Registration No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Reports and financial statements for the financial year ended 31 December 2022

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Contents

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Directors' report
for the financial year ended 31 December 2022

The Directors of Affin Hwang Investment Bank Berhad ("the Bank") hereby submit their report together with the audited financial statements of the Bank including the consolidated financial statements of the Bank and its subsidiaries ("the Group") for the financial year ended 31 December 2022.

Principal activities

The principal activities of the Bank are investment banking, stockbroking activities, dealing in options and futures and related financial services.

The principal activities of the subsidiaries as set out in Note 12 to the financial statements, consist of provision of investment holding, trustee and nominee services.

On 29 July 2022, the Group completed the divestment of its entire 63% equity interest held in Affin Hwang Asset Management Berhad ("AHAM") to Starlight Asset Management Sdn Bhd, an investment holding company incorporated by funds managed by CVC Capital Partners. Following the completion of the divestment, AHAM ceased to be a subsidiary of the Group. Refer to Note 42 of the financial statements. Other than the above, there were no other significant changes in the nature of the principal activities of the Group during the financial year.

Financial results

	The Group	**The Bank**
	RM'000	**RM'000**
Profit before taxation and zakat	55,199	1,367,439
Taxation and zakat	(21,083)	(20,588)
Profit before taxation	34,116	1,346,851
Profit from discontinued operation	1,302,784	-
Net profit after taxation	**1,336,900**	**1,346,851**

Dividends

The dividends on ordinary shares paid by the Bank since 31 December 2021 were as follows:

	RM'000
In respect of the financial year ended 31 December 2022:	
Single-tier special dividend of 164.128 sen per share paid on 19 October 2022	1,280,200

The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2022.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements and notes to the financial statements.

Directors' report
for the financial year ended 31 December 2022 (continued)

Statutory information on the financial statements

Before the financial statements of the Group and of the Bank were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for bad and doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Bank have been written down to an amount which the current assets might be expected so to realise.

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

(a) which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent;

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading; or

(c) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

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

(a) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group or of the Bank that has arisen since the end of the financial year other than in the ordinary course of business of the Group and the Bank.

No contingent or other liability in the Group or of the Bank has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of Directors, will or may substantially affect the ability of the Bank and its subsidiaries to meet their obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank that would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the operations of the Group and of the Bank for the financial year were not substantially affected by any item, transaction, or event of a material and unusual nature, other than those disclosed in Note 42 to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

Directors

The Directors of the Bank who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

Tunku Afwida binti Tunku A.Malek
Chairman/ Independent Non-Executive Director, appointed w.e.f. 9 May 2022

Mr Eugene Hon Kah Weng
Independent Non-Executive Director

Encik Hasli bin Hashim
Independent Non-Executive Director

Dato' Abdul Wahab bin Abu Bakar
Independent Non-Executive Director

Ms Kong Yuen Ling
Non-Independent Non-Executive Director
Nominee Director representing The Bank of East Asia, Limited ("BEA")

Datuk Wan Razly Abdullah bin Wan Ali
Non-Independent Executive Director
Nominee Director representing Affin Bank Berhad ("ABB")

Datuk Noor Azian binti Shaari
Independent Non-Executive Director, retired w.e.f. 3 October 2022

The Directors of the Bank's subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of this report (not including those Directors listed above) are:

<u>Affin Hwang Asset Management Berhad (Ceased as the Group's subsidiary on 29 July 2022)</u>
Dato' Teng Chee Wai
Seet Oon Hui Eleanor
Kameel bin Abdul Halim (Appointed w.e.f. 21 February 2022 and resigned w.e.f. 29 July 2022)
Raja Tan Sri Dato Seri Aman bin Raja Haji Ahmad (Resigned w.e.f. 29 July 2022)
Faizal Sham bin Abu Mansor (Resigned w.e.f. 29 July 2022)
Maj. Gen Dato Zulkiflee bin Maizan (Resigned w.e.f. 29 July 2022)
Dato' Mona Suraya binti Kamaruddin (Resigned w.e.f. 21 February 2022)

<u>Affin Hwang Nominees (Asing) Sdn. Bhd. and Affin Hwang Nominees (Tempatan) Sdn. Bhd.</u>
Mr Liao Pieng Sin
Mr Ng Meng Wah
Puan Anita binti Talib
Ms Kan Chew Gan
Ms Yeong Sook Kwan
Mr Keong Si Hark (Resigned w.e.f. 3 October 2022)
The late Mr Wong Yoke Weng (Resigned w.e.f. 31 January 2022)
Ms Ng Lye Chiang (Resigned w.e.f. 3 October 2022)
Ms Lee Seok Chin (Resigned w.e.f. 3 October 2022)
Ms Ang Swee Lean (Appointed w.e.f. 3 October 2022)

Directors (Continued)

The Directors of the Bank's subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of this report (not including those Directors listed above) are (continued):

<u>AHC Global Sdn. Bhd. and AHC Associates Sdn. Bhd.</u>
Encik Mustafa Shafiq bin Razalli (Appointed w.e.f. 9 February 2022)
Mr Ng Meng Wah (Appointed w.e.f. 11 February 2022)
Dato' Mona Suraya binti Kamaruddin (Resigned w.e.f. 14 February 2022)
Dato' Teng Chee Wai (Resigned w.e.f. 11 February 2022)

<u>Affin Hwang Trustee Berhad</u>
Encik Mustafa Shafiq bin Razalli
Encik Kameel bin Abdul Halim (Appointed w.e.f. 2 February 2023)
Dato' Teng Chee Wai (Resigned w.e.f. 25 January 2022)
Ms Wong Wan Theng (Resigned w.e.f. 20 February 2023)

Responsibility statement by Board of Directors

In preparing the financial statements, the Directors have ensured that the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the financial statements of the Group and of the Bank present a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022 and financial performance of the Group and of the Bank for the financial year ended 31 December 2022.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

The Directors have also taken the necessary steps to safeguards the assets of the Group and the Bank and for the implementation and continued implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 183 of the financial statements.

Directors' report
for the financial year ended 31 December 2022 (continued)

Directors' interest in shares, shares options and debentures

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held the office at the end of the financial year held any shares or debentures in the Bank or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year.

	Number of ordinary shares			
	As at 1.1.2022	**Bought**	**Sold**	**As at 31.12.2022**
Affin Bank Berhad				
Datuk Wan Razly Abdullah bin Wan Ali	-	1,534,300	-	1,534,300

Other than the above, the Directors in office at the end of the financial year did not have any other interest in the shares, warrants and option over shares of the Bank and its related companies during the financial year.

The Bank implemented the Deferred Discretionary Performance Bonus Scheme ("DDPB") and shall pay it in 2 tranches of payment:

i) 75% after Board's approval in the first quarter of the financial year, and
ii) the balance of 25% will be paid after completion of the Bank's Audit and approval of Bank's financial statements in the following financial year.

The DDPB is subject to claw back provisions. Any unvested element under the deferred plan can be forfeited/adjusted or the delivered variable remuneration payout be recovered in situations such as:

i) Misbehavior or material error by the staff causing harm to the Bank's reputation, or in cases of misconduct, incompetence or negligence;
ii) The staff's business unit suffers a material downturn in its financial performance or a material restatement of financial statements of the Bank;
iii) The staff's business unit suffers a material risk management failure;
iv) The staff deliberately misleads the market and/or shareholder in relation to the financial performance of the Bank;
v) A significant deterioration in the financial health of the Bank; and
vi) If the Bank and/or relevant line of business incurs losses in any year during the vesting period, the unvested portions will be subject to malus.

The annual KPIs for officers in control functions are subject to approval by the Board, as this will determine the compensation payout. This is to ensure and safeguard the independence and authority of individuals engaged in control functions whose remuneration is based on the achievement of the control functions' KPIs.

On an annual basis, the Management is required to table to the Board, the performance metrics (Financial, Business and Non-Financial) to determine the variable pay and remuneration. Criteria for determination of weak performance is based on the performance rating falling under "below expectation" as set out in the Bank's performance rating scale.

Directors' report
for the financial year ended 31 December 2022 (continued)

Directors' benefits

Neither the end of the financial year nor at any time during the financial year, no other arrangements subsisted to which the Bank or any of its subsidiaries is a party with the object or objects of enabling Directors of the Bank or any of its subsidiaries to acquire benefits by means of the acquisition of shares in, or debenture of the Bank or any other body corporate. Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 34 to the financial statements) by reason of a contract made by the Bank or by a related corporation with the Director or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest.

Directors' Remuneration

The remuneration in aggregate for Directors of the Bank and its subsidiaries for the financial year are as follows:

	The Group RM'000	The Bank RM'000
Directors of the Bank:		
- Director fees	**1,177**	**1,177**
- Directors' other emoluments	**1,027**	**1,027**
Directors of the Bank's subsidiaries:		
- Director fees	**395**	**-**
- Directors' other emoluments	**654**	**-**

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors & Officers Liability Insurance ("D&O Insurance") subscribed and borne by the holding company of the Bank namely Affin Bank Berhad for the period from 19 April 2022 to 18 April 2023. Total premium paid for the D&O Insurance for financial year 2022 is RM186,337 (2021: RM152,729). The Directors and Officers of the Group and the Bank are also covered under the Crime and Professional Indemnity Insurance ("CCPI Insurance") pursuant to the terms of the CCPI Insurance policy. For financial year 2022, the total amount of premium paid for the CCPI Insurance by the Group and the Bank amounted to RM1,057,145 and RM913,540 (2021: RM1,014,431 and RM799,479) respectively.

There were no professional fees paid to Directors or any firms, of which the Directors are members, for services rendered and no amount was paid to or receivable by any third party for services provided by Directors, except for director's fees paid and payable to Affin Bank Berhad ("ABB") amounting to RM184,532 for services provided by Datuk Wan Razly Abdullah bin Wan Ali during the financial year 2022 (2021: RM159,068).

The holding company, Affin Bank Berhad maintained on a group basis, a Directors and Officers Liability Insurance against any Legal Liability incurred by the Directors in the discharge of their duties while holding office for the Bank. The Directos shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

The total remuneration paid to the Chief Executive Officer and Directors of the Bank during the financial year are disclosed in Note 34 to the financial statements.

Corporate Governance

The Directors of the Bank regard corporate governance as vitally important to the success of the Bank's business and are unreservedly committed to applying the principles necessary to ensure that the following principles of good governance are practised in all of its business dealings in respect of its shareholder(s) and relevant stakeholders:

- The Board of Directors (the "Board") is the focal point of the Bank's corporate governance system. It is ultimately accountable and responsible for the performance and affairs of the Bank;
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities;
- All Board members are responsible to the Bank for achieving high level of good governance; and
- The Board is entrusted with leading and guiding the Bank in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Bank. The Directors, collectively and individually, are aware of their responsibilities to shareholder and stakeholders for the manner in which the affairs of the Bank are managed. The Board sets the Bank's values and standards and ensures that its obligations to its shareholder(s) and stakeholders are understood and met.

1 Board of Directors' Responsibility and Oversight

The Board as at the date of this report, comprises one (1) Non-Independent Executive Director and five (5) Non-Executive Directors, of which four (4) of whom are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director. The Board, with a wide range of experience and knowledge, has been instrumental in the formulation and crafting of the Bank's vision and its strategic business direction.

During the financial year, the Board met twenty-one (21) times to review the Bank's financial and business performance, to oversee the conduct of the Bank's business as well as to ensure that adequate internal control systems are in place.

The profile of the Board has been published on the Bank's website.

The composition of the Board and the number of meetings attended by each Director during the financial year are as follows:

Directors	Total meetings attended
Tunku Afwida binti Tunku A.Malek *Appointed as Chairman/Director w.e.f. from 9 May 2022*	11 out of 12
Mr Eugene Hon Kah Weng	20 out of 21
Datuk Wan Razly Abdullah bin Wan Ali	20 out of 21
Encik Hasli bin Hashim	20 out of 21
Dato' Abdul Wahab bin Abu Bakar	19 out of 21
Ms Kong Yuen Ling	20 out of 21
Datuk Noor Azian binti Shaari *Retired as Director w.e.f. from 3 October 2022*	17 out of 17

Directors' report
for the financial year ended 31 December 2022 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(i) The Board's Role and Responsibilities

- The Board is entrusted with leading and guiding the Bank in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Bank. The Directors, collectively and individually, are aware of their responsibilities to shareholder(s) and stakeholder for the manner in which the affairs of the Bank are managed. The Board sets the Bank's values and standards and ensures that its obligations to its shareholder and stakeholders are understood and met.

- The Board understands that the responsibility for good corporate governance and ethics rests with them and therefore strives to follow the principles and best practices of corporate governance and adopts a "zero tolerance" approach on all forms of corruption, and bribery which is enumerated under the Bank's Anti-Bribery and Corruption Framework.

- Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Bank, setting aims of Management and monitoring the performance of Management.

- The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Bank and its customers, officers and the general public.

  In fulfilling this role, the Board must:

  a) approve the Bank's risk appetite (including without limitation, the technology risk appetite which is aligned with the Bank's risk appetite statement), business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
     - oversee the adequacy of the Bank's information technology ("IT") and cybersecurity strategic plans covering a period of no less than three (3) years, and periodically review these plans once every three (3) years;
     - oversee the effective implementation of a sound and robust technology risk management framework ("TRMF") and cyber resilience framework ("CRF"), and periodically review and affirm the TRMF and CRF, at least once every three (3) years to guide the Bank's management of technology risks;

  b) oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of the Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank;

  c) oversee the implementation of the Bank's governance framework and internal control framework, and periodically ascertaining whether they remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;

  d) promote, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;

  e) promote, together with Senior Management, ensure governance of sustainability in the Bank through appropriate environmental, social and governance considerations in the Bank's business strategies, priorities and targets;

  f) oversee and approve the recovery and resolution as well as business continuity plans of the Bank to restore its financial strength and maintain or preserve critical operations and critical services when it comes under stress;

  g) promote timely and effective communication between the Bank and BNM on matters affecting, or that may affect, the safety and soundness of the Bank;

  h) undertake various functions and responsibilities as specified in the policy documents and directives issued by BNM and other relevant laws from time to time; and

  i) ensure the establishment and implementation of group-wide policies and procedures to ensure Group's compliance with the various regulatory requirements and guidelines issued by Bank Negara Malaysia ("BNM"), Securities Commission ("SC"), Bursa Malaysia Securities Berhad ("BMSB") and Companies Commission of Malaysia ("CCM").

Directors' report
for the financial year ended 31 December 2022 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(i) The Board's Role and Responsibilities (continued)

- The Board is responsible over the Bank's capital management as follows:-
  a) approving the capital plan as part of budget;
  b) approving significant capital raising and repayment; and
  c) reviewing and note the monitoring reports on capital adequacy.

- The Board, in carrying out its functions or duties shall have regard to the interests of depositors or policy owners of the Bank and Participants as defined in the Financial Services Act 2013 ("FSA").

  Without limiting the generality of Section 56(1) of FSA, the Board of the Bank shall:-
  a) set and oversee the implementation of business and risk objective and strategies and in doing so shall have regard to the long-term viability of the Bank and reasonable standards of fair dealing;
  b) ensure and oversee the effective design and implementation of sound internal controls, compliance and risk management systems commensurate with the nature, scale and complexity of the business and structure of the Bank;
  c) oversee the performance of the senior management in managing the business and affairs of the Bank;
  d) ensure that there is a reliable and transparent financial reporting process within the Bank; and
  e) promote timely and effective communications between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank.

- The Board regularly reviews the anti-corruption compliance activities of the Bank.

(ii) Group Board Nomination and Remuneration Committee ("GBNRC")

GBNRC was established for the banking entities within the Affin Bank Berhad ("Affin Group") Group on 1 August 2020. The Board of the Bank continues to remain accountable for the decision taken at the GBNRC. Hence, the recommendations made by the GBNRC have to be deliberated and approved by the Bank's Board.

Responsibilities of the GBNRC are as follows:

- Appointment/Re-Appointment of Directors, Shariah Committee Members, Key Senior Management Officers ("KSMO") and Company Secretary.
- Performance/Fit and Proper Assessment of Directors, Shariah Committee Members, Chief Executive Officer ("CEO"), KSMO and
- Performance indicators/targets.
- Remuneration of Directors, Shariah Committee members, CEOs, KSMO, Company Secretary and Other Material Risk Takers.

- Succession Planning and Talent Management.
- Others - to recommend to the Board the appointment of external consultants/advisors related to the GBNRC's areas of responsibilities.

The Board of the Bank continues to remain accountable for the decision taken at the GBNRC. Hence, the recommendations made by the GBNRC have to be deliberated and approved by the Bank's Board.

The Director representing the Bank at GBNRC :-

i) Dato' Abdul Wahab bin Abu Bakar

Directors' report
for the financial year ended 31 December 2022 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(iii) Board Risk Management Committee ("BRMC")

The BRMC, as at 31 December 2022 comprises three (3) Board members and scheduled to meet at least on a quarterly basis, met twelve (12) times during the financial year. The composition of the BRMC and the number of meetings attended by each member are as follows:

Directors	Total meetings attended
Encik Hasli bin Hashim (INED)	12 out of 12
Dato' Abdul Wahab bin Abu Bakar (INED) *Appointed as member of BRMC w.e.f. 1 January 2022*	11 out of 12
Ms Kong Yuen Ling (NINED) *Appointed as member of BRMC w.e.f. 4 October 2022*	1 out of 2
Datuk Noor Azian binti Shaari (INED) *Ceased as member of BRMC w.e.f. 3 October 2022*	10 out of 10

The BRMC was established to ensure that the risk management framework, policies, infrastructure and controls (including procedures and processes) adequately protect the Bank against all risks, comprising but not limited to, credit risks, market and liquidity risks, operational risks (which include legal risk and regulatory risk), cyber risk, reputational risk and human resource risk.

Whilst BRMC represents a committee to assess the adequacy of risk management framework, policies, infrastructure and controls (including procedures and processes), it is not a duplicate of the Board Audit Committee ("BAC"). Hence, the composition of BRMC shall not mirror that of BAC, although the BRMC shall be chaired by an Independent Director. With the segregation of functions, BRMC shall constitute an auditable area by the BAC.

The BRMC is responsible for:

- Deliberate/review on proposals pertaining to risk management strategies, risk tolerance, risk frameworks, policies and guidelines, and recommend to the Board of Directors ("the Board") for approval;
- The BRMC shall not be an approving authority except for matters specified in the BRMC's Terms of Reference and where delegated in the Authority Manual (Part I) approved by the Board;
- Ensure that adequate and robust risk management frameworks, policies, guidelines, infrastructure and controls (including procedures and processes) are in place in identifying, measuring, monitoring and managing all relevant risks relating to the Bank's business activities;
- Oversee and evaluate risk management frameworks, policies, guidelines, infrastructure and controls (including procedures and processes) in respect of credit risks, market and liquidity risks, operational risks, including anti-money laundering and counter financing of terrorism ("AML/CFT") risks;
- Oversee and review periodic reports in respect of the Bank's exposures to all relevant risks across the Bank's business activities, risk management activities and compliance-related matters;

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(iii) Board Risk Management Committee ("BRMC") (continued)

The BRMC is responsible for (continued):

- Oversee the Bank's capital management to ensure its effectiveness, which include:

  a) review capital management standards, policies and guidelines, capital plan, summary, capital adequacy and allocation reports; and
  b) approve the mandate of the Asset & Liability Committee ("ALCO") to manage the Bank's capital.

- Where applicable, assist the Board in the implementation of a sound remuneration system, by providing feedback where appropriate, with regards to the Bank's remuneration system taking into consideration whether the Bank's remuneration system is aligned to the risk-taking activities in terms of risk appetite, capital, liquidity and likelihood and timing of earnings, without prejudice to the tasks of the Group Board Nomination and Remuneration Committee;

- Ensure that adequate AML/CFT framework and policies are in place in the Bank to protect it against the risks of money laundering and terrorism financing;

- Evaluate and make recommendations to the Board on risk management issues, the level of risk exposure and appropriate risk mitigants in relation to credit transactions and exposures with connected parties, on a quarterly basis; and

- Review and concur on proposals pertaining to the introduction of new and/or variation products and/or services for the Board's approval.

The Board had at its meeting held on 24 November 2021 approved the following:-

(i) Centralisation and consolidation of Information Technology ("IT") governance of AHIB at Group Board Information Technology Committee ("GBITC") of Affin Bank Berhad ("ABB") with representatives from both ABB and AHIB; and
(ii) GBITC to replace and assume the responsibilities of AHIB's Board Risk Management Committee ("BRMC") in relation to IT management and governance matters of AHIB.

The Directors representing AHIB at GBITC are:-
(i) Dato' Abdul Wahab bin Abu Bakar (appointed on 6 January 2022)
(ii) Tunku Afwida binti Tunku A.Malek (appointed on 1 August 2022)

The primary objective of the GBITC is to assess and examine the adequacy of Group Information Technology (including Digital and Security) management framework and risks including IT controls, policies, procedures and processes of Affin Banking Group.

The responsibilities of GBITC are as follows:

(i) oversee and review the IT and Digital strategies, costs and planning, including the financial, tactical and strategic benefits of proposed major IT and operational related initiatives.
(ii) review and assess progress on major IT initiatives, technology architecture decisions and IT priorities as well as overall IT performance, including metrics concerning technology investments, system availability, integrity, capacity and performance.
(iii) review and endorse IT investment proposal from management prior to submission for Board approval.

Directors' report
for the financial year ended 31 December 2022 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(iv) Board Audit Committee ("BAC")

The BAC as at 31 December 2022 comprises three (3) members, of all three (3) are INED and is scheduled to meet at least four (4) times annually.

The BAC met nine (9) times during the financial year.

The composition of the BAC and the number of meetings attended by each member are as follows:

Directors	Total meetings attended
Mr Eugene Hon Kah Weng (Chairman/INED)	9 out of 9
Encik Hasli bin Hashim (INED)	9 out of 9
Dato' Abdul Wahab bin Abu Bakar (INED) *Appointed as BAC member w.e.f. 4 October 2022*	2 out of 2
Datuk Noor Azian binti Shaari (INED) *Ceased as BAC member w.e.f. 3 October 2022*	7 out of 7

BAC is chaired by an Independent Non-Executive Director and was established in compliance with BNM requirements and Code on Corporate Governance.

The primary goals of the BAC are as follows:

- Establish the framework for and oversee the audit function of the Bank and its subsidiaries (if any);
- Provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that good Corporate Governance, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the Bank;
- Implement and support the function of the Board by reinforcing the independence and objectivity of the internal audit activity; and
- Ensure that Internal and External Audit functions are properly conducted, and audit recommendations are implemented timely and effectively.

The functions and duties of BAC shall include, but are not limited to the following:

a) To review the Quarterly Financial Results and Year-End Financial Statements prior to the submission and approval by the Board focusing on the followings:
   - Changes in or implementation of major accounting policy;
   - Significant and unusualevents or any going concern assumption;
   - Significant adjustments arising from the audit; and
   - Compliance with accounting standards, disclosure requirements and other legal requirements.

b) To ensure that the accounts and financial statements are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, bad and doubtful debts;

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(iv) Board Audit Committee ("BAC") (continued)

The functions and duties of BAC shall include, but are not limited to the following: (continued)

c) To review related party transactions that may arise within the Bank and its subsidiaries;

d) To act upon any request from the Board to investigate and report on any issues of concern with regards to the Management of Bank and its subsidiaries;

e) To consider the major findings of internal investigations and Management responses;

f) To obtain external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of the relevant regulatory body, where necessary;

g) To recommend to the Board on the appointment of External Auditors and their audit fees;

h) To review with the External Auditors the scope of the audit plan, system of internal controls, the audit reports (including Management letter and Management response) and the assistance given by the Management and any findings or action to be taken;

i) To meet with the External Auditors without the presence of Management at least twice a year;

j) To review the proposals for non-audit services rendered by the External Auditors. If the External Auditors are engaged, the BAC is responsible for ensuring that such engagement does not compromise the independence of the External Auditors in their roles as Statutory Auditors of the Bank;

k) To review the adequacy and effectiveness of the Bank's control environment and existing policies, procedures and practices within the Bank in order to regulate and streamline the same to ensure uniformity;

l) To provide oversight on the effectiveness of internal control systems implemented by the Management in view of establishing and maintaining high ethical standards for all employees of the Bank;

m) To oversee Management's arrangements for the prevention and deterrence of fraud and ensure that appropriate action is taken against known perpetrators of fraud;

n) To challenge Management, internal and external auditors to ensure that the Bank has appropriate anti-fraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected;

o) Oversight over the Internal Audit function; encompassing reviewing the performance and adequacy of the scope internal audit reviews, functions, competency and resources of the internal audit activity and the necessary authority to carry its work. The review may cover the planned audit work, internal audit programmes, the results of completed work and Management implementation of agreed actions as recommended by Chief Internal Auditor. Where appropriate, the Committee may direct the Management to rectify and improve the system of internal controls and procedures based on the internal auditors' recommendations and suggestions for improvements;

p) To review the findings of any examination by regulatory authorities and the Management response and monitor implementation of corrective actions adopted by the Bank.

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(v) Board Credit Review Committee ("BCRC")

As Affin Group moves towards strengthening its Group collaboration pursuant to Part E, Standard 20 of the BNM Policy on Corporate Governance on the responsibilities as a holding company, Affin Bank Berhad ("ABB") had at its meeting held on 30 June 2021 approved the Centralisation of Group Board Credit Review and Recovery Committee ("GBCRRC") at ABB, the apex entity.

The Board has at its meeting held on 20 August 2021 approved the dissolution of BCRC with effect from 1 October 2021.

This dissolution was made in view of the consolidation of the functions of the Bank's BCRC into and centralisation at ABB's GBCRRC.

The duties and responsibilities of the GBCRRC shall include the following:

- Critically review credit facilities application, after due process of checking, analysis, review and recommendation by the Group Credit Management Division to Group Management Credit Committee ("GMCC"), and if found necessary, to exercise the power of veto on behalf of the Board, on credit applications that have been approved by the GMCC;
- To consider whether to affirm/veto credit/underwriting proposal, impose additional terms or modify the terms approved by the GMCC thereof;
- To set and review impaired loans recovery targets;
- To ensure that the GMCC has discharged its responsibilities in a timely and proper manner;
- To monitor the progress of recovery efforts;
- To offer advice and directions relating to credit portfolio; and
- Assisting the Board of Directors in performing oversight function and provide recommendations in respect of investment strategies, management and performance of investment accounts.

Authority Limit
- Nil. The authority is restricted to veto powers where deemed necessary.

The GBCRRC is established to assist the Board in respect of matters relating to credit risk in the Bank's business operations. Based on the Credit Authority Matrix approved by the board, the GBCRRC shall review credit/underwriting proposals which have been approved by the Group Management Credit Committee ("GMCC").

Directors' report
for the financial year ended 31 December 2022 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(v) Board Credit Review Committee ("BCRC") (continued)

The BCRC shall operate in accordance with the powers and authority delegated to it by the Board as follows:

- To consider whether to approve/reject a credit/underwriting proposal, impose additional terms or modify the terms recommended by the GMCC thereof;
- To consider and if deemed fit, to approve any request to grant waiver and exemption from complying with the Bank's Credit Risk Policy, Single Counterparty Exposure Limit ("SCEL"), Discretionary Authorities and related policies and operations manuals; and
- Generally to ensure that the GMCC has discharged its responsibilities in a proper manner.

Non-veto proposals shall be submitted to the GBCRRC for notification.

The Directors representing the Bank at GBCRRC:-
(i) En Hasli bin Hashim
(ii) Mr Eugene Hon Kah Weng

(vi) Directors' Training

The Bank shall ensure that the structured training programmes is set up to better enable Directors to fulfil their responsibilities and shall also ensure that all Directors receive continuous training to keep abreast with latest developments in the industry, particularly on relevant new laws, regulations and the changing risk factors from time to time.

All new Directors are required to attend the Directors Orientation Programme to familiarise themselves with the Group's organisation structure, business and the financial industry. A formalised orientation programme has been developed and the relevant Heads of Departments/Divisions will brief the new members of the Board on the functions and areas of responsibility of their respective department/divisions. This serves to provide them with a platform in establishing effective channel of communication and interaction with Senior Management as well as to ensure that any new Director understand:

a) their roles and responsibilities;
b) the nature of the Group's business;
c) overview of risks on the Group's business and the risk management strategy; and
d) legal requirements and compliance controls.

All Directors appointed to the Board are required to complete the Financial Institutions Directors' Education training ("FIDE") organised by BNM within one year from the date of appointment. The Securities Commission ("SC") has revised its Licensing Handbook which stipulated the requirement for Director to attend the Capital Market Director Programme ("CMDP") and the timeline to complete the programme.

Directors' report
for the financial year ended 31 December 2022 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(vi) Directors' Training (continued)

The development and training programmes attended by the Directors during the financial year ended 31 December 2022 are as follows: (continued)

No	Name of Director	Programme/Course		
		Name of Programme	**Organiser**	**Date**
1	Tunku Afwida binti Tunku A.Malek *(Appointed w.e.f. 9 May 2022)*	Mobile World Capital (MWC) Barcelona: Connectivity Unleashed	GSMA: MWC Barcelona	28 February - 3 March 2022
		What Lies Ahead and Cold Hard Truth • Global trends: Challenges faced by Telcos globally (group) and within segments • Local trends: Challenges and opportunities for Telcos and competitor landscape • Cold hard truth of TM's current position in reference to market trends	TM/BCG Venue: Kristal Hall, TMCC	28 July 2022
		Climate Change and Principle-based Taxonomy (CCPT)	Affin Bank Berhad/KPMG	27 July 2022
		Annual Compliance Attestation	Affin Bank Berhad ("ABB")	2 August 2022
		Unlocking TM's Value • Impact of new growth and evolved business profile on TM's valuation Potential to unlock further TM's value from certain parts of valuation	TM/BCG Venue: Kristal Hall, TMCC	15 September 2022
		Sustainability Governance, Management & Reporting • How Sustainability is operationalised & what it means to the Group	Mr. Lee Min On	23 September 2022
		Khazanah Megatrends Forum 2022: Development and Its Complexities – Steering Our Way Through A Perfect Storm	Khazanah Venue: Mandarin Oriental/virtual	3 - 4 October 2022
2	Mr Eugene Hon Kah Weng	BNM FIDE Dialogue on Climate Risk Management and Scenario Analysis	BNM FIDE	8 March 2022
		Treasury Business and Interest Rate Sensitivity	ABB	9 March 2022
		BNM World Bank Report Launch: Exploring Nature-Related Financial Risks in Malaysia	BNM	15 March 2022
		Steward Leadership for Sustainability	Asia Business School	12 April 2022
		Exposure Draft on Climate Risk Management and Scenario Analysis	ABB	13 April 2022
		Climate Change and Principle-based Taxonomy (CCPT)	Affin Bank Berhad/KPMG	27 July 2022
		Annual Compliance Attestation	ABB	2 August 2022
		"Chair Masterclass" programme facilitated by Patrick Dunne	Institute of Corporate Directors Malaysia	1 September 2022

Directors' report
for the financial year ended 31 December 2022 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(vi) Directors' Training (continued)

The development and training programmes attended by the Directors during the financial year ended 31 December 2022 are as follows: (continued)

No	Name of Director	Programme/Course		
		Name of Programme	Organiser	Date
2	Mr Eugene Hon Kah Weng (continued)	The Emerging Trends, Threats and Risks to the Financial Service Industry	FIDE	24 November 2022
		AOB Convention with AC	SC	6 December 2022
3	Datuk Wan Razly Abdullah bin Wan Ali	MyFintech Week 2022	BNM	24 January 2022
		FIDE CORE MODULE (Online)	FIDE	4 March 2022
		Treasury Business and Interest Rate Sensitivity	ABB	9 March 2022
		Exposure Draft on Climate Risk Management and Scenario Analysis	PWC	13 April 2022
		PNB Knowledge Forum	PNB	21 April 2022
		Climate Change and Principle-based Taxonomy (CCPT)	Affin Bank Berhad/KPMG	27 July 2022
		Annual Compliance Attestation	ABB	3 August 2022
		Khazanah Megatrend Forum	Khazanah Nasional	3 - 4 October 2022
4	En Hasli bin Hashim	Exposure Draft on Climate Risk Management and Scenario Analysis	ABB	13 April 2022
		Climate Change and Principle-based Taxonomy (CCPT)	Affin Bank Berhad/KPMG	27 July 2022
		Annual Compliance Attestation	ABB	18 August 2022
5	Dato' Abdul Wahab bin Abu Bakar	Beyond Box-Ticking: Enhancing Effectiveness of Nominating Committees	The Iclif Leadership and Governance Centre ("ICLIF")	8 March 2022
		Beyond Box-Ticking: Essentials for Effective Remuneration Committees	ICLIF	9 March 2022
		Treasury Business and Interest Rate Sensitivity	ABB	9 March 2022
		Exposure Draft on Climate Risk Management and Scenario Analysis	ABB	13 April 2022
		CMDP (Module 1): Directors as Gatekeepers of Market Participants	Securities Industry Development Corporation ("SIDC")	23 May 2022
		CMDP (Module 2): Business Challenges and Regulatory Expectations? What Directors Need to Know (Equities & Futures Broking)	SIDC	24 May 2022

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(vi) Directors' Training (continued)

The development and training programmes attended by the Directors during the financial year ended 31 December 2022 are as follows: (continued)

No	Name of Director	Programme/Course		
		Name of Programme	**Organiser**	**Date**
5	Dato' Abdul Wahab bin Abu Bakar (continued)	CMDP (Module 3): Risk Oversight and Compliance – Action Plan for Board of Directors	SIDC	26 May 2022
		CMDP (Module 4) – Emerging and Current Regulatory Issues in the Capital Market	SIDC	27 May 2022
		Climate Change and Principle-based Taxonomy (CCPT)	Affin Bank Berhad/KPMG	27 July 2022
		FIDE CORE Module A	ICLIF	8-11 August 2022
		FIDE CORE Module B	ICLIF	8-11 August 2022
		Annual Compliance Attestation	ABB	18 August 2022
6	Ms. Kong Yuen Ling	Treasury Business and Interest Rate Sensitivity	ABB	9 March 2022
		Exposure Draft on Climate Risk Management and Scenario Analysis	ABB	13 April 2022
		CMDP (Module 1): Directors as Gatekeepers of Market Participants	SIDC	23 May 2022
		CMDP (Module 2): Business Challenges and Regulatory Expectations? What Directors Need to Know (Equities & Futures Broking)	SIDC	24 May 2022
		CMDP (Module 3): Risk Oversight and Compliance – Action Plan for Board of Directors	SIDC	26 May 2022
		CMDP (Module 4) – Emerging and Current Regulatory Issues in the Capital Market	SIDC	27 May 2022
		Climate Change and Principle-based Taxonomy (CCPT)	Affin Bank Berhad/KPMG	27 July 2022
		FIDE CORE Module A	ICLIF	13-16 June 2022
		Annual Compliance Attestation	ABB	2 August 2022
		FIDE CORE Module B	ICLIF	8-11 August 2022
7	Datuk Noor Azian binti Shaari	Treasury Business and Interest Rate Sensitivity	ABB	9 March 2022
		Climate Change and Principle-based Taxonomy (CCPT)	Affin Bank Berhad/KPMG	17 July 2022
		Annual Compliance Attestation	ABB	3 August 2022

Corporate Governance (continued)

2 Internal Control Framework

The Board recognises and exercises overall responsibilities in promoting good corporate governance and ensures sound system of internal controls and risk management practices are maintained throughout the Bank. The Board affirms its overall responsibility of the Bank's system of internal controls, which includes the establishment of appropriate control environment and risk management framework as well as on-going reviews on the effectiveness, adequacy and integrity of the systems.

The Board and Senior Management 'set the tone from the top' on the importance of internal control through their actions and words. This includes the ethical values that Senior Management display in their business dealings, both inside and outside the Bank. The words, attitudes and action of the Board and Senior Management affect the integrity ethics and other aspects of the Bank's control culture/environment.

The Bank's system of internal controls involve the senior management and all personnel from all business and support units. The Board is responsible for determining key strategies and policies for significant risks and control issues, while functional managers of the Bank are responsible for the effective implementation of the Board's policies by designing, operating, monitoring and managing risks and control processes.

The Board meets regularly to review the Bank's financial and business performance, oversee the conduct of the Bank's business as well as to ensure the effectiveness and adequacy of internal control systems are in place.

The Bank's organisation structure sets out clearly the defined lines of job responsibilities and delegation of authority to ensure effective communication of risk control objectives as well asthe establishment of authority, accountability and control processes. The Bank's internal control framework encompasses the following:

(i) Internal audit and control activities

The scope of internal audit encompasses the objective examination and evaluation of the adequacy and effectiveness of the Group's governance, risk management, and internal controls. The reviews by Group Internal Audit ("GIA") focused on areas of significant risks and effectiveness of internal controls in accordance with the audit plan approved by the Board Audit Committee.

Based on GIA's review, identification and assessment of risk, testing, and evaluation of controls, GIA will provide an opinion on the effectiveness and efficiency of the internal controls established by management in addressing the applicable policies, plans, procedures, laws and regualtions including Shariah related matters and BNM's directive and instructions. The risks highlighted on the respective auditable areas as well as a recommendation made by the GIA are addressed at BAC and Management meetings. The BAC also conducts annual reviews on the adequacy of the internal audit function, scope of work, resources, and budget of GIA.

Internal audit covers Operational Audit, Information System Audit, Credit Review, Compliance and Investigation. Audit activities include these key components:

- Conduct audit on all auditable entities covering the processes, services, products, systems and provide an independent assessment to the Board of Directors, BAC and Management that appropriate control environment is maintained with clear authority and responsibility with sufficient staff and resources to carry out the control responsibilities.

- Perform risk assessments to identify risks and evaluate actions taken to provide reasonable assurance that procedures and controls exist to contain those risks.

Directors' report
for the financial year ended 31 December 2022 (continued)

Corporate Governance (continued)

2 Internal Control Framework (continued)

(i) Internal audit and control activities (continued)

Internal audit covers Operational Audit, Information System Audit, Credit Review, Compliance and Investigation. Audit activities include these key components: (continued)

- Maintain strong control activities which include documented processes and systems, incorporating adequate controls to produce accurate financial data and provide for the safeguarding of assets, and a documented review of reported results.

- Ensure effective information flows and communication, including:

  a) training and the dissemination of standards and requirements;
  b) an information system to produce and convey complete, accurate and timely data, including financial data; and
  c) the upward communication of trends, developments and emerging issues.

- Monitor controls, including procedures to verify that controls are in place and functioning, and continuous follow up on corrective action on control finding until its full resolution.

Based on GIA's review, identification and assessment of risk, testing and evaluation of controls, GIA will provide an opinion on the adequacy and effectiveness of internal controls maintained by each entity.

(ii) Risk Management

- Board Risk Management Committee

  BRMC is responsible for the oversight of the effective implementation of the Bank's Risk Management framework and policies.

- Risk Assessment

  Risk assessment is in place for the identification of the Bank's material risks, from the perspective of impact on the Bank's financial standing and reputation.

  Consistent and well-accepted methodologies of risk measurement are in place to assess Liquidity, Asset and Liability Management and other relevant risk metrics.

- Risk Governance Structure

  The Risk Management Department ("RMD") of the Bank which operates in an independent capacity is an integral part of the Bank and the department works closely with all business and support units of the Bank to manage risks to enhance stakeholders' value.

Corporate Governance (continued)

2 Internal Control Framework (continued)

(ii) Risk Management (continued)

- Risk Governance Structure (continued)

  The Bank has an established, comprehensive and robust risk management framework and internal control systems in tandem with the complexity and diversity of the investment banking activities undertaken by the Bank. On-going initiatives and periodic reviews are undertaken by the RMD at the Bank to enhance the risk management framework, policies, and processes to ensure that credit, market, liquidity, operational and technology risks associated with the Bank's business activities are adequately identified and mitigated.

  RMD is functionally independent of the business divisions and is primarily responsible for identifying, measuring, monitoring, mitigating and controlling credit, market, liquidity, operational and technology risks of the Bank.

  The Bank's comprehensive risk management framework and internal control systems are pivotal and instrumental towards achieving the corporate objective of maximising profitability and returns to shareholder while ensuring prudential management of the associated risks.

  The risk management process is reviewed regularly by the BRMC to ensure that the risk management framework and policies are adequate to protect the Bank against all relevant risks.

- Risk Governance Policies and Procedures

  Risk Management policies and procedures are reviewed and updated regularly to ensure relevance to the current business needs as well as current and applicable regulatory requirements.

- Operational Risk Management

  Risk Control Self Assessment ("RCSA") process is in place to enable Business Units to identify and assess the risks under their areas of supervision and control on a continual basis. This serves as a trigger point to determine Key Risk Indicators ("KRIs") for operational risk monitoring purposes.

  The Operational Risk Management Unit ("ORMU") under RMD plays a centralised function for operational risk management within the RMD and it is independent of any other functions within the Bank. Exception reports are produced on a regular basis, highlighting material operational risk related issues to the Compliance and Risk Oversight Committee ("CROC") and BRMC as well as the Group Management Committee - Governance, Risk & Compliance ("GMC-GRC") for risk monitoring and appropriate level of management decision making. Relevant trainings relating to Operational Risk such as Business Continuity Planning is being provided by RMD.

  Concerns and breaches, if any, will be escalated to the Chief Executive Officer, CROC, MCM-GRC, BRMC and the Board. The same will be escalated to the Board committee(s) at the Affin Group level.

Corporate Governance (continued)

2 Internal Control Framework (continued)

(iii) Compliance

The Bank has in place an independent compliance function, which is responsible for advising, monitoring and educating the business and support units in respect of compliance with applicable laws, regulations and guidelines. In line with good governance practices, Compliance Department ("CD") reports independently to the Board of the Bank, and the Affin Group Board Compliance Committee ("GBCC").

- Compliance Framework

  The CD departmental policy and operational manual set out the guiding principles for the sound management of compliance risk within the Bank. It also sets out, the roles and responsibilities of the Board and Senior Management and the establishment of an independent compliance function.

- Policies and Procedures

  Policies and procedures are established and reviewed regularly to reflect current practices and changes in applicable regulatory requirements.

- Training

  Relevant trainings on identified focus areas are regularly conducted by CD to create compliance awareness among the staff and to assist the business and support units to better understand the effect and application of all regulatory and internal requirements.

- Compliance Programme

  An Annual Compliance Programme is drawn up, tabled and approved by GBCC and Board of AHIB. Compliance reviews are performed regularly by CD to assess adherence to the existing and new regulatory requirements as well as internal policies and procedures. Any deviations or breaches are reported to CROC, GBCC and the Board of the Bank for deliberation.

- Whistle Blowing Policy

  The Policy provides a safe avenue for a whistleblower to disclose any serious concern or improper conduct which has come to their knowledge. It also provides the necessary safeguards to protect the whistleblower against any detrimental action, in line with the fundamental objectives of the Whistleblower Protection Act 2010.

- Anti-Money Laundering And Counter Financing of Terrorism ("AML/CFT")

  The Bank has in place an AML/CFT Framework comprising policies, procedures and processes which are duly approved by the Board and the GBCC. The framework was reviewed during the financial year following the revision of regulatory policy document.

Corporate Governance (continued)

2 Internal Control Framework (continued)

(iv) Escalation Process

- The channels of communication and procedures have been established for immediate reporting to the Board and the senior management of the Bank on any significant control failing or weaknesses that have been identified together with details of corrective action being undertaken.

- Corrective Action Tracking on resolution of findings highlighted by external audit, internal audit, regulators, if any, have also been escalated to the relevant Management Committees, BAC and the Board.

(v) Policies/Procedures including Empowerment and Approving Authority Policies

- Policies and procedures covering all functions are in place and updated periodically to incorporate changes to systems, work environment and guidelines issued by regulators.

- The Bank has in place the Authority manual which is approved by the Board and the manual which set out the approving authorities and the delegated approved limits for key aspects, provides a sound framework of authority and accountability within the Bank and facilitates proper corporate decision making at the appropriate level in the Bank's hierarchy. The delegation of limits is subject to periodic reviews as to its implementation and continuing suitability in meeting the business objectives and operational needs.

(vi) Financial Performance Review

- The Finance Department ("FD") regularly provides comprehensive information to the Board and BAC on key financial reports, key variances and analysis of financial data of the Group and Bank. The FD ensures maintenance of proper accounting records and the reliability of the financial information is in accordance with the approved standards and in compliance with the regulatory and statutory requirements.

(vii) Business and Capital Plan including Budget

- The annual business plan and financial budget of the Bank are tabled and approved by the Board. The variances between the actual and budgeted results are presented to the Board on a periodic basis to allow for timely responses and corrective actions to be taken to mitigate risks.

- A structured framework and processes with regard to capital expenditure and revenue is in place and is reviewed annually.

- The internal capital threshold is set on a yearly basis.

(viii) People Office

The Bank acknowledges that people development is key and critical to the Bank. This is to ensure that employees have the right competencies, skills and knowledge to discharge their responsibilities they are entrusted with, and must able to exercise sound judgment when fulfilling those responsibilities. People Office is also tasked with preparing the employees of the Bank for the future through various training programs to upskill and reskill employees. These would also future proof the bank and support the Bank's future aspirations. The Bank and its employees are also governed by the Bank's Code of Ethics and Code of Conduct.

Corporate Governance (continued)

2 Internal Control Framework (continued)

(viii) People Office (continued)

The HR Strategies, Policies and Procedures are in place and provide clarity in all aspects of human resource management in the Bank. Periodically, the policies and procedures are reviewed to ensure that they remain relevant and appropriate controls are in place to manage operational risks.

People Office has in place various efforts, initiatives and training programs to address the human capital requirement, including knowledge management and mandatory programmes. The Bank has in place online Key Performance Indicators ("KPIs") and performance-based appraisal system ("ePMS") to evaluate and compensate/reward its employees accordingly. Staff performance assessment is conducted annually, based on KPIs and Competency Based Behavioral/Leadership Competencies.

The recruitment process including the sourcing of the right candidates and screening process, which includes the fit and proper assessment is in place.

The e-learning facilities provides staff with the freedom of time and space to learn and update their knowledge at their convenience while meeting the Bank's needs for its employees, who are spread across geographical areas, to be competent in key areas.

3 Remuneration System

The Bank's remuneration system for employees comprises the following key elements:
a) fixed pay;
b) variable pay (short term incentive plan); and
c) benefits

The remuneration policy is structured for the Bank to recruit, motivate, reward and retain employees who believe in, and live by the Bank's culture and values. The Bank also endeavour to create a working environment that motivates high performance so that all employees can positively contribute to the strategy, vision, goals and values of the Bank.

The Bank's remuneration mix is aligned with the financial services industry remuneration mix of fixed and performance-linked variable pay. Individual performance pay is measured through a structured and transparent performance appraisal process vide the Performance Management System.

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation to attract and retain qualified and competent staff. The Bank's variable remuneration policy is driven by a performance-based culture that aligns staff interests with the shareholder of the Bank. These elements support the achievement of the Bank's objectives through balancing rewards for both short-term results and long-term sustainable performance, and to align employees' incentives with the Bank's risk framework and risk outcomes.

The quality and long-term commitment of all of our employees is fundamental to our success. We therefore aim to attract, retain and motivate the very best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of our shareholders.

Corporate Governance (continued)

3 Remuneration System (continued)

The Bank is planning on implementing a Long Term Incentive Plan moving forward.

Pursuant to the BNM Corporate Governance Guidelines, the remuneration system for the Bank (as per the BNM CG guidelines) shall:

a) be subject to Board's active oversight to ensure that the system operates as intended;
b) be in line with the business and risk strategies, corporate values and long-term interests of the Bank;
c) promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Bank as a whole, taking into account the interests of its customers; and
d) be designed and implemented with input from the control functions and GBRMC to ensure that risk exposures and risk outcomes are adequately considered.

With the establishment of the Group Board Nomination & Remuneration Committee ("GBNRC") on 1 August 2020, the remuneration of the Chief Executive Officer, Key Senior Management Officers and Company Secretary must be recommended by the GBNRC and approved by the Bank's Board annually and the Bank will maintain and regularly review the list of officers who fall within the definition of Senior Management and other material risk takers.

The Bank has 7 Senior Officers comprising Chief Operating Officer, Managing Director Securities, Chiefs of Support Units, Chiefs of Control Functions and Senior Management.

The Bank will ensure transparency in accordance with the BNM CG, by the disclosure of remuneration policies and information on paid remuneration to regulators, through the Annual Financial Statements.

Remuneration for individuals shall be aligned with prudent risk-taking. Hence, remuneration outcomes shall be symmetric with risk outcomes. This includes ensuring that:

a) remuneration is adjusted to account for all types of risk, and determined by both quantitative measures and qualitative judgement;
b) the size of the bonus pool is linked to the overall performance of the Bank;
c) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Bank;
d) bonuses are not guaranteed, except in the context of sign-on bonuses; and
e) for members of senior management and other material risk takers:
    - a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and Bank-wide measures that adequately assess performance; and
    - the variable portion of remuneration increases along with the individual's level of accountability.

Business review for 2022

As at 31 December 2022, total assets of the Group and the Bank stood at RM7,460.3 million (financial year ended 31 December 2021 ("FY2021") RM8,116.8 million) and RM7,458.8 million (FY2021: RM7,166.4 million) respectively. During the year, the Group has completed the divestment of Affin Hwang Asset Management Berhad Group ("AHAM"), AHAM ceased to be a subsidiary of a Group and was deconsolidated from the Group financial statements on 29 July 2022.

The Group recorded a net income of RM228.5 million for the financial year ended 31 December 2022 ("FY2022") compared to RM306.1 million in the previous financial year ("FY2021"). The Bank meanwhile recorded a net income of RM1,560.3 million versus FY2021's net income of RM417.6 million. The lower net income for the Group was mainly due to lower investment income, lower net foreign exchange gains, and lower fee income, partially offset by higher net interest income. The higher net income for the Bank was mainly due to gains on the divestment of Affin Hwang Asset Management Berhad ("AHAM") and higher net interest income, partially offset by lower investment income and lower fee income. Excluding the contribution from the asset management business, Securities business contributed 64.2% (2021: 68.5%) to the Group's overall net income, while Investment Banking and Treasury & Markets businesses contributed about 8.7% and 26.6% (2021: 5.8% and 25.4%) of the Group's total net income respectively.

The Group for FY2022 registered a profit before zakat and tax ("PBZT") of RM55.2 million from RM103.0 million reported in FY2021. As for the Bank, it achieved a PBZT of RM1,367.4 million for FY2022, an increase of more than 100.0% from RM215.1 million reported in FY2021, due to gains on the divestment of AHAM.

On 29 July 2022, the Group had completed the divestment of its 63% equity interest in AHAM, netting the Group and the Bank a substantial divestment gain of RM1.25 billion and RM1.39 billion respectively in FY2022. These divestment gains, together with the post-tax profit contribution from AHAM of RM67.3 million for the seven months period ended 31 July 2022 ("7M2022") and the FY2021 post-tax profit contribution of RM148.0 million are disclosed as "profit from discontinued operation" in the Income Statements in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Following the divestment, AHAM ceased to be a subsidiary for the Group. Refer to Note 42 for further details.

The Group's securities business (stockbroking and proprietary trading) ended the year in Top 2 on the Bursa Malaysia's Broker Ranking for 2022. The investment banking performance, however, was adversely affected by the government bonds yield surge during the financial year in review. Notwithstanding this, the investment banking's advisory mandated and pipeline deals remain robust as at the reporting date.

Notwithstanding this, the Group managed to successfully secure and execute a few notable capital market deals during the year, such as the initial public offering of UMedic Group Berhad which was listed on Bursa Malaysia's ACE Market on 26 July 2022, where the Bank was the Principal Adviser, Sponsor, Sole Placement Agent, and Sole Underwriter, and participated as a joint underwriter in Farm Fresh's IPO which was the largest listing on Bursa Malaysia since July 2021. In addition to this, the Bank acted as a joint lead manager in Point Zone (M) Sdn Bhd "Sukuk Wakalah" programme for business expansion, working capital, and general corporate purposes relating to healthcare for the KPJ group.

The Bank was also awarded as a champion for Best Institutional Bursa Malaysia-i Participating Organisation and also first runner-up of Best Overall Equities Participating Organising and Best Institutional Equities Participating Organisation - Investment Bank in Bursa Excellence Awards 2021 held on 31 March 2022. The Bank was also accorded the Best New Sukuk for its part as the Lead Manager for Bank Simpanan Nasional (BSN)'s RM750 million Triple Tranche Wakala Sukuk in Islamic Finance Awards 2022 held on September 2022.

Directors' report
for the financial year ended 31 December 2022 (continued)

Business outlook for 2023

Global economic uncertainties from the monetary policy tightening of major advanced economies as well as prolonged geopolitical tension continues to drag on the growth momentum of the world economy and is likely to linger into 2023. However, we see sustainable growth in Malaysia's domestic demand as critical to mitigate slower external demand in 2023, with the anticipation of downside risks weighing on global growth, outlook hinges on China reopening. In its January World Economic Outlook, The International Monetary Funds ("IMF") projected the global economic growth to fall from an estimated 3.4% in 2022 to 2.9% in 2023. Despite that the global growth projection for 2023 was 0.2ppt higher as compared to its previous forecast, it is still below the 20-years historical average of global growth.

In 2022, Malaysia's economy grew strongly by 8.7%, attributable to the reopening of Malaysia's economy and government's supportive policies, with the country's real GDP achieved an absolute value of RM1.51tn, surpassing the pre-pandemic level of RM1.42tn in 2019. As for full-year 2023, with the downside risk from the external factors, particularly concerns of weaker-than-expected global growth, the Group projecting Malaysia's real GDP growth to be slower at 3.7% for 2023, supported by domestic demand.

Nevertheless, in view of the still elevated inflationary pressures on the global economy, the Group views that most of the central banks around the world will still leverage on their monetary policy tools, particularly raising interest rates, with the objective to stabilise inflation to be at a sustainable level. The Group opines that Malaysia is better equipped and prepared to manage potential threats, compared to when the COVID-19 pandemic first struck in 2020. However, the downside risk remains on some uncertainties and implications for global capital flows, if US Federal Reserve were to continue with its upcycle aggressively as it failed to fight inflation, where significant higher US policy rates will lead to movement of portfolio flows from the emerging economies back to the advanced economies. The Group remains cautiously optimistic for 2023 in view of a challenging operating environment within an environment of rising interest rates. Nevertheless, the Group's securities businesses are expected to remain resilient, while its investment banking business, which comprises Debt Capital Market ("DCM") and Equity Capital Market ("ECM") are expected to perform better given its robust mandated and pipeline deals.

The Group will continue to accelerate its transformation towards sustainable growth business model through innovation and digitalisation initiatives, greater collaboration and alignment within Affin Banking Group, and greater efficiencies through digital transformation and business remodelling, underpinned by strong client-centricity and a client relationship-driven approach. The Group and the Bank will also focus on developing niche and cutting-edge products and solutions especially in the environmental, social and governance ("ESG") space.

Rating by extenal rating agency

The Group's long term rating of AA3 and short term rating of P1 were reaffirmed by the Rating Agency Malaysia in November 2022.

Subsidiaries

Details of subsidiaries are disclosed in Note 12 to the financial statements.

Holding company and ultimate holding corporate body

The holding company of the Bank is Affin Bank Berhad, a public limited liability company incorporated and domiciled in Malaysia, and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act, 1973.

Auditors' remuneration

Auditors' remuneration of the Group and the Bank are RM643,000 and RM580,000 respectively. Details of auditors' remuneration are disclosed in Note 31 to the financial statements.

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 28 March 2023. Signed on behalf of the Board of Directors in accordance with their resolution.

Tunku Afwida binti Tunku A.Malek
Chairman

Mr Eugene Hon Kah Weng
Director

Kuala Lumpur
28 March 2023

Registration No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statements of financial position as at 31 December 2022

		The Group		The Bank	
		31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Assets					
Cash and short-term funds	2	**311,873**	1,940,487	**309,523**	1,207,904
Financial assets at fair value through profit or loss ("FVTPL")	3	**36,070**	229,924	**34,863**	95,906
Financial investments at fair value through other comprehensive income ("FVOCI")	4	**3,575,501**	3,679,464	**3,575,501**	3,679,464
Financial investments at amortised cost	5	**879,647**	40,452	**879,647**	40,452
Loans and advances	6	**1,570,005**	1,078,409	**1,570,005**	1,078,409
Trade receivables	7	**403,754**	526,033	**403,754**	370,563
Derivative financial assets	8	**107,680**	77,269	**107,680**	76,961
Other assets	9	**45,502**	69,668	**45,346**	60,859
Statutory deposits with Bank Negara Malaysia	10	**101,600**	10,300	**101,500**	10,200
Amounts due from subsidiaries	11	**-**	-	**308**	310
Amount due from related companies		**-**	1,065	**-**	-
Amount due from holding company		**-**	41	**-**	41
Amount due from ultimate holding company		**-**	31	**-**	-
Investment in subsidiaries	12	**-**	-	**1,794**	126,521
Investment in associates	13	**-**	-	**372**	1,332
Tax recoverable		**37,156**	26,963	**37,155**	26,048
Deferred tax assets	14	**63,302**	89,557	**63,302**	65,860
Property and equipment	15	**6,694**	17,277	**6,686**	7,897
Intangible assets	16	**307,788**	323,624	**307,702**	314,667
Right-of-use assets	17	**13,707**	6,240	**13,707**	3,034
Total assets		**7,460,279**	8,116,804	**7,458,845**	7,166,428
Liabilities and equity					
Deposits from customers	18	**4,525,127**	4,326,059	**4,525,127**	4,326,059
Deposits and placements of banks and other financial institutions	19	**709,520**	601,992	**709,520**	601,992
Trade payables	20	**338,867**	982,032	**338,867**	360,641
Derivative financial liabilities	21	**102,874**	71,897	**102,874**	71,897
Amount due to related companies		**-**	287	**-**	-
Amount due to holding company		**5,835**	200	**5,835**	-
Lease liabilities	22	**14,459**	6,574	**14,459**	3,139
Other liabilities	23	**326,370**	723,601	**324,941**	393,731
Provision for taxation		**1**	1	**-**	-
Total liabilities		**6,023,053**	6,712,643	**6,021,623**	5,757,459
Share capital	24	**999,800**	999,800	**999,800**	999,800
Reserves	25	**437,426**	359,676	**437,422**	409,169
		1,437,226	1,359,476	**1,437,222**	1,408,969
Non-controlling interest		**-**	44,685	**-**	-
Total equity		**1,437,226**	1,404,161	**1,437,222**	1,408,969
Total liabilities and equity		**7,460,279**	8,116,804	**7,458,845**	7,166,428
Commitments and contingencies	39	**10,899,639**	16,011,485	**10,899,639**	15,964,167

The accounting policies and notes form an integral part of these financial statements.

Income statements
for the financial year ended 31 December 2022

		The Group		The Bank	
		31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	Note	**RM’000**	RM’000	**RM’000**	RM’000
Interest income	26	**228,698**	189,556	**228,671**	189,532
Interest expense	27	**(139,827)**	(123,944)	**(139,827)**	(123,944)
Net interest income		**88,871**	65,612	**88,844**	65,588
Fee and commission income	28	**84,747**	127,632	**83,322**	126,313
Net gains and losses on financial instruments	29	**48,810**	101,620	**48,784**	101,598
Other operating income	30	**6,107**	11,242	**1,339,396**	124,119
Net income		**228,535**	306,106	**1,560,346**	417,618
Other operating expenses	31	**(167,206)**	(166,322)	**(182,296)**	(165,660)
Operating profit before allowances		**61,329**	139,784	**1,378,050**	251,958
Write-back of/(Allowances for) credit impairment losses	32	**938**	(36,819)	**933**	(36,810)
Impairment losses on non-financial assets	33	**(7,068)**	-	**(11,544)**	-
Profit before zakat and taxation		**55,199**	102,965	**1,367,439**	215,148
Zakat		**(150)**	(2,087)	**(150)**	(2,088)
Profit before taxation		**55,049**	100,878	**1,367,289**	213,060
Taxation	36	**(20,933)**	(20,393)	**(20,438)**	(19,789)
Profit from continuing operations		**34,116**	80,485	**1,346,851**	193,271
Profit from discontinued operation	42	**1,302,784**	146,715	**-**	-
Profit for the financial year		**1,336,900**	227,200	**1,346,851**	193,271
Attributable to:					
Equity holders of the Bank		**1,311,936**	173,811	**1,346,851**	193,271
Non-controlling interest		**24,964**	53,389	**-**	-
		1,336,900	227,200	**1,346,851**	193,271
Earnings per share (sen):					
Basic/Fully diluted earnings per share (sen) attributable to equity holders of the Bank					
- Continuing operations	37	**4.37**	10.32	**172.67**	24.78
- Discontinued operation	37	**163.82**	11.96	**-**	-
		168.19	22.28	**172.67**	24.78

The accounting policies and notes form an integral part of these financial statements.

Registration No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statements of comprehensive income for the financial year ended 31 December 2022

		The Group		The Bank	
		31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Net profit after zakat and taxation		**1,336,900**	227,200	**1,346,851**	193,271
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss:					
Net fair value change in financial investments at FVOCI (debt instruments)		**(51,143)**	(135,033)	**(51,088)**	(135,033)
Net credit impairment loss change in financial investments at FVOCI (debt instruments)		**(180)**	(1,779)	**(180)**	(1,779)
Net gain on financial investments at FVOCI reclassified to profit or loss on disposal (debt instruments)		**(2,380)**	(32,752)	**(2,380)**	(32,753)
Exchange differences on translation of foreign operations		**(39)**	388	**-**	-
Deferred tax on financial investments at FVOCI	14	**12,832**	40,269	**12,832**	40,269
Item that will not be reclassified subsequently to profit or loss:					
Net fair value change in financial investments designated at FVOCI (equity instruments)		**2,418**	1,378	**2,418**	1,378
Other comprehensive expense for the financial year, net of tax		**(38,492)**	(127,529)	**(38,398)**	(127,918)
Total comprehensive income for the financial year		**1,298,408**	99,671	**1,308,453**	65,353
Attributable to:					
Equity holders of the Bank		**1,273,444**	46,138	**1,308,453**	65,353
Non-controlling interests		**24,964**	53,533	**-**	-
		1,298,408	99,671	**1,308,453**	65,353
Total comprehensive income attributable to equity holders of the Bank from:					
- Continuing operations		**(4,376)**	(47,432)	**1,308,453**	65,353
- Discontinued operation		**1,277,820**	93,570	**-**	-
		1,273,444	46,138	**1,308,453**	65,353

The accounting policies and notes form an integral part of these financial statements.

Statements of changes in equity
for the financial year ended 31 December 2022

		<-------------------------- Attributable to equity holders of the Bank -------------------------->								
			FVOCI		Foreign				Non-	
		Share	revaluation	Regulatory	exchange	Other	Retained		controlling	Total
		capital	reserves	reserves	reserves	reserves	profits	Sub-total	interests	equity
The Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2022		**999,800**	**(50,927)**	**12,894**	**39**	**(88,737)**	**486,407**	**1,359,476**	**44,685**	**1,404,161**
Comprehensive income:										
Net profit for the financial year		-	-	-	-	-	1,311,936	1,311,936	24,964	1,336,900
Other comprehensive income (net of tax)										
- Financial investments at FVOCI		-	(38,453)	-	-	-	-	(38,453)	-	(38,453)
- Exchange differences on translation of foreign operations		-	-	-	(39)	-	-	(39)	-	(39)
Total comprehensive income		-	(38,453)	-	(39)	-	1,311,936	1,273,444	24,964	1,298,408
Net gain on disposal of financial investments designated at FVOCI (equity instruments)		-	(3,175)	-	-	-	3,175	-	-	-
Transfer to regulatory reserves		-	-	3,815	-	-	(3,815)	-	-	-
Lapse of the obligation to buy a subsidiary's shares from non-controlling interest *		-	-	-	-	79,337	5,169	84,506	49,629	134,135
Disposal of a subsidiary *	42	-	-	-	-	9,400	(9,400)	-	(82,279)	(82,279)
Dividends paid	38	-	-	-	-	-	(1,280,200)	(1,280,200)	(36,999)	(1,317,199)
At 31 December 2022		**999,800**	**(92,555)**	**16,709**	**-**	**-**	**513,272**	**1,437,226**	**-**	**1,437,226**

* Following the completion of the divestment of its entire 63% equity interest in AHAM on 29 July 2022, AHAM and its subsidiaries ceased to be the subsidiaries of the Bank. Hence, the option reserves to buy AccelVantage Academy Sdn Bhd's ("AVA") shares from non-controlling interest, and the non-controlling interest in equity were deconsolidated from the Group's financial statements.

In addition, a supplemental agreement was signed between AHAM and key management personnel to waive the obligation of SCR prior to the divestment of AHAM. Therefore, the contractual obligation of AHAM to pay cash to purchase the equity shares of AHAM held by the key management personnel ceased upon the signing of the supplemental agreement.

The accounting policies and notes form an integral part of these financial statements.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statements of changes in equity
for the financial year ended 31 December 2022 (continued)

		<-------------------------- Attributable to equity holders of the Bank					-------------------------->			
The Group	**Note**	**Share capital RM'000**	**FVOCI revaluation reserves RM'000**	**Regulatory reserves RM'000**	**Foreign exchange reserves RM'000**	**Other reserves # RM'000**	**Retained profits RM'000**	**Sub-total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2021		999,800	76,991	10,972	(205)	(65,909)	569,518	1,591,167	70,585	1,661,752
Comprehensive income:										
Net profit for the financial year		-	-	-	-	-	173,811	173,811	53,389	227,200
Other comprehensive income (net of tax)										
- Financial investments at FVOCI		-	(127,918)	-	-	-	-	(127,918)	-	(127,918)
- Exchange differences on translation of foreign operations		-	-	-	244	-	-	244	144	388
Total comprehensive income		-	(127,918)	-	244	-	173,811	46,137	53,533	99,670
Obligation to buy a subsidiary's shares from non-controlling interest		-	-	-	-	(22,828)	-	(22,828)	(13,407)	(36,235)
Transfer to regulatory reserves		-	-	1,922	-	-	(1,922)	-	-	-
Dividends paid	38	-	-	-	-	-	(255,000)	(255,000)	(66,026)	(321,026)
At 31 December 2021		999,800	(50,927)	12,894	39	(88,737)	486,407	1,359,476	44,685	1,404,161

Other reserves represents corresponding debts arising from Group's obligation to purchase subsidiaries' shares held by non-controlling interest as discussed in Note 23 (a) (i) and (ii) of the financial statements.

The accounting policies and notes form an integral part of these financial statements.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statements of changes in equity
for the financial year ended 31 December 2022 (continued)

		<--- Non-Distributable		--->	<- Distributable ->	
		Share capital	FVOCI revaluation reserves	Regulatory reserves	Retained profits	Total equity
The Bank	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2022		**999,800**	**(50,982)**	**12,894**	**447,257**	**1,408,969**
Comprehensive income:						
Net profit for the financial year		**-**	**-**	**-**	**1,346,851**	**1,346,851**
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		**-**	**(38,398)**	**-**	**-**	**(38,398)**
Total comprehensive income		**-**	**(38,398)**	**-**	**1,346,851**	**1,308,453**
Net gain on disposal of financial investments designated at FVOCI (equity instruments)		**-**	**(3,175)**	**-**	**3,175**	**-**
Transfer to regulatory reserves		**-**	**-**	**3,815**	**(3,815)**	**-**
Dividends paid	38	**-**	**-**	**-**	**(1,280,200)**	**(1,280,200)**
At 31 December 2022		**999,800**	**(92,555)**	**16,709**	**513,268**	**1,437,222**
At 1 January 2021		999,800	76,936	10,972	510,908	1,598,616
Comprehensive income:						
Net profit for the financial year		-	-	-	193,271	193,271
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		-	(127,918)	-	-	(127,918)
Total comprehensive income		-	(127,918)	-	193,271	65,353
Transfer to regulatory reserves		-	-	1,922	(1,922)	-
Dividends paid	38	-	-	-	(255,000)	(255,000)
At 31 December 2021		999,800	(50,982)	12,894	447,257	1,408,969

The accounting policies and notes form an integral part of these financial statements.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statements of cash flows
for the financial year ended 31 December 2022

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation from:				
Continuing operations	**55,049**	100,878	**1,367,289**	213,060
Discontinued operation	**1,318,928**	180,783	**-**	-
Profit before taxation including discontinued operation	**1,373,977**	281,661	**1,367,289**	213,060
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income:				
- financial investments at FVOCI	**(109,627)**	(105,280)	**(109,627)**	(105,280)
- financial investments at amortised cost	**(19,640)**	(2,355)	**(19,640)**	(2,355)
Interest expense on lease liability	**431**	561	**328**	256
Unwinding of discount on provision for restoration cost	**28**	17	**28**	17
Finance cost on call options	**657**	3,238	**-**	-
Dividend income:				
- financial assets at FVTPL	**(1,021)**	(5,417)	**(808)**	(4,013)
- financial investments at FVOCI	**(190)**	(330)	**(190)**	(330)
- from a subsidiary	**-**	-	**(63,000)**	(112,000)
Gain on disposal of property and equipment	**(1,504)**	(267)	**(407)**	(3)
Gain from disposal of a subsidiary	**(1,252,380)**	-	**(1,270,024)**	-
Disposal cost of a subsidiary	**16,938**	-	**16,938**	-
(Gain)/Loss arising from disposal/redemption of:				
- derivative instruments	**3**	(347)	**3**	(347)
- financial assets at FVTPL	**(21,425)**	(49,170)	**(20,171)**	(41,466)
- financial investments at FVOCI	**(2,417)**	(34,287)	**(2,417)**	(34,287)
Property and equipment written off	**81**	1	**-**	1
Intangible assets written off	**19**	-	**-**	-
Depreciation of property and equipment	**5,075**	9,934	**3,025**	5,907
Depreciation of ROU	**8,347**	9,769	**6,263**	5,739
Amortisation of intangible assets	**1,865**	2,737	**825**	978
Unrealised loss/(gain) on:				
- derivative instruments	**2,432**	(1,333)	**2,432**	(1,333)
- financial assets at FVTPL	**6,366**	2,507	**(3,493)**	(691)
Expected credit losses ("ECL") made/ (written-back) on:				
- financial investments	**637**	11,717	**637**	11,717
- loans and advances	**861**	25,118	**861**	25,118
- trade receivables	**(507)**	(1,276)	**(544)**	(1,420)
- other assets	**710**	73	**715**	64
- deposits and placements with financial institutions	**(4)**	4	**(4)**	4
- loan commitments and financial guarantee	**(1,932)**	1,368	**(1,932)**	1,368
Allowances for impairment losses on investment in subsidiaries	**-**	-	**3,516**	-
Allowances for impairment losses on investment in associates	**-**	-	**960**	-
Allowances for impairment losses on goodwill	**7,068**	-	**7,068**	-
Zakat	**494**	2,758	**150**	2,088
Unrealised foregin exchange (gain)/loss	**(9,062)**	4,951	**(7,809)**	5,381
Operating profit/(loss) before changes in working capital	**6,280**	156,352	**(89,028)**	(31,827)

The accounting policies and notes form an integral part of these financial statements.

Statements of cash flows
for the financial year ended 31 December 2022 (continued)

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Decrease/(Increase) in operating assets				
Loan and advances	**(490,783)**	(155,101)	**(490,783)**	(155,101)
Statutory deposits with Bank Negara Malaysia	**(91,301)**	8,700	**(91,300)**	8,700
Trade receivables	**(230)**	394,089	**(32,648)**	288,283
Other assets	**19,760**	(7,771)	**19,384**	(7,828)
Amount due from ultimate holding company	**(98)**	(9)	**-**	-
Amount due from holding company	**41**	(41)	**41**	(41)
Intercompany balances	**-**	-	**2**	(116)
Derivative financial assets	**(31,363)**	81,525	**(31,407)**	79,405
Financial assets at FVTPL	**20,400**	164,737	**20,667**	128,787
	(573,574)	486,129	**(606,044)**	342,089
(Decrease)/Increase in operating liabilities				
Deposit from customers	**199,499**	110,361	**199,499**	110,361
Deposits and placements of banks and other financial institutions	**107,528**	421,470	**107,528**	421,470
Trade payables	**(319,078)**	60,732	**(21,774)**	(155,892)
Amount due to related companies	**(1,622)**	(815)	**-**	-
Amount due to holding company	**5,779**	130	**5,835**	-
Derivative financial liabilities	**30,977**	(79,041)	**30,977**	(79,041)
Other liabilities	**(114,870)**	(155,423)	**(59,057)**	(104,694)
	(91,787)	357,414	**263,008**	192,204
Cash (used in)/generated from operating activities	**(659,081)**	999,895	**(432,064)**	502,466
Tax paid	**(33,567)**	(72,257)	**(16,156)**	(33,439)
Zakat paid	**(5,247)**	(2,494)	**(4,666)**	(1,847)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(697,895)**	925,144	**(452,886)**	467,180
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	**2,561**	294	**408**	3
Purchase of property and equipment	**(2,316)**	(4,207)	**(1,816)**	(2,719)
Purchase of intangible assets	**(1,207)**	(1,500)	**(928)**	(270)
Interest received:				
- financial investments at FVOCI	**139,591**	136,778	**139,591**	136,778
- financial investments at amortised cost	**12,322**	2,368	**12,322**	2,368
Purchase of:				
- financial assets at FVTPL	**(33,637)**	(141,936)	**-**	-
- financial investments at FVOCI	**(411,930)**	(2,293,726)	**(411,930)**	(2,293,726)
- financial investments at amortised cost	**(867,740)**	-	**(867,740)**	-

The accounting policies and notes form an integral part of these financial statements.

Statements of cash flows
for the financial year ended 31 December 2022 (continued)

	Note	The Group 31.12.2022 RM'000	The Group 31.12.2021 RM'000	The Bank 31.12.2022 RM'000	The Bank 31.12.2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)					
Redemption/Disposal of:					
- financial assets at FVTPL		**104,684**	264,527	**64,040**	125,695
- financial investments at FVOCI		**436,714**	2,513,034	**436,714**	2,513,034
- financial investments at amortised cost		**35,000**	-	**35,000**	-
Redemption of an equity interest in an associate		**-**	4,108	**-**	-
Dividend income received from:					
- a subsidiary		**-**	-	**63,000**	112,000
- financial assets at FVTPL		**1,021**	5,417	**808**	4,013
- financial investments at FVOCI		**190**	330	**190**	330
Net proceeds from disposal of a subsidiary		**-**	-	**1,373,447**	-
Net cash inflow from disposal of a subsidiary	42	**981,917**	-	**-**	-
NET CASH GENERATED FROM INVESTING ACTIVITIES		**397,170**	485,487	**843,106**	597,506
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease payments		**(6,532)**	(10,157)	**(4,243)**	(5,765)
Dividends paid to holding company		**(1,280,200)**	(255,000)	**(1,280,200)**	(255,000)
Dividends paid to non-controlling interest		**(36,999)**	(66,026)	**-**	-
NET CASH USED IN FINANCING ACTIVITIES		**(1,323,731)**	(331,183)	**(1,284,443)**	(260,765)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,624,456)**	1,079,448	**(894,223)**	803,921
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**1,871,834**	792,386	**1,139,251**	335,330
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR		**247,378**	1,871,834	**245,028**	1,139,251
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Cash and short-term funds	2	**311,873**	1,940,487	**309,523**	1,207,904
Less:					
Amount held on behalf of commissioned dealer's representatives	23	**(64,495)**	(68,653)	**(64,495)**	(68,653)
Cash and cash equivalents		**247,378**	1,871,834	**245,028**	1,139,251
Cash flows from discontinued operation	42	**(339,766)**	275,647	**-**	-

The accounting policies and notes form an integral part of these financial statements.

Summary of significant accounting policies for the financial year ended 31 December 2022

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

A Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note Z.

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank

Below are the annual improvements and amendments to MFRS effective for the financial year beginning 1 January 2022:

- Amendment to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS 116 'Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Annual Improvements to MFRS 1 'Subsidiary as First-time Adopter'
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Amendments to MFRS 3 'Reference to the Conceptual Framework'

The Group and the Bank have adopted Amendment to MFRS 116 'Proceeds before Intended Use', Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract', Annual Improvements to MFRS 9 'Fees in the '10 percent' test for Derecognition of Financial Liabilities' and Amendments to MFRS 3 'Reference to the Conceptual Framework' for the first time in the December 2022 financial statements, which resulted in changes in accounting policies.

The adoption of other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

<u>Amendments to MFRS 116 'Proceeds before intended use'</u>

The amendments prohibit the Group and the Bank from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds are instead recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment. In accordance with the transition provisions, the Group and the Bank applied the amendments retrospectively and had no impact on the amounts recognised in the current or prior period as there were no sales of such items produced by property, plant and equipment made available for use on or after 1 January 2021.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

A Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Bank (continued)

Amendments to MFRS 137 ‘Onerous Contracts – Cost of Fulfilling a Contract’

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the Group and the Bank recognise any impairment loss that has occurred on assets used in fulfilling the contract.

The Group and the Bank applied the amendments to the contracts for which it has not yet fulfilled all of its obligations at the date of initial application of 1 January 2022.

These amendments had no impact on the amounts recognised in the current or prior period as the Group and the Bank had not identified any contracts as being onerous.

Annual Improvements to MFRS 9 ‘Fees in the‘10 per cent’ test for Derecognition of Financial Liabilities’

The amendment clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other’s behalf, are included in the cash flow of the new loan when performing the 10% test for derecognition of financial liabilities.

The Group and the Bank applied the amendment to financial liabilities that are modified or exchanged on or after the date of initial application of 1 January 2022. There were no modifications of financial instruments during the financial year.

Amendments to MFRS 3 ‘Reference to the Conceptual Framework’

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The Group and the Bank adopted the amendments, which did not change its current accounting for business combinations on the acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities within the scope of MFRS 137 ‘Provisions, contingent liabilities and contingent assets’ and IC Interpretation 21 ‘Levies’. It also clarifies that contingent assets should not be recognised at the acquisition date.

The Group and the Bank applied the amendments prospectively to business combinations for which the acquisition date is on or after 1 January 2022.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

A Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2022.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

  The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

- There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 'Financial Instruments: Presentation' does not impact the current or non-current classification of the convertible instrument.

  The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

  Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024

  The amendments shall be applied retrospectively.

The adoption of the above new accounting standards, amendments to published standards, and interpretations are not expected to give rise to any material financial impact on the Group and the Bank.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

B Consolidation

The consolidated financial statements include the financial statements of the Bank, subsidiaries and associates, made up to the end of the financial year.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations 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.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Refer to accounting policy Note E on goodwill.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

B Consolidation (continued)

The consolidated financial statements include the financial statements of the Bank, subsidiaries and associates, made up to the end of the financial year. (continued)

(a) Subsidiaries (continued)

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Obligation to purchase the subsidiary’s shares from non-controlling interest

When there is an obligation to purchase the subsidiary’s shares held by non-controlling interest, at initial recognition, a liability is to be recognised with a corresponding reduction to equity (other reserves) in the consolidated financial statements. The financial liability is recognised at the present value of the redemption amount and accreted through finance charges in the income statement over the contract period, up to the final redemption amount. Any adjustments to the redemption amount are recognised in the income statement.

In the separate financial statements, subsidiary’s shares are other entity's shares and not considered own equity instrument. The contractual obligation to buy the subsidiary’s shares from the non-controlling interest meets the definition of financial liability and is accounted for as disclosed in Note H.

(d) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

B Consolidation (continued)

(e) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but the significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in profit or loss.

C Investments in subsidiaries and associates in separate financial statements

In the Bank's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

The amounts due from subsidiaries of which the Bank does not expect repayment in the foreseeable future are considered as part of the Bank's investments in the subsidiaries.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

D Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in the profit or loss during the financial year in which they are incurred.

Renovations	5 to 10 years
Office equipment and furniture	5 years
Motor vehicles	5 years
Computer equipment	5 years

Depreciation of capital work in progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note F on impairment of non-financial assets.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised within other operating income in the income statement.

E Intangible assets

(a) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of the previously held interest in the acquiree is less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

E Intangible assets (continued)

(a) Goodwill (continued)

Various circumstances may necessitate a reallocation of goodwill among CGUs (or groups of CGUs) including:

(a) the disposal of an operation to which goodwill has been allocated

When goodwill has been allocated to a CGU and the entity disposes of an operation within that unit, the goodwill associated with the disposed operation must be:

- included in the carrying amount of the operation when determining the gain or loss on disposal, and
- measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained (unless another method better reflects the goodwill associated with the disposed operation).

(b) the reorganisation of an entity's reporting structure

When an entity reorganises its reporting structure in a way that changes the composition of one or more CGUs to which goodwill has been allocated, the goodwill must be:

- reallocated to the units affected, and
- measured using a relative value approach (again, unless another method better reflects the goodwill associated with the reorganised units).

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group and the Bank are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;
(ii) management intends to complete the software product and use or sell it;
(iii) there is an ability to use or sell the software product;
(iv) it can be demonstrated how the software product will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
(vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives of five years.

(c) Merchant bank license

The merchant bank license represents contribution by the Bank to the Government of Malaysia for a license to carry on merchant banking business and is considered to have an indefinite useful life, which is not amortised and is assessed for impairment annually.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

F Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent of the cash inflows from other assets or group of assets ("CGU"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

G Financial assets

(a) Classifications

The Group and the Bank classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the settlement date, the date on which the Group and the Bank settle the commitment to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Bank have transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group and the Bank measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

G Financial assets (continued)

(c) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Bank reclassify debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group and the Bank classify their debt instruments:

(i) Amortised cost ("AC")

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in "interest income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "net gains and losses on financial instruments" together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the income statements.

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

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "net gains and losses on financial instruments". Interest income from these financial assets is included in "interest income" using the effective interest rate method. Foreign exchange gains and losses are presented in "net gains and losses on financial instruments" and impairment expenses are presented as a separate line item in the income statement.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

G Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

There are three measurement categories into which the Group and the Bank classifies its debt instruments: (continued)

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

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss and presented net within "net gains and losses on financial instruments" in the period in which it arises.

- Business model:

The business model reflects how the Group and the Bank manage the assets in order to generate cash flows. That is, whether the Group's and the Bank's objectives are solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets at FVTPL purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group and the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank's business model for the loan book is to hold to collect contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the Group and the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. For financial assets which were managed for the purpose of preserving the capital and generating a return on a longer turn, with the objective to hold and collect contractual cash flows and measured at Amortised Cost. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

- SPPI:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in OCI, cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but may be transferred within equity following the derecognition of the investment. The gains or losses will be recognised in retained earnings. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Bank's right to receive payments is established.

Changes in the fair value of equity investments at FVTPL are recognised in "net gains and losses on financial instruments" in the income statement.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

G Financial assets (continued)

(d) IBOR modification

When the basis to determine the future contractual cash flows of financial assets classified as amortised cost or FVOCI are modified entirely as a result of IBOR reform, the Group applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective interest rate with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of financial assets classified as amortised cost or FVOCI does not meet the criteria of the Phase 2 amendments, the Group first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate. Any additional changes are accounted for as a modification of financial assets in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain/loss recognised immediately in profit or loss where the financial assets are not derecognised).

(e) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Group and the Bank assess on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between the present value of cash flows according to the contract and the present value of cash flows the Group and the Bank expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Bank expect to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach

At each reporting date, the Group and the Bank measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 44 sets out the measurement details of ECL. The Group and the Bank apply 3-stage approach on debt instruments measured at amortised cost and FVOCI, except for those that are under simplified approach, as explained below.

(ii) Simplified approach

The Group and the Bank apply MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and other assets.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

G Financial assets (continued)

(e) Subsequent measurement – Impairment (continued)

Significant increase in credit risk

The Group and the Bank consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Bank compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower/issuer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increase in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a borrower/issuer is more than 30 days or 1 month past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group and the Bank define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the mandatory and/or judgmental indicators, which include amongst others, the following criteria:

(i) Mandatory indicators

- Failure to make contractual payment within 90 days or 3 months or when they fall due;
- Rescheduling and/or Restructuring ("R&R") due to Impairment Symptoms or Corporate Debt Restructuring Committee ("CDRC");
- Internal rating deteriorated to Credit Grade 15 or worse;
- Rating downgrade to default grade "D";
- Distressed restructuring or rescheduling of coupon and/or principal redemption resulting in an extended grace period to service coupon or even capitalise coupon;
- Primary repayment source is terminated indefinitely, or business model is deemed no longer viable, and no other alternative source of repayment is available;
- Cessation of business operations and business operation is unlikely able to resume;
- Borrower/customer is adjudicated bankrupt;
- Winding-up order issued against the company;
- Receiver and manager appointed;
- Corporate Rescue Mechanism, implementation of Corporate Voluntary Arrangement ("CVA") or Order for Judicial Management ("JM") granted by Court;
- Classification by Bursa Malaysia as distressed company due to credit deterioration, e.g. PN17, GN3 and failing to comply with the timeline for remedial action, and/or evidence of business failure; and
- Account classified as fraud.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

G Financial assets (continued)

(e) Subsequent measurement – Impairment (continued)

Definition of default and credit-impaired financial assets (continued)

The Group and the Bank define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the mandatory and/or judgmental indicators, which include amongst others, the following criteria: (continued)

(ii) Judgemental indicators

- Other debts including Treasury Instruments default and/or transferred to Stage 3 (Cross Default).

The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised.

Financial assets which are individually significant but non-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, customer types and other relevant factors) for collective assessment.

Write-off policy

The Group and the Bank write-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include:

(i) ceasing enforcement activity and
(ii) where the Groups recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

G Financial assets (continued)

(e) Subsequent measurement – Impairment (continued)

Modification of loans

The Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different from the original terms. The Group and the Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognises a “new” asset at fair value and recalculate a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognise a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

G Financial assets (continued)

(e) Subsequent measurement – Impairment (continued)

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group and the Bank transfer substantially all the risks and rewards of ownership, or (ii) the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank have not retained control.

The Group and the Bank enter into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfer substantially all of the risks and rewards. These transactions are accounted for as "pass-through" transfers that result in derecognition if the Group and the Bank:

i) Have no obligation to make payments unless it collects equivalent amounts from the assets;
ii) Are prohibited from selling or pledging the assets; and
iii) Have obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group and the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group and the Bank retain a subordinated residual interest.

(f) Regulatory reserve requirements

Pursuant to BNM Financial Reporting policy dated 27 September 2019, the Group and the Bank must maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of all credit exposures, net of loss allowance for credit-impaired exposures.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

H Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss

  This classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss; and

- Financial guarantee contracts and loan commitments (see Note I).

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, canceled or expires).

I Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Loan commitments provided by the Group and the Bank are measured as the amount of the loss allowance (calculated as described in Note 44). The Group and the Bank have not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 “Financial Instruments” and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 “Revenue from Contracts with Customers”, where appropriate.

J Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

K Derivative financial instruments

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognised the fair value of derivatives in income statements immediately.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated its derivatives as a hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

As at reporting date, the Group and the Bank have not designated any derivative as hedging instruments.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

L Trade receivables and other financial assets

In accordance with the Rules of Bursa Malaysia Securities Berhad (“Bursa Securities”), clients’ accounts are classified as credit impaired accounts under the following circumstances:

Types	Criteria for classification of accounts as impaired
Contra losses	When an account remains outstanding for 16 calendar days or more from the date of contra transaction.
Overdue purchase contracts	When an account remains outstanding from T+5 market days onwards (non-margin purchase) and T+9 market days onwards (discretionary financing).

Bad debts are written off when identified. Impairment allowances are made based on simplified approach (see Note G) for balances due from clients which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

The Group and the Bank adopt the MFRS 9 simplified approach for trade receivables and other financial assets, whereby loss allowance is measured at an amount equal to lifetime expected credit losses. Trade receivables that are in default or credit impaired are assessed individually. Other financial assets that are outstanding for more than 90 days are assessed individually for impairment provision.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

M Current and deferred income taxes

(a) Current tax

Tax expense for the financial year comprises current and deferred income tax. The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

(b) Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unutilised tax credits can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting period and are expected to apply when the related deferred tax assets are realised or the deferred tax liability is settled.

Deferred tax liability is recognised for all temporary differences associated with investment in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the investor is unable to control the reversal of the temporary difference for associate. Only where there is an agreement in place that gives the investor the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred tax assets are recognised on deductible temporary differences arising from investment in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred and income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

N Foreign currency translations

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rate prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flows or net investment hedge or are attributable to items that form part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investment at FVOCI are included in other comprehensive income.

O Provisions

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- the Group and the Bank have a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources to settle the obligation will be required; and
- a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance cost expense.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

P Employee benefits

(a) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Q Zakat

This represents business zakat payable by the Group in compliance with the principles of Shariah. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors.

Zakat provision is calculated based on 2.5% of net operating profit from the management of Islamic funds approved by the Shariah Supervisory Council.

R Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short-term commitments and are readily convertible to known amount of cash without significant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity 3 months or less.

The Group and the Bank do not have any deposits with original maturity exceeding one month as at 31 December 2022 and 31 December 2021 respectively.

S Contingent assets and contingent liabilities

The Group and the Bank do not recognise contingent assets and contingent liabilities other than those arising from the business combination, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events where existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

T Leases

Leases are recognised as right-of-use ("ROU") assets and a corresponding liability at the date on which the leased asset is available for use by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Bank are lessees, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of the lease liability.

Lease term

In determining the lease term, the Group and the Bank consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank and affects whether the Group and the Bank are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in the lease term results in the remeasurement of the lease liabilities. See the accounting policy below on the reassessment of lease liabilities.

Right-of-use ("ROU") assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If the Group and the Bank are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurements of the lease liabilities.

While the Group and the Bank revalue land and building (presented as part of property and equipment) that it owns, it has chosen not to revalue the ROU building held by the Group and the Bank.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

T Leases (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with the similar term, security and conditions.

Lease payments are allocated between principal and finance costs. The finance cost is charged to 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. The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the interest expense in the income statements.

Reassessment of lease liabilities

The Group and the Bank are also exposed to potential future increase in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an operating expense in profit or loss.

COVID-19 related rent concession

The Group and the Bank elect to account for a COVID-19 related rent concession that meets all of the following conditions in the same way as they would if they were not lease modification:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group and the Bank account for such COVID-19-related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The Group and the Bank present the impacts of rent concessions within operating expenses.

If a rent concession results from a lease modification, the Group and the Bank account for the rent concession as either a new lease or as a remeasurement of existing lease liability, depending on the criteria set in MFRS 16. If a rent concession does not result from a lease modification, the Group and the Bank account for the rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

U Recognition of interest income and expense

Interest income and expenses for all interest financial instruments are recognised within “interest income” and “interest expense” respectively in the income statement using the effective interest method. Interest income from financial assets at FVTPL is recognised as part of net gains and losses on financial instruments.

Interest income is calculated by applying effective interest rate to the gross carrying amount of financial assets except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, interest income is suspended until it is realised on cash basis.

V Recognition of fees and other income

The Group and the Bank earn fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income is recognised when the Group and the Bank have satisfied their performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amounts agreed with customers, and net of expenses directly related to it. The Group and the Bank generally satisfy their performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, brokerage income, arrangement fees, rollover fees and initial service charges on the sale of unit trust funds. These fees constitute a single performance obligation.

- For a service that is provided over a period of time, fee and commission income is recognised on equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of the provision of these services to the customers over time. Fees for these services can be billed to customers in advance or periodically over time. Such fees include portfolio management fees, guarantees fees, commitment fees, agency fees and initial service charges on close-ended funds.

The Group and the Bank do not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include transaction costs, sales commissions and referral fees, but do not include expenses for services delivered over a period and other expenses that are not specifically related to fee and commission income transactions.

Other income recognition are as follows:

(a) Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Dividends that clearly represent a recovery of part of the cost of investment are recognised in other comprehensive income if it relates to an investment in equity instruments measured at FVOCI.

(b) Net gain or loss from disposal of FVTPL and debt instruments at FVOCI are recognised in profit or loss upon disposal of the securities, as the difference between disposal proceeds, the carrying amount of the securities and incremental costs that are directly attributable to the disposal. The Bank has included certain employee costs as part of the incremental costs directly attributable to the acquisition, issue or disposal of the securities.

(c) Other income are recognised on an accrual basis.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

W Share capital

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual agreement of the particular instrument.

(b) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(c) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

i) the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares; and

ii) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

i) the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

ii) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

X Trust activities

The Group and the Bank act as trustees in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trusts and other institutions, These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group and the Bank.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

Y Sale and repurchase agreements

Securities purchased under resale agreements are securities within the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities that the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statements of financial position.

The difference between sale and repurchase prices as well as purchase and resale prices are amortised as interest income and interest expense respectively on an effective interest rate method.

Z Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group’s and the Bank’s accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Summary of significant accounting policies for the financial year ended 31 December 2022 (continued)

Z Critical accounting estimates and judgments (continued)

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). An explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 44, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Impact arising from COVID-19 on ECL

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2022.

These overlays were taken to reflect the latest macro-economic outlook not captured in the modelled outcome and the potential impact on delinquencies and defaults when the various relief and support measures are expiring in early 2022.

The overlays involved a significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes.

The borrowers and customers who have received repayment support remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of the significant increase in credit risk from each of their pre-COVID-19 statuses. The overlays were made at the account level.

Estimated impairment on goodwill

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash-generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate. The uncertainties arising from the macroeconomic environment, such as the rising interest rate and inflation, have been reflected in the cash flow projections.

The recoverable amounts of the stockbroking business, investment banking and treasury & markets (the cash-generating units to which goodwill is allocated) were determined based on discounted cash flow valuation model. The calculations require the use of estimates as set out in Note 16 to the financial statements.

Notes to the financial statements for the financial year ended 31 December 2022

1 General information

The principal activities of the Bank are in investment banking, stockbroking activities, dealing in options and futures, and related financial services.

The principal activities of the subsidiaries are investment holdings, asset management, management of unit trust funds and private retirement schemes, Islamic fund management, trustee services and nominee services.

There were no significant changes in the nature of the principal activities of the Bank during the financial year except for the discontinued operation of the asset management, management of unit trust funds and private retirement schemes as well as Islamic fund management activities due to the disposal of its subsidiary, Affin Hwang Asset Management Berhad on 29 July 2022.

The holding company of the Bank is Affin Bank Berhad ("ABB"), a public limited liability company incorporated and domiciled in Malaysia, and the ultimate holding corporate body is Lembaga Tabung Angkatan Tentera, a statutory body incorporated under the Tabung Angkatan Tentera Act 1973.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Bank is 27th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.

2 Cash and short-term funds

	The Group		**The Bank**	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**262,893**	866,358	**260,943**	313,570
Money at call and deposit placements maturing within one month	**48,980**	1,074,133	**48,580**	894,338
Less: Expected credit losses ("ECL")	**-**	(4)	**-**	(4)
	311,873	1,940,487	**309,523**	1,207,904

Inclusive in cash and short-term funds of the Group and the Bank are trust accounts maintained for dealer's representatives amounting to RM64,495,000 (2021: RM68,653,000).

Cash and short-term funds of the Group also include restricted cash which could be utilised only for the creation and cancellation of units of the fund managed by the Group in accordance with Section 111 of the Capital Markets and Services Act 2007. The total restricted cash of the Group amounted to RM Nil (2021: RM537,822,000).

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

3 Financial assets at fair value through profit or loss ("FVTPL")

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
At fair value				
Quoted securities				
Unit trusts in Malaysia	**1,207**	118,501	**-**	65,626
Shares and warrants in Malaysia	**34,631**	30,862	**34,631**	29,297
Shares and warrants outside Malaysia	**230**	79,553	**230**	983
	36,068	228,916	**34,861**	95,906
Unquoted securities				
Corporate bonds and/or Sukuk in Malaysia	**2**	1,008	**2**	-
	2	1,008	**2**	-
	36,070	229,924	**34,863**	95,906

4 Financial investments at fair value through other comprehensive income ("FVOCI")

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
Money market instruments		
Malaysian government securities	**797,643**	768,784
Malaysian government islamic investment issues	**1,090,216**	1,137,984
Cagamas bonds	**124,487**	90,757
Khazanah bonds	**9,797**	9,625
	2,022,143	2,007,150
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia	**1,529,443**	1,618,659
Corporate bonds and/or Sukuk outside Malaysia	**-**	26,958
Shares in Malaysia *	**23,915**	26,697
	3,575,501	3,679,464

* Equity securities designated at fair value through other comprehensive income.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

4 Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

Equity investments designated at fair value through other comprehensive income

The Group and the Bank designated certain equity investments at FVOCI as shown in the following table. The FVOCI designation was made as the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, these strategic investment is more of medium term investment.

	The Group and the Bank	
	31.12.2022	31.12.2021
Unquoted securities	**RM'000**	RM'000
Shares in Malaysia:		
Cagamas Berhad	**22,662**	22,191
Malaysian Rating Corporation Berhad	**1,253**	1,184
RAM Holdings Berhad*	**-**	3,322
Total unquoted securities	**23,915**	26,697

The dividend income for equity investments designated at FVOCI held and disposed during the financial year are as follows :

	Carrying Amount as at		Dividend income of equity investments held as at the end of the financial year		Dividend Income of equity investments disposed during the financial year	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Unquoted securities	**23,915**	26,697	**190**	330	**-**	-
	23,915	26,697	**190**	330	**-**	-

* During the financial year, the Group and the Bank disposed its shares in RAM Holdings Berhad to monetise the non-core investment. The shares disposed at a value amounting to RM5,200,000 of which the total realised gain of RM3,175,000 have been reclassified from FVOCI revaluation reserves to retained profits during the financial year. Other than the above, there have been no new acquisition or disposal of equity investments at fair value through other comprehensive income during the current and previous financial years.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

4 Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

Movements in allowance for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows:

The Group and the Bank 31.12.2022	**12-month ECL Stage 1 RM'000**	**Lifetime ECL not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**252**	**19,107**	**-**	**19,359**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	-	-	-	-
Derecognised during the financial year (other than write-offs)	**(12)**	**(731)**	**-**	**(743)**
New originated or purchased	**204**	**-**	**-**	**204**
Changes due to change in credit risk	**359**	**-**	**-**	**359**
At end of the financial year	**803**	**18,376**	**-**	**19,179**

The Group and the Bank 31.12.2021	12-month ECL Stage 1 RM'000	Lifetime ECL not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	4,749	4,219	12,170	21,138
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(522)	522	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	(522)	522	-	-
Derecognised during the financial year (other than write-offs)	(1,534)	-	-	(1,534)
New originated or purchased	1,778	-	-	1,778
Changes due to change in credit risk	(1,844)	14,366	(724)	11,798
Changes in model/risk parameters	(2,374)	-	-	(2,374)
Write-offs	-	-	(11,446)	(11,446)
Other adjustments:				
- Foreign exchange and other adjustments	(1)	-	-	(1)
At end of the financial year	252	19,107	-	19,359

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

4 Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

Movements in the gross carrying amount of financial assets that contributed to changes in the expected credit losses:

The Group and the Bank **31.12.2022**	**12-month ECL** **Stage 1** **RM'000**	**Lifetime ECL not Credit Impaired** **Stage 2** **RM'000**	**Lifetime ECL Credit Impaired** **Stage 3** **RM'000**	**Total** **RM'000**
At beginning of the financial year	**3,524,179**	**128,588**	**-**	**3,652,767**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	-	-	-	-
Derecognised during the financial year (other than write-offs)	**(402,632)**	**(30,169)**	**-**	**(432,801)**
New originated or purchased	**411,930**	**-**	**-**	**411,930**
Changes due to interest accruals/accretion/amortisation	**(28,979)**	**(289)**	**-**	**(29,268)**
Changes due to fair value	**(53,574)**	**105**	**-**	**(53,469)**
Other adjustments:				
- Foreign exchange and other adjustments	**-**	**2,427**	**-**	**2,427**
At end of the financial year	**3,450,924**	**100,662**	**-**	**3,551,586**

The Group and the Bank 31.12.2021	12-month ECL Stage 1 RM'000	Lifetime ECL not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	3,940,061	104,544	4,457	4,049,062
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(24,794)	24,794	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	(24,794)	24,794	-	-
Derecognised during the financial year (other than write-offs)	(2,475,283)	-	-	(2,475,283)
New originated or purchased	2,293,726	-	-	2,293,726
Changes due to interest accruals/accretion/amortisation	(35,086)	(107)	-	(35,193)
Changes due to fair value	(174,426)	(1,072)	(118)	(175,616)
Write-offs	-	-	(4,525)	(4,525)
Other adjustments:				
- Foreign exchange and other adjustments	(19)	429	186	596
At end of the financial year	3,524,179	128,588	-	3,652,767

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

5 Financial investments at amortised cost

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
At fair value		
Money market instruments		
Malaysian government islamic investment issues	**139,361**	-
Malaysian government securities	**67,125**	-
	206,486	-
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia	**658,994**	40,484
Corporate bonds and/or Sukuk outside Malaysia	**15,016**	-
Loan stocks in Malaysia	**15,560**	15,000
	896,056	55,484
Expected credit losses ("ECL")	**(16,409)**	(15,032)
	879,647	40,452

Movements in allowance for impairment which reflect the expected credit losses ("ECL") model on impairment are as follows:

The Group and the Bank 31.12.2022	**12-month ECL Stage 1 RM'000**	**Lifetime ECL not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**32**	**-**	**15,000**	**15,032**
Derecognised during the financial year (other than write-offs)	**(2)**	**-**	**-**	**(2)**
New originated or purchased	**472**	**-**	**-**	**472**
Changes due to change in credit risk	**347**	**-**	**-**	**347**
Other adjustments	**-**	**-**	**560**	**560**
At end of the financial year	**849**	**-**	**15,560**	**16,409**

The Group and the Bank 31.12.2021	12-month ECL Stage 1 RM'000	Lifetime ECL not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	60	-	12,922	12,982
Changes due to change in credit risk	(28)	-	2,078	2,050
At end of the financial year	32	-	15,000	15,032

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

5 Financial investments at amortised cost (continued)

Movements in the gross carrying amount of financial assets that contributed to changes in the expected credit losses:

The Group and the Bank 31.12.2022	**12-month ECL Stage 1 RM'000**	**Lifetime ECL not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**40,484**	**-**	**15,000**	**55,484**
Derecognised during the financial year (other than write-offs)	**(35,000)**	**-**	**-**	**(35,000)**
New originated or purchased	**867,741**	**-**	**-**	**867,741**
Changes due to interest accruals/accretion/amortisation	**7,318**	**-**	**-**	**7,318**
Other adjustments				
- Foreign exchange and other adjustments	**(47)**	**-**	**560**	**513**
At end of the financial year	**880,496**	**-**	**15,560**	**896,056**

The Group and the Bank 31.12.2021	12-month ECL Stage 1 RM'000	Lifetime ECL not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	40,497	-	15,000	55,497
Changes due to interest accruals/accretion/amortisation	(13)	-	-	(13)
At end of the financial year	40,484	-	15,000	55,484

6 Loans and advances

	The Group and the Bank 31.12.2022 RM'000	The Group and the Bank 31.12.2021 RM'000
(i) By type		
Term loans:		
- Syndicated term loans	**99,255**	102,552
- Other term loans	**112,621**	122,620
Revolving credits	**224,142**	122,679
Share margin financing	**1,195,788**	782,767
Staff loans	**2,939**	3,892
Gross loans and advances	**1,634,745**	1,134,510
Less: Expected credit losses	**(64,740)**	(56,101)
Total net loans and advances	**1,570,005**	1,078,409
(ii) By maturity structure		
Maturing within one year	**1,444,483**	895,159
One year to three years	**31,796**	47,579
Three years to five years	**62,525**	66,103
Over five years	**95,941**	125,669
	1,634,745	1,134,510

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

6 Loans and advances (continued)

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
(iii) By type of customer		
Domestic business enterprises:		
- Small medium enterprises	**7,864**	11,805
- Others	**485,193**	387,583
Domestic non-bank financial institutions	**279,052**	233,148
Individuals	**862,143**	499,770
Foreign individuals	**493**	2,204
	1,634,745	1,134,510
(iv) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loans	**44,117**	36,545
- Housing loans	**1,596**	2,364
- Hire purchase receivables	**1,343**	1,528
Variable rate		
- Cost plus	**1,434,020**	1,064,226
- BFR plus *	**122,054**	-
- Other floating rate	**31,615**	29,847
	1,634,745	1,134,510

* refers to Base Financing Rate ("BFR") from Affin Bank.

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
(v) By economic sectors		
Household	**862,636**	501,974
Finance, insurance and business services	**284,878**	237,259
Real estate	**116,242**	133,736
Construction	**214,904**	91,666
Transport, storage and communication	**83,337**	84,001
Agriculture	**28,428**	35,067
Manufacturing	**24,344**	29,541
Wholesale, retail trade, hotels and restaurants	**10,032**	11,326
Education, health and others	**7,808**	7,801
Mining and quarrying	**2,127**	2,139
Electricity, gas and water supply	**9**	-
	1,634,745	1,134,510

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

6 Loans and advances (continued)

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
(vi) By economic purpose		
Purchase of securities	**1,263,083**	864,426
Purchase of landed properties of which		
- Residential	**1,596**	2,364
- Non-residential	**31,426**	42,231
Working capital	**76,050**	80,250
Construction	**30,332**	40,425
Purchase of transport vehicles	**35,008**	33,443
Merger and acquisition	**21,536**	21,513
Others	**175,714**	49,858
	1,634,745	1,134,510
(vii) By geographical distribution		
Wilayah Persekutuan	**994,692**	631,334
Selangor	**397,163**	260,506
Johor	**93,353**	59,284
Sarawak	**52,451**	59,196
Pulau Pinang	**26,769**	41,331
Sabah	**29,300**	35,546
Terengganu	**28,826**	35,158
Perak	**4,487**	4,600
Kedah	**4,872**	4,192
Negeri Sembilan	**2,832**	3,363
	1,634,745	1,134,510
(viii) Movements of impaired loans and advances		
At beginning of the financial year	**82,528**	89,292
Amount recovered	**(11,981)**	(6,764)
Interest on credit impaired loans and advances	**7,778**	-
At end of the financial year	**78,325**	82,528
Ratio of gross impaired loans and advances to gross loans and advances	**4.79%**	7.27%

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

6 Loans and advances (continued)

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
(ix) Impaired loans and advances analysed by sector		
Construction	**44,117**	36,545
Real estate	**27,971**	32,076
Manufacturing	**4,110**	6,669
Transport, storage and communication	**-**	5,099
Mining and quarrying	**2,127**	2,139
	78,325	82,528
(x) Impaired loans and advances by economic purpose		
Working capital	**48,227**	48,314
Purchase of securities	**21,856**	26,075
Purchase of transport vehicles	**2,127**	2,139
Others	**6,115**	6,000
	78,325	82,528
(xi) Impaired loans and advances by geographical distribution		
Sarawak	**44,117**	36,545
Selangor	**32,081**	43,844
Wilayah Persekutuan	**2,127**	2,139
	78,325	82,528

6 Loans and advances (continued)

(xii) Movement in expected credit losses for loans and advances

The Group and the Bank 31.12.2022	**12-month ECL Stage 1 RM'000**	**Lifetime ECL not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**1,045**	**22,304**	**32,752**	**56,101**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	-	-	-	-
Loans derecognised during the financial year (other than write-offs)	**(27)**	**-**	**(4,470)**	**(4,497)**
New loans originated or purchased	**914**	**-**	**-**	**914**
Changes due to change in credit risk	**(351)**	**4,465**	**329**	**4,443**
Other adjustments:				
- Foreign exchange and other adjustments	**1**	**-**	**7,778**	**7,779**
At end of the financial year	**1,582**	**26,769**	**36,389**	**64,740**

The Group and the Bank 31.12.2021	12-month ECL Stage 1 RM'000	Lifetime ECL not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	1,781	8,150	21,052	30,983
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	7	(7)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(748)	748	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	(741)	741	-	-
Loans derecognised during the financial year (other than write-offs)	(192)	-	(2,514)	(2,706)
New loans originated or purchased	65	-	-	65
Changes due to change in credit risk	132	13,413	14,214	27,759
At end of the financial year	1,045	22,304	32,752	56,101

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

6 Loans and advances (continued)

(xiii) Movement in the gross carrying amount of financial assets that contributed to changes in the expected credit losses

The Group and the Bank 31.12.2022	**12-month ECL Stage 1 RM'000**	**Lifetime ECL not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**990,270**	**61,712**	**82,528**	**1,134,510**
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	**1,650**	**(1,650)**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(917)**	**917**	**-**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**-**	**-**	**-**	**-**
Total transfer between stages	**733**	**(733)**	**-**	**-**
Loans derecognised during the financial year (other than write-offs)	**(134,246)**	**-**	**(4,470)**	**(138,716)**
New loans originated or purchased	**987,775**	**-**	**-**	**987,775**
Changes due to change in credit risk	**(350,181)**	**(3,296)**	**(7,511)**	**(360,988)**
Other adjustments				
- Foreign exchange and other adjustments	**2,708**	**1,678**	**7,778**	**12,164**
At end of the financial year	**1,497,059**	**59,361**	**78,325**	**1,634,745**

The Group and the Bank 31.12.2021	12-month ECL Stage 1 RM'000	Lifetime ECL not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	800,505	88,549	89,292	978,346
Transfer between stages due to change in credit risk:				
- Transfer to 12-month ECL (Stage 1)	36,015	(36,015)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(9,683)	9,683	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	26,332	(26,332)	-	-
Loans derecognised during the financial year (other than write-offs)	(136,608)	-	(3,088)	(139,696)
New loans originated or purchased	667,384	-	-	667,384
Changes due to change in credit risk	(367,749)	(1,568)	(3,676)	(372,993)
Other adjustments				
- Foreign exchange and other adjustments	406	1,063	-	1,469
At end of the financial year	990,270	61,712	82,528	1,134,510

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

7 Trade receivables

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Amount in respect of asset management related fees receivables	**-**	155,703	**-**	-
Amounts due from clients:				
- performing accounts	**376,714**	324,833	**376,714**	324,833
- impaired accounts	**941**	942	**941**	942
Amounts due from brokers	**26,855**	46,088	**26,855**	46,088
	404,510	527,566	**404,510**	371,863
Less: Expected credit losses ("ECL")	**(756)**	(1,533)	**(756)**	(1,300)
	403,754	526,033	**403,754**	370,563

Movements of impaired amounts due from clients:

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
At beginning of the financial year	**942**	1,387
Classified as impaired during the financial year	**1,504**	3,126
Amount recovered	**(1,505)**	(3,571)
At end of the financial year	**941**	942

	The Group
	31.12.2022
	RM'000
Expected credit losses	
At beginning of the financial year	**1,533**
Allowance made	**3,094**
Amount written back	**(3,601)**
Disposal of a subsidiary	**(270)**
At end of the financial year	**756**

	The Group
	31.12.2021
	RM'000
Expected credit losses	
At beginning of the financial year	2,809
Allowance made	5,031
Amount written back	(6,307)
At end of the financial year	1,533

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

7 Trade receivables (continued)

	The Bank 31.12.2022 RM'000
Expected credit losses	
At beginning of the financial year	**1,300**
Allowance made	**3,057**
Amount written back	**(3,601)**
At end of the financial year	**756**

	The Bank 31.12.2021 RM'000
Expected credit losses	
At beginning of the financial year	2,720
Allowance made	4,887
Amount written back	(6,307)
At end of the financial year	1,300

8 Derivative financial assets

	The Group			
	31.12.2022		31.12.2021	
	Principal amount RM'000	**Assets RM'000**	Principal amount RM'000	Assets RM'000
At fair value				
Foreign exchange related contracts				
- Currency forwards	**410,274**	**7,488**	1,929,603	11,022
- Currency swaps	**2,700,132**	**82,981**	4,140,190	42,680
- Cross currency interest rate swaps	**83,910**	**2,337**	-	-
	3,194,316	**92,806**	6,069,793	53,702
Interest rate related contracts				
- Interest rate swaps	**1,705,000**	**14,874**	1,610,000	23,567
	4,899,316	**107,680**	7,679,793	77,269

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

8 Derivative financial assets (continued)

	The Bank			
	31.12.2022		31.12.2021	
	Principal amount amount RM'000	**Assets RM'000**	Principal amount amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives				
- Currency forwards	**410,274**	**7,488**	1,882,285	10,714
- Currency swaps	**2,700,132**	**82,981**	4,140,190	42,680
- Cross currency interest rate swaps	**83,910**	**2,337**	-	-
	3,194,316	**92,806**	6,022,475	53,394
Interest rate related contracts				
- Interest rate swaps	**1,705,000**	**14,874**	1,610,000	23,567
	4,899,316	**107,680**	7,632,475	76,961

9 Other assets

	The Group		The Bank	
	31.12.2022 RM'000	31.12.2021 RM'000	**31.12.2022 RM'000**	31.12.2021 RM'000
Other debtors, deposits and prepayments	**23,171**	38,790	**23,011**	30,072
Collaterals pledged for derivatives transactions	**5,113**	7,574	**5,113**	7,574
Securities lending	**17,438**	22,537	**17,438**	22,537
Clearing guarantee fund (a)	**1,722**	1,924	**1,722**	1,924
Clearing fund (b)	**2,557**	2,532	**2,557**	2,532
Transferable membership	**250**	350	**250**	250
	50,251	73,707	**50,091**	64,889
Less: Expected credit losses ("ECL")	**(4,749)**	(4,039)	**(4,745)**	(4,030)
	45,502	69,668	**45,346**	60,859

(a) Interest-bearing contributions made by the Bank amounted to RM1,722,000 (2021: RM1,924,000) as a trading clearing participant in accordance with the Rules of Bursa Malaysia Securities Clearing Sdn. Bhd. ("Bursa Clearing") to a fund maintained by Bursa Clearing.

(b) Interest-bearing contributions made by the Bank amounted to RM2,557,000 (2021: RM2,532,000) in accordance with the Business Rules of Bursa Malaysia Derivatives Clearing Berhad.

Movements of credit impaired accounts

	The Group		The Bank	
	31.12.2022 RM'000	31.12.2021 RM'000	**31.12.2022 RM'000**	31.12.2021 RM'000
At beginning of the financial year	**4,107**	4,575	**4,100**	4,575
Classified as impaired during the financial year	**2,349**	2,825	**2,292**	2,818
Amount recovered	**(1,699)**	(3,293)	**(1,639)**	(3,293)
At end of the financial year	**4,757**	4,107	**4,753**	4,100

9 Other assets (continued)

Movements in allowances for impairment on other assets:

	The Group 31.12.2022 RM'000
Expected credit losses	
At beginning of the financial year	**4,039**
Allowance made	**2,417**
Amount written back	**(1,707)**
At end of the financial year	**4,749**

	The Group 31.12.2021 RM'000
Expected credit losses	
At beginning of the financial year	3,966
Allowance made	2,828
Amount written back	(2,755)
At end of the financial year	4,039

	The Bank 31.12.2022 RM'000
Expected credit losses	
At beginning of the financial year	**4,030**
Allowance made	**2,349**
Amount written back	**(1,634)**
At end of the financial year	**4,745**

	The Bank 31.12.2021 RM'000
Expected credit losses	
At beginning of the financial year	3,966
Allowance made	2,803
Amount written back	(2,739)
At end of the financial year	4,030

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

10 Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act 2009, the amount of which are determined as a set percentage of total eligible liabilities.

As stipulated in BNM's Statutory Reserve Requirement ("SRR") policy document issued on 15 May 2020, effective 16 May 2020, banking institutions are allowed to use Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") to fully meet the SRR compliance. The flexibility is available until 31 May 2021.

Subsequently per BNM's SRR policy document issued on 16 March 2021, the extension of the flexibility for banking institutions is extended until 31 December 2022. The decision to extend this flexibility is part of BNM's continuous efforts to ensure sufficient liquidity to support financial intermediation activity.

11 Amounts due from subsidiaries

	The Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
Amount due from subsidiaries	**308**	310

The amount due from subsidiaries are unsecured, interest-free and repayable on demand.

12 Investment in subsidiaries

	The Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
Unquoted shares at cost at beginning of the financial year	**126,521**	126,521
Disposal of a subsidiary (a)	**(121,211)**	-
Accumulated impairment losses (b)	**(3,516)**	-
Unquoted shares at cost at end of the financial year	**1,794**	126,521

(a) As set out in Note 42, Affin Hwang Asset Management Berhad was disposed on 29 July 2022.

(b) During the financial year, impairment losses of RM3.5 million (2021: RM Nil) were recognised for investments in Affin Hwang Nominees (Asing) Sdn. Bhd., Affin Hwang Nominees (Tempatan) Sdn. Bhd., AHC Global Sdn. Bhd. and AHC Associates Sdn. Bhd. as the recoverable amount of the investments was less than the carrying value of the investments.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

12 Investment in subsidiaries (continued)

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

Name		Issued and paid up share capital	Percentage of equity held		Non-controling interest	
		31.12.2022	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Direct subsidiaries:	**Principal activities**	**RM'000**	**%**	%	**%**	%
Affin Hwang Asset Management Berhad ("AHAM") **	Asset management, management of unit trust & private retirement schemes	-	-	63	-	37
Affin Hwang Nominees (Asing) Sdn. Bhd.	Nominee services	**1,326**	**100**	100	-	-
Affin Hwang Nominees (Tempatan) Sdn. Bhd.	Nominee services	**1,331**	**100**	100	-	-
AHC Global Sdn. Bhd.	Investment holdings	**1,332**	**100**	100	-	-
AHC Associates Sdn. Bhd.	Investment holdings	**1,332**	**100**	100	-	-
Affin Hwang Trustee Berhad (Note 12 (c))	Trustee services	**6,500**	**100**	100	-	-
Direct subsidiaries of AHAM:						
Bintang Capital Partners Berhad ("BCP") **	Private equity management	-	-	51	-	49
AIIMAN Asset Management Sdn. Bhd. ("AIIMAN") **	Islamic fund management	-	-	100	-	-
AccelVantage Academy Sdn. Bhd. ("AVA") **	Training and coaching services	-	-	51	-	49

** During the financial year, the Bank completed the divestment of AHAM, and hence AHAM and its subsidiaries ceased to be the subsidiaries of the Bank and were deconsolidated from the Group's financial statements.

12 Investment in subsidiaries (continued)

The subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows: (continued)

Direct subsidiaries of AHAM: (continued)	Principal activities	Issued and paid up share capital 31.12.2022 RM'000	Percentage of equity held 31.12.2022 %	31.12.2021 %	Non-controling interest 31.12.2022 %	31.12.2021 %
AIIMAN Global Equity Fund**	Investment in Shariah-compliant equities instrume:	-	-	71	-	29
Affin Hwang AIIMAN Constant Cash Fund 2**	Investment in Shariah-compliant money market instruments	-	-	100	-	-
AIIMAN Asia Pacific (ex Japan) Dividend Fund**	Investment in Shariah-compliant equities instruments	-	-	40	-	60
TradePlus NYSE FANG+ Daily (-1x) Inverse Tracker **	Investment in futures contracts	-	-	65	-	35
TradePlus NYSE FANG+ Daily (2x) Leveraged Tracker **	Investment in futures contracts	-	-	89	-	11
TradePlus HSCEI Daily (-1x) Inverse Tracker**	Investment in futures contracts	-	-	100	-	-
TradePlus HSCEI Daily (2x) Leveraged Tracker**	Investment in futures contracts	-	-	50	-	50
TradePlus DWA Malaysia Momentum Tracker**	Investment in equity instruments	-	-	40	-	60

** During the financial year, the Bank completed the divestment of AHAM, and hence AHAM and its subsidiaries ceased to be the subsidiaries of the Bank and were deconsolidated from the Group's financial statements.

(c) Details of entities that holds interest in Affin Hwang Trustee Berhad ("AHTB") are as follows:

	Percentage of equity held 31.12.2022 %	31.12.2021 %
Held by the Bank -		
Affin Hwang Investment Bank Berhad	**20**	20
Held by subsidiaries of the Bank -		
Affin Hwang Nominees (Asing) Sdn. Bhd.	**20**	20
Affin Hwang Nominees (Tempatan) Sdn. Bhd.	**20**	20
AHC Global Sdn. Bhd.	**20**	20
AHC Associates Sdn. Bhd.	**20**	20

At Group level, AHTB is deemed as wholly owned subsidiary of the Bank by virtue of its 100% effective equity interest in AHTB.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

12 Investment in subsidiaries (continued)

Details of subsidiaries that have material non-controlling interests:

Set out below are the Group's subsidiaries that have material non-controlling interest ("NCI"):

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interest		Profit allocated to non-controlling interest		Accummulated non-controlling interest	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
	%	%	**RM'000**	RM'000	**RM'000**	RM'000
AHAM **	**	37	**24,964**	53,389	**	44,685

** The Bank completed the divestment of AHAM on 29 July 2022. Hence, AHAM and its subsidiaries ceased to be the subsidiaries of the Bank and were deconsolidated from the Group's financial statements.

The summarised financial information of the asset management subsidiary, AHAM that has non-controlling interest that are material to the Group is set out below. The summarised financial information below represents amounts before intercompany eliminations.

	AHAM Group	
	^ 29.07.2022	31.12.2021
	RM'000	RM'000
Summarised financial position		
Total assets	-	1,078,261
Total liabilities	-	(954,455)
Net assets	-	123,806
Equity attributable to the Bank	-	79,121
NCI	-	44,685
Summarised financial results		
Revenue	**265,113**	739,708
Profit before taxation	**83,236**	157,498
Taxation and zakat	**(16,488)**	(34,738)
Other comprehensive income	-	388
Total comprehensive income	**66,748**	123,148
Summarised cash flows		
Net cash generated from operating activities	-	459,823
Net cash used in financing activities	-	(182,169)
Net cash used in investing activities	-	(2,007)
Net increase in cash & cash equivalents	-	275,647
Profit allocated to NCI of the Group	**24,964**	53,389

^ up to the date of the divestment of AHAM.

13 Investment in associates

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Cost at beginning of the financial year	**-**	4,108	**1,332**	1,332
Net redemption investments in funds	**-**	(4,108)	**-**	-
Accumulated impairment losses (a)	**-**	-	**(960)**	-
Cost at end of the financial year	**-**	-	**372**	1,332

(a) Recoverable amount is tested annually or more frequently if events, or changes in circumstances indicate that impairment might be required. The loss of key customers has impacted the performance of Affin Hwang Trustee Berhad ("AHTB") in 2022. Management has assessed the recoverable amount of AHTB based on its VIU, calculated based on the cash flow projections derived from the financial budgets and business plans prepared by management that were updated to reflect the most recent market developments. The impairment test has resulted in an impairment loss of RM0.96 million.

(b) During the financial year, an impairment losses of RM0.96 million (2021: RM Nil) was recognised for investment in Affin Hwang Trustee Berhad.

(c) Information about associates:

The Bank		**Issued and paid**	**Percentage of equity held**	
Name	**Principal activities**	**up share capital**	**2022**	2021
		RM'000	**%**	%
Affin Hwang Trustee Berhad ("AHTB") #	Provision of trustee services	**6,500**	**20%**	20%

\# The associate company is deemed as a wholly owned subsidiary of the Bank at Group level by virtue of the 20% shareholding by each of the subsidiary companies of the Bank as disclosed in Note 12 to the financial statements.

14 Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets and current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting are shown in the statements of financial position:

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets	**63,302**	89,557	**63,302**	65,860
	63,302	89,557	**63,302**	65,860
Deferred tax assets:				
- to be recovered more than 12 months	**44,640**	31,145	**44,640**	30,705
- to be recovered within 12 months	**24,547**	65,042	**24,547**	39,727
Deferred tax liabilities:				
- to be recovered more than 12 months	**(4,948)**	(5,323)	**(4,948)**	(4,572)
- to be recovered within 12 months	**(937)**	(1,307)	**(937)**	-
	63,302	89,557	**63,302**	65,860

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

14 Deferred tax assets (continued)

The movement in deferred tax assets and liabilities during the financial year are as follows:

	Note	Property and equipment	Intangible assets	Loans and advances	Financial investments at amortised cost	Other liabilities	Foreign exchange translation gain	Unutilised business tax losses and unabsorbed capital allowances losses	Financial investments at FVOCI	Total
The Group		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31.12.2022										
At beginning of the financial year		**(1,771)**	**(154)**	**2,432**	**(32)**	**65,644**	**(4,074)**	**334**	**27,178**	**89,557**
Recognised in income statements										
- tax rate of 24%	36	**945**	**25**	**665**	**172**	**(18,021)**	**(2,273)**	**(325)**	**21**	**(18,791)**
- average tax rate *	36	**(14)**	**(17)**	**-**	**-**	**(5,567)**	**(52)**	**-**	**(25)**	**(5,675)**
Recognised in statements of other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,832**	**12,832**
Disposal of a subsidiary	42	**1,116**	**(808)**	**-**	**-**	**(17,059)**	**2,139**	**(9)**	**-**	**(14,621)**
At end of the financial year		**276**	**(954)**	**3,097**	**140**	**24,997**	**(4,260)**	**-**	**40,006**	**63,302**
The Group										
31.12.2021										
At beginning of the financial year		(1,431)	(100)	899	(26)	65,086	(5,362)	964	(13,825)	46,205
Recognised in income statements as tax expenses:										
- tax rate of 24%	36	(354)	(71)	1,533	(6)	(7,430)	1,236	(630)	709	(5,013)
- average tax rate *	36	14	17	-	-	7,988	52	-	25	8,096
Recognised in statements of other comprehensive income		-	-	-	-	-	-	-	40,269	40,269
At end of the financial year		(1,771)	(154)	2,432	(32)	65,644	(4,074)	334	27,178	89,557

* The average tax rate is the expected rate to be applied to taxable profits in the year of assessment ("YA") 2022 due to the effect of "Cukai Makmur" that was imposed by the government on the portion of YA 2022's chargeable income in excess of RM100 million.

14 Deferred tax assets (continued)

The movement in deferred tax assets and liabilities during the financial year are as follows: (continued)

	Note	Property and equipment	Intangible assets	Loans and advances	Financial investments at amortised cost	Other liabilities	Foreign exchange translation gain	Financial investments at FVOCI	Total
The Bank		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31.12.2022									
At beginning of the financial year		**(550)**	**(927)**	**2,432**	**(32)**	**40,093**	**(2,334)**	**27,178**	**65,860**
Recognised in income statements:									
- tax rate of 24%	36	**840**	**(10)**	**665**	**172**	**(9,529)**	**(1,874)**	**21**	**(9,715)**
- average tax rate *	36	**(14)**	**(17)**	**-**	**-**	**(5,567)**	**(52)**	**(25)**	**(5,675)**
Recognised in statements of other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**12,832**	**12,832**
At end of the financial year		**276**	**(954)**	**3,097**	**140**	**24,997**	**(4,260)**	**40,006**	**63,302**
The Bank									
31.12.2021									
At beginning of the financial year		(299)	(873)	899	(26)	47,745	(3,908)	(13,825)	29,713
Recognised in income statements:									
- tax rate of 24%	36	(265)	(71)	1,533	(6)	(13,219)	1,522	709	(9,797)
- average tax rate *	36	14	17	-	-	5,567	52	25	5,675
Recognised in statements of other comprehensive income		-	-	-	-	-	-	40,269	40,269
At end of the financial year		(550)	(927)	2,432	(32)	40,093	(2,334)	27,178	65,860

* The average tax rate is the expected rate to be applied to taxable profits in the year of assessment ("YA") 2022 due to the effect of "Cukai Makmur" that was imposed by the government on the portion of YA 2022's chargeable income in excess of RM100 million.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

15 Property and equipment

The Group 31.12.2022	**Renovations RM'000**	**Office equipment & furniture RM'000**	**Motor vehicles RM'000**	**Computer equipment RM'000**	**Total RM'000**
Cost					
At beginning of the financial year	**29,754**	**13,016**	**7,189**	**51,790**	**101,749**
Additions	**438**	**455**	**153**	**1,270**	**2,316**
Disposals	**-**	**(1)**	**(4,385)**	**(1,388)**	**(5,774)**
Write-offs	**(650)**	**(550)**	**(396)**	**-**	**(1,596)**
Disposal of a subsidiary	**(8,005)**	**(6,171)**	**(1,118)**	**(6,460)**	**(21,754)**
At end of the financial year	**21,537**	**6,749**	**1,443**	**45,212**	**74,941**
Less: Accumulated depreciation					
At beginning of the financial year	**24,663**	**10,421**	**4,977**	**44,411**	**84,472**
Charge for the financial year	**1,394**	**560**	**458**	**2,663**	**5,075**
Disposals	**-**	**-**	**(3,339)**	**(1,378)**	**(4,717)**
Write-offs	**(650)**	**(522)**	**(343)**	**-**	**(1,515)**
Disposal of a subsidiary	**(4,930)**	**(4,213)**	**(764)**	**(5,161)**	**(15,068)**
At end of the financial year	**20,477**	**6,246**	**989**	**40,535**	**68,247**
Net book value					
At end of the financial year	**1,060**	**503**	**454**	**4,677**	**6,694**
The Group 31.12.2021					
Cost					
At beginning of the financial year	29,731	12,955	6,947	49,189	98,822
Additions	74	185	1,014	2,934	4,207
Disposals	-	(4)	(772)	(146)	(922)
Write-offs	(51)	(120)	-	(187)	(358)
At end of the financial year	29,754	13,016	7,189	51,790	101,749
Less: Accumulated depreciation					
At beginning of the financial year	20,101	9,467	4,627	41,595	75,790
Charge for the financial year	4,613	1,076	1,102	3,143	9,934
Disposals	-	(2)	(752)	(141)	(895)
Write-offs	(51)	(120)	-	(186)	(357)
At end of the financial year	24,663	10,421	4,977	44,411	84,472
Net book value					
At end of the financial year	5,091	2,595	2,212	7,379	17,277

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

15 Property and equipment (continued)

The Bank 31.12.2022	**Renovations RM'000**	**Office equipment & furniture RM'000**	**Motor vehicles RM'000**	**Computer equipment RM'000**	**Total RM'000**
Cost					
At beginning of the financial year	**21,042**	**6,400**	**2,496**	**45,452**	**75,390**
Additions	**249**	**332**	**152**	**1,083**	**1,816**
Disposals	**-**	**-**	**(1,434)**	**(1,373)**	**(2,807)**
At end of the financial year	**21,291**	**6,732**	**1,214**	**45,162**	**74,399**
Less: Accumulated depreciation					
At beginning of the financial year	**19,543**	**6,082**	**2,065**	**39,803**	**67,493**
Charge for the financial year	**686**	**149**	**128**	**2,062**	**3,025**
Disposals	**-**	**-**	**(1,433)**	**(1,372)**	**(2,805)**
At end of the financial year	**20,229**	**6,231**	**760**	**40,493**	**67,713**
Net book value					
At end of the financial year	**1,062**	**501**	**454**	**4,669**	**6,686**

The Bank 31.12.2021	Renovations RM'000	Office equipment & furniture RM'000	Motor vehicles RM'000	Computer equipment RM'000	Total RM'000
Cost					
At beginning of the financial year	20,969	6,442	2,381	43,089	72,881
Additions	73	48	115	2,483	2,719
Disposals	-	-	-	(115)	(115)
Write-offs	-	(90)	-	(5)	(95)
At end of the financial year	21,042	6,400	2,496	45,452	75,390
Less: Accumulated depreciation					
At beginning of the financial year	15,920	5,953	1,898	38,024	61,795
Charge for the financial year	3,623	219	167	1,898	5,907
Disposals	-	-	-	(115)	(115)
Write-offs	-	(90)	-	(4)	(94)
At end of the financial year	19,543	6,082	2,065	39,803	67,493
Net book value					
At end of the financial year	1,499	318	431	5,649	7,897

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

16 Intangible assets

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Goodwill on consolidation (a)	**253,341**	264,011	**253,341**	260,409
Intangible assets (b):				
- Merchant bank licence	**52,500**	52,500	**52,500**	52,500
- Computer software licence	**1,947**	7,113	**1,861**	1,758
	307,788	323,624	**307,702**	314,667

(a) Goodwill on consolidation

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Cost				
At beginning of the financial year	**284,211**	284,211	**280,609**	280,609
Disposal of a subsidiary	**(3,602)**	-	**-**	-
At end of the financial year	**280,609**	284,211	**280,609**	280,609
Less: Impairment losses				
At beginning of the financial year	**20,200**	20,200	**20,200**	20,200
Impairment made during the financial year	**7,068**	-	**7,068**	-
At end of the financial year	**27,268**	20,200	**27,268**	20,200
Net book value				
At end of the financial year	**253,341**	264,011	**253,341**	260,409

The carrying amounts of goodwill (after impairment allowances) allocated to the respective Group's CGUs are as follows:

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
CGU	**RM'000**	RM'000	**RM'000**	RM'000
Investment Banking ("IB") #	**17**	97,346	**17**	97,346
Treasury & Markets ("T&M") #	**90,261**	-	**90,261**	-
Stockbroking ("SB")	**163,063**	163,063	**163,063**	163,063
Asset Management ("AM")*	**-**	3,602	**-**	-
	253,341	264,011	**253,341**	260,409

* The goodwill for asset management business was derecognised pursuant to the divestment of its entire 63% equity interest in AHAM which was completed on 29 July 2022.

\# There was a reallocation of goodwill during the year. Refer to Note (a) (i).

16 Intangible assets (continued)

(a) Goodwill on consolidation (continued)

(i) Reallocation of goodwill

The IB and T&M goodwill originally recognised as one CGU, arising from the merger of business, assets and liabilities of Affin Investment Bank Berhad with HwangDBS Investment Bank Berhad in 2014. T&M and IB are monited under one CGU, of which they reported to the Managing Director of the Invesment Banking division in prior years.

As part of Affin Bank Group's Project centralisation initiative, the Bank has reorganised its reporting structure effective 1 October 2022 in which T&M is now centralised under Affin Bank Group's Group Treasury, with the Head of the Bank's T&M having dual reporting role to both the Head of ABB Group Treasury and the Chief Executive Officer ("CEO") of the Bank. Post reorganisation, the Bank's T&M performance and strategy will be consolidated and monitored as part of the ABB Group Treasury performance. Therefore, there is a change in the way how the Bank's T&M CGU is monitored.

In accordance with MFRS 136 "Impairment of Assets", if an entity reorganises its reporting structure in a way that changes the composition of one or more CGU to which goodwill has been allocated, the goodwill shall be reassigned to the units affected based on relative value approach. In view thereof, the goodwill of RM97.3 million under the Investment Banking ("IB") CGU has been reallocated into T&M and IB, based on the relative value approach.

(ii) Goodwill impairment assessment

Goodwill is tested for impairment annually or more frequently if events, or changes in circumstances indicate that it might be impaired. The recoverable amount of the CGUs are determined based on value-in-use ("VIU") calculations using the cash flow projections based on financial budgets or forecasts covering a five-year (2021: five-year) period. Cash flows beyond the fifth-year period are assumed to grow at 3.70% (2021: 4.03%) on a perpetual basis for all CGUs which is based on the forecast Gross Domestic Product ("GDP") growth rate of Malaysia.

In view of the uncertainty in the economic and global recession outlook, the VIU estimated during the financial year ended 31 December 2022 was based on the discounted cash flow ("DCF") method with multiple cash flow projections taking into consideration the assumed probability of different future events and/ or scenarios. Three scenarios have been adopted to represent the possible outcomes, namely the best case scenario, base case scenario and the worst case scenario.

16 Intangible assets (continued)

(a) Goodwill on consolidation (continued)

(ii) Goodwill impairment assessment (continued)

The terminal growth rates and discount rates used for value in use calculation are as follows:

	Discount rate		**Terminal Growth rate**	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	%	%	**%**	%
Investment Banking	**10.06**	8.11	**3.70**	4.03
Treasury & Markets	**10.09**	**N/A	**3.70**	**N/A
Stockbroking	**9.75**	7.89	**3.70**	4.03
Asset Management	***N/A**	8.09	***N/A**	4.03

* No goodwill for asset management business pursuant to the divestment of its entire 63% equity interest in AHAM which was completed on 29 July 2022.

** Not applicable for 2021 as the goodwill for Treasury & Markets CGU was embedded within Investment Banking CGU.

The VIU is compared against the carrying amount of the respective CGUs and an impairment loss of RM7.1 million was recognised on the IB CGU as at 31 December 2022. The carrying amount of the respective CGUs comprises the net assets, goodwill and the allocated merchant bank license (Refer to Note 16(b)).

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to exceed its recoverable amount, except for IB and T&M CGU as follows:

IB CGU:

The macroeconomic headwinds such as the rising interest rate and inflation has significantly impacted the performance of the IB CGU in 2022. Management has assessed the recoverable amount of the CGU based on its VIU, calculated based on the cash flow projections derived from the financial budgets and business plans prepared by management that were updated to reflect the most recent market developments. The impairment test has resulted in a goodwill impairment of RM7.1 million. No asset other than goodwill was impaired.

The following changes in the assumptions will result in an increase of the impairment losses of IB CGU:

Change in assumptions	Additional impairment required (RM’000)
10 basis point increase in discount rate	1,115
10 basis point decrease in terminal growth rate	923

T&M CGU:

The recoverable amount, determined based on VIU, exceeds the carrying amount by RM127 million. Based on the sensitivity analysis performed, the recoverable amount will be equivalent to the carrying amount when the terminate growth rate decreases by 104 basis point or the discount rate increases by 83 basis point, with all other assumptions remained constant.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

16 Intangible assets (continued)

(b) Intangible assets

The Group 31.12.2022	**Merchant bank licence RM'000**	**Computer software RM'000**	**Total RM'000**
Cost			
At beginning of the financial year	**52,500**	**30,507**	**83,007**
Additions	**-**	**2,364**	**2,364**
Disposal	**-**	**(1,696)**	**(1,696)**
Write-offs	**-**	**(201)**	**(201)**
Disposal of a subsidiary	**-**	**(10,094)**	**(10,094)**
At end of the financial year	**52,500**	**20,880**	**73,380**
Accumulated amortisation			
At beginning of the financial year	**-**	**23,394**	**23,394**
Amortised during the financial year	**-**	**1,865**	**1,865**
Disposal	**-**	**(539)**	**(539)**
Write-offs	**-**	**(182)**	**(182)**
Disposal of a subsidiary	**-**	**(5,605)**	**(5,605)**
At end of the financial year	**-**	**18,933**	**18,933**
Net carrying value			
At end of the financial year	**52,500**	**1,947**	**54,447**

The Group 31.12.2021	Merchant bank licence RM'000	Computer software RM'000	Total RM'000
Cost			
At beginning of the financial year	52,500	29,036	81,536
Additions	-	1,500	1,500
Write-offs	-	(29)	(29)
At end of the financial year	52,500	30,507	83,007
Accumulated amortisation			
At beginning of the financial year	-	20,686	20,686
Amortised during the financial year	-	2,737	2,737
Write-offs	-	(29)	(29)
At end of the financial year	-	23,394	23,394
Net carrying value			
At end of the financial year	52,500	7,113	59,613

16 Intangible assets (continued)

(b) Intangible assets (continued)

The Bank **31.12.2022**	**Merchant bank licence** **RM'000**	**Computer software** **RM'000**	**Total** **RM'000**
Cost			
At beginning of the financial year	**52,500**	**19,696**	**72,196**
Additions	**-**	**928**	**928**
At end of the financial year	**52,500**	**20,624**	**73,124**
Accumulated amortisation			
At beginning of the financial year	**-**	**17,938**	**17,938**
Amortised during the financial year	**-**	**825**	**825**
At end of the financial year	**-**	**18,763**	**18,763**
Net carrying value			
At end of the financial year	**52,500**	**1,861**	**54,361**

The Bank 31.12.2021	Merchant bank licence RM'000	Computer software RM'000	Total RM'000
Cost			
At beginning of the financial year	52,500	19,426	71,926
Additions	-	270	270
At end of the financial year	52,500	19,696	72,196
Accumulated amortisation			
At beginning of the financial year	-	16,960	16,960
Amortised during the financial year	-	978	978
At end of the financial year	-	17,938	17,938
Net carrying value			
At end of the financial year	52,500	1,758	54,258

The merchant bank license is allocated to all Investment Banking, Treasury & Markets and Stockbroking CGUs and assessed for impairment on an annual basis together with the goodwill impairment testing. Refer to Note 16 (a) for the sensitivity analysis performed on the key assumptions of the value-in-use.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

17 Right-Of-Use Assets

The Group **31.12.2022**	**Properties** **RM'000**	**Equipment** **RM'000**	**Total** **RM'000**
Cost			
At beginning of the financial year	**28,208**	**1,393**	**29,601**
Modification	**(44)**	**-**	**(44)**
Additions	**16,411**	**1,477**	**17,888**
End of lease term	**(16,909)**	**-**	**(16,909)**
Disposal of a subsidiary	**(3,312)**	**(1,449)**	**(4,761)**
At end of the financial year	**24,354**	**1,421**	**25,775**
Less: Accumulated depreciation			
At beginning of the financial year	**22,744**	**617**	**23,361**
Charge for the financial year	**8,077**	**270**	**8,347**
End of lease term	**(16,909)**	**-**	**(16,909)**
Disposal of a subsidiary	**(1,948)**	**(783)**	**(2,731)**
At end of the financial year	**11,964**	**104**	**12,068**
Net book value at end of the financial year	**12,390**	**1,317**	**13,707**

The Group 31.12.2021	Properties RM'000	Equipment RM'000	Total RM'000
Cost			
At beginning of the financial year	28,613	1,372	29,985
Additions	645	21	666
End of lease term	(1,050)	-	(1,050)
At end of the financial year	28,208	1,393	29,601
Less: Accumulated depreciation			
At beginning of the financial year	14,319	323	14,642
Charge for the financial year	9,475	294	9,769
End of lease term	(1,050)	-	(1,050)
At end of the financial year	22,744	617	23,361
Net book value at end of the financial year	5,464	776	6,240

17 Right-Of-Use Assets (continued)

The Bank 31.12.2022	**Properties RM'000**	**Equipment RM'000**	**Total RM'000**
Cost			
At beginning of the financial year	**17,172**	**-**	**17,172**
Additions	**15,515**	**1,421**	**16,936**
End of lease term	**(8,333)**	**-**	**(8,333)**
At end of the financial year	**24,354**	**1,421**	**25,775**
Less: Accumulated depreciation			
At beginning of the financial year	**14,138**	**-**	**14,138**
Charge for the financial year	**6,159**	**104**	**6,263**
End of lease term	**(8,333)**	**-**	**(8,333)**
At end of the financial year	**11,964**	**104**	**12,068**
Net book value at end of the financial year	**12,390**	**1,317**	**13,707**

The Bank 31.12.2021	Properties RM'000	Equipment RM'000	Total RM'000
Cost			
At beginning of the financial year	17,285	-	17,285
Additions	313	-	313
End of lease term	(426)	-	(426)
At end of the financial year	17,172	-	17,172
Less: Accumulated depreciation			
At beginning of the financial year	8,825	-	8,825
Charge for the financial year	5,739	-	5,739
End of lease term	(426)	-	(426)
At end of the financial year	14,138	-	14,138
Net book value at end of the financial year	3,034	-	3,034

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

18 Deposits from customers

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
(i) By type of deposit		
Fixed deposits	**3,672,556**	3,476,620
Negotiable instrument of deposits	**754,595**	754,595
Other deposits	**97,976**	94,844
	4,525,127	4,326,059
(ii) By maturity structure		
Due within six months	**4,246,452**	3,365,700
Six months to one year	**266,554**	205,764
One year to three years	**12,121**	754,595
	4,525,127	4,326,059
(iii) By type of customer		
Domestic non-banking financial institutions	**1,871,572**	2,342,749
Domestic banking institutions	**754,595**	754,595
Business enterprises	**1,304,897**	844,637
Government and statutory bodies	**503,031**	320,009
Individuals	**68,575**	37,159
Foreign entities	**11,410**	16,387
Other entities	**11,047**	10,523
	4,525,127	4,326,059

19 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
Licensed banks	**549,496**	501,673
Licensed investment banks	**160,024**	100,319
	709,520	601,992

20 Trade payables

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Amount due to unit trust funds	-	555,850	-	-
Amount due to unit holders	-	64,708	-	-
Amount due to external fund managers	-	535	-	-
Amount due to clients	**132,889**	119,404	**132,889**	119,106
Amount due to brokers	**105,246**	111,803	**105,246**	111,803
Amount due to Bursa Securities Clearing Sdn. Bhd.	**100,732**	129,732	**100,732**	129,732
	338,867	982,032	**338,867**	360,641

Trade payables include amount payable under outstanding contracts from the stock and share broking activities and amounts due to unit trust funds and unit holders from asset management activities. The credit terms of amounts due to creditors range from 1 to 30 days (2021: 1 to 30 days).

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

21 Derivatives financial liabilities

	The Group and the Bank			
	31.12.2022		31.12.2021	
	Principal amount RM'000	**Liabilities RM'000**	Principal amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange related contracts				
- Currency forwards	**2,558,340**	**76,378**	3,634,222	35,439
- Currency swaps	**590,883**	**13,100**	2,154,156	18,967
- Cross currency interest rate swaps	**61,937**	**2,154**	-	-
	3,211,160	**91,632**	5,788,378	54,406
Interest rate related contracts				
- Interest rate swaps	**1,395,000**	**11,242**	1,320,000	17,491
	4,606,160	**102,874**	7,108,378	71,897

22 Lease Liabilities

	The Group		The Bank	
	31.12.2022 RM'000	31.12.2021 RM'000	**31.12.2022 RM'000**	31.12.2021 RM'000
At beginning of the financial year	**6,574**	15,504	**3,139**	8,335
Modification	**(44)**	-	**-**	-
Additions	**16,188**	666	**15,235**	313
Interest expense	**431**	561	**328**	256
Lease payment	**(6,532)**	(10,157)	**(4,243)**	(5,765)
Disposal of a subsidiary	**(2,158)**	-	**-**	-
At end of the financial year	**14,459**	6,574	**14,459**	3,139

The Group and the Bank have not included potential future rental payments after the exercise date of termination options because the Group and the Bank are not reasonably certain on the extension of the leases beyond the date.

Potential future rental payments relating to periods following the exercise date of termination options are summarised below:-

	The Group		The Bank	
	31.12.2022 RM'000	31.12.2021 RM'000	**31.12.2022 RM'000**	31.12.2021 RM'000
Lease liabilities recognised (discounted)	**14,459**	6,574	**14,459**	3,139
Potential future lease payments not included in lease liabilities (undiscounted):				
Payable in 2022	**-**	2,678	**-**	2,678
Payable in 2023 to 2027	**11,550**	19,939	**11,550**	8,800
	26,009	29,191	**26,009**	14,617

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

23 Other liabilities

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Commissioned dealer's representatives trust balances	**64,495**	68,653	**64,495**	68,653
Amounts payable to commissioned and salaried dealer's representatives	**62,788**	95,426	**62,788**	95,426
Accrued employee benefit	**31,218**	114,434	**31,146**	43,749
Securities borrowing	**71,962**	106,823	**71,962**	106,823
Other creditors and accruals	**49,782**	128,577	**48,425**	58,418
Collaterals pledged for derivatives transactions	**28,131**	736	**28,131**	736
Puttable liabilities (a)	**-**	189,026	**-**	-
	308,376	703,675	**306,947**	373,805
Add: Expected credit loss - loan commitments and financial guarantees (b)	**17,994**	19,926	**17,994**	19,926
	326,370	723,601	**324,941**	393,731

(a) Puttable liabilities are in respect of the following:

	The Group	
	31.12.2022	31.12.2021
Obligations to buy subsidiaries' shares from non-controlling interest:-	**RM'000**	RM'000
- AHAM (i)	**-**	134,135
- AVA (ii)	**-**	21,450
Investment in funds (iii)	**-**	33,441
	-	189,026

(i) The Bank's subsidiary, Affin Hwang Asset Management Berhad ("AHAM"), established and implemented a stock option incentive scheme for its Key Senior Management in 2014. The stock option incentive scheme was designed to provide long-term incentives for key employees to improve the growth and profitability of the subsidiary and to encourage them to continue in the employment of the subsidiary. In 2019, the options holders fully exercised the 1000 employee stock options at exercise price of RM40.30 per share. As a result, the employee stock option holder(s) were allotted a total of 1,111,000 units of new ordinary shares for a total consideration of RM44.77 million.

Pursuant to the exercise of the employee stock option incentive scheme, there is a Selective Capital Reduction ("SCR") provision within the scheme which requires AHAM to buy back the ordinary shares issued to the option holders from 1 March 2021 to 1 March 2023 at a certain price, if the conditions within the SCR provision are not met as at 31 December 2020.

The SCR provision represents a purchase of AHAM's own equity instrument and a liability equal to the present value of the estimated future redemption amount is reclassified from equity on initial recognition. The liability is then subsequently measured at amortised cost with the unwinding of the present value of the redemption amount to be recognised as finance costs within the income statements. In the event of a change in the estimated future redemption amount of SCR, the remeasurement amounts will be recognised in equity as the changes in the Bank's ownership interest in AHAM does not result in the Bank losing control of AHAM.

A supplemental agreement was signed between AHAM and the key management personnel to waive the obligation of SCR prior to the divestment of AHAM. Therefore, the contratual obligation of AHAM to pay cash to purchase the equity shares of AHAM held by the key management personnel ceased upon the signing of the supplemental agreement.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

23 Other liabilities (continued)

(a) Puttable liabilities are in respect of the following: (continued)

(ii) This represents the present value of an option to purchase AccelVantage Academy Sdn Bhd's ("AVA") shares pursuant to the terms of the exit mechanism in a shareholders agreement entered into between the Bank's subsidiary, AHAM and GV Capital Dynamic Sdn Bhd ("GVCD").

AHAM is granted a call option to acquire the entire 49% equity shares in AVA held by GVCD within 90 days of the call option period. The exercise price under the call option is determined based on pre-agreed formula.

The financial liability at Group is initially recognised at the present value of the redemption amount and accreted through finance charges in the income statements over the contract period, up to the final redemption amount. In the event of a change in the exercise price under the call option, the remeasurement amounts will be recognised in equity as the changes in AHAM's ownership interest in AVA does not result in AHAM losing control of AVA.

Following the completion of the divestment of AHAM on 29 July 2022, AHAM has ceased to be a subsidiary of the Bank. This resulted in the derecognition of the option to buy AVA shares from non-controlling interest.

(iii) This represents the units held by other investors of the funds which has been consolidated by the Group as disclosed in Note 12. The amount is equal to a proportion of the Net Asset Value of the funds not held by the Group.

Following the completion of the divestment of AHAM on 29 July 2022, AHAM has ceased to be a subsidiary of the Bank. This resulted in the derecognition of the units held by other investors of the funds.

(b) Movement in expected credit losses ("ECL")

The Group and the Bank 31.12.2022	**12-month ECL Stage 1 RM'000**	**Lifetime ECL Not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial year	**1**	**2,000**	**17,925**	**19,926**
New loan commitments/financial guarantees issued	**12**	**-**	**-**	**12**
Changes due to change in credit risk	**56**	**(2,000)**	**-**	**(1,944)**
At end of the financial year	**69**	**-**	**17,925**	**17,994**

Movement in expected credit losses ("ECL") (continued)

The Group and the Bank 31.12.2021	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At beginning of the financial year	33	600	17,925	18,558
Changes due to change in credit risk	(32)	1,400	-	1,368
At end of the financial year	1	2,000	17,925	19,926

24 Share capital

	Number of ordinary shares		The Group and the Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	'000	'000	**RM'000**	RM'000
Issued and fully paid				
At beginning and end of the financial year	**780,000**	780,000	**999,800**	999,800

25 Reserves

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
FVOCI revaluation reserves (a)	**(92,555)**	(50,927)	**(92,555)**	(50,982)
Regulatory reserves (b)	**16,709**	12,894	**16,709**	12,894
Other reserves (c)	**-**	(88,737)	**-**	-
Foreign exchange reserves	**-**	39	**-**	-
Retained profits (d)	**513,272**	486,407	**513,268**	447,257
	437,426	359,676	**437,422**	409,169

(a) The FVOCI revaluation reserves, net of deferred tax represent the unrealised gains or losses arising from a change in the fair value of investments classified as financial investments at FVOCI, as well as the expected credit loss allowance for financial investments at FVOCI. The gains or losses are transferred to the income statement upon disposal or when the securities becomes impaired.

(b) Pursuant to BNM Financial Reporting policy dated 27 September 2019, the Group and the Bank shall maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of all credit exposures, net of loss allowance for credit-impaired exposures.

(c) Other reserves represents the Group's obligation to purchase subsidiaries' shares held by non-controlling interest as disclosed in Note 23 (a) (i) and (ii).

(d) As at 31 December 2022, the Bank has sufficient tax exempt account balances to pay tax exempt dividends of RM7,740,338 (2021: RM7,739,648) under Section 12 of the Income Tax (Amendment) Act 1999 and Para 28, Schedule 6 of the Income Tax Act,1967, subject to agreement by the Inland Revenue Board.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

26 Interest income

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Loans and advances	**68,487**	50,653	**68,487**	50,653
Money at call and deposit placements with financial institutions	**26,863**	23,835	**26,836**	23,811
Financial investments at FVOCI	**109,627**	105,280	**109,627**	105,280
Financial investments at amortised cost	**19,640**	2,355	**19,640**	2,355
Others	**4,081**	7,433	**4,081**	7,433
	228,698	189,556	**228,671**	189,532
of which:				
Interest income earned on impaired loans and advances	**2,021**	3,145	**2,021**	3,145

27 Interest expense

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Deposits from customers	**123,694**	114,435	**123,694**	114,435
Deposits and placements of banks and other financial institutions	**14,152**	8,954	**14,152**	8,954
Deposits on obligations on securities sold under repurchase agreements	**259**	-	**259**	-
Lease liabilities	**328**	256	**328**	256
Others	**1,394**	299	**1,394**	299
	139,827	123,944	**139,827**	123,944

28 Fee and commission income

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Net brokerage income	**56,865**	92,693	**56,865**	92,693
Corporate advisory fees	**5,554**	5,914	**5,554**	5,914
Loan related fees	**10,251**	8,320	**10,251**	8,320
Underwriting commissions	**370**	900	**370**	900
Arrangement fees	**3,958**	1,231	**3,958**	1,231
Placement fees	**656**	5,406	**656**	5,406
Others	**7,093**	13,168	**5,668**	11,849
	84,747	127,632	**83,322**	126,313

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

29 Net gains and losses on financial instruments

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Gains arising on financial assets at FVTPL:				
- net gains on disposal	**20,168**	41,467	**20,171**	41,466
- unrealised gain	**3,494**	684	**3,493**	691
- gross dividend income	**4,374**	4,532	**4,346**	4,504
- interest income	**17,627**	19,504	**17,627**	19,504
Gains/(Losses) on derivatives instruments:				
- net (losses)/gains on disposal	**(3)**	347	**(3)**	347
- unrealised (losses)/gains	**(2,432)**	1,333	**(2,432)**	1,333
- interest income	**17,192**	22,319	**17,192**	22,319
- interest expense	**(14,217)**	(23,183)	**(14,217)**	(23,183)
Gains arising on financial investments at FVOCI:				
- net gain on disposal	**2,417**	34,287	**2,417**	34,287
- gross dividend income	**190**	330	**190**	330
	48,810	101,620	**48,784**	101,598

30 Other operating income

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Realised foreign exchange (losses)/gains	**(2,758)**	16,437	**(2,758)**	16,438
Unrealised foreign exchange gains/(losses)	**7,809**	(5,381)	**7,809**	(5,381)
Gain on disposal of property and equipment	**407**	4	**407**	3
Gross dividend income from subsidiary	**-**	-	**63,000**	112,000
Gain of disposal of a subsidiary *	**-**	-	**1,270,024**	-
Others	**649**	182	**914**	1,059
	6,107	11,242	**1,339,396**	124,119

* During the financial year, the Bank completed the divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ("AHAM"), representing 63.0% of the equity interest in AHAM, and recorded a gain on disposal of RM1.27 billion. The details are disclosed in Note 42 of the financial statements.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

31 Other operating expenses

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
Salaries, allowances and bonuses	**86,680**	94,523	**85,780**	93,436
Defined contribution plan	**14,025**	15,242	**13,878**	15,066
Other personnel costs	**10,378**	6,016	**10,229**	5,958
	111,083	115,781	**109,887**	114,460
Establishment cost				
Rental of premises and equipment	**4,140**	2,476	**4,039**	2,375
Repair and maintenance	**6,906**	5,932	**6,782**	5,803
Amortisation of intangible assets	**914**	1,069	**825**	978
Depreciation of property and equipment	**3,189**	5,990	**3,025**	5,907
Depreciation – ROU	**6,263**	5,739	**6,263**	5,739
Electricity, water and sewerage	**1,448**	1,554	**1,447**	1,552
Insurance and indemnities	**1,037**	1,016	**1,037**	1,011
Others	**-**	12	**-**	13
	23,897	23,788	**23,418**	23,378
Marketing expenses				
Business promotion and advertisement	**1,365**	2,318	**1,365**	2,318
Entertainment	**377**	116	**374**	114
Travelling and accommodation	**134**	85	**132**	83
Brokerage expenses	**501**	193	**420**	154
Others	**-**	3	**-**	-
	2,377	2,715	**2,291**	2,669
Administration and general expenses				
Directors' remuneration (Note 34)	**2,204**	2,983	**2,204**	2,760
Subscription fees	**8,755**	7,813	**8,735**	10,194
Telecommunication expenses	**7,311**	7,583	**7,287**	7,563
Professional fees	**1,748**	53	**1,750**	(33)
Auditors' remuneration	**643**	1,267	**580**	904
Property and equipment written off	**19**	1	**-**	1
Management fees #	**5,800**	-	**5,800**	-
Others	**3,369**	4,338	**3,406**	2,459
	29,849	24,038	**29,762**	23,848
***Professional and legal fees for the divestment of a subsidiary**	**-**	-	**16,938**	1,305
Total other operating expenses	**167,206**	166,322	**182,296**	165,660

\# The Group and the Bank incur intercompany charges for shared operating costs of Affin Banking Group in Malaysia. The services received for group shared services are in respect of Finance, Company Secretary, Legal, People Office, Procurement, Admin & Facility Management, Information Technology, Corporate Affairs, Internal Audit, Risk Management, Compliance, and Treasury & Markets effective from 1 October 2022.

* This represents the professional and legal fees incurred by the Group in relation to the divestment of its entire 63% equity interest in AHAM which was completed on 29 July 2022. The details are disclosed in Note 42 of the financial statements.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

31 Other operating expenses (continued)

The expenditure includes the following statutory disclosure:

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Directors' remuneration (Note 34)	**2,204**	2,983	**2,204**	2,760
Auditors' remuneration:				
(i) Statutory audit fees	**509**	619	**480**	405
(ii) Regulatory related fees	**57**	480	**57**	393
(iii) Tax fees	**44**	78	**28**	26
(iv) Non-audit fees	**33**	90	**15**	80

32 Write-back of/(Allowances for) credit impairment losses on financial assets

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Expected credit losses (made)/written-back on:				
- loans and advances	**(861)**	(25,118)	**(861)**	(25,118)
- trade receivables	**544**	1,420	**544**	1,420
- financial investments	**(637)**	(11,717)	**(637)**	(11,717)
- deposits and placements with financial institutions	**4**	(4)	**4**	(4)
- other assets	**(710)**	(73)	**(715)**	(64)
- loan commitments and financial guarantees	**1,932**	(1,368)	**1,932**	(1,368)
Bad debts recovered	**666**	41	**666**	41
	938	(36,819)	**933**	(36,810)

33 Impairment losses on non-financial assets

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Impairment losses made on:				
- goodwill	**7,068**	-	**7,068**	-
- investment in subsidiaries	-	-	**3,516**	-
- investment in associates	-	-	**960**	-
	7,068	-	**11,544**	-

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

34 Chief Executive Officer and Directors' remuneration

The Chief Executive Officer and Directors of the Bank who have held office during the financial year are as follows:

Chief Executive Officer
Dato' Mona Suraya binti Kamaruddin (Retired w.e.f. 28 September 2022)

Executive Director
Datuk Wan Razly Abdullah bin Wan Ali

Non-Executive Directors
Tunku Afwida binti Tunku A.Malek (Appointed as Chairman w.e.f. 9 May 2022)
Mr Eugene Hon Kah Weng
Encik Hasli bin Hashim
Dato' Abdul Wahab Abu Bakar
Ms Kong Yuen Ling
Datuk Noor Azian binti Shaari (Retired w.e.f. 3 October 2022)

The aggregate amount of remuneration for all Directors during the financial year are as follows:

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Chief Executive Officer				
Fixed and non-deferred remuneration				
- Salary and other emoluments	**1,465**	1,654	**1,465**	1,654
- Benefits-in-kind	**18**	25	**18**	25
Variable and non-deferred remuneration				
- Bonus	**813**	-	**813**	-
- Benefits-in-kind	**-**	13	**-**	13
	2,296	1,692	**2,296**	1,692
* **Executive Director**				
Fixed and non-deferred remuneration				
- Fees	**-**	-	**-**	-
- Other emoluments	**-**	-	**-**	-
	-	-	**-**	-
Non-Executive Directors				
Fixed and non-deferred remuneration				
- Fees	**1,177**	1,401	**1,177**	1,269
- Other emoluments	**791**	1,444	**791**	1,382
- Benefits-in-kind	**108**	25	**108**	8
Variable and non-deferred remuneration				
- Benefits-in-kind	**128**	113	**128**	101
Directors' remuneration	**2,204**	2,983	**2,204**	2,760
	4,500	4,675	**4,500**	4,452
Directors of subsidiaries **	**1,049**	15,803	**-**	-
Total Directors' remuneration	**5,549**	20,478	**4,500**	4,452

* All fees are paid to Affin Bank Berhad.
** up to the date of divestment of AHAM.

34 Chief Executive Officer and Directors' remuneration (continued)

During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors & Officers Liability Insurance ("D&O Insurance") subscribed and borne by the holding company of the Bank namely Affin Bank Berhad for the period from 19 April 2022 to 18 April 2023. Total premium paid for the D&O Insurance for financial year 2022 is RM186,337 (2021: RM152,729). The Directors and Officers of the Group and the Bank are also covered under the Crime and Professional Indemnity Insurance ("CCPI Insurance") pursuant to the terms of the CCPI Insurance policy. For financial year 2022, the total amount of premium paid for the CCPI Insurance by the Group and the Bank amounted to RM1,057,145 and RM913,540 (2021: RM1,014,431 and RM799,479) respectively.

There were no professional fees paid to Directors or any firms, of which the Directors are members, for services rendered and no amount was paid to or receivable by any third party for services provided by Directors, except for Director's fees paid and payable to Affin Bank Berhad ("ABB") amounting to RM184,532 for services provided by Datuk Wan Razly Abdullah bin Wan Ali during the financial year 2022 (2021: RM159,068).

The Chief Executive Officer ("CEO") of the Bank, Dato' Mona Suraya binti Kamaruddin is a Board member of the Bank's subsidiary, Affin Hwang Asset Management Berhad ("AHAM"), and a direct subsidiary of AHAM, AIIMAN Asset Management Sdn. Bhd. ("AIIMAN"). Total Directors' fees amounting to RM21,063 for the CEO's directorships at both AHAM and AIIMAN were paid to the Bank during the financial year 2022 (2021: RM164,000).

Details of remuneration of the Group are as follows:

The Group
31.12.2022

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer [2]							
Dato' Mona Suraya binti Kamaruddin	**1,150**	**-**	**315**	**18**	**813**	**-**	**2,296**

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director [3]							
Datuk Wan Razly Abdullah bin Wan Ali	-	-	-	-	-	-	-
Non-Executive Directors							
Tunku Afwida binti Tunku A.Malek	-	139	35	70	-	10	254
Mr Eugene Hon Kah Weng	-	276	190	-	-	14	480
Encik Hasli bin Hashim	-	316	213	-	-	14	543
Dato' Abdul Wahab Abu Bakar	-	249	132	-	-	9	390
Ms Kong Yuen Ling [4]	-	-	-	-	-	4	4
Datuk Noor Azian binti Shaari	-	197	221	38	-	77	533
Total	-	1,177	791	108	-	128	2,204
Grand Total	1,150	1,177	1,106	126	813	128	4,500

1) Other emoluments include allowances, gratuity & attendance fees.

2) Director fees amounting to RM21,063 are paid to the Bank.

3) Director fees amounting to RM184,532 are paid to ABB.

4) Director fees amounting to RM311,680 are paid to BEA.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

34 Chief Executive Officer and Directors' remuneration (continued)

Details of remuneration of the Group are as follows: (continued)

The Group

31.12.2021

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	Other emoluments [1]	Benefits-in-kind	Bonuses	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer [2]							
Dato' Mona Suraya binti Kamaruddin	1,425	-	229	25	-	13	1,692

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	Other emoluments [1]	Benefits-in-kind	Bonuses	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Director [3]							
Datuk Wan Razly Abdullah bin Wan Ali	-	-	-	-	-	-	-

	Salaries	Fees	emoluments [1]	in-kind	Bonuses	in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Executive Directors							
Datuk Noor Azian binti Shaari	-	275	171	-	-	38	484
Mr Eugene Hon Kah Weng	-	198	127	-	-	14	339
Encik Hasli bin Hashim	-	209	144	-	-	5	358
Dato' Abdul Wahab bin Abu Bakar	-	14	6	-	-	-	20
Ms Kong Yuen Ling	-	-	-	-	-	-	-
Maj. Gen. Dato' Zulkiflee bin Mazlan (R)	-	133	204	8	-	10	355
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	143	242	17	-	24	426
Lim Hun Soon @ David Lim	-	139	190	-	-	20	349
Stephen Charles Li	-	96	264	-	-	2	362
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	194	96	-	-	-	290
Total	-	1,401	1,444	25	-	113	2,983
Grand Total	1,425	1,401	1,673	50	-	126	4,675

1) Other emoluments include allowances, gratuity & attendance fees.

2) Director fees amounting to RM164,000 are paid to the Bank.

3) Director fees amounting to RM159,068 are paid to ABB.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

34 Chief Executive Officer and Directors' remuneration (continued)

Details of remuneration of the Bank are as follows:

The Bank
31.12.2022

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	Other emoluments [1]	Benefits-in-kind	Bonuses	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer [2]							
Dato' Mona Suraya binti Kamaruddin	1,150	-	315	18	813	-	2,296

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries	Directors' Fees	Other emoluments [1]	Benefits-in-kind	Bonuses	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Director [3]							
Datuk Wan Razly Abdullah bin Wan Ali	-	-	-	-	-	-	-
Non-Executive Directors							
Tunku Afwida binti Tunku A.Malek	-	139	35	70	-	10	254
Mr Eugene Hon Kah Weng	-	276	190	-	-	14	480
Encik Hasli bin Hashim	-	316	213	-	-	14	543
Dato' Abdul Wahab Abu Bakar	-	249	132	-	-	9	390
Ms Kong Yuen Ling [4]	-	-	-	-	-	4	4
Datuk Noor Azian binti Shaari	-	197	221	38	-	77	533
Total	-	1,177	791	108	-	128	2,204
Grand Total	1,150	1,177	1,106	126	813	128	4,500

1) Other emoluments include allowances, gratuity & attendance fees.

2) Director fees amounting to RM21,063 are paid to the Bank.

3) Director fees amounting to RM184,532 are paid to ABB.

4) Director fees amounting to RM311,680 are paid to BEA.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

34 Chief Executive Officer and Directors' remuneration (continued)

Details of remuneration of the Bank are as follows: (continued)

The Bank
31.12.2021

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer [2]							
Dato' Mona Suraya binti Kamaruddin	1,425	-	229	25	-	13	1,692

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		
	Salaries RM'000	Directors' Fees RM'000	Other emoluments [1] RM'000	Benefits-in-kind RM'000	Bonuses RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director [3]							
Datuk Wan Razly Abdullah bin Wan Ali	-	-	-	-	-	-	-
Non-Executive Directors							
Datuk Noor Azian binti Shaari	-	275	171	-	-	38	484
Mr Eugene Hon Kah Weng	-	198	127	-	-	14	339
Encik Hasli bin Hashim	-	209	144	-	-	5	358
Dato' Abdul Wahab Abu Bakar	-	14	6	-	-	-	20
Ms Kong Yuen Ling	-	-	-	-	-	-	-
Maj. Gen. Dato' Zulkiflee bin Mazlan (R)	-	70	164	8	-	7	249
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	-	74	220	-	-	15	309
Lim Hun Soon @ David Lim	-	139	190	-	-	20	349
Stephen Charles Li	-	96	264	-	-	2	362
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	194	96	-	-	-	290
Total	-	1,269	1,382	8	-	101	2,760
Grand Total	1,425	1,269	1,611	33	-	114	4,452

1) Other emoluments include allowances, gratuity & attendance fees.

2) Director fees amounting to RM164,000 are paid to the Bank.

3) Director fees amounting to RM159,068 are paid to ABB.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

35 Significant related party transactions and balances

The identified related parties and their relationship with the Group and the Bank are as follows:

Related parties	Relationship
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body, which is Government-Linked Investment Company ("GLIC") of the Government of Malaysia
AFFIN Bank Berhad ("ABB")	Holding company
Subsidiaries and associate of LTAT	Subsidiaries and associated companies of the ultimate holding corporate body
Subsidiaries and associate of ABB as disclosed in its financial statements	Subsidiaries and associated companies of the holding company
Subsidiaries and associate of the Bank as disclosed in Note 12 & Note 13	Subsidiaries and associated companies of the Bank
Key management personnel	The key management personnel of the Group and the Bank consists of: - Directors - Members of senior management team and material risk takers.
Related parties of key management personnel (deemed as related to the Bank)	Close family members and dependents of key management personnel Entities that are controlled or jointly controlled by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. All the Directors and Chief Executive Officer are part of the Group and of the Bank key management personnel and the remuneration for the financial year are disclosed in Note 34.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

35 Significant related party transactions and balances (continued)

The Group and the Bank do not have any individual or collective significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the other significant related party transactions and balances.

(a) Related parties transactions

	Ultimate Holding Corporate Body		Holding Company		Other Related Parties *	
The Group	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Income	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Interest on deposits & interbank placements	**-**	-	**17,952**	24,468	**-**	-
Interest on financial investments at FVOCI	**-**	-	**-**	-	**5,900**	5,900
Interest on loans and advances	**-**	-	**-**	-	**2,536**	2,949
Brokerage income	**197**	447	**-**	-	**6**	152
Management fee income	**68**	122	**-**	-	**3,361**	5,920
Corporate advisory fees	**-**	-	**616**	70	**-**	714
Agency fees	**-**	-	**60**	58	**330**	320
Other fee income	**139**	35	**250**	-	**38**	300
Other income	**-**	-	**-**	-	**508**	460
Net gain arising from disposal of financial instruments	**15**	67	**51**	-	**134**	6
Realised gain/(loss) on foreign exchange for derivatives instruments	**-**	-	**(7,159)**	(116)	**6**	9
	419	671	**11,770**	24,480	**12,819**	16,730
Expenses						
Rental of premises	**-**	-	**94**	94	**6,452**	7,761
Interest expense on deposits	**205**	-	**25,367**	25,388	**6,841**	3,355
Travel services	**-**	-	**-**	-	**145**	10
Securities borrowing and lending fees	**98**	173	**-**	-	**-**	-
Advisory fee expense	-	-	**-**	-	**1,073**	1,532
Commission and referral expense	-	-	**628**	3,656	**-**	-
Management fee expense	-	-	**5,835**	-	**2,125**	3,491
Dividend paid	-	-	**-**	-	**27,000**	48,000
MFRS 9 expense	-	-	**-**	250	**-**	-
External manager fee	-	-	**-**	-	**472**	1,967
MFRS 16 lease rental expenses	-	-	**1,904**	-	**-**	-
Other expenses	-	-	**239**	1	**342**	157
	303	173	**34,067**	29,389	**44,450**	66,273

* Other Related Parties including key management personnel, related parties of key management personnel, subsidiaries and associate of LTAT and ABB.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

35 Significant related party transactions and balances (continued)

The Group and the Bank do not have any individual or collective significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the other significant related party transactions and balances. (continued)

(b) Related parties balances

	Ultimate Holding Corporate Body		**Holding Company**		**Other Related Parties ***	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
The Group	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Amounts due to						
Deposits from customers	**15,602**	-	**754,595**	754,595	**244,155**	244,411
Deposits and placements of banks and other financial institutions	**-**	-	**319,461**	200,384	**-**	-
Other liabilities	**23,206**	-	**5,855**	20	**285**	945
Lease liabilities	**-**	-	**11,275**	-	**-**	-
Trade payable	**-**	-	**-**	200	**-**	-
	38,808	-	**1,091,186**	955,199	**244,440**	245,356
Amounts due from						
Cash and short-term funds	**-**	-	**51,138**	142,157	**-**	-
Loans and advances	**-**	-	**-**	-	**47,541**	58,100
Refundable deposits	**-**	-	**-**	-	**1,152**	1,850
Right-of-use assets	**-**	-	**10,196**	-	**-**	-
Other assets	**-**	-	**-**	-	**-**	1,131
Advisory and management fee receivable	**-**	31	**-**	-	**159**	450
Financial investments	**-**	-	**-**	-	**100,661**	101,630
	-	31	**61,334**	142,157	**149,513**	163,161
Commitments and contingencies						
Transaction related contingencies	**-**	-	**-**	-	**-**	20,000
	-	-	**-**	-	**-**	20,000

* Other Related Parties including key management personnel, related parties of key management personnel, subsidiaries and associate of LTAT and ABB.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

35 Significant related party transactions and balances (continued)

The Group and the Bank do not have any individual or collective significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the other significant related party transactions and balances. (continued)

(c) Related parties transactions

	Ultimate Holding Corporate Body		Holding Company		Subsidiaries		Other Related Parties *	
The Bank	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Income	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Interest on deposits & interbank placements	**-**	-	**17,373**	23,568	**-**	-	**-**	-
Interest on short term lending	**-**	-	**-**	-	**-**	1	**-**	-
Interest on financial investments at FVOCI	**-**	-	**-**	-	**-**	-	**5,900**	5,900
Interest on loans and advances	**-**	-	**-**	-	**-**	-	**2,536**	2,839
Brokerage income	**197**	447	**-**	-	**-**	1	**6**	152
Management fee income	**-**	-	**-**	-	**116**	521	**-**	-
Corporate advisory fees	**-**	-	**616**	70	**-**	-	**-**	160
Agency fees	**-**	-	**60**	58	**-**	-	**330**	320
Other fee income	**20**	35	**250**	-	**1**	-	**38**	301
Realised gain/(loss) on foreign exchange for derivatives instruments	**-**	-	**(7,159)**	(116)	**-**	-	**6**	9
Net gain arising from disposal of financial instruments	**15**	67	**51**	-	**-**	-	**134**	6
Gross dividend income - subsidiaries	**-**	-	**-**	-	**63,000**	112,000	**-**	-
Other income	**-**	-	**-**	-	**762**	340	**8**	16
	232	549	**11,191**	23,580	**63,879**	112,863	**8,958**	9,703
Expenses								
Rental of premises	**-**	-	**94**	94	**-**	-	**4,727**	4,705
Interest expense on deposits	**205**	-	**25,367**	25,388	**-**	-	**6,841**	3,353
Management fee expense	**-**	-	**5,835**	-	**-**	-	**-**	-
SBL fees	**98**	173	**-**	-	**5**	7	**-**	-
Travel services	**-**	-	**-**	-	**-**	-	**96**	7
MFRS 9 expense	**-**	-	**-**	250	**-**	-	**-**	-
MFRS 16 lease rental expenses	**-**	-	**1,904**	-	**-**	-	**-**	-
Other expenses	**-**	-	**238**	-	**-**	-	**342**	157
	303	173	**33,438**	25,732	**5**	7	**12,006**	8,222

* Other Related Parties including key management personnel, related parties of key management personnel, subsidiaries and associate of LTAT and ABB.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

35 Significant related party transactions and balances (continued)

The Group and the Bank do not have any individual or collective significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the other significant related party transactions and balances. (continued)

(d) Related parties balances

	Ultimate Holding Corporate Body		Holding Company		Subsidiaries		Other Related Parties *	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
The Bank	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Amounts due to								
Deposits from customers	**15,602**	-	**754,595**	754,595	-	-	**244,155**	244,411
Deposits and placements of banks and other financial institutions	-	-	**319,461**	200,384	-	-	-	-
Other liabilities	**23,206**	-	**5,855**	20	-	-	**285**	324
Lease liabilities	-	-	**11,275**	-	-	-	-	-
	38,808	-	**1,091,186**	954,999	-	-	**244,440**	244,735
Amounts due from								
Cash and short-term funds	-	-	**48,810**	87,983	-	-	-	-
Loans and advances	-	-	-	-	-	-	**47,541**	58,100
Refundable deposits	-	-	-	-	-	-	**1,152**	1,152
Intercompany balances	-	-	-	-	**308**	310	-	-
Right-of-use assets	-	-	**10,196**	-	-	-	-	-
Advisory & management fee receivable	-	-	-	-	-	-	**159**	450
Financial investments	-	-	-	-	-	-	**100,661**	101,630
	-	-	**59,006**	87,983	**308**	310	**149,513**	161,332
Commitments and contingencies								
Transaction related contingencies	-	-	-	-	-	-	-	20,000
	-	-	-	-	-	-	-	20,000

* Other Related Parties including key management personnel, related parties of key management personnel, subsidiaries and associate of LTAT and ABB.

35 Significant related party transactions and balances (continued)

(e) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly.

The remuneration of key management personnel of the Group and the Bank are as follows:

	The Group		**The Bank**	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Short-term employee benefits:				
- Salaries, allowances and commissions	**4,657**	8,631	**4,657**	7,347
- Bonuses	**1,939**	11,362	**1,939**	2,347
- Defined contribution plan	**1,038**	3,591	**1,038**	1,672
- Other employee benefits	**37**	617	**37**	617
- Benefits-in-kind	**254**	176	**254**	147
Other emoluments	**1,106**	1,673	**1,106**	1,611
Directors' fees	**1,177**	1,401	**1,177**	1,269
	10,208	27,451	**10,208**	15,010

Included in the table above is the Chief Executive Officer & Non-Executive Directors' remuneration as disclosed in Note 34.

Loans to key management personnel is included in Note 35 (b) and Note 35 (d) loans and advances to other related parties, as disclosed in the table below:

	The Group		**The Bank**	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
At end of the financial year	**337**	248	**337**	248

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

36 Taxation

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Malaysian income tax:				
- Current financial year	**13,854**	54,646	**5,143**	15,118
- Deferred tax (Note 14)	**24,466**	(3,083)	**15,390**	4,122
	38,320	51,563	**20,533**	19,240
Under/(Over) provision in prior financial years	**(1,243)**	2,898	**(95)**	549
	37,077	54,461	**20,438**	19,789
Income tax expense is attributable to:				
Profit from continuing operations	**20,933**	20,393	**20,438**	19,789
Profit from discontinued operation	**16,144**	34,068	**-**	-
	37,077	54,461	**20,438**	19,789

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and the Bank are as follows:

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	%	%	**%**	%
Statutory tax rate in Malaysia	**24.00**	24.00	**24.00**	24.00
Tax effect in respect of:				
- Non-allowable expenses	**0.73**	2.23	**0.56**	0.85
- Non-taxable income	**(22.35)**	(5.41)	**(23.48)**	(13.16)
- Impact of change in tax rate on deferred tax ^	**0.42**	(2.88)	**0.42**	(2.66)
- Under/(Over) provision in prior financial years	**(0.09)**	1.03	**(0.01)**	0.26
- Unrecognised tax losses of which temporary differences not recognised	**(0.01)**	0.36	**-**	-
Average effective tax rate*	**2.70**	19.33	**1.49**	9.29

^ One-off tax known as Cukai Makmur for non-Micro, Small and Medium Enterprises companies having chargeable income exceeding RM100 million for the year of assessment ("YA") 2022.

* Average effective tax rate includes impact for Profit from discontinued operation.

37 Earnings per share

The basic earnings per share for the Group and the Bank have been calculated based on the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

The Group	Continuing operations 31.12.2022	Continuing operations 31.12.2021	Discontinued operation 31.12.2022	Discontinued operation 31.12.2021
Net profit attributable to equity holders (RM'000)	**34,116**	80,485	**1,277,820**	93,326
Weighted average number of ordinary shares in issue ('000)	**780,000**	780,000	**780,000**	780,000
Basic earnings per share (sen)	**4.37**	10.32	**163.82**	11.96

The Bank	Continuing operations 31.12.2022	Continuing operations 31.12.2021	Discontinued operation 31.12.2022	Discontinued operation 31.12.2021
Net profit attributable to equity holders (RM'000)	**1,346,851**	193,271	-	-
Weighted average number of ordinary shares in issue ('000)	**780,000**	780,000	-	-
Basic earnings per share (sen)	**172.67**	24.78	-	-

There were no dilutive potential ordinary shares outstanding as at 31 December 2022. As a result, the diluted EPS equal to the basic EPS for the financial year ended 31 December 2022 and 31 December 2021.

38 Dividends

Dividends recognised as distribution to ordinary equity holders of the Bank.

	The Bank			
	31.12.2022		31.12.2021	
	Dividend per share sen	**Dividend amount RM'000**	Dividend per share sen	Dividend amount RM'000
Ordinary shares:				
Dividend for the financial year ended 31.12.2022:				
- Single-tier special dividend	**164.128**	**1,280,200**	-	-
Dividend for the financial year ended 31.12.2021:				
- First interim dividend	-	-	8.077	63,000
- First special dividend	-	-	4.744	37,000
- Second special dividend	-	-	15.385	120,000
Dividend for the financial year ended 31.12.2020:				
- Second interim dividend	-	-	4.487	35,000
	164.128	**1,280,200**	32.693	255,000

The Directors do not propose any final dividend for the financial year ended 31 December 2022.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

39 Commitments and contingencies

In the normal course of business, the Group and the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The principal amount of commitments and contingencies constitute the following:

	The Group		The Bank	
	31.12.2022 Principal amount RM'000	31.12.2021 Principal amount RM'000	**31.12.2022 Principal amount RM'000**	31.12.2021 Principal amount RM'000
Transaction related contingent items	**64,606**	85,606	**64,606**	85,606
Irrevocable commitments to extend credit:				
- maturity less than one year	**17,390**	5,697	**17,390**	5,697
- maturity more than one year	**24,847**	15,489	**24,847**	15,489
Interest rate related contracts*:				
- less than one year	**940,000**	780,000	**940,000**	780,000
- one year to less than five years	**2,160,000**	2,150,000	**2,160,000**	2,150,000
Foreign exchange related contracts*:				
- less than one year	**5,562,497**	11,043,848	**5,562,497**	10,996,530
- one year to less than five years	**842,979**	814,323	**842,979**	814,323
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**1,279,899**	1,116,522	**1,279,899**	1,116,522
Other/Miscellaneous Commitments and Contingencies	**7,421**	-	**7,421**	-
	10,899,639	16,011,485	**10,899,639**	15,964,167

* The fair value of these derivatives have been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position and disclosed in Notes 8 and 21 respectively to the financial statements.

40 Capital management

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) updated on 9 December 2020. The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

The Group and the Bank have elected to apply transitional arrangements for four financial years beginning on 1 January 2020. Under the transitional arrangements, the amount of loss allowances measured at an amount equal to 12-month ECL and lifetime ECL to the extent they are ascribed to non-credit-impaired exposures (which is Stage 1 and Stage 2 provisions), is allowed to be added back in the calculation of CET1 capital ratio.

In line with the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ("CET 1") and Tier 1 Capital Ratio are 7.00% (2021: 7.00%) and 8.50% (2021: 8.50%) respectively for the financial year ended 31 December 2022. The minimum regulatory capital adequacy requirement at 10.50% (2021: 10.50%) for total capital ratio.

40 Capital management (continued)

The Group and the Bank's objectives when managing capital are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group and the Bank operates;
- To safeguard the Group's and the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

41 Capital adequacy

The table below summarises the composition of regulatory capital and the ratios of the Group and the Bank:

	The Group		**The Bank**	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Basel III				
Common Equity Tier (CET) 1 Capital :				
Share capital	**999,800**	999,800	**999,800**	999,800
Other reserves	**-**	(88,737)	**-**	-
Retained profits	**529,981**	499,301	**529,977**	460,151
Foreign exchange translation reserves	**-**	39	**-**	-
FVOCI reserve	**(92,555)**	(50,927)	**(92,555)**	(50,982)
	1,437,226	1,359,476	**1,437,222**	1,408,969
Less : Regulatory adjustments				
Goodwill and other intangible assets	**(307,788)**	(323,624)	**(307,702)**	(314,667)
Investment in associates/subsidiaries	**-**	-	**(3,657)**	(133,184)
Regulatory reserves	**(16,709)**	(12,894)	**(16,709)**	(12,894)
Deferred tax assets	**(63,302)**	(89,557)	**(63,302)**	(65,860)
Other CET1 regulatory adjustments specified by BNM	**19,830**	23,166	**19,849**	22,957
CET 1 Capital	**1,069,257**	956,567	**1,065,701**	905,321
Additional Tier 1 Capital				
Qualifying non-controlling interests	**-**	32,933	**-**	-
Total Tier 1 Capital	**1,069,257**	989,500	**1,065,701**	905,321
Tier 2 Capital				
Qualifying loss provisions #	**14,779**	15,808	**14,760**	15,328
Total Tier 2 Capital	**14,779**	15,808	**14,760**	15,328
Total Capital	**1,084,036**	1,005,308	**1,080,461**	920,649
Proposed dividends	**-**	-	**-**	-

Qualifying loss provisions are restricted to allowances on the unimpaired portion of the loans and advances.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

41 Capital adequacy (continued)

The table below summarises the composition of regulatory capital and the ratios of the Group and the Bank: (continued)

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
	RM'000	RM'000	**RM'000**	RM'000
Credit risk	**1,182,333**	1,679,548	**1,180,781**	1,226,244
Market risk	**216,533**	242,749	**216,537**	235,762
Operational risk	**1,092,257**	1,121,552	**524,730**	514,584
Total Risk Weighted Assets	**2,491,123**	3,043,849	**1,922,048**	1,976,590

	The Group		The Bank	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
Capital Ratios				
With transitional arrangements				
CET 1 Capital ratio	**42.923%**	31.426%	**55.446%**	45.802%
Tier 1 Capital ratio	**42.923%**	32.508%	**55.446%**	45.802%
Total Capital ratio	**43.516%**	33.028%	**56.214%**	46.578%
Before transitional arrangements				
CET 1 Capital ratio	**42.127%**	30.665%	**54.413%**	44.641%
Tier 1 Capital ratio	**42.127%**	31.747%	**54.413%**	44.641%
Total Capital ratio	**42.720%**	32.437%	**55.181%**	45.416%

42 Significant events during the financial year

Divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ("AHAM"), representing 63.0% of the equity interest in AHAM ("the Divestment")

On 28 January 2022, the Bank, selected key senior management ("KSM") of AHAM and Starlight Asset Sdn Bhd, an investment holding company incorporated by funds managed by CVC Capital Partners ("Starlight Asset" or "Purchaser"), entered into a conditional share sale and purchase agreement ("SPA") for the Divestment of 7,594,338 ordinary shares in AHAM ("Sale Shares"), representing approximately 68.35% of the equity interest in AHAM, for a provisional cash consideration of RM1,537.9 million, subject to certain price adjustments as well as the terms and conditions as set out in the SPA. The Bank and AHAM KSM are collectively referred to as the "Vendors".

	Sale shares		Provisional cash consideration
Vendors	**No. of shares**	**(1) %**	**RM'million**
Affin Hwang Investment Bank Berhad	7,000,000	63.00	**1,417.5**
AHAM KSM (2)	594,338	5.35	**120.4**
Total	**7,594,338**	**68.35**	**1,537.9**

(1) Based on the total of 11,111,000 ordinary shares in AHAM in issue as at 31 December 2021.

(2) Comprising selected AHAM KSM who exercised their AHAM stock options into AHAM Shares pursuant to the stock option scheme for its key employees in 2014.

The Bank's provisional cash consideration is based on the Purchaser's offer for 100% equity interest in AHAM at an equity value of RM2,250.0 million ("Ascribed Value"), which includes an agreed pre-closing dividend of at least RM100.0 million declared by AHAM to its shareholders prior to the completion of the Divestment. Hence, the Bank's provisional cash consideration ("Provisional Purchase Price") is the Ascribed Value attributable to the Bank's Sale Shares, i.e. 63.0% of the Ascribed Value, or RM1,417.5 million.

Subject to the post-closing adjustments, the final divestment consideration ("Final Purchase Price") may differ from the Provisional Purchase Price in the event that there is a change in the shareholders' equity of AHAM and its subsidiaries ("AHAM Group") between 31 December 2021 and the closing date of the SPA.

The Divestment was subject to the following:

- the approval of the shareholders of the holding company, Affin Bank Berhad ("ABB") at an Extraordinary General Meeting; and
- the written approval from the Securites Commission Malaysia ("SC") for the following:
  - sale and purchase of the Sale Shares as it will result in the change in the controller of AHAM and AIIMAN Asset Management Sdn. Bhd. ("AIIMAN");
  - change in AHAM's name; and
  - the Purchaser to be a "related corporation" of AHAM and AIIMAN or an entity as may be approved by the SC pursuant to the Licensing Handbook issued by the SC.

On 9 May 2022, the first tranche of the pre-closing dividend, amounting to RM50.0 million was declared and paid by AHAM to its shareholders, of which the Group's share was RM31.5 million.

On 25 May 2022, the shareholders of ABB at an extraordinary general meeting approved the Divestment.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

42 Significant events during the financial year (continued)

Divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ("AHAM"), representing 63.0% of the equity interest in AHAM ("the Divestment") (continued)

On 1 July 2022, approval from SC for the Divestment was obtained, subject to the following conditions:

(i) no adverse findings against the proposed direct or indirect controllers; and
(ii) the Divestment shall not adversely affect the soundness of both AHAM and AIIMAN or the interest of existing clients of AHAM Group.

Accordingly, as the last of the Conditions Precedents have been met, the SPA has become unconditional on 1 July 2022, with the Closing Date at 29 July 2022 as agreed by the parties to the SPA.

On 22 July 2022, the second tranche of the pre-closing dividend, which amounted to RM50.0 million, was declared and paid by AHAM to its shareholders, of which the Group's share was RM31.5 million.

On 29 July 2022, the Bank received its share of the Provisional Purchase Price of RM1,354.5 million from the Purchaser. Consequently, on 29 July 2022, AHAM ceased to be a subsidiary of the Bank and was deconsolidated from the Group's financial statements. In accordance with the terms and conditions set out in the SPA, the Provisional Purchase Price was subject to a post-closing adjustment to arrive at the Final Purchase Price. The post-closing adjustments was determined based on the adjusted shareholders' equity differential of AHAM Group between the Closing Date and 31 December 2021.

As the Closing Date Adjusted Shareholders' Equity is higher than the 31 December 2021's Adjusted Shareholders' Equity, the Group and the Bank received the post-closing adjustment of RM36.7 million amount recoverable from Starlight on 8 November 2022.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

42 Significant events during the financial year (continued)

Divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ("AHAM"), representing 63.0% of the equity interest in AHAM ("the Divestment") (continued)

Following the completion of the Divestment, AHAM has ceased to be a subsidiary of the Group. The Group and the Bank have recorded a gain on disposal of RM1.25 billion and RM1.27 billion respectively. The Group has accounted for the Divestment as a discontinued operation in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Financial information relating to the discontinued operation is as follows:

	The Group RM'000
Cash flows and net assets of AHAM on closing date	
Cash and short-term funds	**391,530**
Financial assets at fair value through profit or loss ("FVTPL")	**117,467**
Trade receivables	**123,015**
Derivative financial assets	**264**
Other assets	**9,535**
Amount due from related companies	**2,606**
Amount due from ultimate holding company	**129**
Tax recoverable	**10,765**
Deferred tax assets	**14,621**
Property and equipment	**6,686**
Intangible assets	**8,091**
Right-of-use ("ROU") assets	**2,030**
Trade payables	**(324,088)**
Lease liabilities	**(2,158)**
Amount due to related companies	**(275)**
Amount due to holding company	**(75)**
Other liabilities	**(138,913)**
Non-controlling interest	**(82,279)**
Total net assets derecognised	**138,951**
Less: Realisation of foreign exchange reserve and FVOCI reserve	**(94)**
Gain on disposal of a subsidiary	**1,252,380**
Sales consideration received in cash	**1,391,237**
Less: Professional and legal fees paid for the disposal of a subsidiary	**(17,790)**
Cash and short-term funds of the subsidiary disposed	**(391,530)**
Cash inflow on disposal of a subsidiary	**981,917**

42 Significant events during the financial year (continued)

Divestment of 7,000,000 ordinary shares in Affin Hwang Asset Management Berhad ("AHAM"), representing 63.0% of the equity interest in AHAM ("the Divestment") (continued)

Following the completion of the Divestment, AHAM has ceased to be a subsidiary of the Group. The Group and the Bank have recorded a gain on disposal of RM1.25 billion and RM1.27 billion respectively. The Group has accounted for the Divestment as a discontinued operation in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Financial information relating to the discontinued operation is as follows: (continued)

The Group

	31.12.2022	31.12.2021
	RM'000	RM'000
Income Statements		
Interest income	**1,627**	2,409
Interest expense	**(760)**	(3,543)
Net interest income	**867**	(1,134)
Fee and commission income	**267,821**	729,439
Fee and commission expense	**(79,925)**	(340,662)
Net fee and commission income	**187,896**	388,777
Net (losses)/gains on financial instruments	**(8,418)**	5,888
Other operating income	**4,213**	2,452
Net income	**184,558**	395,983
Other operating expenses	**(100,691)**	(213,080)
Operating profit before allowances	**83,867**	182,903
Allowances for credit impairment losses	**(37)**	(144)
Profit before zakat and taxation	**83,830**	182,759
Zakat	**(344)**	(671)
Profit before taxation	**83,486**	182,088
Taxation	**(16,144)**	(34,068)
Profit after taxation	**67,342**	148,020
Gain on disposal of a subsidiary	**1,252,380**	-
Professional and legal fees for the divestment of a subsidiary	**(16,938)**	(1,305)
Profit from discontinued operation	**1,302,784**	146,715

	The Group	
	31.12.2022	31.12.2021
	RM'000	RM'000
Net cash (used in)/generated from operating activities	**(245,340)**	459,823
Net cash generated from/(used in) investing activities	**8,112**	(2,007)
Net cash used in financing activities	**(102,538)**	(182,169)
Net (decrease)/increase in cash flows from discontinued operation	**(339,766)**	275,647

43 Significant event subsequent to the financial year

There are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance

44 Financial risk management objectives and policies

As a full-fledged investment bank, the Bank has established robust and comprehensive risk management framework and policies, based on best practices, to ensure that the salient risk elements in the operations of the Bank are adequately managed and mitigated. The Bank's framework for the management of financial risks is congruent with the primary corporate objective of creating and enhancing shareholders' value, guided by a prudent and robust framework of risk management methodologies and policies.

The Bank's risk management framework and policies are reviewed periodically to ensure that they are comprehensive in addressing the multi-faceted risks associated with the investment banking sector.

The Risk Management Department ("RMD") is primarily responsible for the development and maintenance of the risk management framework and policies of the Bank and supports the functions of the Asset and Liability Committee ("ALCO"), Compliance and Risk Oversight Committee ("CROC"), Board Risk Management Committee ("BRMC"), as well as Group committees of the Affin Banking Group.

A. Credit risk

Credit risk is the risk that a counterparty will fail to meet its contractual obligations which could result in a financial loss to the Bank. The Bank's exposure to credit risks arises primarily from stockbroking trade receivables, share margin financing, securities borrowing and lending, corporate/inter-bank lending activities, bond/sukuk investments, foreign exchange trading, equity and debt underwriting as well as from participation in securities settlements and payment transactions.

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall lending objectives are in compliance with internal and regulatory requirements. The risk management policies are subject to review by BRMC, a sub-committee of the Board that reviews the adequacy of the Bank's risk policies and framework. The Bank's credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises of Group Management Credit Committee ("GMCC") and Group Board Credit Review and Recovery Committee ("GBCRRC"). The GMCC represents the approving authority for credit and underwriting proposals, whilst GBCRRC is the committee that reviews proposals that exceed specified limits and criteria, as well as considers whether to veto the approval by GMCC on the proposal or modify the terms of the proposal.

The Bank recognises that learning is a continuous journey and is committed to enhancing the knowledge and skills set of its staff. It places strong emphasis on creating and enhancing risk awareness in the organisation.

The Bank is supportive of credit officers in taking the relevant credit-related certification programme such as the Chartered Banker Program offered by the Asian Institute of Chartered Bankers ("AICB"). Upon attaining the relevant certification, credit officers are expected to demonstrate a sound understanding of the credit process and competence to undertake credit roles and responsibilities.

Credit risk evaluation

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Bank's underwriting criteria and the ability of the Bank to make a return commensurate to the level of risk undertaken. A critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. The Bank has developed internal rating models to support the assessment and quantification of credit risk.

A number of qualitative and quantitative factors are taken into consideration in the identification and analysis of a counterparty's credit risk. Each counterparty is assigned a credit rating which considers factors such as competitive position, operating performance, cash flow strength and management strength.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk evaluation (continued)

All corporate lending, underwritings and corporate debt securities investments are independently evaluated by the Bank's credit management function and approved by the relevant approving authorities based on the Authority Matrix approved by the Board.

For share margin financing, the credit decisions are guided by an internally developed rating scorecard as well as other terms and conditions stipulated in the Bank's Margin Financing Policy. The credit risk of share margin financing is largely mitigated by the holding of collateral in the form of marketable securities.

Credit risk limit control and mitigation policies

The Bank employs various policies and practices to control and mitigate credit risk.

Lending limits

The Bank establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single counterparty exposure, connected parties, and industry segments. These risks are monitored regularly and the limits are reviewed annually or sooner depending on the changing market and economic conditions.

The credit risk exposure for derivatives due to potential exposure arising from market movements, and loan books are managed on an aggregated basis as part of the overall lending limits with customers.

Collateral

Credits are established against customer's capacity to pay rather than to rely solely on collateral. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and ascribed value by the Group and the Bank are:
- Mortgages over residential real estate;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business properties, equipment and fixed deposits;
- Charges over financial instruments such as marketable securities; and
- Debentures, personal guarantees and corporate guarantees.

Where relevant, the Group and the Bank undertake a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

Term loan lending to corporate entities are generally secured, revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Group's and the Bank policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group and the Bank since the prior period.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk limit control and mitigation policies (continued)

Collateral (continued)

The Bank closely monitors collateral held for financial assets that are credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

The Group and the Bank	**Gross loans and advances**	**Expected credit losses**	**Net loans and advances**	**Fair value of collateral held**
31.12.2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Loans and advances:				
Term loans	**78,325**	**(36,389)**	**41,936**	**66,465**
Total credit-impaired assets	**78,325**	**(36,389)**	**41,936**	**66,465**

The Group and the Bank	Gross loans and advances	Expected credit losses	Net loans and advances	Fair value of collateral held
31.12.2021	RM'000	RM'000	RM'000	RM'000
Loans and advances:				
Term loans	82,528	(32,752)	49,776	63,113
Total credit-impaired assets	82,528	(32,752)	49,776	63,113

The financial effect of collateral held for loans and advances is 83.98% as at 31 December 2022 (2021: 84.94%). The financial effects of collateral for the other financial assets are insignificant.

Collateral for financial assets at fair value through profit or loss ("FVTPL")

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
Derivatives	**5,113**	7,574

The Bank mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans/financing, guarantees or letters of credit. Unutilised credits give rise to potential or contingent credit losses to the Bank in an amount equal to the total unutilised commitments. The Bank manages and mitigates the amount of potential and contingent losses arising from unutilised credit lines by imposing minimum specific credit standards on counterparties.

The Group and the Bank monitors the term to maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit Risk Measurement

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially with the deterioration of credit risk. For example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically takes into consideration a number of relevant factors when identifying and analysing of counterparty credit risk. These factors determines the credit rating under the Credit Risk Grading Policy, which considers factors such as competitive position, operating performance, cash flow strength and management strength. The Bank leverages on its holding company, Affin Bank Berhad’s models for loans and advances and bonds.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probability of default (“PDs”) and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on quantitative modelling, the remaining lifetime probability of default is determined to have increased by more than a predetermined percentage/range.

Using expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk is presumed if a borrower/issuer is more than 30 days past due. Days past due are determined by counting the number of days or month since the earliest elapsed due date in respect of which full payment due has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Determining whether credit risk has increased significantly (continued)

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Measurement of expected credit losses ("ECL")

The Bank uses the following three categories for recognising ECL:

Category	Definition	Basis for recognising
Performing accounts (Stage 1)	• Financial assets that do not have significant increase in credit risk since initial recognition of the asset and therefore, less likely to default; • Performing accounts with credit grade 13 or better; • Accounts past due less than or equal to 30 days; or • For early control acounts that have risk or potential weakness which if left unchecked, may result in significant deterioration of repayment prospect and transfer to underperforming status (Stage 2) or worse.	12-month ECL
Underperforming accounts (Stage 2)	• An account with significant increase in credit risk since initial recognition and if left uncorrected, may result in impairment of the account within the next 12 months; • Accounts past due more than 30 days but less than 90 days or 3 months • Accounts demonstrating critical level of risk and therefore, credit graded to 14 and place under Watchlist or; • Restructuring and rescheduling ("R&R") with significant increase in credit risk.	Lifetime ECL - not credit impaired
Impaired accounts (Stage 3)	• Impaired credit; • Credit grade 15 or worse; • Accounts past due more than 90 days or 3 months or; • R&R which has resulted in a reclassification to Stage 3.	Lifetime ECL - credit impaired

The Bank has not used the low credit risk exemption for any financial instrument for the financial year ended 31 December 2022 and 31 December 2021.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Measurement of ECL (continued)

The key inputs into the measurement of ECL comprise the following variables:

- probability of default (“PD”); `
- loss given default (“LGD”); and
- exposure at default (“EAD”).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described in the “Incorporation of forward-looking information” section.

PD is the likelihood of a counterparty defaulting on its contractual obligations over a given time horizon and are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

Credit risk grades and past due status are a primary input into the determination of the term structure of PD for exposures. The Bank’s holding company collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies are also used.

The Bank leverages on its holding company’s statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

LGD is the magnitude of the likely loss if there is a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the original effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The 12-month and lifetime EAD is determined based on the expected payment profile, which varies by product type.

ECL is determined by projecting the PD, LGD and EAD at each future point on a yearly basis on individual exposure, or collective segment, and discounting these monthly expected losses back to the reporting date. The discount rate used in the ECL calculation is the original interest rate or an approximation thereof.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Measurement of ECL (continued)

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, LGD and EAD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

• product/instrument type;
• past due status;
• credit risk gradings;
• collateral type;
• date of initial recognition; and
• remaining terms to maturity.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

There have been no significant changes in estimation technique or significant assumptions made during the reporting period that have material impact to the ECL.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios are formulated.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 years and above.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit Risk Measurement (continued)

Incorporation of forward-looking information (continued)

The economic scenarios used for the expected credit losses ("ECL") estimate and the effect to the ECL estimate due to the changes in the macro economic variables ("MEVs") by percentage are set out as below:

	31.12.2022	31.12.2021
Measurement variables:	**%**	%
House Price Index	**0.10**	0.58
Private Consumption Expenditure	**14.67**	36.68
USD Dollar to Malaysian Ringgit Exchange Rate	**0.10**	0.36
Malaysia Economic Indicator Leading Index (MEILI)_2015	**3.86**	0.69
Automative Association Malaysia Total Car Sales Growth (AAM)	**5.94**	25.90
Overnight Policy Rate	**9.65**	5.83
Malaysia Debt Service Ratio	**0.82**	0.31
Current Account (as a percentage of Gross Domestic Product)	**18.84**	10.04
Average Lending Rate	**4.44**	4.19

The impact on ECL based on 3 years historical MEV are as follows:

	The Group and the Bank			
	31.12.2022		31.12.2021	
	+	-	+	-
	RM'000	**RM'000**	RM'000	RM'000
(Write-back)/Additional provision of ECL	**(464)**	**600**	(24)	29

Credit risk monitoring

Corporate credits and large individual accounts are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Remedial action is taken where evidence of deterioration exists.

Significant Increase in Credit Risk process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-performing.

The Bank adopts the Group's MFRS 9 - Stage Transfer Policy to provide guidance in determining significant increases in credit risk of financial assets. There are 3 stages to differentiate the credit risk of financial assets in conjunction with MFRS 9 standards: Performing Accounts (Stage 1), Underperforming Accounts (Stage 2) and Impaired Accounts (Stage 3).

Active portfolio monitoring as well as exceptions reporting is in place to manage the overall risk profile, identify, analyse and mitigate adverse trends or specific areas of risk concerns. The Affin Banking Group's Early Alert Committee ("GEAC") is a senior management committee, established to monitor credit quality through monthly reviews of the Early Control (Stage 1) and Underperforming (Stage 2) accounts as well as to review the actions taken to address the emerging risks and issues in these accounts.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk monitoring (continued)

The Bank conducts post-mortem reviews on newly impaired loans to determine the key reason(s) and/or driver(s) leading to the account being classified as impaired, take appropriate remedial actions or measures and establish lessons learned to minimise potential or future credit loss from similar or repeat events.

In addition, an independent credit review is periodically undertaken by Risk Mamanagement Department to ensure that credit decision-making is consistent with the Bank’s overall credit risk appetite and strategy.

Maximum exposure to credit risk

For financial assets recognised in the statements of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposures to credit risk is the maximum amount that the Group and the Bank would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

All financial assets of the Group and the Bank are subject to credit risk except for cash in hand, equity securities held as financial assets at FVTPL or as financial investments at FVOCI, as well as non-financial assets.

The exposure to credit risk of the Group and the Bank equals their carrying amount in the statements of financial position as at reporting date, except for the following:

	The Group	
	31.12.2022	31.12.2021
	Maximum credit risk exposure	Maximum credit risk exposure
	RM’000	RM’000
Credit risk exposures of on-balance sheet assets:		
Cash and short-term funds *	**311,839**	1,940,453
Financial assets at FVTPL#	**2**	1,008
Financial investments at FVOCI##	**3,551,586**	3,652,767
Other assets &	**39,502**	63,468
	3,902,929	5,657,696
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	**64,606**	85,606
Irrevocable commitments to extend credit	**42,237**	21,186
Any commitments that are unconditionally cancelled at any time by the Bank without prior noticed or that effectively provide for automatic cancellation due to deterioration in a borrower’s creditworthiness	**1,279,899**	1,116,522
	1,386,742	1,223,314
Total maximum credit risk exposure	**5,289,671**	6,881,010

The following have been excluded for the purpose of maximum credit risk exposure calculation:

- * Cash in hand
- # Investments in shares, unit trusts and warrants
- ## Investments in unquoted shares
- & Prepayment

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Maximum exposure to credit risk (continued)

The exposure to credit risk of the Group and the Bank equals their carrying amount in the statements of financial position as at reporting date, except for the following (continued):

	The Bank	
	31.12.2022	31.12.2021
	Maximum credit risk exposure	Maximum credit risk exposure
	RM'000	RM'000
Credit risk exposures of on-balance sheet assets:		
Cash and short-term funds *	**309,490**	1,207,873
Financial assets at FVTPL#	**2**	-
Financial investments at FVOCI##	**3,551,586**	3,652,767
Other assets &	**39,355**	58,149
	3,900,433	4,918,789
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	**64,606**	85,606
Irrevocable commitments to extend credit	**42,237**	21,186
Any commitments that are unconditionally cancelled at any time by the Bank without prior noticed or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**1,279,899**	1,116,522
	1,386,742	1,223,314
Total maximum credit risk exposure	**5,287,175**	6,142,103

The following have been excluded for the purpose of maximum credit risk exposure calculation :

* Cash in hand
\# Investments in shares, unit trusts and warrants
\## Investments in unquoted shares
& Prepayment

Whilst the Group's and the Bank's maximum exposure to credit risk is the carrying value of the assets, or in the case of off-balance sheet items, the amount guaranteed, committed or accepted, in most cases the likely exposure is reduced by collateral, credit enhancements and other actions taken to mitigate the credit exposure.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk concentrations

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables:

The Group 31.12.2022	**Short-term funds RM'000**	**Financial assets at FVTPL RM'000**	**Financial investments at FVOCI RM'000**	**Financial investments at amortised cost RM'000**	**Loans and advances RM'000**	**Trade receivables RM'000**	**Derivative financial assets RM'000**	**Other assets RM'000**	**Total on-balance sheet RM'000**	**Commitments and contingencies RM'000**
Agricultural	-	-	10,080	81,124	28,330	-	-	-	119,534	35
Mining and quarrying	-	-	-	5,094	-	-	-	-	5,094	-
Manufacturing	-	-	15,119	61,256	92	-	-	140	76,607	20,000
Electricity, gas and water	-	-	116,535	33,036	9	-	-	430	150,010	2,991
Construction	-	-	396,996	60,434	205,389	-	-	7	662,826	83,547
Real estate	-	-	20,116	50,260	94,394	-	-	-	164,770	40,639
Wholesale, retail trade, hotels and restaurants	-	-	100,661	-	8,158	-	-	198	109,017	5,500
Transport, storage and communication	-	-	279,371	24,314	78,557	-	-	187	382,429	7,742
Finance, insurance and business	311,258	2	263,909	201,546	284,822	-	107,680	311	1,169,528	101,925
Government and government agencies	581	-	2,165,506	257,021	-	-	-	-	2,423,108	-
Education, Health and Others	-	-	-	-	7,806	-	-	32,484	40,290	7,192
Household	-	-	-	-	862,448	403,754	-	-	1,266,202	1,117,171
Others	-	-	183,293	105,562	-	-	-	5,745	294,600	-
	311,839 *	**2** #	**3,551,586** ##	**879,647**	**1,570,005**	**403,754**	**107,680**	**39,502** &	**6,864,015**	**1,386,742**

* Excludes cash in hand of RM33,930.

Excludes investment in shares, unit trust & warrants amounting to RM36.07 million.

Excludes investments in unquoted shares amounting to RM23.92 million.

& Include other assets, excluding prepayment amounting to RM6.00 million.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk concentrations (continued)

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables: (continued)

The Group 31.12.2021	Short-term funds RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans and advances RM'000	Trade receivables RM'000	Derivative financial assets RM'000	Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agricultural	-	-	10,160	-	34,921	-	-	209	45,290	-
Manufacturing	-	-	10,314	-	7,195	-	-	48	17,557	20,000
Electricity, gas and water	-	-	124,323	-	-	-	-	524	124,847	-
Construction	-	-	371,668	-	91,231	-	-	5	462,904	64,606
Real estate	-	-	-	-	113,989	-	-	76	114,065	-
Wholesale, retail trade, hotels and restaurants	-	-	101,630	-	11,121	-	-	23	112,774	5,954
Transport, storage and communication	-	-	337,484	-	74,742	-	-	90	412,316	3,000
Finance, insurance and business	1,940,418	1,008	251,859	-	237,211	137,031	77,269	1,290	2,646,086	3,437
Government and government agencies	35	-	2,257,694	-	-	-	-	-	2,257,729	-
Education, Health and Others	-	-	-	-	7,800	-	-	44,461	52,261	-
Household	-	-	-	-	500,199	370,563	-	-	870,762	1,126,317
Others	-	-	187,635	40,452	-	18,439	-	17,879	264,405	-
	1,940,453 *	1,008 #	3,652,767 ##	40,452	1,078,409	526,033	77,269	64,605 &	7,380,996	1,223,314

* Excludes cash in hand of RM33,953.

Excludes investments in shares, unit trust & warrants amounting to RM228.92 million.

Excludes investments in unquoted shares amounting to RM26.70 million.

& Include amount due from related companies, holding company, ultimate holding company and other assets, excluding prepayment amounting to RM6.20 million.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk concentrations (continued)

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables: (continued)

The Bank 31.12.2022	Short-term funds RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans and advances RM'000	Trade receivables RM'000	Derivative financial assets RM'000	Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agricultural	-	-	10,080	81,124	28,330	-	-	-	119,534	35
Mining and quarrying	-	-	-	5,094	-	-	-	-	5,094	-
Manufacturing	-	-	15,119	61,256	92	-	-	140	76,607	20,000
Electricity, gas and water	-	-	116,535	33,036	9	-	-	430	150,010	2,991
Construction	-	-	396,996	60,434	205,389	-	-	7	662,826	83,547
Real estate	-	-	20,116	50,260	94,394	-	-	-	164,770	40,639
Wholesale, retail trade, hotels and restaurants	-	-	100,661	-	8,158	-	-	198	109,017	5,500
Transport, storage and communication	-	-	279,371	24,314	78,557	-	-	187	382,429	7,742
Finance, insurance and business	308,909	2	263,909	201,546	284,822	-	107,680	618	1,167,486	101,925
Government and government agencies	581	-	2,165,506	257,021	-	-	-	-	2,423,108	-
Education, Health and Others	-	-	-	-	7,806	-	-	32,338	40,144	7,192
Household	-	-	-	-	862,448	403,754	-	-	1,266,202	1,117,171
Others	-	-	183,293	105,562	-	-	-	5,745	294,600	-
	309,490 *	2 #	3,551,586 ##	879,647	1,570,005	403,754	107,680	39,663 &	6,861,827	1,386,742

* Excludes cash in hand of RM33,425.

Excludes investment in shares & warrants amounting to RM34.86 million.

Excludes investments in unquoted shares amounting to RM23.92 million.

& Include amount due from subsidiaries and other assets, excluding prepayment amounting to RM5.99 million.

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Credit risk concentrations (continued)

The credit risk concentrations of the Group and the Bank, by industry concentration, are set out in the following tables: (continued)

The Bank 31.12.2021	Short-term funds RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans and advances RM'000	Trade receivables RM'000	Derivative financial assets RM'000	Other assets RM'000	Total on-balance sheet RM'000	Commitments and contingencies RM'000
Agricultural	-	-	10,160	-	34,921	-	-	209	45,290	-
Manufacturing	-	-	10,314	-	7,195	-	-	48	17,557	20,000
Electricity, gas and water	-	-	124,323	-	-	-	-	391	124,714	-
Construction	-	-	371,668	-	91,231	-	-	5	462,904	64,606
Real estate	-	-	-	-	113,989	-	-	52	114,041	-
Wholesale, retail trade, hotels and restaurants	-	-	101,630	-	11,121	-	-	23	112,774	5,954
Transport, storage and communication	-	-	337,484	-	74,742	-	-	90	412,316	3,000
Finance, insurance and business	1,207,838	-	251,859	-	237,211	-	76,961	504	1,774,373	3,437
Government and government agencies	35	-	2,257,694	-	-	-	-	-	2,257,729	-
Education, Health and Others	-	-	-	-	7,800	-	-	44,078	51,878	-
Household	-	-	-	-	500,199	370,563	-	-	870,762	1,126,317
Others	-	-	187,635	40,452	-	-	-	13,100	241,187	-
	1,207,873 *	- #	3,652,767 ##	40,452	1,078,409	370,563	76,961	58,500 &	6,485,525	1,223,314

* Excludes cash in hand of RM31,426.

\# Excludes investments in shares, unit trust & warrants amounting to RM95.91 million.

\## Excludes investments in unquoted shares amounting to RM26.70 million.

& Include amount due from subsidiaries, holding company and other assets, excluding prepayment amounting to RM2.71 million.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Total loans and advances - credit quality

All loans and advances are categorised into “neither past due nor impaired”, “past due but not impaired” and “impaired”.

Past due loans refer to loans and advances that are overdue by one day or more.

Loans and advances are classified impaired when they fulfill any of the following criteria:

i) the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default; or

ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is “unlikely to meet” its credit obligations; or

iii) the loan/financing is classified as resheduled and restructured in the Central Credit Reference Information System.

Distribution of loans and advances by credit quality:

	31.12.2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM’000	**RM’000**	**RM’000**	**RM’000**
The Group and the Bank				
Neither past due nor impaired	**1,497,059**	**59,361**	**-**	**1,556,420**
Impaired	**-**	**-**	**78,325**	**78,325**
Gross loans and advances	**1,497,059**	**59,361**	**78,325**	**1,634,745**
Less: Expected credit losses (“ECL”)	**(1,582)**	**(26,769)**	**(36,389)**	**(64,740)**
Net loans and advances	**1,495,477**	**32,592**	**41,936**	**1,570,005**

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
	RM’000	RM’000	RM’000	RM’000
The Group and the Bank				
Neither past due nor impaired	990,270	61,712	-	1,051,982
Impaired	-	-	82,528	82,528
Gross loans and advances	990,270	61,712	82,528	1,134,510
Less: Expected credit losses (“ECL”)	(1,045)	(22,304)	(32,752)	(56,101)
Net loans and advances	989,225	39,408	49,776	1,078,409

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Total loans and advances - credit quality (continued)

Distribution of loans and advances by credit quality: (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amounts of financial assets below also represent the Group's and the Bank's maxinum exposure to credit risk on these assets.

	31.12.2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Group and the Bank				
Credit grade				
Satisfactory (1)	**1,323,137**	**-**	**-**	**1,323,137**
Special mention (2)	**173,922**	**59,361**	**-**	**233,283**
Default/impaired	**-**	**-**	**78,325**	**78,325**
Gross loans and advances	**1,497,059**	**59,361**	**78,325**	**1,634,745**
Less: Expected credit losses ("ECL")	**(1,582)**	**(26,769)**	**(36,389)**	**(64,740)**
Net loans and advances	**1,495,477**	**32,592**	**41,936**	**1,570,005**

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
The Group and the Bank				
Credit grade				
Satisfactory (1)	949,845	-	-	949,845
Special mention (2)	40,425	61,712	-	102,137
Default/impaired	-	-	82,528	82,528
Gross loans and advances	990,270	61,712	82,528	1,134,510
Less: Expected credit losses ("ECL")	(1,045)	(22,304)	(32,752)	(56,101)
Net loans and advances	989,225	39,408	49,776	1,078,409

(1) Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

(2) Special mention: Exposures require varying degrees of special attention and default risk is of greater concern which are under the monitoring of GEAC.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk and treasury bills - credit quality

Corporate bonds/Sukuk, treasury bills and other eligible bills included in financial investments at FVOCI are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank mainly use external credit ratings provided by RAM, MARC, Standard & Poors' or Moody's.

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that are neither past due nor impaired and impaired, analysed by rating:

	31.12.2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Group				
Cash and short-term funds				
Sovereigns	**581**	**-**	**-**	**581**
AAA	**95,753**	**-**	**-**	**95,753**
AA- to AA+	**138,595**	**-**	**-**	**138,595**
Lower than A-	**65,817**	**-**	**-**	**65,817**
Unrated	**11,093**	**-**	**-**	**11,093**
	311,839	**-**	**-**	**311,839**
Financial investments at FVOCI				
Sovereigns	**2,945,739**	**-**	**-**	**2,945,739**
AAA	**299,853**	**-**	**-**	**299,853**
AA- to AA+	**145,147**	**-**	**-**	**145,147**
A- to A+	**10,062**	**-**	**-**	**10,062**
Unrated	**50,123**	**100,662**	**-**	**150,785**
	3,450,924	**100,662**	**-**	**3,551,586**
Expected credit losses ("ECL")	**803**	**18,376**	**-**	**19,179**
Financial investments at amortised cost				
Sovereigns	**295,772**	**-**	**-**	**295,772**
AAA	**223,313**	**-**	**-**	**223,313**
AA- to AA+	**264,640**	**-**	**-**	**264,640**
A- to A+	**40,846**	**-**	**-**	**40,846**
Unrated	**55,925**	**-**	**15,560**	**71,485**
	880,496	**-**	**15,560**	**896,056**
Expected credit losses ("ECL")	**849**	**-**	**15,560**	**16,409**

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk and treasury bills - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that are neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
The Group				
Cash and short-term funds				
Sovereigns	35	-	-	35
AAA	755,154	-	-	755,154
AA- to AA+	1,046,598	-	-	1,046,598
A- to A+	1,230	-	-	1,230
Lower than A-	69,839	-	-	69,839
Unrated	67,601	-	-	67,601
	1,940,457	-	-	1,940,457
Expected credit losses ("ECL")	4	-	-	4
Financial investments at FVOCI				
Sovereigns	3,112,837	-	-	3,112,837
AAA	274,424	-	-	274,424
AA- to AA+	86,708	-	-	86,708
A- to A+	10,160	-	-	10,160
Lower than A-	9,972	-	-	9,972
Unrated	30,078	128,588	-	158,666
	3,524,179	128,588	-	3,652,767
Expected credit losses ("ECL")	252	19,107	-	19,359
Financial investments at amortised cost				
Unrated	40,484	-	15,000	55,484
	40,484	-	15,000	55,484
Expected credit losses ("ECL")	32	-	15,000	15,032

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk and treasury bills - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that are neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Bank				
Cash and short-term funds				
Sovereigns	**581**	**-**	**-**	**581**
AAA	**95,732**	**-**	**-**	**95,732**
AA- to AA+	**136,267**	**-**	**-**	**136,267**
Lower than A-	**65,817**	**-**	**-**	**65,817**
Unrated	**11,093**	**-**	**-**	**11,093**
	309,490	**-**	**-**	**309,490**
Financial investments at FVOCI				
Sovereigns	**2,945,739**	**-**	**-**	**2,945,739**
AAA	**299,853**	**-**	**-**	**299,853**
AA- to AA+	**145,147**	**-**	**-**	**145,147**
A- to A+	**10,062**	**-**	**-**	**10,062**
Unrated	**50,123**	**100,662**	**-**	**150,785**
	3,450,924	**100,662**	**-**	**3,551,586**
Expected credit losses ("ECL")	**803**	**18,376**	**-**	**19,179**
Financial investments at amortised cost				
Sovereigns	**295,772**	**-**	**-**	**295,772**
AAA	**223,313**	**-**	**-**	**223,313**
AA- to AA+	**264,640**	**-**	**-**	**264,640**
A- to A+	**40,846**	**-**	**-**	**40,846**
Unrated	**55,925**	**-**	**15,560**	**71,485**
	880,496	**-**	**15,560**	**896,056**
Expected credit losses ("ECL")	**849**	**-**	**15,560**	**16,409**

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Deposits and short-term funds, corporate bonds/sukuk and treasury bills - credit quality (continued)

The table below presents the deposits and short-term funds, corporate bonds/sukuk, treasury bills and other eligible bills that are neither past due nor impaired and impaired, analysed by rating: (continued)

	31.12.2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
The Bank				
Cash and short-term funds				
Sovereigns	35	-	-	35
AAA	80,646	-	-	80,646
AA- to AA+	988,862	-	-	988,862
A- to A+	897	-	-	897
Lower than A-	69,839	-	-	69,839
Unrated	67,598	-	-	67,598
	1,207,877	-	-	1,207,877
Expected credit losses ("ECL")	4	-	-	4
Financial investments at FVOCI				
Sovereigns	3,112,837	-	-	3,112,837
AAA	274,424	-	-	274,424
AA- to AA+	86,708	-	-	86,708
A- to A+	10,160	-	-	10,160
Lower than A-	9,972	-	-	9,972
Unrated	30,078	128,588	-	158,666
	3,524,179	128,588	-	3,652,767
Expected credit losses ("ECL")	252	19,107	-	19,359
Financial investments at amortised cost				
Unrated	40,484	-	15,000	55,484
	40,484	-	15,000	55,484
Expected credit losses ("ECL")	32	-	15,000	15,032

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Other financial assets - credit quality

Credit quality of other financial assets of the Group and the Bank are as follows:

Simplified approach

	31.12.2022				
	Current RM'000	**Current to less than 90 days past due RM'000**	**More than 90 days past due RM'000**	**Total RM'000**	**Provision for credit loss RM'000**
The Group					
Gross carrying amount:					
Trade receivables	**-**	**404,269**	**241**	**404,510**	**(756)**
Other assets	**20,399**	**19,095**	**4,757**	**44,251**	**(4,749)**

	31.12.2021				
	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
The Group					
Gross carrying amount:					
Trade receivables	-	527,485	81	527,566	(1,533)
Other assets	40,637	22,763	4,107	67,507	(4,039)

	31.12.2022				
	Current RM'000	**Current to less than 90 days past due RM'000**	**More than 90 days past due RM'000**	**Total RM'000**	**Provision for credit loss RM'000**
The Bank					
Gross carrying amount:					
Trade receivables	**-**	**404,269**	**241**	**404,510**	**(756)**
Other assets	**20,252**	**19,095**	**4,753**	**44,100**	**(4,745)**

	31.12.2021				
	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
The Bank					
Gross carrying amount:					
Trade receivables	-	371,782	81	371,863	(1,300)
Other assets	35,316	22,763	4,100	62,179	(4,030)

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Other financial assets - credit quality (continued)

Credit quality of other financial assets of the Group and the Bank are as follows: (continued)

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
The Group				
Amount due from related companies				
Unrated	1,065	-	-	1,065
Amount due from holding company				
AA- to AA+	41	-	-	41
Amount due from ultimate holding company				
Unrated	31	-	-	31

	31.12.2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Bank				
Amount due from subsidiaries				
Unrated	**308**	**-**	**-**	**308**

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
The Bank				
Amount due from subsidiaries				
Unrated	310	-	-	310
Amount due from holding company				
AA- to AA+	41	-	-	41

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

A. Credit risk (continued)

Loan commitments and financial guarantees - credit quality

The following table contains an analysis of the credit risk exposure of loan commitments and financial guarantees for which an ECL allowance is recognised.

	31.12.2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The Group and the Bank				
Loan commitments and financial guarantees				
Satisfactory [1]	**1,315,846**	**-**	**-**	**1,315,846**
Special mention [2]	**46,146**	**-**	**-**	**46,146**
Default/impaired	**-**	**-**	**24,750**	**24,750**
	1,361,992	**-**	**24,750**	**1,386,742**
Expected credit losses ("ECL")	**69**	**-**	**17,925**	**17,994**

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
The Group and the Bank				
Loan commitments and financial guarantees				
Satisfactory [1]	1,138,707	-	-	1,138,707
Special mention [2]	39,857	20,000	-	59,857
Default/impaired	-	-	24,750	24,750
	1,178,564	20,000	24,750	1,223,314
Expected credit losses ("ECL")	1	2,000	17,925	19,926

(1) Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

(2) Special mention: Exposures require varying degrees of special attention and default risk is of greater concern which are under the monitoring of GEAC.

44 Financial risk management objectives and policies (continued)

B. Market risk

Market risk is the risk of losses to the Bank's positions in financial instruments that are adversely affected by movements in market risk factors such as interest rates, foreign exchange rates, equity prices or commodity prices. The Bank's primary market risk exposures are in the trading and investment portfolios. The Bank's risk management process involves the identification and measurement, mitigation and control, monitoring and testing as well as reporting and review of risk.

The Bank manages market risk through a comprehensive set of market risk controls. Key risk governance committees such as the ALCO and the BRMC establish and monitor controls with oversight by the Board of Directors. Market risk controls are established to ensure that the Bank's market risk profile remains within the boundaries of the Bank's risk appetite.

The Bank employs several key risk metric for monitoring market risk such as Value-at-Risk ("VaR"), sensitivities, loss limit thresholds and position size caps.

The Bank's market risk is primarily concentrated in Interest Rate Risk in the Banking Book ("IRRBB") arising from differences in the repricing mismatch between interest rate sensitive assets and liabilities. The Bank measures and monitors the IRRBB exposures through the short-term Net Interest Income ("NII") sensitivity and changes in the Economic Value of Equity ("EVE").

In addition to assessing market risk under normal market scenarios, the Bank also conducts periodical stress testing to anticipate potential losses under stressed scenarios.

Market Risk Measurement

Value-at-risk ("VaR")

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables such as foreign exchange rates and interest rates, over a given holding period, measured at a specific confidence level.

The Bank uses a variance-covariance method based on a 1-day holding period and a 99% confidence interval as its market risk VaR methodology. The VaR model is back-tested regularly to validate its robustness.

Other Risk Measures

i) Mark-to-Market

Mark-to-market valuation tracks the current market value of the outstanding financial instruments.

ii) Stress Testing

Stress tests are conducted to quantify potential market risk losses arising from low probability abnormal market movements. Stress tests measure the changes in values arising from movements in relevant market risk factors based on past experience and simulated stress scenarios.

iii) Sensitivity

Sensitivities are measures that quantify the change in value of a portfolio of financial instruments resulting from a unit change in the relevant market risk factors. Sensitivities are used as measures of vulnerability to market risk factor movements and are also used to facilitate the implementation of risk controls and hedging strategies.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

B. Market risk (continued)

Net interest income sensitivity

The information below shows the net interest income sensitivity for the financial assets and financial liabilities held at reporting date. The sensitivity has been measured using the Repricing Gap Simulation methodology based on 100 basis points parallel shifts in the interest rate.

	The Group and The Bank		The Group and The Bank	
	31.12.2022		31.12.2021	
	Increase/(Decrease)		Increase/(Decrease)	
	+100 basis point RM million	**-100 basis point RM million**	+100 basis point RM million	-100 basis point RM million
Impact on profit after taxation	**(31)**	**31**	(17)	17
Impact on equity	**(174)**	**174**	(148)	148

Foreign exchange risk sensitivity analysis

The following table sets out the analysis of the exposures to access the impact of a 1% change in the exchange rates to the profit after taxation.

	The Group		**The Bank**	
	Increase/(Decrease)		**Increase/(Decrease)**	
	31.12.2022 RM'000	31.12.2021 RM'000	**31.12.2022 RM'000**	31.12.2021 RM'000
+ 1%				
Australian Dollar	**(155)**	60	**(155)**	27
United States Dollar	**(681)**	178	**(681)**	(540)
Singapore Dollar	**(18)**	284	**(18)**	255
Others	**82**	295	**82**	272
	(772)	817	**(772)**	14

	The Group		**The Bank**	
	Increase/(Decrease)		**Increase/(Decrease)**	
	31.12.2022 RM'000	31.12.2021 RM'000	**31.12.2022 RM'000**	31.12.2021 RM'000
- 1%				
Australian Dollar	**155**	(60)	**155**	(27)
United States Dollar	**681**	(178)	**681**	540
Singapore Dollar	**18**	(284)	**18**	(255)
Others	**(82)**	(295)	**(82)**	(272)
	772	(817)	**772**	(14)

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

B. Market risk (continued)

Foreign exchange risk

The Group and the Bank are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Controls are imposed on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's and the Bank's financial instruments at carrying amounts, categorised by currency.

The Group 31.12.2022	Australian Dollar RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
Assets					
Cash and short-term funds	1,545	1,377	1,870	8,367	13,159
Financial assets at FVTPL	-	-	230	-	230
Loans and advances	-	51,898	1,641	-	53,539
Trade receivables	753	3,368	254	3,347	7,722
Other financial assets	(164)	335	244	395	810
	2,134	56,978	4,239	12,109	75,460
Liabilities					
Deposits from customers	-	39,521	5,695	-	45,216
Deposits and placements of banks and other financial institutions	22,442	441	-	-	22,883
Trade payables	86	45,274	835	1,276	47,471
Other financial liabilities	-	61,400	62	-	61,462
	22,528	146,636	6,592	1,276	177,032
Net on-balance sheet financial position	(20,394)	(89,658)	(2,353)	10,833	(101,572)
Off balance sheet commitments	-	1,049,481	-	426	1,049,907

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

B. Market risk (continued)

Foreign exchange risk (continued)

The table summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's and the Bank's financial instruments at carrying amounts, categorised by currency. (continued)

The Group 31.12.2021	Australian Dollar RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
Assets					
Cash and short-term funds	8,995	63,989	17,575	31,261	121,820
Financial assets at FVTPL	-	72,767	378	605	73,750
Financial investments at FVOCI	-	-	26,958	-	26,958
Loans and advances	-	57,776	772	-	58,548
Trade receivables	6,856	48,206	8,197	13,627	76,886
Other financial assets	1	162	260	447	870
	15,852	242,900	54,140	45,940	358,832
Liabilities					
Deposits from customers	-	47,998	5,336	-	53,334
Trade payables	7,301	74,989	10,826	6,988	100,104
Other financial liabilities	718	96,545	573	75	97,911
	8,019	219,532	16,735	7,063	251,349
Net on-balance sheet financial position	7,833	23,368	37,405	38,877	107,483
Off balance sheet commitments	-	1,942,603	6,914	5,204	1,954,721

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

B. Market risk (continued)

Foreign exchange risk (continued)

The table summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's and the Bank's financial instruments at carrying amounts, categorised by currency. (continued)

The Bank 31.12.2022	Australian Dollar RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
Assets					
Cash and short-term funds	1,545	1,377	1,870	8,367	13,159
Financial assets at FVTPL	-	-	230	-	230
Loans and advances	-	51,898	1,641	-	53,539
Trade receivables	753	3,368	254	3,347	7,722
Other financial assets	(164)	335	244	395	810
	2,134	56,978	4,239	12,109	75,460
Liabilities					
Deposits from customers	-	39,521	5,695	-	45,216
Deposits and placements of banks and other financial institutions	22,442	441	-	-	22,883
Trade payables	86	45,274	835	1,276	47,471
Other financial liabilities	-	61,400	62	-	61,462
	22,528	146,636	6,592	1,276	177,032
Net on-balance sheet financial position	(20,394)	(89,658)	(2,353)	10,833	(101,572)
Off balance sheet commitments	-	1,049,481	-	426	1,049,907

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

B. Market risk (continued)

Foreign exchange risk (continued)

The table summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Group's and the Bank's financial instruments at carrying amounts, categorised by currency. (continued)

The Bank 31.12.2021	Australian Dollar RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
Assets					
Cash and short-term funds	2,432	52,678	11,500	28,335	94,945
Financial assets at FVTPL	-	-	378	605	983
Financial investments at FVOCI	-	-	26,958	-	26,958
Loans and advances	-	57,776	772	-	58,548
Trade receivables	1,189	2,641	3,276	13,263	20,369
Other financial assets	1	153	244	447	845
	3,622	113,248	43,128	42,650	202,648
Liabilities					
Deposits from customers	-	47,998	5,336	-	53,334
Trade payables	36	40,792	4,195	6,882	51,905
Other financial liabilities	-	95,501	59	-	95,560
	36	184,291	9,590	6,882	200,799
Net on-balance sheet financial position	3,586	(71,043)	33,538	35,768	1,849
Off balance sheet commitments	-	1,902,204	6,914	5,204	1,914,322

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk

Sensitivity to interest rates arises from repricing mismatch between interest rate sensitive assets and liabilities. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with the applicable policies.

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date.

	<---- Non-trading book ---->							
The Group	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Non-interest sensitive**	**Trading book**	**Total**
31.12.2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Cash and short-term funds	**311,839**	**-**	**-**	**-**	**-**	**34**	**-**	**311,873**
Securities:								
- Financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**	**36,070**	**36,070**
- Financial investments at FVOCI	**-**	**20,003**	**174,624**	**2,306,487**	**1,019,037**	**55,350**	**-**	**3,575,501**
- Financial investments at amortised cost	**40,600**	**14,952**	**45,000**	**354,672**	**415,341**	**9,082**	**-**	**879,647**
Loans and advances:								
- Performing	**1,378,355**	**53,074**	**122,137**	**1,335**	**1,518**	**(28,350)** ^	**-**	**1,528,069**
- Impaired loans	**-**	**-**	**-**	**-**	**-**	**41,936**	**-**	**41,936**
Derivative financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**107,680**	**107,680**
Trade receivables	**-**	**-**	**-**	**-**	**-**	**403,754**	**-**	**403,754**
Other assets (1)	**22,510**	**-**	**-**	**-**	**-**	**16,992**	**-**	**39,502**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**-**	**-**	**101,600**	**-**	**101,600**
Total assets	**1,753,304**	**88,029**	**341,761**	**2,662,494**	**1,435,896**	**600,398**	**143,750**	**7,025,632**

^ The negative balance represents the expected credit losses for performing loans and advances.

(1) Includes other assets (exclude prepayment).

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<------ Non-trading book ------>							
The Group 31.12.2022	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	2,415,482	1,185,608	893,224	12,000	-	18,813	-	4,525,127
Deposits and placement of banks and other financial institution	709,349	-	-	-	-	171	-	709,520
Trade payables	-	-	-	-	-	338,867	-	338,867
Derivative financial liabilities	-	-	-	-	-	-	102,874	102,874
Lease liabilities	449	900	3,896	9,214	-	-	-	14,459
Other liabilities (2)	99,780	-	-	-	-	201,207	-	300,987
Total liabilities	3,225,060	1,186,508	897,120	21,214	-	559,058	102,874	5,991,834
Net interest sensitivity gap	(1,471,756)	(1,098,479)	(555,359)	2,641,280	1,435,896			

(2) Includes amount due to holding company and other liabilities, excluding accrued employee benefits.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

The Group 31.12.2021	Non-trading book: Up to 1 month RM'000	Non-trading book: 1 – 3 months RM'000	Non-trading book: 3 – 12 months RM'000	Non-trading book: 1 – 5 years RM'000	Non-trading book: Over 5 years RM'000	Non-trading book: Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	1,940,004	-	-	-	-	483	-	1,940,487
Securities:								
- Financial assets at FVTPL	-	-	-	-	-	65,626	164,298	229,924
- Financial investments at FVOCI	5,008	9,972	113,305	2,201,427	1,291,533	58,219	-	3,679,464
- Financial investments at amortised cost	-	-	25,000	15,000	-	452	-	40,452
Loans and advances:								
- Performing	970,762	77,327	137	1,855	1,901	(23,349) ^	-	1,028,633
- Impaired loans	-	-	-	-	-	49,776	-	49,776
Derivative financial assets	-	-	-	-	-	-	77,269	77,269
Trade receivables	-	-	-	-	-	526,033	-	526,033
Other assets (1)	30,048	-	-	-	-	34,557	-	64,605
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	10,300	-	10,300
Total assets	2,945,822	87,299	138,442	2,218,282	1,293,434	722,097	241,567	7,646,943

^ The negative balance represents the expected credit losses for performing loans and advances.

(1) Includes other assets (exclude prepayment), amount due from related companies, holding company and ultimate holding company.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

The following table represents the Group’s and the Bank’s assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<--- Non-trading book					--->		
The Group 31.12.2021	Up to 1 month RM’000	1 – 3 months RM’000	3 – 12 months RM’000	1 – 5 years RM’000	Over 5 years RM’000	Non-interest sensitive RM’000	Trading book RM’000	Total RM’000
Liabilities								
Deposits from customers	1,651,014	1,050,270	857,489	750,000	-	17,286	-	4,326,059
Deposits and placement of banks and other financial institution	200,000	300,000	100,000	-	-	1,992	-	601,992
Trade payables	-	-	-	-	-	982,032	-	982,032
Derivative financial liabilities	-	-	-	-	-	-	71,897	71,897
Lease liabilities	795	1,181	3,511	1,087	-	-	-	6,574
Other liabilities (2)	107,533	-	-	-	-	502,121	-	609,654
Total liabilities	1,959,342	1,351,451	961,000	751,087	-	1,503,431	71,897	6,598,208
Net interest sensitivity gap	986,480	(1,264,152)	(822,558)	1,467,195	1,293,434			

(2) Includes amount due to related companies and holding company, and other liabilities, excluding accrued employee benefits.

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

The Bank 31.12.2022	<--- Non-trading book --- Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000 --->	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	309,490	-	-	-	-	33	-	309,523
Securities:								
- Financial assets at FVTPL	-	-	-	-	-	-	34,863	34,863
- Financial investments at FVOCI	-	20,003	174,624	2,306,487	1,019,037	55,350	-	3,575,501
- Financial investments at amortised cost	40,600	14,952	45,000	354,672	415,341	9,082	-	879,647
Loans and advances:								
- Performing	1,378,355	53,074	122,137	1,335	1,518	(28,350) ^	-	1,528,069
- Impaired loans	-	-	-	-	-	41,936	-	41,936
Derivative financial assets	-	-	-	-	-	-	107,680	107,680
Trade receivables	-	-	-	-	-	403,754	-	403,754
Other assets (1)	22,510	-	-	-	-	17,153	-	39,663
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	101,500	-	101,500
Total assets	1,750,955	88,029	341,761	2,662,494	1,435,896	600,458	142,543	7,022,136

^ The negative balance represents the expected credit losses for performing loans and advances.

(1) Includes other assets (exclude prepayment) and amount due from subsidiaries.

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<------	------	------ Non-trading book	------	------	------>		
The Bank **31.12.2022**	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	**2,415,482**	**1,185,608**	**893,224**	**12,000**	**-**	**18,813**	**-**	**4,525,127**
Deposits and placement of banks and other financial institution	**709,349**	**-**	**-**	**-**	**-**	**171**	**-**	**709,520**
Trade payables	**-**	**-**	**-**	**-**	**-**	**338,867**	**-**	**338,867**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**102,874**	**102,874**
Lease liabilities	**449**	**900**	**3,896**	**9,214**	**-**	**-**	**-**	**14,459**
Other liabilities (2)	**99,779**	**-**	**-**	**-**	**-**	**199,851**	**-**	**299,630**
Total liabilities	**3,225,059**	**1,186,508**	**897,120**	**21,214**	**-**	**557,702**	**102,874**	**5,990,477**
Net interest sensitivity gap	**(1,474,104)**	**(1,098,479)**	**(555,359)**	**2,641,280**	**1,435,896**			

(2) Includes amount due to holding company and other liabilities, excluding accrued employee benefits.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	<----- Non-trading book					----->		
The Bank 31.12.2021	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	1,207,423	-	-	-	-	481	-	1,207,904
Securities:								
- Financial assets at FVTPL	-	-	-	-	-	65,626	30,280	95,906
- Financial investments at FVOCI	5,008	9,972	113,305	2,201,427	1,291,533	58,219	-	3,679,464
- Financial investments at amortised cost	-	-	25,000	15,000	-	452	-	40,452
Loans and advances:								
- Performing	970,762	77,327	137	1,855	1,901	(23,349) ^	-	1,028,633
- Impaired loans	-	-	-	-	-	49,776	-	49,776
Derivative financial assets	-	-	-	-	-	-	76,961	76,961
Trade receivables	-	-	-	-	-	370,563	-	370,563
Other assets (1)	30,048	-	-	-	-	28,452	-	58,500
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	10,200	-	10,200
Total assets	2,213,241	87,299	138,442	2,218,282	1,293,434	560,420	107,241	6,618,359

^ The negative balance represents the expected credit losses for performing loans and advances.

(1) Includes other assets (exclude prepayment) and amount due from subsidiaries.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

C. Interest rate risk (continued)

The following table represents the Group's and the Bank's assets and liabilities of carrying amount, categorised by the earlier of contractual repricing or maturity date as at reporting date. (continued)

	Non-trading book							
The Bank 31.12.2021	Up to 1 month RM'000	1 – 3 months RM'000	3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	1,651,014	1,050,270	857,489	750,000	-	17,286	-	4,326,059
Deposits and placement of banks and other financial institution	200,000	300,000	100,000	-	-	1,992	-	601,992
Trade payables	-	-	-	-	-	360,641	-	360,641
Derivative financial liabilities	-	-	-	-	-	-	71,897	71,897
Lease liabilities	466	539	2,006	128	-	-	-	3,139
Other liabilities (2)	107,532	-	-	-	-	242,450	-	349,982
Total liabilities	1,959,012	1,350,809	959,495	750,128	-	622,369	71,897	5,713,710
Net interest sensitivity gap	254,229	(1,263,510)	(821,053)	1,468,154	1,293,434			

(2) Includes other liabilities, excluding accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk

Basel III Liquidity Standards

The Basel Committee developed the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") with the goal of strengthening the resilience of the banking systems. The LCR and NSFR are measured and monitored to assess the short term and long term liquidity risk profile of the Bank.

ALCO is responsible for the strategic management of the Bank's liquidity and reporting of the Bank's liquidity position to the BRMC on a periodical basis.

Liquidity risk disclosure table which is based on contractual undiscounted cash flow

The information below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the information incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

The Group 31.12.2022	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities						
Deposits from customers	**2,425,655**	**1,198,298**	**911,622**	**12,620**	**-**	**4,548,195**
Deposits and placements of banks and other financial institutions	**709,782**	**-**	**-**	**-**	**-**	**709,782**
Trade payables	**338,867**	**-**	**-**	**-**	**-**	**338,867**
Amount due to holding company	**5,835**	**-**	**-**	**-**	**-**	**5,835**
Lease liabilities	**489**	**980**	**4,187**	**9,569**	**-**	**15,225**
Other liabilities (1)	**187,545**	**13,064**	**67,036**	**27,507**	**-**	**295,152**
	3,668,173	**1,212,342**	**982,845**	**49,696**	**-**	**5,913,056**

The Group 31.12.2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	1,656,544	1,057,211	870,055	782,724	-	4,366,534
Deposits and placements of banks and other financial institutions	604,201	-	-	-	-	604,201
Trade payables	982,032	-	-	-	-	982,032
Amount due to related companies	287	-	-	-	-	287
Amount due to holding company	200	-	-	-	-	200
Lease liabilities	805	1,199	3,548	1,089	-	6,641
Other liabilities (1)	203,885	24,100	346,139	35,044	-	609,168
	3,447,954	1,082,510	1,219,742	818,857	-	6,569,063

(1) Other liabilities exclude accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flow (continued)

The information below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the information incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. (continued)

The Bank 31.12.2022	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities						
Deposits from customers	**2,425,655**	**1,198,298**	**911,622**	**12,620**	**-**	**4,548,195**
Deposits and placements of banks and other financial institutions	**709,782**	**-**	**-**	**-**	**-**	**709,782**
Trade payables	**338,867**	**-**	**-**	**-**	**-**	**338,867**
Amount due to holding company	**5,835**	**-**	**-**	**-**	**-**	**5,835**
Lease liabilities	**489**	**980**	**4,187**	**9,569**	**-**	**15,225**
Other liabilities (1)	**187,526**	**11,726**	**67,036**	**27,507**	**-**	**293,795**
	3,668,154	**1,211,004**	**982,845**	**49,696**	**-**	**5,911,699**

The Bank 31.12.2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	1,656,544	1,057,211	870,055	782,724	-	4,366,534
Deposits and placements of banks and other financial institutions	604,201	-	-	-	-	604,201
Trade payables	360,641	-	-	-	-	360,641
Lease liabilities	476	557	2,043	130	-	3,206
Other liabilities (1)	195,835	16,445	102,658	35,044	-	349,982
	2,817,697	1,074,213	974,756	817,898	-	5,684,564

(1) Other liabilities exclude accrued employee benefits.

Notes to the financial statements
for the financial year ended to 31 December 2021 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Derivative financial liabilities

Derivative financial liabilities based on contractual undiscounted cash flow:

Derivatives settled on a net basis

	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
The Group and the Bank						
31.12.2022						
Interest rate derivatives	**(117)**	**(907)**	**(2,855)**	**(7,755)**	**-**	**(11,634)**
The Group and the Bank						
31.12.2021						
Interest rate derivatives	(1,613)	(2,740)	(7,982)	(5,538)	-	(17,873)

Derivatives settled on a gross basis

	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
The Group and the Bank						
31.12.2022						
Foreign exchange derivatives:						
Outflow	**(732,479)**	**(1,812,442)**	**(275,919)**	**(424,663)**	**-**	**(3,245,503)**
Inflow	**710,884**	**1,756,504**	**270,715**	**401,916**	**-**	**3,140,019**
	(21,595)	**(55,938)**	**(5,204)**	**(22,747)**	**-**	**(105,484)**
The Group and the Bank						
31.12.2021						
Foreign exchange derivatives:						
Outflow	(1,833,363)	(1,668,722)	(1,894,706)	(403,496)	-	(5,800,287)
Inflow	1,818,850	1,655,310	1,871,920	382,381	-	5,728,461
	(14,513)	(13,412)	(22,786)	(21,115)	-	(71,826)

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities:

The Group 31.12.2022	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	311,873	-	-	-	-	-	311,873
Financial assets at FVTPL	-	2	-	-	-	36,068	36,070
Financial investments at FVOCI	-	20,243	175,956	2,328,630	1,026,757	23,915	3,575,501
Financial investments at amortised cost	-	-	45,213	374,308	460,126	-	879,647
Loans and advances	1,229,162	2,415	187,377	59,392	49,722	41,937	1,570,005
Trade receivables	403,754	-	-	-	-	-	403,754
Derivative financial assets	12,883	63,249	6,634	24,914	-	-	107,680
Other assets	28,368	1,709	3,678	2,665	200	2,882	39,502
Statutory deposits with Bank Negara Malaysia	101,600	-	-	-	-	-	101,600
Other non-financial assets (1)	-	-	1,942	4,058	-	428,647	434,647
Total Assets	2,087,640	87,618	420,800	2,793,967	1,536,805	533,449	7,460,279
Liabilities							
Deposits from customers	2,414,457	1,115,766	982,782	12,122	-	-	4,525,127
Deposits and placements of banks and other financial institutions	709,520	-	-	-	-	-	709,520
Trade payables	338,867	-	-	-	-	-	338,867
Derivative financial liabilities	14,003	61,592	5,352	21,927	-	-	102,874
Other liabilities	187,545	13,064	67,036	27,507	-	-	295,152
Lease liabilities	449	901	3,895	9,214	-	-	14,459
Other financial liabilities (2)	5,835	-	-	-	-	-	5,835
Other non-financial liabilities (3)	-	3,105	28,113	-	-	1	31,219
Total Liabilities	3,670,676	1,194,428	1,087,178	70,770	-	1	6,023,053
Net liquidity gap	(1,583,036)	(1,106,810)	(666,378)	2,723,197	1,536,805	533,448	1,437,226

(1) Other non-financial assets include prepayment, tax recoverable, deferred tax assets, property and equipment, intangible assets and right-of-use assets.

(2) Other financial liabilities include amount due to holding company.

(3) Other non-financial liabilities include provision for taxation and accrued employee benefits.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities: (continued)

The Group 31.12.2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,940,487	-	-	-	-	-	1,940,487
Financial assets at FVTPL	-	-	-	1,235	-	228,689	229,924
Financial investments at FVOCI	5,103	9,972	114,367	2,222,784	1,300,541	26,697	3,679,464
Financial investments at amortised cost	-	-	25,289	15,163	-	-	40,452
Loans and advances	782,611	2,585	109,503	81,084	52,850	49,776	1,078,409
Trade receivables	526,033	-	-	-	-	-	526,033
Derivative financial assets	10,723	15,702	18,186	32,658	-	-	77,269
Other assets	37,247	1,141	12,815	7,939	-	4,326	63,468
Statutory deposits with Bank Negara Malaysia	10,300	-	-	-	-	-	10,300
Other financial assets [(1)]	1,137	-	-	-	-	-	1,137
Other non-financial assets [(2)]	-	-	3,490	2,710	-	463,661	469,861
Total Assets	3,313,641	29,400	283,650	2,363,573	1,353,391	773,149	8,116,804
Liabilities							
Deposits from customers	1,655,584	1,037,569	878,311	754,595	-	-	4,326,059
Deposits and placements of banks and other financial institutions	200,893	300,703	100,396	-	-	-	601,992
Trade payables	982,032	-	-	-	-	-	982,032
Derivative financial liabilities	13,777	14,828	17,594	25,698	-	-	71,897
Other liabilities	203,884	24,100	346,139	35,044	-	-	609,167
Lease liabilities	795	1,181	3,511	1,087	-	-	6,574
Other financial liabilities [(3)]	487	-	-	-	-	-	487
Other non-financial liabilities [(4)]	-	73,767	40,668	-	-	-	114,435
	3,057,452	1,452,148	1,386,619	816,424	-	-	6,712,643
Net liquidity gap	256,189	(1,422,748)	(1,102,969)	1,547,149	1,353,391	773,149	1,404,161

(1) Other financial assets include amount due from related companies, holding company and ultimate holding company.

(2) Other non-financial assets include prepayment, tax recoverable, deferred tax assets, property and equipment, intangible assets and right-of-use assets.

(3) Other financial liabilities include amount due to related companies and holding company.

(4) Other non-financial liabilities include provision for taxation and accrued employee benefits.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities: (continued)

The Bank 31.12.2022	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	309,523	-	-	-	-	-	309,523
Financial assets at FVTPL	-	2	-	-	-	34,861	34,863
Financial investments at FVOCI	-	20,243	175,956	2,328,630	1,026,757	23,915	3,575,501
Financial investment at amortised cost	-	-	45,213	374,308	460,126	-	879,647
Loans and advances	1,229,162	2,415	187,377	59,392	49,722	41,937	1,570,005
Trade receivables	403,754	-	-	-	-	-	403,754
Other assets	28,369	1,708	3,527	2,669	200	2,882	39,355
Derivative financial assets	12,883	63,249	6,634	24,914	-	-	107,680
Statutory deposits with Bank Negara Malaysia	101,500	-	-	-	-	-	101,500
Other financial assets (1)	308	-	-	-	-	-	308
Other non-financial assets (2)	-	-	1,933	4,058	-	430,718	436,709
Total Assets	2,085,499	87,617	420,640	2,793,971	1,536,805	534,313	7,458,845
Liabilities							
Deposits from customers	2,414,457	1,115,766	982,782	12,122	-	-	4,525,127
Deposits and placements of banks and other financial institutions	709,520	-	-	-	-	-	709,520
Trade payables	338,867	-	-	-	-	-	338,867
Derivative financial liabilities	14,003	61,592	5,352	21,927	-	-	102,874
Other liabilities	187,526	11,726	67,036	27,507	-	-	293,795
Lease liabilities	449	901	3,895	9,214	-	-	14,459
Other financial liabilities (3)	5,835	-	-	-	-	-	5,835
Other non-financial liabilities (4)	-	3,033	28,113	-	-	-	31,146
Total Liabilities	3,670,657	1,193,018	1,087,178	70,770	-	-	6,021,623
Net liquidity gap	(1,585,158)	(1,105,401)	(666,538)	2,723,201	1,536,805	534,313	1,437,222

(1) Other financial assets include amount due from subsidiaries.
(2) Other non-financial assets include prepayment, investment in subsidiaries and asscociates, tax recoverable, deferred tax assets, property and equipment, intangible assets and right-of-use assets.
(3) Other financial liabilities include amount due to holding company.
(4) Other non-financial liabilities include accrued employee benefits.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

D. Liquidity risk (continued)

Liquidity risk for assets and liabilities based on remaining contractual maturities (continued)

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group and the Bank. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities: (continued)

The Bank 31.12.2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,207,904	-	-	-	-	-	1,207,904
Financial assets at FVTPL	-	-	-	-	-	95,906	95,906
Financial investments at FVOCI	5,103	9,972	114,367	2,222,784	1,300,541	26,697	3,679,464
Financial investment at amortised cost	-	-	25,289	15,163	-	-	40,452
Loans and advances	782,611	2,585	109,503	81,084	52,850	49,776	1,078,409
Trade receivables	370,563	-	-	-	-	-	370,563
Other assets	37,247	1,141	12,717	4,147	-	2,897	58,149
Derivative financial assets	10,415	15,702	18,186	32,658	-	-	76,961
Statutory deposits with Bank Negara Malaysia	10,200	-	-	-	-	-	10,200
Other financial assets [(1)]	351	-	-	-	-	-	351
Other non-financial assets [(2)]	-	-	-	2,710	-	545,359	548,069
Total Assets	2,424,394	29,400	280,062	2,358,546	1,353,391	720,635	7,166,428
Liabilities							
Deposits from customers	1,655,584	1,037,569	878,311	754,595	-	-	4,326,059
Deposits and placements of banks and other financial institutions	200,893	300,703	100,396	-	-	-	601,992
Trade payables	360,641	-	-	-	-	-	360,641
Derivative financial liabilities	13,777	14,828	17,594	25,698	-	-	71,897
Other liabilities	195,835	16,445	102,658	35,044	-	-	349,982
Lease liabilities	466	539	2,006	128	-	-	3,139
Other non-financial liabilities [(3)]	-	3,081	40,668	-	-	-	43,749
Total Liabilities	2,427,196	1,373,165	1,141,633	815,465	-	-	5,757,459
Net liquidity gap	(2,802)	(1,343,765)	(861,571)	1,543,081	1,353,391	720,635	1,408,969

(1) Other financial assets include amount due from subsidiaries and holding company.

(2) Other non-financial assets include prepayment, investment in subsidiaries and asscociates, tax recoverable, deferred tax assets, property and equipment, intangible assets and right-of-use assets.

(3) Other non-financial liabilities include accrued employee benefits.

44 Financial risk management objectives and policies (continued)

E. Operational risk management

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, system or external events which include natural disasters, fraudulent activities and cyber threats. Management of operational risk also encompasses outsourcing and business continuity risks.

The Bank manages operational risk through a control based environment in which policies and procedures are formulated after taking into account individual unit's business activities, the market in which they are operating and the regulatory requirements in force.

The Bank adopts the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the Bank’s average annual gross income over the previous three years.

Risk is identified through the use of assessment tools and measured using threshold/limits mapped against a risk matrix. Monitoring and control procedures include the use of key control standards, independent tracking of risk, back-up procedures and contingency plans, including disaster recovery and business continuity plans.

The Bank gathers, analyses and reports operational risk loss and ‘near miss’ events to the CROC and BRMC. Appropriate preventive and remedial actions are reviewed for effectiveness and implemented to minimise the recurrence of such events.

Relevant training relating to Operational Risk areas (including Business Continuity Planning) are coordinated by RMD. This include training and online assessments provided to all Operational Risk Coordinators within the Bank as part of the risk awareness program.

F. Compliance and legal risk

Compliance risk refers to risk arising from breaches of applicable laws and regulatory requirements governing the business of the Bank and also breaches of internal policies and procedures approved by the management and the Board of Directors. Legal risks are risks arising from non-compliance with legal obligations and risks of rights not wholly enforceable, and includes the inherent risks from deficient drafting of contractual documents and/or inadequate management of litigation cases.

As an investment bank, the Bank is subject to various legal and regulatory requirements and statutory obligations and these legal and regulatory requirements can be found in the Financial Services Act, 2013, Capital Markets & Services Act 2007, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, Rules of Bursa Malaysia Securities Berhad, Rules of Bursa Malaysia Securities Clearing Berhad, Rules of Bursa Malaysia Derivatives Berhad, Rules of Bursa Malaysia Derivatives Clearing Berhad, as well as other rules, circulars and guidelines issued by the regulators from time to time.

Compliance Department (“CD”) reports directly to the Group Board Compliance Committee (“GBCC”). Periodic reports on the state of compliance and material litigation cases affecting the Bank are also submitted by CD and Legal Department (“LD”) respectively to CROC, GBCC and BRMC (for Legal Department) to keep CROC and BRMC (for Legal Department) updated of the same.

The CD renders compliance advice, monitor compliance risks emanating from statutory requirements, rules, circulars and guidelines issued by regulators, while LD advises the Bank on all legal matters including, but not limited to, reviewing and/or drafting legal documents for the Bank and monitoring and advising on litigation cases.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

G. Business continuity risk

Business continuity risk is the risk of deterioration in assets, revenue, reputation and stakeholder/customer confidence due to the discontinuation of services in both business and technology operations.

The Bank adopts the Affin Banking Group's Business Continuity Management Policy ("GBCMP") which covers the following:
i. Business Continuity Management ("BCM") Programme;
ii. BCM Governance;
iii. Crisis Management; and
iv. Third-Party Service Continuity

The Board approves the GBCMP and overall strategies by ensuring that the GBCMP is consistent with the Bank's risk tolerance level given the nature, complexity and materiality of the Bank's business operations.

The GBCMP sets out the governance structure and defines the roles and responsibilities for effective implementation of BCM for the Bank. This includes roles and responsibilies of BRMC, Senior Management Committee, Business Continuity Management Steering Committee, Crisis Management Team, BCM Working Group and Business Continuity Plan ("BCP") Coordinators.

The GBCMP provides the criteria for identifying critical business functions and application systems in order to prioritise recoveries as well as requirements in developing and maintaining the BCP of the respective business and support functions.

H. Technology risk

Technology risk is the risk of potential technology failures and cyber threats that may disrupt business such as failures of information technology systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external networks or the internet, which would result in financial loss, disruption in financial services or operations, or reputational damage to the Bank.

The Affin Banking Group's Technology Risk Management Framework ("TRMF") governs the management of technology risk across the Bank. Overview of the Technology Risk Management function resides with RMD. RMD supports CROC which in turn supports BRMC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. BRMC is responsible to provide oversight of overall technology related matters of the Bank.

The Bank uses risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT systems. The output of this process helps to identify appropriate controls for reducing risk during the risk mitigation process.

Technology risk controls encompass the use of technical and non-technical methods. Technical controls are safeguards that are incorporated into computer hardware, software or firmware (e.g. access control mechanisms, identification and authentification mechanisms, encryption methods, intrusion detection software). Non-technical controls are management and operational controls, such as security policies, operational procedures and personnel, physical and environmental security.

Technology Risk Management reports are produced periodically for the respective stakeholders and committees.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

44 Financial risk management objectives and policies (continued)

I. Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates ("IBOR") with alternative nearly risk-free rates (referred to as "IBOR reform"). The new alternative reference rates are being introduced to improve the integrity of financial benchmark rates as part of a transition to transaction-based rates, in line with the London Interbank Offered Rate ("LIBOR") reforms. In both financial years ended 31 December 2022 and 31 December 2021, the Bank has exposure to Kuala Lumpur Interbank Offered Rate ("KLIBOR") on its financial instruments. BNM will discontinue the publication of the two- and twelve-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts, on 1 January 2023. The remaining one-, three- and six-month KLIBOR tenors, continue to reflect an active underlying market, until a further announcement from BNM on their review in the second half of 2022.

The Bank has set up an internal working group since 2021 and the key objectives of the internal working group include the followings:

- identifying contracts in scope of benchmark reform;
- considering changes to internal systems, processes, risk management and valuation models;
- allocation of roles and responsibilities and identification of relevant responsible parties to execute and implement the transition; and
- managing any related tax and accounting implications.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. The operational risks will arise during the renegotiation of financial contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

As at 31 December 2022, changes required to systems, processes and models have been identified and have been partially implemented. The Bank has identified all KLIBOR-linked contracts as at 31 December 2022 and all contracts were referenced to three-month KLIBOR. The Bank will closely monitor the regulators' announcements on Malaysia Overnight Rate ("MYOR") or discontinuation of publication of the KLIBOR for the relevant tenors and continues to engage with industry participants, to ensure an orderly transition to MYOR and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with KLIBOR replacement.

The following table contains details of the financial instruments that the Group and the Bank hold which referenced to KLIBOR:

	Notional amount		Of which: Have yet to transition to an alternative benchmark rate	
	Derivatives	**Derivatives**	**Derivatives**	**Derivatives**
The Group and the Bank	**Assets**	**Liabilities**	**Assets**	**Liabilities**
31.12.2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Commitments and contingencies				
Interest rate related contracts				
- less than one year	**550,000**	**390,000**	**550,000**	**390,000**
- one year to less than five years	**1,155,000**	**1,005,000**	**1,155,000**	**1,005,000**
	1,705,000	**1,395,000**	**1,705,000**	**1,395,000**
The Group and the Bank	Assets	Liabilities	Assets	Liabilities
31.12.2021	RM'000	RM'000	RM'000	RM'000
Commitments and contingencies				
Interest rate related contracts				
- less than one year	350,000	430,000	350,000	430,000
- one year to less than five years	1,260,000	890,000	1,260,000	890,000
	1,610,000	1,320,000	1,610,000	1,320,000

45 Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of MFRS 132 "Financial Instruments - Disclosure and Presentation" which requires the fair value information to be disclosed. These include property and equipment, investment in subsidiaries, deferred taxation assets and provision for taxation.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's and the Bank's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the leval of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (2021: Nil).

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

45 Fair value of financial instruments (continued)

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

The Group 31.12.2022	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL				
- Corporate bonds or sukuk	**-**	**2**	**-**	**2**
- Shares, warrants and unit trusts	**36,068**	**-**	**-**	**36,068**
Financial investments at FVOCI				
- Money market instruments	**-**	**2,022,143**	**-**	**2,022,143**
- Corporate bonds or sukuk	**-**	**1,529,443**	**-**	**1,529,443**
- Shares	**-**	**-**	**23,915**	**23,915**
Derivative financial assets	**-**	**107,680**	**-**	**107,680**
Total	**36,068**	**3,659,268**	**23,915**	**3,719,251**
Liabilities				
Derivative financial liabilities	**-**	**102,874**	**-**	**102,874**
Other liabilities - equities trading	**149**	**-**	**-**	**149**
Total	**149**	**102,874**	**-**	**103,023**

The Group 31.12.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL				
- Corporate bonds or sukuk	-	1,008	-	1,008
- Shares, warrants and unit trusts	228,916	-	-	228,916
Financial investments at FVOCI				
- Money market instruments	-	2,007,150	-	2,007,150
- Corporate bonds or sukuk	-	1,645,617	-	1,645,617
- Shares	-	-	26,697	26,697
Derivative financial assets	-	77,269	-	77,269
Total	228,916	3,731,044	26,697	3,986,657
Liabilities				
Derivative financial liabilities	-	71,897	-	71,897
Puttable liability - investment in funds	33,441	-	-	33,441
Other liabilities - equities trading	2,854	-	-	2,854
Total	36,295	71,897	-	108,192

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

45 Fair value of financial instruments (continued)

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy: (continued)

The Bank 31.12.2022	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets				
Financial assets at FVTPL				
- Corporate bonds or sukuk	**-**	**2**	**-**	**2**
- Shares, warrants and unit trusts	**34,861**	**-**	**-**	**34,861**
Financial investments at FVOCI				
- Money market instruments	**-**	**2,022,143**	**-**	**2,022,143**
- Corporate bonds or sukuk	**-**	**1,529,443**	**-**	**1,529,443**
- Shares	**-**	**-**	**23,915**	**23,915**
Derivative financial assets	**-**	**107,680**	**-**	**107,680**
Total	**34,861**	**3,659,268**	**23,915**	**3,718,044**
Liabilities				
Derivative financial liabilities	**-**	**102,874**	**-**	**102,874**
Other liabilities - equities trading	**149**	**-**	**-**	**149**
Total	**149**	**102,874**	**-**	**103,023**

The Bank 31.12.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL				
- Shares, warrants and unit trusts	95,906	-	-	95,906
Financial investments at FVOCI				
- Money market instruments	-	2,007,150	-	2,007,150
- Corporate bonds or sukuk	-	1,645,617	-	1,645,617
- Shares	-	-	26,697	26,697
Derivative financial assets	-	76,961	-	76,961
Total	95,906	3,729,728	26,697	3,852,331
Liabilities				
Derivative financial liabilities	-	71,897	-	71,897
Other liabilities - equities trading	2,854	-	-	2,854
Total	2,854	71,897	-	74,751

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

45 Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the financial year:

	The Group and the Bank	
	31.12.2022	31.12.2021
	RM'000	RM'000
At beginning of the financial year	**26,697**	25,319
Total (losses)/gains recognised in other comprehensive income	**(2,782)**	1,378
At end of the financial year	**23,915**	26,697

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

The Group and the Bank	**Fair value assets**				**Inter-relationship between significant unobservable inputs and fair value measurement**
Description	**31.12.2022 RM'000**	31.12.2021 RM'000	**Valuations techniques**	**Unobservable inputs**	
Equity investments measured at FVOCI					
Unquoted shares	**23,915**	26,697	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

In estimating its significance, the Group and the Bank used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflects the values that the Group and the Bank estimate are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be a statistical or other relevant approved techniques.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

45 Fair value of financial instruments (continued)

The following tables analyse within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value as at reporting date but for which fair value is disclosed:

	Carrying	**Fair Value**			
The Group and the Bank	**amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
31.12.2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets					
Financial investments at amortised cost	**879,647**	**879,647**	**-**	**-**	**879,647**
Loans and advances	**1,570,005**	**-**	**1,569,821**	**-**	**1,569,821**
Financial Liabilities					
Deposits from customers	**4,525,127**	**-**	**4,524,273**	**-**	**4,524,273**
The Group and the Bank					
31.12.2021					
Financial Assets					
Financial investments at amortised cost	40,452	40,452	-	-	40,452
Loans and advances	1,078,409	-	1,078,931	-	1,078,931
Financial Liabilities					
Deposits from customers	4,326,059	-	4,331,627	-	4,331,627

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

45 Fair value of financial instruments (continued)

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statements of financial position as at reporting date of the Group and the Bank approximates the total carrying amount.

The fair value estimates were determined by application of the methodologies and assumptions described below.

Short-term funds and placements with banks and other financial institutions

For short-term funds and placements with banks and other financial institutions with maturity of less than six months, the carrying amount is a reasonable estimate of fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made to banks with similar credit ratings and maturities.

Financial assets at amortised costs

The fair values of financial investments at amortised cost are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

Loans and advances

Loans and advances of the Bank comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of expected credit losses, being the reasonable estimate of recoverable amount.

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

45 Fair value of financial instruments (continued)

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values as these items are not sensitive to the shift in market profit rates.

Deposits from customers, deposits and placements of banks and other financial institutions

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, approximates carrying amount which represents the amount repayable on demand.

46 Offsetting financial assets and financial liabilities

In accordance with MFRS 132 “Financial Instruments: Presentation” the Group and the Bank report financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All derivative financial instruments and reverse repurchase and repurchased agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described above.

The “Financial instruments” column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements and global master purchase agreement, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

The “Net amount” presented below are not intended to represent the Group’s and the Bank’s actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

Notes to the financial statements
for the financial year ended 31 December 2022 (continued)

46 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the statements of financial position			Related amount not set off in the balance sheet		
	Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Financial instruments RM'000	Financial collateral received RM'000	Net amount RM'000
The Group						
31.12.2022						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	**458,682**	**(458,682)**	**-**	**-**	**-**	**-**
Derivative financial assets	**107,680**	**-**	**107,680**	**(23,565)**	**(23,026)**	**61,089**
Total	**566,362**	**(458,682)**	**107,680**	**(23,565)**	**(23,026)**	**61,089**
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	**559,414**	**(458,682)**	**100,732**	**-**	**-**	**100,732**
Derivative financial liabilities	**102,874**	**-**	**102,874**	**(23,565)**	**(8)**	**79,301**
Total	**662,288**	**(458,682)**	**203,606**	**(23,565)**	**(8)**	**180,033**
The Group						
31.12.2021						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	371,309	(371,309)	-	-	-	-
Derivative financial assets	77,269	-	77,269	(20,142)	-	57,127
Total	448,578	(371,309)	77,269	(20,142)	-	57,127
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	501,041	(371,309)	129,732	-	-	129,732
Derivative financial liabilities	71,897	-	71,897	(20,142)	(6,838)	44,917
Total	572,938	(371,309)	201,629	(20,142)	(6,838)	174,649

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

46 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the statements of financial position			Related amount not set off in the balance sheet		
	Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Financial instruments RM'000	Financial collateral received RM'000	Net amount RM'000
The Bank						
31.12.2022						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	**458,682**	**(458,682)**	**-**	**-**	**-**	**-**
Derivative financial assets	**107,680**	**-**	**107,680**	**(23,565)**	**(23,026)**	**61,089**
Total	**566,362**	**(458,682)**	**107,680**	**(23,565)**	**(23,026)**	**61,089**
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	**559,414**	**(458,682)**	**100,732**	**-**	**-**	**100,732**
Derivative financial liabilities	**102,874**	**-**	**102,874**	**(23,565)**	**(8)**	**79,301**
Total	**662,288**	**(458,682)**	**203,606**	**(23,565)**	**(8)**	**180,033**
The Bank						
31.12.2021						
Financial assets						
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	371,309	(371,309)	-	-	-	-
Derivative financial assets	76,961	-	76,961	(20,142)	-	56,819
Total	448,270	(371,309)	76,961	(20,142)	-	56,819
Financial liabilities						
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	501,041	(371,309)	129,732	-	-	129,732
Derivative financial liabilities	71,897	-	71,897	(20,142)	(6,838)	44,917
Total	572,938	(371,309)	201,629	(20,142)	(6,838)	174,649

Notes to the financial statements for the financial year ended 31 December 2022 (continued)

47 Credit exposures arising from transactions with connected parties

The following credit exposures are based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective 1 January 2008:

	The Group and the Bank	
	31.12.2022	31.12.2021
i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	**776,463**	614,485
ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	**13.33%**	13.21%

48 Client trust accounts

As at 31 December 2022, cash held in trust for the clients by the Group and the Bank amounted to RM875,763,000 (2021: RM1,013,308,000). These amounts are not recognised in the financial statements as they are held by the Group and the Bank in its fiduciary capacity.

49 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 March 2023.

Registration No : 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, Tunku Afwida binti Tunku A.Malek and Mr. Eugene Hon Kah Weng, being two of the Directors of Affin Hwang Investment Bank Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 29 to 182 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2022 and financial performance of the Group and the Bank for the financial year ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 March 2023.

Tunku Afwida binti Tunku A.Malek
Chairman

Mr Eugene Hon Kah Weng
Director

Statutory declaration pursuant to Section 251(1) of the Companies Act 2016

I, Mr. Ng Meng Wah, being the Officer primarily responsible for the financial management of Affin Hwang Investment Bank Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 29 to 182 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Mr. Ng Meng Wah
MIA No. 13973

Subscribed and solemnly declared by the above named Mr. Ng Meng Wah at Kuala Lumpur in Malaysia on 28 March 2023.

Before me:

PESURUHJAYA SUMPAH
No. W790
Nama: ZAINUL ABIDIN
BIN AHMAD
1 JAN 2023 - 31 DIS 2025
MALAYSIA

Commissioner for Oaths

No. 59, Jalan Telawi
Bangsar Baru
59100 Kuala Lumpur

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197301000792 (14389-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 29 to 182.

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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (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 AFFIN HWANG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197301000792 (14389-U)

REPORT ON 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197301000792 (14389-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

FOONG MEI LIN
03530/09/2024 J
Chartered Accountant

Kuala Lumpur
28 March 2023