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

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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 2024

The Directors hereby submit their report and the audited financial statements of the Bank for the financial year ended 31 December 2024.

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

	RM'000
Profit for the year	278,147

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 2024.

FINANCIAL PERFORMANCE

The Bank recorded net profit of RM278.1 million for the financial year ended 31 December 2024, 12% higher than the previous financial year with an increase of RM29.9 million mainly due to higher net income derived from investment account funds of RM36.4 million, lower impairment allowances of RM21.5 million, income derived from shareholder's funds of RM15.4 million partly offset by higher operating expenses of RM15.9 million, higher tax of RM11.6 million, lower income from investment of depositors' funds and others of RM11.5 million and higher income attributable to depositors of RM4.4 million.

Income from investment of account funds increased by RM36.4 million mainly due to higher financing income of RM121.4 million partly offset by higher profit attributable to investor of RM85.0 million. While allowances decreased by RM21.5 million mainly due to lower Stage 3 expected credit loss ("ECL") net charged of RM56.1 million partly offset by higher Stage 1 & 2 ECL of RM34.8 million.

Gross financing and advances increased by RM2.0 billion or 13% to RM17.1 billion as at 31 December 2024 mainly from higher financing to finance, insurance and business services of RM1.7 billion, wholesale & retail trade and restaurants & hotels of RM0.4 billion, transport, storage & communication of RM0.3 billion and households of RM0.2 billion partly offset by lower financing to real estate of RM0.4 billion and agriculture, hunting, forestry & fishing of RM0.2 billion. Customer deposits dipped marginally mainly from non-bank financial institutions and business enterprises partly offset by higher deposits from individuals.

Shareholder's funds strengthened by RM286.3 million to RM2.5 billion. The Bank is well capitalised, after taking into account the effects of RPSIA, with Common Equity Tier 1/Tier 1 capital ratios of 28.540% and Total capital ratio of 29.081%.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (continued)

MARKET OUTLOOK

Malaysia’s economy grew 5% in the fourth quarter of 2024. This was slower than the 5.4% Gross Domestic Product ("GDP") growth in the previous quarter, bringing overall growth for full year 2024 to 5.1%.

Malaysia’s GDP is expected to expand by 4.5% and 5.5% in 2025, driven by resilient domestic expenditure and household spending supported by employment and wage increases, including the upward revision of minimum wage and civil servant salaries. Robust expansion in investment activities, continued improvement in exports and higher tourist spending will continue to support Malaysia's economic growth.

The ringgit recorded an overall appreciation of 2.7% against the US dollar in 2024, as compared to the depreciation of most other Asian currencies. The narrowing interest rate differentials between Malaysia and the advanced economies is positive for the ringgit. The ringgit will continue to be supported by Malaysia's favourable economic prospects, domestic structural reforms and initiatives from the government and Bank Negara Malaysia (“BNM”). BNM's decision to maintain the Overnight Policy Rate at 3.00% indicates a supportive monetary policy stance. Banks in Malaysia are well-positioned to support the financing needs of the domestic economy, with robust capital and liquidity buffers as well as prudent provisioning practices.

We are committed to supporting our customers’ transition to more sustainable solutions by delivering innovative and environmental, social and governance ("ESG")-centred products and services.

ACTIVITIES AND ACHIEVEMENTS 2024

During the year, OCBC Al-Amin Bank Berhad (“OCBC Al-Amin”) won several industry awards in recognition of our overall banking performance and for demonstrating excellence in particular fields. We were recognised for our roles in Islamic deal innovation, sustainable finance, sukuk, sustainability sukuk and Islamic acquisition financing. We were named Top FI Partner (Islamic Financial Institution Category) by Credit Guarantee Corporation Malaysia Berhad for our commitment and support in providing small and medium-sized enterprises (“SMEs”) with better access to financing through our financing products.

OCBC Al- Amin continued to implement our sustainability strategy and climate risk management programme in line with OCBC Group’s ambition to achieve Net Zero in financed emissions by 2050 and consistent with our commitment under Value Based Intermediation (“VBI”) for Islamic Finance industry.

We established targets across investment banking and advisory, wholesale banking and emerging markets to onboard more sustainable financing with a focus on renewable energy, digital ecosystem including data centres and network connectivity, and green mobility including electric vehicles and charging infrastructure. With the Bank localising decarbonisation targets for Power, Oil & Gas and Steel in Malaysia and, through training provided by Asian Banking School, we equipped our relationship managers with specialised knowledge on carbon capture, storage, and utilisation and BNM's Climate Change & Principles-based Taxonomy and renewable energy.

Recognising the importance of climate risk mitigation, we have implemented BNM’s Climate Risk Management & Scenario Analysis action items and engaged with experts to jointly organise industry engagement on climate-related metrics and targets.

In line with our commitment to inclusive SME enablement, we offered Shariah-compliant options to our SME customers, including two fully digital Islamic banking offerings, the OCBC eBiz Account-i business banking account and the Biz Financing-i business financing facility.

On the consumer banking business, we are committed to growing our mortgage portfolio and enhancing our Islamic wealth management and takaful offerings. Our ongoing development of Islamic financing and digital platforms continues to ensure our customers experience a seamless application process and banking experience.

ACTIVITIES AND ACHIEVEMENTS 2024 (continued)

On the wholesale banking business, we continue to lead in delivering innovative investment banking and sustainable finance solutions to our corporate customers. As a strong advocate of sustainability, we actively drive the innovation and spearhead initiatives to promote sustainable financing in Malaysia, encouraging the adoption of Environmental Social and Governance (“ESG”) best practices amongst our business partners. Our comprehensive, value-driven financing solutions played a pivotal role in supporting the still-nascent sustainability ecosystem in the local markets. In recognition, we received several accolades from The Asset and Euromoney, amongst the most prestigious awards and accolades in the industry.

On the social finance front, we participated in the Wakalah Zakat programme, an initiative carried out in collaboration with the Zakat Authority and various NGOs. We also partnered with the Zakat Council of Selangor for an inaugural zakat distribution programme, providing essential school supplies to 150 underprivileged. In addition, we contributed to Association of Islamic Banking and Financial Institutions Malaysia (“AIBIM”)’s MyZakat, an initiative under the "Program Transformasi Usahawan Asnaf" in Sarawak. MyZakat is a recognised initiative under Bank Negara Malaysia’s iTEKAD program, aimed at assisting low-income microentrepreneurs in improving their financial management skills and business acumen to generate sustainable income.

Our corporate social responsibility efforts continued to focus on three main pillars, namely education, community empowerment and support for healthy living. In 2024, our programmes have benefitted over nine thousand people in need of our aid.

DIRECTORS OF THE BANK

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

George Lee Lap Wah (Appointed on 1 October 2024)
Ayesha Natchiar Binti Ally Maricar
Ismail Bin Alowi
Mevin Nevis AF Nevis
Tan Fong Sang (Appointed on 2 January 2024)
Tan Ngiap Joo (Retired on 30 September 2024)
Lee Kok Keng, Andrew (Resigned on 29 February 2024)

In accordance with clause 115 of the Bank's Constitution, Mr George Lee Lap Wah, shall retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with clauses 112 and 113 of the Bank's Constitution, Mr Mevin Nevis AF Nevis, 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 George Lee Lap Wah, *Independent Non-Executive Chairman*

Mr George Lee Lap Wah was appointed as Chairman of the Board on 1 October 2024. He is also Chairman of the Board of OCBC Bank (Malaysia) Berhad. An experienced banker with extensive knowledge of the Malaysian market, he was an advisor to the Chief Executive Officer and Management Committee of OCBC Bank (Malaysia) Berhad from April 2016 to July 2017. Prior to that, Mr Lee served as an Executive Vice President and Head of Global Corporate Banking at Oversea-Chinese Banking Corporation Limited ("OCBC") from February 2012 until his retirement in April 2016. Before this, he served as Executive Vice President and Head of Group Investment Banking of OCBC since 2002.

Mr Lee started his career as a Finance Officer in the Group Treasury Department of Keppel Shipyard in 1978 and joined Marine Midland Bank in 1982. Subsequently, he held managerial positions at various Singapore-based merchant banking units. In 1989, he was appointed as Country Manager of Security Pacific Bank before joining Credit Suisse Singapore as Head of Corporate Banking for South East Asia in 1993. He left as Director, Corporate Lending of Credit Suisse First Boston in 1998 to join OCBC.

Mr Lee is an Independent Director of Wearnes Starchase Ltd and Great Eastern Holdings Ltd. He holds a Bachelor of Business Administration (Honours) from the University of Singapore and is a qualified Chartered Financial Analyst. He is also a member of the SGX Disciplinary Committee.

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

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 until her retirement in 2010. She has expertise in banking operations, risk management, credit and 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. She also served as a Director of Merrill Lynch Malaysian Advisory Sdn Bhd from 2015 to 2024.

Puan Ayesha holds double degrees in Bachelor of Arts and Bachelor of Social Science (Honours) from the University of Singapore. She has also attended the Senior Executive Management Programme at Cornell University, USA and holds a Certification in Islamic Law from the International Islamic University ("IIU"), Malaysia. She is 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 was a past Chairman of the Chief Internal Auditors Networking Group ("CIANG") and was a member of the CIANG Examination Committee for internal audit examinations.

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 AF Nevis, *Independent Non-Executive Director*

Mr Mevin Nevis 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 is also 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.

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

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 also 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 a member of the Nominations and Remuneration Committee while 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 has 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 the National University of Malaysia (UKM) and a Chartered Accountant registered with the Malaysian Institute of Accountants.

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 2024**	**Acquired/ Awarded**	**Disposed**	**At 31 December 2024**
Ordinary Shares				
George Lee Lap Wah (Appointed on 1 October 2024)	85,143*	-	-	85,143
Ayesha Natchiar Binti Ally Maricar	-	2,308	-	2,308
Tan Fong Sang (Appointed on 2 January 2024)	71,352**	-	-	71,352
Tan Ngiap Joo (Retired on 30 September 2024)	1,435,480	-	-	1,435,480^
Lee Kok Keng, Andrew (Resigned on 29 February 2024)	529,953	-	-	529,953+

Unexercised share options available to the Directors under the OCBC Share Option Scheme 2001	**Exercise Period**	**At 1 January 2024**	**Acquired/ Awarded**	**Exercised/ Forfeited/ Disposed**	**At 31 December 2024**
Ordinary Shares					
Lee Kok Keng, Andrew (Resigned on 29 February 2024)	14/3/2020 to 15/3/2026	43,512	-	-	43,512+

* George Lee Lap Wah held the shares prior to his appointment on 1 October 2024.
** Tan Fong Sang held the shares prior to her appointment on 2 January 2024.
^ Tan Ngiap Joo's shareholdings as at the date of his retirement on 30 September 2024.
+ Lee Kok Keng, Andrew's shareholdings as at the date of his resignation on 29 February 2024.

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.

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises five Directors, all of whom are Independent Non-Executive Directors. The affiliated Directors are Mr George Lee Lap Wah and Puan Ayesha Natchiar Binti Ally Maricar. Mr Tan Ngiap Joo retired as Independent Non-Executive Chairman with effect from 30 September 2024.

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

The roles of the Chairman and the Chief Executive Officer ("CEO") are separated, which is consistent with the principles of corporate governance, as set out in BNM's Policy Document 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.
- Review and approve overall business strategy developed and recommended by management.
- Ensure that decisions and investments are consistent with long-term strategic goals.
- Ensure that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board.
- Oversee, 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.
- Promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies.

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.

CORPORATE GOVERNANCE (continued)

Board Conduct and Responsibilities (continued)

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 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 Ms Tan Fong Sang (appointed as a member on 2 January 2024 and subsequently appointed as BAC Chairman on 1 October 2024) ("BAC Chairman")), Encik Ismail Bin Alowi and Mr Mevin Nevis AF Nevis (appointed as a member on 1 October 2024), all of whom are Independent Directors. Mr Tan Ngiap Joo stepped down as the BAC member with effect from 30 September 2024 following his retirement from the Board and Puan Ayesha Natchiar Binti Ally Maricar stepped down as the BAC Chairman with effect from 30 September 2024.

The terms of reference of the BAC, approved by the Board, 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.

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.

CORPORATE GOVERNANCE (continued)

Internal Audit Function (continued)

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 (NRC Chairman), Mr Mevin Nevis AF Nevis and Ms Tan Fong Sang (appointed as NRC member on 1 October 2024), all of whom are Independent Directors. Mr Tan Ngiap Joo stepped down as the NRC member with effect from 30 September 2024 following his retirement from the Board.

The terms of reference of the NRC are approved by the Board. The NRC shall meet at least once every year. The NRC is entitled to secure the attendance of any person with relevant experience and expertise at comiitee meetings if the Committee considers this appropriate.

The NRC shall assess and recommend nominees for directorship, Board Committee membership, Shariah 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.

CORPORATE GOVERNANCE (continued)

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

The NRC 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 NRC shall take into consideration the feedback and inputs from the RMC.

In addition, the NRC shall make recommendations to the Board on the remuneration, fee and benefits of the Directors as well as the compensation of the CEO. The NRC shall review and approve the compensation of executive officers of the Bank of any rank as may be delegated by the Board, including key senior management officers and Material Risk Takers.

Remuneration Policy

The objective of the 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 measures are adjusted as appropriate for the various types of risk (such as market, credit and operational risks) and include:

- Operating efficiency measures encompassing 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.

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 Managing Director 1 rank and above, senior control staff, employees who had been awarded high variable performance bonuses and supervisors of staff identified as Material Risk Taker.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (continued)

CORPORATE GOVERNANCE (continued)

Remuneration Policy (continued)

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

The amount of remuneration received by Directors during the financial year ended 31 December 2024 are as follows:

	Variable remuneration Cash Based Directors' RM'000
George Lee Lap Wah (Appointed on 1 October 2024)	65
Ayesha Natchiar Binti Ally Maricar	86
Ismail Bin Alowi	250
Mevin Nevis AF Nevis	232
Tan Fong Sang (Appointed on 2 January 2024)	227
Tan Ngiap Joo (Retired on 30 September 2024)	206
Lee Kok Keng, Andrew (Resigned on 29 February 2024)	54

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 Takers 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 AF Nevis (RMC Chairman), Puan Ayesha Natchiar Binti Ally Maricar, Encik Ismail Bin Alowi, Mr George Lee Lap Wah and Ms Tan Fong Sang, all of whom are Independent Non-Executive Directors. Mr Tan Ngiap Joo stepped down as the RMC member with effect from 30 September 2024 following his retirement 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 terms of reference of the RMC are approved by the Board. The RMC shall meet at least once every quarter. The RMC shall be entitled to secure the attendance of any person with relevant experience and expertise at committee meetings if the RMC considers this appropriate.

The RMC 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 RMC 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 and ensure compliance with OCBC Group's risk management strategies, policies and tolerance.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (continued)

CORPORATE GOVERNANCE (continued)

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 2024 (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 2024

	Attendance of Meetings Held
Dr Khairul Anuar Bin Ahmad	12 of 13
Hj. Faizal Bin Jaafar	12 of 13
Dr Mohd Hilmi Bin Ramli	12 of 13
Dr Mohd Rofaizal Bin Ibhraim	13 of 13
Mr Abdul Latif bin Ahmad Subki	13 of 13
Dr Mohd Rizal bin Muwazir	13 of 13

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;
- 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 2024 (continued)

CORPORATE GOVERNANCE (continued)

Management Information (continued)

Directors' Attendance At Board and Board Committee Meetings in 2024

	Attendance of Meetings Held			
	Board	**Board Audit Committee**	**Nominating & Remuneration Committee**	**Risk Management Committee**
George Lee Lap Wah (Appointed on 1 October 2024)	2 of 2	-	-	1 of 1
Ayesha Natchiar Binti Ally Maricar (Stepped down as BAC Chairman on 30 September 2024)	8 of 8	4 of 4	-	5 of 5
Ismail Bin Alowi	8 of 8	6 of 6	2 of 2	5 of 5
Mevin Nevis AF Nevis (Appointed as BAC member on 1 October 2024)	8 of 8	2 of 2	2 of 2	5 of 5
Tan Fong Sang (Appointed as BAC member on 1 March 2024 and subsequently appointed as BAC Chairman on 1 October 2024) (Appointed as NRC member on 1 October 2024)	8 of 8	4 of 4	1 of 1	5 of 5
Lee Kok Keng, Andrew (Resigned on 29 February 2024)	3 of 3	2 of 2	-	2 of 2
Tan Ngiap Joo (Retired on 30 September 2024)	6 of 6	-	1 of 1	4 of 4

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 2024. 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 RM4,753 (2023: RM4,484).

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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 (continued)

OTHER STATUTORY INFORMATION (continued)

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
- 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 2024 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 RM321,667 (2023: RM358,540). 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.

GEORGE LEE LAP WAH
Chairman

TAN FONG SANG
Director

Kuala Lumpur, Malaysia
14 April 2025

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 104 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 2024 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:

GEORGE LEE LAP WAH
Chairman

TAN FONG SANG
Director

Kuala Lumpur, Malaysia
14 April 2025

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 104 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 14 April 2025, 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 2024:

We have reviewed the principles and contracts relating to the transactions and applications undertaken by the Bank during the financial year ended 31 December 2024. 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 and sound 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, on behalf 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 (SNC) 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.

During the financial year, one material Shariah non-compliant (“SNC”) event was reported, involving the execution of Commodity Murabahah (“CM”) transaction that affected financing accounts. The Shariah Committee has reviewed and deliberated the matter, and endorsed the rectification plan by strengthening internal processes and controls to mitigate the SNC risk. The Bank will undertake corrective actions to rectify the affected amount of RM127,033.04 resulting from the SNC event. The SNC income that has been channelled to charity is disclosed in Note 36 in the financial statements.

In respect of the financial year 2023, the Shariah Committee has endorsed the Zakat computation on the Bank's business based on the growth capital method. The Bank has allocated and made Zakat contribution to Lembaga Zakat Selangor.

We, on behalf 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 2024 have been conducted in conformity with the Shariah principles, except for the SNC event reported in 2024.

DR KHAIRUL ANUAR BIN AHMAD
Chairman

DR MOHD HILMI BIN RAMLI
Member

Kuala Lumpur, Malaysia
Date: 14 April 2025

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 2024, 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 2024, and the statement of profit or loss and other 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 104.

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)

<u>Information other than the financial statements and auditors' report thereon (continued)</u>

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.

<u>Responsibilities of the Directors for the financial statements</u>

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.

<u>Auditors' responsibilities for the audit of the financial statements</u>

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.

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)

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.

(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
LLP0014401-LCA & AF 1146
Chartered Accountants

NG YEE LING
03032/01/2027 J
Chartered Accountant

Kuala Lumpur
14 April 2025

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
ASSETS			
Cash and cash equivalents	3	940,484	1,123,565
Financial assets at fair value through profit or loss ("FVTPL")	4	-	5,021
Financial investments at fair value through other comprehensive income ("FVOCI")	5	4,396,524	3,431,407
Financing and advances	6	16,873,602	14,781,079
Derivative financial assets	8	12,550	14,866
Other assets	9	90,480	39,610
Statutory deposits with BNM	10	196,500	185,000
Property and equipment	11	1,980	2,714
Right-of-use ("ROU") assets	12	2,734	3,478
Deferred tax assets	13	29,166	29,430
Total assets		22,544,020	19,616,170
LIABILITIES			
Deposits from customers	14	11,382,006	11,432,233
Investment accounts due to designated financial institution	15	7,736,685	5,109,520
Deposits and placements of banks and other financial institutions	16	289,190	459,179
Obligations on securities sold under repurchase agreements		393,729	-
Bills and acceptances payable		10,895	18,478
Derivative financial liabilities	8	13,195	14,488
Other liabilities	17	182,649	340,607
Provision for taxation and zakat		21,775	14,099
Total liabilities		20,030,124	17,388,604
EQUITY			
Share capital	18	555,000	555,000
Reserves	19	1,958,896	1,672,566
Total equity		2,513,896	2,227,566
Total liabilities and equity		22,544,020	19,616,170
Commitments and contingencies	31	5,781,997	5,927,230

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 2024

	Note	2024 RM'000	2023 RM'000
Income derived from investment of depositors' funds and others	20	545,616	557,108
Income derived from investment of investment account funds	21	300,806	179,387
Income derived from investment of shareholder's funds	22	186,794	171,423
Impairment allowance and provisions	23	19,114	(2,370)
Total distributable income		1,052,330	905,548
Income attributable to depositors and others	24	(254,851)	(250,469)
Income attributable to investment account holder	25	(210,564)	(125,571)
Total net income		586,915	529,508
Operating expenses	26	(220,705)	(204,791)
Profit before taxation and zakat		366,210	324,717
Income tax expense	28	(88,013)	(76,370)
Zakat	29	(50)	(50)
Profit for the year		278,147	248,297
Items that may be subsequently reclassified to profit or loss			
Fair value reserve (debt instruments)			
- Change in fair value		12,480	27,577
- Transferred to profit or loss		(1,839)	(737)
- Related tax		(2,554)	(6,442)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		96	8
Other comprehensive income for the year, net of income tax		8,183	20,406
Total comprehensive income for the year		286,330	268,703
Profit attributable to the owner of the Bank		278,147	248,297
Total comprehensive income attributable to the owner of the Bank		286,330	268,703
Basic earnings per ordinary share (sen)	30	150.35	134.21

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 2024

	Non-distributable				*Distributable*	
2024	**Share Capital RM'000**	**Regulatory Reserve RM'000**	**ECL Reserve RM'000**	**Fair Value Reserve RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
At 1 January 2024	555,000	91,000	155	(6,759)	1,588,170	2,227,566
Fair value reserve						
- Change in fair value	-	-	-	12,480	-	12,480
- Transferred to profit or loss	-	-	-	(1,839)	-	(1,839)
- Related tax	-	-	-	(2,554)	-	(2,554)
Change in ECL reserve	-	-	96	-	-	96
Total other comprehensive income for the year	-	-	96	8,087	-	8,183
Profit for the year	-	-	-	-	278,147	278,147
Total comprehensive income for the year	-	-	96	8,087	278,147	286,330
At 31 December 2024	555,000	91,000	251	1,328	1,866,317	2,513,896
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

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

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	2024 RM'000	2023 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	366,210	324,717
Adjustments for:		
Net loss/(gain) from disposal of:		
- Financial assets at FVTPL	150	-
- Financial investments at FVOCI	(1,839)	(737)
- Property and equipment	2	-
Depreciation of equipment	992	1,067
Depreciation of ROU assets	1,514	1,541
Impairment allowance and provisions	4,149	20,887
Finance expense on lease liabilities	102	59
Share-based costs	435	394
Unrealised loss on:		
- Financial assets at FVTPL	29	17
- Derivatives	993	448
Operating profit before changes in working capital	372,737	348,393
Changes in operating assets and operating liabilities:		
Financial assets at FVTPL	4,842	1
Financing and advances	(2,081,775)	(2,040,767)
Derivative financial assets	1,323	(9,059)
Other assets	(50,875)	(10,627)
Statutory deposits with BNM	(11,500)	15,000
Deposits from customers	(50,227)	(546,715)
Investment accounts due to designated financial institution	2,612,369	1,989,660
Deposits and placements of banks and other financial institutions	(169,989)	(120,907)
Obligations on securities sold under repurchase agreements	393,729	-
Bills and acceptances payable	(7,583)	6,721
Derivative financial liabilities	(1,293)	8,587
Other liabilities	(157,676)	101,619
Cash generated/(used) in operations	854,082	(258,094)
Income tax and zakat paid	(82,677)	(64,728)
Net cash generated/(used) in operating activities	771,405	(322,822)
Cash flows from investing activities		
Acquisition of financial investments at FVOCI	(5,810,000)	(5,943,790)
Proceeds from disposal of financial investments at FVOCI	4,857,363	5,739,178
Acquisition of equipment	(260)	(679)
Proceeds from disposal of equipment	-	19
Net cash used in investing activities	(952,897)	(205,272)
Cash flows from financing activities		
Payment of lease liabilities	(1,589)	(1,611)
Net cash used in financing activities	(1,589)	(1,611)
Net decrease in cash and cash equivalents	(183,081)	(529,705)
Cash and cash equivalents at 1 January	1,123,565	1,653,270
Cash and cash equivalents at 31 December (Note 3)	940,484	1,123,565

Change in liabilities arising from financing activity

	2024 RM'000	2023 RM'000
At 1 January	3,504	1,986
Payment of lease liabilities	(1,589)	(1,611)
Acquisition of new leases and changes in lease terms	770	3,070
Finance expense on lease liabilities	102	59
At 31 December	2,787	3,504

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024

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 14 April 2025.

1 BASIS OF PREPARATION

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

(a) Statement of compliance

The financial statements of the 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 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*

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 2025</u>

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

<u>Effective for annual periods commencing on or after 1 January 2026</u>

- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures - The Classification and Measurement of Financial Instruments*
- Amendments to MFRS Accounting Standards which are part of Annual Improvements - Volume 11

<u>Effective for annual periods commencing on or after 1 January 2027</u>

- MFRS 18, *Presentation and Disclosure in Financial Statements*

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 except for MFRS 18 which is a new accounting standard for presentation and disclosure of information in the financial statements that replaces MFRS 101, *Presentation of Financial Statements*.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Effective for annual periods commencing on or after 1 January 2027 (continued)

- MFRS 18, *Presentation and Disclosure in Financial Statements*

The new standard introduces a defined structure for the statement of profit or loss, which comprises new categories and subtotals. Income and expenses included in the statement of profit or loss are to be classified into three new distinct categories i.e., operating, investing and financing, based on the main business activities of the entity; and two new required subtotals to enable analysis, i.e., operating profit or loss and profit or loss before financing and income taxes. It also sets out new disclosure requirements of management-defined performance measures. Furthermore, MFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements.

The Bank plans to apply MFRS 18 effective from 1 January 2027, and will be applied retrospectively, whereby the comparative information for the financial year ending 31 December 2026 will be restated in accordance with requirements of MFRS 18. The Bank is currently assessing the impact of MFRS 18 on presentation and disclosures in the Bank's financial statements.

(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) For 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), for 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

(ii) Impairment of financial assets (continued)

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.

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 2024 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.

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 leasing. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

B Financial instruments (continued)

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

Financial assets (continued)

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

Debt investments (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

B Financial instruments (continued)

(c) Financial guarantee contracts

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.

(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.

2 MATERIAL ACCOUNTING POLICIES (continued)

B Financial instruments (continued)

(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.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

C Property and equipment (continued)

(c) Depreciation (continued)

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:

- 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

D Leases (continued)

(b) Recognition and initial measurement (continued)

(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.

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).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

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-balance sheet financing commitments and financial guarantees.

(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 Stage 1 and Stage 2 ECLs are modelled and estimated based on four macroeconomic scenarios that are most closely correlated with credit losses in the relevant portfolio. The four macroeconomic scenarios comprise a most likely "Base" outcome and three other less likely scenarios consisting of one “Upside” and two “Downside” scenarios. These scenarios are probability-weighted and underlying key macro-economic assumptions are based on a combination of independent external and in-house views. The assumptions are subject to regular management reviews to reflect current economic situations. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

2 MATERIAL ACCOUNTING POLICIES (continued)

F Impairment (continued)

(a) Financial assets (continued)

(iii) Movement between stages (continued)

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 days 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 BNM's policy document on Financial Reporting 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 36 to the financial statements.

(iv) Regulatory framework

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.

(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.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

F Impairment (continued)

(b) Other assets (continued)

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.

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 ("DSP")

Under the DSP, 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 DSP. 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

H Employee benefits (continued)

(b) Share-based payment transactions (continued)

(ii) OCBC Share Option Scheme 2001 ("ESOS")

Under the ESOS, shares of OCBC Ltd 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 ceased granting share options under the ESOS effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by recipients.

(iii) OCBC Employee Share Purchase Plan ("ESPP")

The ESPP is a savings-based share ownership plan that allows eligible employees to participate in shares of OCBC Ltd by making monthly contributions to the ESPP and interest accrued at a preferential rate determined by OCBC Ltd's Remuneration Committee. The Committee will fix the offering period and acquisition price for the new ordinary shares to be issued under the ESPP.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

J Income and expenses (continued)

(a) Finance income and finance expense (continued)

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.

(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 DÉCEMBER 2024 (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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

3 CASH AND CASH EQUIVALENTS

	2024 RM'000	2023 RM'000
Cash and balances with banks and other financial institutions	79,471	75,806
Deposits and placements with BNM	861,021	1,047,762
	940,492	1,123,568
Stage 1 ECL allowance	(8)	(3)
	940,484	1,123,565

By geographical distribution determined based on where the credit risk resides

	2024 RM'000	2023 RM'000
Malaysia	889,188	1,071,223
Singapore	19,098	20,629
Other ASEAN countries	784	1,645
Rest of the world	31,422	30,071
	940,492	1,123,568

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

	2024 RM'000	2023 RM'000
At fair value		
Islamic Corporate Sukuk	-	5,021

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

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

	2024 RM'000	2023 RM'000
At fair value		
Malaysian Government Investment Issues	2,251,627	2,176,959
Islamic Corporate Sukuk	602,859	720,103
Islamic Negotiable Instruments of Deposit	1,192,004	199,181
Cagamas Sukuk	350,034	335,164
	4,396,524	3,431,407

Included in the financial investments at FVOCI of the Bank, are Malaysian Government Investment Issues which are pledged as collateral for obligations on securities sold under repurchase agreements with nominal value amounting to RM400 million. (2023: nil)

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

	2024			2023		
	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	155	-	155	147	-	147
Transferred to Stage 2	(1)	1	-	-	-	-
New financial assets originated or purchased	441	-	441	322	-	322
Financial assets derecognised	(177)	-	(177)	(191)	-	(191)
Net remeasurement during the year	(167)	(1)	(168)	(123)	-	(123)
At 31 December	251	-	251	155	-	155

6 FINANCING AND ADVANCES

(i) By type and Shariah contract

	Sale based contracts					*Lease based contracts*			*Equity based contracts*			
2024	**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	98	1,492	-	-	-	-	628,913	-	-	-	3,318	633,821
Term Financing												
- House financing	-	2,379	382,024	-	-	-	-	1,338,039	43,576	-	-	1,766,018
- Syndicated term financing	-	-	3,237,374	-	-	-	-	-	-	66,139	-	3,303,513
- Hire purchase receivables	-	-	-	-	-	100,142	-	63,802	-	-	-	163,944
- Other term financing	20,297	23,120	6,073,843	-	-	-	-	615,137	54,798	-	-	6,787,195
Bills receivable	-	-	-	18,470	29,185	-	-	-	-	-	-	47,655
Trust receipts	-	-	-	306	-	-	-	-	-	-	-	306
Revolving credit	-	-	3,981,991	-	-	-	-	-	-	-	-	3,981,991
Claims on customers under acceptance credits	-	-	-	140,049	23,500	-	-	-	-	-	-	163,549
Other financing	-	-	237,215	-	-	-	-	-	-	-	-	237,215
Gross financing and advances	20,395	26,991	13,912,447	158,825	52,685	100,142	628,913	2,016,978	98,374	66,139	3,318	17,085,207
ECL allowance												(211,605)
Net financing and advances												16,873,602

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 2024, the gross exposure and ECL relating to RPSIA financing amounted to RM7,151 million (2023: RM4,964 million) and RM15 million (2023: RM29 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

6 FINANCING AND ADVANCES (continued)

(i) By type and Shariah contract (continued)

	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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

6 FINANCING AND ADVANCES (continued)

	2024 RM'000	2023 RM'000
(ii) By type of customer		
Domestic banking institutions	786,133	809,238
Domestic non-bank financial institutions	1,924,441	1,922,978
Domestic business enterprises		
- Small and medium enterprises	2,883,480	2,327,187
- Others	9,534,138	8,185,221
Individuals	1,828,626	1,683,530
Foreign entities	128,389	205,783
	17,085,207	15,133,937
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	64,987	91,335
- Hire purchase receivables	100,142	143,272
- Other fixed rate financing	772,065	672,287
Variable rate		
- Base rate/Base financing rate plus/Standardised base rate	4,236,058	3,632,246
- Cost plus	11,884,723	10,514,696
- Other variable rates	27,232	80,101
	17,085,207	15,133,937
(iv) By sector		
Agriculture, hunting, forestry and fishing	586,549	825,150
Mining and quarrying	9,697	12,677
Manufacturing	1,030,136	1,026,851
Electricity, gas and water	225,945	219,995
Construction	597,419	539,005
Real estate	858,476	1,251,690
Wholesale & retail trade and restaurants & hotels	1,474,662	1,125,201
Transport, storage and communication	1,018,358	710,073
Finance, insurance and business services	8,611,395	6,923,951
Community, social and personal services	715,554	721,210
Household		
- Purchase of residential properties	1,772,065	1,577,827
- Purchase of non-residential properties	46,257	45,382
- Others	138,694	154,925
	17,085,207	15,133,937
(v) By geographical distribution determined based on where the credit risk resides		
Malaysia	16,957,772	14,943,930
Singapore	82,467	57,577
Other ASEAN countries	4,098	4,512
Rest of the world	40,870	127,918
	17,085,207	15,133,937

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

6 FINANCING AND ADVANCES (continued)

(vi) By residual contractual maturity

	2024 RM'000	2023 RM'000
Up to one year	4,280,864	3,461,839
Over one year to three years	4,910,028	2,976,205
Over three years to five years	2,917,995	4,100,173
Over five years	4,976,320	4,595,720
	17,085,207	15,133,937

7 IMPAIRED FINANCING AND ADVANCES

(a) Movements in credit-impaired financing and advances

	2024 RM'000	2023 RM'000
At 1 January	550,589	732,428
Impaired during the year	91,747	117,998
Reclassified as non credit-impaired	(83,958)	(84,814)
Amount recovered	(103,855)	(111,038)
Amount written off	(125,296)	(103,985)
At 31 December	329,227	550,589
Stage 3 ECL allowance	(108,153)	(257,463)
Net impaired financing and advances	221,074	293,126

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 2024, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder was fully paid off; nil (31 December 2023: RM15 million) and nil (31 December 2023: RM15 million) respectively.

(i) By sector

	2024 RM'000	2023 RM'000
Agriculture, hunting, forestry and fishing	1,568	184
Manufacturing	36,200	97,854
Electricity, gas and water	121	121
Construction	7,158	91,371
Real estate	3,890	1,624
Wholesale & retail trade and restaurants & hotels	174,698	184,182
Transport, storage and communication	5,408	19,237
Finance, insurance and business services	1,505	7,242
Community, social and personal services	104	490
Household		
- Purchase of residential properties	82,517	127,722
- Purchase of non-residential properties	3,526	3,549
- Others	12,532	17,013
	329,227	550,589

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

7 IMPAIRED FINANCING AND ADVANCES (continued)

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

	2024 RM'000	2023 RM'000
(ii) By geographical distribution determined based on where the credit risk resides		
Malaysia	319,201	538,805
Singapore	2,821	2,411
Other ASEAN countries	-	1,404
Rest of the world	7,205	7,969
	329,227	550,589

	2024 RM'000	2023 RM'000
(iii) By collateral type		
Property	233,080	297,763
Secured - others	13,326	23,277
Unsecured - corporate and other guarantees	27,688	178,892
Unsecured - clean	55,133	50,657
	329,227	550,589

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

7 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL allowance for financing and advances

	Non credit-impaired		*Credit-impaired*	**2024**	*Non credit-impaired*		*Credit-impaired*	**2023**
	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	29,881	65,514	257,463	352,858	17,546	89,427	317,299	424,272
Transferred to Stage 1	38,381	(34,753)	(3,628)	-	62,365	(53,686)	(8,679)	-
Transferred to Stage 2	(8,653)	19,354	(10,701)	-	(5,285)	22,213	(16,928)	-
Transferred to Stage 3	(83)	(21,867)	21,950	-	(56)	(45,335)	45,391	-
New financial assets originated or purchased	24,081	22,102	-	46,183	18,341	27,495	-	45,836
Financial assets derecognised	(17,232)	(27,020)	(2,122)	(46,374)	(8,498)	(19,887)	(1,099)	(29,484)
Net remeasurement during the year	(31,576)	45,457	(26,900)	(13,019)	(54,573)	44,838	29,600	19,865
Written-off	-	-	(125,296)	(125,296)	-	-	(103,985)	(103,985)
Other movements	(71)	(63)	(2,613)	(2,747)	41	449	(4,136)	(3,646)
At 31 December	34,728	68,724	108,153	211,605	29,881	65,514	257,463	352,858

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

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 RM4.8 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 increased by RM3.2 million mainly due to higher net remeasurement, newly originated financing and transfers-in to Stage 2 partly offset by transfers to Stage 1 due to improvements in credit quality.

Stage 3 ECL allowance decreased by RM149.3 million mainly due higher write-offs, lower net remeasurement and transfers to Stage 2 due to improvements in asset quality partly offset by transfers-in to Stage 3.

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**
2024				
Agriculture, hunting, forestry and fishing	10,109	118	116	-
Mining and quarrying	227	-	-	-
Manufacturing	22,914	29,189	10,242	62,528
Electricity, gas and water	1,028	4	-	-
Construction	40,674	18,300	5,047	46,126
Real estate	6,153	140	57	-
Wholesale & retail trade and restaurants & hotels	20,328	49,451	18,611	3,681
Transport, storage and communication	6,426	2,225	2,454	8
Finance, insurance and business services	18,933	441	228	279
Community, social and personal services	1,470	13	-	384
Household				
- Purchase of residential properties	5,187	17,995	13,013	10,033
- Purchase of non-residential properties	186	856	14	-
- Others	2,272	5,648	3,898	2,257
	135,907	124,380	53,680	125,296

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

7 IMPAIRED FINANCING AND ADVANCES (continued)

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

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

(ii) By geographical distribution

	Non credit-impaired	*Credit-impaired*	**2024**	*Non credit-impaired*	*Credit-impaired*	**2023**
	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**
ECL						
Malaysia	135,531	120,034	255,565	118,267	269,828	388,095
Singapore	208	1,353	1,561	273	496	769
Other ASEAN countries	9	1,073	1,082	9	-	9
Rest of the world	159	1,920	2,079	7,703	2,293	9,996
	135,907	124,380	260,287	126,252	272,617	398,869

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

8 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Financial derivatives are instruments which value 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.

	2024			2023		
	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	66,948	87	375	136,487	350	189
- Swaps	1,246,781	12,463	12,820	1,356,890	14,516	14,299
	1,313,729	12,550	13,195	1,493,377	14,866	14,488
Of which related to immediate holding company	740,951	43	12,823	907,481	8,759	6,498

9 OTHER ASSETS

	2024 RM'000	2023 RM'000
Profit receivable	33,947	28,283
Other receivables, deposits and prepayments	3,111	2,548
Amount due from immediate holding company	53,193	8,599
Amount due from ultimate holding company	226	180
Amount due from related company	3	-
	90,480	39,610

The amounts due from ultimate and immediate holding companies and related company 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

11 PROPERTY AND EQUIPMENT

	2024				2023			
	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	9,558	16,125	9,920	35,603	9,023	16,238	9,970	35,231
Additions	178	82	-	260	639	40	-	679
Disposals/Written off	(27)	(56)	(58)	(141)	(41)	(148)	(50)	(239)
Transfer to related parties	-	-	-	-	(63)	(5)	-	(68)
At 31 December	9,709	16,151	9,862	35,722	9,558	16,125	9,920	35,603
Accumulated depreciation								
At 1 January	(7,172)	(15,827)	(9,890)	(32,889)	(6,506)	(15,762)	(9,842)	(32,110)
Depreciation for the year	(820)	(167)	(5)	(992)	(753)	(216)	(98)	(1,067)
Disposals/Written off	25	56	58	139	41	146	50	237
Transfer to related parties	-	-	-	-	46	5	-	51
At 31 December	(7,967)	(15,938)	(9,837)	(33,742)	(7,172)	(15,827)	(9,890)	(32,889)
Carrying amount								
At 1 January	2,386	298	30	2,714	2,517	476	128	3,121
At 31 December	1,742	213	25	1,980	2,386	298	30	2,714

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

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

	2024 RM'000	2023 RM'000
Properties		
Cost		
At 1 January	6,557	5,194
Additions	770	3,070
Derecognised during the year	(2,840)	(1,707)
At 31 December	4,487	6,557
Accumulated depreciation		
At 1 January	(3,079)	(3,245)
Depreciation for the year	(1,514)	(1,541)
Derecognised during the year	2,840	1,707
At 31 December	(1,753)	(3,079)
Carrying amount		
At 1 January	3,478	1,949
At 31 December	2,734	3,478

13 DEFERRED TAX ASSETS

	Assets		Liabilities		Net	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Change in fair value of financial instruments	-	2,134	(420)	-	(420)	2,134
Stage 1 and 2 ECL allowance	22,786	20,826	-	-	22,786	20,826
Capital allowances over depreciation	-	-	(251)	(372)	(251)	(372)
Provision for expenses	2,048	2,321	-	-	2,048	2,321
Other temporary differences	5,003	4,521	-	-	5,003	4,521
Tax assets/(liabilities)	29,837	29,802	(671)	(372)	29,166	29,430
Set off of tax	(671)	(372)	671	372	-	-
Net tax assets	29,166	29,430	-	-	29,166	29,430

(i) Movement in deferred tax during the financial year

2024	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	2,134	-	(2,554)	(420)
Stage 1 and 2 ECL allowance	20,826	1,960	-	22,786
Capital allowances over depreciation	(372)	121	-	(251)
Provision for expenses	2,321	(273)	-	2,048
Other temporary differences	4,521	482	-	5,003
	29,430	2,290	(2,554)	29,166

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

13 DEFERRED TAX ASSETS (continued)

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

2023	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	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

14 DEPOSITS FROM CUSTOMERS

	2024 RM'000	2023 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	558,421	553,927
- Qard	201,447	202,994
Demand deposits		
- Tawarruq	1,606,984	1,314,707
- Qard	4,154,768	4,428,925
Term Deposits		
- Tawarruq	4,713,115	4,278,330
- Qard	1,311	1,445
Short-term deposits		
- Tawarruq	145,960	651,905
	11,382,006	11,432,233

(b) By type of customer

	2024 RM'000	2023 RM'000
Government and statutory bodies	89,255	98,621
Non-bank financial institutions	1,122,859	1,386,430
Business enterprises	5,783,129	6,072,023
Individuals	3,879,471	3,467,891
Foreign entities	439,262	343,088
Others	68,030	64,180
	11,382,006	11,432,233

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

	2024 RM'000	2023 RM'000
Up to six months	3,912,294	3,864,323
Over six months to one year	941,299	1,052,746
Over one year to three years	4,093	11,511
Over three years to five years	2,700	3,100
	4,860,386	4,931,680

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

15 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	2024 RM'000	2023 RM'000
Mudharabah RPSIA		
Licensed bank	7,736,685	5,124,316
Amount receivable from immediate holding company under RPSIA	-	(14,796)
	7,736,685	5,109,520

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

	2024 RM'000	2023 RM'000
Non-Mudharabah		
Licensed banks	283,925	454,069
Other financial institutions	5,265	5,110
	289,190	459,179

Included in the above are deposits and placements of its immediate holding company of RM241 million (2023: RM433 million), which are unsecured and profit bearing.

17 OTHER LIABILITIES

		2024 RM'000	2023 RM'000
Profit payable		56,187	52,744
Other payables and accruals		52,461	60,588
Amount due to immediate holding company	(a)	20,749	176,468
Amount due to ultimate holding company	(a)	1,097	587
Equity compensation benefits	(b)	686	705
Lease liabilities		2,787	3,504
ECL allowances for financing commitments and financial guarantees	(c)	48,682	46,011
		182,649	340,607

(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 ("DSP")

Under the DSP, 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 DSP. 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 DSP. 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 which 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 2024 (continued)

17 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001 ("ESOS")

Under the ESOS, 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 ESOS 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:

	2024		2023	
	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$)		14.263		12.619

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S$)	2024 Outstanding	2024 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$)	2023 Outstanding	2023 Exercisable
2018	22/03/2018	22/3/2019 - 21/3/2028	13.340	10,847	10,847
				10,847	10,847

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

17 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(iii) OCBC Employee Share Purchase Plan ("ESPP")

The ESPP 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 and/or from Employee's Provident Fund. Employees have the option to convert the contributions to ordinary shares after one year or withdraw the contributions at anytime. As a further incentive to employees to enrol in the ESPP, interest is given on the amounts saved at a preferential interest rate. The duration of each offering period is 24 months.

In July 2024, OCBC Ltd launched its 19th offering of ESPP for its employees, which commenced on 1 September 2024 and expires on 31 August 2026. Under the offering, OCBC Ltd granted the Bank's employees 4,810 (2023: 7,066) 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$2,964 (2023: S$5,266). Significant inputs to the valuation model are set out below:

	2024	**2023**
Acquisition price (S$)	14.45	12.47
Closing share price at valuation date (S$)	14.80	12.94
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	13.19	12.97
Singapore government bond yields (%)	2.83	3.36
Expected dividend yield (%)	6.54	4.91

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

	2024		**2023**	
	Number of share options	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	13,108	12.260	15,397	11.853
Acquired	4,810	14.450	7,066	12.470
Forfeited/Lapsed	(2,523)	12.333	(3,755)	12.002
Exercised and converted upon expiry	(5,867)	12.103	(5,600)	11.580
At 31 December	9,528	13.442	13,108	12.260
Average share price underlying acquisition rights exercised/converted (S$)		14.820		12.649

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (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:

2024	*Non credit-impaired*		*Credit-impaired*	
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January	13,028	17,829	15,154	46,011
Transferred to Stage 1	7,149	(7,149)	-	-
Transferred to Stage 2	(2,330)	2,330	-	-
Transferred to Stage 3	(2)	(385)	387	-
New financial assets originated or purchased	10,816	2,217	-	13,033
Financial assets derecognised	(5,435)	(7,349)	-	(12,784)
Net remeasurement during the year	(5,674)	7,545	611	2,482
Other movements	(120)	(15)	75	(60)
At 31 December	17,432	15,023	16,227	48,682

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

18 SHARE CAPITAL

	2024 RM'000	2023 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 of the financial instruments.

20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2024 RM'000	2023 RM'000
Income derived from investment of:		
(i) Term deposits	209,342	194,573
(ii) Other deposits	336,274	362,535
	545,616	557,108

(i) Income derived from investment of term deposits

	2024 RM'000	2023 RM'000
Finance income and hibah		
Financing and advance		
- Finance income earned other than recoveries	155,843	139,574
- Recoveries from credit-impaired financing	4,156	5,638
- Discount unwind from credit-impaired financing	825	1,227
Financial assets at FVTPL	43	70
Financial investments at FVOCI	42,887	40,419
Deposits and placements with banks and other financial institutions	4,307	6,710
	208,061	193,638
Other trading income		
Net loss from sale of financial assets at FVTPL	(50)	-
Unrealised loss on financial assets at FVTPL	(9)	(5)
Other operating income		
Net gain from sale of financial investments at FVOCI	597	221
Others	743	719
	209,342	194,573

(ii) Income derived from investment of other deposits

	2024 RM'000	2023 RM'000
Finance income and hibah		
Financing and advance		
- Finance income earned other than recoveries	250,407	260,004
- Recoveries from credit-impaired financing	6,660	10,268
- Discount unwind from credit-impaired financing	1,334	2,291
Financial assets at FVTPL	72	126
Financial investments at FVOCI	68,697	75,683
Deposits and placements with banks and other financial institutions	7,057	12,444
	334,227	360,816
Other trading income		
Net loss from sale of financial assets at FVTPL	(73)	-
Unrealised loss on financial assets at FVTPL	(15)	(10)
Other operating income		
Net gain from sale of financial investments at FVOCI	917	406
Others	1,218	1,323
	336,274	362,535

21 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	2024 RM'000	2023 RM'000
Finance income and hibah		
Financing and advance		
- Finance income earned other than recoveries	291,941	165,739
Deposits and placements with banks and other financial institutions	7,855	13,648
Financial investments at FVOCI	1,010	-
	300,806	179,387

22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2024 RM'000	2023 RM'000
Finance income and hibah		
Financing and advance		
- Finance income earned other than recoveries	85,546	70,442
- Recoveries from credit-impaired financing	2,281	2,820
- Discount unwind from credit-impaired financing	454	618
Financial assets at FVTPL	24	34
Financial investments at FVOCI	23,522	20,447
Deposits and placements with banks and other financial institutions	2,377	3,406
	114,204	97,767
Other trading income		
Net loss from sale of financial assets at FVTPL	(27)	-
Unrealised loss on financial assets at FVTPL	(5)	(2)
Other operating income		
Commission	21,326	26,961
Service charges and fees	19,528	13,490
Shared services income received from immediate holding company	4,145	4,717
Shared services income received from ultimate holding company	131	128
Net gain from sale of financial investments at FVOCI	325	110
Others	410	362
Other trading income		
Net trading (loss)/gain		
- Foreign currency	8,580	(14,249)
- Trading derivatives	19,170	42,587
- Revaluation of derivatives	(993)	(448)
	186,794	171,423

23 IMPAIRMENT ALLOWANCE AND PROVISIONS

	2024 RM'000	2023 RM'000
Financing, advances and commitments		
Stage 1 and Stage 2 ECL net charge/(writeback) during the year	9,655	(25,020)
Stage 3 ECL		
- Made during the year	53,680	114,433
- Written back	(74,083)	(78,737)
Credit-impaired financing recovered	(23,263)	(18,517)
Recovery from RPSIA holder*	14,796	10,210
Financial investments at FVOCI		
Stage 1 and Stage 2 ECL net charge during the year	96	8
Other assets		
Stage 1 ECL net charge/(writeback) during the year	5	(7)
	(19,114)	2,370

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

24 INCOME ATTRIBUTABLE TO DEPOSITORS AND OTHERS

	2024 RM'000	2023 RM'000
Deposits from customers		
- Non-Mudharabah	240,071	239,628
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah	14,678	10,782
Lease liabilities	102	59
	254,851	250,469

25 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	2024 RM'000	2023 RM'000
Investment accounts due to designated financial institution (Note 33)		
- Mudharabah	210,564	125,571

26 OPERATING EXPENSES

		2024 RM'000	2023 RM'000
Personnel expenses			
Wages, salaries and bonus		17,624	19,397
Employees Provident Fund contributions		2,709	2,960
Share-based costs		435	394
Others		3,282	3,192
		24,050	25,943
Establishment expenses			
Depreciation of equipment		992	1,067
Depreciation of ROU assets		1,514	1,541
Rental of premises	(a)	31	14
Repair and maintenance		527	557
Information technology costs		705	598
Hire of equipment	(a)	80	70
Others		1,985	1,895
		5,834	5,742

26 OPERATING EXPENSES (continued)

		2024 RM'000	2023 RM'000
Marketing expenses			
Advertising and business promotion		216	556
Transport and travelling		90	104
Others		183	58
		489	718
General administrative expenses			
Shared service fees to immediate holding company (Note 33)		151,374	134,094
IT and transaction processing fees to related companies (Note 33)		23,350	21,928
Auditors' remuneration			
- Statutory audit		183	175
- Audit related fees		62	127
- Non-audit related		77	57
Shariah Committee remuneration	(b)	509	422
Others		14,777	15,585
		190,332	172,388
Total operating expenses		220,705	204,791

(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
2024			
Dr Khairul Anuar Bin Ahmad	86	15	101
Hj. Faizal Bin Jaafar	69	12	81
Dr Mohd Hilmi Bin Ramli	69	12	81
Dr Mohd Rofaizal Bin Ibhraim	69	13	82
Mr Abdul Latif bin Ahmad Subki	69	13	82
Dr Mohd Rizal bin Muwazir	69	13	82
	431	78	509
2023			
Dr Khairul Anuar Bin Ahmad	72	15	87
Hj. Faizal Bin Jaafar	60	12	72
Dr Mohd Hilmi Bin Ramli	60	12	72
Dr 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (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*	**2024**	*Unrestricted*				*Deferred*	**2023**
	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	983	462	19	231	308	2,003	977	456	15	229	304	1,981
Non Executive Directors												
George Lee Lap Wah (Appointed on 1 October 2024)	65	-	-	-	-	65	-	-	-	-	-	-
Ayesha Natchiar Binti Ally Maricar	86	-	-	-	-	86	80	-	-	-	-	80
Ismail Bin Alowi	250	-	-	-	-	250	232	-	-	-	-	232
Mevin Nevis AF Nevis	232	-	-	-	-	232	214	-	-	-	-	214
Tan Fong Sang (Appointed on 2 January 2024)	227	-	-	-	-	227	-	-	-	-	-	-
Tan Ngiap Joo (Retired on 30 September 2024)	206	-	-	-	-	206	275	-	-	-	-	275
Andrew Lee Kok Keng (Resigned on 29 February 2024)	54	-	-	-	-	54	267	-	-	-	-	267
Ng Hon Soon (Retired on 15 July 2023)	-	-	-	-	-	-	142	-	-	-	-	142
	2,103	462	19	231	308	3,123	2,187	456	15	229	304	3,191

* Excluding Sales and Service Tax.
^ Deferred shares and share options are awarded/granted under the OCBC Share Plans as disclosed in Note 17(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (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:

	2024				2023			
	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	2,798	-	2,798		2,660	-	2,660	
Others	76	-	76		28	-	28	
	2,874	-	2,874		2,688	-	2,688	
Variable remuneration								
Cash based	1,065	-	1,065	7	1,138	-	1,138	6
Shares and share options	-	308	308	1	-	304	304	1
	1,065	308	1,373		1,138	304	1,442	
Total	3,939	308	4,247		3,826	304	4,130	

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

	2024 RM'000	2023 RM'000
Share and share options		
Exposed to ex-post explicit and implicit adjustments	1,139	1,269
Deferred remuneration paid out during the year	415	370
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 2024 (continued)

28 INCOME TAX EXPENSE

	2024 RM'000	2023 RM'000
Malaysian income tax		
- Current year charge	90,669	76,772
- Prior years	(366)	(4,812)
Deferred tax		
- Origination and reversal of temporary differences	(2,603)	1,194
- Prior years	313	3,216
	88,013	76,370

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

	2024 %	2023 %
Malaysian tax rate	24.0	24.0
Tax effect of:		
Expenses not deductible for tax purposes	0.1	-
Income not subject to tax	(0.1)	-
(Over)/under provision in prior years:		
- income tax	(0.1)	(1.5)
- deferred tax	0.1	1.0
Average effective tax rate	24.0	23.5

(a) The Bank is part of OCBC Ltd and its subsidiaries, a multinational enterprise group that is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules. Pillar Two legislation was enacted in Malaysia, the jurisdiction in which the Bank is incorporated, and came into effect from 1 January 2025.

The Bank applies the MFRS 112 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Bank does not have any exposure to Pillar Two legislation as at 31 December 2024.

Based on management’s assessment, the Bank does not expect any material impact from exposure to Pillar Two legislation in the financial year 2025.

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.

	2024	2023
Net profit for the year (RM'000)	278,147	248,297
Number of ordinary shares in issue ('000)	185,000	185,000
Basic earnings per share (sen)	150.35	134.21

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 are computed using the credit conversion factors and risk weights as defined by BNM for regulatory capital adequacy purposes.

	2024			2023		
	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
Transaction-related contingent items	408,254	208,789	146,611	386,902	196,790	119,796
Short-term self-liquidating trade-related contingencies	74,170	15,241	8,202	34,068	6,814	3,311
Lending of bank's securities or the posting of securities as collateral by banks	410,284	410,284	-	-	-	-
Foreign exchange related contracts						
- Up to one year	234,735	289	161	399,199	2,392	689
- Over one year to five years	1,078,994	109,766	32,523	1,094,178	134,344	46,127
Formal standby facilities and credit lines						
- Original maturity up to one year	819	614	270	28,000	21,000	19,756
- Original maturity over one year	833,361	671,809	434,905	846,768	652,717	483,529
Other unconditionally cancellable commitments	2,741,380	256,328	36,993	3,135,229	192,739	24,165
	5,781,997	1,673,120	659,665	5,927,230	1,209,682	698,073

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

32 CAPITAL COMMITMENTS

	2024 RM'000	2023 RM'000
Capital commitments in respect of property and equipment		
- Contracted but not provided for	43	37

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 2024 (continued)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant transactions and outstanding balances with related parties

	2024				2023			
	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	131	4,145	-	-	128	4,717	-	-
Fee and commission income	7,259	-	2,667	-	13,339	2,058	2,474	-
	7,390	4,145	2,667	-	13,467	6,775	2,474	-
Expenditure								
Profit expense on term deposits	-	-	-	4	-	-	-	2
Profit expense on other deposits	-	-	2,927	-	-	-	5,882	-
Profit expense on investment accounts (Note 25)	-	210,564	-	-	-	125,571	-	-
Profit expense on deposits and placements	-	12,597	-	-	-	10,777	-	-
Profit expense on ROU asset	-	-	-	-	-	1	-	-
Shared service fees (Note 26)	-	151,374	-	-	-	134,094	-	-
IT and transaction processing fees (Note 26)	-	-	23,350	-	-	-	21,928	-
Other expenses	569	62	793	-	567	55	720	-
	569	374,597	27,070	4	567	270,498	28,530	2

	2024			2023		
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	151,374	-	151,374	134,094	-	134,094
- IT and transaction processing fees	19,021	4,329	23,350	18,282	3,646	21,928
- Others	855	569	1,424	775	567	1,342
	171,250	4,898	176,148	153,151	4,213	157,364

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2024				2023			
	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	19,359	-	524	-	21,107	-	1,167	-
Derivative financial assets	-	43	-	-	-	8,759	-	-
Other assets	216	53,193	3	-	180	8,183	-	-
Shared service fee receivable	10	-	-	-	-	416	-	-
	19,585	53,236	527	-	21,287	17,358	1,167	-
Amount due to								
Demand deposits and term deposits	-	-	216,780	55	-	-	137,891	57
Other deposits	-	-	20,630	40	-	-	280,330	18
Investment accounts	-	7,736,685	-	-	-	5,109,520	-	-
Deposits and placements of banks and other financial institutions	-	241,096	-	-	-	432,561	-	-
Profit payable	-	16,383	2	-	-	10,783	464	-
Derivative financial liabilities	-	12,823	-	-	-	6,498	-	-
Other liabilities	1,105 ^	20,749	-	-	601 ^	176,468	-	-
	1,105	8,027,736	237,412	95	601	5,735,830	418,685	75
Commitments								
Foreign exchange derivatives	183	740,951	557	-	-	907,481	1,085	-
	183	740,951	557	-	-	907,481	1,085	-

^ Other liabilities due to Ultimate Holding Company includes equity compensation benefits of RM7,732 (2023: RM13,727).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Disclosure made pursuant to BNM's Guidelines on Credit Transactions and Exposures with Connected Parties:

	2024 RM'000	2023 RM'000
Aggregate value of outstanding credit exposure with connected parties^		
Credit facility and leasing (except guarantee)	88,197	89,389
Commitments and contingencies*	268,167	284,344
	356,364	373,733
Credit-impaired or in default	-	-
Outstanding credit exposures to connected parties		
As a proportion of total credit exposures	1.83%	2.20%

^ 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

34 FINANCIAL INSTRUMENTS

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Bank enters into master netting arrangements with counterparties in its normal course of business. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis. These arrangements do not qualify for net presentation on the statement of financial position as the right to offset is enforceable only on the occurrence of future events such as default or other credit events.

The disclosures set out in the tables below 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**
2024						
Derivative financial assets	12,550	(12,550)	-	-	-	-
Derivative financial liabilities	13,195	(13,195)	-	-	-	-
2023						
Derivative financial assets	14,866	(14,866)	-	-	-	-
Derivative financial liabilities	14,488	(14,488)	-	-	-	-

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 are 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 allowance.

(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-statement of financial position financial instruments

The fair value of off-statement of financial position 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-statement of financial position financial instruments are disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

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.
- Level 3: Inputs for the valuation that are not based on observable market data.

(i) Financial instruments carried at fair value

2024	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at fair value				
Financial assets at FVTPL	-	-	-	-
Financial investments at FVOCI	3,204,520	1,192,004	-	4,396,524
Derivative financial assets	44	12,474	32	12,550
	3,204,564	1,204,478	32	4,409,074
Financial liabilities at fair value				
Derivative financial liabilities	9	12,927	259	13,195
2023				
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

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

	2024 RM'000	2023 RM'000
Financial assets at fair value		
At 1 January	3	47
Net unrealised gain/(loss) recognised in profit or loss	29	(44)
At 31 December	32	3
Financial liabilities at fair value		
At 1 January	-	-
Net unrealised loss recognised in profit or loss	259	-
At 31 December	259	-

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	2024 Fair value RM'000	2023 Fair value RM'000	Classification	Valuation technique	Unobservable input
Asset					
Derivative financial assets	32	3	Non-hedging	Option pricing model	Standard deviation
Liability					
Derivative financial liabilities	259	-	Non-hedging	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 ("GRM") 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. Valuation related policies are reviewed annually. Any material change to the framework is recommended by the Asset and Liability Management Committee (“ALCO”) for approval by the Risk Management Committee. Group Internal Audit provide independent assurance on the respective divisions’ compliance with the policies.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

35 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

(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 are not materially different from the carrying amounts.

	Level 2 RM'000	Level 3 RM'000	Total fair values RM'000	Carrying amount RM'000
2024				
Financial assets not carried at fair value				
Financing and advances	-	16,877,617	16,877,617	16,873,602
Financial liabilities not carried at fair value				
Deposits from customers	11,395,547	-	11,395,547	11,382,006
Investment accounts due to designated financial institution	7,736,685	-	7,736,685	7,736,685
Deposits and placements of banks and other financial institutions	289,190	-	289,190	289,190
	19,421,422	-	19,421,422	19,407,881
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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank has a comprehensive risk management approach that covers all types of risks, underpinned by a strong corporate culture. This approach is embodied in our risk management framework, which incorporates our risk appetite and governance and covers the key principles, policies, and practices we use to manage both financial and non-financial risks.

Principal risk types are managed with the requisite skills and resources, detailed guidelines and procedures, and infrastructure and systems commensurate with our risk-taking. Close attention is paid to identifying and measuring, setting tolerances and monitoring, reporting and reviewing the risks we accept. Established escalation processes are in place to ensure that risks are discussed and sanctioned at the appropriate levels. Our risk management frameworks and approaches are periodically reviewed and enhanced to incorporate best-in-class practices.

Risks are increasingly inter-connected and have to be assessed holistically. To this end, we have also established cross functional assessments of risk via emerging risk discussions, and a suite of stress-testing and scenario analyses that inform what the impact of plausible risk factors could be to our earnings, capital, liquidity, customer segments, and obligations. Such impacts are taken into account in shaping our risk strategies and contingency plans.

Principal Risk Types

We generally categorise the risks we face 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.

(iii) Liquidity risk is the risk arising from the inability to meet financial and cash outflow obligations as they fall due.

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

(v) 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.

(vi) 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.

Environmental, Social and Governance ("ESG") and Climate Risks

We take an integrated and risk-based approach to addressing the financial and reputational implications with respect to ESG and climate risks. This entails ensuring that risk drivers that impact the Bank across credit, market, liquidity, operational and reputational risks are adequately identified, assessed and managed in accordance with our existing risk management approaches and planning horizons. In addition to embedding ESG and climate risk management in the responsibilities of the relevant principal risk management committees, our risk appetite framework takes into account the management of the reputational and financial impact of sustainability issues.

Currently, ESG and climate considerations impinge more significantly on credit and reputational risks primarily relating to our wholesale lending activities. As such, we have incorporated such considerations in our Responsible Financing framework and policies and our credit approval processes for such activities. We continue to enhance our assessment and management of our portfolio through ESG and climate risk metrics, policies and reports, along with climate scenario analysis and stress testing. We also engage clients in certain sectors to evaluate their ability to manage ESG, transition and physical risks. High-risk clients undergo enhanced due diligence as well as further reviews and approvals; these include escalation of transactions with significant reputational risks to the Reputational Risk Review Group while time-bound action plans or legal covenants may be required. We will continue to progressively adopt quantitative ESG and climate risk metrics and enhance our climate risk scenario analysis methodologies taking into account industry developments, availability of data and regular dialogue with regulators.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Governance and Organisation

A robust risk governance structure ensures effective oversight and accountability of risk. This enables smooth reporting and escalation of risks to the Board who have ultimate responsibility for the effective management of risk. The Board establishes the corporate strategy and approves the risk appetite within which senior management executes 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 and principles and risk appetite are aligned with the corporate strategy. The RMC 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. The RMC ensures that the overall risk management organisation is in place and effective.

The RMC provides quantitative and qualitative guidance to major business units and risk functions to guide risk-taking. Senior management, functional risk committees, the CEO and the RMC regularly review our risk drivers, risk profiles, risk management framework and policies, as well as compliance matters.

Risk Management Division (RMD)’s day-to-day functional responsibility involve 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 developments in material risk drivers and potential vulnerabilities. It recommends mitigating actions, to senior management, risk committees, the RMC and the Board.

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 via a three-line defence structure that distinctly outlines the roles, responsibilities and accountability of risk.

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

(ii) **Second Line - Risk and Control Oversight**
The Risk and Control Functions independently and objectively identify and assess risk-taking activities of the first line. They establish relevant risk management frameworks, policies, processes and systems, and provide 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 CEO, Audit Committee and the Board of the adequacy and effectiveness of our 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

Our aim is to manage risks in a prudent and sustainable manner for the long-term viability of the Bank. The Board determines the Bank’s risk appetite, defining the level and nature of risks that we can undertake on behalf of our shareholders while maintaining our commitments to customers, debt holders, employees, regulators and other stakeholders. Business plans take into account the corporate strategy, the forward-looking operating environment and potential risks assessed against our risk appetite. Our risk appetite is operationalized across the Bank through our policies, processes and limits to manage both financial and non-financial risks.

Senior business and risk managers participate in regular forums to review the macroeconomic and financial development and discuss the operating conditions, event risks and potential “dark clouds” that may have a significant impact on our earnings or solvency. These risks are measured via stress tests as well as segment-specific and ad hoc event-specific portfolio reviews. The results are used to assess the potential impact of various scenarios on the Bank's earnings and capital, and to identify vulnerabilities of material portfolios and trigger appropriate risk management actions.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Appetite (continued)

An Internal Capital Adequacy Assessment Process ("ICAAP") incorporating the results of stress tests covering various risk types is conducted annually. The aim is to assess if we can maintain sufficient capital levels under a forward-looking operating environment and in severe stress scenarios. Appropriate risk-mitigating actions are taken to manage potential 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

Our credit risk management framework provides a comprehensive and proactive approach towards managing credit risk in the Bank. The framework documents the credit risk objectives and minimum standards for the full credit risk management cycles of the Bank's financing businesses. Effective risk management is enhanced by the experience and sound judgement of our credit specialists.

Our credit risk management approach is tailored based on the unique characteristics or nature of the various portfolios or customer segments as follows:

Credit Risk Management Approach for Major Customer Segments:	
Consumer and Small Business	• Manage credit risks on portfolio basis. • Apply bankruptcy, credit bureau checks, together with systems and processes such as identity checks 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 target markets and risk acceptance criteria 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.

Counterparty Credit Risk Management

Counterparty credit risk emerges from the potential default of a counterparty during our trading and/or banking activities in derivatives and debt securities. 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 fluctuations. The risk also covers settlement risk, which is the potential loss incurred if a counterparty fails to fulfil its obligation after the Bank has performed its obligation under a contract or agreement at the settlement date.

Each counterparty undergoes 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 our credit exposures independently through daily limit excess monitoring, excess escalation, pre-deal excess approval and timely risk reporting.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

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 business segment, as well as common risk drivers such as exposure to material downside risks like a property price correction, a sharp hike in profit rates, or a country risk event.

(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 (CRWA) under stressed scenarios.

Internal Rating Models

Internal credit rating models and their components such as 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 and the internal assessment of the capital adequacy and portfolio allowances.

Our model risk management framework governs the development, validation, application and maintenance of rating models. 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. As such, an obligor rated poorly by an external rating agency is likely to have a weak internal risk rating.

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

Key Components of Internal Ratings Based ("IRB") Models		
IRB Models and Portfolios	**PD**	**LGD and EAD**
A-IRB approach covers 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 reflect the expected long-run average one-year default rate over an economic cycle.	• Product and collateral characteristics are major factors. • LGD models are calibrated to reflect the economic loss under downturn conditions. • EAD models are calibrated to reflect the default-weighted average and economic downturn conditions.
F-IRB (Non-Supervisory Slotting) approach covers major wholesale portfolios such as bank, non-bank financial institutions, corporate real estate (including income producing real estate) and general corporate	• PD models are statistical based or expert judgement models that use both quantitative and qualitative factors to assess an obligor's repayment capacity and calibrated to reflect 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 default rates.	• Estimated based on rules prescribed in BNM's Risk-Weighted Capital Adequacy Framework (RWCAF).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Portfolio Management (continued)

(ii) Portfolio Modelling (continued)

Key Components of Internal Ratings Based ("IRB") Models (continued)		
IRB Models and Portfolios	**PD**	**LGD and EAD**
F-IRB (Supervisory Slotting) approach covers 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 RWCAF.	• Estimated based on rules prescribed in BNM's RWCAF.

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

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

Credit Risk Mitigation

We use various credit risk mitigation measures such as requiring collateral, buying credit protection and setting netting arrangements to reduce credit risk exposures. However, risk mitigation does not replace our proper assessment of the obligor’s ability to repay, which remains the primary repayment source.

Our credit policies outlines the key considerations for eligible credit risk mitigants. Including 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.

Appropriate haircuts to the collateral's market value to reflect its inherent nature, quality, liquidity and volatility. Regular independent valuations of the collateral are conducted. We also monitor our collateral holdings to maintain diversification across asset classes and markets. We accept guarantees from individuals, corporates, and institutions as a form of support. Where guarantees are recognised as credit risk mitigants via the PD substitution approach, we have established eligibility criteria and guidelines.

Netting, collateral arrangements, early termination options and central clearing mechanisms are common risk mitigation tools for managing counterparty credit risk. In approved netting jurisdictions, netting agreements allow us to offset our obligations against what is due from that counterparty in the event of a default, thereby reducing credit risk exposure. Collateral arrangements are typically governed under market standard documentation such as International Swaps and Derivatives Association (ISDA) and Credit Support Annexes (CSA) or Global Master Repurchase Agreements (GMRA). Such arrangements will require the posting of additional collateral if the mark-to-market exposures exceed an agreed threshold amount. We apply a haircut to the value of the eligible collateral to cover potential adverse market volatility. Regulatory margin requirements may apply to the agreed threshold amount. ISDA agreements may also include rating triggers to allow for transaction termination or require additional collateral if a rating downgrade occurs.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

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.

We classify our credit exposures as restructured assets when the Bank grants non-commercial concessions to borrowers which are unable to meet their original repayment obligations. We further classify a restructured credit exposure into the appropriate impaired financing grade based on the assessment of the borrower's 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-impaired status.

Dedicated remedial management units manage the restructuring and recovery of Impaired Financing (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, we develop appropriate risk-based and time-based collection strategies to maximise recoveries. We use data such as delinquency buckets and adverse status tags for delinquent retail financing to constantly analyse, fine-tune and prioritise our collection efforts.

Impairment allowances for Financing and Advances

Sufficient impairment allowances are maintained to absorb credit losses inherent in our credit portfolio. ECL allowance 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 on a forward-looking basis and based on the three stages of credit risk under this framework.

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

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management

Market risk is the risk of loss of income or market value due to fluctuations in factors such as 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.

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 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 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 (ALM) Approach

The asset liability management framework focuses on managing the balance sheet exposures that give rise to liquidity risk and rate of return risk in the banking book ("RoRBB").

The ALM framework consists of key elements to facilitate the asset liability risk management process, including comprehensive risk measures and actively monitored risk limits, all supported by strong data capabilities and risk system across the Bank's ALM exposures.

Liquidity Risk

The objective of liquidity risk management is to ensure that the Bank continues to fulfill its financial obligations and to undertake new transactions, by effectively managing liquidity and funding risks within the Bank's risk appetite. Managing liquidity involves addressing funding needs through maintaining adequate sources of liquidity. This management approach seeks to balance cost effectiveness, continued access to funds and diversification of funding sources.

Liquidity Risk - Identification

Liquidity risk arise from cashflow mismatches in maturing assets, liabilities and off-balance sheet items. Liquidity risks are identified by monitoring risk metrics and early warning indicators that signal potential liquidity risks stemming from market developments.

Liquidity Risk - Measurements

Liquidity risk is measured based on the cashflow mismatches arising from assets, liabilities and off-balance sheet items, projected on both contractual and behavioural bases under business-as-usual conditions and stressed market scenarios. Concentration and regulatory liquidity ratios measure the effective diversification of funding sources and ability to meet stressed liquidity conditions.

Liquidity Risk - Risk Monitoring, Reporting and Control

Liquidity risk positions are continuously monitored against approved liquidity risk limits and triggers, established in accordance with the Bank's risk appetite. A rigorous review, oversight and escalation process facilitates prompt escalation and remediation of any limit exceptions.

Liquidity Risk - Stress Testing and Scenario Analysis

Stress testing under a variety of regulatory, historical and market scenarios is regularly conducted to assess the potential impact of market events on the Bank's liquidity risk profile. The stress testing outcomes are applied to shape effective funding strategies, liquidity policies and contingency funding plans to minimise the impact of any liquidity events.

Rate of Return Risk in the Banking Book ("RoRBB")

RoRBB refers to the current and prospective risk of profit rates to the Banks's capital and earnings. With a broad range of products spanning different profit rate structures, curves and maturities, repricing of assets and liabilities can be mismatched, which creates sensitivity to profit rate fluctuations. As profit rates and yield curves move, these mismatches may affect the Bank's economic net worth and potentially lead to a decline in earnings.The primary goal of the management of RoRBB is to ensure that rate of return risk exposures are consistent with the Bank's risk appetite and maintained within the defined risk tolerances. The material sources of RoRBB are repricing risk, yield curve risk, basis risk and optionality risk.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset Liability Management (continued)

RoRBB - Identification

Rate of return risk varies with different repricing periods, currencies, embedded options and profit rate basis, and arise from profit rate sensitive instruments which:

- Reprice at different times (gap risk).
- References different profit rate benchmarks (basis risk).
- Possess optionality with respect to timing of cashflows or profit reset under different circumstances (optionality risk).

RoRBB - Measurements

The Bank managesRoRBB using both earnings and capital-based measures such as:

- Net Finance Income ("NFI") sensitivity which estimates the potential change in earnings over a one-year horizon.
- Economic Value of Equity ("EVE") sensitivity simulations, PV01 and repricing sensitivity metrics which measure the potential impact of various profit rate shock scenarios on the Bank's capital.

RoRBB - Risk Monitoring, Reporting and Control

Rate of return risk positions and metrices are comprehensively monitored against approved risk limits and triggers. Rate of return risk limits are aligned with the risk appetite. An established review, oversight and escalation process facilitates prompt escalation and remediation of any limit exceptions.

RoRBB - Stress Testing

Regular stress testing is performed to evaluate whether the capital is sufficient to withstand extreme profit rate movements on the balance sheet. Such tests are performed across historical and regulatory profit rate shock scenarios, assessing the potential impact of adverse scenarios on the Bank's financial condition, serving as critical inputs to shaping rate of return risk profiles and management strategies.

Operational Risk Management

Operational risk is the risk of loss caused by failures in internal processes, systems, poor management, human error or external events. This risk is inherent in all banking products, activities, processes and systems. It covers various non-financial risks including fraud; money laundering, terrorism financing and sanctions risk; third-party risk; physical and people security risk; conduct risk; business continuity risk; unauthorised trading risk; regulatory, legal and reputational risk.

Operational Risk Management Approach

The Bank recognise the heightened risk of business disruptions arising from operational failures and the importance to strengthen operational resiliency. The Bank continue to anticipate and prevent potential operational events through robust risk management practices.

Our operational risk framework sets out the approach to manage and control the operational risks arising from the Bank’s business activities and operations. This includes regular review of the operational risk profile, comprising of operational risk events, key risk indicators, material issues and trends. Senior Management and Board receive regular updates on the operational risk profile and an annual assurance report assessing the adequacy and effectiveness of our internal controls and risk management systems.

In addition, the operational risk management framework is supported by various programmes to ensure preparedness, minimise the impact of adverse events through timely response, recovery, and adaptability, thus ensuring the continued provision of essential services.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Operational Risk Management Approach (continued)

Key Components of Operational Risk Management:

Risk Management Capabilities	**New Product Approval**
	• Stringent process to identify and mitigate risks inherent in new products or the distribution/marketing of new products, ensure prudent allocation of resources and capital, and compliance with regulatory requirements.
	Third-Party Risk Management
	• Outsourced and third-party service providers are scrutinised through stringent onboarding and ongoing due diligence assessments.
	Business Continuity Management
	• Regular reviews to identify the Bank’s Critical Business Services and Service Recovery Time Objective. • Recovery strategies and business recovery plans are established, reviewed and tested annually.
	Anti-Money Laundering/ Countering the Financing of Terrorism
	• Enhanced risk assessment methodologies that overlay on existing monitoring and screening platforms to assess customer, product and geographical risks. • Robust risk surveillance capabilities that leverage on artificial intelligence and data analytics for dynamic monitoring and detection of emerging financial crime trends and typologies.
	Anti-Fraud
	• Real-time transaction monitoring capabilities to detect and alert customers on suspicious account activities, and to prevent the completion of such transactions. • Ongoing efforts to strengthen the Fraud Management Systems in response to changes in fraud/scam typologies and the regulatory landscape.
Incident Response and Crisis Response	• Crisis Management procedures and playbooks to guide the Bank’s responses to potential crisis events such as pandemic situations, surge in fraud and scams, cyber-attacks. • Comprehensive governance and anti-fraud response model to expedite incident handling through the Dynamic Response Committee ("DRC") and Anti-Fraud Standing Committee ("AFSC").
Insurance	Financial lines insurance programmes in place to cover key operational risks: • Bankers Blanket Bond Professional Indemnity Programme • Cyber and Network Security Liability Insurance Programme
Awareness and Training	• Operational Risk Working Group to foster continuous engagement with stakeholders across the organisation, facilitating awareness and understanding of operational risk. • Targeted and specialised training, including certified courses, are available to raise staff competency.
Industry Collaboration	• Active participation in the industry committees and working groups to share and stay abreast of the developments in the operational risk landscape.

Anti-Fraud Programme

The Bank's Anti-Fraud and Whistleblowing Programmes are established to manage fraud risk in the Bank. A comprehensive governance and anti-fraud response model to expedite incident handling through the DRC and AFSC. 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, through regular reports to the Operational Risk Management Committee ("ORC") and the RMC.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Anti-Fraud Programme (continued)

The Audit Committee is also responsible for the review of the Bank's Whistleblowing Policy as well as any concerns, including anonymous complaints, which staff may in confidence raise about possible improprieties in matters of financial reporting or other matters.

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.

Information Security and Digital Risk Management

The Bank plays a pivotal role in safeguarding the Bank's information, technology and cyber assets. Guided by NIST Cyber Security Framework ("CSF2.0") and industry best practices, the Group adopts a comprehensive approach to managing risks across the following core functions:

i) **Govern**: Establish robust policies, standard and oversights mechanism to align technology risk practices with business objectives and regulatory requirements.
ii) **Identify**: Continuously assess and address potential vulnerabilities, threats and risks to critical information systems, enabling proactive risk management.
iii) **Protect**: Ensure strong security controls and preventive measures are in place to safeguard Bank's infrastructure, data and customer information from unauthorised access and cyber threats.
iv) **Detect**: Utilise advanced monitoring tools and analytics to identify anomalous activities and detect potential cyber incidents.
v) **Respond**: Develop and execute effective response plans to mitigate the impact of cyber incidents and ensure operational continuity.
vi) **Recover**: Ensure resilient systems and recover strategies are in place to restore business operations swiftly and minimize disruptions.

The Group actively promotes cybersecurity awareness abd vigilance through regular advisories, training and simulated phishing campaigns empowering staff to mitigate risk effectively. Collaboration is key, with the Group partnering with industry peers and government agencies to share intelligence and counter emerging cyber threats. By embracing a proactive and resilience approach, the Group strengthens the Bank's ability to thrive in rapid evolving digital landscape.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Shariah Governance (continued)

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 ie. business processes are designed with Shariah compliance in mind.

Shariah Non-Compliance Risk

Shariah Non-Compliance Risk is a distinctive aspect of our risk management framework, specifically tailored for Islamic banking. This risk arises from the potential failure to adhere to Shariah rules and principles as established by BNM's Shariah Advisory Council, the Securities Commission's Shariah Advisory Council, and our Bank's Shariah Committee.

It is essential to recognize that the responsibility for ensuring compliance with Shariah principles extends beyond the Board and Management; fostering a culture of compliance with all relevant regulations is integral to our organizational ethos. Consequently, every business division and its personnel share accountability for any breaches of laws, guidelines, and regulations pertaining to Islamic banking and finance.

In line with this commitment, our Bank is dedicated to cultivating a robust Shariah compliance risk culture. Throughout the lifecycle of our products and services, adherence to Shariah requirements is paramount, as any failure to comply may result in the income generated being deemed non-recognizable and subsequently donated to charitable causes. This approach not only underscores our dedication to upholding the integrity of our Islamic financial practices but also reinforces our commitment to ethical banking principles that align with Shariah guidelines.

The key components of the Bank's Shariah Non-Compliance Risk Management process are:

(i) ***Risk Identification*** – Identification of inherent SNC risks associated with the Bank's products, operations and services.

(ii) ***Risk Assessment/Measurement*** – Assess and measure the likelihood of SNC risks and evaluate their potential impact on the Bank. This assessment includes a review of the adequacy, effectiveness, appropriateness, and quality of both detective and preventive control measures in place to manage and mitigate inherent SNC risks.

(iii) ***Mitigation/Control/Awareness*** – SNC risks are mitigated through the implementation and enforcement of appropriate control measures, including policies, guidelines, and procedures designed to ensure compliance with Shariah requirements. The Bank practices sound Shariah Risk Management in its daily operations, particularly in the development, processing, and execution of Islamic products and transactions. To further strengthen our Shariah risk compliance culture, relevant training is provided to all personnel involved in Islamic products, operations, and services.

(iv) ***Monitoring & Reporting*** – Establishing early warning systems, monitoring protocols and reporting mechanisms to track SNC exposures.

All potential SNC events are initially assessed by the Shariah Review Department (SRD), which serves as the control function responsible for this assessment. The findings are then submitted to the Bank's Shariah Committee for confirmation and decision-making regarding the status of potential SNC events and the treatment of any associated income. All confirmed potential and actual SNC events are reported to BNM within a stipulated timeframe.

For the years 2024 and 2023, there is no Shariah non-compliant income realised from sources or by means prohibited by Shariah that has been channelled to charity.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (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	2024 RM'000	2023 RM'000
Cash and cash equivalents *		912,317	1,100,104
Financial assets at FVTPL	*4*	-	5,021
Financial investments at FVOCI	*5*	4,396,524	3,431,407
Financing and advances	*6*	16,873,602	14,781,079
Derivative financial assets	*8*	12,550	14,866
Other assets ^		89,310	38,573
Contingent liabilities and credit commitments		4,468,268	4,433,853
		26,752,571	23,804,903

* Excluding cash in hand
^ Excluding prepayments

Credit quality analysis

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

	2024				2023			
	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	912,317	-	-	912,317	1,100,104	-	-	1,100,104
Financial assets at FVTPL*								
Investment grade (AAA)	-	-	-	-	-	-	-	5,021

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

37 CREDIT RISK (continued)

Credit quality analysis (continued)

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

	2024				2023			
	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)	1,471,222	-	-	1,471,222	1,577,570	-	-	1,577,570
Government and Central Bank (unrated)	780,405	-	-	780,405	599,389	-	-	599,389
Investment grade (AAA to BBB)	484,516	-	-	484,516	488,843	-	-	488,843
Unrated	1,660,381	-	-	1,660,381	765,605	-	-	765,605
	4,396,524	-	-	4,396,524	3,431,407	-	-	3,431,407
Contingent liabilities and credit commitments (excluding derivative financial assets)								
Pass	4,063,935	371,248	-	4,435,183	3,874,806	489,506	-	4,364,312
Special mention	-	1,228	-	1,228	-	40,048	-	40,048
Credit-impaired	-	-	31,857	31,857	-	-	29,493	29,493
	4,063,935	372,476	31,857	4,468,268	3,874,806	529,554	29,493	4,433,853

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (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

	2024				2023			
	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	14,974,326	1,534,818	-	16,509,144	12,775,062	1,589,156	-	14,364,218
Special mention	-	197,672	-	197,672	-	168,730	-	168,730
	14,974,326	1,732,490	-	16,706,816	12,775,062	1,757,886	-	14,532,948
Past due but not credit-impaired								
By period overdue								
Less than 2 months	-	40,482	-	40,482	-	40,825	-	40,825
2 months to less than 3 months	-	8,682	-	8,682	-	9,575	-	9,575
	-	49,164	-	49,164	-	50,400	-	50,400
Credit-impaired								
Past due	-	-	210,795	210,795	-	-	376,809	376,809
Not past due	-	-	118,432	118,432	-	-	173,780	173,780
	-	-	329,227	329,227	-	-	550,589	550,589
Gross financing and advances	14,974,326	1,781,654	329,227	17,085,207	12,775,062	1,808,286	550,589	15,133,937
ECL allowance	(34,728)	(68,724)	(108,153)	(211,605)	(29,881)	(65,514)	(257,463)	(352,858)
Net financing and advances	14,939,598	1,712,930	221,074	16,873,602	12,745,181	1,742,772	293,126	14,781,079

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.

37 CREDIT RISK (continued)

Credit quality analysis (continued)

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

Financing and advances (continued)

Past due financing

	2024 RM'000	2023 RM'000
(i) By sector		
Mining and quarrying	-	42
Manufacturing	7,057	4,115
Construction	4,097	1,726
Real estate	-	349
Wholesale & retail trade and restaurants & hotels	6,096	8,976
Transport, storage and communication	249	950
Finance, insurance and business services	3,201	1,455
Community, social and personal services	1,425	2,231
Household		
- Purchase of residential properties	20,193	22,784
- Purchase of non-residential properties	-	582
- Others	1,325	2,522
	43,643	45,732

	2024 RM'000	2023 RM'000
(ii) By geographical distribution		
Malaysia	43,329	44,854
Other ASEAN countries	-	878
Rest of the world	314	-
	43,643	45,732

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 2024 and 31 December 2023, 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:

	2024 RM'000	2023 RM'000
Fair value of collateral held against the covered portion of credit-impaired financing and advances	370,663	424,648
Covered portion of credit-impaired financing and advances	246,406	321,040
Uncovered portion of credit-impaired financing and advances	82,821	229,549
	329,227	550,589

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

37 CREDIT RISK (continued)

Credit quality analysis (continued)

	2024				2023			
	Financial assets at FVTPL RM'000	**Financial investments at FVOCI 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**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments** RM'000**
(ii) By issuer/counterparty								
Government and Central Bank	-	2,251,627	-	410,284	-	2,176,959	-	-
Public sector	-	588,408	-	-	-	670,754	-	-
Banking institutions	-	694,674	44	-	-	99,935	8,759	-
Non-bank financial institutions	-	847,364	1	20,084	-	434,410	1	75,395
Business enterprises	-	14,451	12,505	3,840,213	5,021	49,349	6,106	4,257,204
Individuals	-	-	-	197,687	-	-	-	101,254
	-	4,396,524	12,550	4,468,268	5,021	3,431,407	14,866	4,433,853
(iii) By geographical distribution								
Malaysia	-	4,396,524	12,549	4,374,275	5,021	3,431,407	14,866	4,297,059
Other ASEAN countries	-	-	1	26,147	-	-	-	66,261
Rest of the world	-	-	-	67,846	-	-	-	70,533
	-	4,396,524	12,550	4,468,268	5,021	3,431,407	14,866	4,433,853

Financing and advances by geographical distribution is detailed in Note 6(v) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

37 CREDIT RISK (continued)

Credit quality analysis (continued)

	2024				2023			
	Financial assets at FVTPL RM'000	Financial investments at FVOCI 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	Derivative financial assets RM'000	Contingent liabilities and credit commitments* RM'000
(iv) By sector								
Agriculture, hunting, forestry and fishing	-	-	-	48,692	-	-	-	79,844
Mining and quarrying	-	-	-	13,711	-	-	-	9,918
Manufacturing	-	-	36	1,084,043	-	-	56	1,108,327
Electricity, gas and water	-	34,940	-	57,854	-	49,577	2	56,409
Construction	-	299,058	5	812,626	-	398,479	-	880,497
Real estate	-	-	-	219,163	-	-	-	430,220
Wholesale & retail trade and restaurants & hotels	-	-	18	517,797	-	-	231	411,028
Transport, storage and communication	-	5,003	1	420,016	-	5,001	-	420,016
Finance, insurance and business services	-	1,556,489	12,490	657,545	-	568,610	14,575	905,734
Community, social and personal services	-	249,407	-	28,850	5,021	232,781	2	30,605
Household								
- Purchase of residential properties	-	-	-	192,674	-	-	-	99,462
- Purchase of non-residential properties	-	-	-	5,013	-	-	-	1,793
- Others	-	-	-	-	-	-	-	-
Others	-	2,251,627	-	410,284	-	2,176,959	-	-
	-	4,396,524	12,550	4,468,268	5,021	3,431,407	14,866	4,433,853
(v) By residual contractual maturity								
Up to one year	-	2,236,429	109	3,519,399	5,021	1,179,064	1,105	3,254,239
Over one year to five years	-	2,155,090	12,441	370,822	-	2,217,426	13,761	875,841
Over five years	-	5,005	-	578,047	-	34,917	-	303,773
	-	4,396,524	12,550	4,468,268	5,021	3,431,407	14,866	4,433,853

Financing and advances by sector and residual contractual maturity are detailed in Note 6(iv) and Note 6(vi) respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (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.

2024	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		940,484	940,484	-	-	-	-	-	-
Financial investments at FVOCI		4,396,524	1,359,768	375,802	500,859	931,401	1,223,689	5,005	-
Financing and advances	(a)	17,085,207	3,086,206	88,459	1,106,199	4,910,028	2,917,995	4,976,320	-
Derivative financial assets		12,550	109	-	-	12,441	-	-	-
Statutory deposits with Bank Negara Malaysia		196,500	-	-	-	-	-	-	196,500
Others	(b)	124,360	56,315	-	4,610	12,383	18,587	149	32,316
Total assets		22,755,625	5,442,882	464,261	1,611,668	5,866,253	4,160,271	4,981,474	228,816
Deposits from customers		11,382,006	8,500,812	1,933,102	941,299	4,093	2,700	-	-
Investment accounts due to designated financial institution	(c)	7,736,685	715,400	-	1,048,288	3,342,226	1,871,507	759,264	-
Deposits and placements of banks and other financial institutions		289,190	285,225	303	617	1,238	1,246	561	-
Obligations on securities sold under repurchase agreements		393,729	393,729	-	-	-	-	-	-
Bills and acceptances payable		10,895	10,895	-	-	-	-	-	-
Derivative financial liabilities		13,195	700	-	-	12,495	-	-	-
Lease liabilities		2,787	394	390	770	1,233	-	-	-
Others	(d)	152,955	62,711	18,788	32,696	10,472	2,837	47	25,404
Total liabilities		19,981,442	9,969,866	1,952,583	2,023,670	3,371,757	1,878,290	759,872	25,404

(a) Stated at gross before ECL allowance.
(b) Other assets 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 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 2024 (continued)

38 LIQUIDITY RISK (continued)

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	2,821,443	98,992	541,404	2,976,205	4,100,173	4,595,720	-
Derivative financial assets		14,866	997	108	-	-	13,761	-	-
Statutory deposits with BNM		185,000	-	-	-	-	-	-	185,000
Others	(b)	75,232	10,736	551	5,371	15,187	9,827	379	33,181
Total assets		19,969,028	4,574,394	129,668	1,083,190	4,379,429	4,953,150	4,631,016	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	174,076	-	180,000	1,658,593	2,550,927	560,720	-
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	-	-
Lease liabilities		3,504	387	364	632	2,075	46	-	-
Others	(d)	305,191	212,304	21,930	25,563	11,843	7,404	45	26,102
Total liabilities		17,357,389	9,967,284	1,280,510	1,259,612	1,685,948	2,576,432	561,501	26,102

(a) Stated at gross before ECL allowance.
(b) Other assets 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 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 2024 (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.

2024	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		8,522,888	1,975,044	970,662	4,296	2,987	-	11,475,877
Investment accounts due to designated financial institution	(a)	732,003	-	1,081,804	3,600,762	2,162,225	944,045	8,520,839
Deposits and placements of banks and other financial institutions		286,281	303	617	1,238	1,246	561	290,246
Obligations on securities sold under repurchase agreements		393,795	-	-	-	-	-	393,795
Bills and acceptances payable		10,895	-	-	-	-	-	10,895
Lease liabilities		395	395	789	1,301	-	-	2,880
Others	(b)	30,927	1,955	25,311	10,402	2,786	47	71,428
		9,977,184	1,977,697	2,079,183	3,617,999	2,169,244	944,653	20,765,960
Commitments and contingencies								
Transaction-related contingent items		57,240	55,155	55,637	149,778	43,561	46,883	408,254
Short-term self-liquidating trade-related contingencies		73,084	1,086	-	-	-	-	74,170
Lending of bank's securities or the posting of securities as collateral by banks		410,284	-	-	-	-	-	410,284
Formal standby facilities and credit lines								
- Original maturity up to one year		-	819	-	-	-	-	819
- Original maturity exceeding one year		172,792	16,902	51,701	104,028	86,609	401,329	833,361
Other unconditionally cancellable commitments		2,626,534	-	-	11	-	114,835	2,741,380
		3,339,934	73,962	107,338	253,817	130,170	563,047	4,468,268
Derivative financial liabilities								
Gross settled derivatives								
Foreign exchange derivatives								
- Forward and swap								
- Outflow		212,270	14,040	26,995	1,186,521	-	-	1,439,826
- Inflow		(211,488)	(14,040)	(26,995)	(1,186,521)	-	-	(1,439,044)
		782	-	-	-	-	-	782

(a) Stated at gross before amount receivable from immediate holding company.

(b) The above excludes balances with no specific maturity amounting to RM25 million, lease liabilities and ECL allowance on financing commitments and financial guarantees.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

38 LIQUIDITY RISK (continued)

2023		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)	184,806	-	184,796	1,821,846	2,922,556	699,626	5,813,630
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
Lease liabilities		411	390	675	2,144	46	-	3,666
Others	(b)	183,616	6,026	7,534	11,815	7,367	45	216,403
		9,978,631	1,297,851	1,279,251	1,849,645	2,934,489	700,407	18,040,274
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								
Gross settled derivatives								
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 2024 (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							
2024	**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	855,000	-	-	-	-	85,484	-	940,484
Financial investments at FVOCI	1,359,768	876,661	931,401	1,223,689	5,005	-	-	4,396,524
Financing and advances								
- Non credit-impaired	15,955,461	403,985	99,453	229,924	14,281	(50,576)	-	16,652,528
- Credit-impaired	-	-	-	-	-	221,074	-	221,074
Derivative financial assets	-	-	-	-	-	-	12,550	12,550
Other assets	-	-	-	-	-	90,480	-	90,480
Statutory deposits with BNM	-	-	-	-	-	196,500	-	196,500
	18,170,229	1,280,646	1,030,854	1,453,613	19,286	542,962	12,550	22,510,140
Financial Liabilities								
Deposits from customers	3,692,234	2,874,400	3,482,086	2,700	-	1,330,586	-	11,382,006
Investment accounts due to designated financial institution	7,736,685	-	-	-	-	-	-	7,736,685
Deposits and placements of banks and other financial institutions	241,096	198	713	-	-	47,183	-	289,190
Obligations on securities sold under repurchase agreements	393,729	-	-	-	-	-	-	393,729
Bills and acceptances payable	-	-	-	-	-	10,895	-	10,895
Derivative financial liabilities	-	-	-	-	-	-	13,195	13,195
Other liabilities	-	-	-	-	-	182,649	-	182,649
	12,063,744	2,874,598	3,482,799	2,700	-	1,571,313	13,195	20,008,349
On-statement of financial position profit sensitivity gap	6,106,485	(1,593,952)	(2,451,945)	1,450,913	19,286	(1,028,351)	(645)	2,501,791
Off-statement of financial position profit sensitivity gap	-	-	99,179	294,550	-	-	-	393,729
Total profit sensitivity gap	6,106,485	(1,593,952)	(2,352,766)	1,745,463	19,286	(1,028,351)	(645)	2,895,520

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

39 RATE OF RETURN RISK (continued)

2023	*Non Trading Book*							
	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

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:

	2024 RM'000	**2023 RM'000**
+ 50bps	17,200	14,200
- 50bps	(22,700)	(20,300)

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 Global Markets Division or business units to mitigate the impact of the rate of return risk. In reality, the Global Markets 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 2024 (continued)

40 CURRENCY RISK

2024	MYR RM'000	GBP RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and cash equivalents	889,180	3,193	14,872	19,099	14,140	940,484
Financial investments at FVOCI	4,396,524	-	-	-	-	4,396,524
Financing and advances	13,512,614	-	3,352,942	8,046	-	16,873,602
Derivative financial assets	12,550	-	-	-	-	12,550
Other assets	90,070	-	216	-	194	90,480
Statutory deposits with BNM	196,500	-	-	-	-	196,500
	19,097,438	3,193	3,368,030	27,145	14,334	22,510,140
Financial liabilities						
Deposits from customers	10,802,637	56,199	382,895	122,468	17,807	11,382,006
Investment accounts due to designated financial institution	5,005,496	-	2,731,189	-	-	7,736,685
Deposits and placements of banks and other financial institutions	198,094	-	82,695	3,286	5,115	289,190
Obligations on securities sold under repurchase agreements	393,729	-	-	-	-	393,729
Bills and acceptances payable	10,895	-	-	-	-	10,895
Derivative financial liabilities	13,195	-	-	-	-	13,195
Other liabilities	168,084	41	10,890	3,508	126	182,649
	16,592,130	56,240	3,207,669	129,262	23,048	20,008,349
Net financial assets/(liabilities) exposure	2,505,308	(53,047)	160,361	(102,117)	(8,714)	2,501,791

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

40 CURRENCY RISK (continued)

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

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:

	2024 RM'000	2023 RM'000
VaR By Risk Type		
- Profit rate risk	3	8
- Foreign exchange risk	34	41
- Total	36	39

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

41 CAPITAL ADEQUACY

Capital Management

The key objective of the Bank'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 Bank actively manages their capital composition with an optimal mix of capital instruments in order to keep the overall cost of capital low.

The Bank'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 Bank's internal capital adequacy assessment process ("ICAAP") involves a comprehensive assessment of all material risks that the Bank is exposed to and an evaluation of the adequacy of the Bank’s capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Bank's capital adequacy over a multi-year horizon. This process takes into consideration the Bank'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 Bank 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 Bank will be subject to a Countercyclical Buffer requirement if this buffer is applied by regulators in countries which the Bank has credit exposures. 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 Bank 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 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 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.

	2024 **RM'000**	**2023** **RM'000**
CET 1 capital		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	1,866,317	1,588,170
Other reserves	92,328	84,241
Regulatory adjustment	(124,245)	(118,010)
	2,389,400	2,109,401

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

41 CAPITAL ADEQUACY (continued)

	2024 RM'000	2023 RM'000
Tier 2 capital		
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	1,884	2,111
Surplus eligible provisions over expected losses	43,400	46,165
	45,284	48,276
Capital base	2,434,684	2,157,677

	2024	2023
Before the effects of RPSIA		
CET 1/Tier 1 capital ratio	19.559%	18.129%
Total capital ratio	19.929%	18.544%
After the effects of RPSIA		
CET 1/Tier 1 capital ratio	28.540%	24.025%
Total capital ratio	29.081%	24.575%

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 2024, the credit risk relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM3,844 million (2023: RM2,856 million).

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

	2024 RM'000	2023 RM'000
Total RWA for credit risk	7,384,084	7,863,015
Total RWA for market risk	4,349	9,428
Total RWA for operational risk	983,595	907,506
	8,372,028	8,779,949

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2024 (continued)

42 MUDHARABAH RESTRICTED PROFIT SHARING INVESTMENT ACCOUNT

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

	2024 RM'000	2023 RM'000
As at 1 January	5,109,520	3,109,650
Funding inflows/(outflows)		
New placement during the year	3,034,000	2,157,375
Redemption during the year	(605,236)	(326,193)
Effect of foreign exchange difference	(26,959)	32,907
Income from investment	300,806	179,387
Bank's share of profit		
Profit distributed to mudarib	(90,242)	(53,816)
Recovery due to immediate holding company	14,796	10,210
As at 31 December	7,736,685	5,109,520
Investment assets		
Financing and advances	7,736,685	5,109,520

(ii) Profit sharing ratio and rate of return

	Average profit sharing ratio (Depositor: Bank)		Average rate of return	
	2024	2023	2024	2023
Up to 1 year	70:30	70:30	3.28%	3.34%
> 1 - 2 years	70:30	70:30	3.38%	3.41%
> 2 - 5 years	70:30	70:30	3.32%	3.33%
Over 5 years	70:30	70:30	3.16%	3.24%

43 PROFIT RATE BENCHMARK REFORM

Malaysia Overnight Rate ("MYOR") is running parallel to KLIBOR as of the reporting date, with the full transition to MYOR ongoing and uncertainties persisting regarding the timeline and details of these changes. The Bank will, however, closely monitor BNM's annoucement on the MYOR and the discontinuation of KLIBOR and the Bank will engage with its counterparties to discuss the necessary contract changes.

As at 31 December 2024, the Bank did not have any exposure in hedges.

The following table shows the total amount of non-derivative financial assets in KLIBOR that have yet to transition to alternative benchmark rate as at 31 December 2024.

	2024 RM'000	2023 RM'000
Gross carrying amount		
Financing and advances (KLIBOR)	929,905	716,720
Non-derivative financial asset	929,905	716,720