OCBC AL-AMIN BANK BERHAD
Registration No. 200801017151 (818444-T)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Directors hereby submit their report and the audited financial statements of the Bank for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Bank is a licensed Islamic Bank principally engaged in Islamic banking, offering customers a comprehensive range of products and services in accordance with Shariah principles. There has been no significant change in the nature of these activities during the financial year.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

FINANCIAL RESULTS	2023 RM'000
Profit for the year	248,297

SHARE CAPITAL

There were no changes in the issued and paid-up share capital of the Bank during the financial year.

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

No dividends have been paid or declared by the Bank since the end of the previous financial year. The Directors do not recommend payment of any dividend in respect of the current financial year ended 31 December 2023.

FINANCIAL PERFORMANCE

The Bank posted profit after tax of RM248.3 million for the financial year ended 31 December 2023, 29% higher than the previous year's results with an increase of RM56.4 million mainly due to higher income derived from investment of depositors' funds and others of RM57.4 million, lower impairment allowances of RM29.4 million, net income from investment account funds of RM28.1 million, income derived from shareholder's funds of RM25.0 million and lower tax expense of RM1.2 million partly offset by higher income attributable to depositors of RM54.3 million and operating expenses of RM30.4 million.

Income from investment of depositors' funds and others increased by RM57.4 million mainly due to higher finance income from FVOCI of RM38.0 million and financing of RM34.4 million partly offset by lower finance income from deposits and placements of banks and other financial institutions of RM18.0 million.

Gross financing and advances increased by RM2.0 billion or 15% to RM15.1 billion as at 31 December 2023 mainly from higher financing to finance, insurance and business services of RM1.3 billion, agriculture of RM0.5 billion and real estate & construction of RM0.3 billion partly offset by lower financing to manufacturing of RM0.2 billion. Customer deposits saw a decrease of RM0.5 billion mainly from lower deposits from individuals and business enterprises partly offset by higher deposits from non-bank financial institutions.

Shareholder's funds strengthened by RM268.7 million to RM2.2 billion. The Bank is well capitalised, after taking into account the effects of RPSIA, with Common Equity Tier 1/Tier 1 capital ratios of 24.025% and Total capital ratio of 24.575%.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

MARKET OUTLOOK

Malaysia's economy expanded moderately by 3% in the fourth quarter of 2023 compared to the previous quarter's 3.3% bringing overall growth for full year 2023 to 3.7%.

Looking ahead, growth is expected to expand by 4% - 5% in 2024, driven by recovery in exports, resilient domestic expenditure as well as higher tourist arrivals and spending, whilst investment activity will be supported by continuation of multi-year projects in both the private and public sectors and implementation of catalytic initiatives under the national master plans. However, the growth outlook in 2024 remains subject to downside risks stemming from weaker-than-expected external demand and larger declines in commodity production.

Bank Negara Malaysia maintained its Overnight Policy Rate ("OPR") at 3.00% in both its Monetary Policy Committee meetings on 24 January 2024 and 7 March 2024. At the current OPR level, the monetary policy stance is in line with the health of the economy and remains supportive of economic growth.

The financial sector is envisaged to maintain its resilience and stability, supported by a robust banking system that actively facilitates financial intermediation activities, benefitting from positive growth projections and an improving labour market. Banks in Malaysia remain well-capitalised to support economic growth, with the banking system's resilience continuing to be underpinned by sound asset quality. We are committed to supporting our customers' transition to more sustainable solutions by delivering innovative and ESG-centred products and services.

ACTIVITIES AND ACHIEVEMENTS 2023

During the period under review, OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") won several industry awards in recognition of our overall performance as a bank and for demonstrating excellence in Islamic Banking and Finance fields.

In line with our efforts to support the Financial Sector Blueprint 2022-2026 announced by Bank Negara Malaysia in 2022, we embarked on a few key initiatives centred on Environmental Social and Governance ("ESG"). We pioneered the adoption of ESG best practices amongst our business partners by offering holistic and value accretive financing solutions. We did so by playing a key role in the sustainability ecosystem and establishing Malaysia as a regional Islamic sustainable finance hub. We arranged Malaysia's first Islamic ESG-linked financing stapled with an ESG-linked derivative solution for a major conglomerate. These innovative offerings solidify OCBC Al-Amin's position as one of the market leaders in Islamic sustainable finance. During the year, our accolades included the Best Local Currency Sukuk, Best New Sukuk, and Best Islamic Financing from The Asset AAA Islamic Finance Awards. We were also awarded the Best Sustainable and Responsible Investment ("SRI") Wakalah Sukuk of the Year by Alpha Southeast Asia – Best Deal & Solution Awards 2023.

OCBC Al-Amin launched the first to market fully online Shariah-compliant business account, OCBC e-Biz Account-i in June 2023. This is a game changer for SMEs as they no longer need to visit a branch physically to open an account as all applications can be done seamlessly online with an initial deposit of RM500. This signifies our dedicated commitment to simplify financial solutions for SMEs, offering them greater convenience and flexibility in managing their businesses.

In consumer banking, we continued to improve our wealth management product offerings. On the digital front, the Bank launched Online FX, enabling customers to exchange major foreign currencies in real time market rates at their convenience.

OCBC Al-Amin continued to support and to participate in Bank Negara Malaysia's Value-based Intermediation Financing and Investment Impact Assessment Framework ("VBIAF") initiatives, which include the development of sectorial guide aimed to provide comprehensive guidance for impact-based assessments in the sector and offers sustainability metrics and indicators for a holistic approach to economic activity classification.

ACTIVITIES AND ACHIEVEMENTS 2023 (continued)

OCBC Al-Amin also pledged its commitment to participate in the Wakalah Zakat Programme with the Zakat Council of Selangor; this is part of its ongoing initiatives to promote financial inclusion. Under this programme, OCBC Al-Amin will be appointed as an agent to distribute a portion of its business Zakat to several approved beneficiaries, which include the MyZakat programme coordinated by Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM"). MyZakat is a recognised initiative under BNM's iTEKAD programme aimed at assisting low-income microentrepreneurs to strengthen their financial management and business acumen toward generating sustainable income.

OCBC Al-Amin's volunteer-based commitment to Corporate Social Responsibility ("CSR") efforts during the year were focused on three main pillars: education, community empowerment and support for healthy living. In 2023, we continued to partner with the Masjid Jamek management to distribute bubur lambuk during Ramadhan, helping autistic children, and industry-level joint programmes to help the needy. These programmes have benefited more than 5,000 recipients, further reinforcing our reputation as a Bank that engages with the community and promotes sustainability-linked efforts.

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*
Ayesha Natchiar Binti Ally Maricar, *Independent Non-executive Director* (Appointed on 3 July 2023)
Ismail Bin Alowi, *Independent Non-executive Director*
Mevin Nevis a/l AF Nevis, *Independent Non-executive Director*
Tan Fong Sang*, Independent Non-executive Director* (Appointed on 2 January 2024)
Lee Kok Keng*, Andrew, Independent Non-executive Director* (Resigned on 29 February 2029)
Ng Hon Soon, *Independent Non-executive Director* (Retired on 15 July 2023)

In accordance with clause 115 of the Bank's Constitution, Puan Ayesha Natchiar Binti Ally Maricar and Ms Tan Fong Sang shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with clauses 112 and 113 of the Bank's Constitution, Encik Ismail Bin Alowi, shall retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

PROFILE OF THE BOARD OF DIRECTORS ("The Board")

Mr Tan Ngiap Joo, *Independent Non-Executive Chairman*

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 Bank (Malaysia) 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.

Puan Ayesha Natchiar Binti Ally Maricar, *Independent Non-Executive Director*

Puan Ayesha Natchiar Binti Ally Maricar was appointed to the Board on 3 July 2023. She also serves on the Board of OCBC Bank (Malaysia) Berhad. A seasoned professional with over 40 years of experience in banking and financial services, Puan Ayesha was Senior Vice President and Chief Internal Auditor of OCBC Bank (Malaysia) Berhad from 1987 to 2010. She has expertise in banking operations, risk management, credit analysis, information technology infrastructure, corporate governance and internal audit, along with a strong understanding of the regulatory environment governing the banking sector. Puan Ayesha was an independent non-executive director of Bank of America Malaysia Berhad from 2012 to 2021, where she served as Chairman of the Board Risk Committee, and was a member of the Board Audit, Nominating and Remuneration Committees. She also served as a director of Merrill Lynch Malaysian Advisory Sdn Bhd from 2015 to 29 January 2024.

PROFILE OF THE BOARD OF DIRECTORS ("The Board") (continued)

Puan Ayesha Natchiar Binti Ally Maricar, ***Independent Non-Executive Director (continued)***

A Certified Risk Professional and Certified Fraud Examiner, Puan Ayesha is accredited in Internal Quality Assessment and Validation by the Institute of Internal Auditors, Inc (USA). She is an Associate Member of the Asian Institute of Chartered Bankers, where she served as Chairman of the Chief Internal Auditors Networking Group and was a member of its Examination Committee for internal audit examinations. Puan Ayesha graduated with a double degree from the University of Singapore and received a Certification in Islamic Law from the International Islamic University, Malaysia. She also completed the Senior Executive Management Programme at Cornell University.

Encik Ismail Bin Alowi, ***Independent Non-Executive Director***

Encik Ismail Bin Alowi was appointed to the Board on 15 May 2017. He started his career in Bank Negara Malaysia (“BNM”) in 1976, where he held various positions in roles involving public finance, balance of payments, financial sector, monetary and exchange rate policies, macroeconomic management, regional and international co-operation, and regional and multilateral trade negotiations. During this time, he acquired extensive experience in policy making and implementation. In November 2002, he was seconded to the International Monetary Fund (“IMF”) as an Alternate Executive Director in the IMF Executive Board until October 2004 when he returned to BNM where he served as Director of the International Department until his retirement in 2009. Encik Ismail graduated with a Bachelor of Economics with Honours from University of Malaya and holds a Master of Arts in Development Economics from Boston University, and a Master’s degree in Public Administration from Harvard University.

Mr Mevin Nevis a/l AF Nevis***, Independent Non-Executive Director***

Mr Mevin a/l AF Nevis was appointed to the Board on 1 November 2022. He brings with him over 35 years of banking experience with responsibilities covering banking operations, international trade finance, credit, commercial, corporate and transaction banking. His senior managerial positions included branch manager, regional manager and head of business such as SME, local corporates, transaction banking and product management. Mr Nevis also served in the United States as vice president and regional account manager in charge of business development among US corporates with business interests in South East Asia. His experience extends to Islamic banking as well, having played a key leadership role in an international Islamic bank where he helped transform its corporate business.

Prior to his appointment to the Board, Mr Nevis was Head of Operations of the Corporate Debt Restructuring Committee (“CDRC”), under the purview of Bank Negara Malaysia. He spent over 5 years at the CDRC leading in the resolution of debt restructuring resolutions between distressed corporates and their financial institution creditors. Mr Nevis was recently appointed Chairman of Pac Lease Berhad, a wholly-owned subsidiary of OCBC Capital (Malaysia) Sdn Bhd and Overseas-Chinese Banking Corporation Limited is the ultimate holding company of Pac Lease Berhad. An Associate of the Chartered Institute of Bankers UK with an MBA in Business Management, Mr Nevis is a Certified Risk Professional (“CRP”), BAI Certification Centre USA, and also attended the international management programme at INSEAD Euro Asia Centre (Fontainebleau), France.

Ms Tan Fong Sang, ***Independent Non-Executive Director***

Ms Tan Fong Sang was appointed to the Board on 2 January 2024. A Chartered Accountant registered with the Malaysian Institute of Accountants (MIA), she is an experienced banker with a career spanning almost 24 years in OCBC Bank (Malaysia) Berhad. She held various executive positions in OCBC Bank (Malaysia) Berhad, including Chief Financial Officer, before retiring. Ms Tan is currently a Director of Great Eastern General Insurance (Malaysia) Berhad (GEGI) and Fraser & Neave Holdings Berhad (F&N). At GEGI, she is Chairman of the Audit Committee and at F&N, she is Chairman of the Sustainability and Risk Management Committee and a member of the Group Executive Committee and Share Buy Back Committee. She was previously a Director of Great Eastern Life Assurance (Malaysia) Berhad and also served in several subsidiaries of Oversea-Chinese Banking Corporation Limited ("OCBC”), namely e2 Power Sdn Bhd, OCBC Credit Berhad, OCBC Capital (Malaysia) Sdn Bhd and OCBC Advisers (Malaysia) Sdn Bhd.

Ms Tan holds a Bachelor of Accounting from Universiti Kebangsaan Malaysia (UKM).

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The interests and deemed interests in the shares of the Bank and its related corporations of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register 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 2023	Acquired/ Awarded	Disposed	At 31 December 2023
Ordinary Shares				
Tan Ngiap Joo	1,430,993	4,487	-	1,435,480
Lee Kok Keng, Andrew (Resigned on 29 February 2024)	257,431	272,522	-	529,953

Unexercised share options available to the Directors under the OCBC Share Option Scheme 2001	Exercise period	At 1 January 2023	Awarded/ Granted	Exercised/ Forfeited/ Lapsed	At 31 December 2023
Ordinary Shares					
Lee Kok Keng, Andrew (Resigned on 29 February 2024)	14/3/2020 to 15/3/2026	310,824	-	(267,312)	43,512

Other than the above, no other Director in office during the financial year held any interest in shares and options of the Bank and its related corporations.

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 Note 27 to 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 Bank pursuant to the OCBC Share Option Scheme 2001.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises five Directors, all of whom are Independent Non-executive Directors. The Independent Non-executive Directors are Mr Tan Ngiap Joo (Chairman of the Board), Puan Ayesha Natchiar Binti Ally Maricar, Encik Ismail Bin Alowi, Mr Mevin Nevis a/l AF Nevis and Ms Tan Fong Sang. The affiliated Directors are Mr Tan Ngiap Joo and Puan Ayesha Natchiar Binti Ally Maricar. Mr Ng Hon Soon and Mr Lee Kok Keng, Andrew, retired as Independent Non-executive Directors with effect from 15 July 2023 and 29 February 2024 respectively.

The Bank has set the 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 beyond his or her tenure or 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 Bank Negara Malaysia ("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 the 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, Shariah principles and Islamic Finance, legal, strategy formulation, business acumen, management experience, familiarity with regulatory requirements and knowledge of risk management, technology and sustainability.

As a principle of good corporate governance, all Directors are subject to re-election/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:

- To be responsible for the overall oversight function and the effective functioning of the Shariah governance structure;
- 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.

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, periodic 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, the 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, sustainability and environment, social and governance (ESG) 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 Puan Ayesha Natchiar Binti Ally Maricar (appointed as a member on 3 July 2023 and subsequently appointed as BAC Chairman on 1 March 2024) (BAC Chairman), Encik Ismail Bin Alowi and Ms Tan Fong Sang (appointed as a member on 1 March 2024), all of whom are independent Directors. Mr Ng Hon Soon stepped down as the BAC member with effect from 15 July 2023 following his retirement from the Board and Mr Lee Kok Keng, Andrew stepped down as the BAC Chairman with effect from 29 February 2024 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 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.

Internal Audit Function

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.

CORPORATE GOVERNANCE (continued)

Internal Audit Function (continued)

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.

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 Encik Ismail Bin Alowi (appointed as NRC Chairman on 1 March 2024), Mr Mevin Nevis a/l AF Nevis and Mr Tan Ngiap Joo, all of whom are independent Directors. Mr Ng Hon Soon stepped down as the NRC member with effect from 15 July 2023 following his retirement from the Board and Mr Lee Kok Keng, Andrew stepped down as NRC Chairman on 29 February 2024 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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

CORPORATE GOVERNANCE (continued)

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

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 68 of the Islamic Financial Services Act 2013. The annual performance evaluation process of the Board as a whole, and the Board Committees as well as of the individual Directors was established with the endorsement of the Committee. The Committee oversees 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.

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 Personnel.

Remuneration Policy

The objective of the Bank'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 Bank, and do not give rise to conflicts between the objectives of the Bank 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 Bank. 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 measurements are adjusted as appropriate for the various types of risk (such as market, credit and operational risks) and include:

- Operating efficiency measures encompassing 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 Bank'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 Bank takes into account the time horizon of risk and includes, 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 Bank shall also take into account the reinforcement of a risk culture that is in line with Shariah governance objectives.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

CORPORATE GOVERNANCE (continued)

Remuneration Policy (continued)

The Bank 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 Bank. This group (“Material Risk Takers”) comprises certain members of senior management, employees of Senior Vice President rank and above, senior control staff, employees who had been awarded high variable performance bonuses and supervisors of staff are identified as Material Risk Taker.

The Bank’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 Ltd deferred shares. Share awards under the OCBC Ltd 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.

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 amount of remuneration received by Directors during the financial year ended 31 December 2023 are as follows:

	Variable remuneration
	Cash Based Directors' Fees
Name	**RM'000**
Tan Ngiap Joo	275
Ayesha Natchiar Binti Ally Maricar (Appointed on 3 July 2023)	80
Ismail Bin Alowi	232
Mevin Nevis a/l AF Nevis	214
Ng Hon Soon (Retired on 15 July 2023)	142
Lee Kok Keng, Andrew (Resigned on 29 February 2024)	267

Quantitative disclosure of the Bank's key management and other Material Risk Taker remuneration is disclosed in Note 27 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 Bank’s risk profile/rating and/or the employee has committed a gross misconduct, fraud or breach of trust in relation to the Bank or OCBC Group.

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 Mevin Nevis a/l AF Nevis (RMC Chairman), Puan Ayesha Natchiar Binti Ally Maricar, Encik Ismail Bin Alowi, Ms Tan Fong Sang and Mr Tan Ngiap Joo, all of whom are independent Non-executive Directors. Mr Ng Hon Soon stepped down as the RMC Chairman with effect from 15 July 2023 following his retirement from the Board and Mr Lee Kok Keng, Andrew stepped down as the RMC member with effect from 29 February 2024 following his resignation from the Board.

BNM had, on 2 July 2009, 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.

CORPORATE GOVERNANCE (continued)

Risk Management Committee ("RMC") (continued)

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 risks including environmental, social and governance as well as climate-related risks, technology and cybersecurity risks and Shariah risk. 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.

Disclosure of Shariah Committee

The Shariah Governance Framework requires the Shariah Committee ("SC") members to participate and engage themselves actively in deliberating Shariah issues in relation to the Bank's activities and operations. Their main duties and responsibilities are as follows:

(a) To provide objective and sound Shariah advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:

- (i) providing decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council ("SAC") of BNM or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the bank;
- (ii) reviewing and endorsing new product or its variation and any Islamic financial instruments such as Sukuk including relevant documentation, product manual or policy, process flow and marketing collaterals;
- (iii) reviewing and endorsing Shariah related guidelines issued from time to time. This also includes approving bank's internal standard operating procedures or manuals which govern the functioning of Shariah Secretariat;
- (iv) providing decision or opinion on matters which require a reference to be made to the SAC of BNM;
- (v) providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;
- (vi) deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- (vii) endorsing a rectification measure to address a Shariah non-compliance event.

(b) To develop a structured and robust methodology to guide its decision-making process which must be documented, adopted and maintained at all times to ensure the credibility of decision-making;

(c) To review and confirm the accuracy of minutes of SC meetings to record the decisions or advice of the SC, including the key deliberations, rationale for each decision made by each SC member, and any significant concerns and dissenting views;

(d) To immediately update the Board in the event the SC has reason to believe that any Shariah issues or matter may affect the safety and soundness of the Bank;

(e) To devote sufficient time to prepare for and attend SC meetings;

(f) To disclose the nature and extent of interest that constitutes or gives rise to a conflict or potential conflict of interest upon the appointment, reappointment or as soon as there is any changes in his circumstances that may affect his status;

(g) To oversee the computation and distribution of Zakat and treatment of funds that cannot be recognized by the Bank as income (e.g., Shariah non-compliance, gharamah/penalty) to be channeled to Zakat institution or charity;

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

CORPORATE GOVERNANCE (continued)

Disclosure of Shariah Committee (continued)

(h) To report the following:

(i) the state of the Shariah compliance of the Bank which will be disclosed in the annual financial statement of the Bank; and

(ii) SC’s decisions to the Board at least three times a year which essentially contains at minimum, product development, key Shariah related issues and revision of Bank's internal Shariah standard operating procedures or manuals which govern the functioning of Shariah Secretariat.

(i) To continuously develop a reasonable understanding of the business and operations of the Bank and keep abreast with relevant market and regulatory developments; and

(j) SC members shall not act in a manner that would undermine the rulings and decisions made by the SAC of BNM or the committee they represent.

Members' Attendance at Shariah Committee ("SC") Meetings in 2023

Name of Shariah Committee Member	Attendance of Meetings Held
Dr Khairul Anuar Bin Ahmad	9 of 10
Hj. Faizal Bin Jaafar	10 of 10
Dr Mohd Hilmi Bin Ramli	10 of 10
Mr Mohd Rofaizal Bin Ibhraim	9 of 10
Mr Abdul Latif bin Ahmad Subki*	7 of 7
Dr Mohd Rizal bin Muwazir*	7 of 7
Prof. Dato' Dr Wan Sabri Bin Wan Yusof^	2 of 2

* Mr Abdul Latif bin Ahmad Subki was appointed as a Shariah Committee Member effective on 1 April 2023.
* Dr Mohd Rizal bin Muwazir was appointed as a Shariah Committee Member effective on 1 April 2023.
^ Prof. Dato' Dr Wan Sabri Bin Wan Yusof's term ended on 31 March 2023.

Management Information

All Directors review the Board and Board Committee reports prior to the Board and Board Committee 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 and to be briefed properly, where necessary, before the meeting. The Bank provides 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 meeting of all Board and Board Committees;
- Performance Report of the Bank;
- Credit Risk Management Report;
- Asset Liability & Market Risk Report;
- Operational Risk Management Report;
- Shariah Risk Management Update; and
- Report of Shariah Committee Decisions.

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' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

CORPORATE GOVERNANCE (continued)

Management Information (continued)

Directors' Attendance At Board and Board Committee Meetings in 2023

Name of Director	Attendance of Meetings Held			
	Board	Board Audit Committee	Nominating & Remuneration Committee	Risk Management Committee
Tan Ngiap Joo	10 of 10		2 of 2	5 of 5
Ayesha Natchiar Binti Ally Maricar (Appointed on 3 July 2023)	5 of 5	4 of 4		3 of 3
Ismail Bin Alowi	10 of 10	7 of 7		5 of 5
Mevin Nevis a/l AF Nevis	10 of 10		1 of 1	5 of 5
Ng Hon Soon (Retired on 15 July 2023)	6 of 6	3 of 3	1 of 1	3 of 3
Lee Kok Keng, Andrew (Resigned on 29 February 2024)	10 of 10	6 of 7	2 of 2	5 of 5

The Bank's Constitution provides for the 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 for Islamic Banking Institutions, Capital Funds for Islamic Banks and Corporate Governance.

DIRECTORS' INDEMNITY

A Directors’ and Officers’ Liability Insurance has been entered into by the Bank for the financial year ended 31 December 2023. 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 Bank amounted to RM4,484 (2022: RM5,342).

OTHER STATUTORY INFORMATION

Before the financial statements 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 are 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 Bank inadequate to any substantial extent, or

- that would render the value attributed to the current assets in the financial statements of the Bank misleading, or

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

OTHER STATUTORY INFORMATION (continued)

- which have arisen which render adherence to the existing method of valuation of assets or liabilities 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 Bank misleading.

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

- any charge on the assets of the Bank that has 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 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 Bank, other than those arising from the transactions made in the ordinary course of business of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Bank for the financial year ended 31 December 2023 has 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 indicated its willingness to accept re-appointment.

Auditors’ remuneration for the financial year is RM358,540 (2022: RM259,500). Details of auditors' remuneration are set out in Note 26 to the financial statements.

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

TAN NGIAP JOO
Chairman

AYESHA NATCHIAR BINTI ALLY MARICAR
Director

Kuala Lumpur, Malaysia
18 April 2024

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 21 to 108 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 Bank as at 31 December 2023 and of its 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

AYESHA NATCHIAR BINTI ALLY MARICAR
Director

Kuala Lumpur, Malaysia
18 April 2024

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

I, Yuen Sook Cheng, the officer primarily responsible for the financial management of OCBC Al-Amin Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 21 to 108 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 Statutory Declarations Act, 1960.

YUEN SOOK CHENG

Subscribed and solemnly declared by the above named Yuen Sook Cheng at Kuala Lumpur in Malaysia on 18 April 2024, before me:

Commissioner for Oaths

OCBC AL-AMIN BANK BERHAD
Registration No. 200801017151 (818444-T)
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT

To the shareholders, depositors and customers of OCBC Al-Amin Bank Berhad;

In the name of Allah, the most Beneficent, the most Merciful.

Praise to Allah, the Lord of the Worlds and peace and blessings be upon our Prophet Muhammad, and on his family and companions.

In carrying out the roles and responsibilities of the Bank's Shariah Committee as prescribed in the Shariah Governance Policy Document issued by Bank Negara Malaysia, we hereby submit the following report for the financial year ended 31 December 2023:

We have reviewed the principles and contracts relating to the transactions and applications undertaken by the Bank during the financial year ended 31 December 2023. We have also conducted our review to form an opinion as to whether the Bank has complied with Shariah rules and relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and requirements. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and, to report to you.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Bank.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah principles.

We, the members of the Shariah Committee of OCBC Al-Amin Bank Berhad, do hereby confirm that:

(a) The overall operations, business, affairs and activities of the Bank are in compliance with Shariah principles except as disclosed in the paragraph below on Shariah non-compliant event; and

(b) The overall operation, allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles.

There was no material Shariah Non-Compliant Event reported during financial year 2023.

In respect of the financial year 2022, the Shariah Committee has endorsed the Zakat computation on Bank's business based on the growth capital method. The Bank has allocated and made Zakat contribution to Lembaga Zakat Selangor.

We, the members of the Shariah Committee of OCBC Al-Amin Bank Berhad, do hereby confirm that the operations of the Bank for the year ended 31 December 2023 have been conducted in conformity with the Shariah principles.

DR KHAIRUL ANUAR BIN AHMAD
Chairman

DR MOHD HILMI BIN RAMLI
Member

Kuala Lumpur, Malaysia
Date: 18 April 2024

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)
(Registration No. 200801017151 (818444-T))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of OCBC Al-Amin Bank Berhad ("the Bank") give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its 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 Bank, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 21 to 108.

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 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 and Shariah Committee's Report, but does not include the financial statements of the Bank and our auditors' report thereon.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC AL-AMIN BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 200801017151 (818444-T))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Information other than the financial statements and auditors' report thereon (continued)

Our opinion on the financial statements of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the 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 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 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 Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the 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 Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC AL-AMIN BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 200801017151 (818444-T))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

(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 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 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 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 Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

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 AL-AMIN BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Registration No. 200801017151 (818444-T))

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 2024

OCBC AL-AMIN BANK BERHAD
Registration No. 200801017151 (818444-T)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
ASSETS			
Cash and cash equivalents	3	1,123,565	1,653,270
Financial assets at fair value through profit or loss ("FVTPL")	4	5,021	5,039
Financial investments at fair value through other comprehensive income ("FVOCI")	5	3,431,407	3,199,218
Financing and advances	6	14,781,079	12,750,988
Derivative financial assets	8	14,866	6,255
Other assets	9	39,610	28,975
Tax recoverable		-	5,358
Statutory deposits with BNM	10	185,000	200,000
Property and equipment	11	2,714	3,121
Right-of-use ("ROU") assets	12	3,478	1,949
Deferred tax assets	13	29,430	40,282
Total assets		19,616,170	17,894,455
LIABILITIES			
Deposits from customers	14	11,432,233	11,978,948
Investment accounts due to designated financial institution	15	5,109,520	3,109,650
Deposits and placements of banks and other financial institutions	16	459,179	580,086
Bills and acceptances payable		18,478	11,757
Derivative financial liabilities	8	14,488	5,901
Other liabilities	17	340,607	237,076
Provision for taxation and zakat		14,099	12,174
Total liabilities		17,388,604	15,935,592
EQUITY			
Share capital	18	555,000	555,000
Reserves	19	1,672,566	1,403,863
Total equity		2,227,566	1,958,863
Total liabilities and equity		19,616,170	17,894,455
Commitments and contingencies	31	5,927,230	4,637,886

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 RM'000	2022 RM'000
Income derived from investment of depositors' funds and others	20	557,108	499,735
Income derived from investment of investment account funds	21	179,387	89,046
Income derived from investment of shareholder's funds	22	171,423	146,454
Impairment allowance and provisions	23	(2,370)	(31,798)
Total distributable income		905,548	703,437
Income attributable to depositors	24	(250,469)	(196,190)
Income attributable to investment account holder	25	(125,571)	(63,319)
Total net income		529,508	443,928
Operating expenses	26	(204,791)	(174,409)
Profit before taxation and zakat		324,717	269,519
Income tax expense	28	(76,370)	(77,577)
Zakat	29	(50)	(50)
Profit for the year		248,297	191,892
Items that may be subsequently reclassified to profit or loss			
Fair value reserve (debt instruments)			
- Change in fair value		27,577	(29,310)
- Transferred to profit or loss		(737)	774
- Related tax		(6,442)	6,849
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		8	93
Other comprehensive income/(expense) for the year, net of income tax		20,406	(21,594)
Total comprehensive income for the year		268,703	170,298
Profit attributable to the owner of the Bank		248,297	191,892
Total comprehensive income attributable to the owner of the Bank		268,703	170,298
Basic earnings per ordinary share (sen)	30	134.21	103.73

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

OCBC AL-AMIN BANK BERHAD
Registration No. 200801017151 (818444-T)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Non-distributable				*Distributable*	
	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**
2023						
At 1 January 2023	555,000	91,000	147	(27,157)	1,339,873	1,958,863
Fair value reserve						
- Change in fair value	-	-	-	27,577	-	27,577
- Transferred to profit or loss	-	-	-	(737)	-	(737)
- Related tax	-	-	-	(6,442)	-	(6,442)
Change in ECL reserve	-	-	8	-	-	8
Total other comprehensive income for the year	-	-	8	20,398	-	20,406
Profit for the year	-	-	-	-	248,297	248,297
Total comprehensive income for the year	-	-	8	20,398	248,297	268,703
At 31 December 2023	555,000	91,000	155	(6,759)	1,588,170	2,227,566
2022						
At 1 January 2022	555,000	91,000	54	(5,470)	1,147,981	1,788,565
Fair value reserve						
- Change in fair value	-	-	-	(29,310)	-	(29,310)
- Transferred to profit or loss	-	-	-	774	-	774
- Related tax	-	-	-	6,849	-	6,849
Change in ECL reserve	-	-	93	-	-	93
Total other comprehensive income/(expense) for the year	-	-	93	(21,687)	-	(21,594)
Profit for the year	-	-	-	-	191,892	191,892
Total comprehensive income/(expense) for the year	-	-	93	(21,687)	191,892	170,298
At 31 December 2022	555,000	91,000	147	(27,157)	1,339,873	1,958,863

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

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	2023 RM'000	2022 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	324,717	269,519
Adjustments for:		
Net (gain)/loss from disposal of:		
- Financial assets at FVTPL	-	206
- Financial investments at FVOCI	(737)	774
- Property and equipment	-	148
Depreciation of equipment	1,067	1,430
Depreciation of ROU assets	1,541	1,523
Impairment allowance and provisions	20,887	57,217
Finance expense on lease liabilities	59	54
Share-based costs	394	117
Unrealised loss/(gain) on:		
- Financial assets at FVTPL	17	156
- Derivatives	448	(407)
Operating profit before changes in working capital	348,393	330,737
Changes in operating assets and operating liabilities:		
Financial assets at FVTPL	1	4,689
Financing and advances	(2,040,767)	(363,889)
Derivative financial assets	(9,059)	7,262
Other assets	(10,627)	3,571
Statutory deposits with BNM	15,000	(200,000)
Deposits from customers	(546,715)	(968,309)
Investment accounts due to designated financial institution	1,989,660	530,784
Deposits and placements of banks and other financial institutions	(120,907)	61,709
Bills and acceptances payable	6,721	(573)
Derivative financial liabilities	8,587	(7,583)
Other liabilities	101,619	35,776
Cash generated used in operations	(258,094)	(565,826)
Income tax and zakat paid	(64,728)	(49,754)
Net cash used in operating activities	(322,822)	(615,580)
Cash flows from investing activities		
Acquisition of financial investments at FVOCI	(5,943,790)	(5,416,420)
Proceeds from disposal of financial investments at FVOCI	5,739,178	5,706,786
Acquisition of equipment	(679)	(328)
Proceeds from disposal of equipment	19	5
Net cash (used in)/generated from investing activities	(205,272)	290,043
Cash flows from financing activities		
Redemption of subordinated sukuk	-	(200,000)
Payment of lease liabilities	(1,611)	(1,593)
Net cash used in financing activities	(1,611)	(201,593)
Net decrease in cash and cash equivalents	(529,705)	(527,130)
Cash and cash equivalents at 1 January	1,653,270	2,180,400
Cash and cash equivalents at 31 December (Note 3)	1,123,565	1,653,270

Change in liabilities arising from financing activity

	2023 RM'000	2022 RM'000
At 1 January	1,986	2,849
Payment of lease liabilities	(1,611)	(1,593)
Acquisition of new leases and changes in lease terms	3,070	676
Finance expense on lease liabilities	59	54
At 31 December	3,504	1,986

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

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 principal place of business is located at 25th Floor, Wisma Lee Rubber, 1 Jalan Melaka, 50100 Kuala Lumpur.

The Bank is a licensed Islamic Bank principally engaged in Islamic Banking and related financial services. There were no significant changes in these activities during the financial year.

The immediate and ultimate holding companies of the Bank are OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"), incorporated in Malaysia and Oversea-Chinese Banking Corporation Limited ("OCBC Ltd"), incorporated in Singapore, respectively.

The financial statements were approved and authorised for issue by the Board of Directors on 18 April 2024.

1 BASIS OF PREPARATION

The accounting policies set out below have been applied consistently to the periods presented in the unaudited condensed interim financial statements, except as disclosed in Note 1(a) to the interim financial statements.

The unaudited condensed interim financial statements of the Bank have been prepared under the historical cost convention except for the assets and liabilities which are stated at fair value as disclosed in the notes to the unaudited condensed interim financial statements: financial assets at FVTPL, financial investments at FVOCI and derivative financial instruments. The unaudited condensed interim 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 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.

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

- 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*
- Amendments to MFRS 112, *Income Taxes - International Tax Reform - Pillar Two Model Rules*

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

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

<u>Effective for annual periods commencing on or after 1 January 2024</u>

- 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*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures - Supplier Finance Arrangements*

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Effective for annual periods commencing on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates*

The Bank plans to apply the abovementioned amendments to accounting standards, which are relevant to the Bank when they become effective in the respective financial periods. The initial application of the abovementioned amendments to accounting standards are not expected to have any material impact to the financial statements 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 4), financial investments at fair value through other comprehensive income ("FVOCI") (Note 5) and derivative financial assets and liabilities (Note 8). 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 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 Bank evaluates, 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.

(ii) Impairment of financial assets

In determining whether the credit risk of the Bank's financial exposures has increased significantly since initial recognition, 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 Bank’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, remain subject to continuous review and refinement. The assumptions and judgements used by management may affect impairment allowances computed.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

(ii) Impairment of financial assets (continued)

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

Allowances for non-credit impaired financing to customers

The forward-looking scenarios used in the ECL model have been updated to reflect the latest available macroeconomic view of recovery in 2023 onwards. However, post-model adjustment continued to be applied during the year to account for the estimated impact of economic uncertainties not reflected in the modelled outcome.

Allowances for credit-impaired financing to customers

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 from economic uncertainties, where applicable.

The Bank's allowances for financial assets are disclosed in Note 7 and Note 23.

(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.

2 MATERIAL ACCOUNTING POLICIES

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

A Foreign currency transactions

Transactions in foreign currencies are translated to RM, which is the functional currency of the Bank 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 FVOCI or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

B 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 Bank becomes a party to the contractual provisions of the instrument.

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 Bank accounts 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 Bank 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 whose 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 profit on the principal amount outstanding, are not designated as FVTPL. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective profit method. The amortised cost is reduced by impairment allowances, if any. Profit 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.

Profit income is recognised by applying effective profit rate to the gross carrying amount except for credit-impaired financial assets (see note 2F(a)) where the effective 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), lease-based contracts (Ijarah Thumma Al-Bai, Ijarah and Ijarah Muntahiah Bi Al-Tamlik), equity based contracts (Musharakah Mutanaqisah and Mudharabah) and other contracts (Wakalah and Qard). The Bank'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 Bank throughout the tenor of the financing and ownership of the assets will be transferred to the customer at the end of the financing.

2 MATERIAL ACCOUNTING POLICIES (continued)

B Financial instruments (continued)

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

Financial assets

(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 debt investments, and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding, and are not designated as FVTPL. Profit income calculated using the effective profit method, foreign exchange gains and losses and impairment allowances are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. 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 profit.

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

Equity investments

This category comprises investments in equity that are not held for trading, and the Bank irrevocably elects 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 Bank 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 profit or dividend income, are recognised in the profit or loss.

Financial liabilities

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

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.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

B Financial instruments (continued)

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

Financial liabilities (continued)

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 specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument.

In the ordinary course of business, the Bank give 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 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

B Financial instruments (continued)

(e) 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, profit rate and currency swaps, financial futures and option contracts. These instruments allow the Bank and its customers to transfer, modify or reduce their foreign exchange and 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 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 Bank 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.

(f) 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.

(g) 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.

(h) 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.

C 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

C Property and equipment (continued)

(a) Recognition and measurement (continued)

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 Bank, 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.

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. 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:

- Office equipment and furniture — 3 - 5 years
- Computer equipment and software — 3 - 8 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.

D 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 Bank assesses whether:

2 MATERIAL ACCOUNTING POLICIES (continued)

D Leases (continued)

(a) Definition of a lease (continued)

- 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 Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset, i.e. when the Bank 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 Bank has the right to direct the use of the asset if either the Bank has the right to operate the asset; or the Bank 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 Bank 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 for which the Bank is a lessee, the Bank will account for the lease and non-lease components as a single lease component.

(b) Recognition and initial measurement

(i) As a lessee

The Bank 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 Bank's incremental borrowing rate.

Lease payments 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 Bank is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The Bank 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 Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

D Leases (continued)

(b) Recognition and initial measurement (continued)

(ii) As a lessor (continued)

To classify each lease, the Bank 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 Bank applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Bank 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 Bank applies the exemption described above, then it classifies the sublease as an operating lease.

(c) Subsequent measurement

(i) 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 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 Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank 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 profit on the remaining balance of the liability for each period.

(ii) As a lessor

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

E 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 at amortised cost in accordance with Note 2B(b)(i).

2 MATERIAL ACCOUNTING POLICIES (continued)

F Impairment

(a) Financial assets

The Bank recognises impairment allowances for ECL on financial assets measured at amortised cost and financial investments measured at FVOCI and certain off-statement of financial position commitments and financial guarantees which were previously provided for under MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*.

(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 2F(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).

Financing is 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 Bank 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 financing commitments: At the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: The expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The Bank 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 is quantified based on the recovery strategy adopted, where the Bank takes into account other factors including forward looking scenarios, market conditions and credit risk mitigants.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

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

- The Bank 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 Bank conducts qualitative assessment to ascertain if there has been significant increase in credit risk.
- The Bank uses 30 days/one month past due as an 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 Bank is also guided by the policy document on Financial Reporting for Islamic Banking Institutions 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 Bank'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 based on lifetime ECL as described in Note 37 to the financial statements.

(iv) Regulatory reserve

Under BNM's policy document on Financial Reporting for Islamic Banking Institutions, the Bank 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

F Impairment (continued)

(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.

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 allowances are recognised in profit or loss. Impairment loss recognised in respect of cash-generating unit 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 (group of cash-generating units) on a pro rata basis.

Impairment allowances recognised in prior periods are 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 allowances are credited to profit or loss in the financial year in which the reversals are recognised.

G 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.

Interim dividends on ordinary 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

H 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 Bank 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 Bank expects to pay as a result of the unused entitlement that has accumulated as at the end of the reporting period.

The Bank'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 Bank has no further payment obligations.

(b) Share-based payment transactions

(i) OCBC Deferred Share Plan

Under the OCBC Deferred Share Plan ("the Plan"), shares of the ultimate holding company of the Bank, Oversea-Chinese Banking Corporation Limited (“OCBC Ltd”), 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. 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 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 ultimate holding company of the Bank are offered to eligible executives who are of Manager rank and above and 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 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

H Employee benefits (continued)

(b) Share-based payment transactions (continued)

(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 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 ultimate holding company. At each reporting date, the Bank 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 ultimate holding company of the Bank over the vesting period. Further details of the equity compensation benefits are disclosed in Note 17(b) to the financial statements.

I Provisions

A provision is recognised if, as a result of past event, the Bank 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 Bank expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually clean.

J Income and expenses

(a) Finance income and finance expense

Finance income or expense is recognised using the effective profit rate method.

The effective profit 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 finance income and expense, the effective 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, finance income is calculated by applying the effective 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 finance income 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) is 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) is recognised on effective profit rate basis over the lease term.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

J Income and expenses (continued)

(b) Fee and commission income

The Bank earns fees and commissions from a range of services rendered to its customers. Fees and commissions are recognised when the Bank 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 Bank's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(e) Other income

Pursuant to BNM's Guidelines on Late Payment Charges for Islamic Banking Institutions, the Bank recognises all late penalty income as 'Non Finance Income' in profit or loss.

K 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 they relate 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 the 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 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

K Income tax (continued)

(b) Deferred tax (continued)

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.

L 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 by the weighted average number of ordinary shares outstanding during the period.

M 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 Bank as mudarib and losses borne by investors.

N 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, whose 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.

(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 Bank, 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.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

P Zakat contribution

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

3 CASH AND CASH EQUIVALENTS

	2023 RM'000	2022 RM'000
Cash and balances with banks and other financial institutions	75,806	109,567
Deposits and placements with BNM	1,047,762	1,543,714
	1,123,568	1,653,281
Stage 1 ECL allowance	(3)	(11)
	1,123,565	1,653,270

By geographical distribution determined based on where the credit risk resides

	2023 RM'000	2022 RM'000
Malaysia	1,071,223	1,570,244
Singapore	20,629	35,988
Other ASEAN countries	1,645	751
Rest of the world	30,071	46,298
	1,123,568	1,653,281

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

	2023 RM'000	2022 RM'000
At fair value		
Islamic Corporate Sukuk	5,021	5,039

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

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

	2023 RM'000	2022 RM'000
At fair value		
Malaysian Government Investment Issues	2,176,959	1,985,126
Malaysian Government Islamic Treasury Bills	-	363,205
Islamic Corporate Sukuk	720,103	367,130
Islamic Negotiable Instruments of Deposit	199,181	398,773
Cagamas Sukuk	335,164	84,984
	3,431,407	3,199,218

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

	2023			2022		
	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non credit-impaired RM'000	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non credit-impaired RM'000
At 1 January	147	-	147	54	-	54
New financial assets originated or purchased	322	-	322	224	-	224
Financial assets derecognised	(191)	-	(191)	(66)	-	(66)
Net remeasurement during the year	(123)	-	(123)	(65)	-	(65)
At 31 December	155	-	155	147	-	147

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

6 FINANCING AND ADVANCES

(i) By type and Shariah contract

	Sale based contracts					*Lease based contracts*			*Equity based contracts*			
2023	**Bai' Inah RM'000**	**Bai' Bithaman Ajil RM'000**	**Tawarruq RM'000**	**Murabahah RM'000**	**Bai' Dayn RM'000**	**Ijarah Thumma Al- Bai RM'000**	**Ijarah RM'000**	**Ijarah Muntahiah Bi Al-Tamlik RM'000**	**Musharakah Mutanaqisah RM'000**	**Mudharabah RM'000**	**Others RM'000**	**Total RM'000**
At amortised cost and net of unearned income												
Cash line financing	4,634	1,500	-	-	-	-	537,362	-	-	-	12,487	555,983
Term Financing												
- House financing	-	3,637	47,183	-	-	-	-	1,470,517	48,791	-	-	1,570,128
- Syndicated term financing	-	-	2,109,399	-	-	-	-	-	-	100,227	-	2,209,626
- Hire purchase receivables	-	-	-	-	-	143,272	-	77,925	-	-	-	221,197
- Other term financing	38,027	17,650	5,263,542	-	-	-	-	733,394	64,809	-	-	6,117,422
Bills receivable	-	-	-	69,146	10,464	-	-	-	-	-	-	79,610
Revolving credit	-	-	4,046,725	-	-	-	-	-	-	-	-	4,046,725
Claims on customers under acceptance credits	-	-	-	216,974	19,400	-	-	-	-	-	-	236,374
Other financing	-	-	96,872	-	-	-	-	-	-	-	-	96,872
Gross financing and advances	42,661	22,787	11,563,721	286,120	29,864	143,272	537,362	2,281,836	113,600	100,227	12,487	15,133,937
ECL allowance												(352,858)
Net financing and advances												14,781,079

Included in financing and advances are specific business ventures funded by the Restricted Profit Sharing Investment Account ("RPSIA") arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad (Note 15). The immediate holding company, being the RPSIA investor, is exposed to the risks and rewards of the business venture and accounts for the impairment allowances arising thereon.

As at 31 December 2023, the gross exposure and ECL relating to RPSIA financing amounted to RM4,964 million (2022: RM2,950 million) and RM29 million (2022: RM41 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

6 FINANCING AND ADVANCES (continued)

(i) By type and Shariah contract (continued)

	Sale based contracts					*Lease based contracts*			*Equity based contracts*			
2022	**Bai' Inah RM'000**	**Bai' Bithaman Ajil RM'000**	**Tawarruq RM'000**	**Murabahah RM'000**	**Bai' Dayn RM'000**	**Ijarah Thumma Al- Bai RM'000**	**Ijarah RM'000**	**Ijarah Muntahiah Bi Al-Tamlik RM'000**	**Musharakah Mutanaqisah RM'000**	**Mudharabah RM'000**	**Others RM'000**	**Total RM'000**
At amortised cost and net of unearned income												
Cash line financing	7,622	5,487	-	-	-	-	474,131	-	-	-	8,514	495,754
Term Financing												
- House financing	-	4,824	-	-	-	-	-	1,596,545	55,561	-	-	1,656,930
- Syndicated term financing	-	-	1,722,568	-	-	-	-	17,058	-	100,219	-	1,839,845
- Hire purchase receivables	-	-	-	-	-	154,171	-	82,856	-	-	-	237,027
- Other term financing	60,381	16,141	3,804,376	-	-	-	-	933,569	73,322	-	-	4,887,789
Bills receivable	-	-	-	39,172	28,220	-	-	-	-	-	-	67,392
Trust receipts	-	-	-	484	-	-	-	-	-	-	-	484
Revolving credit	-	-	3,609,963	-	-	-	-	-	-	-	-	3,609,963
Claims on customers under acceptance credits	-	-	-	220,024	68,950	-	-	-	-	-	-	288,974
Other financing	-	-	91,102	-	-	-	-	-	-	-	-	91,102
Gross financing and advances	68,003	26,452	9,228,009	259,680	97,170	154,171	474,131	2,630,028	128,883	100,219	8,514	13,175,260
ECL allowance												(424,272)
Net financing and advances												12,750,988

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

6 FINANCING AND ADVANCES (continued)

	2023 RM'000	2022 RM'000
(ii) By type of customer		
Domestic banking institutions	809,238	-
Domestic non-bank financial institutions	1,922,978	1,907,742
Domestic business enterprises		
- Small and medium enterprises	2,327,187	2,338,972
- Others	8,185,221	6,866,963
Individuals	1,683,530	1,799,616
Foreign entities	205,783	261,967
	15,133,937	13,175,260

	2023 RM'000	2022 RM'000
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	91,335	80,384
- Hire purchase receivables	143,272	154,171
- Other fixed rate financing	672,287	1,251,462
Variable rate		
- Base rate/Base financing rate plus/Standardised base rate	3,632,246	3,706,580
- Cost plus	10,514,696	7,931,457
- Other variable rates	80,101	51,206
	15,133,937	13,175,260

	2023 RM'000	2022 RM'000
(iv) By sector		
Agriculture, hunting, forestry and fishing	825,150	287,423
Mining and quarrying	12,677	93,519
Manufacturing	1,026,851	1,226,992
Electricity, gas and water	219,995	132,012
Construction	539,005	431,073
Real estate	1,251,690	1,094,503
Wholesale & retail trade and restaurants & hotels	1,125,201	1,059,659
Transport, storage and communication	710,073	739,743
Finance, insurance and business services	6,923,951	5,609,595
Community, social and personal services	721,210	603,131
Household		
- Purchase of residential properties	1,577,827	1,664,832
- Purchase of non-residential properties	45,382	46,620
- Others	154,925	186,158
	15,133,937	13,175,260

	2023 RM'000	2022 RM'000
(v) By geographical distribution determined based on where the credit risk resides		
Malaysia	14,943,930	12,939,708
Singapore	57,577	62,247
Other ASEAN countries	4,512	6,433
Rest of the world	127,918	166,872
	15,133,937	13,175,260

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

6 FINANCING AND ADVANCES (continued)

(vi) By residual contractual maturity

	2023 RM'000	2022 RM'000
Up to one year	5,102,560	4,639,246
Over one year to three years	2,976,205	1,034,829
Over three years to five years	2,599,452	3,052,231
Over five years	4,455,720	4,448,954
	15,133,937	13,175,260

7 IMPAIRED FINANCING AND ADVANCES

(a) Movements in credit-impaired financing and advances

	2023 RM'000	2022 RM'000
At 1 January	732,428	544,552
Impaired during the year	117,998	340,794
Reclassified as non credit-impaired	(84,814)	(45,402)
Amount recovered	(111,038)	(76,710)
Amount written off	(103,985)	(30,806)
At 31 December	550,589	732,428
Stage 3 ECL allowance	(257,463)	(317,299)
Net impaired financing and advances	293,126	415,129

Included in the credit-impaired financing and advances are specific business ventures funded by the RPSIA arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad. The immediate holding company, as the RPSIA holder, is exposed to the risks and rewards of the business venture and accounts for the Stage 3 ECL arising thereon. As at 31 December 2023, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM15 million (2022: RM25 million) and RM15 million (2022: RM25 million) respectively.

(i) By sector

	2023 RM'000	2022 RM'000
Agriculture, hunting, forestry and fishing	184	1,571
Manufacturing	97,854	100,225
Electricity, gas and water	121	196
Construction	91,371	64,003
Real estate	1,624	35,323
Wholesale & retail trade and restaurants & hotels	184,182	205,264
Transport, storage and communication	19,237	32,623
Finance, insurance and business services	7,242	75,314
Community, social and personal services	490	1,893
Household		
- Purchase of residential properties	127,722	188,305
- Purchase of non-residential properties	3,549	1,989
- Others	17,013	25,722
	550,589	732,428

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

7 IMPAIRED FINANCING AND ADVANCES (continued)

(a) Movements in credit-impaired financing and advances (continued)

	2023 RM'000	**2022 RM'000**
(ii) By geographical distribution determined based on where the credit risk resides		
Malaysia	538,805	722,462
Singapore	2,411	4,480
Other ASEAN countries	1,404	1,402
Rest of the world	7,969	4,084
	550,589	732,428

	2023 RM'000	**2022 RM'000**
(iii) By collateral type		
Property	297,763	394,169
Machinery	-	421
Secured - others	23,277	23,326
Unsecured - corporate and other guarantees	178,892	220,410
Unsecured - clean	50,657	94,102
	550,589	732,428

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

7 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL allowance for financing and advances

	Non credit-impaired		*Credit-impaired*	**2023**	*Non credit-impaired*		*Credit-impaired*	**2022**
	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	17,546	89,427	317,299	424,272	31,250	218,475	220,895	470,620
Transferred to Stage 1	62,365	(53,686)	(8,679)	-	49,895	(46,452)	(3,443)	-
Transferred to Stage 2	(5,285)	22,213	(16,928)	-	(8,521)	16,890	(8,369)	-
Transferred to Stage 3	(56)	(45,335)	45,391	-	(182)	(80,699)	80,881	-
New financial assets originated or purchased	18,341	27,495	-	45,836	12,566	31,694	-	44,260
Financial assets derecognised	(8,498)	(19,887)	(1,099)	(29,484)	(8,482)	(36,773)	(6,376)	(51,631)
Net remeasurement during the year	(54,573)	44,838	29,600	19,865	(55,864)	16,165	72,148	32,449
Written-off	-	-	(103,985)	(103,985)	-	-	(30,806)	(30,806)
Reclassified to Other Liabilities	-	-	-	-	(3,173)	(31,173)	-	(34,346)
Other movements	41	449	(4,136)	(3,646)	57	1,300	(7,631)	(6,274)
At 31 December	29,881	65,514	257,463	352,858	17,546	89,427	317,299	424,272

7 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL allowance for financing and advances (continued)

Impact of movements in gross carrying amount on ECL allowance

Stage 1 ECL allowance increased by RM12.3 million during the financial year mainly due to higher transfers-in to Stage 1 from improvements in credit quality and newly originated financing and advances partly offset by lower net remeasurement and financial assets derecognised.

Stage 2 ECL allowance decreased by RM23.9 million mainly due to transfers to Stage 1 due to improvements in credit quality and transfers to Stage 3 from deterioration in asset quality from several large corporates partly offset by higher net remeasurement and newly originated financing and advances.

Stage 3 ECL allowance decreased by RM59.8 million mainly due higher corporate write-offs and transfers to Stage 2 due to improvements in asset quality partly offset by higher transfers-in to Stage 3 and higher net remeasurement during the year.

ECL allowance on financing and advances, including on financing commitments and financial guarantees (Note 17).

(i) By sector

	Non credit-impaired	*Credit-impaired*	**Stage 3 ECL**	
	Stage 1 and 2 ECL	**Stage 3 ECL**	**Made during the year (Note 23)**	**Written off**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2023				
Agriculture, hunting, forestry and fishing	10,120	18	-	-
Mining and quarrying	200	-	-	-
Manufacturing	18,321	84,161	39,857	134
Electricity, gas and water	820	4	-	-
Construction	35,338	95,265	46,607	13,637
Real estate	9,492	142	24	7
Wholesale & retail trade and restaurants & hotels	11,899	37,105	3,484	7,557
Transport, storage and communication	4,635	15,423	253	302
Finance, insurance and business services	27,959	855	479	63,474
Community, social and personal services	845	397	-	-
Household				
- Purchase of residential properties	3,602	29,864	18,050	15,064
- Purchase of non-residential properties	371	1,029	637	-
- Others	2,650	8,354	5,042	3,810
	126,252	272,617	114,433	103,985

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

7 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL allowance for financing and advances (continued)

(i) By sector (continued)

	Non credit-impaired	*Credit-impaired*	**Stage 3 ECL**	
	Stage 1 and 2 ECL	**Stage 3 ECL**	**Made during the year (Note 23)**	**Written off**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2022				
Agriculture, hunting, forestry and fishing	10,471	18	1	-
Mining and quarrying	552	-	-	-
Manufacturing	17,757	47,447	43,787	2,262
Electricity, gas and water	926	81	-	-
Construction	42,908	79,483	19,689	3,215
Real estate	7,390	305	355	-
Wholesale & retail trade and restaurants & hotels	11,722	55,124	45,719	5,292
Transport, storage and communication	4,658	26,198	1,013	133
Finance, insurance and business services	36,936	65,997	36,034	5,149
Community, social and personal services	544	433	1,778	-
Household				
- Purchase of residential properties	4,200	52,391	25,304	18
- Purchase of non-residential properties	797	638	662	-
- Others	12,411	16,926	14,353	14,737
	151,272	345,041	188,695	30,806

(ii) By geographical distribution

	Non credit-impaired	*Credit-impaired*	**2023**	*Non credit-impaired*	*Credit-impaired*	**2022**
	Stage 1 and 2 ECL	**Stage 3 ECL**	**Total ECL**	**Stage 1 and 2 ECL**	**Stage 3 ECL**	**Total ECL**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	118,267	269,828	388,095	133,726	342,785	476,511
Singapore	273	496	769	188	483	671
Other ASEAN countries	9	-	9	216	22	238
Rest of the world	7,703	2,293	9,996	17,142	1,751	18,893
	126,252	272,617	398,869	151,272	345,041	496,313

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

8 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 and profit rate. They include forwards and swaps. In the normal course of business, the Bank customise derivatives to meet the specific needs of their customers.

The tables below analyse the principal amounts and the positive (assets) and negative (liabilities) fair values of the Bank's financial derivatives. The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting date. 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 as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

	2023			2022		
	Contract or underlying principal amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract or underlying principal amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	136,487	350	189	90,569	419	200
- Swaps	1,356,890	14,516	14,299	681,998	5,259	5,085
Profit rate derivatives						
- Swaps	-	-	-	58,241	577	616
	1,493,377	14,866	14,488	830,808	6,255	5,901
Of which related to immediate holding company	907,481	8,759	6,498	447,695	983	5,282

9 OTHER ASSETS

	2023 RM'000	2022 RM'000
Profit receivable	28,283	23,134
Other receivables, deposits and prepayments	2,548	3,182
Amount due from immediate holding company	8,599	2,113
Amount due from ultimate holding company	180	546
	39,610	28,975

The amounts due from ultimate and immediate holding companies are unsecured, profit-free and repayable on demand.

10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities.

11 PROPERTY AND EQUIPMENT

	2023				2022			
	Office equipment and furniture RM'000	Computer equipment/ software RM'000	Renovation RM'000	Total RM'000	Office equipment and furniture RM'000	Computer equipment/ software RM'000	Renovation RM'000	Total RM'000
Cost								
At 1 January	9,023	16,238	9,970	35,231	10,105	17,311	11,847	39,263
Additions	639	40	-	679	75	210	43	328
Disposals/Written off	(41)	(148)	(50)	(239)	(1,080)	(1,238)	(1,920)	(4,238)
Transfer from related parties	-	-	-	-	-	7	-	7
Transfer to related parties	(63)	(5)	-	(68)	(77)	(52)	-	(129)
At 31 December	9,558	16,125	9,920	35,603	9,023	16,238	9,970	35,231
Accumulated depreciation								
At 1 January	(6,506)	(15,762)	(9,842)	(32,110)	(6,773)	(16,730)	(11,385)	(34,888)
Depreciation for the year	(753)	(216)	(98)	(1,067)	(738)	(315)	(377)	(1,430)
Disposals/Written off	41	146	50	237	932	1,238	1,920	4,090
Transfer from related parties	-	-	-	-	-	(7)	-	(7)
Transfer to related parties	46	5	-	51	73	52	-	125
At 31 December	(7,172)	(15,827)	(9,890)	(32,889)	(6,506)	(15,762)	(9,842)	(32,110)
Carrying amount								
At 1 January	2,517	476	128	3,121	3,332	581	462	4,375
At 31 December	2,386	298	30	2,714	2,517	476	128	3,121

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

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

	2023 RM'000	2022 RM'000
Properties		
Cost		
At 1 January	5,194	8,479
Additions	3,070	688
Derecognition during the year	(1,707)	(3,973)
At 31 December	6,557	5,194
Accumulated depreciation		
At 1 January	(3,245)	(5,683)
Depreciation for the year	(1,541)	(1,523)
Derecognition during the year	1,707	3,961
At 31 December	(3,079)	(3,245)
Carrying amount		
At 1 January	1,949	2,796
At 31 December	3,478	1,949

13 DEFERRED TAX ASSETS

	Assets		Liabilities		Net	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Change in fair value of financial instruments	2,134	8,576	-	-	2,134	8,576
Stage 1 and 2 ECL allowance	20,826	27,093	-	-	20,826	27,093
Capital allowances over depreciation	-	-	(372)	(431)	(372)	(431)
Provision for expenses	2,321	1,670	-	-	2,321	1,670
Other temporary differences	4,521	3,374	-	-	4,521	3,374
Tax assets/(liabilities)	29,802	40,713	(372)	(431)	29,430	40,282
Set off of tax	(372)	(431)	372	431	-	-
Net tax assets	29,430	40,282	-	-	29,430	40,282

(i) Movement in deferred tax during the financial year

	At 1 January RM'000	Recognised in profit or loss (Note 28) RM'000	Recognised in other comprehensive income RM'000	At 31 December RM'000
2023				
Change in fair value of financial instruments	8,576	-	(6,442)	2,134
Stage 1 and 2 ECL allowance	27,093	(6,267)	-	20,826
Capital allowances over depreciation	(431)	59	-	(372)
Provision for expenses	1,670	651	-	2,321
Other temporary differences	3,374	1,147	-	4,521
	40,282	(4,410)	(6,442)	29,430

13 DEFERRED TAX ASSETS (continued)

(i) Movement in deferred tax during the financial year (continued)

2022	At 1 January RM'000	Recognised in profit or loss (Note 28) RM'000	Recognised in other comprehensive income RM'000	At 31 December RM'000
Change in fair value of financial instruments	1,727	-	6,849	8,576
Stage 1 and 2 ECL allowance	33,037	(5,944)	-	27,093
Capital allowances over depreciation	(603)	172	-	(431)
Provision for expenses	2,715	(1,045)	-	1,670
Other temporary differences	4,682	(1,308)	-	3,374
	41,558	(8,125)	6,849	40,282

14 DEPOSITS FROM CUSTOMERS

	2023 RM'000	2022 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	553,927	647,097
- Qard	202,994	217,248
Demand deposits		
- Tawarruq	1,314,707	1,343,958
- Qard	4,428,925	4,769,983
Term Deposits		
- Tawarruq	4,278,330	4,701,355
- Qard	1,445	17,716
Short-term deposits		
- Tawarruq	651,905	281,591
	11,432,233	11,978,948

(b) By type of customer

	2023 RM'000	2022 RM'000
Government and statutory bodies	98,621	101,167
Non-bank financial institutions	1,386,430	1,211,273
Business enterprises	6,072,023	6,355,398
Individuals	3,467,891	3,960,376
Foreign entities	343,088	279,341
Others	64,180	71,393
	11,432,233	11,978,948

(c) By residual maturity for term deposits and short-term deposits

	2023 RM'000	2022 RM'000
Up to six months	3,864,323	3,954,718
Over six months to one year	1,052,746	1,016,329
Over one year to three years	11,511	28,465
Over three years to five years	3,100	1,150
	4,931,680	5,000,662

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

15 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	2023 RM'000	2022 RM'000
Mudharabah RPSIA		
Licensed bank	5,124,316	3,134,656
Amount receivable from immediate holding company under RPSIA	(14,796)	(25,006)
	5,109,520	3,109,650

The placements are from its immediate holding company, OCBC Bank (Malaysia) Berhad and are used to fund specific financing (Note 6 and Note 42). These deposits follow the principle of Mudharabah which states that profits will be shared with the Bank as mudarib and losses borne by depositors.

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023 RM'000	2022 RM'000
Non-Mudharabah		
Licensed banks	454,069	575,945
Other financial institutions	5,110	4,141
	459,179	580,086

Included in the above are deposits and placements of its immediate holding company of RM433 million (2022: RM537 million), which are unsecured and profit bearing.

17 OTHER LIABILITIES

		2023 RM'000	2022 RM'000
Profit payable		52,744	38,862
Other payables and accruals		60,588	47,411
Amount due to immediate holding company	(a)	176,468	76,144
Amount due to ultimate holding company	(a)	587	20
Equity compensation benefits	(b)	705	612
Lease liabilities		3,504	1,986
ECL Allowances for financing commitments and financial guarantees	(c)	46,011	72,041
		340,607	237,076

(a) The amount due to ultimate and immediate holding companies are unsecured, 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*. The liability recognised is based on the amount recharged by the ultimate holding company of the Bank over the vesting period. The 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

17 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001

Under the OCBC Share Option Scheme 2001, shares of the ultimate holding company of the Bank are offered to eligible executives who are of Manager rank and above, and 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 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.

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

	2023		2022	
	Number of share options	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	10,847	13.340	10,847	13.340
Exercised	-	-	-	-
At 31 December	10,847	13.340	10,847	13.340
Exercisable on 31 December	10,847	13.340	10,847	13.340
Weighted average share price underlying the options exercised (S$)		12.619		12.245

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S$)	2023 Outstanding	2023 Exercisable
2018	22/03/2018	22/3/2019 - 21/3/2028	13.340	10,847	10,847
				10,847	10,847

Grant year	Grant date	Exercise period	Acquisition price (S$)	2022 Outstanding	2022 Exercisable
2018	22/03/2018	22/3/2019 - 21/3/2028	13.340	10,847	10,847
				10,847	10,847

17 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(iii) OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESP Plan") is a savings-based share ownership plan to help employees of the Bank own ordinary shares in the 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 each offering period is 24 months and the share acquisition price is determined at the start of the offering period based on the average of the last traded prices over the five consecutive trading days immediately preceding the start of the offering period.

In July 2023, OCBC Ltd launched its 18th offering of ESP Plan for its employees, which commenced on 1 September 2023 and expires on 31 August 2025. Under the offering, OCBC Ltd granted the Bank's employees 7,066 (2022: 9,452) rights to acquire ordinary shares in OCBC Ltd. The fair value of rights for OCBC Ltd shares determined using the binomial valuation model were S$5,266 (2022: S$8,535). Significant inputs to the valuation model are set out below:

	2023	**2022**
Acquisition price (S$)	12.47	12.07
Closing share price at valuation date (S$)	12.94	12.24
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	12.97	16.51
Singapore government bond yields (%)	3.36	2.45
Expected dividend yield (%)	4.91	4.05

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

	2023		**2022**	
	Number of share options	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	15,397	11.853	20,973	10.028
Acquired	7,066	12.470	9,452	12.070
Forfeited/Lapsed	(3,755)	12.002	(4,126)	10.528
Exercised and converted upon expiry	(5,600)	11.580	(10,902)	9.033
At 31 December	13,108	12.260	15,397	11.853
Average share price underlying acquisition rights exercised/converted (S$)		12.649		11.986

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

17 OTHER LIABILITIES (continued)

(c) The movements in ECL Stage 1, 2 and 3 allowances for financing commitments and financial guarantees are as follows:

2023	*Non credit-impaired*		*Credit-impaired*	
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January	3,257	41,042	27,742	72,041
Transferred to Stage 1	27,429	(27,429)	-	-
Transferred to Stage 2	(997)	997	-	-
Transferred to Stage 3	-	(1,162)	1,162	-
New financial assets originated or purchased	3,578	9,869	-	13,447
Financial assets derecognised	(1,225)	(15,001)	(12,745)	(28,971)
Net remeasurement during the year	(19,029)	9,350	(1,005)	(10,684)
Other movements	15	163	-	178
At 31 December	13,028	17,829	15,154	46,011

2022	*Non credit-impaired*		*Credit-impaired*	
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January	-	-	14,779	14,779
Transferred to Stage 1	4,794	(4,794)	-	-
Transferred to Stage 2	(1,043)	1,043	-	-
Transferred to Stage 3	-	(2,026)	2,026	-
New financial assets originated or purchased	2,665	7,824	-	10,489
Financial assets derecognised	(1,142)	(3,044)	(2,034)	(6,220)
Net remeasurement during the year	(5,210)	10,658	12,971	18,419
Reclassified from ECL allowance on financing and advances	3,173	31,173	-	34,346
Other movements	20	208	-	228
At 31 December	3,257	41,042	27,742	72,041

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

18 SHARE CAPITAL

	2023 RM'000	2022 RM'000
Issued and fully paid		
Ordinary shares	555,000	555,000

19 RESERVES

The detailed breakdown of the reserves are shown in the Statement of Changes in Equity.

Regulatory reserve is maintained in compliance with the requirements under BNM's policy document on 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 fair value through other comprehensive income. 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 financial investments at FVOCI. The cumulative fair value adjustments for financial investments at FVOCI will be reversed to profit or loss upon disposal or derecognition except for equity instruments which will be reversed from this reserves to retained earnings upon disposal or derecognition.

20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2023 RM'000	2022 RM'000
Income derived from investment of:		
(i) Term deposits	194,573	183,606
(ii) Other deposits	362,535	316,129
	557,108	499,735

(i) Income derived from investment of term deposits

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing and advance		
- Finance income earned other than recoveries	139,574	133,204
- Recoveries from credit-impaired financing	5,638	5,665
- Discount unwind from credit-impaired financing	1,227	2,453
Financial assets at FVTPL	70	105
Financial investments at FVOCI	40,419	28,683
Deposits and placements with banks and other financial institutions	6,710	13,626
	193,638	183,736
Other trading income		
Net loss from sale of financial assets at FVTPL	-	(65)
Unrealised loss on financial assets at FVTPL	(5)	(50)
Other operating income		
Net gain/(loss) from sale of financial investments at FVOCI	221	(227)
Others	719	212
	194,573	183,606

(ii) Income derived from investment of other deposits

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing and advance		
- Finance income earned other than recoveries	260,004	229,206
- Recoveries from credit-impaired financing	10,268	9,854
- Discount unwind from credit-impaired financing	2,291	4,213
Financial assets at FVTPL	126	182
Financial investments at FVOCI	75,683	49,423
Deposits and placements with banks and other financial institutions	12,444	23,528
	360,816	316,406
Other trading income		
Net loss from sale of financial assets at FVTPL	-	(116)
Unrealised loss on financial assets at FVTPL	(10)	(88)
Other operating income		
Net gain/(loss) from sale of financial investments at FVOCI	406	(443)
Others	1,323	370
	362,535	316,129

21 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing and advance		
- Finance income earned other than recoveries	165,739	85,085
- Recoveries from credit-impaired financing	-	1
Deposits and placements with banks and other financial institutions	13,648	3,960
	179,387	89,046

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing and advance		
- Finance income earned other than recoveries	70,442	52,557
- Recoveries from credit-impaired financing	2,820	2,242
- Discount unwind from credit-impaired financing	618	965
Financial assets at FVTPL	34	41
Financial investments at FVOCI	20,447	11,306
Deposits and placements with banks and other financial institutions	3,406	5,391
	97,767	72,502
Other trading income		
Net loss from sale of financial assets at FVTPL	-	(25)
Unrealised loss on financial assets at FVTPL	(2)	(18)
Other operating income		
Commission	26,961	28,728
Service charges and fees	13,490	16,491
Shared services income received from immediate holding company	4,717	4,606
Shared services income received from ultimate holding company	128	113
Net gain/(loss) from sale of financial investments at FVOCI	110	(104)
Others	362	77
Other trading income		
Net trading (loss)/gain		
- Foreign currency	(14,249)	(3,131)
- Trading derivatives	42,587	26,808
- Revaluation of derivatives	(448)	407
	171,423	146,454

23 IMPAIRMENT ALLOWANCE AND PROVISIONS

	2023 RM'000	2022 RM'000
Financing, advances and commitments		
Stage 1 and Stage 2 ECL net writeback during the year	(25,020)	(98,453)
Stage 3 ECL		
- Made during the year	114,433	188,695
- Written back	(78,737)	(40,892)
Credit-impaired financing recovered	(18,517)	(25,419)
Recovery from RPSIA holder*	10,210	7,763
Financial investments at FVOCI		
Stage 1 and Stage 2 ECL net charge during the year	8	93
Other assets		
Stage 1 ECL net (write back)/charge during the year	(7)	11
	2,370	31,798

* The RPSIA holder is the Bank's immediate holding company (Note 15).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

24 INCOME ATTRIBUTABLE TO DEPOSITORS

	2023 RM'000	2022 RM'000
Deposits from customers		
- Non-Mudharabah	239,628	181,002
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah	10,782	11,373
Subordinated sukuk	-	3,761
Lease liabilities	59	54
	250,469	196,190

25 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	2023 RM'000	2022 RM'000
Investment accounts due to designated financial institution (Note 33)		
- Mudharabah	125,571	63,319

26 OPERATING EXPENSES

		2023 RM'000	2022 RM'000
Personnel expenses			
Wages, salaries and bonus		19,397	17,648
Employees Provident Fund contributions		2,960	2,807
Share-based costs		394	117
Others		3,192	2,702
		25,943	23,274
Establishment expenses			
Depreciation of equipment		1,067	1,430
Depreciation of ROU assets		1,541	1,523
Rental of premises	(a)	14	11
Repair and maintenance		557	616
Information technology costs		598	639
Hire of equipment	(a)	70	80
Others		1,895	2,041
		5,742	6,340

26 OPERATING EXPENSES (continued)

		2023 RM'000	2022 RM'000
Marketing expenses			
Advertising and business promotion		556	402
Transport and travelling		104	96
Others		58	8
		718	506
General administrative expenses			
Shared service fees to immediate holding company (Note 33)		134,094	110,408
IT and transaction processing fees to related companies (Note 33)		21,928	20,885
Auditors' remuneration			
- Statutory audit		175	157
- Audit related fees		127	52
- Non-audit related		57	51
Shariah Committee remuneration	(b)	422	409
Others		15,585	12,327
		172,388	144,289
Total operating expenses		204,791	174,409

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

(b) The total remuneration of the Shariah Committee members of the Bank are as follows:

	Remuneration RM'000	Allowance RM'000	Total RM'000
2023			
Dr Khairul Anuar Bin Ahmad	72	15	87
Hj. Faizal Bin Jaafar	60	12	72
Dr Mohd Hilmi Bin Ramli	60	12	72
Mr Mohd Rofaizal Bin Ibhraim	60	12	72
Mr Abdul Latif bin Ahmad Subki*	40	7	47
Dr Mohd Rizal bin Muwazir*	40	7	47
Prof. Dato' Dr Wan Sabri Bin Wan Yusof^	20	5	25
	352	70	422

* Mr Abdul Latif bin Ahmad Subki was appointed as a Shariah Committee Member effective on 1 April 2023.
* Dr Mohd Rizal bin Muwazir was appointed as a Shariah Committee Member effective on 1 April 2023.
^ Prof. Dato' Dr Wan Sabri Bin Wan Yusof's term ended on 31 March 2023.

	Remuneration RM'000	Allowance RM'000	Total RM'000
2022			
Dr Khairul Anuar Bin Ahmad	72	18	90
Prof. Dato' Dr Wan Sabri Bin Wan Yusof	60	14	74
Hj. Faizal Bin Jaafar	60	15	75
Dr Mohd Hilmi Bin Ramli*	40	12	52
Mr Mohd Rofaizal Bin Ibhraim*	15	5	20
Assoc. Prof. Dr Mohamad Asmadi Bin Haji Abdullah^	45	11	56
Asst. Prof. Dr Muhammad Naim Bin Omar^	15	4	19
Dr Abdul Rahman Bin A. Shukor^	20	3	23
	327	82	409

* Dr Mohd Hilmi Bin Ramli was appointed as a Shariah Committee Member effective on 1 May 2022.
* Mr Mohd Rofaizal Bin Ibhraim was appointed as a Shariah Committee Member effective on 1 October 2022.
^ Assoc. Prof. Dr Mohamad Asmadi Bin Haji Abdullah's term ended on 30 September 2022.
^ Asst. Prof. Dr Muhammad Naim Bin Omar's term ended on 31 March 2022.
^ Dr Abdul Rahman Bin A. Shukor's term ended on 30 April 2022.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

27 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKER REMUNERATION

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

	Unrestricted				*Deferred*	**2023**	*Unrestricted*				*Deferred*	**2022**
	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												
Syed Abdull Aziz Jailani Bin Syed Kechik	977	456	15	229	304	1,981	949	450	10	224	300	1,933
Non Executive Directors												
Tan Ngiap Joo	275	-	-	-	-	275	161	-	-	-	-	161
Ng Hon Soon (Retired on 15 July 2023)	142	-	-	-	-	142	188	-	-	-	-	188
Datuk Azizan Bin Haji Abd Rahman (Resigned on 31 March 2022)	-	-	-	-	-	-	20	-	-	-	-	20
Lee Kok Keng, Andrew	267	-	-	-	-	267	191	-	-	-	-	191
Ismail Bin Alowi	232	-	-	-	-	232	167	-	-	-	-	167
Mevin Nevis a/l AF Nevis	214	-	-	-	-	214	23	-	-	-	-	23
Ayesha Natchiar Binti Ally Maricar (Appointed on 3 July 2023)	80	-	-	-	-	80	-	-	-	-	-	-
	2,187	456	15	229	304	3,191	1,699	450	10	224	300	2,683

* 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 17(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

27 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKER REMUNERATION (continued)

(b) Remuneration awarded to senior management (including the CEO) and other Material Risk Taker are as follows:

	2023				2022			
	Unrestricted RM'000	**Deferred RM'000**	**Total RM'000**	**Number of officers**	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**
Fixed remuneration								
Cash based	2,660	-	2,660		2,346	-	2,346	
Others	28	-	28		35	-	35	
	2,688	-	2,688		2,381	-	2,381	
Variable remuneration								
Cash based	1,138	-	1,138	6	813	-	813	4
Shares and share options	-	304	304	1	-	300	300	1
	1,138	304	1,442		813	300	1,113	
Total	3,826	304	4,130		3,194	300	3,494	

There were no other Material Risk Taker other than from senior management. Other than the above, no senior management received or was awarded any guaranteed bonus, sign-on award or severance payment.

(c) Outstanding deferred remuneration

	2023 RM'000	**2022 RM'000**
Share and share options		
Exposed to ex-post explicit and implicit adjustments	1,269	727
Deferred remuneration paid out during the year	370	361
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 of units)	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

28 INCOME TAX EXPENSE

	2023 RM'000	2022 RM'000
Malaysian income tax		
- Current year charge	76,772	78,308
- Prior years charge	(4,812)	(8,856)
Deferred tax		
- Origination and reversal of temporary differences	1,194	8,110
- Prior years	3,216	15
	76,370	77,577

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

		2023 %	2022 %
Malaysian tax rate		24.0	29.7
Tax effect of:			
Expenses not deductible for tax purposes		-	0.2
Income not subject to tax		-	(0.2)
Change in tax rate	(a)	-	2.4
(Under)/Over provision in prior years:			
- income tax		(1.5)	(3.3)
- deferred tax		1.0	-
Average effective tax rate		23.5	28.8

(a) Deferred tax asset recognised on temporary differences was reversed in 2022 at the prevailing Cukai Makmur (Prosperity Tax) rate applicable in that year. Chargeable income in excess of RM100 million was taxed at 33% in year 2022. Current income tax rate in 2023 reverted back to 24%.

(b) The Bank is within the scope of the Organisation for Economic Co-operation and Development (“OECD”) Pillar Two model rules. Pillar Two legislation was enacted or substantively enacted in Malaysia and will come into effect from 1 January 2025.

Under the legislation, the Bank does not expect to be subjected to top-up tax for the difference between their Global Anti-Base Erosion (“GloBE”) rules effective tax rate per jurisdiction and the 15% minimum rate.

The Bank applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to MFRS 112 ‘Income Taxes’ – International Tax Reform – Pillar Two Model Rules issued in 2 June 2023.

29 ZAKAT

The Bank only pays zakat on its business. The Bank does not pay zakat on behalf of its depositors nor shareholder.

30 BASIC EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share of the Bank is calculated based on the net profit attributable to the ordinary shareholder and the number of ordinary shares in issue during the financial year. The Bank has no dilution in its earnings per ordinary share as there are no dilutive potential ordinary shares.

	2023	2022
Net profit for the year (RM'000)	248,297	191,892
Number of ordinary shares in issue ('000)	185,000	185,000
Basic earnings per share (sen)	134.21	103.73

31 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. There were no material losses 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 by BNM for regulatory capital adequacy purposes.

	2023			2022		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,886	2,886	700	46,344	46,344	71,428
Transaction-related contingent items	386,902	196,790	119,796	503,004	254,661	159,453
Short-term self-liquidating trade-related contingencies	34,068	6,814	3,311	69,944	14,804	10,457
Foreign exchange related contracts						
- Up to one year	399,199	2,392	689	155,708	1,244	641
- Over one year to five years	1,094,178	134,344	46,127	616,859	85,542	50,061
Profit rate related contracts						
- Five years and above	-	-	-	58,241	7,587	1,059
Formal standby facilities and credit lines						
- Original maturity up to one year	28,000	21,000	19,756	10,000	7,500	710
- Original maturity over one year	846,768	652,717	483,529	539,616	424,419	342,380
Other unconditionally cancellable commitments	3,135,229	192,739	24,165	2,638,170	169,870	28,272
	5,927,230	1,209,682	698,073	4,637,886	1,011,971	664,461

The fair value of derivatives have been recognised as derivative financial assets and liabilities in Note 8.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

32 CAPITAL COMMITMENTS

	2023 RM'000	2022 RM'000
Capital commitments in respect of property and equipment		
- Contracted but not provided for	37	38

33 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

- the Bank has the ability, directly or indirectly, to control the party, or exercise significant influence over the party in making financial and operating decisions or vice versa; or
- where the Bank 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 Bank either directly or indirectly and entities that provide key management personnel services to the Bank. The key management personnel include all Directors and senior management of the Bank.

The Bank has related party relationship with the following:

- Ultimate holding company, Oversea-Chinese Banking Corporation Limited;
- Immediate holding company, OCBC Bank (Malaysia) Berhad;
- 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant transactions and outstanding balances with related parties

	2023				2022			
	Ultimate Holding Company RM'000	Immediate Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	Ultimate Holding Company RM'000	Immediate Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Income								
Shared service fees	128	4,717	-	-	113	4,606	-	-
Fee and commission income	13,339	2,058	2,474	-	13,904	4,147	2,171	-
	13,467	6,775	2,474	-	14,017	8,753	2,171	-
Expenditure								
Profit expense on term deposits	-	-	-	2	-	-	-	7
Profit expense on other deposits	-	-	5,882	-	-	-	4,161	-
Profit expense on investment accounts (Note 25)	-	125,571	-	-	-	63,319	-	-
Profit expense on deposits and placements	-	10,777	-	-	-	11,366	-	-
Profit expense on subordinated sukuk	-	-	-	-	-	3,761	-	-
Profit expense on ROU asset		1		-		1	-	-
Shared service fees (Note 26)	-	134,094	-	-	-	110,408	-	-
IT and transaction processing fees (Note 26)	-	-	21,928	-	-	-	20,885	-
Other expenses	567	55	720	-	13	53	635	-
	567	270,498	28,530	2	13	188,908	25,681	7

	2023			2022		
Intercompany charges from related parties	Malaysia RM'000	Singapore RM'000	Total RM'000	Malaysia RM'000	Singapore RM'000	Total RM'000
- Shared service fees	134,094	-	134,094	110,408	-	110,408
- IT and transaction processing fees	18,282	3,646	21,928	18,529	2,356	20,885
- Others	775	567	1,342	688	13	701
	153,151	4,213	157,364	129,625	2,369	131,994

33 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2023				2022			
	Ultimate Holding Company RM'000	Immediate Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	Ultimate Holding Company RM'000	Immediate Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Amount due from								
Cash and cash equivalents	21,107	-	1,167	-	36,375	-	363	-
Derivative financial assets	-	8,759	-	-	-	983	-	-
Other assets	180	8,183	-	-	546	1,792	-	-
Shared service fee receivable	-	416	-	-	-	363	-	-
	21,287	17,358	1,167	-	36,921	3,138	363	-
Amount due to								
Demand deposits and term deposits	-	-	137,891	57	-	-	200,786	58
Other deposits	-	-	280,330	18	-	-	167,668	124
Investment accounts	-	5,109,520	-	-	-	3,109,650	-	-
Deposits and placements of banks and other financial institutions	-	432,561	-	-	-	536,721	-	-
Profit payable	-	10,783	464	-	-	6,239	103	-
Derivative financial liabilities	-	6,498	-	-	-	5,282	-	-
Other liabilities	601 ^	176,468 +	-	-	41 ^	76,186 +	-	-
	601	5,735,830	418,685	75	41	3,734,078	368,557	182
Commitments								
Foreign exchange derivatives	-	907,481	1,085	-	-	418,575	-	-
Profit rate derivatives	-	-	-	-	-	29,120	-	-
	-	907,481	1,085	-	-	447,695	-	-

^ Other liabilities due to Ultimate Holding Company includes equity compensation benefits of RM 13,727 (2022: RM 20,835).
+ Other liabilities due to Immediate Holding Company includes lease liabilities of nil (2022: RM 42,105).

33 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Credit exposure arising from credit transactions with connected parties

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

	2023 RM'000	2022 RM'000
Aggregate value of outstanding credit exposure with connected parties^		
Credit facility and leasing (except guarantee)	89,389	90,179
Commitments and contingencies*	284,344	267,357
	373,733	357,536
Impaired or in default	-	-
Outstanding credit exposures to connected parties		
As a proportion of total credit exposures	2.20%	2.51%

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

(c) Key management personnel remuneration is disclosed in Note 27 to the financial statements.

34 FINANCIAL INSTRUMENTS

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 Bank or the counterparties or following other predetermined events. 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 Bank's statement 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 amounts not offset in the statement 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**
2023						
Derivative financial assets	14,866	(14,866)	-	-	-	-
Derivative financial liabilities	14,488	(14,488)	-	-	-	-
2022						
Derivative financial assets	6,255	(6,255)	-	-	-	-
Derivative financial liabilities	5,901	(5,901)	-	-	-	-

35 FAIR VALUE 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.

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 Bank has 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 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, profit and other short-term receivables due to their short tenor or frequent re-pricing.

35 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(A) Financial assets and financial liabilities (continued)

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

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 rates for deposits and placements with similar remaining periods 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) Financing and advances

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

Off-balance sheet financial instruments

The fair value of off-balance sheet financial instruments is the estimated amount 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 31 to the financial statements.

35 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments

The Bank 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.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted proces included within Level 1 that are observable market data either directly (ie as prices) or indirectly (ie derived from observable market data). The valuation techniques that use market parameters as inputs include, but are not limited to, yield curves, volatilities and foreign exchange rates; and
- Level 3 Inputs for the valuation that are not based on observable market data.

(i) Financial instruments carried at fair value

2023	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at fair value				
Financial assets at FVTPL	5,021	-	-	5,021
Financial investments at FVOCI	3,232,226	199,181	-	3,431,407
Derivative financial assets	93	14,770	3	14,866
	3,237,340	213,951	3	3,451,294
Financial liabilities at fair value				
Derivative financial liabilities	166	14,322	-	14,488
2022				
Financial assets at fair value				
Financial assets at FVTPL	5,039	-	-	5,039
Financial investments at FVOCI	2,800,445	398,773	-	3,199,218
Derivative financial assets	47	6,161	47	6,255
	2,805,531	404,934	47	3,210,512
Financial liabilities at fair value				
Derivative financial liabilities	198	5,703	-	5,901

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

	2023 RM'000	**2022 RM'000**
Financial assets at fair value		
At 1 January	47	36
Unrealised (loss)/gain recognised in profit or loss	(44)	11
At 31 December	3	47
Financial liabilities at fair value		
At 1 January	-	1
Unrealised loss recognised in profit or loss	-	(1)
At 31 December	-	-

35 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

(i) 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.

Transfer between Level 1 and 2 fair values

There were no transfers between levels for financial assets at FVTPL and financial investments at FVOCI for both years.

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:

Bank	**2023 Fair value RM'000**	**2022 Fair value RM'000**	**Classification**	**Valuation technique**	**Unobservable input**
Asset					
Derivative financial assets	3	47	Hedge for trading	Option pricing model	Standard deviation
Liability					
Derivative financial liabilities	-	-	Hedge for trading	Option pricing model	Standard deviation

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

Valuation control framework

The OCBC Malaysia Group (hereafter referred to as 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 and this is applied to the Bank as well.

The Market Risk Management (“MRM”) function within the Group Risk Management Division and with the support from the ultimate holding company's Risk Management Division, is responsible for market data validation, assessment of model validation and ongoing performance monitoring.

The Group's 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

35 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

(i) Financial instruments carried at fair value (continued)

Valuation control framework (continued)

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

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

The table below is a comparison of the carrying amounts and fair values of the financial assets and liabilities of 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.

	Level 2 RM'000	Level 3 RM'000	Total fair values RM'000	Carrying amount RM'000
2023				
Financial assets not carried at fair value				
Financing and advances	-	14,784,836	14,784,836	14,781,079
Financial liabilities not carried at fair value				
Deposits from customers	11,442,625	-	11,442,625	11,432,233
Investment accounts due to designated financial institution	5,109,520	-	5,109,520	5,109,520
Deposits and placements of banks and other financial institutions	459,179	-	459,179	459,179
	17,011,324	-	17,011,324	17,000,932
2022				
Financial assets not carried at fair value				
Financing and advances	-	12,761,011	12,761,011	12,750,988
Financial liabilities not carried at fair value				
Deposits from customers	11,978,070	-	11,978,070	11,978,948
Investment accounts due to designated financial institution	3,109,650	-	3,109,650	3,109,650
Deposits and placements of banks and other financial institutions	580,086	-	580,086	580,086
	15,667,806	-	15,667,806	15,668,684

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's risk management framework encompasses strong governance, sound policies and methodologies, and professionals, supported by fit-for-purpose technology, infrastructure and data. It is underpinned by a strong corporate culture that emphasizes accountability, ownership and high ethical standards. We engage in businesses that are consistent with our corporate strategy and risk appetite, are well understood, and are 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 profit rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatility or correlations between such factors. It also includes rate of return risk in the banking book which is the risk to income and/or capital arising from exposure to adverse changes in the profit rate environment.

(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) Information security risk of comprising confidentiality, integrity and/or availability of information (in physical or digital form).

Digital risk encompasses cyber and technology risks. Cyber risk is the risk arising from malicious acts perpetrated by threat actors. Technology risk is the risk of distruption, failure or irregularity in essential financial services arising from the use of information and communication technologies.

(v) Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, poor management, human error or external events. This is a broad risk category that encompasses pandemic risk, fraud risk, money laundering, terrorism financing and sanctions risk, third-party risk, physical and people security risk, conduct risk, business continuity risk, unauthorised trading risk, regulatory risk, legal risk, fiduciary risk and reputational 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 review the relevance of the risk drivers and their potential impact on the Group’s business to formulate appropriate risk mitigation actions where necessary. Risk drivers can emanate 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, as well as Environmental, Social and Governance (ESG) issues. 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.

With respect to ESG issues, we take an integrated and risk-based approach to address their multi-dimensional implications. This entails ensuring ESG risk drivers that impact the Group across credit, market, liquidity, operational and reputational risks are adequately addressed. It also ensures that we deliver on our sustainability commitments to create a positive impact for all stakeholders. We prioritise the management of salient risk issues, such as ESG-related credit and reputational risks that arise from our lending activities within our responsible financing framework.

Risk Governance and Organisation

The Board of Directors (Board) has ultimate responsibility for the effective management of risk. It establishes the corporate strategy and approves the risk appetite within which senior management should execute the strategy. The Bank’s Risk Management Committee (“RMC”) is the designated board committee overseeing risk management matters. It ensures that the Bank’s overall risk management philosophy are aligned with the corporate strategy and within the approved risk appetite. The Committee has oversight of credit, market, liquidity, information security and digital, operational, conduct, money laundering and terrorism financing, legal, regulatory, strategic, ESG and fiduciary risks, as well as any other category of risk that may be delegated by the Board or deemed necessary by the Committee. It also ensures that the necessary overall risk management organisation is in place and effective.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Governance and Organisation (continued)

Based on the approved risk appetite, RMC provides quantitative and qualitative guidance to major business units and risk functions to guide risk-taking. Senior management, functional risk committees covering principal risk types, Country Chief Executive Officer (CEO) and RMC regularly review our risk drivers, risk profiles across major lines of business and risk types, risk management framework and major risk policies, as well as compliance matters.

Group Risk Management ("GRM")'s day-to-day functional responsibility involves providing independent risk control and managing credit, market, liquidity, information security and digital, operational and ESG risks. It provides regular risk reports and updates on development in material risk drivers and potential vulnerabilities, as well as recommended mitigating actions, to 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 appropriately managed. In addition to the above, GRM oversees the New Product Approval Process ("NPAP") to ensure risks are properly and comprehensively identified, and adequately addressed before implementation. Compliance with regulatory requirements and adequacy of resources to support the new products and services are also addressed through the NPAP.

Senior management actively manages risks through the Bank'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; their accountability is embedded in our corporate culture and robust internal control environment. This is operationalised through a three-line defence structure, which clearly delineates the roles, responsibilities and accountability of 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 Bank'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 of the first line of defence. It establishes relevant risk management frameworks, policies, processes and systems, and provides independent identification, assessment, monitoring and reporting of the Bank'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 Bank's risk management and internal control systems and evaluates the overall risk awareness and control consciousness of the management in discharging its supervisory and oversight responsibilities.

Risk Appetite

The Bank's objective is to manage risks prudently and sustainably for the long term viability of the Bank. To that end, the Board has established the Bank'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 developed taking into account the forward-looking operating environment and potential downside risks and assessed against our risk appetite, which in turn is a function of our capacity to absorb risks, taking into account capital, funding, and other resources. We operationalise our risk appetite through our policies, processes and limits.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Appetite (continued)

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 Bank'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 whether we are able 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 financing activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from our underwriting, trading and investment banking activities.

Credit Risk Management Approach

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

The Bank's credit risk management approach varies depending on the characteristics or nature of the relevant portfolios or customer segments. Specific policies and procedures have been established for major customer segments.

Credit Risk Management Approach for Major Customer Segments:	
Consumer and Small Business	• Manage credit risks on portfolio basis. • Use bankruptcy, credit bureau checks, along with systems and processes such as source identification of credit origination and independent verification of documentation for credit screening and fraud detection purposes. • Use comprehensive risk management information systems (MIS), behavioural models and stress testing for monitoring and early identification of potentially weak credits.
Corporate and Institutional customers	• Assess credits individually with robust independent evaluation carried out by experienced credit officers. • Use predefined risk acceptance criteria, availability of acceptable collateral and stipulated financing advance ratio and margin requirements to guide credit extensions. • Business and credit risk units jointly approve credits to ensure objectivity and shared risk ownership. • Take prompt remedial actions through timely and disciplined execution of margin calls, top-up provisions, stop-loss and force-selling.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Managing Counterparty Credit Risk

Counterparty credit risk, typically arising from our trading and/or banking activities in derivatives and debt securities, 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 transactions plus an appropriate add-on for potential future exposures in response to market prices changes. Counterparty credit risk 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 Bank has performed its obligation under a contract or agreement at the settlement date.

Each counterparty is subjected to robust credit assessment, including the suitability and appropriateness of the product offered. Credit risk mitigation tools are also used to manage counterparty credit risk where appropriate. Please refer to Credit Risk Mitigation Section for details.

The Bank manages its credit exposures independently through daily limit excess monitoring, excess escalation, pre-deal excess approval and timely risk reporting.

ESG Risk Management

Managing ESG risks is an integral part of our credit risk management. We have in place a responsible financing framework that defines our approach and commitment in managing ESG risks associated with our lending activities. The framework is operationalised through supporting policies and procedures that integrate ESG considerations –including the requirements of the Equator Principles – within our credit risk evaluation and approval process. Transactions with high ESG risks are subject to enhanced due diligence and approval requirements, including escalation of transactions with significant reputational risks to the Reputational Risk Review Group. We review our framework regularly to reflect the evolving nature of ESG risk management practices.

Credit Portfolio Management

Credit portfolio management focuses on managing the collective or aggregate risk of our credit portfolios, instead of 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.agement, stress testing, internal assessment of the capital adequacy and impairment allowances.
The Bank'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. Hence, an obligor rated poorly by an external rating agency is likely to have a weak internal risk rating.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Portfolio Management (continued)

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

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 mortages, and small business financing	• Estimated based on the application and behaviour scores of obligors. • PD models are calibrated to the expected long-term average one-year default rate over an economic cycle.	• Product and collateral characteristics are major factors. • LGD models are calibrated to to reflect the economic loss under downturn conditions. • EAD models are calibrated to reflect the default-weighted average and economic downturn conditions.
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 payment capacity and are 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 Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) ("CAFIB (RWA)").
F-IRB (Supervisory Slotting) approach includes other specialised financing portfolios such as project finance, object finance and commodities finance	• Risk grades derived from internal models are mapped to the five supervisory slotting categories prescribed in BNM's CAFIB (RWA).	• Estimated based on rules prescribed in BNM's CAFIB (RWA).

(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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Portfolio Management (continued)

(iii) Portfolio Reporting (continued)

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

The Bank uses a range of credit risk mitigation tools such as requiring collateral, buying credit protection and establishing netting arrangements to reduce credit risk exposures. However, risk mitigation is not a substitute for a proper assessment of the obligor's ability to repay, which should remain the primary repayment source.

Our credit policies set out the key considerations for eligible credit risk mitigants. These criteria include legal certainty and enforceability, correlation, liquidity, marketability, counterparty risk of the credit 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.

We apply appropriate haircuts to the market value of the collateral to reflect its underlying nature, quality, liquidity and volatility and independently value the collateral valued on regular basis. We monitor our collateral holdings to ensure diversification across asset classes and markets. Guarantees from individuals, corporates, and institutions are accepted 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.

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

Processes are in place to foster early identification of vulnerable borrowers. The quality of our credit portfolios is proactively monitored and deliberated at various credit risk forums. Action plans to remediate deteriorating trends are worked out and reviewed at such forums.

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

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Risk Control (continued)

Remedial Management (continued)

We classify our credit exposures as restructured assets when the Bank grants non-commercial concessions to customers who are unable to meet their original repayment obligations. We further classify a restructured credit exposure into the appropriate impaired financing grades based on the assessment of the customers' financial condition and ability to pay under the restructured terms. Such credit exposure must comply fully with the restructured terms before it can be restored to non credit-impaired.

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

Impairment allowances for Financing and Advances

Sufficient impairment allowances are maintained to absorb credit losses inherent in our financing 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 the three 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

Market Risk Management

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

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

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management (continued)

Market Risk Management Oversight and Organisation

The 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 GRM and Corporate Treasury 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 proactively managing risk 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 Bank'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"), and FX Net Open Position ("FX NOP").

The Bank 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 Bank'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 Bank'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 Bank'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.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset Liability Management

Asset liability management (ALM) is the strategic management of the Bank's statement of financial position structure and liquidity. It covers liquidity sourcing and diversification and rate of return risk management.

Asset Liability Management Approach

The asset liability management framework focuses on managing the exposures arising from the statement of financial position. The Bank monitors the liquidity risk and rate of return risk in the banking book (RoRBB) against approved risk limits under both business-as-usual and stressed scenarios. These are based on the standards established in ALM framework, policies and procedures, which are reviewed regularly to ensure that they remained relevant in the context of prevailing market practices and regulatory guidelines.

Liquidity Risk

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

Liquidity monitoring is performed on daily basis within a framework for projecting cash flows on both contractual and behavioural basis. Indicators such as liquidity and deposit concentration ratios are used to establish the optimal funding mix and asset composition. Funding strategies are established to provide effective diversification and stability in funding sources across tenors, products and geographies. Simulations of liquidity exposures under stressed market scenarios are performed and the results are used to adjust liquidity risk management strategies, policies and positions, as well as to develop contingency funding plans. We maintain liquid assets in excess of regulatory requirements to strengthen our ability to meet liquidity needs during a crisis. These liquid assets comprise central bank reserves and marketable securities.

Rate of Return Risk in the Banking Book

The primary goal of the management of RoRBB is to ensure that rate of return risk exposures are maintained within the defined risk tolerances. The material sources of RoRBB are repricing risk, yield curve risk, basis risk and optionality risk.

A range of techniques are employed to measure RoRBB from both the earnings and economic value perspective on a monthly basis. One measure involves the assessment of the impact of various rate of return risk scenarios on the net profit income and the banking book's Economic Value of Equity (EVE). Other measures include rate of return risk sensitivity measures such as PV01 and repricing gap profile analysis. The Bank also use behavioural models to assess rate of return risk in relation to financing prepayment, time deposit early redemption and the profile of non-maturity deposits. These measurements facilitate the calibration of appropriate RoRBB management, hedging strategies, policies and positions.

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 Bank'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.

Operational Risk Management Oversight and Organisation

The Operational Risk Management Committee (“ORC”) is the principal senior management group that supports and is accountable to the Risk Management Committee ("RMC") and the Chief Executive Officer ("CEO") in managing the Group's operational risk on a firm wide basis. The ORC ensures that various risk management programmes that are in place are appropriate, effective, and support the Group’s business strategy.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

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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 Bank 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 Bank'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 Bank has specific risk unit 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 Bank 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 Bank performs impact analysis on severe operational risk scenarios, including Shariah Non-Compliance Events 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 Bank recognises the risks associated with third-party arrangements. The Bank 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 Bank’s third-party risk.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Physical and People Security Risk Management

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

Business Continuity Risk Management

The Bank 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.

Anti-Fraud Programme

The Bank's anti fraud and whistle-blowing programmes help prevent and detect fraud or misconduct. Robust governance and dynamic response through Dynamic Response Committee (DRC) and Anti-Fraud Standing Committee (AFSC) strengthens defense against scams/fraud risk. Board and Senior management are kept appraised on fraud threats and incident reports, including root cause analysis, extent of damage, supporting remedial actions and recovery steps of major incidents, are through regular reports to the ORC and the RMC. Internal Audit independently reviews all fraud and whistleblowing 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 Bank's image by customers, counterparties, shareholders, investors and regulators. The Bank has a reputational risk management programme which focuses on understanding and managing our responsibilities towards our different stakeholders, and protecting our reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management

The Bank 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 Bank's compliance with applicable corporate standards.

Legal and Regulatory Risk Management

The Bank holds to high standards when conducting our business and at all times observes and complies with applicable laws, rules and standards. The Bank 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.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Information Security and Digital Risk Management

The Bank 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 our information assets.

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

Shariah Governance

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 the Bank complies with Shariah rules and principles at all times. The Bank is governed by the Shariah Governance Framework ("SGF") of the Bank which, in essence, sets out the following:

(i) Sets out the Shariah governance framework and structures to ensure that all its operations and business, affairs and activities are compliance with Shariah within the scope of Islamic banking business as espoused in Islamic Financial Services Act 2013;

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

(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.

The SGF is applicable to all employees of the Bank and also extends to all employees of the Group who are involved in the business and operations of the Bank under shared services and other service providers under outsourcing arrangements. Compliance with Shariah principles must be embedded in the Bank's core processes i.e. business processes are designed with Shariah compliance in mind.

Shariah Non-Compliance Risk

Shariah Non-Compliance Risk Management is a unique feature of the Bank's risk management framework. Shariah Non-Compliance Risk arises from the Islamic banks' failure to comply with the Shariah rules and principles as determined by BNM's Shariah Advisory Council, Securities Commission's SAC and the Bank'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 Bank 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 potentially cannot be recognised and will be donated to charities.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Shariah Governance (continued)

The key components of the Bank'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 through the implementation and enforcement of appropriate control measures, such as policies, guidelines and procedures on Shariah requirements. The Bank's Shariah Review team periodically reviews the operations and processes of the Bank's activities and will present any potential non-compliance events to the Shariah Committee for deliberation and 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 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

37 CREDIT RISK

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

	Note	2023 RM'000	2022 RM'000
Cash and cash equivalents *		1,100,104	1,626,740
Financial assets at FVTPL	*4*	5,021	5,039
Financial investments at FVOCI	*5*	3,431,407	3,199,218
Financing and advances	*6*	14,781,079	12,750,988
Derivative financial assets	*8*	14,866	6,255
Other assets ^		38,573	28,274
Contingent liabilities and credit commitments		4,433,853	3,807,078
		23,804,903	21,423,592

* Excluding cash in hand
^ Excluding prepayments

Credit quality analysis

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

	2023				2022			
	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	1,100,104	-	-	1,100,104	1,626,740	-	-	1,626,740
Financial assets at FVTPL*								
Investment grade (AAA)	-	-	-	5,021	-	-	-	5,039

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

37 CREDIT RISK (continued)

Credit quality analysis (continued)

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

	2023				2022			
	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 investments at FVOCI								
Government (AAA to BBB)	1,577,570	-	-	1,577,570	160,928	-	-	160,928
Government and Central Bank (unrated)	599,389	-	-	599,389	2,187,403	-	-	2,187,403
Investment grade (AAA to BBB)	488,843	-	-	488,843	276,660	-	-	276,660
Unrated	765,605	-	-	765,605	574,227	-	-	574,227
	3,431,407	-	-	3,431,407	3,199,218	-	-	3,199,218
Contingent liabilities and credit commitments (excluding derivative financial assets)								
Pass	3,874,806	489,506	-	4,364,312	2,409,339	1,184,927	-	3,594,266
Special mention	-	40,048	-	40,048	-	154,380	-	154,380
Credit-impaired	-	-	29,493	29,493	-	-	58,432	58,432
	3,874,806	529,554	29,493	4,433,853	2,409,339	1,339,307	58,432	3,807,078

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

37 CREDIT RISK (continued)

Credit quality analysis (continued)

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

Financing and advances

Financing and advances are categorised according to the Bank's customer classification grades as Pass, Special Mention, Substandard, Doubtful and Loss.

Financing and advances 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 financing and advances where the customer has failed to make a principal or 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 past due.

Credit quality and ECL stages

	2023				2022			
	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	12,775,062	1,589,156	-	14,364,218	9,800,303	2,496,043	-	12,296,346
Special mention	-	168,730	-	168,730	-	122,167	-	122,167
	12,775,062	1,757,886	-	14,532,948	9,800,303	2,618,210	-	12,418,513
Past due but not credit-impaired								
By period overdue								
Less than 2 months	-	40,825	-	40,825	-	20,769	-	20,769
2 months to less than 3 months	-	9,575	-	9,575	-	3,550	-	3,550
	-	50,400	-	50,400	-	24,319	-	24,319
Credit-impaired								
Past due	-	-	376,809	376,809	-	-	419,559	419,559
Not past due	-	-	173,780	173,780	-	-	312,869	312,869
	-	-	550,589	550,589	-	-	732,428	732,428
Total	12,775,062	1,808,286	550,589	15,133,937	9,800,303	2,642,529	732,428	13,175,260
ECL	(29,881)	(65,514)	(257,463)	(352,858)	(17,546)	(89,427)	(317,299)	(424,272)
Net financing and advances	12,745,181	1,742,772	293,126	14,781,079	9,782,757	2,553,102	415,129	12,750,988

Past due but not credit-impaired financing are classified as part of Special Mention.
The analysis of impaired financing and advances is detailed in Note 7(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

37 CREDIT RISK (continued)

Credit quality analysis (continued)

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

Financing and advances (continued)

Collateral

(i) The main types of collateral obtained by the Bank are as follows:

- For personal house financing, mortgages over residential properties;
- For commercial property financing, charges over properties being financed; and
- For other financing, charges over business assets such as premises, inventories, trade receivables, equipment or deposits.

As at 31 December 2023 and 31 December 2022, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

(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 financing is as follows:

	2023 RM'000	2022 RM'000
Fair value of collateral held against the covered portion of credit-impaired financing and advances	424,648	522,997
Covered portion of credit-impaired financing and advances	321,040	417,916
Uncovered portion of credit-impaired financing and advances	229,549	314,512
	550,589	732,428

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

37 CREDIT RISK (continued)

Credit quality analysis (continued)

	2023					2022				
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* 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	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000
(ii) By issuer/counterparty										
Government and Central Bank	-	2,176,959	-	-	-	-	2,348,331	-	-	-
Public sector	-	670,754	-	-	-	-	318,121	-	-	-
Banking institutions	-	99,935	-	8,759	-	-	99,269	-	983	-
Non-bank financial institutions	-	434,410	-	1	75,395	-	384,488	-	3	241
Business enterprises	5,021	49,349	19,844	6,106	4,257,204	5,039	49,009	6,467	5,269	3,708,447
Individuals	-	-	25,888	-	101,254	-	-	14,500	-	98,390
	5,021	3,431,407	45,732	14,866	4,433,853	5,039	3,199,218	20,967	6,255	3,807,078

	2023					2022				
(iii) By geographical distribution										
Malaysia	5,021	3,431,407	44,854	14,866	4,297,059	5,039	3,199,218	20,967	6,255	3,794,876
Other ASEAN countries	-	-	878	-	66,261	-	-	-	-	10,279
Rest of the world	-	-	-	-	70,533	-	-	-	-	1,923
	5,021	3,431,407	45,732	14,866	4,433,853	5,039	3,199,218	20,967	6,255	3,807,078

* Past due but not credit-impaired. Financing and advances by geographical distribution is detailed in Note 6(v) to the financial statements.
** Excluding derivative financial assets.

37 CREDIT RISK (continued)

Credit quality analysis (continued)

	2023					2022				
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* 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	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000
(iv) By sector										
Agriculture, hunting, forestry and fishing	-	-	-	-	79,844	-	-	-	-	17,898
Mining and quarrying	-	-	42	-	9,918	-	-	-	-	36,665
Manufacturing	-	-	4,115	56	1,108,327	-	-	3,589	77	824,716
Electricity, gas and water	-	49,577	-	2	56,409	-	58,866	-	-	152,533
Construction	-	398,479	1,726	-	880,497	-	-	-	2	1,198,597
Real estate	-	-	349	-	430,220	-	-	-	-	290,210
Wholesale & retail trade and restaurants & hotels	-	-	8,976	231	411,028	-	-	880	318	420,358
Transport, storage and communication	-	5,001	950	-	420,016	-	44,792	-	7	346,124
Finance, insurance and business services	-	534,345	1,455	14,575	905,734	-	483,757	1,998	5,848	408,738
Community, social and personal services	5,021	232,781	2,231	2	30,605	5,039	229,682	-	2	12,849
Household										
- Purchase of residential properties	-	-	22,784	-	99,462	-	-	12,674	-	95,626
- Purchase of non-residential properties	-	-	582	-	1,793	-	-	1,136	-	2,764
- Others	-	-	2,522	-	-	-	-	690	1	-
Others	-	2,211,224	-	-	-	-	2,382,121	-	-	-
	5,021	3,431,407	45,732	14,866	4,433,853	5,039	3,199,218	20,967	6,255	3,807,078
(v) By residual contractual maturity										
Up to one year	5,021	1,179,064	6,748	1,105	3,254,239	-	1,288,881	359	823	2,765,298
Over one year to five years	-	2,217,426	4,231	13,761	875,841	5,039	1,710,118	3,347	4,854	476,269
Over five years	-	34,917	34,753	-	303,773	-	200,219	17,261	578	565,511
	5,021	3,431,407	45,732	14,866	4,433,853	5,039	3,199,218	20,967	6,255	3,807,078

* Past due but not credit-impaired. Financing and advances by sector and residual contractual maturity are detailed in Note 6(iv) and Note 6(vi) respectively.

** Excluding derivative financial assets.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

38 LIQUIDITY RISK

The tables below show the Bank's maturity analysis of assets and liabilities based on remaining contractual maturities and/or their behavioural profile.

2023	**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**	**Non-specific maturity RM'000**
Cash and cash equivalents		1,123,565	1,123,565	-	-	-	-	-	-
Financial assets at FVTPL		5,021	-	-	5,021	-	-	-	-
Financial investments at FVOCI		3,431,407	617,653	30,017	531,394	1,388,037	829,389	34,917	-
Financing and advances	(a)	15,133,937	4,772,164	98,992	231,404	2,976,205	2,599,452	4,455,720	-
Derivative financial assets		14,866	997	108	-	-	13,761	-	-
Statutory deposits with Bank Negara Malaysia		185,000	-	-	-	-	-	-	185,000
Other balances	(b)	75,232	10,736	551	5,371	15,187	9,827	379	33,181
Total assets		19,969,028	6,525,115	129,668	773,190	4,379,429	3,452,429	4,491,016	218,181
Deposits from customers		11,432,233	9,106,991	1,257,885	1,052,746	11,511	3,100	-	-
Investment accounts due to designated financial institution	(c)	5,124,316	5,109,520	-	-	-	-	14,796	-
Deposits and placements of banks and other financial institutions		459,179	454,408	331	671	1,926	1,107	736	-
Bills and acceptances payable		18,478	18,478	-	-	-	-	-	-
Derivative financial liabilities		14,488	640	-	-	-	13,848	-	-
Other balances	(d)	305,191	212,304	21,930	25,563	11,843	7,404	45	26,102
Lease liabilities		3,504	387	364	632	2,075	46	-	-
Total liabilities		17,357,389	14,902,728	1,280,510	1,079,612	27,355	25,505	15,577	26,102

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, tax recoverable, property and equipment, ROU assets and deferred tax assets.
(c) Stated at gross before amount receivable from immediate holding company.
(d) Other liabilities balances consist of other liabilities and provision for taxation and zakat but excludes lease liabilities and ECL allowance on financing commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

38 LIQUIDITY RISK (continued)

2022	**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**	**Non-specific maturity RM'000**
Cash and cash equivalents		1,653,270	1,653,270	-	-	-	-	-	-
Financial assets at FVTPL		5,039	-	-	-	5,039	-	-	-
Financial investments at FVOCI		3,199,218	408,787	170,026	710,069	1,127,733	582,384	200,219	-
Financing and advances	(a)	13,175,260	4,314,759	200,605	123,882	1,034,829	3,052,231	4,448,954	-
Derivative financial assets		6,255	819	4	-	-	4,854	578	-
Statutory deposits with BNM		200,000	-	-	-	-	-	-	200,000
Other balances	(b)	79,685	6,032	1,134	9,871	10,651	6,212	1,682	44,103
Total assets		18,318,727	6,383,667	371,769	843,822	2,178,252	3,645,681	4,651,433	244,103
Deposits from customers		11,978,948	9,865,631	1,067,374	1,016,328	28,465	1,150	-	-
Investment accounts due to designated financial institution	(c)	3,134,656	3,109,650	-	-	-	-	25,006	-
Deposits and placements of banks and other financial institutions		580,086	576,461	488	791	1,901	281	164	-
Bills and acceptances payable		11,757	11,757	-	-	-	-	-	-
Derivative financial liabilities		5,901	202	-	-	-	5,083	616	-
Other balances	(d)	175,223	93,223	12,477	21,797	12,423	10,147	2,719	22,437
Lease liabilities		1,986	390	349	592	655	-	-	-
Total liabilities		15,888,557	13,657,314	1,080,688	1,039,508	43,444	16,661	28,505	22,437

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, tax recoverable, property and equipment, ROU assets and deferred tax assets.
(c) Stated at gross before amount receivable from immediate holding company.
(d) Other liabilities balances consist of other liabilities and provision for taxation and zakat but excludes lease liabilities and ECL allowance on financing commmitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

38 LIQUIDITY RISK (continued)

The tables below show the undiscounted cash outflows of 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.

2023	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
Non-derivative financial liabilities								
Deposits from customers		9,133,568	1,291,104	1,085,575	11,914	3,413	-	11,525,574
Investment accounts due to designated financial institution	(a)	5,138,703	-	-	-	-	14,796	5,153,499
Deposits and placements of banks and other financial institutions		457,752	331	671	1,926	1,107	736	462,523
Bills and acceptances payable		18,478	-	-	-	-	-	18,478
Other balances	(b)	183,616	6,026	7,534	11,815	7,367	45	216,403
Lease liabilities		411	390	675	2,144	46	-	3,666
		14,932,528	1,297,851	1,094,455	27,799	11,933	15,577	17,380,143
Commitments and contingencies								
Direct credit substitutes		-	1,384	903	488	111	-	2,886
Transaction-related contingent items		48,687	43,725	84,854	112,194	74,467	22,975	386,902
Short-term self-liquidating trade-related contingencies		33,875	193	-	-	-	-	34,068
Formal standby facilities and credit lines								
- Original maturity up to one year		-	-	28,000	-	-	-	28,000
- Original maturity exceeding one year		2,495	1,006	400,039	158,195	4,235	280,798	846,768
Other unconditionally cancellable commitments		2,783,388	75,384	64	1,021	275,372	-	3,135,229
		2,868,445	121,692	513,860	271,898	354,185	303,773	4,433,853
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Profit rate derivatives		-	-	-	-	-	-	-
Gross settled derivatives								
Trading:								
Foreign exchange derivatives								
- Forward and swap								
- Outflow		177,289	15,075	27,702	99,259	1,119,213	-	1,438,538
- Inflow		(176,629)	(15,075)	(27,702)	(99,259)	(1,119,213)	-	(1,437,878)
		660	-	-	-	-	-	660

(a) Stated at gross before amount receivable from immediate holding company.
(b) The above excludes balances with no specific maturity amounting to RM26 million, lease liabilities and ECL allowance on financing commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

38 LIQUIDITY RISK (continued)

2022		**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**
Non-derivative financial liabilities								
Deposits from customers		9,888,480	1,087,528	1,042,274	29,564	1,252	-	12,049,098
Investment accounts due to designated financial institution	(a)	3,120,330	-	-	-	-	25,006	3,145,336
Deposits and placements of banks and other financial institutions		580,451	488	791	1,901	281	164	584,076
Bills and acceptances payable		11,757	-	-	-	-	-	11,757
Other balances	(b)	71,471	1,950	15,300	12,353	10,131	2,719	113,924
Lease liabilities		403	359	605	670	-	-	2,037
		13,672,892	1,090,325	1,058,970	44,488	11,664	27,889	15,906,228
Commitments and contingencies								
Direct credit substitutes		10,050	1,890	32,768	1,525	-	111	46,344
Transaction-related contingent items		120,561	28,761	89,349	161,585	83,983	18,765	503,004
Short-term self-liquidating trade-related contingencies		69,944	-	-	-	-	-	69,944
Formal standby facilities and credit lines								
- Original maturity up to one year		-	10,000	-	-	-	-	10,000
- Original maturity exceeding one year		3,203	40,685	6,849	212,860	16,707	259,312	539,616
Other unconditionally cancellable commitments		2,350,847	-	-	-	-	287,323	2,638,170
		2,554,605	81,336	128,966	375,970	100,690	565,511	3,807,078
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Profit rate derivatives		-	-	-	-	-	616	616
Gross settled derivatives								
Trading:								
Foreign exchange derivatives								
- Forward and swap								
- Outflow		60,167	8,562	16,961	60,254	674,243	-	820,187
- Inflow		(59,973)	(8,562)	(16,961)	(60,254)	(674,243)	-	(819,993)
		194	-	-	-	-	616	810

(a) Stated at gross before amount receivable from immediate holding company.
(b) The above excludes balances with no specific maturity amounting to RM22 million, lease liabilities and ECL allowance on financing commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

39 RATE OF RETURN RISK

The Bank is exposed to various risks associated with the effects of fluctuation in the prevailing level of market profit rate on the financial position and cashflows. The following tables summarise the Bank's exposure to rate of return 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							
2023	**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-profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
Financial Assets								
Cash and cash equivalents	1,041,000	-	-	-	-	82,565	-	1,123,565
Financial assets at FVTPL	-	5,021	-	-	-	-	-	5,021
Financial investments at FVOCI	617,653	561,411	1,388,037	829,389	34,917	-	-	3,431,407
Financing and advances								
- Non credit-impaired	13,860,922	393,231	166,758	105,550	10,516	(49,024)	-	14,487,953
- Credit-impaired	-	-	-	-	-	293,126	-	293,126
Derivative financial assets	-	-	-	-	-	-	14,866	14,866
Other assets	-	-	-	-	-	39,610	-	39,610
Statutory deposits with BNM	-	-	-	-	-	185,000	-	185,000
	15,519,575	959,663	1,554,795	934,939	45,433	551,277	14,866	19,580,548
Financial Liabilities								
Deposits from customers	4,368,562	2,310,631	3,589,157	3,100	-	1,160,783	-	11,432,233
Investment accounts due to designated financial institution	5,109,520	-	-	-	-	-	-	5,109,520
Deposits and placements of banks and other financial institutions	432,562	-	1,731	-	-	24,886	-	459,179
Bills and acceptances payable	-	-	-	-	-	18,478	-	18,478
Derivative financial liabilities	-	-	-	-	-	-	14,488	14,488
Other liabilities	-	-	-	-	-	340,607	-	340,607
	9,910,644	2,310,631	3,590,888	3,100	-	1,544,754	14,488	17,374,505
On-statement of financial position profit sensitivity gap	5,608,931	(1,350,968)	(2,036,093)	931,839	45,433	(993,477)	378	2,206,043
Off-statement of financial position profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	5,608,931	(1,350,968)	(2,036,093)	931,839	45,433	(993,477)	378	2,206,043

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

39 RATE OF RETURN RISK (continued)

	Non Trading Book							
2022	**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-profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
Financial Assets								
Cash and cash equivalents	1,538,100	-	-	-	-	115,170	-	1,653,270
Financial assets at FVTPL	-	-	5,039	-	-	-	-	5,039
Financial investments at FVOCI	408,787	880,095	1,127,733	582,384	200,219	-	-	3,199,218
Financing and advances								
- Non credit-impaired	11,543,132	483,092	203,265	144,536	34,450	(72,616)	-	12,335,859
- Credit-impaired	-	-	-	-	-	415,129	-	415,129
Derivative financial assets	-	-	-	-	-	-	6,255	6,255
Other assets	-	-	-	-	-	28,975	-	28,975
Statutory deposits with BNM	-	-	-	-	-	200,000	-	200,000
	13,490,019	1,363,187	1,336,037	726,920	234,669	686,658	6,255	17,843,745
Financial Liabilities								
Deposits from customers	4,735,928	2,083,702	3,781,650	1,150	-	1,376,518	-	11,978,948
Investment accounts due to designated financial institution	3,109,650	-	-	-	-	-	-	3,109,650
Deposits and placements of banks and other financial institutions	536,721	-	593	1,935	-	40,837	-	580,086
Bills and acceptances payable	-	-	-	-	-	11,757	-	11,757
Derivative financial liabilities	-	-	-	-	-	-	5,901	5,901
Other liabilities	-	-	-	-	-	237,076	-	237,076
	8,382,299	2,083,702	3,782,243	3,085	-	1,666,188	5,901	15,923,418
On-statement of financial position profit sensitivity gap	5,107,720	(720,515)	(2,446,206)	723,835	234,669	(979,530)	354	1,920,327
Off-statement of financial position profit sensitivity gap	-	-	-	-	-	-	-	-
Total profit sensitivity gap	5,107,720	(720,515)	(2,446,206)	723,835	234,669	(979,530)	354	1,920,327

The below table sets out the impact on net finance income simulated based on a 50bps parallel shift in profit rates at reporting date, for a period of 12 months:

	2023 RM'000	**2022 RM'000**
+ 50bps	14,200	12,747
- 50bps	(20,300)	(13,085)

The 50 bps shock on net finance income is based on simplified scenarios, using the Bank’s 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 rate of return risk. In reality, Treasury Division seeks to proactively change the rate of return risk profile to minimise losses and maximise income. The projection assumes that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

40 CURRENCY RISK

2023	MYR RM'000	GBP RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and cash equivalents	1,071,220	6,353	10,017	20,629	15,346	1,123,565
Financial assets at FVTPL	5,021	-	-	-	-	5,021
Financial investments at FVOCI	3,431,407	-	-	-	-	3,431,407
Financing and advances	11,844,130	-	2,936,117	832	-	14,781,079
Derivative financial assets	14,866	-	-	-	-	14,866
Other assets	31,258	-	169	8,183	-	39,610
Statutory deposits with BNM	185,000	-	-	-	-	185,000
	16,582,902	6,353	2,946,303	29,644	15,346	19,580,548
Financial liabilities						
Deposits from customers	10,798,426	50,601	448,065	111,982	23,159	11,432,233
Investment accounts due to designated financial institution	2,898,572	-	2,210,948	-	-	5,109,520
Deposits and placements of banks and other financial institutions	272,599	-	170,073	10,455	6,052	459,179
Bills and acceptances payable	18,478	-	-	-	-	18,478
Derivative financial liabilities	14,488	-	-	-	-	14,488
Other liabilities	331,571	95	7,300	1,396	245	340,607
	14,334,134	50,696	2,836,386	123,833	29,456	17,374,505
Net financial assets/(liabilities) exposure	2,248,768	(44,343)	109,917	(94,189)	(14,110)	2,206,043

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

40 CURRENCY RISK (continued)

2022	**MYR RM'000**	**GBP RM'000**	**USD RM'000**	**SGD RM'000**	**Others RM'000**	**Total RM'000**
Financial assets						
Cash and cash equivalents	1,570,234	19,624	12,828	35,988	14,596	1,653,270
Financial assets at FVTPL	5,039	-	-	-	-	5,039
Financial investments at FVOCI	3,199,218	-	-	-	-	3,199,218
Financing and advances	11,182,776	-	1,568,212	-	-	12,750,988
Derivative financial assets	6,255	-	-	-	-	6,255
Other assets	26,730	-	2,204	41	-	28,975
Statutory deposits with BNM	200,000	-	-	-	-	200,000
	16,190,252	19,624	1,583,244	36,029	14,596	17,843,745
Financial liabilities						
Deposits from customers	11,335,460	19,604	506,442	110,223	7,219	11,978,948
Investment accounts due to designated financial institution	2,317,601	-	792,049	-	-	3,109,650
Deposits and placements of banks and other financial institutions	343,365	-	233,215	-	3,506	580,086
Bills and acceptances payable	11,757	-	-	-	-	11,757
Derivative financial liabilities	5,901	-	-	-	-	5,901
Other liabilities	234,724	30	1,626	658	38	237,076
	14,248,808	19,634	1,533,332	110,881	10,763	15,923,418
Net financial assets/(liabilities) exposure	1,941,444	(10)	49,912	(74,852)	3,833	1,920,327

Value-at-Risk ("VaR")

The usage of market VaR by risk type based on 1-day holding period of the Bank's trading exposures is set out below:

	2023 RM'000	**2022 RM'000**
VaR By Risk Type		
- Profit rate risk	8	4
- Foreign exchange risk	41	17
- Total	39	16

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

41 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 stakeholders, 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 multi-year horizon. 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 Bank is in compliance with BNM's Capital Adequacy Framework for Islamic Banks 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.

	2023 RM'000	2022 RM'000
CET 1 capital		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	1,588,170	1,339,873
Other reserves	84,241	63,843
Regulatory adjustment	(118,010)	(105,617)
	2,109,401	1,853,099

41 CAPITAL ADEQUACY (continued)

	2023 RM'000	2022 RM'000
Tier 2 capital		
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	2,111	2,341
Surplus eligible provisions over expected losses	46,165	50,365
	48,276	52,706
Capital base	2,157,677	1,905,805

	2023	2022
Before the effects of PSIA		
CET 1/Tier 1 capital ratio	18.129%	16.287%
Total capital ratio	18.544%	16.750%
After the effects of PSIA		
CET 1/Tier 1 capital ratio	24.025%	19.667%
Total capital ratio	24.575%	20.226%

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account as Risk Absorbent, the credit and market risks of the assets funded by the RPSIA which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 31 December 2023, the credit risk relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM2,856 million (2022: RM1,955 million).

Had the transitional arrangements not been applied, the Bank's capital adequacy ratios would be as follows:

	2023	2022
After the effects of PSIA		
CET 1/Tier 1 capital ratio	23.949%	19.364%
Total capital ratio	24.499%	19.923%

Breakdown of risk-weighted assets ("RWA") in the various categories of risk-weights:

	2023 RM'000	2022 RM'000
Total RWA for credit risk	7,863,015	8,581,516
Total RWA for market risk	9,428	7,266
Total RWA for operational risk	907,506	833,541
	8,779,949	9,422,323

42 MUDHARABAH RESTRICTED PROFIT SHARING INVESTMENT ACCOUNT

(i) Movement in the Mudharabah Restricted Profit Sharing Investment Account

	2023 RM'000	2022 RM'000
As at 1 January	3,109,650	2,571,103
Funding inflows/(outflows)		
New placement during the year	2,157,375	1,180,574
Redemption during the year	(326,193)	(737,768)
Effect of foreign exchange difference	32,907	24,659
Income from investment	179,387	90,456
Bank's share of profit		
Profit distributed to mudarib	(53,816)	(27,137)
Recovery due to immediate holding company	10,210	7,763
As at 31 December	5,109,520	3,109,650
Investment assets		
Financing and advances	5,109,520	3,109,650

(ii) Profit sharing ratio and rate of return

	Average profit sharing ratio (Depositor: Bank)		Average rate of return	
	2023	2022	2023	2022
Up to 1 year	70:30	70:30	3.48%	2.58%
> 1 - 2 years	70:30	70:30	3.40%	3.08%
> 2 - 5 years	70:30	70:30	3.21%	2.81%
Over 5 years	70:30	70:30	3.24%	2.98%

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023 (continued)

43 PROFIT RATE BENCHMARK REFORM

USD LIBOR ceased as at 30 June 2023 and the Bank has fully transition with new agreements being referenced to eligible Risk Free Rates ("RFRSs). Malaysia Overnight Rate ("MYOR") is running parallel with KLIBOR as of the reporting date and the full transition to MYOR is still in progress and hence, there remains some uncertainty around the timing and precise nature of these changes. The Bank will, however, closely monitor for 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 contract changes.

As at 31 December 2023, the Bank did not have any exposure in hedges.

The following table shows the total amount of non-derivative financial assets and derivative financial instruments in KLIBOR that have yet to transition to alternative benchmark rate as at 31 December 2023.

2023	**KLIBOR RM'000**
Gross carrying amount	
Financing and advances	716,720
Non-derivative financial asset	716,720
Notional amount	
Derivative financial instruments	-

2022	**KLIBOR RM'000**
Gross carrying amount	
Financing and advances	235,686
Non-derivative financial asset	235,686
Notional amount	
Derivative financial instruments	29,120