Registration No. 199401009721 (295400-W)

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

SUBSIDIARY COMPANIES

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

FINANCIAL RESULTS

	Group 2023 RM'000	Bank 2023 RM'000
Profit for the year attributable to the owner of the Bank	1,117,256	866,634

SHARE CAPITAL AND DEBENTURES

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

RESERVES AND PROVISIONS

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

DIVIDENDS

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

- a final dividend of 151 sen per ordinary share totalling RM434,125,000 in respect of the financial year ended 31 December 2022 as reported in the Directors' Report of that year, on 25 May 2023.

- an interim dividend of 163 sen per ordinary share totalling RM468,625,000 in respect of the financial period ended 30 June 2023, on 24 October 2023.

The Directors recommend a final dividend of 91 sen per ordinary share in respect of the current financial year amounting to RM261,625,000. This dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the subsequent financial period upon approval by the Board of Directors and shareholder of the Bank.

FINANCIAL PERFORMANCE

The Group recorded net profit of RM1,117 million for the financial year ended 31 December 2023; 11% lower than the previous financial year mainly due to impairment allowances charge of RM165 million as opposed to net writeback of RM329 million in the previous financial year, partially offset by operating profit increase by RM143 million or 9%.

The Group's total operating income increase of 12% or RM343 million against the previous financial year was mainly contributed by RM18 million gain instead of RM121 million loss on disposal of financial investments at fair value through other comprehensive income ("FVOCI"), higher net trading income and income from Islamic Banking operations by RM93 million and RM52 million respectively.

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

FINANCIAL PERFORMANCE (continued)

After deducting proposed dividends, the Group and the Bank remain well capitalised with Common Equity Tier 1 capital ratios of 15.462% and 13.793% respectively.

MARKET OUTLOOK

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

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

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

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

ACTIVITIES AND ACHIEVEMENTS

During the year, OCBC Bank (Malaysia) Berhad ("OCBC Malaysia") and its subsidiaries won several industry awards in recognition of their overall performance as a bank and for demonstrating excellence in particular fields. We were named "Bank of the Year 2023 for Malaysia" by The Banker. Other awards included those in recognition of our roles in sustainability-linked term financing and infrastructure, and as a Mandated Lead Arranger, Financier and Hedge Counterparty. We were named a Top Financial Institutional ("FI") Partner (Commercial) 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. We were also recognised for our transaction banking and corporate treasury practices, innovative approach to investment, agile customer-centric and multi-channel foreign exchange ("FX") offering and for producing outstanding women leaders. In human resource ("HR") development, we were recognised for our innovative initiatives and strategies for excelling at retaining and exciting the best people, creating value and maintaining a competitive edge. Alongside this, our HR team was also singled out for their efforts in integrating digital technology in the Bank’s operations, resulting in improved efficiency, productivity and profitability.

OCBC Group-wide focus on climate strategy and climate risk management efforts increased in prominence this year, with clearly set out pathways to achieving Net Zero in financed emissions by 2050, outlining science-based decarbonisation targets for the Power, Oil and Gas, Real Estate, Steel, Aviation and Shipping sectors. In view of the regulatory expectations and policy requirements, OCBC Malaysia localised the Group's commitments by establishing local baselines and targets for Power, Oil & Gas and Steel sectors. We are enhancing data collection for other material sectors whilst closely monitoring standards and market developments. Besides these, we embrace active levers for delivering our targets through strong engagement and tailored financing to support our clients’ own climate transition journeys; and are striding firmly toward our goal of RM10 billion in sustainable financing assets by 2025. We also increased advocacy for sustainable financing via various notable collaborations with Malaysian Green Technology and Climate Change Corporation, Malaysian Investment Development Authority, IJM Land Berhad, as well as other collaborators, and sponsorships for events such as Malaysia’s first Asia Carbon Conference, The Star ESG Positive Impact Awards, and the 25th Malaysian Finance Association International Conference. Financed emissions aside, we continued efforts to minimise our operational emissions, including ongoing energy-efficient building retrofits and subscribing to TNB’s Green Energy Tariff, to reduce reliance on the purchase of carbon offsets. To achieve the successful delivery of the Bank's overarching and sustainability and climate goals, we curated almost 705 sustainability-related training programmes for our Board of Directors, Senior management and over 2,568 employees. Collectively, we recorded a total of 9,700 training hours.

ACTIVITIES AND ACHIEVEMENTS (continued)

In Consumer Financial Services, we continue to help our customers grow their wealth through the expansion of our wealth product solutions and mortgage financing. On the digital front, our first digital wealth product, Online Unit Trust – launched in 2022 – won The Asian Banker's Best Mobile Banking Service for making digital investing more convenient. We further expanded our digital wealth product shelf with Online FX, through which customers can now exchange up to 10 major foreign currencies with "live" market rates at their convenience online. On the sustainability front, more than 70% of our recommended funds and bonds have a minimum 'BB' MSCI ESG Rating as we continue to expand the number of sustainability wealth products on our product shelves.

Our SME banking has thrived on the forefront of innovation, leveraging a robust digital roadmap. We launched our first online business financing application with no collateral required, targeting SMEs in need of business financing. This initiative enables SMEs to seamlessly apply for business financing online, significantly reducing the paperwork involved. This achievement is a testament to our commitment to simplify the financing process for SMEs, making it more accessible and efficient, and ultimately contributing to their financial prosperity and business growth.

In Wholesale Banking, we continue to make inroads into higher-growth industries such as healthcare and in the high-tech manufacturing and electronics space and by supporting the national affordable housing agenda with the relevant housing development financing schemes. We grew our sustainable financing portfolio significantly by tapping into opportunities in renewable energy, advanced manufacturing and property development. We also seized opportunities to drive corridor growth by strengthening connectivity with local specialist associations and through regional collaboration.

In Global Markets, we helped our clients to navigate through the strong US Dollar ("USD") and high interest rate environment, in particular through our extensive range of tools to assist clients in diversifying their hedging strategies beyond vanilla products. We continue to scale digitalisation with our award-winning FX online platform, and launched digital FX booking for our retail customers via the OCBC mobile app. In the ESG space, we helped clients meet their investment and liability aspirations with sustainability-linked callable fixed-rate negotiable instruments of deposit and sustainability-linked swaps respectively.

In the retail investment space, other than new product additions of various asset classes to our product shelf, we also started providing bespoke credit, equity and interest rate-linked investment solutions to our OCBC Premier Private Client segment. Through automation, our investment offering platform and processes significantly reduced pricing turnaround time and created capacity to scale a wider range of product offerings. We were able to capture market trends and volatilities for most of the year, given the moderation of inflationary pressures and, to a lesser extent, economic drivers.

We maintained our leading position in providing investment banking and sustainable finance solutions to domestic government linked companies (GLC) and top tier conglomerates with several notable and award-winning transactions. As a strong advocate of sustainability, we have been driving innovation and sustainability initiatives particularly in the development of sustainable finance markets in Malaysia as a tool to further advance the adoption of ESG best practices amongst our business partners. Our offering of holistic and value accretive financing solutions serve as a critical enabler in the overall sustainability ecosystem.

We continue to reinforce and focus on our staff benefits programme, anchored on our five wellness pillars – Financial, Physical, Mental, Family and Wellness at the Workplace – through awareness talks, workshops and other activities. We also doubled our efforts on wellness programmes locally by organising our first physical wellness carnival. More than 2,000 OCBC Malaysia employees participated in the annual OCBC Group-led Wellness Fiesta held virtually across all OCBC entities.

Leveraging on technology in the constantly evolving future-ready business environment, we endeavoured to transform conventional skills development paradigms to a more dynamic approach. The Future Smart Learning Festival, themed "Grow Your Way: Expedition 2023," showcased 3D interactive learning and Augmented Reality ("AR") stories that connected OCBC Group entities' sharing on mobility, career success, well-being, CV writing and building resilience. More than 1,900 employees participated in the workshops, career storytelling, business booths and sustainability sessions by external sustainability practitioners.

Our corporate social responsibility efforts continued to thrive based on our three-pronged corporate, division and branch-level approach, benefitting well over 100,000 people in need of our aid through the collective voluntary efforts of more than 4,000 staff. The various projects by the divisions and branches focused on sustainability and the environment, families, education, community and humanitarian work.

RATINGS BY EXTERNAL AGENCY

RAM Rating Services Berhad ("RAM") has affirmed OCBC Bank (Malaysia) Berhad's financial institution rating on 29 August 2023 at AAA/P1 with stable outlook, reflecting the Group's healthy credit metrics and established franchise.

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

DIRECTORS OF THE BANK

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

Tan Ngiap Joo, *Independent Non-executive Chairman*
Ayesha Natchiar Binti Ally Maricar, *Independent Non-executive Director* (Appointed on 3 July 2023)
George Lee Lap Wah, *Independent Non-executive Director*
Dato' Shamsuddin Bin Mohd Mahayidin, *Independent Non-executive Director* (Appointed on 15 March 2024)
Helen Wong Pik Kuen, *Non-independent executive Director*
Janet Yap Seong Yong, *Independent Non-executive Director*
Tong Hon Keong, *Independent Non-executive Director* (Retired on 20 July 2023)

In accordance with clause 115 of the Bank's Constitution, Puan Ayesha Natchiar Binti Ally Maricar and Dato' Shamsuddin Bin Mohd Mahayidin shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with clauses 112 and 113 of the Bank’s Constitution, Mr Tan Ngiap Joo and Ms Wong Pik Kuen, Helen shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

PROFILE OF THE BOARD OF DIRECTORS

Mr Tan Ngiap Joo

Mr Tan Ngiap Joo was first appointed to the Board on 1 October 2015 and later appointed as Chairman of the Board on 30 March 2018. He spent 20 years in an international bank prior to joining Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) in August 1990 where he held senior positions over the years, including as Chief Executive of OCBC’s Australian operations, and Head of Group Business Banking. He was appointed Deputy President in December 2001 and retired in December 2007.

He is also Chairman of OCBC Bank (Malaysia) Berhad and the Investment Committee of MASCOT Private Trust as well as an independent Director in Gemstone Asset Holdings Pte Ltd. He holds a Bachelor of Arts from University of Western Australia.

Puan Ayesha Natchiar Binti Ally Maricar

Puan Ayesha Natchiar Binti Ally Maricar was appointed to the Board on 3 July 2023. She also serves on the Board of OCBC Al-Amin Bank Berhad. A seasoned professional with over 40 years of experience in banking and financial services, Puan Ayesha was Senior Vice President and Chief Internal Auditor of OCBC Bank (Malaysia) Berhad from 1987 to 2010. She has expertise in banking operations, risk management, credit analysis, information technology infrastructure, corporate governance and internal audit, along with a strong understanding of the regulatory environment governing the banking sector.

Puan Ayesha was an independent non-executive Director of Bank of America Malaysia Berhad from 2012 to 2021, where she served as Chairman of the Board Risk Committee, and was a member of the Board Audit, Nominating and Remuneration Committees. She also served as a Director of Merrill Lynch Malaysian Advisory Sdn Bhd from 2015 to 29 January 2024.

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

Mr George Lee Lap Wah

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

Mr Lee is an Independent Director of RE&S Holdings Ltd, Wearnes Starchase Ltd, Bumitama Agri Ltd and Great Eastern Holdings Ltd. Mr Lee 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. Mr Lee obtained his Bachelor of Business Administration (Honours) from the University of Singapore in 1976.

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

PROFILE OF THE BOARD OF DIRECTORS (continued)

Dato' Shamsuddin Bin Mohd Mahayidin

Dato' Shamsuddin Bin Mohd Mahayidin was appointed to the Board on 15 March 2024. He served at Bank Negara Malaysia for 38 years before retiring in March 2023. During this time, he was involved in various roles including those relating to the development of the financial market, international financial cooperation, policy formulation and investment operations. He has extensive experience in strategic management of support service operations, organisational governance, risk management relating to operational support services, procurement and sourcing strategy, process improvement, organisational transformation and change management. Dato' Shamsuddin was also previously an Adjunct Professor at University Malaysia Kelantan and served on the Advisory Panel for its Master's Degree Programme in Islamic Finance at the Faculty of Entrepreneurship and Business.

He is currently an Independent Director of Ni Hsin Group Berhad, a Director of Taps Management Sdn Bhd and Perbadanan Nasional Berhad (including two of its subsidiaries, PNS ASQ Asia Sdn Bhd and Wonderful Lifestyle Sdn Bhd), and a Public Interest Director at the Federation of Investment Managers Malaysia. He holds Adjunct Professorships at Taylor's University, DRB-Hicom University of Automotive Malaysia and University Putra Malaysia.

Dato' Shamsuddin holds a Bachelor's degree in business administration (Management System) from Lakehead University, Canada and a Master's degree in Business Administration from Manchester Business School, United Kingdom.

Ms Helen Wong Pik Kuen

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

Ms Wong joined OCBC Bank in February 2020 as Deputy President and Head of Global Wholesale Banking. She has more than 40 years of banking experience, having started out as a Management Trainee in OCBC Bank and was its first China Desk Manager, based at the Hong Kong Branch. She has vast experience in Greater China, covering a wide range of roles in capital markets, syndicated finance and corporate banking.

Before returning to OCBC Bank, Ms Wong spent 27 years at HSBC, where her last role was as its Chief Executive for Greater China, which she was appointed to in 2015. She was appointed as the President and CEO of HSBC China based in Shanghai in 2010, prior to being promoted as Group General Manager in 2011 to recognise her responsibility for the business operations and strategic expansion in China.

She also held non-executive directorships at Baoshan Iron & Steel from 2012 to 2015, and at Bank of Communications from 2016 to 2019. Ms Wong holds a Bachelor of Social Sciences from the University of Hong Kong.

Ms Janet Yap Seong Yong

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

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

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

Oversea-Chinese Banking Corporation Limited

Shareholdings registered in the name of Directors or in which Directors have a direct interest	**At 1 January 2023**	**Acquired/ Awarded**	**Disposed**	**At 31 December 2023**
Ordinary Shares				
Tan Ngiap Joo	1,430,993	4,487	-	1,435,480
George Lee Lap Wah	85,143	-	-	85,143
Helen Wong Pik Kuen	262,431	179,177	-	441,608

OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan	**At 1 January 2023**	**Awarded/ Granted**	**Exercised/ Forfeited/ Lapsed**	**At 31 December 2023**
Ordinary Shares				
Helen Wong Pik Kuen	434,713	322,794	(179,177)	578,330

DIRECTORS' BENEFITS

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

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

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises five Directors, all of whom are Independent Non-executive Directors except for one Non-independent Executive Director. The Independent Non-executive Directors are Mr Tan Ngiap Joo (Chairman of the Board), Puan Ayesha Natchiar Binti Ally Maricar, Mr George Lee Lap Wah, Dato' Shamsuddin Bin Mohd Mahayidin and Ms Janet Yap Seong Yong while the Non-independent Executive Director is Ms Helen Wong Pik Kuen. Mr Tong Hon Keong retired as an Independent Non-executive Director with effect from 20 July 2023.

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

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

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

CORPORATE GOVERNANCE (continued)

Board Conduct and Responsibilities

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

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

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:

- 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;
- Review any transaction for the acquisition or disposal of assets that is material to the Bank;
- Provide oversight in ensuring that the Bank's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards; and
- 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, monthly internal financial reports, risk management reports, budgets, forecasts and reports of variance from budgets and forecasts.

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

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

Board Audit Committee ("BAC")

The BAC comprises Mr George Lee Lap Wah ("BAC Chairman"), Puan Ayesha Natchiar Binti Ally Maricar (appointed on 3 July 2023) and Mr Tan Ngiap Joo; all of whom are independent Directors. Mr Tong Hon Keong stepped down as a BAC member with effect from 20 July 2023 following his retirement from the Board.

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

CORPORATE GOVERNANCE (continued)

Board Audit Committee ("BAC") (continued)

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 and internal audit functions as well as ensures the independence and objectivity of the external 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 and internal auditors in separate sessions and without the presence of management to consider any matters which might be raised privately. The BAC has received the requisite disclosures from the external auditors evidencing the latter’s independence. It is satisfied that the financial, professional and business relationships between the Bank and the external auditors are compatible with maintaining the independence of the external auditors.

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

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

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

Internal Audit Function

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

Internal Controls

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

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

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

Based on the internal controls established and maintained by the Bank, work performed by the internal 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.

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

CORPORATE GOVERNANCE (continued)

Nominating & Remuneration Committee ("NRC")

The NRC comprises Mr George Lee Lap Wah ("NRC Chairman"), Ms Janet Yap Seong Yong and Mr Tan Ngiap Joo; all of whom are independent Directors.

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

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

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

Remuneration Policy

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

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

- Operating efficiency measures 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 Group's risk appetite. In the determination of remuneration of senior executives, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing business performance. The performance of risk and compliance functions is measured independently of the businesses they oversee. Employees in these functions are assessed based on the achievement related to their respective performance measures.

In determining the composition of compensation packages, the Group takes into account the time horizon of risk and 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 Group shall also take into account the reinforcement of a risk culture that is in line with Shariah governance objectives.

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

CORPORATE GOVERNANCE (continued)

Remuneration Policy (continued)

The Group has identified a group of senior executives whose authorities and actions are deemed to have a major influence on the long term performance of the Group. This group ("Material Risk Takers") comprises certain members of senior management, employees of 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 Group'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.

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 2023 are as follows :

	Variable remuneration Cash Based Directors' Fees	
	Group	**Bank**
	RM'000	**RM'000**
Tan Ngiap Joo	800	525
Ayesha Natchiar Binti Ally Maricar (Appointed on 3 July 2023)	196	116
George Lee Lap Wah	274	274
Janet Yap Seong Yong	208	208
Tong Hon Keong (Retired on 20 July 2023)	141	141

Quantitative disclosure of the Group's and the Bank's key management and other Material Risk Personnel remuneration is disclosed in Note 29 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 Group's risk profile/rating and/or the employee has committed a gross misconduct, fraud or breach of trust in relation to the Group.

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

Risk Management Committee ("RMC")

The RMC comprises Mr George Lee Lap Wah (RMC Chairman appointed on 20 July 2023), Puan Ayesha Natchiar Binti Ally Maricar (appointed on 3 July 2023), Dato' Shamsuddin Bin Mohd Mahayidin (appointed on 15 March 2024), Ms Janet Yap Seong Yong and Mr Tan Ngiap Joo; all of whom are independent Directors. Mr Tong Hon Keong stepped down as RMC Chairman with effect from 20 July 2023 following his retirement from the Board.

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

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

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

CORPORATE GOVERNANCE (continued)

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, where necessary, in order to be briefed properly 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 meetings of Board and Board Committees;
- Performance Report;
- Credit Risk Management Report;
- Asset Liability & Market Risk Report; and
- Operational Risk Management Report.

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

Directors' Attendance At Board And Board Committee Meetings in 2023

	Attendance of Meetings Held			
	Board	**Board Audit Committee**	**Nominating & Remuneration Committee**	**Risk Management Committee**
Tan Ngiap Joo	9 of 9	7 of 7	2 of 2	5 of 5
Ayesha Natchiar Binti Ally Maricar (Appointed on 3 July 2023)	4 of 4	4 of 4	-	3 of 3
George Lee Lap Wah	9 of 9	7 of 7	2 of 2	5 of 5
Helen Wong Pik Kuen	8 of 9	-	-	-
Janet Yap Seong Yong	8 of 9	-	2 of 2	4 of 5
Tong Hon Keong (Retired on 20 July 2023)	6 of 6	3 of 3	-	3 of 3

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

COMPLIANCE WITH BNM'S EXPECTATIONS ON FINANCIAL REPORTING

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

DIRECTORS' INDEMNITY

A Directors' and Officers' Liability Insurance has been entered into by the Group and the Bank for the financial year ended 31 December 2023. The policy provides appropriate cover for legal action brought against its Directors in accordance with qualifying third party indemnity provisions (as defined by Section 289 of the Companies Act 2016). During the financial year, the cost of this insurance effected for the Directors and Officers of the Group and the Bank amounted to RM110,985 and RM106,501 (2022: RM114,718 and RM109,376) respectively.

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and the Bank for the financial year ended 31 December 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

Auditors' remuneration for the Group and the Bank for the financial year is RM1,726,000 and RM1,359,000 respectively (2022: RM1,513,000 and RM1,236,000 respectively). Details of auditors' remuneration are set out in Note 28 to the financial statements.

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

TAN NGIAP JOO
Chairman

AYESHA NATCHIAR BINTI ALLY MARICAR
Director

Kuala Lumpur, Malaysia
18 April 2024

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

In the opinion of the Directors, the financial statements set out on pages 20 to 147 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2023 and of their financial performance and cash flows for the financial year then ended.

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

TAN NGIAP JOO
Chairman

AYESHA NATCHIAR BINTI ALLY MARICAR
Director

Kuala Lumpur, Malaysia
18 April 2024

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

I, Teoh Yin Meng, the officer primarily responsible for the financial management of OCBC Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 147 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TEOH YIN MENG

Subscribed and solemnly declared by the abovenamed, Teoh Yin Meng at Kuala Lumpur in Malaysia on 18 April 2024, before me:

Commissioner for Oaths

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of OCBC Bank (Malaysia) Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 20 to 147.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

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

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT	NG YEE LING
LLP0014401-LCA & AF 1146	03032/01/2025 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
18 April 2024

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		Group		Bank	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and cash equivalents	3	3,626,979	6,952,345	2,525,095	5,591,793
Deposits and placements with banks and other financial institutions	4	352,077	1,863,600	762,957	2,107,603
Investment account placements	5	-	-	5,095,182	3,093,946
Financial assets at fair value through profit or loss ("FVTPL")	6	1,879,059	566,098	1,874,038	561,059
Financial investments at fair value through other comprehensive income ("FVOCI")	7	22,355,331	22,901,346	18,923,924	19,702,128
Loans, advances and financing	8	66,811,358	64,298,998	52,044,617	51,563,714
Derivative financial assets	10	1,030,620	1,307,652	1,031,011	1,307,663
Other assets	11	475,752	364,470	630,343	420,034
Statutory deposits with Bank Negara Malaysia	12	1,054,595	903,160	869,595	703,160
Investments in subsidiaries	13	-	-	557,051	557,051
Property and equipment	14	134,250	133,974	131,536	130,853
Right-of-use ("ROU") assets	15	26,585	14,814	22,933	12,775
Tax recoverable		546	5,770	-	81
Deferred tax assets	16	203,940	231,043	174,440	190,656
Total assets		97,951,092	99,543,270	84,642,722	85,942,516
LIABILITIES					
Deposits from customers	17	75,501,096	77,717,263	64,078,587	65,747,671
Deposits and placements of banks and other financial institutions	18	4,713,152	5,720,234	4,686,535	5,676,869
Obligations on securities sold under repurchase agreements		1,408,500	-	1,408,500	-
Bills and acceptances payable		78,461	114,286	59,983	102,529
Derivative financial liabilities	10	894,368	1,447,264	895,137	1,447,629
Other liabilities	19	4,662,671	4,100,040	4,517,361	3,946,907
Tax payable and zakat		21,528	117,204	7,429	105,030
Subordinated bonds	20	1,050,000	1,050,000	1,050,000	1,050,000
Total liabilities		88,329,776	90,266,291	76,703,532	78,076,635
EQUITY					
Share capital	21	754,000	754,000	754,000	754,000
Reserves	22	8,867,316	8,522,979	7,185,190	7,111,881
Total equity		9,621,316	9,276,979	7,939,190	7,865,881
Total liabilities and equity		97,951,092	99,543,270	84,642,722	85,942,516
Commitments and contingencies	34	124,427,505	117,466,765	120,296,960	113,725,526

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

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

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

		Group		Bank	
		2023	**2022**	**2023**	**2022**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Interest/Finance income		3,433,427	2,774,497	3,569,775	2,852,944
Interest income for financial assets at FVTPL		63,794	39,309	63,794	39,309
Interest/Finance expense		(1,696,656)	(1,098,153)	(1,821,986)	(1,161,599)
Net interest/finance income	23	1,800,565	1,715,653	1,811,583	1,730,654
Income from Islamic banking operations	24	537,938	486,247	-	-
Net fee and commission income	25	341,601	366,679	337,225	361,659
Net trading income	26	405,341	312,534	405,342	312,534
Other operating income/(expenses)	27	46,713	(92,362)	180,506	18,217
Operating income		3,132,158	2,788,751	2,734,656	2,423,064
Operating expenses	28	(1,465,623)	(1,265,473)	(1,398,271)	(1,204,361)
Operating profit before impairment allowances and provisions		1,666,535	1,523,278	1,336,385	1,218,703
Impairment allowances and provisions (charge)/write-back	30	(165,009)	329,273	(162,639)	361,071
Profit before income tax and zakat		1,501,526	1,852,551	1,173,746	1,579,774
Income tax expense	31	(384,220)	(599,449)	(307,112)	(521,092)
Zakat		(50)	(50)	-	-
Profit for the year		1,117,256	1,253,052	866,634	1,058,682
Items that will not be reclassified to profit or loss					
Change in fair value reserve (equity instruments)		3,078	3,993	3,078	3,993
Items that are or may be reclassified subsequently to profit or loss					
FVOCI reserve (debt instruments)					
- Change in fair value		183,933	(222,243)	156,356	(192,933)
- Amount transferred to profit or loss		(18,301)	121,570	(17,564)	120,796
- Related tax		(39,752)	24,163	(33,310)	17,314
Change in expected credit losses ("ECL") reserve on debt instruments at FVOCI		873	225	865	132
Other comprehensive income/(expense) for the year		129,831	(72,292)	109,425	(50,698)
Total comprehensive income for the year		1,247,087	1,180,760	976,059	1,007,984
Profit attributable to owner of the Bank		1,117,256	1,253,052	866,634	1,058,682
Total comprehensive income attributable to owner of the Bank		1,247,087	1,180,760	976,059	1,007,984
Basic earnings per ordinary share (sen)	32	388.6	435.8	301.4	368.2

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

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

		Non-distributable			*Distributable*	
Group	**Share capital RM'000**	**Regulatory reserve RM'000**	**ECL reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2023	754,000	600,000	671	(52,598)	7,974,906	9,276,979
Fair value reserve						
- Change in fair value	-	-	-	187,011	-	187,011
- Transferred to profit or loss	-	-	-	(18,301)	-	(18,301)
- Related tax	-	-	-	(39,752)	-	(39,752)
Change in ECL reserve	-	-	873	-	-	873
Total other comprehensive income for the year	-	-	873	128,958	-	129,831
Profit for the year	-	-	-	-	1,117,256	1,117,256
Total comprehensive income for the year	-	-	873	128,958	1,117,256	1,247,087
Contributions by and distributions to owner of the Bank						
Final 2022 ordinary dividend paid	-	-	-	-	(434,125)	(434,125)
Interim 2023 ordinary dividend paid	-	-	-	-	(468,625)	(468,625)
At 31 December 2023	754,000	600,000	1,544	76,360	8,189,412	9,621,316
At 1 January 2022	754,000	600,000	446	30,069	7,542,579	8,927,094
Fair value reserve						
- Change in fair value	-	-	-	(218,250)	-	(218,250)
- Transferred to profit or loss	-	-	-	121,570	-	121,570
- Related tax	-	-	-	24,163	-	24,163
Change in ECL reserve	-	-	225	-	-	225
Total other comprehensive income/(expense) for the year	-	-	225	(72,517)	-	(72,292)
Profit for the year	-	-	-	-	1,253,052	1,253,052
Total comprehensive income/(expense) for the year	-	-	225	(72,517)	1,253,052	1,180,760
Transfer upon disposal of equity investment designated at FVOCI	-	-	-	(10,150)	10,150	-
Contributions by and distributions to owner of the Bank						
Final 2021 ordinary dividend paid	-	-	-	-	(434,125)	(434,125)
Interim 2022 ordinary dividend paid	-	-	-	-	(396,750)	(396,750)
At 31 December 2022	754,000	600,000	671	(52,598)	7,974,906	9,276,979

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

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

		Non-distributable			*Distributable*	
Bank	**Share capital RM'000**	**Regulatory reserve RM'000**	**ECL reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2023	754,000	509,000	524	(25,441)	6,627,798	7,865,881
Fair value reserve						
- Change in fair value	-	-	-	159,434	-	159,434
- Transferred to profit or loss	-	-	-	(17,564)	-	(17,564)
- Related tax	-	-	-	(33,310)	-	(33,310)
Change in ECL reserve	-	-	865	-	-	865
Total other comprehensive income for the year	-	-	865	108,560	-	109,425
Profit for the year	-	-	-	-	866,634	866,634
Total comprehensive income for the year	-	-	865	108,560	866,634	976,059
Contributions by and distributions to owner of the Bank						
Final 2022 ordinary dividend paid	-	-	-	-	(434,125)	(434,125)
Interim 2023 ordinary dividend paid	-	-	-	-	(468,625)	(468,625)
At 31 December 2023	754,000	509,000	1,389	83,119	6,591,682	7,939,190
At 1 January 2022	754,000	509,000	392	35,539	6,389,841	7,688,772
Fair value reserve						
- Change in fair value	-	-	-	(188,940)	-	(188,940)
- Transferred to profit or loss	-	-	-	120,796	-	120,796
- Related tax	-	-	-	17,314	-	17,314
Change in ECL reserve	-	-	132	-	-	132
Total other comprehensive income/(expense) for the year	-	-	132	(50,830)	-	(50,698)
Profit for the year	-	-	-	-	1,058,682	1,058,682
Total comprehensive income/(expense) for the year	-	-	132	(50,830)	1,058,682	1,007,984
Transfer upon disposal of equity investment designated at FVOCI	-	-	-	(10,150)	10,150	-
Contributions by and distributions to owner of the Bank						
Final 2021 ordinary dividend paid	-	-	-	-	(434,125)	(434,125)
Interim 2022 ordinary dividend paid	-	-	-	-	(396,750)	(396,750)
At 31 December 2022	754,000	509,000	524	(25,441)	6,627,798	7,865,881

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

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities				
Profit before income tax and zakat	1,501,526	1,852,551	1,173,746	1,579,774
Adjustments for:				
Depreciation of property and equipment	20,370	22,362	19,303	20,932
Depreciation of right-of-use assets	13,014	12,524	11,515	11,043
Impairment allowances and provisions charge/(write-back)	236,554	(250,233)	215,667	(307,450)
Finance expense on lease liabilities	666	474	607	420
Net (gain)/loss on disposal of:				
- Financial investments at FVOCI	(18,301)	121,570	(17,564)	120,796
- Property and equipment	8	148	8	-
Share-based costs	15,067	16,817	14,673	16,700
Unrealised (gain)/loss on:				
- Financial assets at FVTPL	(1,588)	(9,108)	(1,605)	(9,264)
- Hedging derivatives	599	250	599	250
- Trading derivatives	(331,871)	200,044	(332,319)	200,451
Operating profit before changes in working capital	1,436,044	1,967,399	1,084,630	1,633,652
Changes in operating assets and operating liabilities:				
Deposits and placements with banks and other financial institutions	1,511,566	(1,414,425)	1,344,689	(1,437,552)
Investment account placements	-	-	(1,989,660)	(530,784)
Financial assets at FVTPL	(1,311,373)	1,276,278	(1,311,374)	1,271,383
Loans, advances and financing	(2,749,966)	1,763,836	(683,169)	2,104,810
Other assets	(111,316)	(13,081)	(210,368)	(9,708)
Statutory deposits with Bank Negara Malaysia	(151,435)	(839,223)	(166,435)	(639,223)
Derivative financial assets and liabilities	46,179	23,125	46,651	23,446
Deposits from customers	(2,216,167)	3,730,646	(1,669,084)	4,700,908
Deposits and placements of banks and other financial institutions	(1,007,082)	71,428	(990,334)	56,799
Obligations on securities sold under repurchase agremeents	1,408,500	-	1,408,500	-
Bills and acceptances payable	(35,825)	57,459	(42,546)	58,032
Other liabilities	540,174	1,469,010	523,962	1,449,064
Cash (used in)/generated from operations	(2,640,701)	8,092,452	(2,654,538)	8,680,827
Income tax and zakat paid	(487,371)	(416,421)	(421,726)	(365,224)
Net cash (used in)/generated from operating activities	(3,128,072)	7,676,031	(3,076,264)	8,315,603
Cash flows from investing activities				
Proceeds from redemption of Murabahah subordinated sukuk issued by subsidiary	-	-	-	200,000
Acquisition of financial investments at FVOCI	(33,301,201)	(23,614,261)	(27,357,411)	(18,197,841)
Acquisition of property and equipment	(20,650)	(10,678)	(19,970)	(10,349)
Dividends received from financial investments at FVOCI	599	599	599	599
Proceeds from disposal of financial investments at FVOCI	34,042,857	19,374,289	28,303,679	13,667,503
Proceeds from disposal of property and equipment	8	1,423	6	1,423
Net cash generated from/(used in) investing activities	721,613	(4,248,628)	926,903	(4,338,665)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from financing activities				
Dividends paid to owner of the Bank	(902,750)	(830,875)	(902,750)	(830,875)
Proceeds from issuance of subordinated bonds	-	500,000	-	500,000
Redemption of subordinated bonds	-	(959,279)	-	(959,279)
Payment of lease liabilities	(16,157)	(13,432)	(14,587)	(11,884)
Net cash used in financing activities	(918,907)	(1,303,586)	(917,337)	(1,302,038)
Net (decrease)/increase in cash and cash equivalents	(3,325,366)	2,123,817	(3,066,698)	2,674,900
Cash and cash equivalents at 1 January	6,952,345	4,828,528	5,591,793	2,916,893
Cash and cash equivalents at 31 December	3,626,979	6,952,345	2,525,095	5,591,793

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (continued)

Changes in liabilities arising from financing activities

Group	At 1 January RM'000	Net Cash outflows RM'000	Acquisition of new leases RM'000	Finance cost RM'000	At 31 December RM'000
2023					
Subordinated bonds	1,050,000	-	-	-	1,050,000
Lease liabilities	13,286	(16,157)	24,785	666	22,580
Total liabilities from financing activities	1,063,286	(16,157)	24,785	666	1,072,580
2022					
Subordinated bonds	1,509,279	(459,279)	-	-	1,050,000
Lease liabilities	24,429	(13,432)	1,815	474	13,286
Total liabilities from financing activities	1,533,708	(472,711)	1,815	474	1,063,286
Bank					
2023					
Subordinated bonds	1,050,000	-	-	-	1,050,000
Lease liabilities	11,205	(14,587)	21,673	607	18,898
Total liabilities from financing activities	1,061,205	(14,587)	21,673	607	1,068,898
2022					
Subordinated bonds	1,509,279	(459,279)	-	-	1,050,000
Lease liabilities	21,620	(11,884)	1,049	420	11,205
Total liabilities from financing activities	1,530,899	(471,163)	1,049	420	1,061,205

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2023

GENERAL INFORMATION

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

The consolidated financial statements of the Bank as at and for the financial year ended 31 December 2023 comprise the Bank and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”).

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

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

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

1 BASIS OF PREPARATION

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

(a) Statement of compliance

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

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

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

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

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

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

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

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

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

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

- Amendments to MFRS 101 'Presentation of Financial Statements' - *Classification of liabilities as current or non-current and Non-current Liabilities with Covenants*

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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

Effective for annual periods commencing on or after 1 January 2024 (continued)

- Amendments to MFRS 16 'Leases' - *Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 107 'Statement of Cash Flows' and MFRS 7 'Financial Instruments: Disclosures' - *Supplier Finance Arrangements*

Effective for annual periods commencing on or after 1 January 2025

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

Effective date to be announced by MASB

- Amendments to MFRS 10 'Consolidated Financial Statements' and MFRS 128 'Investments in Associates and Joint Ventures' - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

(b) Use of estimates and judgements

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

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

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

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

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

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

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: (continued)

(ii) Impairment of financial assets

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

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

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

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

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

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

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

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

(iii) Management judgement is required for estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome is not determined until a later date. 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 Group to the periods presented in these financial statements.

A Basis of consolidation

(a) Subsidiaries

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

A Basis of consolidation (continued)

(a) Subsidiaries (continued)

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

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

(b) Business combinations

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

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

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

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

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

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

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

(c) Acquisitions of non-controlling interests

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

A Basis of consolidation (continued)

(d) Acquisitions of entities under common control

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

(e) Loss of control

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

(f) Transactions eliminated on consolidation

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

B Foreign currency transactions

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

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

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

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

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

C Financial instruments

(a) Recognition and initial measurement

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

C Financial instruments (continued)

(a) Recognition and initial measurement (continued)

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

The Group 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 Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Financial assets

The categories of financial assets are as follows:

(i) Amortised cost

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

C Financial instruments (continued)

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

Financial assets (continued)

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

Debt investments

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

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

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

Equity investments

This category comprises investments in equity that are not held for trading, and the Group 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 Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

Financial liabilities

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

C Financial instruments (continued)

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

Financial liabilities (continued)

FVTPL category comprises financial liabilities that are derivatives (except for derivatives that are financial guarantee contracts or designated as effective hedging instruments) or 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 (eg. structured investments), the embedded derivatives are required to be separated and accounted as a derivative and the host contract at amortised cost (in Other Liabilities) if the economic risks and characteristics of the embedded derivatives are not closely related to the economic risks and characteristics of the host contract. Separate accounting is not required if the combined instrument is fair valued with changes in fair value recognised in profit or loss.

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

(c) Financial guarantee contracts

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

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

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

- the amount of the loss allowance; and

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

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

(d) Regular way purchase or sale of financial assets

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

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

- the recognition of an asset to be received and the liability to pay for it on the settlement date; and

- the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for a payment on the settlement date.

2 MATERIAL ACCOUNTING POLICIES (continued)

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

C Financial instruments (continued)

(e) Hedge accounting

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

(i) Fair value hedge

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

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

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

C Financial instruments (continued)

(e) Hedge accounting (continued)

(ii) Cash flow hedge (continued)

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

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

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

(f) Derivatives

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

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

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

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

(g) Derecognition

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

C Financial instruments (continued)

(h) Modification

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

(i) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted by the accounting standards. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

D Property and equipment

(a) Recognition and measurement

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

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

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

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

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

(b) Subsequent costs

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

(c) Depreciation

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

D Property and equipment (continued)

(c) Depreciation (continued)

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

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

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

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

E Leases

(a) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group evaluates 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 there is no identified asset;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset, ie. when the Group has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either the Group has the right to operate the asset; or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

(b) Recognition and initial measurement

As a lessee

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

E Leases (continued)

(b) Recognition and initial measurement (continued)

As a lessee (continued)

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

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

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

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

As a lessor

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

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

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

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

(c) Subsequent measurement

As a lessee

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

E Leases (continued)

(c) Subsequent measurement (continued)

As a lessee (continued)

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

As a lessor

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

F Cash and cash equivalents

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

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

G Impairment

(a) Financial assets

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

(i) ECL impairment model

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

- Stage 1: On initial recognition, ECL will be that resulting from default events that are possible over the next 12 months (12-month ECL).
- Stage 2: Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that which results from all possible default events over the expected life of the asset (Lifetime ECL non credit-impaired). See details in Note 2G(a)(iii).
- Stage 3: When a financial asset exhibits objective evidence of impairment and is considered credit-impaired, its loss allowance will be the full lifetime ECL (credit-impaired).

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

(ii) Measurement

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

G Impairment (continued)

(a) Financial assets (continued)

(ii) Measurement (continued)

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

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

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

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

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

(iii) Movement between stages

Movement 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 when there is a significant increase in credit risk since initial recognition, and impairment allowance will be measured using lifetime ECL.

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

- The Group has established thresholds for significant increases in credit risk based on both relative and absolute changes in lifetime probability of default ("PD") relative to initial recognition.

- The Group conducts qualitative assessment to ascertain if there is a significant increase in credit risk.

- The Group uses days past due as a further indication of significant increase in credit risk.

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

G Impairment (continued)

(a) Financial assets (continued)

(iii) Movement between stages (continued)

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

(iv) Regulatory framework

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

(b) Other assets

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

H Equity instruments

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

Ordinary shares are classified as equity.

Interim dividend on ordinary shares is recorded in the financial year in which they are declared payable by the Board of Directors. Final dividends are recorded in the financial year when the dividends are approved at the annual general meeting. Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

I Employee benefits

(a) Short-term employee benefits

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

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

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

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

(b) Share-based payment transactions

(i) OCBC Deferred Share Plan

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

(ii) OCBC Share Option Scheme 2001

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

I Employee benefits (continued)

(b) Share-based payment transactions (continued)

(iii) OCBC Employee Share Purchase Plan

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

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

J Provisions

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

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

K Income and expenses

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

K Income and expenses (continued)

(b) Fee and commission income

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

(c) Net trading income

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

(d) Dividend income

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

(e) Rental income

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

(f) Other income

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

L Income tax

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

(a) Current tax

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

(b) Deferred tax

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

L 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.

M Earnings per ordinary share

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

N Restricted profit sharing investment accounts ("RPSIA")

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

O Contingencies

(a) Contingent liabilities

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

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

(b) Contingent assets

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

P Fair value measurements

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

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

Q Zakat contribution

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

3 CASH AND CASH EQUIVALENTS

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and balances with banks and other financial institutions	492,187	542,616	416,380	433,049
Money at call and deposit placements with financial institutions maturing within one month	177,099	892,873	198,781	1,185,591
Deposit placements with Bank Negara Malaysia	2,957,762	5,516,914	1,910,000	3,973,200
	3,627,048	6,952,403	2,525,161	5,591,840
Stage 1 ECL allowance	(69)	(58)	(66)	(47)
	3,626,979	6,952,345	2,525,095	5,591,793

(a) By geographical distribution

Malaysia	3,231,825	6,571,855	2,182,283	5,294,329
Singapore	227,694	133,507	207,065	97,519
Other ASEAN countries	10,975	10,373	9,330	9,622
Rest of the world	156,554	236,668	126,483	190,370
	3,627,048	6,952,403	2,525,161	5,591,840

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

(b) Included in the Bank's cash and cash equivalents are deposits and placements with its Islamic Banking subsidiary, OCBC Al-Amin Bank Berhad, amounting to RM22 million (2022: RM293 million), which are unsecured and profit bearing.

(c) Movements in ECL allowance

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Stage 1 ECL				
At 1 January	58	31	47	31
New financial assets originated or purchased	6	16	6	16
Financial assets derecognised	(3)	(4)	(3)	(4)
Net remeasurement during the year	8	15	16	4
At 31 December	69	58	66	47

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Licensed bank	352,094	1,863,660	762,974	2,107,663
Stage 1 ECL allowance	(17)	(60)	(17)	(60)
	352,077	1,863,600	762,957	2,107,603

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

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

	Group		Bank	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Malaysia	313,345	1,863,660	724,225	2,107,663
Rest of the world	38,749	-	38,749	-
	352,094	1,863,660	762,974	2,107,663

(b) By residual contractual maturity

Maturity within one year	352,094	1,863,660	762,974	2,107,663

(c) Included in the Bank's deposits and placements with licensed banks are deposits and placements with its Islamic Banking subsidiary, OCBC Al-Amin Bank Berhad, amounting to RM411 million (2022: RM244 million), which are unsecured and profit bearing.

(d) Movements in ECL allowance

	2023			2022		
Group and Bank	**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	60	-	60	8	-	8
Transferred to Stage 2	(30)	30	-	-	-	-
New financial assets originated or purchased	73	-	73	92	-	92
Financial assets derecognised	(30)	-	(30)	(15)	-	(15)
Net remeasurement during the year	(56)	(30)	(86)	(25)	-	(25)
At 31 December	17	-	17	60	-	60

5 INVESTMENT ACCOUNT PLACEMENTS

Bank	**2023 RM'000**	**2022 RM'000**
Restricted Profit Sharing Investment Accounts	5,124,316	3,134,656
ECL allowance	(29,134)	(40,710)
	5,095,182	3,093,946

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

Malaysia	5,124,316	3,134,656

(b) By residual contractual maturity

Within one year	5,109,520	3,109,650
Over five years	14,796	25,006
	5,124,316	3,134,656

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

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

5 INVESTMENT ACCOUNT PLACEMENTS (continued)

(c) Movements in ECL allowance

Bank	*Non credit-impaired*		*Credit-impaired*	
	Stage 1 12 months ECL RM'000	**Stage 2 Lifetime ECL RM'000**	**Stage 3 Lifetime ECL RM'000**	**Total RM'000**
2023				
At 1 January	3,326	12,378	25,006	40,710
Transferred to Stage 1	7,419	(7,419)	-	-
New financial assets originated or purchased	4,984	-	-	4,984
Net remeasurement during the year	(2,519)	(4,116)	(10,210)	(16,845)
Other movements	41	244	-	285
At 31 December	13,251	1,087	14,796	29,134
2022				
At 1 January	2,970	701	32,769	36,440
New financial assets originated or purchased	906	10,156	-	11,062
Financial assets derecognised	(605)	-	-	(605)
Net remeasurement during the year	16	1,521	(7,763)	(6,226)
Other movements	39	-	-	39
At 31 December	3,326	12,378	25,006	40,710

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

	Group		**Bank**	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
At fair value				
Malaysian Government Investment Issues	394,268	68,761	394,268	68,761
Malaysian Government Securities	893,295	477,196	893,295	477,196
Malaysian Government Treasury Bills	293,943	-	293,943	-
Foreign Government Debt Securities	1	-	1	-
Corporate Bonds and Sukuk	297,552	20,141	292,531	15,102
	1,879,059	566,098	1,874,038	561,059

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

	Group		**Bank**	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
At fair value				
Malaysian Government Investment Issues	7,989,390	5,758,688	5,812,431	3,773,562
Malaysian Government Securities	6,436,483	6,155,399	6,436,483	6,155,399
Malaysian Treasury Bills and Islamic Treasury Bills	673,760	1,547,820	673,760	1,184,615
Malaysian Government Debt Securities and Sukuk	-	30,077	-	30,077
Foreign Government Debt Securities and Sukuk	281,136	-	281,136	-
Negotiable Instruments of Deposit and Islamic Negotiable Instruments of Deposit	3,628,272	6,995,336	3,429,091	6,596,563
Corporate and Islamic Corporate Bonds, Sukuk and Sanadat Mudharabah Cagamas	3,233,673	2,304,486	2,178,406	1,852,372
Unquoted shares in Malaysia				
- Cagamas Holdings Berhad	85,595	85,595	85,595	85,595
- Others	27,022	23,945	27,022	23,945
	22,355,331	22,901,346	18,923,924	19,702,128

Included in financial investments at FVOCI of the Group and the Bank are Malaysian Government Investment Issues and corporate bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM1,431,000,000 (2022: Nil).

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

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

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

	2023			2022		
	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non credit-impaired RM'000	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non credit-impaired RM'000
Group						
At 1 January	632	39	671	415	31	446
Transferred to Stage 1	1	(1)	-	-	-	-
Transferred to Stage 2	(100)	100	-	(26)	26	-
New financial assets originated or purchased	1,932	1	1,933	895	-	895
Financial assets derecognised	(676)	(42)	(718)	(341)	(16)	(357)
Net remeasurement during the year	(319)	(37)	(356)	(325)	(2)	(327)
Other movements	13	1	14	14	-	14
At 31 December	1,483	61	1,544	632	39	671
Bank						
At 1 January	485	39	524	361	31	392
Transferred to Stage 1	1	(1)	-	-	-	-
Transferred to Stage 2	(100)	100	-	(26)	26	-
New financial assets originated or purchased	1,610	1	1,611	671	-	671
Financial assets derecognised	(485)	(42)	(527)	(275)	(16)	(291)
Net remeasurement during the year	(196)	(37)	(233)	(260)	(2)	(262)
Other movements	13	1	14	14	-	14
At 31 December	1,328	61	1,389	485	39	524

8 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At amortised cost				
Overdrafts	2,732,509	2,530,791	2,176,526	2,035,037
Term loans/financing				
- Housing loans/financing	18,027,917	19,752,258	16,457,789	18,095,328
- Syndicated term loans/financing	8,465,591	7,417,938	6,255,965	5,578,093
- Hire purchase receivables	286,187	284,183	64,990	47,156
- Other term loans/financing	21,250,227	20,737,068	15,132,805	15,849,279
Credit cards	527,068	522,666	527,068	522,666
Bills receivable	159,989	180,673	80,379	113,281
Trust receipts	14,693	32,793	14,693	32,309
Claims on customers under acceptance credits	2,973,662	2,843,233	2,737,288	2,554,259
Revolving credit	11,276,397	9,487,215	7,229,672	5,877,252
Staff loans/financing	40,375	42,022	40,375	42,022
Other loans/financing	2,321,091	1,736,751	2,224,219	1,645,649
Gross loans, advances and financing	68,075,706	65,567,591	52,941,769	52,392,331
ECL allowance	(1,264,348)	(1,268,593)	(897,152)	(828,617)
Net loans, advances and financing	66,811,358	64,298,998	52,044,617	51,563,714

(a) By type of customer

	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Domestic banking institutions	809,238	-	-	-
Domestic non-bank financial institutions	3,687,975	3,266,364	1,764,997	1,358,622
Domestic business enterprises				
- Small and medium enterprises	12,374,218	12,328,093	10,047,031	9,989,121
- Others	29,191,212	25,814,507	21,005,991	18,947,544
Individuals	20,079,531	21,948,651	18,396,001	20,149,035
Foreign entities	1,933,532	2,209,976	1,727,749	1,948,009
	68,075,706	65,567,591	52,941,769	52,392,331

(b) By interest/profit rate sensitivity

	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Fixed rate				
- Housing loans/financing	122,545	92,830	31,210	12,446
- Hire purchase receivables	193,092	186,643	49,820	32,472
- Other fixed rate loans/financing	7,294,341	7,432,400	6,622,054	6,180,938
Variable rate				
- Base rate/Base lending rate/Base financing rate plus/Standardised base rate	29,652,872	31,736,883	26,020,626	28,030,303
- Cost plus	30,098,368	25,197,049	19,583,672	17,265,592
- Other variable rates	714,488	921,786	634,387	870,580
	68,075,706	65,567,591	52,941,769	52,392,331

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

8 LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
(c) By sector				
Agriculture, hunting, forestry and fishing	2,292,288	1,861,704	1,467,138	1,574,281
Mining and quarrying	78,524	159,646	65,847	66,127
Manufacturing	7,464,231	6,754,012	6,437,380	5,527,020
Electricity, gas and water	641,161	600,182	421,166	468,170
Construction	1,848,178	1,365,812	1,309,173	934,739
Real estate	7,608,552	6,739,612	6,356,862	5,645,109
Wholesale & retail trade and restaurants & hotels	7,357,040	7,213,726	6,231,839	6,154,067
Transport, storage and communication	1,539,988	1,548,505	829,915	808,762
Finance, insurance and business services	15,630,741	13,907,495	8,706,790	8,297,900
Community, social and personal services	2,111,007	1,897,893	1,389,797	1,294,762
Household				
- Purchase of residential properties	18,731,989	20,547,323	17,154,162	18,882,491
- Purchase of non-residential properties	621,174	692,624	575,792	646,004
- Others	2,150,833	2,279,057	1,995,908	2,092,899
	68,075,706	65,567,591	52,941,769	52,392,331
(d) By geography determined based on where the credit risk resides				
Malaysia	66,310,484	63,532,347	51,366,554	50,592,639
Singapore	1,079,284	1,214,290	1,021,707	1,152,043
Other ASEAN countries	233,523	238,387	229,011	231,954
Rest of the world	452,415	582,567	324,497	415,695
	68,075,706	65,567,591	52,941,769	52,392,331
(e) By residual contractual maturity				
Up to one year	21,276,108	18,647,546	16,173,548	14,008,300
Over one year to three years	7,424,922	6,179,765	4,448,717	5,144,936
Over three years to five years	8,377,943	8,562,621	5,778,491	5,510,390
Over five years	30,996,733	32,177,659	26,541,013	27,728,705
	68,075,706	65,567,591	52,941,769	52,392,331

9 IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	2,960,361	2,443,262	2,227,933	1,898,710
Impaired during the year	894,067	1,825,968	776,069	1,485,174
Reclassified as non-credit impaired	(557,926)	(321,501)	(473,112)	(276,099)
Amount recovered	(832,677)	(849,238)	(721,639)	(772,528)
Amount written off	(210,394)	(138,130)	(106,409)	(107,324)
At 31 December	2,253,431	2,960,361	1,702,842	2,227,933
Stage 3 ECL allowance	(755,192)	(816,365)	(497,729)	(499,066)
Net impaired loans, advances and financing	1,498,239	2,143,996	1,205,113	1,728,867

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) By sector				
Agriculture, hunting, forestry and fishing	1,473	23,113	1,289	21,542
Mining and quarrying	10,277	13,023	10,277	13,023
Manufacturing	361,607	447,198	263,753	346,973
Electricity, gas and water	41,521	89,492	41,400	89,296
Construction	167,902	109,818	76,531	45,815
Real estate	95,988	193,751	94,364	158,428
Wholesale & retail trade and restaurants & hotels	499,603	608,587	315,421	403,323
Transport, storage and communication	24,738	39,052	5,501	6,429
Finance, insurance and business services	75,883	127,047	68,641	51,733
Community, social and personal services	8,049	18,030	7,559	16,137
Household				
- Purchase of residential properties	858,936	1,131,856	731,214	943,551
- Purchase of non-residential properties	22,823	30,642	19,274	28,653
- Others	84,631	128,752	67,618	103,030
	2,253,431	2,960,361	1,702,842	2,227,933
(b) By geography based on where the credit risk resides				
Malaysia	2,175,779	2,856,964	1,636,974	2,134,502
Singapore	48,911	69,205	46,500	64,725
Other ASEAN countries	2,826	-	1,422	-
Rest of the world	25,915	34,192	17,946	28,706
	2,253,431	2,960,361	1,702,842	2,227,933
(c) By collateral type				
Property	1,560,715	2,118,156	1,262,952	1,723,987
Fixed deposits	1,909	3,973	1,909	3,973
Machinery	-	421	-	-
Secured - others	47,295	42,592	24,018	19,266
Unsecured - corporate and other guarantees	381,167	335,551	202,275	115,141
Unsecured - clean	262,345	459,668	211,688	365,566
	2,253,431	2,960,361	1,702,842	2,227,933

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

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

	Non credit-impaired		*Credit-impaired*	**2023**	*Non credit-impaired*		*Credit-impaired*	**2022**
Group	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January	112,411	339,817	816,365	1,268,593	164,509	1,226,893	531,926	1,923,328
Transferred to Stage 1	236,957	(206,389)	(30,568)	-	361,351	(344,599)	(16,752)	-
Transferred to Stage 2	(38,732)	122,034	(83,302)	-	(20,317)	58,185	(37,868)	-
Transferred to Stage 3	(366)	(185,242)	185,608	-	(344)	(317,848)	318,192	-
New financial assets originated or purchased	138,769	135,413	-	274,182	121,505	181,891	-	303,396
Financial assets derecognised	(85,195)	(144,785)	(64,645)	(294,625)	(51,535)	(151,227)	(52,845)	(255,607)
Net remeasurement during the year	(176,152)	259,018	173,584	256,450	(422,644)	(108,793)	248,686	(282,751)
Written off	-	-	(210,394)	(210,394)	-	-	(138,130)	(138,130)
Reclassified to Other Liabilities	-	-	-	-	(41,323)	(207,290)	-	(248,613)
Other movements	630	968	(31,456)	(29,858)	1,209	2,605	(36,844)	(33,030)
At 31 December	188,322	320,834	755,192	1,264,348	112,411	339,817	816,365	1,268,593

During the financial year ended 31 December 2022, the Group and the Bank reclassified the ECL Stage 1 and Stage 2 allowances on loan commitments and financial guarantees from Note 8: Loans, Advances and Financing to Note 19: Other Liabilities.

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

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

	Non credit-impaired		*Credit-impaired*	**2023**	*Non credit-impaired*		*Credit-impaired*	**2022**
Bank	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January	91,539	238,012	499,066	828,617	130,289	1,007,717	311,031	1,449,037
Transferred to Stage 1	167,173	(145,284)	(21,889)	-	311,456	(298,147)	(13,309)	-
Transferred to Stage 2	(33,447)	99,821	(66,374)	-	(11,796)	41,295	(29,499)	-
Transferred to Stage 3	(310)	(139,907)	140,217	-	(162)	(237,149)	237,311	-
New financial assets originated or purchased	115,444	107,918	-	223,362	108,033	140,041	-	248,074
Financial assets derecognised	(76,697)	(124,898)	(63,546)	(265,141)	(42,448)	(114,454)	(46,469)	(203,371)
Net remeasurement during the year	(119,060)	218,296	143,985	243,221	(366,796)	(126,479)	176,538	(316,737)
Written off	-	-	(106,409)	(106,409)	-	-	(107,324)	(107,324)
Reclassified to Other Liabilities	-	-	-	-	(38,150)	(176,117)	-	(214,267)
Other movements	548	275	(27,321)	(26,498)	1,113	1,305	(29,213)	(26,795)
At 31 December	145,190	254,233	497,729	897,152	91,539	238,012	499,066	828,617

During the financial year ended 31 December 2022, the Group and the Bank reclassified the ECL Stage 1 and Stage 2 allowances on loan commitments and financial guarantees from Note 8: Loans, Advances and Financing to Note 19: Other Liabilities.

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

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

(a) By sector

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

	Group				Bank			
	Non credit-impaired	*Credit-impaired*	Stage 3		*Non credit-impaired*	*Credit-impaired*	Stage 3	
	Stage 1 and 2 RM'000	**Stage 3 RM'000**	**Made during the year (Note 30) RM'000**	**Written off RM'000**	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Made during the year (Note 30) RM'000**	**Written off RM'000**
31 December 2023								
Agriculture, hunting, forestry and fishing	24,043	466	29	-	23,547	466	29	-
Mining and quarrying	16,403	18	-	-	6,283	-	-	-
Manufacturing	118,416	83,144	34,113	3,483	118,216	83,144	34,113	3,483
Electricity, gas and water	25,298	122,633	49,495	569	5,800	38,472	9,638	435
Construction	80,152	63,896	63,542	11,081	79,332	63,892	63,542	11,081
Real estate	105,147	132,250	84,187	29,561	65,065	36,985	37,580	15,924
Wholesale & retail trade and restaurants & hotels	83,021	122,915	98,517	10,117	83,021	122,915	98,517	10,117
Transport, storage and communication	39,328	38,260	4,825	9,032	27,429	1,155	1,341	1,475
Finance, insurance and business services	64,080	51,342	32,707	4,090	51,897	35,919	32,454	3,788
Community, social and personal services	36,971	2,221	1,229	63,788	8,639	1,366	750	314
Household								
- Purchase of residential properties	28,639	121,053	60,055	41,120	28,639	121,053	60,055	41,120
- Purchase of non-residential properties	4,994	32,962	22,252	18,953	1,392	3,098	4,202	3,889
- Others	85,826	19,244	25,479	14,783	85,455	18,215	24,841	14,783
	712,318	790,404	476,430	206,577	584,715	526,680	367,062	106,409

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

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

(a) By sector (continued)

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

	Group				Bank			
	Non credit-impaired	*Credit-impaired*	Stage 3		*Non credit-impaired*	*Credit-impaired*	Stage 3	
	Stage 1 and 2 RM'000	**Stage 3 RM'000**	**Made during the year (Note 30) RM'000**	**Written off RM'000**	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Made during the year (Note 30) RM'000**	**Written off RM'000**
31 December 2022								
Agriculture, hunting, forestry and fishing	21,799	688	550	-	11,327	670	549	-
Mining and quarrying	1,376	121	-	-	824	121	-	-
Manufacturing	81,847	146,579	139,201	12,123	64,090	99,132	95,414	9,861
Electricity, gas and water	4,511	41,635	12,972	-	3,267	41,554	12,972	-
Construction	152,846	95,746	43,942	22,505	109,938	16,263	24,253	19,290
Real estate	36,099	17,589	17,436	37	28,709	17,284	17,081	37
Wholesale & retail trade and restaurants & hotels	96,588	113,241	107,485	27,239	84,866	58,117	61,766	21,947
Transport, storage and communication	14,910	28,742	4,330	843	10,252	2,544	3,317	710
Finance, insurance and business services	98,963	100,938	50,215	7,601	46,711	34,941	14,181	2,452
Community, social and personal services	8,093	2,862	5,192	163	7,480	2,429	3,414	163
Household								
- Purchase of residential properties	54,129	227,418	233,000	38,554	49,929	175,027	207,696	38,536
- Purchase of non-residential properties	3,744	5,107	5,992	1,376	2,947	4,469	5,330	1,376
- Others	94,562	80,618	37,529	27,689	82,151	63,692	23,175	12,952
	669,467	861,284	657,844	138,130	502,491	516,243	469,148	107,324

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

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

(b) By geographical distribution

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

	Group			**Bank**		
	Non credit-impaired	*Credit-impaired*		*Non credit-impaired*	*Credit-impaired*	
2023	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 and 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Malaysia	589,504	505,217	1,094,721	575,166	505,217	1,080,383
Singapore	4,598	17,214	21,812	4,598	17,214	21,812
Other ASEAN countries	2,024	270,450	272,474	1,751	622	2,373
Rest of the world	3,200	3,627	6,827	3,200	3,627	6,827
	599,326	796,508	1,395,834	584,715	526,680	1,111,395
2022						
Malaysia	639,126	830,850	1,469,976	489,696	488,065	977,761
Singapore	6,132	22,629	28,761	5,944	22,146	28,090
Other ASEAN countries	1,054	22	1,076	838	-	838
Rest of the world	23,155	7,783	30,938	6,013	6,032	12,045
	669,467	861,284	1,530,751	502,491	516,243	1,018,734

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

Stage 1 ECL allowance increased by RM76 million and RM54 million respectively for the Group and the Bank compared to the previous financial year mainly from higher net remeasurement charge partially offset by the net migration of loans, advances and financing to Stage 2 and Stage 3 and financial assets derecognised.

Stage 2 ECL allowance decreased by RM19 million for the Group and increased by RM16 million for the Bank. The decreased in Stage 2 ECL allowance for Group mainly due to lower new financial assets originated compared to the previous financial year. On the other hand, the increased in Stage 2 ECL allowance for Bank mainly arising from net measurement charge.

Stage 3 ECL allowance decreased by RM61 million and RM1 million respectively for the Group and the Bank compared to the previous financial year mainly from credit-impaired loans, advances and financing migrated from Stage 3 to Stage 2 arising from upgrading of impaired accounts that have resumed repayment under relief assistance programmes.

10 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

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

	2023			**2022**		
	Contract or underlying principal	**Fair value**		**Contract or underlying principal**	**Fair value**	
Group	**amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading						
Foreign exchange derivatives						
- Forwards	6,787,110	38,555	62,493	5,540,884	41,230	99,394
- Swaps	27,298,182	583,620	406,768	33,373,090	660,279	793,290
- Options	903,885	6,911	737	1,459,862	18,804	494
Interest rate derivatives						
- Forwards	294,248	186	1,671	-	-	-
- Swaps	47,656,928	301,022	321,560	39,674,806	450,672	441,809
- Futures	114,914	43	11	35,202	-	11
Equity and other derivatives						
- Swaps	1,312,674	87,436	87,436	400,574	17,387	17,387
- Exchange traded futures	-	-	-	4,444	38	-
- Options	1,105,850	8,311	8,311	1,062,796	87,532	87,532
- Commodity related contracts	-	-	-	9,008	1,090	1,090
- Credit linked notes	1,316,208	2,246	2,246	1,341,773	3,894	3,894
- Credit default swaps	386,810	245	245	387,224	883	883
	87,176,809	1,028,575	891,478	83,289,663	1,281,809	1,445,784
Hedging						
Interest rate derivatives						
- Swaps	410,000	2,045	2,890	1,085,000	25,843	1,480
	87,586,809	1,030,620	894,368	84,374,663	1,307,652	1,447,264

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

10 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

	2023			2022		
	Contract or underlying principal	Fair value		Contract or underlying principal	Fair value	
Bank	amount RM'000	Assets RM'000	Liabilities RM'000	amount RM'000	Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	6,837,235	38,446	62,545	5,541,525	41,009	99,392
- Swaps	27,551,366	584,120	407,485	33,438,290	660,510	793,695
- Options	903,885	6,911	737	1,459,862	18,804	494
Interest rate derivatives						
- Forwards	294,248	186	1,671	-	-	-
- Swaps	47,656,928	301,022	321,560	39,674,806	450,673	441,771
- Futures	114,914	43	11	35,202	-	11
Equity and other derivatives						
- Swaps	1,312,674	87,436	87,436	400,574	17,387	17,387
- Exchange traded futures	-	-	-	4,444	38	-
- Options	1,105,850	8,311	8,311	1,062,796	87,532	87,532
- Commodity related contracts	-	-	-	9,008	1,090	1,090
- Credit linked notes	1,316,208	2,246	2,246	1,341,773	3,894	3,894
- Credit default swaps	386,810	245	245	387,224	883	883
	87,480,118	1,028,966	892,247	83,355,504	1,281,820	1,446,149
Hedging						
Interest rate derivatives						
- Swaps	410,000	2,045	2,890	1,085,000	25,843	1,480
	87,890,118	1,031,011	895,137	84,440,504	1,307,663	1,447,629
Of which related to wholly-owned subsidiary	898,343	6,498	56	448,324	5,282	1

11 OTHER ASSETS

		Group		Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amount due from subsidiaries	(a)	-	-	176,477	76,201
Interest/Profit receivable		179,276	137,642	161,776	120,747
Other receivables, deposits and prepayments		293,133	225,773	288,916	222,565
Amount due from holding company		3,343	1,055	3,174	521
		475,752	364,470	630,343	420,034

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

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

12 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) and Section26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities.

13 INVESTMENTS IN SUBSIDIARIES

Bank	**2023 RM'000**	**2022 RM'000**
Unquoted shares in Malaysia, at cost	557,051	557,051

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

Subsidiaries	**Principal activities**	**Effective ownership and voting interest**	
		2023	**2022**
OCBC Al-Amin Bank Berhad	Islamic banking	100%	100%
Malaysia Nominees (Tempatan) Sdn Bhd	Nominee services	100%	100%
Malaysia Nominees (Asing) Sdn Bhd	Nominee services	100%	100%
OCBC Advisers (Malaysia) Sdn Bhd	Corporate finance and related advisory services	100%	100%

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

14 PROPERTY AND EQUIPMENT

		Buildings on leasehold land							
Group	Freehold land and buildings* RM'000	Less than 50 years RM'000	50 years or more RM'000	Office equipment and furniture RM'000	Computer equipment/ software RM'000	Motor vehicles RM'000	Renovation RM'000	Work in progress RM'000	Total RM'000
2023									
Cost									
At 1 January	131,076	3,607	7,018	146,979	318,790	910	94,813	1,731	704,924
Additions	-	-	-	7,446	12,463	-	741	-	20,650
Disposals/Write-off	-	-	-	(585)	(1,753)	-	(50)	-	(2,388)
Reclassification	-	-	-	-	1,731	-	-	(1,731)	-
Transfer from related parties	-	-	-	16	5	-	-	-	21
Transfer to related parties	-	-	-	(3)	(18)	-	-	-	(21)
At 31 December	131,076	3,607	7,018	153,853	331,218	910	95,504	-	723,186
Accumulated depreciation									
At 1 January	(46,884)	(1,793)	(2,911)	(133,332)	(289,749)	(797)	(90,876)	-	(566,342)
Depreciation for the year	(2,055)	(53)	(89)	(4,613)	(12,174)	(80)	(1,306)	-	(20,370)
Disposals/Write-off	-	-	-	571	1,751	-	50	-	2,372
Transfer from related parties	-	-	-	(6)	(3)	-	-	-	(9)
Transfer to related parties	-	-	-	3	18	-	-	-	21
At 31 December	(48,939)	(1,846)	(3,000)	(137,377)	(300,157)	(877)	(92,132)	-	(584,328)
Impairment allowance									
At 1 January and 31 December	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount									
At 1 January	82,569	729	2,207	13,647	29,041	113	3,937	1,731	133,974
At 31 December	80,514	676	2,118	16,476	31,061	33	3,372	-	134,250

* Included in freehold land and buildings are buildings amounting to RM105 million (2022: RM105 million) and accumulated depreciation of RM49 million (2022: RM47 million).

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

14 PROPERTY AND EQUIPMENT (continued)

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

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

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

14 PROPERTY AND EQUIPMENT (continued)

		Building on leasehold land							
Bank	**Freehold land and buildings* RM'000**	**Less than 50 years RM'000**	**50 years or more RM'000**	**Office equipment and furniture RM'000**	**Computer equipment/ software RM'000**	**Motor vehicles RM'000**	**Renovation RM'000**	**Work in progress RM'000**	**Total RM'000**
2023									
Cost									
At 1 January	130,944	3,607	7,018	137,777	302,347	821	84,762	1,731	669,007
Additions	-	-	-	6,807	12,422	-	741	-	19,970
Disposals/Write-off	-	-	-	(544)	(1,605)	-	-	-	(2,149)
Reclassification	-	-	-	-	1,731	-	-	(1,731)	-
Transfer from related parties	-	-	-	79	7	-	-	-	86
Transfer to related parties	-	-	-	(3)	(15)	-	-	-	(18)
At 31 December	130,944	3,607	7,018	144,116	314,887	821	85,503	-	686,896
Accumulated depreciation									
At 1 January	(46,847)	(1,793)	(2,911)	(126,649)	(273,781)	(708)	(80,857)	-	(533,546)
Depreciation for the year	(2,055)	(53)	(89)	(3,860)	(11,958)	(80)	(1,208)	-	(19,303)
Disposals/Write-off	-	-	-	530	1,605	-	-	-	2,135
Transfer from related parties	-	-	-	(51)	(5)	-	-	-	(56)
Transfer to related parties	-	-	-	3	15	-	-	-	18
At 31 December	(48,902)	(1,846)	(3,000)	(130,027)	(284,124)	(788)	(82,065)	-	(550,752)
Impairment allowance									
At 1 January and 31 December	(1,623)	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount									
At 1 January	82,474	729	2,207	11,128	28,566	113	3,905	1,731	130,853
At 31 December	80,419	676	2,118	14,089	30,763	33	3,438	-	131,536

* Included in freehold land and buildings are buildings amounting to RM105 million (2022: RM105 million) and accumulated depreciation of RM49 million (2022: RM47 million).

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

14 PROPERTY AND EQUIPMENT (continued)

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

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

14 PROPERTY AND EQUIPMENT (continued)

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Less than one year	2,954	2,924	2,996	2,967
Between one to five years	-	51	-	51
Total undiscounted lease payments	2,954	2,975	2,996	3,018

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

	2023			2022		
Group	Leasehold land RM'000	Properties RM'000	Total RM'000	Leasehold land RM'000	Properties RM'000	Total RM'000
Cost						
At 1 January	6,792	43,294	50,086	6,792	47,796	54,588
Additions	-	24,743	24,743	-	2,104	2,104
Derecognition during the year	-	(19,499)	(19,499)	-	(6,606)	(6,606)
At 31 December	6,792	48,538	55,330	6,792	43,294	50,086
Accumulated depreciation						
At 1 January	(1,653)	(32,015)	(33,668)	(1,582)	(25,879)	(27,461)
Depreciation for the year	(71)	(12,943)	(13,014)	(71)	(12,453)	(12,524)
Derecognition during the year	-	19,541	19,541	-	6,317	6,317
At 31 December	(1,724)	(25,417)	(27,141)	(1,653)	(32,015)	(33,668)
Impairment allowance						
At 1 January	(1,604)	-	(1,604)	(1,604)	-	(1,604)
At 31 December	(1,604)	-	(1,604)	(1,604)	-	(1,604)
Carrying amount						
At 1 January	3,535	11,279	14,814	3,606	21,917	25,523
At 31 December	3,464	23,121	26,585	3,535	11,279	14,814
Bank						
Cost						
At 1 January	6,792	38,187	44,979	6,792	39,491	46,283
Additions	-	21,673	21,673	-	1,458	1,458
Derecognition during the year	-	(17,834)	(17,834)	-	(2,762)	(2,762)
At 31 December	6,792	42,026	48,818	6,792	38,187	44,979
Accumulated depreciation						
At 1 January	(1,653)	(28,947)	(30,600)	(1,582)	(20,328)	(21,910)
Depreciation for the year	(71)	(11,444)	(11,515)	(71)	(10,972)	(11,043)
Derecognition during the year	-	17,834	17,834	-	2,353	2,353
At 31 December	(1,724)	(22,557)	(24,281)	(1,653)	(28,947)	(30,600)
Impairment allowance						
At 1 January	(1,604)	-	(1,604)	(1,604)	-	(1,604)
At 31 December	(1,604)	-	(1,604)	(1,604)	-	(1,604)
Carrying amount						
At 1 January	3,535	9,240	12,775	3,606	19,163	22,769
At 31 December	3,464	19,469	22,933	3,535	9,240	12,775

16 DEFERRED TAX ASSETS

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Change in fair value of financial instruments	7,414	47,166	-	-	7,414	47,166
Capital allowance over depreciation	-	-	(1,733)	(2,341)	(1,733)	(2,341)
Stage 1 and 2 ECL allowance	118,599	119,281	-	-	118,599	119,281
Provision for expenses	63,691	52,340	-	-	63,691	52,340
Other temporary differences	15,969	14,597	-	-	15,969	14,597
Tax assets/(liabilities)	205,673	233,384	(1,733)	(2,341)	203,940	231,043
Set off of tax	(1,733)	(2,341)	1,733	2,341	-	-
Net tax assets	203,940	231,043	-	-	203,940	231,043
Bank						
Change in fair value of financial instruments	5,278	38,588	-	-	5,278	38,588
Capital allowance over depreciation	-	-	(1,359)	(1,909)	(1,359)	(1,909)
Stage 1 and 2 ECL allowance	97,773	92,187	-	-	97,773	92,187
Provision for expenses	61,300	50,565	-	-	61,300	50,565
Other temporary differences	11,448	11,225	-	-	11,448	11,225
Tax assets/(liabilities)	175,799	192,565	(1,359)	(1,909)	174,440	190,656
Set off of tax	(1,359)	(1,909)	1,359	1,909	-	-
Net tax assets	174,440	190,656	-	-	174,440	190,656

(i) Movement in deferred tax

Group	At 1 January RM'000	Recognised in profit or loss (Note 31) RM'000	Recognised in other comprehensive income RM'000	At 31 December RM'000
2023				
Change in fair value of financial instruments	47,166	-	(39,752)	7,414
Capital allowance over depreciation	(2,341)	608	-	(1,733)
Stage 1 and 2 ECL allowance	119,281	(682)	-	118,599
Provision for expenses	52,340	11,351	-	63,691
Other temporary differences	14,597	1,372	-	15,969
	231,043	12,649	(39,752)	203,940
2022				
Change in fair value of financial instruments	23,003	-	24,163	47,166
Capital allowance over depreciation	(5,249)	2,908	-	(2,341)
Stage 1 and 2 ECL allowance	175,295	(56,014)	-	119,281
Provision for expenses	73,667	(21,327)	-	52,340
Other temporary differences	18,359	(3,762)	-	14,597
	285,075	(78,195)	24,163	231,043

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

16 DEFERRED TAX ASSETS (continued)

(i) Movement in deferred tax (continued)

	At 1 January RM'000	Recognised in profit or loss (Note 31) RM'000	Recognised in other comprehensive income RM'000	At 31 December RM'000
Bank				
2023				
Change in fair value of financial instruments	38,588	-	(33,310)	5,278
Capital allowance over depreciation	(1,909)	550	-	(1,359)
Stage 1 and 2 ECL allowance	92,187	5,586	-	97,773
Provision for expenses	50,565	10,735	-	61,300
Other temporary differences	11,225	223	-	11,448
	190,656	17,094	(33,310)	174,440
2022				
Change in fair value of financial instruments	21,274	-	17,314	38,588
Capital allowance over depreciation	(4,646)	2,737	-	(1,909)
Stage 1 and 2 ECL allowance	142,256	(50,069)	-	92,187
Provision for expenses	70,900	(20,335)	-	50,565
Other temporary differences	13,681	(2,456)	-	11,225
	243,465	(70,123)	17,314	190,656

17 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a) By type of deposit				
Demand deposits	24,646,027	24,261,679	18,902,599	18,157,074
Saving deposits	11,694,921	13,438,063	10,938,000	12,573,718
Fixed/General investment deposits	34,570,501	32,126,180	30,300,246	27,407,129
Negotiable instruments of deposit	1,378,970	4,444,278	1,378,970	4,444,278
Short-term money market deposits	3,210,677	3,447,063	2,558,772	3,165,472
	75,501,096	77,717,263	64,078,587	65,747,671
(b) By type of customer				
Government and statutory bodies	193,860	210,292	95,239	109,125
Non-bank financial institutions	3,064,093	3,047,330	1,687,387	1,845,413
Business enterprises	29,887,058	28,089,634	23,815,035	21,734,236
Individuals	36,136,805	36,368,556	32,668,914	32,408,180
Foreign entities	5,535,832	9,264,626	5,192,744	8,985,285
Others	683,448	736,825	619,268	665,432
	75,501,096	77,717,263	64,078,587	65,747,671
(c) By residual maturity for fixed/term/general investment deposits, negotiable instruments of deposit and short-term money market deposits				
Up to six months	29,992,937	32,193,659	26,138,134	28,238,961
Over six months to one year	8,989,764	7,495,515	7,937,018	6,479,186
Over one year to three years	173,606	325,644	162,095	297,179
Over three years to five years	3,841	2,703	741	1,553
	39,160,148	40,017,521	34,237,988	35,016,879

17 DEPOSITS FROM CUSTOMERS (continued)

(d) Included in the Bank's deposits from customers are deposits from its corporate finance and related advisory services subsidiary, OCBC Advisers (Malaysia) Sdn Bhd, amounting to RM10 million (31 December 2022: RM9 million).

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Licensed banks and other financial institutions	4,713,152	5,720,234	4,686,535	5,676,869

19 OTHER LIABILITIES

		Group		Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amount due to subsidiaries	(a)	-	-	8,599	2,113
Equity compensation benefits	(b)	27,835	25,371	27,130	24,759
Interest/Profit payable		427,905	321,504	385,966	288,881
Structured investments		3,271,959	2,893,894	3,271,959	2,893,894
Lease liabilities		22,580	13,286	18,898	11,205
Other payables and accruals		652,138	583,827	590,566	535,938
ECL allowance for loan commitments and financial guarantees	(c)	260,254	262,158	214,243	190,117
		4,662,671	4,100,040	4,517,361	3,946,907

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

(b) Equity compensation benefits

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

(i) **OCBC Deferred Share Plan**

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

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

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

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

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

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

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

	2023		2022	
Group	**Number of share options**	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	173,312	12.283	261,474	11.382
Exercised	(34,220)	9.868	(74,667)	9.707
Forfeited/Lapsed	(6,245)	13.340	(13,495)	9.093
At 31 December	132,847	12.855	173,312	12.283
Exercisable at 31 December	132,847	12.855	173,312	12.283
Weighted average share price underlying the options exercised (S$)		12.619		12.245

Details of the options outstanding and exercisable are as follows:

				2023	2022
Grant	**Grant date**	**Exercise period**	**Acquisition price (S$)**	**Number of share options**	**Number of share options**
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	-	15,000
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	13,659	17,432
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	5,295	5,295
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	-	15,447
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	113,893	120,138
				132,847	173,312

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

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

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

	2023		2022	
Bank	**Number of share options**	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	162,465	12.212	250,627	11.298
Exercised	(34,220)	9.868	(74,667)	9.707
Forfeited/Lapsed	(6,245)	11.287	(13,495)	9.093
At 31 December	122,000	12.812	162,465	12.212
Exercisable at 31 December	122,000	12.812	162,465	12.212
Weighted average share price underlying the options exercised (S$)		12.619		12.245

Details of the options outstanding and exercisable are as follows:

				2023	2022
Grant	**Grant date**	**Exercise period**	**Acquisition price (S$)**	**Number of share options**	**Number of share options**
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	-	15,000
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	13,659	17,432
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	5,295	5,295
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	-	15,447
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	103,046	109,291
				122,000	162,465

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

The OCBC Employee Share Purchase Plan ("ESP Plan") was implemented for all employees of the participating companies in OCBC Group, including executive Directors.

The ESP Plan is a saving-based share ownership plan to help employees own ordinary shares in OCBC Bank through their monthly contributions via deductions from payroll and/or from Central Provident Fund. The employees have the option to convert the contributions to ordinary shares after one year or to withdraw the contributions at any time. As a further incentive to employees to enrol in the ESP Plan, OCBC Bank pays interest on the amounts saved at a preferential interest rate. The duration of the offering period is 24 months.

In July 2023, OCBC Ltd launched its eighteenth offering of ESP Plan for its employees, which commenced on 1 September 2023 and will expire on 31 August 2025. Under the offering, OCBC Ltd granted the Group and the Bank employees 745,895 (2022: 816,376) and 738,829 (2022: 806,924) rights to acquire ordinary shares in OCBC Ltd. The fair value of the Group's and the Bank's employees' rights for OCBC Ltd shares, determined using the binomial valuation model, was S$555,916 (2022: S$737,188) and S$601,400 (2022: S$728,653) respectively. Significant inputs to the valuation model are set out below:

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

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

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

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

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

	2023		2022	
Group	**Number of share options**	**Weighted average acquisition price (S$)**	**Number of share options**	**Weighted average acquisition price (S$)**
At 1 January	1,448,713	11.848	1,767,763	10.106
Acquired	745,895	12.470	816,376	12.070
Forfeited/Lapsed	(238,912)	11.903	(206,424)	10.596
Exercised and converted upon expiry	(576,455)	11.602	(929,002)	9.007
At 31 December	1,379,241	12.278	1,448,713	11.848
Weighted average share price underlying acquisition rights exercised/converted (S$)		12.649		11.986
Bank				
At 1 January	1,433,316	11.848	1,746,790	10.106
Acquired	738,829	12.470	806,924	12.070
Forfeited/Lapsed	(235,157)	11.901	(202,298)	10.597
Exercised and converted upon expiry	(570,855)	11.603	(918,100)	9.007
At 31 December	1,366,133	12.278	1,433,316	11.848
Weighted average share price underlying acquisition rights exercised/converted (S$)		12.649		11.986

(c) ECL allowance for loan commitments and financial guarantees

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

	Non credit-impaired		*Credit-impaired*	
Group	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
2023				
At 1 January	40,145	177,094	44,919	262,158
Transferred to Stage 1	150,639	(150,639)	-	-
Transferred to Stage 2	(9,588)	9,588	-	-
Transferred to Stage 3	(18)	(15,131)	15,149	-
New financial assets originated or purchased	45,970	30,942	28,951	105,863
Financial assets derecognised	(10,736)	(43,300)	(12,745)	(66,781)
Net remeasurement during the year	(108,094)	98,907	(32,169)	(41,356)
Other movements	160	210	-	370
At 31 December	108,478	107,671	44,105	260,254

19 OTHER LIABILITIES (continued)

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

	Non credit-impaired		*Credit-impaired*	
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Group (continued)				
2022				
At 1 January	-	-	31,990	31,990
Reclassified from ECL allowance on Loans, Advances and Financing	41,323	207,290	-	248,613
Transferred to Stage 1	48,066	(48,066)	-	-
Transferred to Stage 2	(5,836)	5,836	-	-
Transferred to Stage 3	(28)	(5,056)	5,084	-
New financial assets originated or purchased	21,122	27,478	-	48,600
Financial assets derecognised	(7,995)	(40,406)	(2,034)	(50,435)
Net remeasurement during the year	(56,874)	29,758	9,879	(17,237)
Other movements	367	260	-	627
At 31 December	40,145	177,094	44,919	262,158
Bank				
2023				
At 1 January	36,888	136,052	17,177	190,117
Transferred to Stage 1	123,210	(123,210)	-	-
Transferred to Stage 2	(8,591)	8,591	-	-
Transferred to Stage 3	(18)	(13,969)	13,987	-
New financial assets originated or purchased	42,392	21,073	28,951	92,416
Financial assets derecognised	(9,511)	(28,299)	-	(37,810)
Net remeasurement during the year	(89,065)	89,557	(31,164)	(30,672)
Other movements	145	47	-	192
At 31 December	95,450	89,842	28,951	214,243
2022				
At 1 January	-	-	17,211	17,211
Reclassified from ECL allowance on Impaired Loans, Advances and Financing	38,150	176,117	-	214,267
Transferred to Stage 1	43,272	(43,272)	-	-
Transferred to Stage 2	(4,793)	4,793	-	-
Transferred to Stage 3	(28)	(3,030)	3,058	-
New financial assets originated or purchased	18,457	19,654	-	38,111
Financial assets derecognised	(6,853)	(37,362)	-	(44,215)
Net remeasurement during the year	(51,664)	19,100	(3,092)	(35,656)
Other movements	347	52	-	399
At 31 December	36,888	136,052	17,177	190,117

20 SUBORDINATED BONDS

Group and Bank	**Note**	**2023 RM'000**	**2022 RM'000**
RM550 million Redeemable Subordinated Bond 2020/2030	(a)	550,000	550,000
RM500 million Redeemable Subordinated Bond 2022/2032	(b)	500,000	500,000
		1,050,000	1,050,000

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

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

21 SHARE CAPITAL

	2023		**2022**	
Group and Bank	**Number of shares '000**	**Amount RM'000**	**Number of shares '000**	**Amount RM'000**
Issued and fully paid				
Ordinary shares				
At 1 January and 31 December	287,500	754,000	287,500	754,000

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

22 RESERVES

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

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

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

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

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

23 NET INTEREST/FINANCE INCOME

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest/Finance income				
Loans, advances and financing				
- Interest income other than recoveries	2,524,393	2,010,730	2,524,394	2,010,730
- Recoveries from credit-impaired loans, advances and financing	109,877	128,230	109,877	128,230
- Discount unwind from credit-impaired loans, advances and financing	27,271	29,214	27,271	29,214
Money at call and deposit placements with banks and other financial institutions	104,723	138,342	241,070	213,028
Financial investments at FVOCI	641,140	444,718	641,140	444,718
Profit income from unquoted Islamic subordinated Sukuk of subsidiary	-	-	-	3,761
Others	26,023	23,263	26,023	23,263
	3,433,427	2,774,497	3,569,775	2,852,944
Financial assets at FVTPL	63,794	39,309	63,794	39,309
	3,497,221	2,813,806	3,633,569	2,892,253
Interest/Finance expense				
Deposits from customers	(1,316,072)	(917,035)	(1,315,831)	(917,161)
Deposits and placements of banks and other financial institutions	(268,595)	(91,817)	(312,545)	(113,979)
Subordinated bonds	(40,500)	(44,293)	(40,500)	(44,293)
Lease liabilities	(606)	(419)	(607)	(420)
Others	(70,883)	(44,589)	(152,503)	(85,746)
	(1,696,656)	(1,098,153)	(1,821,986)	(1,161,599)
Net interest/Finance income	1,800,565	1,715,653	1,811,583	1,730,654

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a) By category of financial instruments				
Interest income				
- Financial assets at FVTPL	63,794	39,309	63,794	39,309
- Loans/Financing and receivables at amortised cost	2,792,287	2,329,779	2,928,635	2,408,226
- Financial investments at FVOCI	641,140	444,718	641,140	444,718
	3,497,221	2,813,806	3,633,569	2,892,253
Interest expense				
- Liabilities at amortised cost	(1,696,656)	(1,098,153)	(1,821,986)	(1,161,599)
	1,800,565	1,715,653	1,811,583	1,730,654

24 INCOME FROM ISLAMIC BANKING OPERATIONS

Group	2023 RM'000	2022 RM'000
Income derived from investment of depositors' funds and others	557,108	499,735
Income derived from investment of specific investment account funds	179,387	89,046
Income derived from investment of shareholder's funds	166,706	141,848
Income attributable to depositors	(239,692)	(181,063)
Income attributable to investment account holder	(125,571)	(63,319)
	537,938	486,247

25 NET FEE AND COMMISSION INCOME

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Commission	185,886	206,031	181,510	201,011
Service charges and fees	147,641	153,648	147,641	153,648
Guarantee fees	6	213	6	213
Other fee income	8,068	6,787	8,068	6,787
	341,601	366,679	337,225	361,659

Included in the Group's and the Bank's commission income are net fee income on loans, advances and financing from holding company and related companies amounting to RM103 million (2022: RM112 million).

26 NET TRADING INCOME

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Foreign exchange loss	(483,492)	(150,405)	(483,491)	(150,405)
Foreign exchange loss on subordinated bonds	-	(9,541)	-	(9,541)
Realised gain/(loss) on financial assets at FVTPL	28,151	(31,455)	28,151	(31,455)
Realised gain on trading derivatives	526,758	695,122	526,758	695,122
Unrealised gain on financial assets at FVTPL	1,605	9,264	1,605	9,264
Unrealised gain/(loss) on trading derivatives	332,319	(200,451)	332,319	(200,451)
	405,341	312,534	405,342	312,534

27 OTHER OPERATING INCOME/(EXPENSES)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Gain/(loss) on disposal:				
- Financial investments at FVOCI	17,564	(120,796)	17,564	(120,796)
- Property and equipment	(8)	-	(8)	-
Gross dividends from financial investments at FVOCI, in Malaysia	599	599	599	599
Rental of premises	3,953	4,127	4,009	4,181
Rental of safe deposit boxes	6,933	6,290	6,933	6,290
Shared services fee income received from subsidiaries (Note 36)	-	-	134,219	110,539
Shared services fee income received from holding company and related companies (Note 36)	24,140	18,069	24,140	18,069
Net unrealised loss on hedging derivatives	(599)	(250)	(599)	(250)
Others	(5,869)	(401)	(6,351)	(415)
	46,713	(92,362)	180,506	18,217

28 OPERATING EXPENSES

		Group		Bank	
		2023	2022	2023	2022
Personnel expenses	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonus		585,870	493,881	565,326	474,801
Employees Provident Fund contributions		89,541	77,318	86,398	74,281
Share-based costs		15,067	16,817	14,673	16,700
Others		67,717	58,500	64,499	55,755
		758,195	646,516	730,896	621,537
Establishment expenses					
Depreciation of property and equipment		20,370	22,362	19,303	20,932
Depreciation of ROU assets		13,014	12,524	11,515	11,043
Rental of premises	(a)	277	1	277	-
Repair and maintenance		12,770	12,590	12,213	11,974
Information technology costs		42,148	39,899	41,550	39,260
Hire of equipment	(a)	915	947	845	867
Others		17,637	18,013	15,742	15,972
		107,131	106,336	101,445	100,048
Marketing expenses					
Advertisement and business promotion		19,685	15,459	19,129	15,057
Transport and travelling		5,069	2,803	4,951	2,697
Others		3,259	2,164	3,192	2,147
		28,013	20,426	27,272	19,901
General administrative expenses					
Auditors' remuneration					
- Statutory audit fees		889	799	697	625
- Audit related fees		544	174	417	122
- Non-audit related		335	540	278	489
IT and transaction processing fees (Note 36)		420,119	349,908	398,159	329,000
Others		150,397	140,774	139,107	132,639
		572,284	492,195	538,658	462,875
Total operating expenses		1,465,623	1,265,473	1,398,271	1,204,361

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

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

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION

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

	Unrestricted				*Deferred*	**2023**	*Unrestricted*				*Deferred*	**2022**
Group	**Salaries and fees* RM'000**	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and options^ RM'000**	**Total RM'000**	**Salaries and fees* RM'000**	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options^ RM'000**	**Total RM'000**
CEO of the Bank												
Christopher Tan Chor Sen	2,000	2,560	201	31	1,697	6,489	-	-	-	-	-	-
Dato' Ong Eng Bin	-	-	-	-	-	-	1,628	900	77	405	600	3,610
CEO of OCBC Al-Amin												
Syed Abdull Aziz Jailani bin Syed Kechik	977	456	15	229	304	1,981	949	450	10	224	300	1,933
Non-executive Directors												
Tan Ngiap Joo	800	-	-	-	-	800	542	-	-	-	-	542
Ayesha Natchiar Binti Ally Maricar (Appointed on 3 July 2023)	196	-	-	-	-	196	-	-	-	-	-	-
George Lee Lap Wah	274	-	-	-	-	274	191	-	-	-	-	191
Janet Yap Seong Yong	208	-	-	-	-	208	163	-	-	-	-	163
Tong Hon Keong (Retired on 20 July 2023)	141	-	-	-	-	141	178	-	-	-	-	178
Datuk Azizan bin Haji Abd Rahman (Resigned on 31 March 2022)	-	-	-	-	-	-	61	-	-	-	-	61
Ismail bin Alowi	232	-	-	-	-	232	167	-	-	-	-	167
Andrew Lee Kok Keng (Resigned on 29 February 2024)	267	-	-	-	-	267	191	-	-	-	-	191
Mevin Nevis a/l AF Nevis (Appointed on 1 November 2022)	214	-	-	-	-	214	23	-	-	-	-	23
Ng Hon Soon (Retired on 15 July 2023)	142	-	-	-	-	142	188	-	-	-	-	188
	5,451	3,016	216	260	2,001	10,944	4,281	1,350	87	629	900	7,247

* Excluding Sales Tax and Services Tax.

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

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

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

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

	Unrestricted				*Deferred*	**2023**	*Unrestricted*				*Deferred*	**2022**
	Salaries and fees* RM'000	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and options^ RM'000**	**Total RM'000**	**Salaries and fees* RM'000**	**Variable bonuses RM'000**	**Benefits-in-kind RM'000**	**Employees Provident Fund RM'000**	**Shares and share options^ RM'000**	**Total RM'000**
Bank												
CEO												
Christopher Tan Chor Sen	2,000	2,560	201	31	1,697	6,489	-	-	-	-	-	-
Dato' Ong Eng Bin	-	-	-	-	-	-	1,628	900	77	405	600	3,610
Non-executive Directors												
Tan Ngiap Joo	525	-	-	-	-	525	381	-	-	-	-	381
Ayesha Natchiar Binti Ally Maricar (Appointed on 3 July 2023)	116	-	-	-	-	116	-	-	-	-	-	-
George Lee Lap Wah	274	-	-	-	-	274	191	-	-	-	-	191
Janet Yap Seong Yong	208	-	-	-	-	208	163	-	-	-	-	163
Tong Hon Keong (Retired on 20 July 2023)	141	-	-	-	-	141	178	-	-	-	-	178
Datuk Azizan bin Haji Abd Rahman (Resigned on 31 March 2022)	-	-	-	-	-	-	41	-	-	-	-	41
	3,264	2,560	201	31	1,697	7,753	2,582	900	77	405	600	4,564

* Excluding Sales Tax and Services Tax.

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

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

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

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

	2023				2022			
Group	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**	**RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**
Senior Management								
Fixed remuneration								
Cash-based								
Others	17,845	-	17,845		19,551	-	19,551	
Others	504	-	504		668	-	668	
	18,349	-	18,349		20,219	-	20,219	
Variable remuneration								
Cash-based	10,452	-	10,452	26	9,078	-	9,078	27
Shares and share options	-	5,472	5,472	17	-	4,440	4,440	17
	10,452	5,472	15,924		9,078	4,440	13,518	
Other material risk takers								
Fixed remuneration								
Cash-based								
Sign-on awards	210	-	210	2	155	-	155	1
Others	24,306	-	24,306		24,593	-	24,593	
Others	363	-	363		583	-	583	
	24,879	-	24,879		25,331	-	25,331	
Variable remuneration								
Cash-based	8,653	-	8,653	46	8,083	-	8,083	48
Shares and share options	-	2,822	2,822	21	-	2,525	2,525	22
	8,653	2,822	11,475		8,083	2,525	10,608	

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

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

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

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

	2023				2022			
Bank	**Unrestricted RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**	**RM'000**	**Deferred RM'000**	**Total RM'000**	**Number of officers**
Senior Management								
Fixed remuneration								
Cash-based								
Others	15,185	-	15,185		17,205	-	17,205	
Others	476	-	476		633	-	633	
	15,661	-	15,661		17,838	-	17,838	
Variable remuneration								
Cash-based	9,314	-	9,314	20	8,265	-	8,265	23
Shares and share options	-	5,168	5,168	16	-	4,140	4,140	16
	9,314	5,168	14,482		8,265	4,140	12,405	
Other material risk takers								
Fixed remuneration								
Cash-based								
Sign-on awards	210	-	210	2	155	-	155	1
Others	24,306	-	24,306		24,593	-	24,593	
Others	363	-	363		583	-	583	
	24,879	-	24,879		25,331	-	25,331	
Variable remuneration								
Cash-based	8,653	-	8,653	46	8,083	-	8,083	48
Shares and share options	-	2,822	2,822	21	-	2,525	2,525	22
	8,653	2,822	11,475		8,083	2,525	10,608	

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

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

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

(c) Outstanding deferred remuneration

	2023			2022		
Group	**Senior management RM'000**	**Other material risk takers RM'000**	**Total RM'000**	**Senior management RM'000**	**Other material risk takers RM'000**	**Total RM'000**
Share and share options						
Exposed to ex-post explicit and implicit adjustments	18,986	8,763	27,749	10,354	5,794	16,148
Deferred remuneration paid out during the year	3,835	2,793	6,628	4,945	2,315	7,260
Reduction during the year due to:						
(i) Ex-post explicit adjustments (such as malus, clawbacks or similar reversals of downward revaluations of awards)	-	-	-	-	-	-
(ii) Ex-post implicit adjustments (such as fluctuations in the value of shares or performance units)	-	-	-	-	-	-
Bank						
Share and share options						
Exposed to ex-post explicit and implicit adjustments	17,717	8,763	26,480	9,627	5,794	15,421
Deferred remuneration paid out during the year	3,465	2,793	6,258	4,584	2,315	6,899
Reduction during the year due to:						
(i) Ex-post explicit adjustments (such as malus, clawbacks or similar reversals of downward revaluations of awards)	-	-	-	-	-	-
(ii) Ex-post implicit adjustments (such as fluctuations in the value of shares or performance units)	-	-	-	-	-	-

30 IMPAIRMENT ALLOWANCES AND PROVISIONS CHARGE/(WRITE-BACK)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Loans, advances, financing and commitments				
Stage 1 and 2 ECL net charge/(write-back) during the year	55,839	(721,935)	82,225	(635,515)
Stage 3 ECL				
- Made during the year	481,496	657,844	367,062	469,148
- Write-back during the year	(301,633)	(185,502)	(222,895)	(144,610)
- Recovered during the year	(71,545)	(79,040)	(53,028)	(53,621)
Investment account placements				
Stage 1 and 2 ECL net (write-back)/charge during the year	-	-	(1,366)	12,033
Stage 3 ECL net write-back during the year	-	-	(10,210)	(7,763)
Financial investments at FVOCI				
Stage 1 and 2 ECL net charge during the year	873	225	865	132
Other financial assets				
Stage 1 and 2 ECL net (write-back)/charge during the year	(32)	80	(25)	70
Stage 3 ECL net charge/(write-back) during the year	11	(945)	11	(945)
	165,009	(329,273)	162,639	(361,071)

31 INCOME TAX EXPENSE

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysian income tax				
- Current year	400,464	523,624	322,990	444,478
- Prior years	(3,595)	(2,370)	1,216	6,491
	396,869	521,254	324,206	450,969
Deferred tax (Note 16)				
- Origination and reversal of temporary differences	(34,764)	84,319	(35,994)	76,262
- Prior years	22,115	(6,124)	18,900	(6,139)
	(12,649)	78,195	(17,094)	70,123
	384,220	599,449	307,112	521,092

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

	Note	Group		Bank	
		2023 %	2022 %	2023 %	2022 %
Malaysian prevailing corporate tax rate		24.00	32.01	24.00	32.43
Tax effect of:					
Expenses not deductible for tax purposes		0.37	0.47	0.47	0.52
Income not subject to tax		(0.01)	(0.03)	(0.01)	(0.01)
Effect of changes in tax rate	(a)	-	0.37	-	0.03
(Over)/Under provision in prior years:					
- Income tax		(0.24)	(0.13)	0.10	0.41
- Deferred tax		1.46	(0.33)	1.61	(0.39)
Average effective tax rate	(b)	25.58	32.36	26.17	32.99

31 INCOME TAX EXPENSE (continued)

(a) Deferred tax asset was recognised on temporary differences expected to be reversed in 2022 at the prevailing Cukai Makmur (Prosperity Tax) rate applicable in that year. Income tax rate for Year of Assessment ("YA") 2023 is 24% (2022: 24% on first RM100 million, 33% thereafter).

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

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

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

32 BASIC EARNINGS PER ORDINARY SHARE

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

	Group		Bank	
	2023	2022	2023	2022
Profit attributable to ordinary equity holder of the Group (RM'000)	1,117,256	1,253,052	866,634	1,058,682
Weighted average number of ordinary shares in issue ('000)	287,500	287,500	287,500	287,500
Basic earnings per share (sen)	388.6	435.8	301.4	368.2

33 DIVIDENDS

	Sen per share	Total amount RM'000	Date of payment
2023			
Final 2022 ordinary	151.00	434,125	25/05/2023
Interim 2023 ordinary	163.00	468,625	24/10/2023
2022			
Final 2021 ordinary	151.00	434,125	28/04/2022
Interim 2022 ordinary	138.00	396,750	28/11/2022

The Directors recommend a final dividend of 91 sen per ordinary share in respect of the current financial year amounting to RM261,625,000 This dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the subsequent financial period upon approval by the shareholder of the Bank.

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

34 COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

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

Group	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**
2023			
Direct credit substitutes	20,973	20,973	3,388
Transaction-related contingent items	3,526,968	1,801,535	876,698
Short-term self-liquidating trade-related contingencies	214,020	46,461	24,016
Lending of securities or the posting of securities as collateral, including instances where these arise out of repo-style transactions	93,038	93,038	28
Foreign exchange related contracts			
- One year or less	30,402,524	251,800	126,014
- Over one year to five years	4,566,068	778,695	122,667
- Over five years	20,585	2,835	3,620
Interest rate related contracts			
- One year or less	15,634,700	1,319	86
- Over one year to five years	31,088,450	420,932	63,323
- Over five years	1,752,940	66,796	43,414
Equity and commodity related contracts	2,418,524	24,223	13,497
Credit derivative contracts	1,703,018	-	-
Formal standby facilities and credit lines			
- Maturity not exceeding one year	665,635	499,226	208,379
- Original maturity exceeding one year	7,011,891	5,618,963	4,113,604
Other unconditionally cancellable commitments	25,308,171	2,146,639	265,244
Total	124,427,505	11,773,435	5,863,978
2022			
Direct credit substitutes	109,820	109,820	134,220
Transaction-related contingent items	3,631,151	1,856,232	1,007,593
Short-term self-liquidating trade-related contingencies	351,092	78,308	44,161
Foreign exchange related contracts			
- One year or less	35,921,175	221,776	103,450
- Over one year to five years	4,430,978	834,168	391,185
- Over five years	21,683	3,693	3,750
Interest rate related contracts			
- One year or less	9,247,422	366	179
- Over one year to five years	28,333,779	452,047	65,132
- Over five years	3,213,807	71,704	42,768
Equity and commodity related contracts	1,476,822	126,759	31,031
Credit derivative contracts	1,728,997	70	5
Formal standby facilities and credit lines			
- Maturity not exceeding one year	762,522	571,892	522,078
- Original maturity exceeding one year	4,226,697	3,578,914	2,121,821
Other unconditionally cancellable commitments	24,010,820	2,208,317	375,084
Total	117,466,765	10,114,066	4,842,457

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

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

34 COMMITMENTS AND CONTINGENCIES (continued)

Bank	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**
2023			
Direct credit substitutes	18,257	18,257	2,686
Transaction-related contingent items	3,139,895	1,604,831	756,906
Short-term self-liquidating trade-related contingencies	179,951	39,647	20,705
Lending of securities or the posting of securities as collateral, including instances where these arise out of repo-style transactions	93,038	93,038	28
Foreign exchange related contracts			
- One year or less	30,714,831	252,552	125,423
- Over one year to five years	4,557,070	778,695	104,980
- Over five years	20,585	2,835	3,620
Interest rate related contracts			
- One year or less	15,634,700	1,319	86
- Over one year to five years	31,088,450	420,932	63,323
- Over five years	1,752,940	66,796	43,414
Equity and commodity related contracts	2,418,524	24,223	13,497
Credit derivative contracts	1,703,018	-	-
Formal standby facilities and credit lines			
- Maturity not exceeding one year	637,635	478,226	188,623
- Original maturity exceeding one year	6,165,123	4,966,246	3,632,149
Other unconditionally cancellable commitments	22,172,943	1,960,596	241,590
Total	120,296,960	10,708,192	5,197,030
2022			
Direct credit substitutes	63,776	63,776	62,804
Transaction-related contingent items	3,127,846	1,601,421	849,283
Short-term self-liquidating trade-related contingencies	281,148	63,504	33,704
Foreign exchange related contracts			
- One year or less	35,986,195	221,148	102,828
- Over one year to five years	4,431,799	834,168	363,147
- Over five years	21,683	3,693	3,750
Interest rate related contracts			
- One year or less	9,247,422	366	179
- Over one year to five years	28,333,779	452,047	65,132
- Over five years	3,213,807	71,704	43,673
Equity and commodity related contracts	1,476,822	126,759	31,031
Credit derivative contracts	1,728,997	70	5
Formal standby facilities and credit lines			
- Maturity not exceeding one year	752,522	564,392	521,368
- Original maturity exceeding one year	3,687,080	3,154,870	1,779,245
Other unconditionally cancellable commitments	21,372,650	2,040,962	346,943
Total	113,725,526	9,198,880	4,203,092

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

34 COMMITMENTS AND CONTINGENCIES (continued)

(b) Litigation

On 25 January 2019, a Borrower of the Bank, with outstanding credit facilities comprising loans of RM6.7 million and banker's acceptances of RM11.6 million including accrued interest at the time, filed a suit against the Bank alleging, inter alia, that the Bank had breached its contract and its duty of care towards the Borrower. On 22 January 2021, the High Court awarded the Borrower with RM289 million as damages together with statutory interest as well as aggravated and exemplary damages which amounts were to be assessed. On 30 January 2023, the Court of Appeal ("CA") set aside the High Court decision dated 22 January 2021 and dismissed the Borrower's suit with a cost of RM80,000 in favour of the Bank. On 27 June 2023, the CA dismissed the Borrower's application to set aside the CA decision and on 3 July 2023, the Federal Court ("FC") dismissed the Borrower's application to appeal against the CA decision and awarded cost of RM30,000 (subject to allocator) to the Bank. The Borrower then filed an application to review the FC's decision to not grant leave for the Borrower to appeal against the CA decision ("Review Motion") and an application for leave to appeal to the FC against the CA's dismissal decision ("Leave Motion"). On 12 December 2023, the hearing date for the Leave Motion, the Borrower filed a Notice of Discontinuance. The FC ordered the Leave Motion to be struck out with costs of RM5,000 (subject to allocator) to the Bank. The hearing for the Review Motion has been vacated to 11 July 2024 and is fixed for further case management on 27 June 2024.

35 CAPITAL COMMITMENTS

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Capital expenditure commitments in respect of property and equipment contracted but not provided for	12,892	3,873	12,855	3,835

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

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

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Aggregate value of outstanding credit exposure with connected parties^:				
Credit facility and leasing (except guarantee)	1,051,441	907,815	667,360	715,390
Commitments and contingencies*	835,199	461,428	845,549	296,318
	1,886,640	1,369,243	1,512,909	1,011,708
Credit-impaired or in default	-	-	-	-
Outstanding credit exposures to connected parties				
As a proportion of total credit exposures	2.26%	1.76%	2.28%	1.59%

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

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

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

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties

	2023			2022		
<u>Group</u>	Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Income						
Interest on deposits and placements with banks and other financial institutions	1,479	537	-	316	-	-
Interest on loans, advances and financing	-	7,826	38	-	3,553	5
Shared services fee income	3,877	20,263	-	3,648	14,421	-
Fee and commission income	51,930	51,148	-	58,201	53,510	-
Rental income	-	3,753	-	-	3,912	-
Other income	-	163	-	-	482	-
	57,286	83,690	38	62,165	75,878	5
Expenditure						
Interest on deposits from customers	41,256	29,763	232	22,070	20,594	90
Interest on deposits and placements of banks and other financial institutions	297,560	-	-	105,542	-	-
Interest/Profit on subordinated bonds	40,500	-	-	44,293	-	-
Commission expense	2,263	174	-	-	-	-
IT and transaction processing fees	-	420,119	-	-	349,908	-
Other expenses	18,078	17,675	-	23,755	17,082	-
	399,657	467,731	232	195,660	387,584	90

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

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2023				2022			
Group (continued)	**Malaysia RM'000**	**Singapore RM'000**	**Others RM'000**	**Total RM'000**	**Malaysia RM'000**	**Singapore RM'000**	**Others RM'000**	**Total RM'000**
Intercompany charges paid/payable to related parties								
IT and transaction processing fees	258,837	160,805	477	420,119	228,939	120,542	427	349,908
Other expenses	17,176	18,577	-	35,753	14,900	25,937	-	40,837
	276,013	179,382	477	455,872	243,839	146,479	427	390,745

	2023			2022		
	Holding Company RM'000	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Amount due from						
Cash and cash equivalents	228,626	2,008	-	134,262	6,935	-
Deposits and placements with banks and other financial institutions	-	1,167	-	-	363	-
Interest receivables	58	225	-	1	202	-
Loans, advances and financing	-	141,000	897	-	235,000	143
Derivative financial assets	79,389	42,066	-	150,265	52,892	-
Other assets	3,245	10,736	-	1,066	9,500	-
Shared service fee receivable	109	1,130	-	1,110	406	-
	311,427	198,332	897	286,704	305,298	143

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

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2023			2022		
Group (continued)	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Amount due to						
Deposits from customers	1,378,970	1,454,209	7,441	4,444,278	1,725,991	5,136
Deposits and placements of banks and other financial institutions	3,640,636	-	-	4,640,091	-	-
Other liabilities	33,901	2,103	-	15,875	1,983	-
Interest payables	53,084	1,267	-	77,993	576	-
Derivative financial liabilities	16,807	7,912	-	43,227	87,488	-
Subordinated bonds	1,050,000	-	-	1,050,000	-	-
	6,173,398	1,465,491	7,441	10,271,464	1,816,038	5,136
Commitments						
Foreign exchange derivatives	3,434,289	9,844	-	2,967,582	406	-
Interest rate derivatives	3,022,020	1,671	-	4,323,856	250,000	-
Transaction related contingent items	31,545	25,345	-	36,275	24,202	-
	6,487,854	36,860	-	7,327,713	274,608	-

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

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2023				2022			
Bank	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Income								
Interest on investment account placements	-	125,570	-	-	-	11,366	-	-
Interest on deposits and placements with banks and other financial institutions	1,479	10,777	537	-	316	63,320	-	-
Interest on loans, advances and financing	-	-	7,826	38	-	-	3,553	5
Profit on unquoted Islamic Subordinated Sukuk	-	-	-	-	-	3,761	-	-
Shared services fee income	3,877	134,219	20,263	-	3,648	110,539	14,421	-
Fee and commission income	38,591	-	48,674	-	44,297	-	51,339	-
Rental income	-	54	3,753	-	-	51	3,912	-
Other income	-	2	163	-	-	3	482	-
	43,947	270,622	81,216	38	48,261	189,040	73,707	5

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

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2023				2022			
Bank (continued)	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Expenditure								
Interest on deposits from customers	41,256	241	23,881	230	22,070	126	16,433	83
Interest on deposits and placements of banks and other financial institutions	297,560	-	-	-	105,542	-	-	-
Interest/Profit on subordinated bonds	40,500	-	-	-	44,293	-	-	-
Fee and commission expense	2,263	2,058	174	-	-	4,147	-	-
Shared service fees	-	4,717	-	-	-	4,606	-	-
IT and transaction processing fees	-	-	398,159	-	-	-	329,000	-
Other expenses	17,511	-	16,957	-	23,742	-	16,447	-
	399,090	7,016	439,171	230	195,647	8,879	361,880	83

	2023				2022			
	Malaysia RM'000	**Singapore RM'000**	**Others RM'000**	**Total RM'000**	**Malaysia RM'000**	**Singapore RM'000**	**Others RM'000**	**Total RM'000**
Intercompany charges paid/payable to related parties								
Shared service fees	4,717	-	-	4,717	4,606	-	-	4,606
IT and transaction processing fees	240,523	157,159	477	398,159	210,387	118,186	427	329,000
Other expenses	16,458	18,010	-	34,468	14,265	25,924	-	40,189
	261,698	175,169	477	437,344	229,258	144,110	427	373,795

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

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2023				2022			
Bank (continued)	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**	**Holding Company RM'000**	**Subsidiary Companies RM'000**	**Other Related Companies RM'000**	**Key Management Personnel RM'000**
Amount due from								
Cash and cash equivalents	207,519	21,682	2,008	-	97,887	292,718	6,935	-
Deposits and placements with banks and other financial institutions	-	410,880	-	-	-	244,003	-	-
Investment account placements	-	5,109,520	-	-	-	3,109,650	-	-
Interest receivables	58	10,783	225	-	1	6,239	202	-
Loans, advances and financing	-	-	141,000	897	-	-	235,000	143
Derivative financial assets	79,389	6,498	42,066	-	150,265	5,282	52,892	-
Other assets	3,065	163,005	10,736	-	520	66,423	9,500	-
Shared services fee receivable	109	13,472	1,130	-	1,110	9,778	406	-
	290,140	5,735,840	197,165	897	249,783	3,734,093	304,935	143
Amount due to								
Deposits from customers	1,378,970	9,725	1,035,988	7,366	4,444,278	9,310	1,357,537	4,954
Deposits and placements of banks and other financial institutions	3,640,636	-	-	-	4,640,091	-	-	-
Other liabilities	33,300	8,599	2,103	-	15,834	2,113	1,983	-
Interest payables	53,084	22	803	-	77,993	46	473	-
Derivative financial liabilities	16,807	8,759	7,912	-	43,227	983	87,488	-
Subordinated bonds	1,050,000	-	-	-	1,050,000	-	-	-
	6,172,797	27,105	1,046,806	7,366	10,271,423	12,452	1,447,481	4,954
Commitments								
Foreign exchange derivatives	3,434,289	898,343	8,759	-	2,967,582	419,204	406	-
Interest rate derivatives	3,022,020	-	1,671	-	4,323,856	29,120	250,000	-
Transaction related contingent items	31,545	-	25,345	-	36,275	-	24,202	-
	6,487,854	898,343	35,775	-	7,327,713	448,324	274,608	-

37 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

				Related amount not offset in the statements of financial position		
Types of financial assets/liabilities	**Carrying amount in the statement of financial position RM'000**	**Financial instruments not in scope for offsetting disclosures RM'000**	**Gross recognised financial instruments in scope RM'000**	**Financial instruments RM'000**	**Cash collateral received/ pledged RM'000**	**Net amount in scope RM'000**
<u>Group</u>						
2023						
Derivative financial assets	1,030,620	(199,613)	831,007	(244,168)	(376,046)	210,793
Derivative financial liabilities	894,368	(152,660)	741,708	(244,168)	(352,094)	145,446
2022						
Derivative financial assets	1,307,652	(171,994)	1,135,658	(405,854)	(430,632)	299,172
Derivative financial liabilities	1,447,264	(95,812)	1,351,452	(405,854)	(366,612)	578,986
<u>Bank</u>						
2023						
Derivative financial assets	1,031,011	(193,671)	837,340	(244,168)	(376,046)	217,126
Derivative financial liabilities	895,137	(144,722)	750,415	(244,168)	(352,094)	154,153
2022						
Derivative financial assets	1,307,663	(166,919)	1,140,744	(405,854)	(430,632)	304,258
Derivative financial liabilities	1,447,629	(95,194)	1,352,435	(405,854)	(366,612)	579,969

38 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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.

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

(A) Financial assets and financial liabilities

(a) Short-term financial instruments

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

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

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

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

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

(d) Loans, advances and financing

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

(e) Derivative financial assets and liabilities

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

(f) Deposits from customers

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

(g) Bills and acceptances payable

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

(h) Subordinated bonds/Sukuk

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

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(A) Financial assets and financial liabilities (continued)

(i) Recourse obligation on loans sold to Cagamas Berhad

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

Off-balance sheet financial instruments

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

(B) Fair value hierarchy of financial instruments

The Group and the Bank determine the fair values of financial assets and liabilities using various measurement. The different levels of fair value measurements are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data). The valuation techniques that use market parameters as inputs include, but are not limited to, yield curves, volatilities and foreign exchange rates; and

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Financial assets at fair value				
Financial assets at FVTPL	1,879,059	-	-	1,879,059
Financial investments at FVOCI	18,614,442	3,628,272	112,617	22,355,331
Derivative financial assets	1,974	933,630	95,016	1,030,620
	20,495,475	4,561,902	207,633	25,265,010
Financial liabilities at fair value				
Derivative financial liabilities	1,277	797,454	95,637	894,368
2022				
Financial assets at fair value				
Financial assets at FVTPL	566,098	-	-	566,098
Financial investments at FVOCI	15,796,470	6,995,336	109,540	22,901,346
Derivative financial assets	1,201	1,272,986	33,465	1,307,652
	16,363,769	8,268,322	143,005	24,775,096
Financial liabilities at fair value				
Derivative financial liabilities	968	1,416,216	30,080	1,447,264

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

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

Bank	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2023				
Financial assets at fair value				
Financial assets at FVTPL	1,874,038	-	-	1,874,038
Financial investments at FVOCI	15,382,216	3,429,091	112,617	18,923,924
Derivative financial assets	2,098	933,900	95,013	1,031,011
	17,258,352	4,362,991	207,630	21,828,973
Financial liabilities at fair value				
Derivative financial liabilities	1,328	798,172	95,637	895,137
2022				
Financial assets at fair value				
Financial assets at FVTPL	561,059	-	-	561,059
Financial investments at FVOCI	12,996,025	6,596,563	109,540	19,702,128
Derivative financial assets	1,352	1,272,893	33,418	1,307,663
	13,558,436	7,869,456	142,958	21,570,850
Financial liabilities at fair value				
Derivative financial liabilities	968	1,416,581	30,080	1,447,629

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

	Group		**Bank**	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Financial assets at fair value				
At 1 January	143,005	119,726	142,958	119,690
Purchased	-	43	-	43
Settled/Disposed	-	(350)	-	(350)
Transferred to Level 3	-	120,796	-	120,796
Realised loss				
- Recognised in net trading income	(29,961)	(115,297)	(29,961)	(115,297)
Unrealised gain/(loss)				
- Recognised in net trading income	91,511	24,233	91,555	24,233
- Recognised in other comprehensive income	3,078	(6,146)	3,078	(6,157)
At 31 December	207,633	143,005	207,630	142,958
Financial liabilities at fair value				
At 1 January	30,080	6,124	30,080	6,123
Issued	-	43	-	43
Transferred to Level 3	-	120,796	-	120,796
Realised gain				
- Recognised in net trading income	(26,623)	(117,634)	(26,623)	(117,634)
Unrealised loss				
- Recognised in net trading income	92,180	20,751	92,180	20,752
At 31 December	95,637	30,080	95,637	30,080

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

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

Policy on transfer between levels

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

Level 3 fair value

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

Group	2023 Fair value RM'000	2022 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Financial investments at FVOCI	112,617	109,540	FVOCI	Net asset value approach	Net asset value
Derivative financial assets	95,016	33,465	Hedge for trading	Option pricing model	Standard deviation
	207,633	143,005			
Liabilities					
Derivative financial liabilities	95,637	30,080	Hedge for trading	Option pricing model	Standard deviation

Bank	2023 Fair value RM'000	2022 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Financial investments at FVOCI	112,617	109,540	FVOCI	Net asset value approach	Net asset value
Derivative financial assets	95,013	33,418	Hedge for trading	Option pricing model	Standard deviation
	207,630	142,958			
Liabilities					
Derivative financial liabilities	95,637	30,080	Hedge for trading	Option pricing model	Standard deviation

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

Valuation control framework

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

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

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

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

Valuation control framework (continued)

The Treasury Financial Control & Advisory - Valuation Control function within the Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps. Valuation related policies are reviewed annually. Any material change to the framework is recommended by the Asset and Liability Management Committee ("ALCO") for approval by the Risk Management Committee. Internal Audit provide independent assurance on the respective divisions' compliance with the policies.

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

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

<u>Group</u>	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2023				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	352,077	-	352,077	352,077
Loans, advances and financing	-	66,754,810	66,754,810	66,811,358
	352,077	66,754,810	67,106,887	67,163,435
Financial liabilities not carried at fair value				
Deposits from customers	75,512,086	-	75,512,086	75,501,096
Deposits and placements of banks and other financial institutions	4,598,560	-	4,598,560	4,713,152
Subordinated bonds	1,073,500	-	1,073,500	1,050,000
	81,184,146	-	81,184,146	81,264,248
2022				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	1,863,600	-	1,863,600	1,863,600
Loans, advances and financing	-	64,215,702	64,215,702	64,298,998
	1,863,600	64,215,702	66,079,302	66,162,598
Financial liabilities not carried at fair value				
Deposits from customers	77,717,929	-	77,717,929	77,717,263
Deposits and placements of banks and other financial institutions	5,571,916	-	5,571,916	5,720,234
Subordinated bonds	1,073,760	-	1,073,760	1,050,000
	84,363,605	-	84,363,605	84,487,497

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

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

Bank	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2023				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	762,957	-	762,957	762,957
Investment account placements	5,095,182	-	5,095,182	5,095,182
Loans, advances and financing	-	51,984,312	51,984,312	52,044,617
	5,858,139	51,984,312	57,842,451	57,902,756
Financial liabilities not carried at fair value				
Deposits from customers	64,079,185	-	64,079,185	64,078,587
Deposits and placements of banks and other financial institutions	4,571,943	-	4,571,943	4,686,535
Subordinated bonds	1,073,500	-	1,073,500	1,050,000
	69,724,628	-	69,724,628	69,815,122
2022				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	2,107,603	-	2,107,603	2,107,603
Investment account placements	3,093,946	-	3,093,946	3,093,946
Loans, advances and financing	-	51,470,395	51,470,395	51,563,714
	5,201,549	51,470,395	56,671,944	56,765,263
Financial liabilities not carried at fair value				
Deposits from customers	65,749,215	-	65,749,215	65,747,671
Deposits and placements of banks and other financial institutions	5,528,551	-	5,528,551	5,676,869
Subordinated bonds	1,073,760	-	1,073,760	1,050,000
	72,351,526	-	72,351,526	72,474,540

39 HEDGING ACTIVITIES

Fair value hedge

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

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

Group and Bank	2023 RM'000	2022 RM'000
(Losses)/Gains on hedging instruments	(9,828)	16,124
Gains/(Losses) on the hedged items attributable to the hedged risk	9,229	(16,374)
	(599)	(250)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Bank's risk management framework encompasses strong governance, sound policies and methodologies, and professionals, supported by fit-for-purpose technology, infrastructure and data. It is underpinned by a corporate culture that emphasises accountability, ownership and high ethical standards. We engage in businesses that are consistent with our corporate strategy and risk appetite, are well understood, and are appropriately priced to provide us with an adequate return.

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

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

(ii) Market risk is the risk of losing income and/or market value due to fluctuations in factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatility or correlations between such factors. It also includes interest rate/rate of return risk in the banking book which is the risk to income and/or capital arising from exposure to adverse changes in the interest rate/profit rate environment.

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

(iv) Information security risk is the risk of compromising 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 disruption, failure or irregularity in essential financial services arising from the use of information and communication technologies.

(v) Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, poor management, human error or external events. This is a broad risk category that encompasses pandemic risk, fraud risk, money laundering, terrorism financing and sanctions risk, third-party risk, physical and people security risk, conduct risk, business continuity risk, unauthorised trading risk, regulatory risk, legal risk, fiduciary risk and reputational risk.

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

Risk Governance and Organisation

The Board of Directors has ultimate responsibility for the effective management of risk. It establishes the corporate strategy and approves the risk appetite within which senior management should execute the strategy. The Group's and the Bank's Risk Management Committee ("RMC") is the designated board committee overseeing risk management matters. It ensures that the Bank's overall risk management philosophy are aligned with the corporate strategy and within the approved risk appetite. The 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 RMC. It also ensures that the necessary overall risk management organisation is in place and effective. Based on the approved risk appetite, RMC provides quantitative and qualitative guidance to major business units and risk functions to guide risk-taking. The senior management, functional risk committees covering principal risk types, Country CEO and RMC regularly review our risk drivers, risk profiles across major lines of business and risk types, risk management framework and major risk policies, as well as compliance matters.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Governance and Organisation (continued)

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

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

Three Lines of Defence

All employees are responsible for identifying and managing risk; their accountability is embedded in our corporate culture and robust internal control environment. This is operationalised through a three-line defence structure, which clearly delineates the roles, responsibilities and accountability of risk ownership.

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

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

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

Risk Appetite

The Group's objective is to manage risks prudently and sustainably for the long term viability of the Group. To that end, the Board has established the Group's risk appetite, which defines the level and nature of risks that we are willing to take in the conduct of our business on behalf of our shareholders while maintaining our commitments to customers, debt holders, employees, regulators, and other stakeholders. Business plans are developed taking into account the forward-looking operating environment and potential downside risks and assessed against our risk appetite, which in turn is a function of our capacity to absorb risks, taking into account capital, funding, and other resources. We operationalise our risk appetite through our policies, processes and limits.

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

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

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management

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

Credit Risk Management Approach

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

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

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

Counterparty Credit Risk Management

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

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

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

ESG Risk Management

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

40 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 product type, as well as common risk drivers such as exposure to material downside risks like a property bubble.

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

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

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

Key Components of Internal Ratings Based ("IRB") Models		
IRB Models and Portfolios	**PD**	**LGD and EAD**
A-IRB approach includes major retail portfolios such as residential mortgages, credit cards and small businesses financing	• Estimated based on the application and behaviour scores of obligors. • The PD models are calibrated to the expected long-term average one-year default rate over an economic cycle.	• Product and collateral characteristics are major 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 includes major wholesale portfolios such as Bank, Non-Bank Financial Institutions, Corporate Real Estate (including Income Producing Real Estate) and General Corporate	• PD models are statistical based or expert judgement models that use both quantitative and qualitative factors to assess an obligor’s repayment capacity and are calibrated to the expected long-term average one-year default rate over an economic cycle. • Expert judgement models based on inputs from internal credit experts are typically used for portfolios with low defaults.	• Estimated based on rules prescribed in BNM's Risk-Weighted Capital Adequacy Framework ("RWCAF").

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Portfolio Management (continued)

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

Key Components of Internal Ratings Based ("IRB") Models (continued)		
IRB Models and Portfolios	**PD**	**LGD and EAD**
F-IRB (Supervisory Slotting) approach includes other specialised lending 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 the Credit Risk Management Committee ("CRMC"), CEO, RMC and the Board for review and make timely, better-informed decisions.

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

Credit Risk Control

Credit Risk Mitigation

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

Our credit policies set out the key considerations for eligible credit risk mitigants. These criteria include legal certainty and enforceability, correlation, liquidity, marketability, counterparty risk of the credit protection provider and collateral-specific minimum operational requirements. Eligible physical and financial collateral types include cash, real estate, marketable securities, standby letters of credit and credit insurances.

We apply appropriate haircuts to the market value of the collateral to reflect its underlying nature, quality, liquidity and volatility and independently value the collateral valued on regular basis. We monitor our collateral holdings to ensure diversification across asset classes and markets. Guarantees from individuals, corporates, and institutions are accepted as a form of support. Where guarantees are recognised as credit risk mitigants via the PD substitution approach, eligibility criteria and guidelines are in place.

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

40 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.

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

We classify our credit exposures as restructured assets when the Bank grants non-commercial concessions to borrowers who are unable to meet their original repayment obligations. We further classify a restructured credit exposure into the appropriate impaired loans grades based on the assessment of the borrowers' 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 ILs for wholesale portfolios. The objective is to rehabilitate ILs where possible or maximise recoveries for ILs that are on exit strategy. For the retail portfolios, the Bank develops appropriate risk-based and time-based collection strategies to maximise recoveries. The Bank uses data such as delinquency buckets and adverse status tags for delinquent consumer financing to constantly analyse, fine-tune and prioritise its collection efforts.

Impairment allowances for Loans, Advances and Financing

Sufficient impairment allowances are maintained to absorb credit losses inherent in our financing portfolio. Allowance for ECL is recognised for credit impaired and non-credit impaired exposures in accordance with MFRS 9, Financial Instruments through a forward looking ECL model. ECL allowances are assessed and measured based on the the three stages of credit risk.

Stages of Asset Quality 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

Market Risk Management

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

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

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management (continued)

Market Risk Management Oversight and Organisation

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

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

Market Risk Management Approach

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

Market Risk Identification

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

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

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

Risk Monitoring and Control

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

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

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

Asset Liability Management

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

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset Liability Management (continued)

Asset Liability Management Oversight and Organisation

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

Asset Liability Management Approach

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

Liquidity Risk

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

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

Interest Rate/Rate of Return Risk in the Banking Book

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

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

Operational Risk Management

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

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

Operational Risk Management Oversight and Organisation

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

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Operational Risk Management Oversight and Organisation (continued)

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

Operational Risk Management Approach

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

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

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

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

Operational Risk Scenario Analysis

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

Third-Party Risk Management

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

Physical and People Security Risk Management

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

Business Continuity Risk Management

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

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Anti-Fraud Programme

The Group’s anti-fraud and whistleblowing programmes help prevent and detect fraud or misconduct. Robust governance and dynamic response through Dynamic Response Committee ("DRC") and Anti-Fraud Standing Committee ("AFSC") strengthens defense against scams/fraud risk. Board and Senior management are kept appraised on fraud threats and incident reports, including root cause analysis, extent of damage, supporting remedial actions and recovery steps of major incidents,through regular reports to the ORC and the RMC. Internal Audit independently reviews all fraud and whistleblowing cases, and reports their finding to the BAC.

Reputational Risk Management

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

Fiduciary Risk Management

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

Legal and Regulatory Risk Management

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

Information Security and Digital Risk Management

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

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

Shariah 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 OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") complies with Shariah rules and principles at all times. OCBC Al-Amin is governed by the Shariah Governance Framework (“SGF”) of OCBC Al-Amin which, in essence, covers the following:

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

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

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Shariah Governance (continued)

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, covers the following: (continued)

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

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

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

Shariah Non-Compliance Risk

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

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

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

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

(i) Risk Identification – Identification of the potential Shariah non-compliance events.

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

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

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

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

There is no Shariah non-compliant income that requires distribution to charitable organization for the year 2023 (2022: Nil).

41 CREDIT RISK

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

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents*	3,477,356	6,791,404	2,395,048	5,454,421
Deposits and placements with banks and other financial institutions	352,077	1,863,600	762,957	2,107,603
Investment account placements	-	-	5,095,182	3,093,946
Financial assets at FVTPL	1,879,059	566,098	1,874,038	561,059
Financial investments at FVOCI**	22,242,714	22,791,806	18,811,307	19,592,588
Loans, advances and financing	66,811,358	64,298,998	52,044,617	51,563,714
Derivative financial assets	1,030,620	1,307,652	1,031,011	1,307,663
Other assets***	462,987	351,109	618,615	407,374
Contingent liabilities and commitments	36,840,696	33,092,102	32,406,842	29,285,022
	133,096,867	131,062,769	115,039,617	113,373,390

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

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

41 CREDIT RISK (continued)

(a) Credit quality analysis

	2023					2022				
Group	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and loan commitments RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and loan commitments RM'000**
(i) By issuer/counterparty										
Government and Central Bank	1,581,506	15,099,633	-	-	80,476	545,956	13,491,984	-	-	-
Foreign government	1	281,136	-	-	-	-	-	-	-	-
Public sector	10,110	1,107,568	-	-	-	15,060	1,383,575	-	-	-
Banks	12,210	3,538,451	-	679,562	251,602	9	6,695,832	-	982,114	174,302
Non-bank financial institutions	269,447	1,071,803	-	62,810	223,395	-	1,088,087	-	70,289	503,241
Business enterprises	5,785	1,144,123	19,984	143,935	25,998,586	5,073	132,328	6,467	131,237	21,637,016
Small and medium enterprises	-	-	49,548	-	5,498,875	-	-	28,911	-	5,928,584
Individuals	-	-	222,102	144,313	4,787,762	-	-	147,431	124,012	4,848,959
	1,879,059	22,242,714	291,634	1,030,620	36,840,696	566,098	22,791,806	182,809	1,307,652	33,092,102
(ii) By geographical distribution										
Malaysia	1,866,049	20,848,449	273,938	828,087	35,724,126	566,055	22,747,766	165,279	985,275	31,997,818
Singapore	-	-	13,227	79,514	226,080	-	-	6,737	151,065	196,533
Other ASEAN countries	-	293,559	878	-	327,436	-	-	-	-	481,190
Rest of the world	13,010	1,100,706	3,591	123,019	563,054	43	44,040	10,793	171,312	416,561
	1,879,059	22,242,714	291,634	1,030,620	36,840,696	566,098	22,791,806	182,809	1,307,652	33,092,102

* Past due but not credit-impaired. The loans, advances and financing by geographical distribution is detailed in Note 8(d).

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

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

Group (continued)	**2023** Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and loan commitments RM'000	**2022** Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and loan commitments RM'000
(iii) By sector										
Agriculture, hunting, forestry and fishing	-	-	2,349	54	625,277	-	-	329	59	847,217
Mining and quarrying	-	119,523	42	108,509	350,244	-	-	-	79,648	329,325
Manufacturing	-	94,910	8,852	9,776	8,608,388	-	-	5,622	13,446	8,235,463
Electricity, gas and water	10,870	657,687	-	4	189,692	5,103	117,126	159	3	312,260
Construction	-	398,479	7,170	716	4,973,116	-	-	1,904	1,775	5,504,904
Real estate	-	-	777	6,822	3,109,092	-	-	224	89	2,719,663
Wholesale & retail trade and restaurants & hotels	1	142,451	34,662	7,536	4,786,485	-	-	13,619	19,142	4,352,624
Transport, storage and communication	2	193,364	4,092	13	2,605,822	9,985	159,931	1,932	38	806,613
Finance, insurance and business services	281,659	4,808,238	8,162	752,875	5,808,867	5,054	8,466,363	10,019	1,067,409	4,484,621
Community, social and personal services	5,021	484,861	3,426	2	641,095	-	556,403	1,570	2,030	419,042
Household										
- Purchase of residential properties	-	-	196,961	-	1,622,637	-	-	134,993	-	1,790,260
- Purchase of non-residential properties	-	-	6,201	-	1,793	-	-	3,935	-	2,764
- Others	-	-	18,940	144,313	3,518,187	-	-	8,503	124,013	3,287,344
Others	1,581,506	15,343,201	-	-	1	545,956	13,491,983	-	-	2
	1,879,059	22,242,714	291,634	1,030,620	36,840,696	566,098	22,791,806	182,809	1,307,652	33,092,102

* Past due but not credit-impaired.The loans, advances and financing by sector is detailed in Note 8(c).

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

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

	2023					2022				
Group (continued)	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Loans, advances and financing* RM'000**	**Derivative financial assets RM'000**	**Contingent liabilities and credit commitments RM'000**
(iv) By residual maturity										
Within one year	582,337	7,975,058	28,817	505,855	27,036,799	-	11,185,623	6,501	438,020	23,079,376
One to five years	722,385	11,933,926	21,327	504,259	3,575,288	350,654	10,450,912	13,798	699,140	3,147,050
Over five years	574,337	2,333,730	241,490	20,506	6,228,609	215,444	1,155,271	162,510	170,492	6,865,676
	1,879,059	22,242,714	291,634	1,030,620	36,840,696	566,098	22,791,806	182,809	1,307,652	33,092,102
Bank										
(i) By issuer/counterparty										
Government and Central Bank	1,581,506	12,922,674	-	-	80,476	545,956	11,143,653	-	-	-
Foreign government	1	281,136	-	-	-	-	-	-	-	-
Public sector	10,110	436,814	-	-	-	15,060	1,065,454	-	-	-
Banks	12,210	3,438,516	-	686,060	251,602	9	6,596,563	-	987,397	174,302
Non-bank financial institutions	269,447	637,393	-	62,809	148,000	-	703,599	-	70,286	503,000
Business enterprises	764	1,094,774	140	137,829	21,741,382	34	83,319	-	125,968	17,928,569
Small and medium enterprises	-	-	49,548	-	5,498,875	-	-	28,911	-	5,928,584
Individuals	-	-	196,214	144,313	4,686,507	-	-	132,931	124,012	4,750,567
	1,874,038	18,811,307	245,902	1,031,011	32,406,842	561,059	19,592,588	161,842	1,307,663	29,285,022
(ii) By geographical distribution										
Malaysia	1,861,028	17,417,042	229,084	828,478	31,427,067	561,016	19,548,548	144,312	985,286	28,202,942
Singapore	-	-	13,227	79,514	226,080	-	-	6,737	151,065	196,533
Other ASEAN countries	-	293,559	-	-	261,175	-	-	-	-	470,911
Rest of the world	13,010	1,100,706	3,591	123,019	492,520	43	44,040	10,793	171,312	414,636
	1,874,038	18,811,307	245,902	1,031,011	32,406,842	561,059	19,592,588	161,842	1,307,663	29,285,022

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

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

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

Bank (continued)	**2023** Financial assets at FVTPL RM'000	**2023** Financial investments at FVOCI RM'000	**2023** Loans, advances and financing* RM'000	**2023** Derivative financial assets RM'000	**2023** Contingent liabilities and credit commitments RM'000	**2022** Financial assets at FVTPL RM'000	**2022** Financial investments at FVOCI RM'000	**2022** Loans, advances and financing* RM'000	**2022** Derivative financial assets RM'000	**2022** Contingent liabilities and credit commitments RM'000
(iii) By sector										
Agriculture, hunting, forestry and fishing	-	-	2,349	54	545,433	-	-	329	59	829,319
Mining and quarrying	-	119,523	-	108,509	340,326	-	-	-	79,648	292,660
Manufacturing	-	94,910	4,737	9,720	7,500,061	-	-	2,033	13,369	7,410,747
Electricity, gas and water	10,870	608,110	-	2	133,283	5,103	58,260	159	3	159,727
Construction	-	-	5,444	716	4,092,619	-	-	1,904	1,773	4,306,307
Real estate	-	-	428	6,822	2,678,872	-	-	224	89	2,429,453
Wholesale & retail trade and restaurants & hotels	1	142,451	25,686	7,305	4,375,457	-	-	12,739	18,824	3,932,266
Transport, storage and communication	2	188,363	3,142	13	2,185,806	9,985	115,139	1,932	31	460,489
Finance, insurance and business services	281,659	4,273,893	6,707	753,557	4,903,133	15	7,948,817	8,021	1,067,827	4,075,883
Community, social and personal services	-	252,080	1,195	-	610,490	-	326,720	1,570	2,028	406,193
Household										
- Purchase of residential properties	-	-	174,177	-	1,523,175	-	-	122,319	-	1,694,634
- Purchase of non-residential properties	-	-	5,619	-	-	-	-	2,799	-	-
- Others	-	-	16,418	144,313	3,518,187	-	-	7,813	124,012	3,287,344
Others	1,581,506	13,131,977	-	-	-	545,956	11,143,652	-	-	-
	1,874,038	18,811,307	245,902	1,031,011	32,406,842	561,059	19,592,588	161,842	1,307,663	29,285,022

* Past due but not credit-impaired. The loans, advances and financing by sector is detailed in Note 8(c).

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

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

Bank (continued)	**2023** Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	**2022** Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
(iv) By residual maturity										
Within one year	577,316	6,795,994	22,069	506,196	23,782,560	-	9,896,742	6,142	437,803	20,314,078
One to five years	722,385	9,716,500	17,096	504,309	2,699,447	345,615	8,740,794	10,451	699,368	2,670,781
Over five years	574,337	2,298,813	206,737	20,506	5,924,835	215,444	955,052	145,249	170,492	6,300,163
	1,874,038	18,811,307	245,902	1,031,011	32,406,842	561,059	19,592,588	161,842	1,307,663	29,285,022

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

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

Group	**2023** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	**2022** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and cash equivalents	3,477,356	-	-	3,477,356	6,791,404	-	-	6,791,404
Deposits and placements with banks and other financial institutions	352,077	-	-	352,077	1,863,600	-	-	1,863,600
Financial assets at FVTPL*								
Government and central bank (unrated)	-	-	-	1,451,861	-	-	-	139,362
Government (AAA to BBB)	-	-	-	129,646	-	-	-	406,595
Foreign government (AAA to BBB)	-	-	-	1	-	-	-	-
Investment grade (AAA to BBB)	-	-	-	188,109	-	-	-	20,141
Unrated	-	-	-	109,442	-	-	-	-
	-	-	-	1,879,059	-	-	-	566,098

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

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

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

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

Group (continued)	**2023** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	**2022** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at FVOCI								
Government (AAA to BBB)	10,534,053	-	-	10,534,053	5,910,297	-	-	5,910,297
Government and central bank (unrated)	4,565,580	-	-	4,565,580	7,581,687	-	-	7,581,687
Foreign government (AAA to BBB)	281,136	-	-	281,136	-	-	-	-
Investment grade (AAA to BBB)	2,358,035	259,294	-	2,617,329	1,190,580	148,026	-	1,338,606
Unrated	4,244,616	-	-	4,244,616	7,961,216	-	-	7,961,216
	21,983,420	259,294	-	22,242,714	22,643,780	148,026	-	22,791,806
Contingent liabilities and commitments (excluding derivative assets)								
Pass	35,318,238	1,287,482	-	36,605,720	29,915,891	2,724,888	-	32,640,779
Special Mention	-	121,862	-	121,862	-	295,517	-	295,517
Credit-impaired	-	-	113,114	113,114	-	-	155,806	155,806
	35,318,238	1,409,344	113,114	36,840,696	29,915,891	3,020,405	155,806	33,092,102

Bank	**2023** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	**2022** Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and cash equivalents	2,395,048	-	-	2,395,048	5,454,421	-	-	5,454,421
Deposits and placements with banks and other financial institutions	762,957	-	-	762,957	2,107,603	-	-	2,107,603
Investment account placements	5,010,066	85,116	-	5,095,182	2,988,622	105,324	-	3,093,946

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

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

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

	2023				2022			
Bank (continued)	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Financial assets at FVTPL*								
Government and central bank (unrated)	-	-	-	1,451,861	-	-	-	139,362
Government (AAA to BBB)	-	-	-	129,646	-	-	-	406,595
Foreign government (AAA to BBB)	-	-	-	1	-	-	-	-
Investment grade (AAA to BBB)	-	-	-	183,088	-	-	-	15,102
Unrated	-	-	-	109,442	-	-	-	-
	-	-	-	1,874,038	-	-	-	561,059

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

	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)	8,956,483	-	-	8,956,483	5,749,369	-	-	5,749,369
Government and central bank (unrated)	3,966,191	-	-	3,966,191	5,394,284	-	-	5,394,284
Foreign government (AAA to BBB)	281,136	-	-	281,136	-	-	-	-
Investment grade (AAA to BBB)	1,869,192	259,294	-	2,128,486	913,920	148,026	-	1,061,946
Unrated	3,479,011	-	-	3,479,011	7,386,989	-	-	7,386,989
	18,552,013	259,294	-	18,811,307	19,444,562	148,026	-	19,592,588
Contingent liabilities and commitments (excluding derivative assets)								
Pass	31,443,431	797,976	-	32,241,407	27,506,550	1,539,961	-	29,046,511
Special Mention	-	81,814	-	81,814	-	141,137	-	141,137
Credit-impaired	-	-	83,621	83,621	-	-	97,374	97,374
	31,443,431	879,790	83,621	32,406,842	27,506,550	1,681,098	97,374	29,285,022

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

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing

Credit quality

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

Loans, advances and financing classified as Pass and Special Mention are not credit-impaired whereas Substandard, Doubtful and Loss are credit-impaired.

Past due but not credit-impaired are loans, advances and financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes financing which are past due one or more days after the contractual due date but less than 3 months.

Credit quality and ECL stage

	2023				2022			
Group	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Neither past due nor credit-impaired								
By internal grading								
Pass	55,707,112	8,739,700	-	64,446,812	51,770,779	9,270,310	-	61,041,089
Special Mention	-	1,061,685	-	1,061,685	-	1,358,983	-	1,358,983
	55,707,112	9,801,385	-	65,508,497	51,770,779	10,629,293	-	62,400,072
Past due but not credit-impaired								
By period overdue								
Less than 2 months	-	260,329	-	260,329	-	158,429	-	158,429
2 months to less than 3 months	-	53,449	-	53,449	-	48,729	-	48,729
	-	313,778	-	313,778	-	207,158	-	207,158
Credit-impaired								
Past due	-	-	1,450,707	1,450,707	-	-	1,801,340	1,801,340
Not past due	-	-	802,724	802,724	-	-	1,159,021	1,159,021
	-	-	2,253,431	2,253,431	-	-	2,960,361	2,960,361
	55,707,112	10,115,163	2,253,431	68,075,706	51,770,779	10,836,451	2,960,361	65,567,591
ECL Allowance	(188,322)	(320,834)	(755,192)	(1,264,348)	(112,411)	(339,817)	(816,365)	(1,268,593)
Net Loans, Advances and Financing	55,518,790	9,794,329	1,498,239	66,811,358	51,658,368	10,496,634	2,143,996	64,298,998

Past due but not credit-impaired loans, advances and financing are classified as part of Special Mention.
The analysis of credit-impaired loans, advances and financing are disclosed in Note 9(i) to the financial statements.

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

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Credit quality and ECL stage (continued)

	2023				2022			
Bank	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Neither past due nor credit-impaired								
By internal grading								
Pass	42,932,050	7,150,544	-	50,082,594	41,970,476	6,774,267	-	48,744,743
Special Mention	-	892,955	-	892,955	-	1,236,816	-	1,236,816
	42,932,050	8,043,499	-	50,975,549	41,970,476	8,011,083	-	49,981,559
Past due but not credit-impaired								
By period overdue								
Less than 2 months	-	219,504	-	219,504	-	137,660	-	137,660
2 months to less than 3 months	-	43,874	-	43,874	-	45,179	-	45,179
	-	263,378	-	263,378	-	182,839	-	182,839
Credit-impaired								
Past due	-	-	1,073,898	1,073,898	-	-	1,381,781	1,381,781
Not past due	-	-	628,944	628,944	-	-	846,152	846,152
	-	-	1,702,842	1,702,842	-	-	2,227,933	2,227,933
	42,932,050	8,306,877	1,702,842	52,941,769	41,970,476	8,193,922	2,227,933	52,392,331
ECL Allowance	(145,190)	(254,233)	(497,729)	(897,152)	(91,539)	(238,012)	(499,066)	(828,617)
Net Loans, Advances and Financing	42,786,860	8,052,644	1,205,113	52,044,617	41,878,937	7,955,910	1,728,867	51,563,714

Past due but not credit-impaired loans, advances and financing are classified as part of Special Mention.
The analysis of credit-impaired loans, advances and financing are disclosed in Note 9(i) to the financial statements.

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

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Collateral

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

- For personal housing loans/financing, mortgages over residential properties.
- For commercial property loans/financing, charges over the properties being financed.
- For vehicle loans/financing, charges over the vehicles being financed.
- For other loans/financing, charges over business assets such as premises, inventories, trade receivables, shares, equipment or deposits.

(ii) The quantification of the extent to which collateral and other credit enhancements mitigate credit risk and that best represents the maximum exposure to credit risk for credit-impaired loans, advances and financing is as follows:

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fair value of collateral held against the covered portion of credit-impaired loans, advances and financing	2,302,333	2,927,876	1,877,685	2,404,879
Covered portion of credit-impaired loans, advances and financing	1,609,919	2,165,143	1,288,879	1,747,226
Uncovered portion of credit-impaired loans, advances and financing	643,512	795,219	413,963	480,707
	2,253,431	2,960,362	1,702,842	2,227,933

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

42 LIQUIDITY RISK

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

<u>Group</u>	Note	Gross Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2023									
Cash and cash equivalents		3,626,979	3,626,979	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	(a)	352,094	352,094	-	-	-	-	-	-
Financial assets at FVTPL		1,879,059	169,434	104,184	308,717	265,935	456,450	574,339	-
Financial investments at FVOCI		22,355,331	3,904,958	844,323	3,225,777	6,842,009	5,091,917	2,333,730	112,617
Loans, advances and financing	(a)	68,075,706	19,248,290	2,334,298	1,919,606	11,832,853	7,103,025	25,637,634	-
Derivative financial assets		1,030,620	180,769	89,422	235,438	262,846	241,640	20,505	-
Statutory deposits with BNM		1,054,595	-	-	-	-	-	-	1,054,595
Other balances	(b)	841,073	281,683	2,783	28,700	70,529	47,721	35,628	374,029
Total assets		99,215,457	27,764,207	3,375,010	5,718,238	19,274,172	12,940,753	28,601,836	1,541,241
Deposits from customers		75,501,096	56,841,163	9,492,722	8,989,764	173,606	3,841	-	-
Deposits and placements of banks and other financial institutions		4,713,152	4,000,081	366	671	240,949	11,082	460,003	-
Obligations on securities sold under repurchase agreements		1,408,500	1,408,500	-	-	-	-	-	-
Bills and acceptances payable		78,461	78,461	-	-	-	-	-	-
Derivative financial liabilities		894,368	182,303	80,074	126,221	288,771	182,608	34,391	-
Other balances	(c)	4,401,365	978,345	555,523	435,447	778,425	1,550,315	-	103,310
Lease liabilities		22,580	3,171	2,827	4,744	11,527	124	10	177
Subordinated bonds		1,050,000	-	-	-	-	-	1,050,000	-
Total liabilities		88,069,522	63,492,024	10,131,512	9,556,847	1,493,278	1,747,970	1,544,404	103,487

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.
(c) Other liabilities balances consist of other liabilities, tax payable and zakat but excludes lease liabilities and ECL allowances on loan commitments and financial guarantees.

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

42 LIQUIDITY RISK (continued)

(i) The tables below show the Group's and the Bank's maturity analysis of assets and liabilities based on remaining contractual maturities and/or their behavioral profile. (continued)

Group (continued)	**Note**	**Gross Carrying amount RM'000**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**
2022									
Cash and cash equivalents		6,952,345	6,952,287	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	(a)	1,863,660	1,663,660	200,000	-	-	-	-	-
Financial assets at FVTPL		566,098	-	-	-	30,002	320,652	215,444	-
Financial investments at FVOCI		22,901,346	5,531,117	3,182,819	2,471,687	5,810,245	4,750,206	1,045,732	109,540
Loans, advances and financing	(a)	65,567,591	16,881,970	2,160,536	2,782,197	8,306,016	7,818,566	27,618,306	-
Derivative financial assets		1,307,652	311,796	59,786	66,441	289,941	409,197	170,491	-
Statutory deposits with BNM		903,160	-	-	-	-	-	-	903,160
Other balances	(b)	750,071	223,630	2,449	28,637	52,256	34,314	15,977	392,808
Total assets		100,811,923	31,564,460	5,605,590	5,348,962	14,488,460	13,332,935	29,065,950	1,405,508
Deposits from customers		77,717,263	62,603,982	7,289,419	7,495,515	325,644	2,703	-	-
Deposits and placements of banks and other financial institutions		5,720,234	5,017,752	521	2,417	14,005	234,839	450,700	-
Bills and acceptances payable		114,286	114,286	-	-	-	-	-	-
Derivative financial liabilities		1,447,264	552,649	43,671	94,950	215,514	344,864	195,616	-
Other balances	(c)	3,941,800	820,449	367,915	349,969	239,162	1,811,529	254,029	98,747
Lease liabilities		13,286	3,103	2,278	3,494	4,286	75	50	-
Subordinated bonds		1,050,000	-	-	-	-	-	1,050,000	-
Total liabilities		90,004,133	69,112,221	7,703,804	7,946,345	798,611	2,394,010	1,950,395	98,747

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.
(c) Other liabilities balances consist of other liabilities, tax payable and zakat but excludes lease liabilities and ECL allowances on loan commitments and financial guarantees.

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

42 LIQUIDITY RISK (continued)

(i) The tables below show the Group's and the Bank's maturity analysis of assets and liabilities based on remaining contractual maturities and/or their behavioral profile. (continued)

Bank	**Note**	**Gross Carrying amount RM'000**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**
2023									
Cash and cash equivalents		2,525,095	2,525,095	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	(a)	762,974	762,974	-	-	-	-	-	-
Investment account placements		5,124,316	5,109,520	-	-	-	-	14,796	-
Financial assets at FVTPL		1,874,038	169,434	104,184	303,696	265,935	456,450	574,339	-
Financial investments at FVOCI		18,923,924	3,287,305	814,306	2,694,383	5,453,972	4,262,528	2,298,813	112,617
Loans, advances and financing	(a)	52,941,769	14,476,126	2,235,306	1,688,202	8,856,648	4,503,573	21,181,914	-
Derivative financial assets		1,031,011	181,217	89,314	235,438	262,846	241,690	20,506	-
Statutory deposits with BNM		869,595	-	-	-	-	-	-	869,595
Other balances	(b)	1,516,303	443,359	3,710	25,943	66,902	45,261	35,294	895,834
Total assets		85,569,025	26,955,030	3,246,820	4,947,662	14,906,303	9,509,502	24,125,662	1,878,046
Deposits from customers		64,078,587	47,743,876	8,234,857	7,937,018	162,095	741	-	-
Deposits and placements of banks and other financial institutions		4,686,535	3,978,235	35	-	239,023	9,975	459,267	-
Obligations on securities sold under repurchase agreements		1,408,500	1,408,500	-	-	-	-	-	-
Bills and acceptances payable		59,983	59,983	-	-	-	-	-	-
Derivative financial liabilities		895,137	183,107	80,074	126,221	288,772	182,571	34,392	-
Other balances	(c)	4,291,649	938,077	535,071	412,865	778,142	1,550,286	-	77,208
Lease liabilities		18,898	2,784	2,463	4,112	9,451	78	10	-
Subordinated bonds		1,050,000	-	-	-	-	-	1,050,000	-
Total liabilities		76,489,289	54,314,562	8,852,500	8,480,216	1,477,483	1,743,651	1,543,669	77,208

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.
(c) Other liabilities balances consist of other liabilities, tax payable and zakat but excludes lease liabilities and ECL allowances on loan commitments and financial guarantees.

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

42 LIQUIDITY RISK (continued)

(i) The tables below show the Group's and the Bank's maturity analysis of assets and liabilities based on remaining contractual maturities and/or their behavioral profile. (continued)

Bank (continued)	**Note**	**Gross Carrying amount RM'000**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**
2022									
Cash and cash equivalents		5,591,793	5,591,746	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	(a)	2,107,663	1,907,663	200,000	-	-	-	-	-
Investment account placements		3,134,656	3,109,650	-	-	-	-	25,006	-
Financial assets at FVTPL		561,059	-	-	-	24,963	320,652	215,444	-
Financial investments at FVOCI		19,702,128	5,122,330	3,012,793	1,761,618	4,682,512	4,167,822	845,513	109,540
Loans, advances and financing	(a)	52,392,331	12,567,211	1,959,931	2,658,315	7,271,187	4,766,335	23,169,352	-
Derivative financial assets		1,307,663	311,581	59,782	66,441	289,941	409,426	170,492	-
Statutory deposits with BNM		703,160	-	-	-	-	-	-	703,160
Other balances	(b)	1,311,450	272,726	2,756	21,355	53,718	38,233	17,014	905,648
Total assets		86,811,903	28,882,907	5,235,262	4,507,729	12,322,321	9,702,468	24,442,821	1,718,348
Deposits from customers		65,747,671	52,747,688	6,222,065	6,479,186	297,179	1,553	-	-
Deposits and placements of banks and other financial institutions		5,676,869	4,978,012	33	1,626	12,104	234,558	450,536	-
Bills and acceptances payable		102,529	102,529	-	-	-	-	-	-
Derivative financial liabilities		1,447,629	553,051	43,671	94,950	215,514	344,864	195,579	-
Other balances	(c)	3,850,615	781,985	356,869	331,057	238,852	1,811,513	254,029	76,310
Lease liabilities		11,205	2,589	1,939	2,923	3,629	75	50	-
Subordinated bonds		1,050,000	-	-	-	-	-	1,050,000	-
Total liabilities		77,886,518	59,165,854	6,624,577	6,909,742	767,278	2,392,563	1,950,194	76,310

(a) Stated at gross before ECL allowance.
(b) Other assets balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.
(c) Other liabilities balances consist of other liabilities, tax payable and zakat but excludes lease liabilities and ECL allowances on loan commitments and financial guarantees.

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

42 LIQUIDITY RISK (continued)

(ii) The tables below show the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. The expected cash flows of these liabilities could vary significantly from what is shown in the table.

Group	**Note**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2023								
Non-derivative financial liabilities								
Deposits from customers		57,187,001	9,970,348	9,854,566	181,294	4,228	-	77,197,437
Deposits and placements of banks and other financial institutions		4,082,134	366	671	240,989	11,082	460,003	4,795,245
Obligations on securities sold under repurchase agreements		1,410,874	-	-	-	-	-	1,410,874
Bills and acceptances payable		78,461	-	-	-	-	-	78,461
Other balances	(a)	828,493	446,403	379,983	916,846	1,584,057	-	4,155,782
Lease liabilities		69,247	2,986	4,997	11,841	138	-	89,209
Subordinated bonds		-	27,224	20,250	81,000	81,000	1,180,100	1,389,574
		63,656,210	10,447,327	10,260,467	1,431,970	1,680,505	1,640,103	89,116,582
Commitments and contingencies								
Direct credit substitutes		1,708	4,720	9,548	4,775	222	-	20,973
Transaction-related contingent items		638,022	345,715	741,527	1,202,741	484,732	114,231	3,526,968
Short-term self-liquidating trade-related contingencies		193,820	11,542	8,658	-	-	-	214,020
Lending of securities or the posting of securities as collateral, including instances where these arise out of repo-style transactions		93,038	-	-	-	-	-	93,038
Formal standby facilities and credit lines								
- Original maturity up to one year		495,357	142,278	28,000	-	-	-	665,635
- Original maturity over one year		239,363	54,590	2,821,432	629,359	323,056	2,944,091	7,011,891
Other unconditionally cancellable commitments		21,378,792	78,384	64	54,368	626,276	3,170,287	25,308,171
		23,040,100	637,229	3,609,229	1,891,243	1,434,286	6,228,609	36,840,696

(a) The above excludes balances with no specific maturity amounting to RM103 million (2022: RM98 million), lease liabilities and ECL allowance on credit commitments and financial guarantees.

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

42 LIQUIDITY RISK (continued)

(ii) The tables below show the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. The expected cash flows of these liabilities could vary significantly from what is shown in the table. (continued)

Group (continued)	**Note**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2023								
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		522	204	11	-	-	-	737
- Interest rate derivatives		44,513	25,430	41,970	124,253	93,640	2,976	332,782
- Equity and other derivatives		28,973	31,323	28,409	1,487	1,805	6,241	98,238
		74,008	56,957	70,390	125,740	95,445	9,217	431,757
Hedging:								
- Interest rate derivatives		108	70	485	2,150	316	-	3,129
		74,116	57,027	70,875	127,890	95,761	9,217	434,886
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		11,855,461	3,185,930	1,673,706	3,415,595	1,264,529	15,529	21,410,750
- Inflow		(11,710,861)	(3,163,392)	(1,785,382)	(3,406,133)	(1,359,632)	(14,630)	(21,440,030)
		218,716	79,565	(40,801)	137,352	658	10,116	405,606
2022								
Non-derivative financial liabilities								
Deposits from customers		62,858,031	7,486,682	7,746,195	339,931	2,926	-	78,433,765
Deposits and placements of banks and other financial institutions		5,091,339	521	2,417	14,074	234,865	450,700	5,793,916
Bills and acceptances payable		114,286	-	-	-	-	-	114,286
Other balances	(b)	688,307	312,057	229,613	379,031	1,889,721	258,605	3,757,334
Lease liabilities		56,874	2,338	3,577	4,363	132	-	67,284
Subordinated bonds		-	20,250	20,250	81,000	81,000	1,220,600	1,423,100
		68,808,837	7,821,848	8,002,052	818,399	2,208,644	1,929,905	89,589,685

(b) The above excludes balances with no specific maturity amounting to RM98 million (2021: RM94 million), lease liabilities and ECL allowance on credit commitments and financial guarantees.

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

42 LIQUIDITY RISK (continued)

(ii) The tables below show the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. The expected cash flows of these liabilities could vary significantly from what is shown in the table. (continued)

Group (continued)	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2022							
Commitments and contingencies							
Direct credit substitutes	49,205	13,567	40,783	5,701	453	111	109,820
Transaction-related contingent items	600,981	351,173	851,122	1,198,860	430,360	198,655	3,631,151
Short-term self-liquidating trade-related contingencies	298,640	24,268	28,184	-	-	-	351,092
Formal standby facilities and credit lines							
- Original maturity up to one year	29,000	32,122	701,400	-	-	-	762,522
- Original maturity over one year	68,723	57,125	117,119	388,803	1,123,266	2,471,661	4,226,697
Other unconditionally cancellable commitments	19,815,573	-	-	-	-	4,195,247	24,010,820
	20,862,122	478,255	1,738,608	1,593,364	1,554,079	6,865,674	33,092,102
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	434	58	2	-	-	-	494
- Interest rate derivatives	27,387	35,409	65,685	130,306	139,486	60,320	458,593
- Equity and other derivatives	8,451	5,657	4,818	2,095	2,277	87,488	110,786
	36,272	41,124	70,505	132,401	141,763	147,808	569,873
Hedging:							
- Interest rate derivatives	161	98	191	895	331	-	1,676
	36,433	41,222	70,696	133,296	142,094	147,808	571,549
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	19,657,786	2,650,016	2,477,249	3,048,828	1,437,006	17,247	29,288,132
- Inflow	(19,123,770)	(2,610,130)	(2,411,110)	(3,127,510)	(1,496,758)	(16,623)	(28,785,901)
	570,449	81,108	136,835	54,614	82,342	148,432	1,073,780

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

42 LIQUIDITY RISK (continued)

(ii) The tables below show the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. The expected cash flows of these liabilities could vary significantly from what is shown in the table. (continued)

Bank	**Note**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2023								
Non-derivative financial liabilities								
Deposits from customers		48,063,137	8,679,264	8,768,991	169,380	815	-	65,681,587
Deposits and placements of banks and other financial institutions		4,038,544	35	-	239,063	9,975	459,267	4,746,884
Obligations on securities sold under repurchase agreements		1,410,874	-	-	-	-	-	1,410,874
Bills and acceptances payable		59,983	-	-	-	-	-	59,983
Other balances	(a)	806,131	441,855	375,430	916,591	1,584,056	-	4,124,063
Lease liabilities		68,836	2,596	4,322	9,697	92	-	85,543
Subordinated bonds		-	27,224	20,250	81,000	81,000	1,180,100	1,389,574
		54,447,505	9,150,974	9,168,993	1,415,731	1,675,938	1,639,367	77,498,508
Commitments and contingencies								
Direct credit substitutes		1,708	3,336	8,945	4,157	111	-	18,257
Transaction-related contingent items		589,335	301,990	656,373	1,090,677	410,265	91,255	3,139,895
Short-term self-liquidating trade-related contingencies		159,945	11,348	8,658	-	-	-	179,951
Lending of securities or the posting of securities as collateral, including instances where these arise out of repo-style transactions		93,038	-	-	-	-	-	93,038
Formal standby facilities and credit lines								
- Original maturity up to one year		495,357	142,278	-	-	-	-	637,635
- Original maturity over one year		236,868	53,584	2,421,393	471,164	318,821	2,663,293	6,165,123
Other unconditionally cancellable commitments		18,595,404	3,000	-	53,347	350,905	3,170,287	22,172,943
		20,171,655	515,536	3,095,369	1,619,345	1,080,102	5,924,835	32,406,842

(a) The above excludes balances with no specific maturity amounting to RM77 million (2022: RM76 million), lease liabilities and ECL allowance on credit commitments and financial guarantees.

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

42 LIQUIDITY RISK (continued)

(ii) The tables below show the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. The expected cash flows of these liabilities could vary significantly from what is shown in the table. (continued)

Bank (continued)	**Note**	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2023								
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		522	204	11	-	-	-	737
- Interest rate derivatives		44,513	25,430	41,970	124,253	93,640	2,976	332,782
- Equity and other derivatives		28,973	31,323	28,409	1,487	1,805	6,241	98,238
		74,008	56,957	70,390	125,740	95,445	9,217	431,757
Hedging:								
- Interest rate derivatives		108	70	485	2,150	316	-	3,129
		74,116	57,027	70,875	127,890	95,761	9,217	434,886
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		12,050,292	3,186,314	1,674,378	3,417,754	1,289,123	15,529	21,633,390
- Inflow		(11,904,507)	(3,163,392)	(1,785,382)	(3,406,133)	(1,359,632)	(14,630)	(21,633,676)
		219,901	79,949	(40,129)	139,511	25,252	10,116	434,600
2022								
Non-derivative financial liabilities								
Deposits from customers		52,978,887	6,399,174	6,703,921	310,367	1,674	-	66,394,023
Deposits and placements of banks and other financial institutions		5,043,168	33	1,626	12,173	234,584	450,536	5,742,120
Bills and acceptances payable		102,529	-	-	-	-	-	102,529
Other balances	(b)	665,351	311,538	217,198	378,791	1,889,720	258,605	3,721,203
Lease liabilities		56,349	1,989	2,993	3,693	132	-	65,156
Subordinated bonds		-	20,250	20,250	81,000	81,000	1,220,600	1,423,100
		58,846,284	6,732,984	6,945,988	786,024	2,207,110	1,929,741	77,448,131

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

42 LIQUIDITY RISK (continued)

(ii) The tables below show the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. The expected cash flows of these liabilities could vary significantly from what is shown in the table. (continued)

Bank (continued)	**Up to 3 months RM'000**	**> 3 - 6 months RM'000**	**> 6 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2022							
Commitments and contingencies							
Direct credit substitutes	39,155	11,677	8,315	4,176	453	-	63,776
Transaction-related contingent items	480,420	322,412	761,473	1,037,275	346,376	179,890	3,127,846
Short-term self-liquidating trade-related contingencies	228,696	24,268	28,184	-	-	-	281,148
Formal standby facilities and credit lines							
- Original maturity up to one year	29,000	22,122	701,400	-	-	-	752,522
- Original maturity over one year	65,520	16,440	110,270	175,943	1,106,558	2,212,349	3,687,080
Other unconditionally cancellable commitments	17,464,726	-	-	-	-	3,907,924	21,372,650
	18,307,517	396,919	1,609,642	1,217,394	1,453,387	6,300,163	29,285,022

(b) The above excludes the balances with no specific maturity amounting to RM76 million (2021: RM73 million), lease liabilities and ECL allowance on credit commitments and financial guarantees.

	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
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	434	58	2	-	-	-	494
- Interest rate derivatives	27,387	35,409	65,685	130,306	139,486	60,320	458,593
- Equity and other derivatives	8,451	5,657	4,818	2,095	2,277	87,488	110,786
	36,272	41,124	70,505	132,401	141,763	147,808	569,873
Hedging:							
- Interest rate derivatives	161	98	191	895	331	-	1,676
	36,433	41,222	70,696	133,296	142,094	147,808	571,549
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	19,716,530	2,650,016	2,477,249	3,048,828	1,437,006	17,247	29,346,876
- Inflow	(19,182,132)	(2,610,130)	(2,411,110)	(3,127,510)	(1,496,758)	(16,623)	(28,844,263)
	570,831	81,108	136,835	54,614	82,342	148,432	1,074,162

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

43 INTEREST/RATE OF RETURN RISK

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/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							
<u>**Group**</u>	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2023								
Financial assets								
Cash and cash equivalents	3,128,099	-	-	-	-	498,880	-	3,626,979
Deposits and placements with banks and other financial institutions	352,094	-	-	-	-	(17)		352,077
Financial assets at FVTPL	-	5,021	-	-	-	-	1,874,038	1,879,059
Financial investments at FVOCI	3,914,384	4,070,100	6,832,583	5,091,917	2,333,730	112,617	-	22,355,331
Loans, advances and financing								
- Non credit-impaired	61,841,053	1,905,010	1,316,678	699,841	118,976	(568,439)	-	65,313,119
- Credit-impaired	-	-	-	-	-	1,498,239	-	1,498,239
Derivative financial assets	-	-	984	1,062	-	-	1,028,574	1,030,620
Other assets	-	-	-	-	-	475,752	-	475,752
Statutory deposits with BNM	-	-	-	-	-	1,054,595	-	1,054,595
	69,235,630	5,980,131	8,150,245	5,792,820	2,452,706	3,071,627	2,902,612	97,585,771

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

43 INTEREST/RATE OF RETURN RISK (continued)

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/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. (continued)

	Non-trading Book							
Group (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2023								
Financial liabilities								
Deposits from customers	29,149,376	18,482,486	17,734,023	3,841	-	10,131,370	-	75,501,096
Deposits and placements of banks and other financial institutions	3,938,412	-	10,577	-	-	764,163	-	4,713,152
Obligations on securities sold under repurchase agreements	1,408,500	-	-	-	-	-	-	1,408,500
Bills and acceptances payable	-	-	-	-	-	78,461	-	78,461
Derivative financial liabilities	-	-	-	2,890	-	-	891,478	894,368
Other liabilities	253,055	739,160	755,847	1,523,897	-	1,390,712	-	4,662,671
Subordinated bonds	-	-	-	-	1,050,000	-	-	1,050,000
	34,749,343	19,221,646	18,500,447	1,530,628	1,050,000	12,364,706	891,478	88,308,248
On-statement of financial position interest/profit sensitivity gap	34,486,287	(13,241,515)	(10,350,202)	4,262,192	1,402,706	(9,293,079)	2,011,134	9,277,523
Off-statement of financial position interest/profit sensitivity gap	410,000	-	986,259	(360,000)	372,241	-	-	1,408,500
Total interest/profit sensitivity gap	34,896,287	(13,241,515)	(9,363,943)	3,902,192	1,774,947	(9,293,079)	2,011,134	10,686,023

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

43 INTEREST/RATE OF RETURN RISK (continued)

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/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. (continued)

	Non-trading Book							
Group (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest/ profit sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2022								
Financial assets								
Cash and cash equivalents	6,404,173	-	-	-	-	548,172	-	6,952,345
Deposits and placements with banks and other financial institutions	1,663,660	200,000	-	-	-	(60)	-	1,863,600
Financial assets at FVTPL	-	-	5,039	-	-	-	561,059	566,098
Financial investments at FVOCI	5,531,117	5,654,506	5,810,245	4,750,206	1,045,732	109,540	-	22,901,346
Loans, advances and financing								
- Non credit-impaired	58,243,126	1,902,439	1,416,102	562,679	545,329	(514,673)	-	62,155,002
- Credit-impaired	-	-	-	-	-	2,143,996	-	2,143,996
Derivative financial assets	-	1,098	8,100	14,825	1,820	-	1,281,809	1,307,652
Other assets	-	-	-	-	-	364,470	-	364,470
Statutory deposits with BNM	-	-	-	-	-	903,160	-	903,160
	71,842,076	7,758,043	7,239,486	5,327,710	1,592,881	3,554,605	1,842,868	99,157,669

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

43 INTEREST/RATE OF RETURN RISK (continued)

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/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. (continued)

	Non-trading Book							
Group (continued)	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000
2022								
Financial liabilities								
Deposits from customers	37,370,682	14,781,165	14,255,360	2,703	-	11,307,353	-	77,717,263
Deposits and placements of banks and other financial institutions	4,962,943	-	10,297	3,155	-	743,839	-	5,720,234
Bills and acceptances payable	-	-	-	-	-	114,286	-	114,286
Derivative financial liabilities	-	-	-	1,480	-	-	1,445,784	1,447,264
Other liabilities	174,183	450,675	222,367	1,796,670	249,999	1,206,146	-	4,100,040
Subordinated bonds	-	-	-	-	1,050,000	-	-	1,050,000
	42,507,808	15,231,840	14,488,024	1,804,008	1,299,999	13,371,624	1,445,784	90,149,087
On-statement of financial position interest/profit sensitivity gap	29,334,268	(7,473,797)	(7,248,538)	3,523,702	292,882	(9,817,019)	397,084	9,008,582
Off-statement of financial position interest/profit sensitivity gap	1,085,000	(90,000)	(260,000)	(695,000)	(40,000)	-	-	-
Total interest/profit sensitivity gap	30,419,268	(7,563,797)	(7,508,538)	2,828,702	252,882	(9,817,019)	397,084	9,008,582

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

43 INTEREST/RATE OF RETURN RISK (continued)

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/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. (continued)

	Non-trading Book							
Bank	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2023								
Financial assets								
Cash and cash equivalents	2,108,781	-	-	-	-	416,314	-	2,525,095
Deposits and placements with banks and other financial institutions	762,974	-	-	-	-	(17)	-	762,957
Investment account placements	5,109,520	-	-	-	-	(14,338)	-	5,095,182
Financial assets at FVTPL	-	-	-	-	-	-	1,874,038	1,874,038
Financial investments at FVOCI	3,296,731	3,508,689	5,444,546	4,262,528	2,298,813	112,617	-	18,923,924
Loans, advances and financing								
- Non credit-impaired	47,980,131	1,511,779	1,149,920	594,291	108,460	(505,077)	-	50,839,504
- Credit-impaired	-	-	-	-	-	1,205,113	-	1,205,113
Derivative financial assets	-	-	984	1,062	-	-	1,028,965	1,031,011
Other assets	-	-	-	-	-	630,343	-	630,343
Statutory deposits with BNM	-	-	-	-	-	869,595	-	869,595
	59,258,137	5,020,468	6,595,450	4,857,881	2,407,273	2,714,550	2,903,003	83,756,762

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

43 INTEREST/RATE OF RETURN RISK (continued)

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/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. (continued)

	Non-trading Book							
Bank (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2023								
Financial liabilities								
Deposits from customers	24,790,314	16,171,875	14,144,866	741	-	8,970,791	-	64,078,587
Deposits and placements of banks and other financial institutions	3,938,412	-	8,846	-	-	739,277	-	4,686,535
Obligations on securities sold under repurchase agreements	1,408,500	-	-	-	-	-	-	1,408,500
Bills and acceptances payable	-	-	-	-	-	59,983	-	59,983
Derivative financial liabilities	-	-	-	2,890	-	-	892,247	895,137
Other liabilities	253,055	739,160	755,847	1,523,897	-	1,245,402	-	4,517,361
Subordinated bonds	-	-	-	-	1,050,000	-	-	1,050,000
	30,390,281	16,911,035	14,909,559	1,527,528	1,050,000	11,015,453	892,247	76,696,103
On-statement of financial position interest/profit sensitivity gap	28,867,856	(11,890,567)	(8,314,109)	3,330,353	1,357,273	(8,300,903)	2,010,756	7,060,659
Off-statement of financial position interest/profit sensitivity gap	410,000	-	986,259	(360,000)	372,241	-	-	1,408,500
Total interest/profit sensitivity gap	29,277,856	(11,890,567)	(7,327,850)	2,970,353	1,729,514	(8,300,903)	2,010,756	8,469,159

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

43 INTEREST/RATE OF RETURN RISK (continued)

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/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. (continued)

	Non-trading Book							
Bank (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2022								
Financial assets								
Cash and cash equivalents	5,158,791	-	-	-	-	433,002	-	5,591,793
Deposits and placements with banks and other financial institutions	1,907,663	200,000	-	-	-	(60)	-	2,107,603
Investment account placements	3,109,650	-	-	-	-	(15,704)	-	3,093,946
Financial assets at FVTPL	-	-	-	-	-	-	561,059	561,059
Financial investments at FVOCI	5,122,330	4,774,411	4,682,512	4,167,822	845,513	109,540	-	19,702,128
Loans, advances and financing								
- Non credit-impaired	46,699,994	1,419,347	1,212,837	418,143	510,879	(426,353)	-	49,408,494
- Credit-impaired	-	-	-	-	-	1,728,867	-	1,728,867
Derivative financial assets	-	1,098	8,100	14,825	1,820	-	1,281,820	1,307,663
Other assets	-	-	-	-	-	420,034	-	420,034
Statutory deposits with BNM	-	-	-	-	-	703,160	-	703,160
	61,998,428	6,394,856	5,903,449	4,600,790	1,358,212	2,952,486	1,842,879	84,624,747

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

43 INTEREST/RATE OF RETURN RISK (continued)

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/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. (continued)

	Non-trading Book							
Bank (continued)	**Up to 3 months RM'000**	**> 3 - 12 months RM'000**	**> 1 - 3 years RM'000**	**> 3 - 5 years RM'000**	**Over 5 years RM'000**	**Non interest sensitive RM'000**	**Trading Book RM'000**	**Total RM'000**
2022								
Financial liabilities								
Deposits from customers	28,881,569	12,697,483	14,226,895	1,553	-	9,940,171	-	65,747,671
Deposits and placements of banks and other financial institutions	4,962,943	-	10,297	3,155	-	700,474	-	5,676,869
Bills and acceptances payable	-	-	-	-	-	102,529	-	102,529
Derivative financial liabilities	-	-	-	1,480	-	-	1,446,149	1,447,629
Other liabilities	174,183	450,675	222,367	1,796,670	249,999	1,053,013	-	3,946,907
Subordinated bonds	-	-	-	-	1,050,000	-	-	1,050,000
	34,018,695	13,148,158	14,459,559	1,802,858	1,299,999	11,796,187	1,446,149	77,971,605
On-statement of financial position interest/profit sensitivity gap	27,979,733	(6,753,302)	(8,556,110)	2,797,932	58,213	(8,843,701)	396,730	6,653,142
Off-statement of financial position interest/profit sensitivity gap	1,085,000	(90,000)	(260,000)	(695,000)	(40,000)	-	-	-
Total interest/profit sensitivity gap	29,064,733	(6,843,302)	(8,816,110)	2,102,932	18,213	(8,843,701)	396,730	6,653,142

43 INTEREST/RATE OF RETURN RISK (continued)

The impact on the net interest/finance income is simulated under various interest/profit rate assumptions. The below table sets out the impact on net interest/finance income based on a 50 bps parallel shift in interest/profit rates at the reporting date, for a period of 12 months:

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
+ 50 bps	79,100	80,285	64,900	67,538
- 50 bps	(109,100)	(79,366)	(88,800)	(66,281)

The 50 bps shock impact on net interest/finance income is based on simplified scenarios, using the Group's and the Bank's interest/profit risk profile as at the reporting date. It does not take into account actions that would be taken by the Treasury Division or business units to mitigate the impact of the interest/rate of return risk. In reality, Treasury Division seeks to proactively change the interest/rate of return risk profile to minimise losses and maximise net revenues. The projection assumes that interest/profit rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest/finance income of some rates changing while others remain unchanged. The projections also assume a constant statement of financial position and that all positions run to maturity.

44 CURRENCY RISK

Group	MYR RM'000	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000	Total RM'000
2023						
Financial assets						
Cash and cash equivalents	3,185,852	248,472	16,812	91,104	84,739	3,626,979
Deposits and placements with banks and other financial institutions	36,850	315,227	-	-	-	352,077
Financial assets at FVTPL	1,866,049	-	12,974	35	1	1,879,059
Financial investments at FVOCI	20,865,496	582,889	579,964	-	326,982	22,355,331
Loans, advances and financing	57,991,856	7,627,151	533,522	41,614	617,215	66,811,358
Derivative financial assets	503,466	493,201	11,822	2,350	19,781	1,030,620
Other assets	434,276	32,055	5,165	1,254	3,002	475,752
Statutory deposits with Bank Negara Malaysia	1,054,595	-	-	-	-	1,054,595
	85,938,440	9,298,995	1,160,259	136,357	1,051,720	97,585,771
Financial liabilities						
Deposits from customers	66,497,687	6,365,866	739,525	855,522	1,042,496	75,501,096
Deposits and placements of banks and other financial institutions	996,219	3,710,068	-	153	6,712	4,713,152
Bills and acceptances payable	74,289	4,080	92	-	-	78,461
Derivative financial liabilities	462,486	392,078	16,665	3,736	19,403	894,368
Other liabilities	4,088,766	174,551	162,261	68,486	168,607	4,662,671
Subordinated bonds	1,050,000	-	-	-	-	1,050,000
	73,169,447	10,646,643	918,543	927,897	1,237,218	86,899,748
Net financial assets/ (liabilities) exposure	12,768,993	(1,347,648)	241,716	(791,540)	(185,498)	10,686,023

44 CURRENCY RISK (continued)

Group (continued)	MYR RM'000	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000	Total RM'000
2022						
Financial assets						
Cash and cash equivalents	6,484,614	123,691	19,672	119,797	204,571	6,952,345
Deposits and placements with banks and other financial institutions	1,220,638	345,940	-	-	297,022	1,863,600
Financial assets at FVTPL	566,055	-	43	-	-	566,098
Financial investments at FVOCI	22,857,306	27,304	16,736	-	-	22,901,346
Loans, advances and financing	57,285,056	5,651,367	770,781	38,450	553,344	64,298,998
Derivative financial assets	779,592	517,281	3,017	5,623	2,139	1,307,652
Other assets	345,897	15,184	792	1,096	1,501	364,470
Statutory deposits with Bank Negara Malaysia	903,160	-	-	-	-	903,160
	90,442,318	6,680,767	811,041	164,966	1,058,577	99,157,669
Financial liabilities						
Deposits from customers	66,322,503	9,245,439	594,726	628,737	925,858	77,717,263
Deposits and placements of banks and other financial institutions	997,972	4,722,154	-	-	108	5,720,234
Bills and acceptances payable	113,018	1,268	-	-	-	114,286
Derivative financial liabilities	922,717	513,759	3,617	5,812	1,359	1,447,264
Other liabilities	3,817,931	114,366	69,312	58,114	40,317	4,100,040
Subordinated bonds	1,050,000	-	-	-	-	1,050,000
	73,224,141	14,596,986	667,655	692,663	967,642	90,149,087
Net financial assets/ (liabilities) exposure	17,218,177	(7,916,219)	143,386	(527,697)	90,935	9,008,582

Bank	MYR RM'000	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000	Total RM'000
2023						
Financial assets						
Cash and cash equivalents	2,114,632	247,648	14,552	80,929	67,334	2,525,095
Deposits and placements with banks and other financial institutions	286,850	476,107	-	-	-	762,957
Investment account placements	2,884,234	2,210,948	-	-	-	5,095,182
Financial assets at FVTPL	1,861,028	-	12,974	35	1	1,874,038
Financial investments at FVOCI	17,434,089	582,889	579,964	-	326,982	18,923,924
Loans, advances and financing	46,162,064	4,691,034	533,522	40,782	617,215	52,044,617
Derivative financial assets	503,857	493,201	11,822	2,350	19,781	1,031,011
Other assets	582,079	38,750	5,255	1,256	3,003	630,343
Statutory deposits with Bank Negara Malaysia	869,595	-	-	-	-	869,595
	72,698,428	8,740,577	1,158,089	125,352	1,034,316	83,756,762

44 CURRENCY RISK (continued)

Bank (continued)	**MYR RM'000**	**USD RM'000**	**AUD RM'000**	**SGD RM'000**	**Others RM'000**	**Total RM'000**
2023						
Financial liabilities						
Deposits from customers	55,708,985	5,917,801	725,312	743,540	982,949	64,078,587
Deposits and placements of banks and other financial institutions	973,621	3,710,068	-	152	2,694	4,686,535
Bills and acceptances payable	55,811	4,080	92	-	-	59,983
Derivative financial liabilities	463,255	392,078	16,665	3,736	19,403	895,137
Other liabilities	3,937,352	174,115	162,107	75,275	168,512	4,517,361
Subordinated bonds	1,050,000	-	-	-	-	1,050,000
	62,189,024	10,198,142	904,176	822,703	1,173,558	75,287,603
Net financial assets/ (liabilities) exposure	10,509,404	(1,457,565)	253,913	(697,351)	(139,242)	8,469,159
2022						
Financial assets						
Cash and cash equivalents	5,014,379	300,075	13,478	83,809	180,052	5,591,793
Deposits and placements with banks and other financial institutions	1,420,638	389,943	-	-	297,022	2,107,603
Investment account placements	2,301,896	792,050	-	-	-	3,093,946
Financial assets at FVTPL	561,016	-	43	-	-	561,059
Financial investments at FVOCI	19,658,088	27,304	16,736	-	-	19,702,128
Loans, advances and financing	46,117,984	4,083,155	770,781	38,450	553,344	51,563,714
Derivative financial assets	779,603	517,281	3,017	5,623	2,139	1,307,663
Other assets	400,357	16,288	792	1,096	1,501	420,034
Statutory deposits with Bank Negara Malaysia	703,160	-	-	-	-	703,160
	76,957,121	6,126,096	804,847	128,978	1,034,058	85,051,100
Financial liabilities						
Deposits from customers	54,996,399	8,738,997	589,119	518,514	904,642	65,747,671
Deposits and placements of banks and other financial institutions	954,605	4,722,155	-	-	109	5,676,869
Bills and acceptances payable	101,261	1,268	-	-	-	102,529
Derivative financial liabilities	923,082	513,759	3,617	5,812	1,359	1,447,629
Other liabilities	3,663,800	116,049	69,274	57,497	40,287	3,946,907
Subordinated bonds	1,050,000	-	-	-	-	1,050,000
	61,689,147	14,092,228	662,010	581,823	946,397	77,971,605
Net financial assets/ (liabilities) exposure	15,267,974	(7,966,132)	142,837	(452,845)	87,661	7,079,495

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

44 CURRENCY RISK (continued)

Value-at-Risk ("VaR")

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

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
VaR				
- Interest/Rate of return risk	3,526	5,277	3,526	5,274
- Currency risk	2,112	1,813	2,109	1,819
- Credit spread risk	191	640	191	640
- Price risk	-	166	-	166
- Total	3,889	5,117	3,880	5,123

45 CAPITAL ADEQUACY

Capital Management

The key objective of the Group's capital management policy is to maintain a strong capital position to support business growth and to sustain investor, depositor, customer and market confidence. The Group actively manages their capital composition with an optimal mix of capital instruments in order to keep the overall cost of capital low.

The Group's capital is closely monitored and actively managed to ensure that there is sufficient capital to support business growth and to pursue strategic business that will create value for our stakeholders, while taking into consideration OCBC Malaysia's risk appetite. The Group's internal capital adequacy assessment process ("ICAAP") involves a comprehensive assessment of all material risks that the Group is exposed to and an evaluation of the adequacy of the Group's capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Group's capital adequacy over a multi-year horizon. This process takes into consideration the Group's business strategy, operating environment, regulatory changes, target capital ratios and composition, as well as expectations of its various stakeholders. In addition, capital stress tests are conducted to understand the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios, and to evaluate how the Group can continue to maintain adequate capital under such scenarios.

Capital Adequacy Ratios

The Group is in compliance with BNM's Capital Adequacy Framework which requires banks to meet minimum Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital Adequacy Ratio ("CAR") of 7.0%, 8.5% and 10.5% respectively (inclusive of Capital Conservation Buffer of 2.5%).

In addition, the Group will be subject to a Countercyclical Buffer requirement if this buffer is applied by regulators in countries which the Group has credit exposures to. Generally in the range of 0% to 2.5% of risk-weighted assets, the Countercyclical Buffer is not an ongoing requirement but it may be applied by regulators to limit excessive credit growth in their economy.

On 9 December 2020, BNM implemented transitional arrangements for regulatory capital treatment of accounting provisions which allow the Bank to add back a portion of the Stage 1 and Stage 2 provisions for ECL to CET1 capital, subject to eligibility. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions - interim approach and transitional arrangements" (March 2017) and "Measures to reflect the impact of Covid-19" (April 2020). The Group elected to apply the transitional arrangements for four financial years commencing with the financial year ending 31 December 2020, with the transitional benefits add-back starting at 100% in 2020, then reducing to 75% in 2022, 50% in 2023 and 0% in 2024.

The table below shows the composition of the Group's and the Bank's regulatory capital and capital adequacy ratios which was determined in accordance with the requirements of BNM's Capital Adequacy Framework (Capital Components), with application of transitional arrangements. The Group and the Bank computes total risk-weighted assets based on the Internal Rating Based Approach for Credit Risk for their major credit portfolios and the Standardised Approach for Market Risk and Operational Risk respectively.

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

45 CAPITAL ADEQUACY (continued)

Capital Adequacy Ratios (continued)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CET 1 capital				
Paid-up ordinary share capital	754,000	754,000	754,000	754,000
Retained earnings	8,189,412	7,974,906	6,591,682	6,627,799
Other reserves	676,361	547,402	592,120	483,559
Regulatory adjustment for CET 1 capital	(815,090)	(836,683)	(1,255,868)	(1,290,368)
Tier 1 capital	8,804,683	8,439,625	6,681,934	6,574,990
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	20,509	13,676	18,502	11,419
Surplus eligible provisions over expected losses	281,308	268,246	235,848	218,557
Subordinated bonds	1,050,000	1,050,000	1,050,000	1,050,000
Tier 2 capital	1,351,817	1,331,922	1,304,350	1,279,976
Capital base	10,156,500	9,771,547	7,986,284	7,854,966
Before deducting proposed dividend				
CET 1 capital ratio	15.936%	16.146%	14.355%	15.313%
Tier 1 capital ratio	15.936%	16.146%	14.355%	15.313%
Total capital ratio	18.382%	18.694%	17.157%	18.294%
After deducting proposed dividend				
CET 1 capital ratio	15.462%	15.315%	13.793%	14.302%
Tier 1 capital ratio	15.462%	15.315%	13.793%	14.302%
Total capital ratio	17.909%	17.863%	16.595%	17.283%

The Group elected to apply the transitional arrangements for regulatory capital treatment of accounting provisions for four financial years commencing in 2020. Had the transitional arrangements not been applied, the Group's and the Bank's capital adequacy ratios would be as follows:

After deducting proposed dividend				
CET 1 capital ratio	15.342%	15.206%	13.664%	14.235%
Tier 1 capital ratio	15.342%	15.206%	13.664%	14.235%
Total capital ratio	17.789%	17.754%	16.467%	17.217%

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

Total RWA for credit risk	48,525,293	45,801,679	40,788,273	37,339,687
Total RWA for market risk	845,887	1,015,989	834,766	1,019,125
Total RWA for operational risk	5,879,771	5,454,005	4,924,278	4,578,109
	55,250,951	52,271,673	46,547,317	42,936,921

The capital adequacy ratios of OCBC Al-Amin, OCBC Malaysia's Islamic Banking subsidiary, are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components), applying the transitional arrangements. OCBC Al-Amin adopted the Internal Ratings Based Approach for Credit Risk for its major credit portfolios, whilst the other credit portfolios are on the Standardised Approach. For market and operational risks, OCBC Al-Amin has adopted the Standardised Approach and the Basic Indicator Approach respectively.

45 CAPITAL ADEQUACY (continued)

Capital Adequacy Ratios (continued)

The capital adequacy ratios of OCBC Al-Amin are as follows:

	2023	2022
CET 1/Tier 1 capital ratio	24.025%	19.667%
Total capital ratio	24.575%	20.226%

Had the transitional arrangements not been applied, OCBC Al-Amin Bank Berhad capital adequacy ratios would be as follows:

CET 1/Tier 1 capital ratio	23.949%	19.364%
Total capital ratio	24.499%	19.923%

46 INTEREST RATE BENCHMARK REFORM

USD LIBOR ceased as at 30 June 2023 and the Bank has fully transition with new agreeements being referenced to eligible Risk Free Rates ("RFRs").

Malaysia Overnight Rate ("MYOR") is running parallel with KLIBOR as of the reporting date and the full transition to MYOR is still in progress hence there remains some uncertainty around the timing and precise nature of these changes. The Group and the Bank will, however, closely monitor the BNM's announcement on the MYOR and the discontinuation of KLIBOR publication for the selected tenors, and the Bank will engage with the counterparties to discuss the necessary changes to the contract.

As at 31 December 2023, there is no exposure in hedging instruments (31 December 2022: RM1,085 million) for the Group and the Bank.

Exposures impacted by the IBOR reform, other than hedging instruments

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

KLIBOR

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
KLIBOR				
Gross carrying amount				
Loans, advances and financing	2,908,450	1,756,300	2,191,730	1,520,614
Non-derivative financial asset	2,908,450	1,756,300	2,191,730	1,520,614
Notional amount				
Derivative financial instruments	-	38,680,153	-	38,651,033
	-	38,680,153	-	38,651,033