,603,872	2,566,162	-	-	-	-	37,710	-
Financial assets at FVTPL		1,823,178	145,494	100,591	263,931	619,756	340,857	352,549	-
Financial investments at FVOCI		15,377,703	1,330,652	2,379,696	1,146,904	5,204,578	3,428,419	1,771,407	116,047
Loans, advances and financing	(a)	54,847,947	12,660,280	2,379,599	1,829,685	7,404,720	4,894,528	25,679,135	-
Derivative financial assets		928,246	106,462	86,425	77,615	242,261	99,668	315,815	-
Statutory deposits with Bank Negara Malaysia		63,937	-	-	-	-	-	-	63,937
Other balances	(b)	1,575,541	251,129	206,772	15,907	53,753	39,921	28,487	979,572
Total assets		80,807,428	20,647,183	5,153,083	3,334,042	13,525,068	8,803,393	28,185,103	1,159,556
Deposits from customers		61,046,763	49,345,791	7,196,568	4,424,481	71,964	7,959	-	-
Deposits and placements of banks and other financial institutions		5,620,070	3,059,037	1,878,867	-	7,635	251,375	423,156	-
Bills and acceptances payable		44,497	44,497	-	-	-	-	-	-
Derivative financial liabilities		860,439	90,242	95,096	56,168	160,801	120,345	337,787	-
Other balances	(c)	2,530,503	707,003	273,292	324,874	164,553	719,564	268,083	73,134
Lease liabilities		21,620	2,890	2,921	5,791	9,592	338	88	-
Subordinated bonds		1,509,279	459,279	-	500,000	-	-	550,000	-
Total liabilities		71,633,171	53,708,739	9,446,744	5,311,314	414,545	1,099,581	1,579,114	73,134

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.
(c) Other liabilities balances consist of other liabilities, tax payable and zakat but excludes lease liabilities and ECL allowances on loan commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK (continued)

(ii) The tables below show the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. The expected cash flows of these liabilities could vary significantly from what is shown in the table.

Group	Note	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2022								
Non-derivative financial liabilities								
Deposits from customers		62,858,031	7,486,682	7,746,195	339,931	2,926	-	78,433,765
Deposits and placements of banks and other financial institutions		5,091,339	521	2,417	14,074	234,865	450,700	5,793,916
Bills and acceptances payable		114,286	-	-	-	-	-	114,286
Other balances	(a)	688,307	312,057	229,613	379,031	1,889,721	258,605	3,757,334
Lease liabilities		56,874	2,338	3,577	4,363	132	-	67,284
Subordinated bonds		-	20,250	20,250	81,000	81,000	1,220,600	1,423,100
		68,808,837	7,821,848	8,002,052	818,399	2,208,644	1,929,905	89,589,685
Commitments and contingencies								
Direct credit substitutes		49,205	13,567	40,783	5,701	453	111	109,820
Transaction-related contingent items		600,981	351,173	851,122	1,198,860	430,360	198,655	3,631,151
Short-term self-liquidating trade-related contingencies		298,640	24,268	28,184	-	-	-	351,092
Formal standby facilities and credit lines								
- Original maturity up to one year		29,000	32,122	701,400	-	-	-	762,522
- Original maturity over one year		68,723	57,125	117,119	388,803	1,123,266	2,471,661	4,226,697
Other unconditionally cancellable commitments		19,815,573	-	-	-	-	4,195,247	24,010,820
		20,862,122	478,255	1,738,608	1,593,364	1,554,079	6,865,674	33,092,102

(a) The above excludes balances with no specific maturity amounting to RM98 million (2021: RM94 million), lease liabilities and ECL allowance on credit commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK (continued)

Group (continued)	**Note**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2022								
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		434	58	2	-	-	-	494
- Interest rate derivatives		27,387	35,409	65,685	130,306	139,486	60,320	458,593
- Equity and other derivatives		8,451	5,657	4,818	2,095	2,277	87,488	110,786
		36,272	41,124	70,505	132,401	141,763	147,808	569,873
Hedging:								
- Interest rate derivatives		161	98	191	895	331	-	1,676
		36,433	41,222	70,696	133,296	142,094	147,808	571,549
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		19,657,786	2,650,016	2,477,249	3,048,828	1,437,006	17,247	29,288,132
- Inflow		(19,123,770)	(2,610,130)	(2,411,110)	(3,127,510)	(1,496,758)	(16,623)	(28,785,901)
		570,449	81,108	136,835	54,614	82,342	148,432	1,073,780
2021								
Non-derivative financial liabilities								
Deposits from customers		60,027,742	8,952,270	5,246,260	79,557	9,099	-	74,314,928
Deposits and placements of banks and other financial institutions		3,088,406	1,881,588	1,035	10,279	252,271	423,156	5,656,735
Bills and acceptances payable		56,827	-	-	-	-	-	56,827
Other balances	(b)	684,714	231,732	291,456	203,373	747,632	258,992	2,417,899
Lease liabilities		45,231	3,434	6,756	11,106	350	92	66,969
Subordinated bonds		482,161	11,762	519,601	31,900	31,900	613,800	1,691,124
		64,385,081	11,080,786	6,065,108	336,215	1,041,252	1,296,040	84,204,482

(b) The above excludes balances with no specific maturity amounting to RM94 million, lease liabilities and ECL allowance on credit commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK (continued)

Group (continued)	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2021							
Commitments and contingencies							
Direct credit substitutes	50,404	32,231	51,481	4,231	784	-	139,131
Transaction-related contingent items	597,232	291,087	556,316	965,090	555,506	88,270	3,053,501
Short-term self-liquidating trade-related contingencies	298,840	31,124	3,621	-	-	-	333,585
Formal standby facilities and credit lines							
- Original maturity up to one year	3,000	10,000	-	-	-	-	13,000
- Original maturity over one year	84,934	139,491	272,627	891,522	639,198	2,902,582	4,930,354
Other unconditionally cancellable commitments	15,031,608	-	-	1,875	-	4,644,262	19,677,745
	16,066,018	503,933	884,045	1,862,718	1,195,488	7,635,114	28,147,316
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	126	-	-	-	-	-	126
- Interest rate derivatives	53,646	40,675	58,074	120,779	52,794	66,987	392,955
- Equity and other derivatives	55,858	35,470	24,896	1,005	9,210	103,074	229,513
	109,630	76,145	82,970	121,784	62,004	170,061	622,594
Hedging:							
- Interest rate derivatives	689	874	1,298	(26)	(1,676)	-	1,159
	110,319	77,019	84,268	121,758	60,328	170,061	623,753
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	4,349,254	3,469,227	1,316,858	3,318,236	2,167,732	300,761	14,922,068
- Inflow	(4,405,605)	(3,447,434)	(1,344,326)	(3,422,716)	(2,113,249)	(322,468)	(15,055,798)
	53,968	98,812	56,800	17,278	114,811	148,354	490,023

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK (continued)

Bank	**Note**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2022								
Non-derivative financial liabilities								
Deposits from customers		52,978,887	6,399,174	6,703,921	310,367	1,674	-	66,394,023
Deposits and placements of banks and other financial institutions		5,043,168	33	1,626	12,173	234,584	450,536	5,742,120
Bills and acceptances payable		102,529	-	-	-	-	-	102,529
Other balances	(a)	665,351	311,538	217,198	378,791	1,889,720	258,605	3,721,203
Lease liabilities		56,349	1,989	2,993	3,693	132	-	65,156
Subordinated bonds		-	20,250	20,250	81,000	81,000	1,220,600	1,423,100
		58,846,284	6,732,984	6,945,988	786,024	2,207,110	1,929,741	77,448,131
Commitments and contingencies								
Direct credit substitutes		39,155	11,677	8,315	4,176	453	-	63,776
Transaction-related contingent items		480,420	322,412	761,473	1,037,275	346,376	179,890	3,127,846
Short-term self-liquidating trade-related contingencies		228,696	24,268	28,184	-	-	-	281,148
Formal standby facilities and credit lines								
- Original maturity up to one year		29,000	22,122	701,400	-	-	-	752,522
- Original maturity over one year		65,520	16,440	110,270	175,943	1,106,558	2,212,349	3,687,080
Other unconditionally cancellable commitments		17,464,726	-	-	-	-	3,907,924	21,372,650
		18,307,517	396,919	1,609,642	1,217,394	1,453,387	6,300,163	29,285,022
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		434	58	2	-	-	-	494
- Interest rate derivatives		27,387	35,409	65,685	130,306	139,486	60,320	458,593
- Equity and other derivatives		8,451	5,657	4,818	2,095	2,277	87,488	110,786
		36,272	41,124	70,505	132,401	141,763	147,808	569,873
Hedging:								
- Interest rate derivatives		161	98	191	895	331	-	1,676
		36,433	41,222	70,696	133,296	142,094	147,808	571,549

(a) The above excludes balances with no specific maturity amounting to RM76 million (2021: RM73 million), lease liabilities and ECL allowance on credit commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK (continued)

Bank (continued)	**Note**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2022								
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		19,716,530	2,650,016	2,477,249	3,048,828	1,437,006	17,247	29,346,876
- Inflow		(19,182,132)	(2,610,130)	(2,411,110)	(3,127,510)	(1,496,758)	(16,623)	(28,844,263)
		570,831	81,108	136,835	54,614	82,342	148,432	1,074,162
2021								
Non-derivative financial liabilities								
Deposits from customers		49,435,580	7,292,695	4,504,488	74,686	8,928	-	61,316,377
Deposits and placements of banks and other financial institutions		3,061,325	1,881,077	-	7,635	251,375	423,156	5,624,568
Bills and acceptances payable		44,497	-	-	-	-	-	44,497
Other balances	(b)	642,438	231,158	291,151	203,207	747,631	258,992	2,374,577
Lease liabilities		44,823	3,029	5,950	9,770	350	92	64,014
Subordinated bonds		482,161	7,975	519,600	31,900	31,900	613,800	1,687,336
		53,710,824	9,415,934	5,321,189	327,198	1,040,184	1,296,040	71,111,369
Commitments and contingencies								
Direct credit substitutes		40,250	31,128	18,710	2,715	784	-	93,587
Transaction-related contingent items		553,046	270,562	505,394	798,826	498,373	61,711	2,687,912
Short-term self-liquidating trade-related contingencies		248,057	31,124	3,621	-	-	-	282,802
Formal standby facilities and credit lines								
- Original maturity up to one year		-	10,000	-	-	-	-	10,000
- Original maturity over one year		82,247	135,960	270,385	659,467	533,759	2,648,267	4,330,085
Other unconditionally cancellable commitments		13,131,970	-	-	1,875	-	4,342,094	17,475,939
		14,055,570	478,774	798,110	1,462,883	1,032,916	7,052,072	24,880,325

(b) The above excludes the balances with no specific maturity amounting to RM73 million, lease liabilities and ECL allowance on credit commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

42 LIQUIDITY RISK (continued)

Bank (continued)	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2021							
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	126	-	-	-	-	-	126
- Interest rate derivatives	53,646	40,675	58,074	120,779	52,794	66,987	392,955
- Equity and other derivatives	55,858	35,470	24,896	1,005	9,210	103,074	229,513
	109,630	76,145	82,970	121,784	62,004	170,061	622,594
Hedging:							
- Interest rate derivatives	689	874	1,298	(26)	(1,676)	-	1,159
	110,319	77,019	84,268	121,758	60,328	170,061	623,753
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	4,438,826	3,471,180	1,316,858	3,318,236	2,167,732	300,762	15,013,594
- Inflow	(4,494,807)	(3,449,352)	(1,344,326)	(3,422,716)	(2,113,249)	(322,467)	(15,146,917)
	54,338	98,847	56,800	17,278	114,811	148,356	490,430

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

43 INTEREST/PROFIT RATE RISK

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/profit rate risk. The financial assets and financial liabilities at carrying amounts are categorised by the earlier of the next contractual repricing and maturity dates.

	Non-trading Book							
Group	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2022								
Financial assets								
Cash and cash equivalents	6,404,173	-	-	-	-	548,172	-	6,952,345
Deposits and placements with banks and other financial institutions	1,663,660	200,000	-	-	-	(60)	-	1,863,600
Financial assets at FVTPL	-	-	5,039	-	-	-	561,059	566,098
Financial investments at FVOCI	5,531,117	5,654,506	5,810,245	4,750,206	1,045,732	109,540	-	22,901,346
Loans, advances and financing								
- Non credit-impaired	58,243,126	1,902,439	1,416,102	562,679	545,329	(514,673)	-	62,155,002
- Credit-impaired	-	-	-	-	-	2,143,996	-	2,143,996
Derivative financial assets	-	1,098	8,100	14,825	1,820	-	1,281,809	1,307,652
Other assets	-	-	-	-	-	364,470	-	364,470
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	903,160	-	903,160
	71,842,076	7,758,043	7,239,486	5,327,710	1,592,881	3,554,605	1,842,868	99,157,669

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book								
Group (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2022								
Financial liabilities								
Deposits from customers	37,370,682	14,781,165	14,255,360	2,703	-	11,307,353	-	77,717,263
Deposits and placements of banks and other financial institutions	4,962,943	-	10,297	3,155	-	743,839	-	5,720,234
Bills and acceptances payable	-	-	-	-	-	114,286	-	114,286
Derivative financial liabilities	-	-	-	1,480	-	-	1,445,784	1,447,264
Other liabilities	174,183	450,675	222,367	1,796,670	249,999	1,206,146	-	4,100,040
Subordinated bonds	-	-	-	-	1,050,000	-	-	1,050,000
	42,507,808	15,231,840	14,488,024	1,804,008	1,299,999	13,371,624	1,445,784	90,149,087
On-statement of financial position interest/profit sensitivity gap	29,334,268	(7,473,797)	(7,248,538)	3,523,702	292,882	(9,817,019)	397,084	9,008,582
Off-statement of financial position interest/profit sensitivity gap	1,085,000	(90,000)	(260,000)	(695,000)	(40,000)	-	-	-
Total interest/profit sensitivity gap	30,419,268	(7,563,797)	(7,508,538)	2,828,702	252,882	(9,817,019)	397,084	9,008,582

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Group (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2021								
Financial assets								
Cash and cash equivalents	4,221,818	-	-	-	-	606,710	-	4,828,528
Deposits and placements with banks and other financial institutions	449,235	-	-	-	-	(8)	-	449,227
Financial assets at FVTPL	-	5,012	5,078	-	-	-	1,823,178	1,833,268
Financial investments at FVOCI	2,287,461	4,215,909	6,408,383	3,890,569	1,978,228	116,047	-	18,896,597
Loans, advances and financing								
- Non credit-impaired	60,351,537	1,954,442	1,462,497	921,889	597,546	(1,367,558)	-	63,920,353
- Credit-impaired	-	-	-	-	-	1,911,336	-	1,911,336
Derivative financial assets	-	-	-	321	-	-	927,186	927,507
Other assets	-	-	-	-	-	350,468	-	350,468
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	63,937	-	63,937
	67,310,051	6,175,363	7,875,958	4,812,779	2,575,774	1,680,932	2,750,364	93,181,221

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Group (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2021								
Financial liabilities								
Deposits from customers	29,599,992	13,984,315	18,021,075	8,122	-	12,373,113	-	73,986,617
Deposits and placements of banks and other financial institutions	3,016,886	1,878,867	-	21,036	398	731,619	-	5,648,806
Bills and acceptances payable	-	-	-	-	-	56,827	-	56,827
Derivative financial liabilities	-	-	904	216	173	-	858,781	860,074
Other liabilities	245,359	479,338	155,702	715,330	250,000	798,073	-	2,643,802
Subordinated bonds	459,279	500,000	-	-	550,000	-	-	1,509,279
	33,321,516	16,842,520	18,177,681	744,704	800,571	13,959,632	858,781	84,705,405
On-statement of financial position interest/profit sensitivity gap	33,988,535	(10,667,157)	(10,301,723)	4,068,075	1,775,203	(12,278,700)	1,891,583	8,475,816
Off-statement of financial position interest/profit sensitivity gap	735,876	(20,876)	(90,000)	(485,000)	(140,000)	-	-	-
Total interest/profit sensitivity gap	34,724,411	(10,688,033)	(10,391,723)	3,583,075	1,635,203	(12,278,700)	1,891,583	8,475,816

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Bank	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2022								
Financial assets								
Cash and cash equivalents	5,158,791	-	-	-	-	433,002	-	5,591,793
Deposits and placements with banks								
and other financial institutions	1,907,663	200,000	-	-	-	(60)	-	2,107,603
Investment account placements	3,109,650	-	-	-	-	(15,704)	-	3,093,946
Financial assets at FVTPL	-	-	-	-	-	-	561,059	561,059
Financial investments at FVOCI	5,122,330	4,774,411	4,682,512	4,167,822	845,513	109,540	-	19,702,128
Loans, advances and financing								
- Non credit-impaired	46,699,994	1,419,347	1,212,837	418,143	510,879	(426,353)	-	49,834,847
- Credit-impaired	-	-	-	-	-	1,728,867	-	1,728,867
Derivative financial assets	-	1,098	8,100	14,825	1,820	-	1,281,820	1,307,663
Other assets	-	-	-	-	-	420,034	-	420,034
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	703,160	-	703,160
	61,998,428	6,394,856	5,903,449	4,600,790	1,358,212	2,952,486	1,842,879	85,051,100

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Bank (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2022								
Financial liabilities								
Deposits from customers	28,881,569	12,697,483	14,226,895	1,553	-	9,940,171	-	65,747,671
Deposits and placements of banks and other financial institutions	4,962,943	-	10,297	3,155	-	700,474	-	5,676,869
Bills and acceptances payable	-	-	-	-	-	102,529	-	102,529
Derivative financial liabilities	-	-	-	1,480	-	-	1,446,149	1,447,629
Other liabilities	174,183	450,675	222,367	1,796,670	249,999	1,053,013	-	3,946,907
Subordinated bonds	-	-	-	-	1,050,000	-	-	1,050,000
	34,018,695	13,148,158	14,459,559	1,802,858	1,299,999	11,796,187	1,446,149	77,971,605
On-statement of financial position interest/profit sensitivity gap	27,979,733	(6,753,302)	(8,556,110)	2,797,932	58,213	(8,843,701)	396,730	7,079,495
Off-statement of financial position interest/profit sensitivity gap	1,085,000	(90,000)	(260,000)	(695,000)	(40,000)	-	-	-
Total interest/profit sensitivity gap	29,064,733	(6,843,302)	(8,816,110)	2,102,932	18,213	(8,843,701)	396,730	7,079,495

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Bank (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2021								
Financial assets								
Cash and cash equivalents	2,411,583	-	-	-	-	505,310	-	2,916,893
Deposits and placements with banks and other financial institutions	670,111	-	-	-	-	- 8	-	670,103
Investment account placements	2,566,162	-	-	-	-	1,270	-	2,567,432
Financial assets at FVTPL	-	-	-	-	-	-	1,823,178	1,823,178
Financial investments at FVOCI	1,422,222	3,435,030	5,204,578	3,428,419	1,771,407	116,047	-	15,377,703
Loans, advances and financing								
- Non credit-impaired	49,173,163	1,519,836	1,094,777	641,011	540,355	(1,157,911)	-	51,811,231
- Credit-impaired	-	-		-	-	1,587,679	-	1,587,679
Derivative financial assets	-	-	-	321	-	-	927,925	928,246
Other assets	-	200,000	-	-	-	409,400	-	609,400
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	63,937	-	63,937
	56,243,241	5,154,866	6,299,355	4,069,751	2,311,762	1,525,724	2,751,103	78,355,802

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	Non-trading Book							
Bank (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2021								
Financial liabilities								
Deposits from customers	24,118,109	11,621,050	14,359,886	7,959	-	10,939,759	-	61,046,763
Deposits and placements of banks and other financial institutions	3,016,885	1,878,867	-	17,718	398	706,202	-	5,620,070
Bills and acceptances payable	-	-	-	-	-	44,497	-	44,497
Derivative financial liabilities	-	-	904	216	173	-	859,146	860,439
Other liabilities	245,359	479,338	155,702	715,330	250,000	687,190	-	2,532,919
Subordinated bonds	459,279	500,000	-	-	550,000	-	-	1,509,279
	27,839,632	14,479,255	14,516,492	741,223	800,571	12,377,648	859,146	71,613,967
On-statement of financial position interest/profit sensitivity gap	28,403,609	(9,324,389)	(8,217,137)	3,328,528	1,511,191	(10,851,924)	1,891,957	6,741,835
Off-statement of financial position interest/profit sensitivity gap	735,876	(20,876)	(90,000)	(485,000)	(140,000)	-	-	-
Total interest/profit sensitivity gap	29,139,485	(9,345,265)	(8,307,137)	2,843,528	1,371,191	(10,851,924)	1,891,957	6,741,835

43 INTEREST/PROFIT RATE RISK (continued)

The impact on the net interest/finance income is simulated under various interest/profit rate assumptions. The below table sets out the impact on net interest/finance income based on a 50 bps parallel shift in interest/profit rates at the reporting date, for a period of 12 months:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
+ 50 bps	80,285	78,135	67,538	62,288
- 50 bps	(79,366)	(77,021)	(66,281)	(61,090)

The 50 bps shock impact on net interest/finance income is based on simplified scenarios, using the Group's and the Bank's interest/profit risk profile as at the reporting date. It does not take into account actions that would be taken by the Treasury Division or business units to mitigate the impact of the interest/profit rate risk. In reality, Treasury Division seeks to proactively change the interest/profit rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest/profit rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest/finance income of some rates changing while others remain unchanged. The projections also assume a constant statement of financial position and that all positions run to maturity.

44 CURRENCY RISK

Group	MYR RM'000	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000	Total RM'000
2022						
Financial assets						
Cash and cash equivalents	6,484,614	123,691	19,672	119,797	204,571	6,952,345
Deposits and placements with banks and other financial institutions	1,220,638	345,940	-	-	297,022	1,863,600
Financial assets at FVTPL	566,055	-	43	-	-	566,098
Financial investments at FVOCI	22,857,306	27,304	16,736	-	-	22,901,346
Loans, advances and financing	57,285,056	5,651,367	770,781	38,450	553,344	64,298,998
Derivative financial assets	779,592	517,281	3,017	5,623	2,139	1,307,652
Other assets	345,899	15,184	792	1,096	1,501	364,472
Statutory deposits with Bank Negara Malaysia	903,160	-	-	-	-	903,160
	90,442,320	6,680,767	811,041	164,966	1,058,577	99,157,671
Financial liabilities						
Deposits from customers	66,322,503	9,245,439	594,726	628,737	925,858	77,717,263
Deposits and placements of banks and other financial institutions	997,972	4,722,154	-	-	108	5,720,234
Bills and acceptances payable	113,018	1,268	-	-	-	114,286
Derivative financial liabilities	922,717	513,759	3,617	5,812	1,359	1,447,264
Other liabilities	3,817,931	114,366	69,312	58,114	40,317	4,100,040
Subordinated bonds	1,050,000	-	-	-	-	1,050,000
	73,224,141	14,596,986	667,655	692,663	967,642	90,149,087
Net financial assets/ (liabilities) exposure	17,218,179	(7,916,219)	143,386	(527,697)	90,935	9,008,584

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

44 CURRENCY RISK (continued)

Group (continued)	**MYR RM'000**	**USD RM'000**	**AUD RM'000**	**SGD RM'000**	**Others RM'000**	**Total RM'000**
2021						
Financial assets						
Cash and cash equivalents	4,322,385	259,159	12,360	56,076	178,548	4,828,528
Deposits and placements with banks and other financial institutions	11,223	363,623	-	-	74,381	449,227
Financial assets at FVTPL	1,833,240	-	-	-	28	1,833,268
Financial investments at FVOCI	17,710,012	829,843	148,341	-	208,401	18,896,597
Loans, advances and financing	58,976,754	5,352,215	939,776	42,166	520,778	65,831,689
Derivative financial assets	513,298	408,237	5,678	8	286	927,507
Other assets	317,011	26,402	2,311	278	4,466	350,468
Statutory deposits with Bank Negara Malaysia	63,937	-	-	-	-	63,937
	83,747,860	7,239,479	1,108,466	98,528	986,888	93,181,221
Financial liabilities						
Deposits from customers	67,595,638	4,300,483	618,588	624,646	847,262	73,986,617
Deposits and placements of banks and other financial institutions	862,696	4,570,967	106,310	-	108,833	5,648,806
Bills and acceptances payable	56,680	78	-	-	69	56,827
Derivative financial liabilities	528,944	327,814	3,261	-	55	860,074
Other liabilities	2,163,346	239,429	129,523	93,532	17,972	2,643,802
Subordinated bonds	1,050,000	459,279	-	-	-	1,509,279
	72,257,304	9,898,050	857,682	718,178	974,191	84,705,405
Net financial assets/ (liabilities) exposure	11,490,556	(2,658,571)	250,784	(619,650)	12,697	8,475,816

Bank	**MYR RM'000**	**USD RM'000**	**AUD RM'000**	**SGD RM'000**	**Others RM'000**	**Total RM'000**
2022						
Financial assets						
Cash and cash equivalents	5,014,379	300,075	13,478	83,809	180,052	5,591,793
Deposits and placements with banks and other financial institutions	1,420,638	389,943	-	-	297,022	2,107,603
Investment account placements	2,301,896	792,050	-	-	-	3,093,946
Financial assets at FVTPL	561,016	-	43	-	-	561,059
Financial investments at FVOCI	19,658,088	27,304	16,736	-	-	19,702,128
Loans, advances and financing	46,117,984	4,083,155	770,781	38,450	553,344	51,563,714
Derivative financial assets	779,603	517,281	3,017	5,623	2,139	1,307,663
Other assets	400,357	16,288	792	1,096	1,501	420,034
Statutory deposits with Bank Negara Malaysia	703,160	-	-	-	-	703,160
	76,957,121	6,126,096	804,847	128,978	1,034,058	85,051,100

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

44 CURRENCY RISK (continued)

Bank (continued)	**MYR RM'000**	**USD RM'000**	**AUD RM'000**	**SGD RM'000**	**Others RM'000**	**Total RM'000**
2022						
Financial liabilities						
Deposits from customers	54,996,399	8,738,997	589,119	518,514	904,642	65,747,671
Deposits and placements of banks and other financial institutions	954,605	4,722,155	-	-	109	5,676,869
Bills and acceptances payable	101,261	1,268	-	-	-	102,529
Derivative financial liabilities	923,082	513,759	3,617	5,812	1,359	1,447,629
Other liabilities	3,663,800	116,049	69,274	57,497	40,287	3,946,907
Subordinated bonds	1,050,000	-	-	-	-	1,050,000
	61,689,147	14,092,228	662,010	581,823	946,397	77,971,605
Net financial assets/ (liabilities) exposure	15,267,974	(7,966,132)	142,837	(452,845)	87,661	7,079,495
2021						
Financial assets						
Cash and cash equivalents	2,405,287	305,828	11,005	24,773	170,000	2,916,893
Deposits and placements with banks and other financial institutions	211,223	384,499	-	-	74,381	670,103
Investment account placements	2,233,411	334,021	-	-	-	2,567,432
Financial assets at FVTPL	1,823,150	-	-	-	28	1,823,178
Financial investments at FVOCI	14,191,118	829,843	148,341	-	208,401	15,377,703
Loans, advances and financing	47,502,996	4,393,972	939,776	41,388	520,778	53,398,910
Derivative financial assets	514,037	408,237	5,678	8	286	928,246
Other assets	575,839	26,506	2,311	278	4,466	609,400
Statutory deposits with Bank Negara Malaysia	63,937	-	-	-	-	63,937
	69,520,998	6,682,906	1,107,111	66,447	978,340	78,355,802
Financial liabilities						
Deposits from customers	55,286,080	3,739,802	617,486	563,006	840,389	61,046,763
Deposits and placements of banks and other financial institutions	833,959	4,570,968	106,310	-	108,833	5,620,070
Bills and acceptances payable	44,350	78	-	-	69	44,497
Derivative financial liabilities	529,309	327,814	3,261	-	55	860,439
Other liabilities	2,052,705	239,545	129,524	93,168	17,977	2,532,919
Subordinated bonds	1,050,000	459,279	-	-	-	1,509,279
	59,796,403	9,337,486	856,581	656,174	967,323	71,613,967
Net financial assets/ (liabilities) exposure	9,724,595	(2,654,580)	250,530	(589,727)	11,017	6,741,835

44 CURRENCY RISK (continued)

Value-at-Risk ("VaR")

The usage of market VaR by risk type based on 1-day holding period of the Group's and Bank's trading exposures are set out below:

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
VaR				
- Interest/Profit rate risk	5,277	3,059	5,274	3,058
- Currency risk	1,813	1,400	1,819	1,400
- Credit spread risk	640	61	640	61
- Price risk	166	113	166	113
- Total	5,117	3,931	5,123	3,930

45 CAPITAL ADEQUACY

Capital Management

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and to sustain investor, depositor, customer and market confidence. The Group actively manages their capital composition with an optimal mix of capital instruments in order to keep the overall cost of capital low.

The Group's capital is closely monitored and actively managed to ensure that there is sufficient capital to support business growth and to pursue strategic business that will create value for our stakeholder, while taking into consideration OCBC Malaysia’s risk appetite. The Group's internal capital adequacy assessment process ("ICAAP") involves a comprehensive assessment of all material risks that the Group is exposed to and an evaluation of the adequacy of the Group’s capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Group's capital adequacy over a 3-year period. This process takes into consideration the Group's business strategy, operating environment, regulatory changes, target capital ratios and composition, as well as expectations of its various stakeholders. In addition, capital stress tests are conducted to understand the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios, and to evaluate how the Group can continue to maintain adequate capital under such scenarios.

Capital Adequacy Ratios

The Group is in compliance with BNM’s Capital Adequacy Framework which requires banks to meet minimum Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital Adequacy Ratio ("CAR") of 7.0%, 8.5% and 10.5% respectively (inclusive of Capital Conservation Buffer of 2.5%).

In addition, the Group will be subject to a Countercyclical Buffer requirement if this buffer is applied by regulators in countries which the Group has credit exposures to. Generally in the range of 0% to 2.5% of risk-weighted assets, the Countercyclical Buffer is not an ongoing requirement but it may be applied by regulators to limit excessive credit growth in their economy.

On 9 December 2020, BNM implemented transitional arrangements for regulatory capital treatment of accounting provisions which allow the Bank to add back a portion of the Stage 1 and Stage 2 provisions for expected credit loss ("ECL") to CET1 capital, subject to eligibility. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions - interim approach and transitional arrangements" (March 2017) and "Measures to reflect the impact of Covid-19" (April 2020). The Group elected to apply the transitional arrangements for four financial years commencing with the financial year ending 31 December 2020, with the transitional benefits add-back starting at 100% in 2020, then reducing to 75% in 2022, 50% in 2023 and 0% from 2024 onwards.

The table below shows the composition of the Group's and the Bank's regulatory capital and capital adequacy ratios which was determined in accordance with the requirements of BNM's Capital Adequacy Framework (Capital Components), with application of transitional arrangements. The Group's and the Bank's total risk-weighted assets was computed based on the Internal Rating Based Approach for Credit Risk for their major credit portfolios and have adopted the Standardised Approach for Market Risk and Operational Risk respectively.

45 CAPITAL ADEQUACY (continued)

Capital Adequacy Ratios (continued)

	Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CET 1 capital				
Paid-up ordinary share capital	754,000	754,000	754,000	754,000
Retained earnings	7,974,906	7,542,579	6,627,799	6,389,841
Other reserves	547,402	630,069	483,559	544,539
Regulatory adjustment for CET 1 capital	(836,683)	(176,049)	(1,290,368)	(731,913)
	8,439,625	8,750,599	6,574,990	6,956,467
Additional Tier 1 capital	-	459,279	-	459,279
Tier 1 capital	8,439,625	9,209,878	6,574,990	7,415,746
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	13,676	20,945	11,419	17,810
Surplus eligible provisions over expected losses	268,246	261,287	218,557	209,144
Subordinated bonds	1,050,000	1,050,000	1,050,000	1,050,000
Regulatory adjustment for Tier 2 capital	-	-	-	(200,000)
Tier 2 capital	1,331,922	1,332,232	1,279,976	1,076,954
Capital base	9,771,547	10,542,110	7,854,966	8,492,700
Before deducting proposed dividend				
CET 1 capital ratio	16.146%	16.897%	15.313%	16.556%
Tier 1 capital ratio	16.146%	17.784%	15.313%	17.649%
Total capital ratio	18.694%	20.356%	18.294%	20.213%
After deducting proposed dividend				
CET 1 capital ratio	15.315%	16.058%	14.302%	15.523%
Tier 1 capital ratio	15.315%	16.945%	14.302%	16.616%
Total capital ratio	17.863%	19.518%	17.283%	19.179%

Had the transitional arrangements not been applied, the Group's and the Bank's capital adequacy ratios would be as follows:

After deducting proposed dividend				
CET 1 capital ratio	15.206%	14.518%	14.235%	14.539%
Tier 1 capital ratio	15.206%	15.405%	14.235%	15.595%
Total capital ratio	17.754%	17.977%	17.217%	18.166%

Breakdown of risk-weighted assets (“RWA”) in the various categories of risk-weights:

Total RWA for credit risk	45,801,679	45,223,466	37,339,687	36,282,141
Total RWA for market risk	1,015,989	1,361,434	1,019,125	1,364,705
Total RWA for operational risk	5,454,005	5,203,983	4,578,109	4,370,118
	52,271,673	51,788,883	42,936,921	42,016,964

The capital adequacy ratios of OCBC Al-Amin, OCBC Malaysia's Islamic Banking subsidiary, are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components), applying the transitional arrangements. OCBC Al-Amin adopted the Internal Ratings Based Approach for Credit Risk for its major credit portfolios, whilst the other credit portfolios are on the Standardised Approach. For market and operational risks, OCBC Al-Amin has adopted the Standardised Approach and the Basic Indicator Approach respectively.

45 CAPITAL ADEQUACY (continued)

Capital Adequacy Ratios (continued)

The capital adequacy ratios of OCBC Al-Amin are as follows:

	2022	**2021**
CET 1/Tier 1 capital ratio	19.667%	18.179%
Total capital ratio	20.226%	20.782%

Had the transitional arrangements not been applied, OCBC Al-Amin Bank Berhad capital adequacy ratios would be as follows:

CET 1/Tier 1 capital ratio	19.364%	16.790%
Total capital ratio	19.923%	19.393%

46 INTEREST RATE BENCHMARK REFORM

Following the financial crisis, the reform and replacement of benchmark interest rates such as London Interbank Offered Rate ("LIBOR") and other inter-bank offered rates ("IBORs") has become a priority for global regulators. LIBOR, a key benchmark used in international financial markets will be phased out. LIBOR will be replaced by Risk Free Rates ("RFR"), which are already being increasingly adopted in new transactions.

On 24 September 2021, Bank Negara Malaysia (“BNM”) announced the launch of the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate ("ARR") for Malaysia. These are in line with the introduction of ARR globally to improve the integrity of benchmark interest rates as part of a transition to transaction-based rates following the financial crisis.

To ensure a smooth transition, OCBC has established its internal Steering Committee to coordinate the effort across various business, control and support functions.

The Group and the Bank have assessed the adequacy and appropriateness of provisions relating to the permanent discontinuation of benchmarks, in loan/financing documentation, derivative contracts, debt issuances and other relevant contracts. Plans have been made to remediate the contracts with appropriate revisions. A communications plan has been established to identify and engage clients with a view to help them understand how their contracts may be affected and the potential actions they could take in relation to their contracts with OCBC. To ensure infrastructure and process readiness, the Group and the Bank also plan to implement the necessary system upgrades and modifications.

MYOR is running parallel with KLIBOR as of the reporting date and the full transition to MYOR is still in progress hence there remains some uncertainty around the timing and precise nature of these changes. Practical expedients under Phase 2 are not applied for the KLIBOR exposures. The Group and the Bank, however, closely monitor the BNM's announcement on the MYOR and the discontinuation of KLIBOR publication for the selected tenors, and the Bank will engage with the counterparties to discuss the necessary changes to the contract.

Hedge Accounting

The Group and the Bank use interest rate swaps to hedge its exposure to changes in fair value of fixed rate debt instruments in a fair value hedge. With respect to hedge accounting, the Group’s and the Bank's primary exposure are to USD LIBOR and KLIBOR due to the extent of fixed rate debt instruments that are designated in fair value hedge relationships.

The Group and the Bank have applied the following relief from hedge accounting requirements that were introduced by the amendments made to MFRS 9:

- When considering the ‘highly probable’ requirement, the Group and the Bank assumed that the interest rate benchmark, on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.

- In assessing the economic relationship between the hedged item and the hedging instrument, the Group and the Bank assume that the interest rate benchmark on which the hedged item and hedging instruments are based, is not altered as a result of the interest rate benchmark reform.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022 (continued)

46 INTEREST RATE BENCHMARK REFORM (continued)

Hedge Accounting (continued)

- For fair value hedges of interest rate risk on fixed rate debt, the Group and the Bank only assess whether the designated benchmark is separately identifiable at hedge inception and not revisited on reporting date.

In applying the amendments, the Group and the Bank assume that the uncertainty arising from interest rate benchmark reform is no longer present when contracts are modified to reflect the new benchmark rates or are discontinued. The Group and the Bank also assume that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts will be made.

As at 31 December 2022, the notional amount of hedging instruments referencing KLIBOR is RM1,085 million (31 December 2021: RM715 million) for the Group and the Bank. There was also a hedging instrument referencing USD LIBOR with notional amount of RM20 million (equivalent to USD5 million) as at 31 December 2021 for the Group and the Bank which matured during the financial year.

Exposures impacted by the IBOR reform, other than hedging instruments

The Group and the Bank are mainly exposed to USD LIBOR and KLIBOR. The following table shows the total amount of non-derivative financial assets and derivative financial instruments that have yet to transition to an alternative benchmark rate as at 31 December 2022.

	USD LIBOR RM'000	KLIBOR RM'000	Total RM'000
Group			
2022			
Gross carrying amount			
Loans, advances and financing	1,797,300	1,756,300	3,553,600
Non-derivative financial asset	1,797,300	1,756,300	3,553,600
Notional amount			
Derivative financial instruments	9,123,982	38,680,153	47,804,135
2021			
Gross carrying amount			
Financial investments at FVOCI	62,629	-	62,629
Loans, advances and financing	2,353,668	1,126,312	3,479,980
Non-derivative financial asset	2,416,297	1,126,312	3,542,609
Notional amount			
Derivative financial instruments	12,287,319	44,218,566	56,505,885
Bank			
2022			
Gross carrying amount			
Loans, advances and financing	1,077,580	1,520,614	2,598,194
Non-derivative financial asset	1,077,580	1,520,614	2,598,194
Notional amount			
Derivative financial instruments	9,123,982	38,651,033	47,775,015
2021			
Gross carrying amount			
Financial investments at FVOCI	62,629	-	62,629
Loans, advances and financing	1,707,061	875,340	2,582,401
Non-derivative financial asset	1,769,690	875,340	2,645,030
Notional amount			
Derivative financial instruments	12,264,269	44,007,109	56,271,378