

Registration No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad
(Incorporated in Malaysia)

Reports and financial statements
for the financial year ended 31 December 2023

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Affin Hwang Investment Bank Berhad
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Directors' report
for the financial year ended 31 December 2023

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 2023.

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 are as set out in Note 12 to the financial statements. They consist of provision of investment holding, trustee and nominee services.

Financial results

	The Group	The Bank
	RM'000	RM'000
Profit before taxation and zakat	92,494	92,498
Taxation and zakat	<u>(23,029)</u>	<u>(23,024)</u>
Net profit after taxation	<u>69,465</u>	<u>69,474</u>

Dividends

The dividends on ordinary shares paid by the Bank since 31 December 2022 were as follows:

	RM'000
In respect of the financial year ended 31 December 2023:	
Single-tier special dividend of 19.231 sen per share paid on 18 September 2023	<u><u>150,000</u></u>

The Directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2023.

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 2023 (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; 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.

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Directors' report for the financial year ended 31 December 2023 (continued)

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

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 Tracy Ong Guat Kee
Independent Non-Executive Director, appointed w.e.f. 18 May 2023

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

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

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:

Affin Hwang Nominees (Asing) Sdn. Bhd. and Affin Hwang Nominees (Tempatan) Sdn. Bhd.

Mr Ng Meng Wah
Mr Liao Pieng Sin
Puan Anita binti Talib
Ms Kan Chew Gan
Ms Yeong Sook Kwan
Ms Ang Swee Lean

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Directors' report for the financial year ended 31 December 2023 (continued)

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)

AHC Global Sdn. Bhd. and AHC Associates Sdn. Bhd.

Encik Mustafa Shafiq bin Razalli (Resigned w.e.f. 7 April 2023)

Mr Ng Meng Wah

Encik Kameel bin Abdul Halim (Appointed w.e.f. 5 April 2023, Resigned w.e.f. 31 August 2023)

Mr Ong Teng Chong, Andy (Appointed w.e.f. 28 August 2023)

Affin Hwang Trustee Berhad

Encik Mustafa Shafiq bin Razalli (Resigned w.e.f. 8 June 2023)

Encik Kameel bin Abdul Halim (Appointed w.e.f. 2 February 2023, Resigned w.e.f. 31 August 2023)

Encik Feizal Zawry Bin Mohamed (Appointed w.e.f. 6 June 2023)

Ms Wong Wan Theng (Resigned w.e.f. 20 February 2023)

Mr Ong Teng Chong, Andy (Appointed w.e.f. 1 November 2023)

Mr Ng Meng Wah (Appointed 1 August 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 2023 and financial performance of the Group and of the Bank for the financial year ended 31 December 2023.

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 safeguard 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 185 of the financial statements.

Directors' report
for the financial year ended 31 December 2023 (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 except as per disclosed below.

	Number of ordinary shares			As at 31.12.2023
	As at 1.1.2023	Bought	Sold	
Affin Bank Berhad				
Datuk Wan Razly Abdullah bin Wan Ali	1,534,300	956,101	-	2,490,401

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") in 2022 and shall be paid in 2 tranches:

- 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.

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Directors' report for the financial year ended 31 December 2023 (continued)

Directors' interest in shares, shares options and debentures (continued)

Long Term Incentive Plan ("LTIP")

On 1 August 2023, Affin Bank Berhad ("ABB") implemented a Long Term Incentive Plan ("LTIP") in the form of an employees' Share Grant Scheme ("SGS") on 1 August 2023, which was approved by the shareholders at the Annual General Meeting held on 25 May 2023. The SGS is governed by the SGS by-laws and is administered by the Group Board Nomination & Remuneration Committee ("SGS Committee").

The SGS is a performance share unit scheme where vesting is subject to performance conditions and the SGS Committee may, at any time within the duration of the SGS, grant an SGS award to eligible employees, subject to the terms and conditions of the SGS by-laws. The SGS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the SGS by-laws.

Affin Bank Berhad's ("ABB") subsidiaries include Affin Islamic Bank Berhad ("AiBB"), Affin Hwang Investment Bank Berhad ("AHIB"), and Affin Moneybrokers Sdn Bhd ("AMB"). ABB, AiBB, AHIB, and AMB will be collectively referred to as the "Affin Group".

The SGS primarily serves as an incentive plan to reward eligible employees and to align their interest with the corporate goals and objectives of the Affin Bank Berhad Group ("Affin Group") including AHIB. Eligible employees refer to employees of Affin Group (excluding dormant subsidiary companies) who fulfil the eligibility criteria and have been selected to participate in the SGS by ABB's Board of Directors, on the recommendations of the SGS Committee, subject to terms and conditions of the SGS by-laws.

Any offer awarded to a person who is a Director or Chief Executive of the Group or a person connected to a Director, major shareholder or Chief Executive of the Group, and the related allotment of shares must be approved by shareholders at a general meeting. The SGS will not be extended to any non-executive directors of any company within our Group.

The maximum number of shares which may be made available under the SGS shall not in aggregate exceed 5% of the Group's total number of issued shares (excluding treasury shares, if any) at any point in time during the duration of the SGS. Details of the SGS are set out in Note 44 to the financial statements.

The fair value of the SGS shares granted, taking into consideration the impact of market vesting condition, in exchange for the services of the employees is recognised over the vesting period. On each reporting date, the Bank estimates the number of SGS shares that are expected to vest based on the non-market vesting conditions and service conditions, and recognises estimation of share based expenses in the income statement as employee benefit with a corresponding increase to capital contribution within equity. As ABB will recharge the cost of the equity instruments to the Bank, the Bank will subsequently reclassify the equity instruments as a payable to ABB.

The maximum number of shares which may be made available under the SGS shall not in aggregate exceed 5% of ABB's total number of issued shares (excluding treasury shares, if any) at any point in time during the duration of the SGS. Details of SGS are set out below.

Executive Director who has been awarded with SGS during the financial year are listed below:

	No of SGS Awarded (Units '000)
Datuk Wan Razly Abdullah bin Wan Ali	1,020

Directors' report
for the financial year ended 31 December 2023 (continued)

Directors' benefits

Neither at 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	1,501	1,501
- Directors' other emoluments	<u>963</u>	<u>963</u>
Directors of the Bank's subsidiaries:		
- Director fees	-	-
- Directors' other emoluments	<u>-</u>	<u>-</u>

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 2023 to 18 April 2024. Total premium paid for the D&O Insurance for financial year 2023 is RM195,654 (2022: RM186,337). 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 2023, the total amount of premium paid for the CCPI Insurance by the Group and the Bank amounted to RM878,991 (2022: RM1,057,145 (Group) and RM913,540 (Bank)).

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 ABB amounting to RM182,500 for services provided by Datuk Wan Razly Abdullah bin Wan Ali during the financial year 2023 (2022: RM184,532).

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 Directors 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.

Directors' report for the financial year ended 31 December 2023 (continued)

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 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 levels 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 seven (7) Directors, of which five (5) are Independent Non-Executive Directors, one (1) Non-Independent Executive Director and one (1) 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 fifteen (15) 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:

<u>Directors</u>	<u>Total meetings attended</u>
Tunku Afwida binti Tunku A.Malek	15 out of 15
Mr Eugene Hon Kah Weng	15 out of 15
Datuk Wan Razly Abdullah bin Wan Ali	15 out of 15
Encik Hasli bin Hashim	15 out of 15
Dato' Abdul Wahab bin Abu Bakar	15 out of 15
Ms Kong Yuen Ling	15 out of 15
Ms Tracy Ong Guat Kee <i>Appointed as Director w.e.f. from 18 May 2023</i>	9 out of 9

Directors' report for the financial year ended 31 December 2023 (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, the 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 2023 (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 the budget;
 - b) approving significant capital raising and repayment exercises; and
 - c) reviewing and noting 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 which commensurate with the nature, scale and complexity of the business and structure of the Bank;
- c) oversee the performance of 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) Board Risk Management Committee ("BRMC")

The BRMC, as at 31 December 2023 comprises three (3) Board members and convenes on a monthly basis throughout the financial year, with the exception of December. Throughout the financial year, the committee held a total of eleven (11) meetings.

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

<u>Directors</u>	<u>Total meetings attended</u>
Encik Hasli bin Hashim <i>Independent Non-Executive Director</i> <i>Redesignated from Chairman to a member of BRMC w.e.f. 1 November 2023</i>	11 out of 11
Ms Tracy Ong Guat Kee <i>Independent Non-Executive Director</i> <i>Appointed as Chairman of BRMC w.e.f. 1 November 2023</i>	1 out of 1
Dato' Abdul Wahab bin Abu Bakar <i>Independent Non-Executive Director</i> <i>Ceased as member of BRMC w.e.f. 1 November 2023</i>	10 out of 10
Ms Kong Yuen Ling <i>Non-Independent Non-Executive Director</i>	10 out of 11

The BRMC is established to ensure that the risk management framework, policies, infrastructure and controls (including procedures and processes) adequately protect Affin Hwang Investment Bank Berhad ("the Bank") against all relevant risks, comprising but not limited to, Credit Risk, Market, and Liquidity and Interest Rate Risk, Operational Risk (which include including Legal Risk and Regulatory Risks), Cyber Risk, Technology Risk, Reputational Risk, Human Resource Risk as well as Environmental, Social and Governance ("ESG") Risk.

Whilst BRMC represents a committee to assess the adequacy of the 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. The BRMC shall be chaired by an Independent Director. With the segregation of functions, BRMC shall constitute an auditable area by the BAC.

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Directors' report for the financial year ended 31 December 2023 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

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

The BRMC is responsible for:

- Deliberating/reviewing proposals pertaining to risk management strategies, risk tolerance, risk frameworks, policies and guidelines, and recommend the same to the Board of Directors ("the Board") for approval;
- Ensuring that adequate and robust risk management frameworks, policies, guidelines, infrastructure and controls (including procedures and processes) are in place to identify, measure, monitor and manage all relevant risks relating to the Bank's business activities;
- Overseeing and evaluating the 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;
- Overseeing and reviewing 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;
- Oversee the Bank's capital management to ensure its effectiveness, which include:
 - a) reviewing capital management standards, policies and guidelines, capital plans, capital adequacy and allocation reports; and
 - b) approving the mandate of the Asset & Liability Committee ("ALCO") to manage the Bank's capital.
- Where applicable, assisting 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;
- Ensuring 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;
- Evaluating and making 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;
- Reviewing and concurring on proposals pertaining to the introduction of new and/or variation of products and/or services for the Board's approval; and
- Reviewing and deliberating the recommendations by the Group Board Risk Management Committee (GBRMC) on all risk matters of the Bank, prior to escalation to the Board, for decision and 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.

The Directors representing the Bank at GBRMC:-

- i) Encik Hasli bin Hashim - Ceased as member of GBRMC on 1 November 2023
- ii) Ms Tracy Ong Guat Kee - Appointed as member of GBRMC on 1 November 2023

Directors' report for the financial year ended 31 December 2023 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(iii) Board Audit Committee ("BAC")

The BAC as at 31 December 2023 comprises three (3) members, of which are all are Independent Non-Executive Director and is scheduled to convene on a monthly basis throughout the financial year, with the exception of December.

Throughout the financial year, the committee held a total of twelve (12) meetings.

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

<u>Directors</u>	<u>Total meetings attended</u>
Mr Eugene Hon Kah Weng <i>Chairman/Independent Non-Executive Director</i>	12 out of 12
Encik Hasli bin Hashim <i>Independent Non-Executive Director</i>	12 out of 12
Dato' Abdul Wahab bin Abu Bakar <i>Independent Non-Executive Director</i>	12 out of 12

The BAC is chaired by an Independent Non-Executive Director and was established in compliance with BNM requirements and the 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 in a timely manner.

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

- To review the Quarterly Financial Results and Year-End Financial Statements prior to the submission and approval by the Board focusing on the following:
 - Changes in or implementation of major accounting policies;
 - Significant and/or unusual events or any going concern assumptions;
 - Significant adjustments arising from the audit; and
 - Compliance with accounting standards, disclosure requirements and other legal requirements.
- 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;
- To review any related party transactions that may arise within the Bank and its subsidiaries;
- 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;

Directors' report
for the financial year ended 31 December 2023 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

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

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

- 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 alongside the External Auditors the scope of the audit plan, system of internal controls, the audit reports (including Management letters and Management responses) and the assistance provided by the Management and/or 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. Should the External Auditors be engaged, the BAC is responsible for ensuring that such engagement does not compromise the independence of the External Auditors in their role as Statutory Auditors of the Bank;
- k) To review the adequacy and effectiveness of the Bank's control environment through existing policies, procedures and practices 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 programmes and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected;
- o) To provide oversight over the Internal Audit function; encompassing reviewing performance and adequacy of the scope internal audit reviews, functions, competency and resources of the internal audit activity and the necessary authority to carry out its duties. 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 the 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;
- 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; and
- q) To review and deliberate on the recommendations by the Group Board Audit Committee ("GBAC") on all audit matters of relating to the bank, prior to escalation to the Board.

The Directors representing the Bank at GBAC:-

- i) Mr Eugene Hon Kah Weng

Directors' report for the financial year ended 31 December 2023 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

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

The GBNRC was established for the banking entities within Affin Group on 1 August 2020. The Board continues to remain accountable for decisions taken at the GBNRC. Hence, the recommendations made by the GBNRC are deliberated and approved by the Board.

Affin Bank Berhad's ("ABB") subsidiaries include Affin Islamic Bank Berhad ("AiBB"), Affin Hwang Investment Bank Berhad ("AHIBB"), and Affin Moneybrokers Sdn Bhd ("AMB"). ABB, AiBB, AHIB, and AMB will be collectively referred to as the "Affin Group".

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 Officers (CEO)/Managing Directors (MD), KSMOs and Company Secretary
- Performance indicators/targets
- The remuneration of Directors, Shariah Committee members, CEOs/ MDs, KSMOs, 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 Director representing the Bank at GBNRC:-

- i) Dato' Abdul Wahab bin Abu Bakar

(v) Group Board Credit Review and Recovery Committee ("GBCRRC")

The Board had at its meeting held on 20 August 2021 approved the dissolution of Board Credit Review Committee ("BCRC") with effect from 1 October 2021, following the centralisation of the GBRCC at ABB which was approved by the ABB board on 30 June 2021.

This dissolution was made in view of the consolidation of the functions of the Bank's BCRC.

The GBCRRC was established to assist the functions of the Board in respect of its inherent authority over approval on loan/financing application/proposals which are considered by the Group Management Credit Committee (GMCC).

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

- To consider whether to affirm/veto credit/underwriting proposal, impose additional terms or modify the terms approved by the Group Management Credit Committee ("GMCC");
- To ensure that the GMCC has discharged its responsibilities in a timely and proper manner;
- To set and review impaired loans recovery targets;
- To monitor the progress of recovery efforts;
- To offer advice and direction relating to the group's credit portfolio; and
- Assisting the Board of Directors in performing its oversight function and provide recommendations in respect of investment strategies, credit risk assessment and management.

Directors' report for the financial year ended 31 December 2023 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(v) Group Board Credit Review and Recovery Committee ("GBCRRC") (continued)

Authority Limit

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

The Directors representing the Bank at GBCRRC:-

- (i) En Hasli bin Hashim
- (ii) Mr Eugene Hon Kah Weng - Ceased as GBCRRC member w.e.f. 1 July 2023
- (iii) Ms. Tracy Ong Guat Kee - Appointed as GBCRRC member w.e.f. 1 July 2023

(vi) Group Board Compliance Committee ("GBCC")

The GBCC represents a Board committee of ABB to assess and examine the adequacy of group compliance as well as integrity and governance frameworks including the policies, procedures and processes for the Affin Group.

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

- a) Overseeing the management of Affin Group's compliance risk by ensuring that the compliance process is in place and functioning in line with the expectations of the regulators namely Bank Negara Malaysia ("BNM"), Securities Commission Malaysia ("SC") and Bursa Malaysia Berhad ("Bursa");
- b) Overseeing Affin Group's integrity and governance matters inclusive of corruption, fraud, malpractice, unethical conduct and abuse of power within the organization that are guided by applicable laws and regulations, including but not limited to, Malaysian Anti Corruption Commission ("MACC") Act 2009 and Malaysian Code on Corporate Governance and subsequently, make the necessary recommendations to align to the Group's long-term strategy;
- c) Overseeing the management of ESG risks to safeguard the Bank's resilience against its adverse impacts;
- d) Reviewing and approving, as delegated by the Board the compliance risk management philosophy and strategy;
- e) Ensuring clear and independent reporting lines and responsibilities for the overall business activities, compliance functions and integrity & governance functions as well as recommending organizational alignments where necessary to the Board; and
- f) Ensuring the practice of excellent work culture among employees, with strong morals and ethics which include practicing the highest level of integrity and ethics within the organization.

The GBCC may be supported by the GBRMC or any other appointed Board committees at the subsidiary level.

The Director representing the Bank at GBCC:-

- (i) Ms. Kong Yuen Ling

(vii) Group Board Information Technology Committee ("GBITC")

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

- Centralisation and consolidation of Information Technology ("IT") governance of AHIB at GBITC of ABB with representatives from both ABB and AHIB; and
- 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 GBITC was established to oversee the overall development, risk management, integration and alignment of the Information Technology (IT) strategy and plan with Affin Group strategic business direction and plan. This includes leveraging on technology for new business models, changing business practices, driving competitive advantage and empowering next level thinking.

Affin Hwang Investment Bank Berhad
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Directors' report
for the financial year ended 31 December 2023 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(vii) Group Board Information Technology Committee ("GBITC") (continued)

The duties and responsibilities of GBITC are as follows:

- 1) **Oversee the management and governance of Affin Group's IT management framework:-**
 - oversee and review IT and Digital strategies, costs and planning, including the financial, tactical and strategic benefits of proposed major IT and operational related initiatives.
 - review and assess progress of 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.
 - review and endorse IT investment proposals from management prior to submission for Board approval.
 - review, endorse or approve IT Operating and Capital Expenditure as per GBITC's approval limit.
- 2) **Oversee the management and governance of Affin Group's IT and cyber risks including ex-ante risk assessment on e-banking services of the Group:-**
 - review the IT risks to ensure alignment with Affin Group's risk appetite statement, framework and tolerances.
 - review the corresponding risk tolerances for technology related events, key performance indicators and forward-looking risk indicators provided by Management together with detailed information on key technology risks and critical technology operations.
 - oversee the management of Affin Group's risks by ensuring the compliance process is in place and functioning in line with the expectations of BNM, SC and Bursa.
 - review and endorse IT Management and IT Risk framework and policies; and thereafter to submit to Group Board Risk Management Committee for notation, prior to submission to the Board for approval.

The Directors representing the Bank at GBITC are:-

- (i) Dato' Abdul Wahab bin Abu Bakar (appointed on 6 January 2022- ceased as member of GBITC on 1 January 2023)
- (ii) Tunku Afwida binti Tunku A.Malek

(viii) Group Board Sustainability Committee ("GBSC")

The GBSC was established on 1 November 2023 to assist the Board of Affin Group by providing ongoing oversight of the development and implementation of the Group's Sustainability matters including Value based Intermediation Financing and Impact Assessment Framework ("VBIAF"). The GBSC shall, amongst others:

- provide oversight, advice, and direction in the development, implementation, and monitoring of the strategies, frameworks, and policies in respect to sustainability, VBIAF, climate change, and corporate social responsibility of Affin Group.
- review and make recommendations to the Board on the suitability of the Group's climate, VBIAF, and sustainability strategy, position statements, frameworks, ambitions, metrics, and targets.
- report to the Board on the climate, VBIAF, and sustainability matters for which it is responsible, escalate issues, and make recommendations to the Board where appropriate.

The duties and responsibilities of the GBSC are as follows:

- 1) **Sustainability Strategy**
 - a) Oversee the development and implementation of Affin Group's Sustainability Strategy. This includes ensuring that the strategy is aligned with the Group's overall business strategy as well as the management of the Group's Environmental, Social, and Governance (ESG) risks and opportunities.
 - b) Ensure that the Group's sustainability strategy is aligned with the recommendations, regulations, guidelines, and related documents issued by Bank Negara Malaysia and Bursa Malaysia.
 - c) Review and endorse the overall strategy, roadmap, action plans, and performance target to ensure alignment and integration within the Group.
 - d) Review and endorse the development and implementation of the internal governance and relevant control frameworks including policies to manage Group's sustainability matters and integrate sustainability considerations into the Group's decision-making processes.
 - e) Ensure that the Group's sustainability goals are achievable and realistic and that the Group has the necessary resources and capabilities in place to achieve them.

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Directors' report for the financial year ended 31 December 2023 (continued)

Corporate Governance (continued)

1 Board of Directors' Responsibility and Oversight (continued)

(viii) Group Board Sustainability Committee (GBSC) (continued)

The duties and responsibilities of the GBSC are as follows (continued):

2) Sustainability Performance & Targets

- a) Endorse the performance targets by ensuring the alignment and integration within Affin Group with clear targets and goals assigned to the responsible function.
- b) Track the Group's progress on its sustainability performance and identify any areas of improvement.
- c) Review and endorse external sustainability reporting and disclosures, the Sustainability Statement in the Annual Report, and the Sustainability Report to the Board.

3) Sustainability Awareness & Stakeholder Engagement

- a) provide oversight on the promotion of sustainability awareness and support actions to increase proficiencies of Sustainability knowledge within the Group.
- b) provide oversight on the outcome of the stakeholder engagement on sustainability issues (alongside the Strategic Communications team) on the Group's Sustainability strategy and performance.

4) Corporate Social Responsibility

- a) to take note on a quarterly basis or as and when required, on the implementation and progress of the corporate social responsibility initiatives and programmes by management

5) Others

- a) advise the Board on sustainability matters which includes providing the Board with information and advice on emerging sustainability trends and risks as well as the Group's response to the trends and risks.
- b) Review and make recommendations to the Board on those resources and other related matters required by the Sustainability team to successfully develop and implement the Group's Sustainability strategy.
- c) Ensure appropriate disclosures are made in accordance with relevant legislation and regulatory requirements.
- d) Report to the Board the broad activities of the GBSC and the decisions made within its Terms of Reference.
- e) The integrity, compliance and governance matter inclusive of corruption, fraud, malpractice, unethical conduct, and abuse of power within the organisation that is guided by applicable laws and regulations, including but not limited to, the Malaysian Anti-Corruption Commission (MACC) Act 2009 and Malaysia Code on Corporate Governance will be under the purview of Group Board Compliance Committee.

The Director representing the Bank at GBSC:-

- (i) Dato' Abdul Wahab bin Abu Bakar - Appointed as member of GBSC on 1 November 2023

(vi) Directors' Training

The Bank shall ensure that structured training programmes are 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 understands the following:

- 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.

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**Directors’ report
for the financial year ended 31 December 2023 (continued)**

Corporate Governance (continued)

1 Board of Directors’ Responsibility and Oversight (continued)

(vi) Directors’ Training (continued)

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.

The development and training programmes attended by the Directors during the financial year ended 31 December 2023 are as follows:

No.	Name of Director	Programme/Course		
		Topic of training	Date	Organiser
1	Tunku Afwida binti Tunku A. Malek	Briefing by Amazon Web Services (AWS)	7 February 2023	Affin Bank Berhad (ABB)
		Demystifying Cyber	7 March 2023	Deloitte
		FIDE Elective: Risk Management Committee – Banking Sector	9 March 2023	FIDE
		Media Preparedness and Crisis Simulation	15 March 2023	Petrosar Academy
		Affin Conference Series 2023	30 May 2023	ABB
		Webinar Series on the topic “Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know”	13 June 2023	FIDE
		Brand Health & NPS	11 July 2023	TM, Kantar & Ipsos
		Digital Transformation World (DTW) TM Forum Community	19-21 September 2023	TM Forum
		Khazanah Megatrends Forum 2023	2-3 October 2023	Khazanah Nasional
		Oil and Gas Day Industry Insights and Corporate Updates	16 October 2023	AHIB
		Refresher Session on Business Continuity Management (“BCM”), Risk, Compliance, and Audit	26 October 2023	AHIB
		Digital Banking Asia – Malaysia Conference 2023. Sustainability, Digital Transformation, and Fintech	31 October 2023	AHIB
		Breakfast Talk on AI with Prof. Sanjay Sarma	9 November 2023	FIDE
		Should Women Act Like Men to Succeed?	27 November 2023	TM
		AML/CFT for Boards Members & Group Management Committee	December 2023	ABB
2	Mr. Eugene Hon Kah Weng	Chairman’s Dialogue “Financing the Digital Economy: Supporting the Madani Framework”	12 December 2023	FIDE
		Cloud Day	2 February 2023	Amazon Web
		Briefing by Amazon Web Services (AWS)	7 February 2023	ABB
		Media Preparedness and Crisis Simulation	17 March 2023	Petrosar Academy
		Affin Conference Series 2023	30 May 2023	ABB
		Bursa 2023 Market Intermediaries and Advocacy Programmes: Understanding Cybersecurity	11 July 2023	Bursa Academy
		Cybersecurity Incident Management Process and BCM Awareness Talk	4 September 2023	ABB
		Advocacy Session for Directors and CEOs of Main Market Listed Issuers by Bursa Malaysia	12 September 2023	Bursa Malaysia
		Dialogue with Bursa Market Surveillance	26 September 2023	Bursa Malaysia
		KPMG ESG Talk – Addressing Challenges in Implementing ISSB Standards	19 October 2023	KPMG
		Refresher Session on Business Continuity Management (“BCM”), Risk, Compliance, and Audit	26 October 2023	AHIB

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**Directors' report
for the financial year ended 31 December 2023 (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 2023 are as follows:
(continued)

No.	Name of Director	Programme/Course		
		Topic of training	Date	Organiser
2	Mr. Eugene Hon Kah Weng (continued)	AML/CFT for Boards Members & Group Management Committee Members (Y2023)	December 2023	ABB
		Mandatory Accreditation Programme Part II: Leading for Impact (LIP)	6-7 December 2023	ICDM
3	Datuk Wan Razly Abdullah bin Wan Ali	15th Annual Malaysia Virtual Corporate Day	5 January 2023	CGS CIMB
		Briefing by Amazon Web Services (AWS)	7 February 2023	ABB
		Media Preparedness and Crisis Simulation	15 March 2023	Petrosar Academy
		Affin-Deloitte CRMSA Visioning Alignment	11 April 2023	ABB
		The 5th Malaysian Banking & Finance Summit	23 May 2023	KSI Strategic Institute for Asia
		Affin Conference Series 2023	30 May 2023	ABB
		GRC Awareness Week - Strong Governance Starts with you	1 August 2023	ABB
		Talent Summit 2023	10 August 2023	ABB
		Malaysia Market Outlook 2H2023 Sarawak Series	3-5 September 2023	ABB
		AHIB's Oil & Gas Corporate Day	16 October 2023	AHIB
		Entrepreneurs Summit 2023	17 October 2023	ABB
		Refresher Session on Business Continuity Management ("BCM"), Risk, Compliance, and Audit	26 October 2023	AHIB
4	Encik Hasli bin Hashim	AML/CFT for Boards Members & Group Management Committee Members (Y2023)	December 2023	ABB
		Media Preparedness and Crisis Simulation	15 March 2023	Petrosar Academy
		Bursa 2023 Market Intermediaries and Advocacy Programmes: Understanding Cybersecurity	11 July 2023	Bursa Academy
		Bursa 2023 Market Intermediaries and Advocacy Programmes: Governance and Risk Management	3 August 2023	Bursa Academy
		Refresher Session on Business Continuity Management ("BCM"), Risk, Compliance, and Audit	26 October 2023	AHIB
5	Dato' Abdul Wahab bin Abu Bakar	Media Preparedness and Crisis Simulation	17 March 2023	Petrosar Academy
		Affin Conference Series 2023	30 May 2023	ABB
		Webinar Series on the topic "Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know"	13 June 2023	FIDE
		Bursa 2023 Market Intermediaries and Advocacy Programmes: Governance and Risk Management	3 August 2023	Bursa Academy
		Cybersecurity Incident Management Process and BCM Awareness Talk	4 September 2023	ABB
		Refresher Session on Business Continuity Management ("BCM"), Risk, Compliance, and Audit	26 October 2023	AHIB
		AML/CFT for Boards Members & Group Management Committee Members (Y2023)	December 2023	ABB
		Briefing by Amazon Web Services (AWS)	7 February 2023	ABB
		Demystifying Cyber	7 March 2023	Deloitte

**Directors' report
for the financial year ended 31 December 2023 (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 2023 are as follows:
(continued)

No.	Name of Director	Programme/Course		
		Topic of training	Date	Organiser
6	Ms. Kong Yuen Ling	Introduction to Green and Sustainable Finance	1 January 2023	The Bank of East Asia Ltd ("BEA")
		Refresher on Enterprise Risk Management	1 January 2023	BEA
		Effective Appraisal Skills and Goal Setting	1 February 2023	BEA
		Information Security	1 February 2023	BEA
		Briefing by Amazon Web Services (AWS)	7 February 2023	ABB
		Demystifying Cyber	7 March 2023	Deloitte
		Media Preparedness and Crisis Simulation	17 March 2023	Petrosar Academy
		Code of Conduct Refresher	1 April 2023	BEA
		Cyber Security Risk (Common Cyber Threats and Basic Security)	1 May 2023	BEA
		Affin Conference Series 2023	30 May 2023	ABB
		Disclosure of Inside Information and Insider Dealing	1 June 2023	BEA
		Refresher Training on Operational Risk Management	1 June 2023	BEA
		Refresher Training on Business Continuity Management	1 July 2023	BEA
		Bursa 2023 Market Intermediaries and Advocacy Programmes: Governance and Risk Management	3 August 2023	Bursa Academy
		Cybersecurity Incident Management Process and BCM Awareness Talk	3 August 2023	ABB
		Cybersecurity Incident Management Process and BCM Awareness Talk	4 September 2023	ABB
		Green and Sustainable Finance ("GSF") Training Series 2023	8 September 2023	BEA
		Refresher on Treat Customers Fairly	9 September 2023	BEA
		Our Culture and Values Refresher 2023	16 September 2023	BEA
		ESG Essentials	25 September 2023	BEA
		Refresher on Credit Lesson Learnt Training	28 September 2023	BEA
		Refresher Session on Business Continuity Management ("BCM"), Risk, Compliance, and Audit	26 October 2023	AHIB
		Reputation Risk Management	December 2023	ABB
AML/CFT for Boards Members & Group Management Committee Members (Y2023)	December 2023	ABB		
Training related to Climate Change and BEA's Net-Zero and Green Finance Journey	20 December 2023	BEA		

**Directors' report
for the financial year ended 31 December 2023 (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 2023 are as follows:
(continued)

No.	Name of Director	Programme/Course		
		Topic of training	Date	Organiser
7	Ms. Tracy Ong Guat Kee	Affin Conference Series 2023	30 May 2023	ABB
		Bursa 2023 Market Intermediaries and Advocacy Programmes: Understanding Cybersecurity	11 July 2023	Bursa Academy
		Bursa 2023 Market Intermediaries and Advocacy Programmes: Governance and Risk Management	3 August 2023	Bursa Academy
		Module 1: Directors as Gatekeepers of Market Participants	21 August 2023	SIDC
		Module 2A: Business Challenges and Regulatory Expectations – What Directors need to know (Equities & Futures Broking)	22 August 2023	SIDC
		Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors	22 August 2023	SIDC
		Module 4: Emerging and Current Regulatory Issues in The Capital Market	23 August 2023	SIDC
		Cybersecurity Incident Management Process and BCM Awareness Talk	4 September 2023	ABB
		Refresher Session on Business Continuity Management (“BCM”), Risk, Compliance, and Audit	26 October 2023	AHIB
		A Delicate Balance – Board & Management Relationship	2 November 2023	ICDM
		AML/CFT for Boards Members & Group Management Committee	December 2023	ABB

Directors' report for the financial year ended 31 December 2023 (continued)

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 as the 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 regulations 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 2023 (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 findings 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 Group Risk Management Department ("GRM") of the Bank which operates in an independent capacity is an integral part of the Bank and works closely with all business and support units of the Bank to manage risks to enhance stakeholders' value.

Directors' report
for the financial year ended 31 December 2023 (continued)

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 system 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 Group Risk Management ("GRM") at the Bank to enhance the risk management framework, policies, processes and procedures to ensure that credit, market, liquidity, operational and technology risks associated with the Bank's business activities are adequately identified and mitigated.

GRM 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**

A 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 continuous basis. This serves as a trigger point to determine Key Risk Indicators ("KRIs") for operational risk monitoring purposes.

The Operational Risk Management Department ("ORMD") under GRM plays a centralised function for operational risk management within GRM 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 Senior Management Committee-Governance, Risk and Compliance ("SMC-GRC") and BRMC 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 GRM.

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

Directors' report
for the financial year ended 31 December 2023 (continued)

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, the 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 reviewed and updated 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 documents.

Directors' report
for the financial year ended 31 December 2023 (continued)

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 and 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 an Authority Manual which is approved by the Board and the manual which set out the approving authorities and the delegated approved limits. It 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 annual 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 judgement when fulfilling those responsibilities. People Office is also tasked with preparing the employees of the Bank for the future through various training programmes 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.

Directors' report for the financial year ended 31 December 2023 (continued)

Corporate Governance (continued)

2 Internal Control Framework (continued)

(viii) People Office (continued)

The Human Resources ("HR") Strategies, Policies and Procedures are in place and provide clarity in all aspects of human resource management in the Bank. These policies and procedures are reviewed periodically to ensure that they remain relevant. Appropriate controls are in place to manage operational risks.

People Office has undertaken various efforts, initiatives and training programmes 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 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 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 our employees is fundamental to the Bank's success. The Bank therefore aims 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.

Directors' report for the financial year ended 31 December 2023 (continued)

Corporate Governance (continued)

3 Remuneration System (continued)

Pursuant to the BNM Corporate Governance Guidelines ("BNM CG"), 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.

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Directors' report
for the financial year ended 31 December 2023 (continued)

Business review for 2023

As at 31 December 2023, total assets of the Group and the Bank stood at RM9,371.8 million (financial year ended 31 December 2022 ("FY2022") RM7,460.3 million) and RM9,370.5 million (FY2022: RM7,458.8 million) respectively. During FY2022, the Group has completed the divestment of Affin Hwang Asset Management Berhad Group ("AHAM"), AHAM ceased to be a subsidiary of Group and was deconsolidated from the Group financial statements on 29 July 2022.

The Group recorded a net income of RM240.6 million for the financial year ended 31 December 2023 ("FY2023") compared to RM228.5 million in the previous financial year ("FY2022"). The Bank meanwhile recorded a net income of RM239.3 million versus FY2022's net income of RM1,560.3 million. The higher net income for the Group in FY 2023 was mainly due to higher investment income and higher net foreign exchange, which was partially offset by lower net interest income. The lower net income for the Bank was mainly due to the gains on the divestment of Affin Hwang Asset Management Berhad ("AHAM") in FY2022. Excluding the contribution from the asset management business for FY2022, Securities business contributed 66.9% (2022: 64.2%) to the Group's overall net income, while Investment Banking and Treasury & Markets businesses contributed 9.9% and 22.8% (2022: 8.7% and 26.6%) of the Group's total net income respectively.

For FY2023, the Group registered a profit before zakat and tax ("PBZT") of RM92.5 million from RM55.2 million reported in FY2022. As for the Bank, it achieved a PBZT of RM92.5 million for FY2023, compared to RM1,367.4 million reported in FY2022, due to gains on the divestment of AHAM in FY2022.

In 2023, AHIB's focus was to continue achieving its A25 aspirational goals.

In 2023, the Group's securities division regained the 1st position on Bursa Malaysia's Broker Ranking. It had also undertook its first structured warrants initiative with a total of 64 warrants issued and launched the Chicago Mercantile Exchange (CME) Future Contracts in partnership with the CME Group to provide investors with broader investment opportunities.

The investment banking division continued to execute and complete several capital market transactions during 2023. Amongst the notable transactions was the initial public offering of Oppstar Berhad which set the ACE market record for the highest public subscription value. The Bank was the Sole Principal Adviser, Sponsor, Sole Placement Agent, and Sole Underwriter on the transaction. The Bank also completed the debt settlement exercise of BHIC Berhad.

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Directors' report
for the financial year ended 31 December 2023 (continued)

Business outlook for 2024

Malaysia's Gross Domestic Product ('GDP') is expected to increase to 4.5% from 3.7% in 2023 supported by continued growth in tourism activity, increased foreign direct investment and improved trade performance. Household spending will remain an anchor for growth, buoyed by increasing income levels and improving labour market conditions. The Malaysian Ringgit is expected to strengthen in 2024, reflecting the country's improving economic fundamentals and domestic headline inflation is expected to remain modest between 3.0% - 3.5% in 2024.

The forecasted GDP growth for 2024 signals economic expansion, providing opportunities for the banking industry to grow through increased lending/financing activities and rising demand for financial services. Margin compression may continue into 2024 as banks compete for deposits but is expected to be moderated by higher credit growth and lower credit costs. Strong capitalization and adequate impairment buffers are expected to cushion moderate increases in credit stress.

The outlook in 2024 will hinge on domestic political factors and potential adverse global developments such as escalating geopolitical tensions may contribute to global financial market uncertainties.

Business Strategy Moving Forward

The Affin Group strategy remains intact going into 2024 with the key objectives of providing unrivalled customer's services, building towards digital leadership and ensuring that the Group practices responsible banking with impact. This strategy was formulated in 2021 as part of the A25 Transformation Plan which the group will continue to pursue as it improves on productivity and efficiency of its services and operations.

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 2023.

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Directors' report
for the financial year ended 31 December 2023 (continued)

Subsidiaries

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

Holding company and substantial shareholder

The holding company of the Bank is Affin Bank Berhad, a public limited liability company incorporated and domiciled in Malaysia, and the substantial shareholder 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 RM966,000 and RM897,000 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 21 March 2024. Signed on behalf of the Board of Directors in accordance with their resolution.



Tunku Afwida binti Tunku A. Malek
Chairman

Kuala Lumpur
21 March 2024



Encik Hasli bin Hashim
Director

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

**Statements of financial position
as at 31 December 2023**

	Note	The Group		The Bank	
		31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Assets					
Cash and short-term funds	2	686,512	311,873	684,062	309,523
Financial assets at fair value through profit or loss ("FVTPL")	3	106,836	36,070	105,579	34,863
Financial investments at fair value through other comprehensive income ("FVOCI")	4	4,439,658	3,575,501	4,439,658	3,575,501
Financial investments at amortised cost	5	1,056,550	879,647	1,056,550	879,647
Loans and advances	6	1,953,780	1,570,005	1,953,780	1,570,005
Trade receivables	7	397,533	403,754	397,533	403,754
Derivative financial assets	8	141,380	107,680	141,380	107,680
Other assets	9	65,077	45,502	64,823	45,346
Statutory deposits with Bank Negara Malaysia	10	130,600	101,600	130,500	101,500
Amounts due from subsidiaries	11	-	-	654	308
Investment in subsidiaries	12	-	-	1,794	1,794
Investment in associates	13	-	-	372	372
Tax recoverable		33,634	37,156	33,631	37,155
Deferred tax assets	14	27,652	63,302	27,652	63,302
Property and equipment	15	9,937	6,694	9,932	6,686
Intangible assets	16	307,321	307,788	307,285	307,702
Right-of-use assets	17	15,302	13,707	15,302	13,707
Total assets		9,371,772	7,460,279	9,370,487	7,458,845
Liabilities and equity					
Deposits from customers	18	4,801,493	4,525,127	4,801,493	4,525,127
Deposits and placements of banks and other financial institutions	19	1,545,169	709,520	1,545,169	709,520
Obligations on securities sold under repurchase agreements		813,956	-	813,956	-
Trade payables	20	214,100	338,867	214,100	338,867
Derivative financial liabilities	21	82,340	102,874	82,340	102,874
Amount due to holding company		9,324	5,835	9,324	5,835
Lease liabilities	22	17,212	14,459	17,212	14,459
Other liabilities	23	465,447	326,370	464,158	324,941
Provision for taxation		1	1	-	-
Total liabilities		7,949,042	6,023,053	7,947,752	6,021,623
Share capital	24	999,800	999,800	999,800	999,800
Reserves	25	422,930	437,426	422,935	437,422
Total equity		1,422,730	1,437,226	1,422,735	1,437,222
Total liabilities and equity		9,371,772	7,460,279	9,370,487	7,458,845
Commitments and contingencies	39	16,785,067	10,899,639	16,785,067	10,899,639

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

Affin Hwang Investment Bank Berhad

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Income statements**for the financial year ended 31 December 2023**

	Note	The Group		The Bank	
		31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Interest income	26	308,215	228,698	308,185	228,671
Interest expense	27	(243,601)	(139,827)	(243,601)	(139,827)
Net interest income		64,614	88,871	64,584	88,844
Fee and commission income	28	82,860	84,747	81,618	83,322
Net gains and losses on financial instruments	29	78,590	48,810	78,540	48,784
Other operating income	30	14,572	6,107	14,572	1,339,396
Net income		240,636	228,535	239,314	1,560,346
Other operating expenses	31	(173,416)	(167,206)	(172,180)	(182,296)
Operating profit before allowances		67,220	61,329	67,134	1,378,050
Write-back of credit impairment losses	32	25,274	938	25,364	933
Impairment losses on non-financial assets	33	-	(7,068)	-	(11,544)
Share of results of associate, net of tax		-	-	-	-
Profit before zakat and taxation		92,494	55,199	92,498	1,367,439
Zakat		-	(150)	-	(150)
Profit before taxation		92,494	55,049	92,498	1,367,289
Taxation	36	(23,029)	(20,933)	(23,024)	(20,438)
Profit from continuing operations		69,465	34,116	69,474	1,346,851
Profit from discontinued operation	42	-	1,302,784	-	-
Profit for the financial year		69,465	1,336,900	69,474	1,346,851
Attributable to:					
Equity holders of the Bank		69,465	1,311,936	69,474	1,346,851
Non-controlling interest		-	24,964	-	-
		69,465	1,336,900	69,474	1,346,851
Earnings per share (sen):					
Basic/diluted earnings per share (sen)					
attributable to equity holders of the Bank					
- Continuing operations	37	8.91	4.37	8.91	172.67
- Discontinued operation	37	-	163.82	-	-
		8.91	168.19	8.91	172.67

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

Affin Hwang Investment Bank Berhad

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**Statements of comprehensive income
for the financial year ended 31 December 2023**

	Note	The Group		The Bank	
		31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Net profit after zakat and taxation		69,465	1,336,900	69,474	1,346,851
Other comprehensive (expense)/income:					
<u>Items that may be reclassified subsequently</u>					
<u>to profit or loss:</u>					
Net fair value change in financial investments at FVOCI (debt instruments)		84,795	(51,143)	84,795	(51,088)
Net credit impairment loss change in financial investments at FVOCI (debt instruments)		2,061	(180)	2,061	(180)
Net gain on financial investments at FVOCI reclassified to profit or loss on disposal (debt instruments)		(1,724)	(2,380)	(1,724)	(2,380)
Exchange differences on translation of foreign operations		-	(39)	-	-
Deferred tax on financial investments at FVOCI	14	(19,937)	12,832	(19,937)	12,832
<u>Item that will not be reclassified subsequently to profit or loss:</u>					
Net fair value change in financial investments designated at FVOCI (equity instruments)		844	2,418	844	2,418
Other comprehensive income/(expense) for the financial year, net of tax		66,039	(38,492)	66,039	(38,398)
Total comprehensive income for the financial year		135,504	1,298,408	135,513	1,308,453
Attributable to:					
Equity holders of the Bank		135,504	1,273,444	135,513	1,308,453
Non-controlling interests		-	24,964	-	-
		135,504	1,298,408	135,513	1,308,453
Total comprehensive income attributable to equity holders of the Bank from:					
- Continuing operations		135,504	(4,376)	135,513	1,308,453
- Discontinued operation		-	1,277,820	-	-
		135,504	1,273,444	135,513	1,308,453

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 2023**

The Group	Note	Attributable to equity holders of the Bank ----->				
		Share capital RM'000	Share revaluation reserves RM'000	FVOCI Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2023		999,800	(92,555)	16,709	513,272	1,437,226
Comprehensive income:						
Net profit for the financial year		-	-	-	69,465	69,465
Other comprehensive income (net of tax)						
- Financial investments at FVOCI		-	66,039	-	-	66,039
Total comprehensive income		-	66,039	-	69,465	135,504
Transfer to regulatory reserves		-	-	4,019	(4,019)	-
Dividends paid	38	-	-	-	(150,000)	(150,000)
At 31 December 2023		999,800	(26,516)	20,728	428,718	1,422,730

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

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Statement of Changes in Equity
for the financial year ended 31 December 2023 (continued)

The Group	Note	Attributable to equity holders of the Bank							Non-controlling interests RM'000	Total equity RM'000
		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		
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:		-	-	-	-	-	1,311,936	1,311,936	24,964	1,336,900
Net profit for the financial year		-	-	-	-	-	-	-	-	-
Other comprehensive income (net of tax)		-	(38,453)	-	-	-	-	(38,453)	-	(38,453)
- Financial investments at FVOCI		-	-	-	(39)	-	-	(39)	-	(39)
- Exchange differences on translation of foreign operations		-	(38,453)	-	(39)	-	1,311,936	1,273,444	24,964	1,298,408
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 *		-	-	-	-	-	-	-	-	-
Disposal of a subsidiary *	42	-	-	-	-	79,337	5,169	84,506	49,629	134,135
Dividends paid	38	-	-	-	-	9,400	(9,400)	-	(82,279)	(82,279)
At 31 December 2022		999,800	(92,555)	16,709	-	-	(1,280,200)	(1,280,200)	(36,999)	(1,317,199)
							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 AceeVantage 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.

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**Statements of changes in equity
for the financial year ended 31 December 2023 (continued)**

	Non-Distributable ----->				Distributable ->	
	Share capital RM'000	FVOCI revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000	
The Bank						
At 1 January 2023	999,800	(92,555)	16,709	513,268	1,437,222	
Comprehensive income:						
Net profit for the financial year	-	-	-	69,474	69,474	
Other comprehensive income (net of tax)						
- Financial investments at FVOCI	-	66,039	-	-	66,039	
Total comprehensive income	-	66,039	-	69,474	135,513	
Transfer to regulatory reserves	-	-	4,019	(4,019)	-	
Dividends paid	-	-	-	(150,000)	(150,000)	
At 31 December 2023	999,800	(26,516)	20,728	428,723	1,422,735	
	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	-	-	-	(1,280,200)	(1,280,200)	
At 31 December 2022	999,800	(92,555)	16,709	513,268	1,437,222	

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

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**Statements of cash flows
for the financial year ended 31 December 2023**

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation from:				
Continuing operations	92,494	55,049	92,498	1,367,289
Discontinued operation	-	1,318,928	-	-
Profit before taxation including discontinued operation	92,494	1,373,977	92,498	1,367,289
Adjustments for items not involving the movement of cash and cash equivalents:				
Interest income:				
- financial investments at FVOCI	(124,544)	(109,627)	(124,544)	(109,627)
- financial investments at amortised cost	(44,318)	(19,640)	(44,318)	(19,640)
Interest expense on lease liability	602	431	602	328
Unwinding of discount on provision for restoration cost	45	28	45	28
Finance cost on call options	-	657	-	-
Dividend income:				
- financial assets at FVTPL	(38)	(1,021)	-	(808)
- financial investments at FVOCI	(190)	(190)	(190)	(190)
- from a subsidiary	-	-	-	(63,000)
Gain on disposal of property and equipment	(1)	(1,504)	(1)	(407)
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	(9,650)	3	(9,650)	3
- financial assets at FVTPL	(28,505)	(21,425)	(28,505)	(20,171)
- financial investments at FVOCI	(1,751)	(2,417)	(1,751)	(2,417)
Property and equipment written off	-	81	-	-
Intangible assets written off	-	19	-	-
Depreciation of property and equipment	2,519	5,075	2,516	3,025
Depreciation of ROU	7,207	8,347	7,207	6,263
Amortisation of intangible assets	826	1,865	776	825
Unrealised loss/(gain) on:				
- derivative instruments	1,947	2,432	1,947	2,432
- financial assets at FVTPL	(11,580)	6,366	(11,568)	(3,493)
Share Grant Scheme granted	1,010	-	1,010	-
Expected credit losses ("ECL") (written-back)/made on:				
- financial investments	(5,543)	637	(5,543)	637
- loans and advances	(17,398)	861	(17,398)	861
- trade receivables	(533)	(507)	(533)	(544)
- other assets	(1,449)	710	(1,534)	715
- deposits and placements with financial institutions	-	(4)	-	(4)
- loan commitments and financial guarantee	69	(1,932)	69	(1,932)
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	-	150
Bad debt written off	5	-	-	-
Unrealised foreign exchange gain	(67,275)	(9,062)	(67,275)	(7,809)
Operating (loss)/profit before changes in working capital	(206,051)	6,280	(206,140)	(89,028)

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

Affin Hwang Investment Bank Berhad

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**Statements of cash flows
for the financial year ended 31 December 2023 (continued)**

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
<i>Decrease/(Increase) in operating assets</i>				
Loan and advances	(365,231)	(490,783)	(365,231)	(490,783)
Statutory deposits with Bank Negara Malaysia	(29,000)	(91,301)	(29,000)	(91,300)
Trade receivables	6,754	(230)	6,754	(32,648)
Other assets	(16,810)	19,760	(16,623)	19,384
Amount due from substantial shareholder	-	(98)	-	-
Amount due from holding company	-	41	-	41
Intercompany balances	-	-	(345)	2
Derivative financial assets	32,828	(31,363)	32,828	(31,407)
Financial assets at FVTPL	(30,680)	20,400	(30,642)	20,667
	(402,139)	(573,574)	(402,259)	(606,044)
<i>Increase/(Decrease) in operating liabilities</i>				
Deposit from customers	276,404	199,499	276,404	199,499
Deposits and placements of banks and other financial institutions	835,649	107,528	835,649	107,528
Obligations on securities sold under repurchase agreements	813,956	-	813,956	-
Trade payables	(124,767)	(319,078)	(124,767)	(21,774)
Amount due to related companies	-	(1,622)	-	-
Amount due to holding company	2,479	5,779	2,479	5,835
Derivative financial liabilities	(20,225)	30,977	(20,225)	30,977
Other liabilities	138,633	(119,028)	138,773	(63,215)
	1,922,129	(95,945)	1,922,269	258,850
Cash generated from/(used in) operating activities	1,313,939	(663,239)	1,313,870	(436,222)
Tax paid	(3,793)	(33,567)	(3,786)	(16,156)
Zakat paid	-	(5,247)	-	(4,666)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	1,310,146	(702,053)	1,310,084	(457,044)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	1	2,561	1	408
Purchase of property and equipment	(5,762)	(2,316)	(5,762)	(1,816)
Purchase of intangible assets	(359)	(1,207)	(359)	(928)
Interest received:				
- financial investments at FVOCI	137,039	139,591	137,039	139,591
- financial investments at amortised cost	41,753	12,322	41,753	12,322
Purchase of:				
- financial assets at FVTPL	-	(33,637)	-	-
- financial investments at FVOCI	(1,175,929)	(411,930)	(1,175,929)	(411,930)
- financial investments at amortised cost	(332,859)	(867,740)	(332,859)	(867,740)

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 2023 (continued)

	Note	The Group		The Bank	
		31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (continued)					
Redemption/Disposal of:					
- financial assets at FVTPL		-	104,684	-	64,040
- financial investments at FVOCI		389,007	436,714	389,007	436,714
- financial investments at amortised cost		167,696	35,000	167,696	35,000
Dividend income received from:					
- a subsidiary		-	-	-	63,000
- financial assets at FVTPL		38	1,021	-	808
- financial investments at FVOCI		190	190	190	190
Net proceeds from disposal of a subsidiary		-	-	-	1,373,447
Net cash inflow from disposal of a subsidiary	42	-	981,917	-	-
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(779,185)	397,170	(779,223)	843,106
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease payments		(6,322)	(6,532)	(6,322)	(4,243)
Dividends paid to holding company		(150,000)	(1,280,200)	(150,000)	(1,280,200)
Dividends paid to non-controlling interest		-	(36,999)	-	-
NET CASH USED IN FINANCING ACTIVITIES		(156,322)	(1,323,731)	(156,322)	(1,284,443)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		374,639	(1,628,614)	374,539	(898,381)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		311,873	1,940,487	309,523	1,207,904
CASH AND CASH EQUIVALENTS AS AT END OF THE FINANCIAL YEAR		686,512	311,873	684,062	309,523
Cash flows from discontinued operation	42	-	(339,766)	-	-

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

Registration No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

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Summary of material accounting policies for the financial year ended 31 December 2023

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 material 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 judgement in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement 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 2023:

- Amendments to MFRS 101 and MFRS Practice Statement 2 on Disclosure of Accounting Policies
- Amendments to MFRS 108 on Definition of Accounting Estimates
- Amendments to MFRS 112 on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The adoption of MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' 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.

Affin Hwang Investment Bank Berhad

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Summary of material accounting policies for the financial year ended 31 December 2023 (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 101 and MFRS Practice Statement 2 on disclosure of accounting policies

The amendments to MFRS 101 require the Group and the Bank to disclose material accounting policies rather than significant accounting policies. The Group and the Bank are expected to make disclosure of accounting policies specific to the Group and the Bank and not generic disclosures on MFRS applications.

The amendment explains an accounting policy is material if, when considered together with other information included in the Group and the Bank financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to MFRS 108 on definition of accounting estimates

The amendments to MFRS 108, redefined accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

Examples of accounting estimates include expected credit losses; fair value of an asset or liability; and depreciation for property, plant and equipment.

Amendments to MFRS 112 on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The amendments clarify that the initial recognition exception does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations.

In accordance with the transition provisions, the Group and the Bank applied the amendments and recognises both deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities as at 1 January 2022 for all deductible and taxable temporary differences arising from:

- right-of-use assets and lease liabilities; and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

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**Summary of material accounting policies
for the financial year ended 31 December 2023 (continued)****A Basis of preparation (continued)****(b) IFRIC agenda decisions that are concluded and published**

The Group and the Bank previously excluded the security deposits held for dealer's representatives from the classification of cash and cash equivalents in the statement of cash flows, as the use of the security deposits are contractually restricted based on the terms of the agreement signed with the dealer's representatives.

Following the IFRIC agenda decision on Demand Deposits with Restrictions on Use arising from a Contract with a Third Party, the Group and the Bank have adopted the principles set out in the IFRIC agenda decision and reassessed the classification of security deposits held for dealer's representative as cash and cash equivalents. This change in accounting treatment has been accounted for retrospectively and the comparative information of the Group's and the Bank's Statement of Cash Flows for the financial year ended 31 December 2022 has been adjusted as follows:

	The Group			The Bank		
	As previously reported (RM'000)	Adjustments (RM'000)	As presented (RM'000)	As previously reported (RM'000)	Adjustments (RM'000)	As presented (RM'000)
Statement of Cash Flows						
<u>(Decrease)/Increase in operating liabilities</u>						
Other liabilities	(114,870)	(4,158)	(119,028)	(59,057)	(4,158)	(63,215)
Cash used in operating activities	(659,081)	(4,158)	(663,239)	(432,064)	(4,158)	(436,222)
Net cash used in operating activities	(697,895)	(4,158)	(702,053)	(452,886)	(4,158)	(457,044)
Net decrease in cash and cash equivalents	(1,624,456)	(4,158)	(1,628,614)	(894,223)	(4,158)	(898,381)
Cash and cash equivalents at beginning of the financial year	1,871,834	68,653	1,940,487	1,139,251	68,653	1,207,904
Cash and cash equivalents as at end of the financial year	247,378	64,495	311,873	245,028	64,495	309,523
Amount held on behalf of commissioned dealer's representatives	(64,495)	64,495	-	(64,495)	64,495	-

Affin Hwang Investment Bank Berhad

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Summary of material accounting policies for the financial year ended 31 December 2023 (continued)

A Basis of preparation (continued)

(c) 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 2023.

- 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).

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 noncurrent 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 annual reporting periods beginning on or after 1 January 2024 and shall be applied retrospectively.

- 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.

- Amendments to MFRS 121 'Lack of Exchangeability' (effective 1 January 2025) clarify that a currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations. If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot exchange rate at the measurement date.

The amendments do not specify how an entity estimates the spot exchange rate, but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective for estimating the spot exchange rate set out in the amendments.

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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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 Note E for the accounting policy 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.

Affin Hwang Investment Bank Berhad

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**Summary of material accounting policies
for the financial year ended 31 December 2023 (continued)**

B Consolidation (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) 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.

Affin Hwang Investment Bank Berhad

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**Summary of material accounting policies
for the financial year ended 31 December 2023 (Continued)**

B Consolidation (continued)

(d) 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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.

Property and equipment are depreciated on the straight-line basis to allocate the cost, to their residual value over their estimated useful life summarised as follows:

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 Note F for the accounting policy 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.

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Summary of material accounting policies for the financial year ended 31 December 2023 (Continued)

E Intangible assets (continued)

(a) Goodwill (continued)

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

(a) 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) 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:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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").

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

**Summary of material accounting policies
for the financial year ended 31 December 2023 (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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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 term, 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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 45 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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 debtor/issuer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- 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 debtor/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 judgemental 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

**Summary of material accounting policies
for the financial year ended 31 December 2023 (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 judgemental 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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).

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

**Summary of material accounting policies
for the financial year ended 31 December 2023 (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 29 April 2022, 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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 45). 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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 recognises the fair value of derivatives in income statements immediately.

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

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:

<u>Types</u>	<u>Criteria for classification of accounts as impaired</u>
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. An entity that applies a provision matrix using historical loss experience on its trade receivables and other financial assets, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions. 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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 as financial instruments at FVOCI 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.

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Summary of material accounting policies for the financial year ended 31 December 2023 (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.

(c) Long Term Incentive Plan ('LTIP')

The Bank's holding company, AFFIN Bank Berhad ("ABB") operates Long Term Incentive Plan ('LTIP') in the form of Share Grant Scheme ("SGS"), which is an equity-settled share-based payment arrangements with the Bank's employees as compensation for services provided by the employees. Equity-settled share-based payment arrangements entitle the employees to receive equity instruments of the holding company.

The cost of share-based payment arrangements with employees is measured by reference to the fair value of equity instruments on the date they are granted and recognised as an expense over the vesting period, with a corresponding credit to the equity as capital contribution. As the holding company recharges the Bank for the equity instruments granted, an intercompany charge payable to holding company is debited against the capital contribution. The vesting period is the period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

Fair value is determined by using market prices or appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. Vesting conditions include service conditions and performance conditions; any other features of a share-based payment arrangement are non-vesting conditions. Market performance conditions and non-vesting conditions are taken into account when estimating the fair value of equity instruments at the date of grant, so that an award is treated as vesting irrespective of whether the market performance condition or non-vesting condition is satisfied, provided all other vesting conditions are satisfied.

Vesting conditions, other than market performance conditions, are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions.

Where an award has been modified, as a minimum, the expense of the original award continues to be recognised as if it had not been modified. Where the effect of a modification is to increase the fair value of an award or increase the number of equity instruments, the incremental fair value of the award or incremental fair value of the extra equity instruments is recognised in addition to the expense of the original grant, measured at the date of modification, over the modified vesting period

A cancellation that occurs during the vesting period is treated as an acceleration of vesting, and recognised immediately for the amount that would otherwise have been recognised for services over the remaining vesting period.

Affin Hwang Investment Bank Berhad

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**Summary of material accounting policies
for the financial year ended 31 December 2023 (Continued)**

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 as approved by the Shariah Supervisory Council.

R Cash and short-term funds

Cash and short-term funds 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.

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.

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**Summary of material accounting policies
for the financial year ended 31 December 2023 (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.

Affin Hwang Investment Bank Berhad

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**Summary of material accounting policies
for the financial year ended 31 December 2023 (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 rate 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.

Rent concession

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.

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Summary of material accounting policies for the financial year ended 31 December 2023 (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, the effective interest rate is applied to the net carrying amount of the financial asset after deducting the loss allowance

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 and rollover fees. 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.

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Summary of material accounting policies for the financial year ended 31 December 2023 (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 financial 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.

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.

Affin Hwang Investment Bank Berhad

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Summary of material accounting policies for the financial year ended 31 December 2023 (Continued)

Z Critical accounting estimates and judgements

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.

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 45, 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 unprecedented economy on ECL

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented economy, overlays have been applied to determine a sufficient overall level of ECLs for the financial year ended and as at 31 December 2023.

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 in line with the Bank's annual credit plan

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 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.

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Notes to the financial statements for the financial year ended 31 December 2023

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, trustee services and nominee services.

The holding company of the Bank is Affin Bank Berhad (“ABB”), a public limited liability company incorporated and domiciled in Malaysia, and the significant shareholder 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 Level 19, Menara AFFIN, Lingkaran TRX, TRX Exchange, 55188, Kuala Lumpur, Malaysia.

2 Cash and short-term funds

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Cash and balances with banks and other financial institutions	197,636	262,893	195,596	260,943
Money at call and deposit placements maturing within one month	488,876	48,980	488,466	48,580
	<u>686,512</u>	<u>311,873</u>	<u>684,062</u>	<u>309,523</u>

Inclusive in cash and short-term funds of the Group and the Bank are trust accounts maintained for dealer's representatives amounting to RM64,818,024 (2022:RM64,495,000).

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****3 Financial assets at fair value through profit or loss (“FVTPL”)**

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
At fair value				
Quoted securities				
Unit trusts in Malaysia	1,257	1,207	-	-
Shares and warrants in Malaysia	89,123	34,631	89,123	34,631
Shares and warrants outside Malaysia	-	230	-	230
	<u>90,380</u>	<u>36,068</u>	<u>89,123</u>	<u>34,861</u>
Unquoted securities				
Corporate bonds and/or Sukuk in Malaysia	2	2	2	2
Corporate bonds and/or Sukuk outside Malaysia	16,454	-	16,454	-
	<u>16,456</u>	<u>2</u>	<u>16,456</u>	<u>2</u>
	<u>106,836</u>	<u>36,070</u>	<u>105,579</u>	<u>34,863</u>

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

	The Group and the Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
At fair value		
Money market instruments		
Malaysian government securities	1,055,875	797,643
Malaysian government islamic investment issues	1,362,482	1,090,216
Cagamas bonds	65,450	124,487
Khazanah bonds	-	9,797
	<u>2,483,807</u>	<u>2,022,143</u>
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia	1,902,608	1,529,443
Corporate bonds and/or Sukuk outside Malaysia	28,484	-
Shares in Malaysia *	24,759	23,915
	<u>4,439,658</u>	<u>3,575,501</u>

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

Included in the financial investments at FVOCI are Malaysian government islamic issue and Malaysian government securities, which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and the Bank amounting to RM 858,900,000 (2022: RM Nil).

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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	
	31.12.2023	31.12.2022
	RM'000	RM'000
Unquoted securities		
Shares in Malaysia:		
Cagamas Berhad	23,420	22,662
Malaysian Rating Corporation Berhad	1,339	1,253
RAM Holdings Berhad*	-	-
Total unquoted securities	24,759	23,915

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unquoted securities	24,759	23,915	190	190	-	-
	24,759	23,915	190	190	-	-

*In the preceding 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 in the preceding 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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 31.12.2023	12-month	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At beginning of the financial year	803	18,376	-	19,179
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)	(196)	196	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	(196)	196	-	-
Derecognised during the financial year (other than write-offs)	(69)	-	-	(69)
New financial assets originated or purchased	346	-	-	346
Changes due to change in credit risk	(803)	2,619	-	1,816
Changes due to change in model/risk parameters	(13)	(19)	-	(32)
At end of the financial year	68	21,172	-	21,240

The Group and the Bank 31.12.2022	12-month	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 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 financial assets 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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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 31.12.2023	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	not Credit	Credit	
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	3,450,924	100,662	-	3,551,586
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)	(51,028)	51,028	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	(51,028)	51,028	-	-
Derecognised during the financial year (other than write-offs)	(369,226)	-	-	(369,226)
New financial assets originated or purchased	1,175,929	-	-	1,175,929
Changes in interest accruals and accretion/amortisation	(21,661)	(4,999)	-	(26,660)
Changes due to change in fair value	82,217	854	-	83,071
Other adjustments:				
- Foreign exchange and other adjustments	199	-	-	199
At end of the financial year	4,267,354	147,545	-	4,414,899

The Group and the Bank 31.12.2022	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	not Credit	Credit	
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	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 financial assets originated or purchased	411,930	-	-	411,930
Changes in interest accruals and accretion/amortisation	(28,979)	(289)	-	(29,268)
Changes due to change in 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

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****5 Financial investments at amortised cost**

	The Group and the Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
At amortised cost		
Money market instruments		
Malaysian government islamic investment issues	149,318	139,361
Malaysian government securities	190,695	67,125
	<u>340,013</u>	<u>206,486</u>
Unquoted securities		
Corporate bonds and/or Sukuk in Malaysia	679,060	658,994
Corporate bonds and/or Sukuk outside Malaysia	37,786	15,016
Loan stocks in Malaysia	8,101	15,560
	<u>1,064,960</u>	<u>896,056</u>
Expected credit losses ("ECL")	<u>(8,410)</u>	<u>(16,409)</u>
	<u><u>1,056,550</u></u>	<u><u>879,647</u></u>

Included in the financial investments at amortised cost are Malaysian government securities, which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group and the Bank amounting to RM 10,000,000 (2022: RM Nil).

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

	Lifetime ECL			Total
	12-month ECL	not Credit Impaired	Lifetime ECL Credit Impaired	
The Group and the Bank	Stage 1	Stage 2	Stage 3	
31.12.2023	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	849	-	15,560	16,409
Derecognised during the financial year (other than write-offs)	(12)	-	(7,064)	(7,076)
New financial assets originated or purchased	82	-	-	82
Changes due to change in credit risk	(496)	-	-	(496)
Changes due to change in model/risk parameters	(114)	-	-	(114)
Other adjustments	-	-	(395)	(395)
At end of the financial year	<u>309</u>	<u>-</u>	<u>8,101</u>	<u>8,410</u>
The Group and the Bank	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Total
31.12.2022	Stage 1	Stage 2	Stage 3	RM'000
31.12.2022	RM'000	RM'000	RM'000	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 financial assets originated or purchased	472	-	-	472
Changes due to change in credit risk	347	-	-	347
Other adjustments	-	-	560	560
At end of the financial year	<u>849</u>	<u>-</u>	<u>15,560</u>	<u>16,409</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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	12-month ECL Stage 1 RM'000	Lifetime ECL	Lifetime ECL	Total RM'000
		not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
31.12.2023				
At beginning of the financial year	880,496	-	15,560	896,056
Derecognised during the financial year (other than write-offs)	(160,632)	-	(7,064)	(167,696)
New financial assets originated or purchased	332,859	-	-	332,859
Changes in interest accruals and accretion/amortisation	2,565	-	-	2,565
Other adjustments				
- Foreign exchange and other adjustments	1,571	-	(395)	1,176
At end of the financial year	<u>1,056,859</u>	<u>-</u>	<u>8,101</u>	<u>1,064,960</u>
The Group and the Bank	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
31.12.2022				
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 financial assets originated or purchased	867,741	-	-	867,741
Changes in interest accruals and accretion/amortisation	7,318	-	-	7,318
Other adjustments				
- Foreign exchange and other adjustments	(47)	-	560	513
At end of the financial year	<u>880,496</u>	<u>-</u>	<u>15,560</u>	<u>896,056</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****6 Loans and advances**

	The Group and the Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
(i) By type		
Term loans:		
- Syndicated term loans	41,163	99,255
- Other term loans	144,143	112,621
Revolving credits	189,339	224,142
Share margin financing	1,623,784	1,195,788
Staff loans	6,054	2,939
Gross loans and advances	2,004,483	1,634,745
Less: Expected credit losses	(50,703)	(64,740)
Total net loans and advances	1,953,780	1,570,005
(ii) By maturity structure		
Maturing within one year	1,808,939	1,444,483
One year to three years	71,699	31,796
Three years to five years	30,171	62,525
Over five years	93,674	95,941
	2,004,483	1,634,745
(iii) By type of customer		
Domestic business enterprises:		
- Small medium enterprises	63,388	7,864
- Others	387,726	453,578
Domestic non-bank financial institutions	363,246	279,052
Individuals	1,136,465	862,143
Foreign individuals	453	493
Foreign entities	53,205	31,615
	2,004,483	1,634,745
(iv) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loans	47,359	44,117
- Housing loans	5,046	1,596
- Hire purchase receivables	1,008	1,343
Variable rate		
- Cost plus	1,799,846	1,465,635
- BFR plus *	122,120	122,054
- Other floating rate	29,104	-
	2,004,483	1,634,745

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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****6 Loans and advances**

	The Group and the Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
(v) By economic sectors		
Household	1,136,917	862,636
Finance, insurance and business services	399,936	284,878
Real estate	149,932	116,242
Construction	193,993	214,904
Transport, storage and communication	54,645	83,337
Agriculture	18,274	28,428
Manufacturing	26,735	24,344
Wholesale, retail trade, hotels and restaurants	7,129	10,032
Education, health and others	16,335	7,808
Mining and quarrying	-	2,127
Electricity, gas and water supply	587	9
	<u>2,004,483</u>	<u>1,634,745</u>
(vi) By economic purpose		
Purchase of securities	1,675,076	1,263,083
Purchase of landed properties of which		
- Residential	5,046	1,596
- Non-residential	19,650	31,426
Working capital	68,706	76,050
Construction	12,613	30,332
Purchase of transport vehicles	25,109	35,008
Merger and acquisition	-	21,536
Others	198,283	175,714
	<u>2,004,483</u>	<u>1,634,745</u>
(vii) By geographical distribution		
Wilayah Persekutuan	1,335,149	994,692
Selangor	372,212	397,163
Johor	135,747	93,353
Sarawak	54,664	52,451
Pulau Pinang	31,310	26,769
Sabah	24,599	29,300
Terengganu	12,613	28,826
Perak	2,811	4,487
Kedah	3,961	4,872
Negeri Sembilan	2,313	2,832
Labuan	29,104	-
	<u>2,004,483</u>	<u>1,634,745</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****6 Loans and advances**

	The Group and the Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
(viii) Movements of impaired loans and advances		
At beginning of the financial year	78,325	82,528
Amount recovered	(10,398)	(11,981)
Interest on credit impaired loans and advances	3,361	7,778
At end of the financial year	<u>71,288</u>	<u>78,325</u>
Ratio of gross impaired loans and advances to gross loans and advances	<u>3.56%</u>	<u>4.79%</u>
(ix) Impaired loans and advances analysed by sector		
Construction	47,359	44,117
Real estate	23,929	27,971
Manufacturing	-	4,110
Mining and quarrying	-	2,127
	<u>71,288</u>	<u>78,325</u>
(x) Impaired loans and advances by economic purpose		
Working capital	47,359	48,227
Purchase of securities	18,032	21,856
Purchase of transport vehicles	-	2,127
Others	5,897	6,115
	<u>71,288</u>	<u>78,325</u>
(xi) Impaired loans and advances by geographical distribution		
Sarawak	47,359	44,117
Selangor	23,929	32,081
Wilayah Persekutuan	-	2,127
	<u>71,288</u>	<u>78,325</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****6 Loans and advances (continued)****(xii) Movement in expected credit losses for loans and advances**

The Group and the Bank	Lifetime ECL			Total
	12-month ECL	not Credit Impaired	Lifetime ECL Credit Impaired	
31.12.2023	Stage 1	Stage 2	Stage 3	RM'000
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	1,582	26,769	36,389	64,740
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)	(219)	219	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	(219)	219	-	-
Loans derecognised during the financial year (other than write-offs)	(205)	-	(3,172)	(3,377)
New loans originated or purchased	222	-	-	222
Changes due to change in credit risk	(165)	(9,362)	(4,256)	(13,783)
Changes due to change in model/risk parameters	(263)	(198)	-	(461)
Other adjustments:				
- Foreign exchange and other adjustments	1	-	3,361	3,362
At end of the financial year	953	17,428	32,322	50,703
The Group and the Bank	Lifetime ECL			Total
31.12.2022	12-month ECL	not Credit Impaired	Lifetime ECL Credit Impaired	
	Stage 1	Stage 2	Stage 3	RM'000
	RM'000	RM'000	RM'000	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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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 31.12.2023	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	not Credit	Credit	
	Stage 1	Impaired	Impaired	
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	1,497,059	59,361	78,325	1,634,745
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)	(23,534)	23,534	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	(23,534)	23,534	-	-
Loans derecognised during the financial year (other than write-offs)	(133,437)	-	(3,180)	(136,617)
New loans originated or purchased	1,023,354	-	-	1,023,354
Changes due to change in credit risk	(489,290)	(26,168)	(7,218)	(522,676)
Other adjustments				
- Foreign exchange and other adjustments	982	1,334	3,361	5,677
At end of the financial year	1,875,134	58,061	71,288	2,004,483

The Group and the Bank 31.12.2022	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	not Credit	Credit	
	Stage 1	Impaired	Impaired	
	RM'000	RM'000	RM'000	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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

7 Trade receivables

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Amounts due from clients:				
- performing accounts	337,519	376,714	337,519	376,714
- impaired accounts	114	941	114	941
Amounts due from brokers	33,648	26,855	33,648	26,855
Amount due from Bursa Securities Clearing Sdn. Bhd.	26,475	-	26,475	-
	<u>397,756</u>	<u>404,510</u>	<u>397,756</u>	<u>404,510</u>
Less: Expected credit losses ("ECL")	(223)	(756)	(223)	(756)
	<u>397,533</u>	<u>403,754</u>	<u>397,533</u>	<u>403,754</u>

Movements of impaired amounts due from clients:

	The Group and the Bank	
	31.12.2023 RM'000	31.12.2022 RM'000
At beginning of the financial year	941	942
Classified as impaired during the financial year	412	1,504
Amount recovered	(1,239)	(1,505)
At end of the financial year	<u>114</u>	<u>941</u>

Expected credit losses

	The Group 31.12.2023 RM'000
At beginning of the financial year	756
Allowance made	506
Amount written back	(1,039)
At end of the financial year	<u>223</u>

	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	<u>756</u>

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****7 Trade receivables (continued)**

	The Bank 31.12.2023 RM'000
Expected credit losses	
At beginning of the financial year	756
Allowance made	506
Amount written back	<u>(1,039)</u>
At end of the financial year	<u>223</u>
	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	<u>(3,601)</u>
At end of the financial year	<u>756</u>

8 Derivative financial assets

	The Group and the Bank			
	31.12.2023		31.12.2022	
	Principal amount RM'000	Assets RM'000	Principal amount RM'000	Assets RM'000
At fair value				
Foreign exchange related contracts				
- Currency forwards	555,466	10,847	410,274	7,488
- Currency swaps	6,439,778	117,182	2,700,132	82,981
- Cross currency interest rate swaps	<u>57,704</u>	<u>1,343</u>	<u>83,910</u>	<u>2,337</u>
	7,052,948	129,372	3,194,316	92,806
Interest rate related contracts				
- Interest rate swaps	<u>1,767,000</u>	<u>12,008</u>	<u>1,705,000</u>	<u>14,874</u>
	<u>8,819,948</u>	<u>141,380</u>	<u>4,899,316</u>	<u>107,680</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****9 Other assets**

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Other debtors, deposits and prepayments	22,343	23,171	22,000	23,011
Collaterals pledged for derivatives transactions	2,700	5,113	2,700	5,113
Securities lending	37,478	17,438	37,478	17,438
Clearing guarantee fund (a)	1,847	1,722	1,847	1,722
Clearing fund (b)	2,745	2,557	2,745	2,557
Transferable membership	250	250	250	250
	67,363	50,251	67,020	50,091
Less: Expected credit losses ("ECL")	(2,286)	(4,749)	(2,197)	(4,745)
	65,077	45,502	64,823	45,346

(a) Interest-bearing contributions made by the Bank amounted to RM1,847,000 (2022: RM1,722,000) 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 RM2,745,000 (2022: RM2,557,000) in accordance with the Business Rules of Bursa Malaysia Derivatives Clearing Berhad.

Movements of credit impaired accounts

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	4,757	4,107	4,753	4,100
Classified as impaired during the financial year	1,533	2,349	1,238	2,292
Amount recovered	(2,983)	(1,699)	(2,772)	(1,639)
Amount written off	(1,014)	-	(1,014)	-
At end of the financial year	2,293	4,757	2,205	4,753

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

9 Other assets (continued)

Movements in allowances for impairment on other assets:

	The Group 31.12.2023 RM'000
Expected credit losses	
At beginning of the financial year	4,749
Allowance made	1,576
Amount written back	(3,025)
Amount written off	(1,014)
At end of the financial year	2,286
	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 Bank 31.12.2023 RM'000
Expected credit losses	
At beginning of the financial year	4,745
Allowance made	1,270
Amount written back	(2,804)
Amount written off	(1,014)
At end of the financial year	2,197
	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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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 were allowed to use Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") to fully meet the SRR compliance. The flexibility was available until 31 December 2022.

11 Amounts due from subsidiaries

	The Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
Amounts due from subsidiaries	<u>654</u>	<u>308</u>

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

12 Investment in subsidiaries

	The Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
Cost		
At beginning of the financial year	5,310	126,521
Disposal of a subsidiary	-	(121,211)
At the end of the financial year	<u>5,310</u>	<u>5,310</u>
Less: Accumulated impairment losses		
At beginning of the financial year	3,516	-
Impaired during the financial year	-	3,516
At the end of the financial year	<u>3,516</u>	<u>3,516</u>
Net carrying value		
At the end of the financial year	<u>1,794</u>	<u>1,794</u>

(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 RM Nil (2022: RM3.5 million) 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****12 Investment in subsidiaries (continued)**

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

Name	Principal activities	Issued and paid up share capital		Percentage of equity held	
		31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 %	31.12.2022 %
Direct subsidiaries:					
Affin Hwang Nominees (Asing) Sdn. Bhd.	Nominee services	1,326	1,326	100	100
Affin Hwang Nominees (Tempatan) Sdn. Bhd.	Nominee services	1,331	1,331	100	100
AHC Global Sdn. Bhd.	Investment holdings	1,332	1,332	100	100
AHC Associates Sdn. Bhd.	Investment holdings	1,332	1,332	100	100
Affin Hwang Trustee Berhad (Note 12 (c))	Trustee services	6,500	6,500	100	100

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

	Percentage of equity held	
	31.12.2023 %	31.12.2022 %
<u>Held by the Bank -</u>		
Affin Hwang Investment Bank Berhad	20	20
<u>Held by subsidiaries of the Bank -</u>		
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.

Details of subsidiaries that have material non-controlling interests:

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

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interest		Profit allocated to non- controlling interest		Accumulated non- controlling interest	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	%	%	RM'000	RM'000	RM'000	RM'000
AHAM **	**	**	-	24,964	**	**

** 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

13 Investment in associates

	The Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
Cost		
At beginning of the financial year	<u>1,332</u>	1,332
At the end of the financial year	<u>1,332</u>	<u>1,332</u>
Less: Accumulated impairment losses		
At beginning of the financial year	960	-
Impaired during the financial year (a)	<u>-</u>	960
At the end of the financial year	<u>960</u>	<u>960</u>
Net carrying value		
At the end of the financial year	<u>372</u>	<u>372</u>

(a) Recoverable amount is tested annually or more frequently if events, or changes in circumstances indicate that impairment might be required. 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 indicated no impairment loss for the financial year ended 2023.

In the preceding financial year, impairment losses of RM 0.96 million was recognised for investment in Affin Hwang Trustee Berhad.

(b) Information about associates:

The Bank Name	Principal activities	Issued and paid up share capital		Percentage of equity held	
		2023	2022	2023	2022
		RM'000	RM'000	%	%
Affin Hwang Trustee Berhad ("AHTB") #	Provision of trustee services	6,500	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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	<u>27,652</u>	63,302	<u>27,652</u>	63,302
	<u>27,652</u>	<u>63,302</u>	<u>27,652</u>	<u>63,302</u>
Deferred tax assets:				
- to be recovered in more than 12 months	27,047	47,930	27,047	47,930
- to be recovered within 12 months	26,704	24,547	26,704	24,547
Deferred tax liabilities:				
- to be recovered in more than 12 months	(9,683)	(8,238)	(9,683)	(8,238)
- to be recovered within 12 months	(16,416)	(937)	(16,416)	(937)
	<u>27,652</u>	<u>63,302</u>	<u>27,652</u>	<u>63,302</u>

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**Notes to the financial statements
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14 Deferred tax assets (continued)

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

The Group 31.12.2023	Note	Property and Intangible assets RM'000	Right-of-use assets RM'000	Lease liabilities RM'000	Loans and advances RM'000	Financial investments at amortised cost RM'000	Other liabilities RM'000	Foreign exchange translation gain RM'000	Unutilised business tax losses and allowances RM'000	Financial investments at FVOCI RM'000	Total RM'000
At beginning of the financial year		(474)	(954)	4,040	3,097	140	24,997	(4,260)	-	40,006	63,302
Recognised in income statements		(44)	115	751	(1,094)	(122)	1,051	(16,146)	-	159	(15,713)
Recognised in statements of other comprehensive income	36	-	-	-	-	-	-	-	-	(19,937)	(19,937)
At end of the financial year		(518)	(839)	4,791	2,003	18	26,048	(20,406)	-	20,228	27,652
The Group 31.12.2022		(1,952)	(154)	909	2,432	(32)	65,644	(4,074)	334	27,178	89,557
At beginning of the financial year		(1,952)	(154)	909	2,432	(32)	65,644	(4,074)	334	27,178	89,557
Recognised in income statements		376	25	3,131	665	172	(18,021)	(2,273)	(325)	21	(18,791)
- tax rate of 24%	36	(14)	(17)	-	-	-	(5,567)	(52)	-	(25)	(5,675)
Recognised in statements of other comprehensive income	36	-	-	-	-	-	-	-	-	12,832	12,832
Disposal of a subsidiary		1,116	(808)	-	-	-	(17,059)	2,139	(9)	-	(14,621)
At end of the financial year		(474)	(954)	4,040	3,097	140	24,997	(4,260)	-	40,006	63,302

* The average tax rate was the expected rate 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

14 Deferred tax assets (continued)

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

The Bank 31.12.2023	Note	Property and assets RM'000	Intangible assets RM'000	Right-of-use assets RM'000	Lease liabilities RM'000	Loans and advances RM'000	Financial investments at amortised cost RM'000	Other liabilities RM'000	Foreign exchange translation gain RM'000	Financial investments at FVOCI RM'000	Total RM'000
At beginning of the financial year		(474)	(954)	(3,290)	4,040	3,097	140	24,997	(4,260)	40,006	63,302
Recognised in income statements: - tax rate of 24%	36	(44)	115	(383)	751	(1,094)	(122)	1,051	(16,146)	159	(15,713)
Recognised in statements of other comprehensive income		-	-	-	-	-	-	-	-	(19,937)	(19,937)
At end of the financial year		(518)	(839)	(3,673)	4,791	2,003	18	26,048	(20,406)	20,228	27,652
The Bank 31.12.2022		(731)	(927)	(728)	909	2,432	(32)	40,093	(2,334)	27,178	65,860
At beginning of the financial year		(731)	(927)	(728)	909	2,432	(32)	40,093	(2,334)	27,178	65,860
Recognised in income statements: - tax rate of 24%	36	271	(10)	(2,562)	3,131	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		(474)	(954)	(3,290)	4,040	3,097	140	24,997	(4,260)	40,006	63,302

* The average tax rate was the expected rate 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****15 Property and equipment**

The Group		Office equipment & furniture	Motor vehicles	Computer equipment	Total
31.12.2023	Renovations RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
At beginning of the financial year	21,537	6,749	1,443	45,212	74,941
Additions	4,271	154	132	1,205	5,762
Disposals	-	(7)	-	(157)	(164)
Write-offs	(248)	-	-	-	(248)
At end of the financial year	25,560	6,896	1,575	46,260	80,291
Less: Accumulated depreciation					
At beginning of the financial year	20,477	6,246	989	40,535	68,247
Charge for the financial year	369	179	163	1,808	2,519
Disposals	-	(7)	-	(157)	(164)
Write-offs	(248)	-	-	-	(248)
At end of the financial year	20,598	6,418	1,152	42,186	70,354
Net book value					
At end of the financial year	4,962	478	423	4,074	9,937
The Group					
31.12.2022					
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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****15 Property and equipment (continued)**

The Bank		Office equipment & furniture	Motor vehicles	Computer equipment	Total
31.12.2023	Renovations RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
At beginning of the financial year	21,291	6,732	1,214	45,162	74,399
Additions	4,271	154	132	1,205	5,762
Disposals	-	(7)	-	(157)	(164)
At end of the financial year	25,562	6,879	1,346	46,210	79,997
Less: Accumulated depreciation					
At beginning of the financial year	20,229	6,231	760	40,493	67,713
Charge for the financial year	369	177	163	1,807	2,516
Disposals	-	(7)	-	(157)	(164)
At end of the financial year	20,598	6,401	923	42,143	70,065
Net book value					
At end of the financial year	4,964	478	423	4,067	9,932
The Bank					
31.12.2022					
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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

16 Intangible assets

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Goodwill on consolidation (a)	253,341	253,341	253,341	253,341
Intangible assets (b):				
- Merchant bank licence	52,500	52,500	52,500	52,500
- Computer software licence	1,480	1,947	1,444	1,861
	<u>307,321</u>	<u>307,788</u>	<u>307,285</u>	<u>307,702</u>

(a) Goodwill on consolidation

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Cost				
At beginning of the financial year	280,609	284,211	280,609	280,609
Disposal of a subsidiary	-	(3,602)	-	-
At end of the financial year	<u>280,609</u>	<u>280,609</u>	<u>280,609</u>	<u>280,609</u>
Less: Accumulated impairment losses				
At beginning of the financial year	27,268	20,200	27,268	20,200
Impairment made during the financial year	-	7,068	-	7,068
At end of the financial year	<u>27,268</u>	<u>27,268</u>	<u>27,268</u>	<u>27,268</u>
Net book value				
At end of the financial year	<u>253,341</u>	<u>253,341</u>	<u>253,341</u>	<u>253,341</u>

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

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
CGU				
Investment Banking ("IB")	17	17	17	17
Treasury & Markets ("T&M")	90,261	90,261	90,261	90,261
Stockbroking ("SB")	163,063	163,063	163,063	163,063
	<u>253,341</u>	<u>253,341</u>	<u>253,341</u>	<u>253,341</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

16 Intangible assets (continued)

(a) Goodwill on consolidation (continued)

(i) 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 (2022: five-year) period, revised to account for economic conditions. Cash flows beyond the fifth-year period are assumed to grow at 4.50% (2022: 3.70%) 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 years ended 31 December 2022 and 31 December 2023 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. Four scenarios have been adopted to represent the possible outcomes, namely the aspirational case scenario, stretched case scenario, base case scenario and the worst case scenario, where probability weightage are assigned to these scenarios. Management believes that the probability weightage provides a reasonable assesment of the likelihood of the scenarios. The discount rate used are pre-tax and reflects specific risk relating to the relevant CGUs.

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

	Discount rate		Terminal Growth rate	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	%	%	%	%
Investment Banking	9.50	10.06	4.50	3.70
Treasury & Markets	9.49	10.09	4.50	3.70
Stockbroking	9.23	9.75	4.50	3.70

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Notes to the financial statements for the financial year ended 31 December 2023 (continued)

16 Intangible assets (continued)

(a) Goodwill on consolidation (continued)

(i) Goodwill impairment assessment (continued)

Current Financial Year

Management believes that no reasonable possible change in any of the key assumptions would cause the carrying value of the CGU to exceed its recoverable amount. Accordingly, no goodwill & other intangible assets (merchant bank licence) impairment has been recognised for the year.

Preceding Financial Year

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 licence (Refer to Note 16(b)).

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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****16 Intangible assets (continued)****(b) Intangible assets**

The Group	Merchant bank licence RM'000	Computer software RM'000	Total RM'000
31.12.2023			
Cost			
At beginning of the financial year	52,500	20,880	73,380
Additions	-	359	359
At end of the financial year	52,500	21,239	73,739
Accumulated amortisation			
At beginning of the financial year	-	18,933	18,933
Amortised during the financial year	-	826	826
At end of the financial year	-	19,759	19,759
Net carrying value			
At end of the financial year	52,500	1,480	53,980
	Merchant bank licence RM'000	Computer software RM'000	Total RM'000
The Group			
31.12.2022			
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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****16 Intangible assets (continued)****(b) Intangible assets (continued)**

The Bank	Merchant bank licence RM'000	Computer software RM'000	Total RM'000
31.12.2023			
Cost			
At beginning of the financial year	52,500	20,624	73,124
Additions	-	359	359
At end of the financial year	52,500	20,983	73,483
Accumulated amortisation			
At beginning of the financial year	-	18,763	18,763
Amortised during the financial year	-	776	776
At end of the financial year	-	19,539	19,539
Net carrying value			
At end of the financial year	52,500	1,444	53,944
The Bank	Merchant bank licence RM'000	Computer software RM'000	Total RM'000
31.12.2022			
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 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****17 Right-Of-Use Assets**

The Group	Properties	Equipment	Total
31.12.2023	RM'000	RM'000	RM'000
Cost			
At beginning of the financial year	24,354	1,421	25,775
Modification	3,141	-	3,141
Additions	5,661	-	5,661
End of lease term	(8,817)	-	(8,817)
At end of the financial year	<u>24,339</u>	<u>1,421</u>	<u>25,760</u>
Less: Accumulated depreciation			
At beginning of the financial year	11,964	104	12,068
Charge for the financial year	6,923	284	7,207
End of lease term	(8,817)	-	(8,817)
At end of the financial year	<u>10,070</u>	<u>388</u>	<u>10,458</u>
Net book value at end of the financial year	<u>14,269</u>	<u>1,033</u>	<u>15,302</u>
The Group	Properties	Equipment	Total
31.12.2022	RM'000	RM'000	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
Disposal of a subsidiary	(16,909)	-	(16,909)
End of lease term	(3,312)	(1,449)	(4,761)
At end of the financial year	<u>24,354</u>	<u>1,421</u>	<u>25,775</u>
Less: Accumulated depreciation			
At beginning of the financial year	22,744	617	23,361
Charge for the financial year	8,077	270	8,347
Disposal of a subsidiary	(16,909)	-	(16,909)
End of lease term	(1,948)	(783)	(2,731)
At end of the financial year	<u>11,964</u>	<u>104</u>	<u>12,068</u>
Net book value at end of the financial year	<u>12,390</u>	<u>1,317</u>	<u>13,707</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****17 Right-Of-Use Assets (continued)**

The Bank 31.12.2023	Properties RM'000	Equipment RM'000	Total RM'000
Cost			
At beginning of the financial year	24,354	1,421	25,775
Modification	3,141	-	3,141
Addition	5,661	-	5,661
End of lease term	(8,817)	-	(8,817)
At end of the financial year	<u>24,339</u>	<u>1,421</u>	<u>25,760</u>
Less: Accumulated depreciation			
At beginning of the financial year	11,964	104	12,068
Charge for the financial year	6,923	284	7,207
End of lease term	(8,817)	-	(8,817)
At end of the financial year	<u>10,070</u>	<u>388</u>	<u>10,458</u>
Net book value at end of the financial year	<u>14,269</u>	<u>1,033</u>	<u>15,302</u>
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	<u>24,354</u>	<u>1,421</u>	<u>25,775</u>
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	<u>11,964</u>	<u>104</u>	<u>12,068</u>
Net book value at end of the financial year	<u>12,390</u>	<u>1,317</u>	<u>13,707</u>

18 Deposits from customers

	The Group and the Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
(i) By type of deposit		
Fixed deposits	3,777,394	3,672,556
Negotiable instrument of deposits	1,004,305	754,595
Other deposits	19,794	97,976
	<u>4,801,493</u>	<u>4,525,127</u>
(ii) By maturity structure		
Due within six months	3,921,919	4,246,452
Six months to one year	326,359	266,554
One year to three years	553,215	12,121
	<u>4,801,493</u>	<u>4,525,127</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****18 Deposits from customers (continued)**

	The Group and the Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
(iii) By type of customer		
Domestic non-banking financial institutions	2,326,611	1,871,572
Domestic banking institutions	1,004,305	754,595
Business enterprises	1,107,866	1,304,897
Government and statutory bodies	308,574	503,031
Individuals	39,514	68,575
Foreign entities	7,294	11,410
Other entities	7,329	11,047
	4,801,493	4,525,127

19 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31.12.2023	31.12.2022
	RM'000	RM'000
Licensed banks	1,376,318	549,496
Licensed investment banks	168,851	160,024
	1,545,169	709,520

20 Trade payables

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Amount due to clients	174,921	132,889	174,921	132,889
Amount due to brokers	39,179	105,246	39,179	105,246
Amount due to Bursa Securities Clearing Sdn. Bhd.	-	100,732	-	100,732
	214,100	338,867	214,100	338,867

Trade payables include amount payable under outstanding contracts from the stock and share broking activities. The credit terms of amounts due to creditors range from 1 to 30 days (2022: 1 to 30 days).

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****21 Derivatives financial liabilities**

	The Group and the Bank			
	31.12.2023		31.12.2022	
	Principal amount RM'000	Liabilities RM'000	Principal amount RM'000	Liabilities RM'000
At fair value				
Foreign exchange related contracts				
- Currency forwards	1,814,552	37,584	2,558,340	76,378
- Currency swaps	2,898,307	30,265	590,883	13,100
- Cross currency interest rate swaps	57,704	1,216	61,937	2,154
	<u>4,770,563</u>	<u>69,065</u>	<u>3,211,160</u>	<u>91,632</u>
Interest rate related contracts				
- Interest rate swaps	1,415,000	10,713	1,395,000	11,242
Equity related contracts				
- Structured warrants	16,910	2,562	-	-
	<u>6,202,473</u>	<u>82,340</u>	<u>4,606,160</u>	<u>102,874</u>

22 Lease Liabilities

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
At beginning of the financial year	14,459	6,574	14,459	3,139
Modification	2,812	(44)	2,812	-
Additions	5,661	16,188	5,661	15,235
Interest expense	602	431	602	328
Lease payment	(6,322)	(6,532)	(6,322)	(4,243)
Disposal of a subsidiary	-	(2,158)	-	-
At end of the financial year	<u>17,212</u>	<u>14,459</u>	<u>17,212</u>	<u>14,459</u>

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	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Lease liabilities recognised (discounted)	17,212	14,459	17,212	14,459
Potential future lease payments not included in lease liabilities (undiscounted):				
Payable in 2023	-	-	-	-
Payable in 2024 to 2028	23,617	11,550	23,617	11,550
Payable in 2028 to 2032	-	-	-	-
	<u>40,829</u>	<u>26,009</u>	<u>40,829</u>	<u>26,009</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****23 Other liabilities**

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Commissioned dealer's representatives trust balances	64,818	64,495	64,818	64,495
Amounts payable to commissioned and salaried dealer's representatives	58,775	62,788	58,775	62,788
Accrued employee benefit	33,122	31,218	32,896	31,146
Securities borrowing	151,709	71,962	151,709	71,962
Other creditors and accruals	53,114	49,782	52,051	48,425
Collaterals pledged for derivatives transactions	85,846	28,131	85,846	28,131
	<u>447,384</u>	<u>308,376</u>	<u>446,095</u>	<u>306,947</u>
Add: Expected credit loss - loan commitments and financial guarantees (a)	18,063	17,994	18,063	17,994
	<u>465,447</u>	<u>326,370</u>	<u>464,158</u>	<u>324,941</u>

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

The Group and the Bank 31.12.2023	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	69	-	17,925
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)	(52)	52	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Total transfer between stages	(52)	52	-	-
New loan commitments/financial guarantees issued	181	-	-	181
Changes due to change in credit risk	(197)	378	(164)	17
Changes due to changes in model/risk parameters	-	(129)	-	(129)
At end of the financial year	<u>1</u>	<u>301</u>	<u>17,761</u>	<u>18,063</u>

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
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	<u>69</u>	<u>-</u>	<u>17,925</u>	<u>17,994</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****24 Share capital**

	Number of ordinary shares		The Group and the Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	'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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
FVOCI revaluation reserves (a)	(26,516)	(92,555)	(26,516)	(92,555)
Regulatory reserves (b)	20,728	16,709	20,728	16,709
Retained profits (c)	428,718	513,272	428,723	513,268
	422,930	437,426	422,935	437,422

- (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 29 April 2022, 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) As at 31 December 2023, the Bank has sufficient tax exempt account balances to pay tax exempt dividends of RM7,741,391 (2022: RM7,740,338) 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****26 Interest income**

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Loans and advances	109,537	68,487	109,537	68,487
Money at call and deposit placements with financial institutions	23,816	26,863	23,786	26,836
Financial investments at FVOCI	124,544	109,627	124,544	109,627
Financial investments at amortised cost	44,318	19,640	44,318	19,640
Others	6,000	4,081	6,000	4,081
	<u>308,215</u>	<u>228,698</u>	<u>308,185</u>	<u>228,671</u>
of which:				
Interest income earned on impaired loans and advances	1,845	2,021	1,845	2,021

27 Interest expense

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	183,050	123,694	183,050	123,694
Deposits and placements of banks and other financial institutions	35,723	14,152	35,723	14,152
Obligations on securities sold under repurchase agreements	15,994	259	15,994	259
Lease liabilities	602	328	602	328
Others	8,232	1,394	8,232	1,394
	<u>243,601</u>	<u>139,827</u>	<u>243,601</u>	<u>139,827</u>

28 Fee and commission income

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Net brokerage income	48,344	56,865	48,344	56,865
Corporate advisory fees	4,806	5,554	4,806	5,554
Loan related fees	14,163	10,251	14,163	10,251
Underwriting commissions	647	370	647	370
Arrangement fees	2,173	3,958	2,173	3,958
Placement fees	2,315	656	2,315	656
Others	10,412	7,093	9,170	5,668
	<u>82,860</u>	<u>84,747</u>	<u>81,618</u>	<u>83,322</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****29 Net gains and losses on financial instruments**

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Gains arising on financial assets at FVTPL:				
- net gains on disposal	28,505	20,168	28,505	20,171
- unrealised gain	11,580	3,494	11,568	3,493
- gross dividend income	1,375	4,374	1,375	4,346
- interest income	25,254	17,627	25,216	17,627
Gains/(Losses) on derivatives instruments:				
- net gains/(losses) on disposal	9,650	(3)	9,650	(3)
- unrealised losses	(1,947)	(2,432)	(1,947)	(2,432)
- interest income	10,925	17,192	10,925	17,192
- interest expense	(8,693)	(14,217)	(8,693)	(14,217)
Gains arising on financial investments at FVOCI:				
- net gain on disposal	1,751	2,417	1,751	2,417
- gross dividend income	190	190	190	190
	78,590	48,810	78,540	48,784

30 Other operating income

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Realised foreign exchange losses	(52,906)	(2,758)	(52,906)	(2,758)
Unrealised foreign exchange gains	67,275	7,809	67,275	7,809
Gain on disposal of property and equipment	1	407	1	407
Gross dividend income from subsidiary	-	-	-	63,000
Gain of disposal of a subsidiary *	-	-	-	1,270,024
Others	202	649	202	914
	14,572	6,107	14,572	1,339,396

* During the previous 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****31 Other operating expenses**

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	69,179	86,680	68,312	85,780
Defined contribution plan	11,297	14,025	11,150	13,878
Other personnel costs	11,264	10,378	11,328	10,229
	<u>91,740</u>	<u>111,083</u>	<u>90,790</u>	<u>109,887</u>
Establishment cost				
Rental of premises and equipment	5,242	4,140	5,197	4,039
Repair and maintenance	8,727	6,906	8,673	6,782
Amortisation of intangible assets	826	914	776	825
Depreciation of property and equipment	2,519	3,189	2,516	3,025
Depreciation – ROU	7,207	6,263	7,207	6,263
Electricity, water and sewerage	1,323	1,448	1,322	1,447
Insurance and indemnities	914	1,037	914	1,037
Others	4	-	4	-
	<u>26,762</u>	<u>23,897</u>	<u>26,609</u>	<u>23,418</u>
Marketing expenses				
Business promotion and advertisement	913	1,365	913	1,365
Entertainment	398	377	398	374
Travelling and accommodation	558	134	557	132
Brokerage expenses	728	501	693	420
	<u>2,597</u>	<u>2,377</u>	<u>2,561</u>	<u>2,291</u>
Administration and general expenses				
Directors' remuneration (Note 34)	2,464	2,700	2,464	2,700
Subscription fees	9,998	8,755	9,966	8,735
Telecommunication expenses	5,588	7,311	5,585	7,287
Professional fees	8,133	1,748	8,090	1,750
Auditors' remuneration	966	643	897	580
Property and equipment written off	-	19	-	-
Management fees #	22,362	5,800	22,362	5,800
Others	2,806	2,873	2,856	2,910
	<u>52,317</u>	<u>29,849</u>	<u>52,220</u>	<u>29,762</u>
*Professional and legal fees for the divestment of a subsidiary	-	-	-	16,938
Total other operating expenses	<u>173,416</u>	<u>167,206</u>	<u>172,180</u>	<u>182,296</u>

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, Treasury & Markets effective from 1 October 2022, and Customer Service Unit (Retail Business, Securities) effective from 1 April 2023.

* 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****31 Other operating expenses (continued)**

The expenditure includes the following statutory disclosure:

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Directors' remuneration (Note 34)	2,464	2,700	2,464	2,700
Auditors' remuneration:				
(i) Statutory audit fees	611	509	581	480
(ii) Regulatory related fees	262	57	262	57
(iii) Tax fees	45	44	30	28
(iv) Non-audit fees	48	33	24	15

32 Write-back of credit impairment losses on financial assets

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Expected credit losses (made)/written-back on:				
- loans and advances	17,398	(861)	17,398	(861)
- trade receivables	533	544	533	544
- financial investments	5,543	(637)	5,543	(637)
- deposits and placements with financial institutions	-	4	-	4
- other assets	1,449	(710)	1,534	(715)
- loan commitments and financial guarantees	(69)	1,932	(69)	1,932
Bad debts recovered	425	666	425	666
Bad debts written off	(5)	-	-	-
	25,274	938	25,364	933

33 Impairment losses on non-financial assets

	The Group		The Bank	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Impairment losses made on:				
- goodwill	-	7,068	-	7,068
- investment in subsidiaries	-	-	-	3,516
- investment in associates	-	-	-	960
	-	7,068	-	11,544

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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

En Nurjesmi Mohd Nashir (*appointed w.e.f. 1 June 2023*)

Executive Director

Datuk Wan Razly Abdullah bin Wan Ali

Non-Executive Directors

Tunku Afwida binti Tunku A.Malek

Mr Eugene Hon Kah Weng

Encik Hasli bin Hashim

Dato' Abdul Wahab Abu Bakar

Ms Kong Yuen Ling

Ms Tracy Ong Guat Kee (*appointed w.e.f. 18 May 2023*)

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

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer				
Fixed and non-deferred remuneration				
- Salary and other emoluments	1,300	1,465	1,300	1,465
- Benefits-in-kind	-	18	-	18
Variable and non-deferred remuneration				
- Bonus	-	813	-	813
- Benefits-in-kind	26	-	26	-
	<u>1,326</u>	<u>2,296</u>	<u>1,326</u>	<u>2,296</u>
* Executive Director				
Fixed and non-deferred remuneration				
- Fees	145	139	145	139
- Other emoluments	38	45	38	45
	<u>183</u>	<u>184</u>	<u>183</u>	<u>184</u>
Non-Executive Directors				
Fixed and non-deferred remuneration				
- Fees	1,356	1,387	1,356	1,387
- Other emoluments	713	893	713	893
- Benefits-in-kind	108	108	108	108
Variable and non-deferred remuneration				
- Benefits-in-kind	104	128	104	128
Directors' remuneration	<u>2,281</u>	<u>2,516</u>	<u>2,281</u>	<u>2,516</u>
	<u>3,790</u>	<u>4,996</u>	<u>3,790</u>	<u>4,996</u>
Directors of subsidiaries **	-	1,049	-	-
Total Directors' remuneration	<u>3,790</u>	<u>6,045</u>	<u>3,790</u>	<u>4,996</u>

* All fees are paid to Affin Bank Berhad.

** up to the date of divestment of AHAM.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

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 2023 to 18 April 2024. Total premium paid for the D&O Insurance for financial year 2023 is RM195,654 (2022: RM186,337). 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 2023, the total amount of premium paid for the CCPI Insurance by the Group and the Bank amounted to RM878,991 (2022: RM1,057,145 (Group) and RM913,540 (Bank)) 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 RM182,500 for services provided by Datuk Wan Razly Abdullah bin Wan Ali during the financial year 2023 (2022: RM184,532).

Details of remuneration of the Group are as follows:

The Group

31.12.2023

	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							
En Nurjesmi Mohd Nashir	770	-	530	-	-	26	1,326
	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 Director²							
Datuk Wan Razly Abdullah bin Wan Ali	-	145	38	-	-	-	183
Non-Executive Directors							
Tunku Afwida binti Tunku A.Malek	-	230	70	108	-	20	428
Mr Eugene Hon Kah Weng	-	247	145	-	-	14	406
Encik Hasli bin Hashim	-	292	202	-	-	31	525
Dato' Abdul Wahab Abu Bakar	-	250	132	-	-	27	409
Ms Tracy Ong Guat Kee	-	122	72	-	-	8	202
Ms Kong Yuen Ling ³	-	215	92	-	-	4	311
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	-	-	-	-	-	-
Total	-	1,356	713	108	-	104	2,281
Grand Total	770	1,501	1,281	108	-	130	3,790

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

2) Director fees amounting to RM182,500 are paid to ABB.

3) Director fees amounting to RM307,450 are paid to BEA.

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****34 Chief Executive Officer and Directors' remuneration (continued)**

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

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	-	139	45	-	-	-	184
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	-	210	102	-	-	4	316
Datuk Noor Azian binti Shaari	-	197	221	38	-	77	533
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	-	-	-	-	-	-
Total	-	1,387	893	108	-	128	2,516
Grand Total	1,150	1,526	1,253	126	813	128	4,996

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.

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****34 Chief Executive Officer and Directors' remuneration (continued)**

Details of remuneration of the Bank are as follows:

The Bank**31.12.2023**

	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							
En Nurjesmi Mohd Nashir	770	-	530	-	-	26	1,326
	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 Director²							
Datuk Wan Razly Abdullah bin Wan Ali	-	145	38	-	-	-	183
Non-Executive Directors							
Tunku Afwida binti Tunku A.Malek	-	230	70	108	-	20	428
Mr Eugene Hon Kah Weng	-	247	145	-	-	14	406
Encik Hasli bin Hashim	-	292	202	-	-	31	525
Dato' Abdul Wahab Abu Bakar	-	250	132	-	-	27	409
Ms Tracy Ong Guat Kee	-	122	72	-	-	8	202
Ms Kong Yuen Ling ³	-	215	92	-	-	4	311
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	-	-	-	-	-	-
Total	-	1,356	713	108	-	104	2,281
Grand Total	770	1,501	1,281	108	-	130	3,790

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

2) Director fees amounting to RM182,500 are paid to ABB.

3) Director fees amounting to RM307,450 are paid to BEA.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****34 Chief Executive Officer and Directors' remuneration (continued)**

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

The Bank
31.12.2022

	Fixed and non-deferred remuneration				Variable and non-deferred remuneration		Total RM'000
	Salaries RM'000	Directors'	Other	Benefits- in-kind RM'000	Bonuses RM'000	Benefits-	
		Fees RM'000	emoluments ¹ RM'000			in-kind RM'000	
Chief Executive Officer ² Dato' Mona Suraya binti Kamaruddin	1,150	-	315	18	813	-	2,296
Executive Director ³ Datuk Wan Razly Abdullah bin Wan Ali	-	139	45	-	-	-	184
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	-	210	102	-	-	4	316
Datuk Noor Azian binti Shaari	-	197	221	38	-	77	533
Allayarham Dato' Mohd Ali bin Mohd Tahir	-	-	-	-	-	-	-
Total	-	1,387	893	108	-	128	2,516
Grand Total	1,150	1,526	1,253	126	813	128	4,996

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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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”)	Substantial shareholder, which is a 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 substantial shareholder
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.

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Notes to the financial statements for the financial year ended 31 December 2023 (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

	Substantial Shareholder		Holding Company		Other Related Parties *	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
The Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income						
Interest on deposits & interbank placements	-	-	18,434	17,952	302	-
Interest on financial investments at FVOCI	-	-	-	-	5,900	5,900
Interest on loans and advances	-	-	-	-	2,526	2,536
Brokerage income	428	197	-	-	415	6
Management fee income	-	68	-	-	-	3,361
Corporate advisory fees	-	-	110	616	-	-
Agency fees	-	-	60	60	330	330
Other fee income	141	139	250	250	535	38
Other income	-	-	-	-	1	508
Net gain arising from disposal of financial instruments	1	15	336	51	926	134
Realised gain/(loss) on foreign exchange for derivatives instruments	-	-	(102,495)	(7,159)	8	6
	570	419	(83,305)	11,770	10,943	12,819
Expenses						
Rental of premises	-	-	76	94	3,615	6,452
Interest expense on derivatives	-	-	263	-	-	-
Interest expense on deposits	818	205	51,887	25,367	6,240	6,841
Travel services	-	-	-	-	190	145
Securities borrowing and lending fees	707	98	-	-	-	-
Advisory fee expense	-	-	-	-	-	1,073
Commission and referral expense	-	-	-	628	-	-
Management fee expense	-	-	22,362	5,835	-	2,125
Dividend paid	-	-	-	-	-	27,000
External manager fee	-	-	-	-	-	472
MFRS 16 lease rental expenses	-	-	5,515	1,904	-	-
Other expenses	-	-	215	239	226	342
	1,525	303	80,318	34,067	10,271	44,450

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

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Notes to the financial statements for the financial year ended 31 December 2023 (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

	Substantial Shareholder		Holding Company		Other Related Parties *	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group						
Amounts due to						
Deposits from customers	33,179	15,602	1,004,305	754,595	135,323	244,155
Deposits and placements of banks and other financial institutions	-	-	1,331,302	319,461	-	-
Other liabilities	-	23,206	62,665	5,855	249	285
Lease liabilities	-	-	10,803	11,275	-	-
	33,179	38,808	2,409,075	1,091,186	135,572	244,440
Amounts due from						
Cash and short-term funds	-	-	302,008	51,138	100,379	-
Loans and advances	-	-	-	-	35,891	47,541
Refundable deposits	-	-	1,860	-	1,152	1,152
Right-of-use assets	-	-	10,156	10,196	-	-
Advisory and management fee receivable	-	-	-	-	-	159
Financial investments	-	-	-	-	136,783	100,661
Derivative Financial Assets	-	-	12,287	-	-	-
	-	-	326,311	61,334	274,205	149,513
Commitments and contingencies						
Foreign exchange related contracts	-	-	2,894,364	-	-	-
Irrevocable commitments to extend credit	-	-	-	-	268	-
	-	-	2,894,364	-	268	-

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

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Notes to the financial statements for the financial year ended 31 December 2023 (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

	Substantial Shareholder		Holding Company		Subsidiaries		Other Related Parties *	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income								
Interest on deposits & interbank placements	-	-	18,404	17,373	-	-	302	-
Interest on financial investments at FVOCI	-	-	-	-	-	-	5,900	5,900
Interest on loans and advances	-	-	-	-	-	-	2,526	2,536
Brokerage income	428	197	-	-	-	-	415	6
Management fee income	-	-	-	-	-	116	-	-
Corporate advisory fees	-	-	110	616	-	-	-	-
Agency fees	-	-	60	60	-	-	330	330
Other fee income	141	20	250	250	-	1	535	38
Realised gain/(loss) on foreign exchange for derivatives instruments	-	-	(102,495)	(7,159)	-	-	8	6
Net gain arising from disposal of financial instruments	1	15	336	51	-	-	926	134
Gross dividend income - subsidiaries	-	-	-	-	-	63,000	-	-
Other income	-	-	-	-	-	762	1	8
	570	232	(83,335)	11,191	-	63,879	10,943	8,958
Expenses								
Rental of premises	-	-	76	94	-	-	3,615	4,727
Interest expense on derivatives	-	-	263	-	-	-	-	-
Interest expense on deposits	818	205	51,887	25,367	-	-	6,240	6,841
Management fee expense	-	-	22,362	5,835	-	-	-	-
SBL fees	707	98	-	-	-	5	-	-
Travel services	-	-	-	-	-	-	190	96
MFRS 16 lease rental expenses	-	-	5,515	1,904	-	-	-	-
Other expenses	-	-	214	238	-	-	226	342
	1,525	303	80,317	33,438	-	5	10,271	12,006

* 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 2023 (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

	Substantial Shareholder		Holding Company		Subsidiaries		Other Related Parties *	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amounts due to								
Deposits from customers	33,179	15,602	1,004,305	754,595	-	-	135,323	244,155
Deposits and placements of banks and other financial institutions	-	-	1,331,302	319,461	-	-	-	-
Other liabilities	-	23,206	62,665	5,855	-	-	249	285
Lease liabilities	-	-	10,803	11,275	-	-	-	-
	33,179	38,808	2,409,075	1,091,186	-	-	135,572	244,440
Amounts due from								
Cash and short-term funds	-	-	299,581	48,810	-	-	100,379	-
Loans and advances	-	-	-	-	-	-	35,891	47,541
Refundable deposits	-	-	1,860	-	-	-	1,152	1,152
Intercompany balances	-	-	-	-	654	308	-	-
Right-of-use assets	-	-	10,156	10,196	-	-	-	-
Advisory & management fee receivable	-	-	-	-	-	-	-	159
Financial investments	-	-	-	-	-	-	136,783	100,661
Derivative financial assets	-	-	12,287	-	-	-	-	-
	-	-	323,884	59,006	654	308	274,205	149,513
Commitments and contingencies								
Foreign exchange related contracts	-	-	2,894,364	-	-	-	-	-
Irrevocable commitments to extend credit	-	-	-	-	-	-	268	-
	-	-	2,894,364	-	-	-	268	-

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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits:				
- Salaries, allowances and commissions	4,777	4,657	4,777	4,657
- Bonuses	1,041	1,939	1,041	1,939
- Defined contribution plan	1,082	1,038	1,082	1,038
- Other employee benefits	801	37	801	37
- Benefits-in-kind	118	254	118	254
Other emoluments	751	938	751	938
Benefits-in-kind	212	236	212	236
Directors' fees	1,501	1,526	1,501	1,526
	10,283	10,625	10,283	10,625

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
At end of the financial year	2,361	337	2,361	337

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****36 Taxation**

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current financial year	7,243	13,854	7,238	5,143
- Deferred tax (Note 14)	15,713	24,466	15,713	15,390
	<u>22,956</u>	<u>38,320</u>	<u>22,951</u>	<u>20,533</u>
Under/(Over) provision in prior financial years	73	(1,243)	73	(95)
	<u>23,029</u>	<u>37,077</u>	<u>23,024</u>	<u>20,438</u>
Income tax expense is attributable to:				
Profit from continuing operations	23,029	20,933	23,024	20,438
Profit from discontinued operation	-	16,144	-	-
	<u>23,029</u>	<u>37,077</u>	<u>23,024</u>	<u>20,438</u>

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	%	%	%	%
Statutory tax rate in Malaysia	24.00	24.00	24.00	24.00
Tax effect in respect of:				
- Non-allowable expenses	1.05	0.73	1.04	0.56
- Non-taxable income	(0.23)	(22.35)	(0.23)	(23.48)
- Impact of change in tax rate on deferred tax ^	-	0.42	-	0.42
- Under/(Over) provision in prior financial years	0.08	(0.09)	0.08	(0.01)
- Unrecognised tax losses of which temporary differences not recognised	-	(0.01)	-	-
Average effective tax rate*	<u>24.90</u>	<u>2.70</u>	<u>24.89</u>	<u>1.49</u>

^ 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 for YA 2022

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****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		Discontinued operation	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Net profit attributable to equity holders (RM'000)	69,465	34,116	-	1,277,820
Weighted average number of ordinary shares in issue ('000)	780,000	780,000	-	780,000
Basic earnings per share (sen)	8.91	4.37	-	163.82

The Bank	Continuing operations		Discontinued operation	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Net profit attributable to equity holders (RM'000)	69,474	1,346,851	-	-
Weighted average number of ordinary shares in issue ('000)	780,000	780,000	-	-
Basic earnings per share (sen)	8.91	172.67	-	-

There were no dilutive potential ordinary shares outstanding as at 31 December 2023. As a result, the diluted EPS equal to the basic EPS for the financial year ended 31 December 2023 and 31 December 2022.

38 Dividends

Dividends recognised as distribution to ordinary equity holders of the Bank.

	The Bank			
	31.12.2023		31.12.2022	
	Dividend per share sen	Dividend amount RM'000	Dividend per share sen	Dividend amount RM'000
Ordinary shares:				
Dividend for the financial year ended 31.12.2023:				
- Single-tier special dividend	19.231	150,000	-	-
Dividend for the financial year ended 31.12.2022:				
- Single-tier special dividend	-	-	164.128	1,280,200
	19.231	150,000	164.128	1,280,200

The Directors do not recommend any final dividend for the financial year ended 31 December 2023.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	Principal amount	Principal amount	Principal amount	Principal amount
	RM'000	RM'000	RM'000	RM'000
Transaction related contingent items	64,606	64,606	64,606	64,606
Irrevocable commitments to extend credit:				
- maturity less than one year	26,321	17,390	26,321	17,390
- maturity more than one year	46,814	24,847	46,814	24,847
Interest rate related contracts*:				
- less than one year	670,000	940,000	670,000	940,000
- one year to less than five years	2,512,000	2,160,000	2,512,000	2,160,000
Foreign exchange related contracts*:				
- less than one year	11,496,621	5,562,497	11,496,621	5,562,497
- one year to less than five years	326,890	842,979	326,890	842,979
- more than five years	-	-	-	-
Equity related contracts*:				
- less than one year	16,910	-	16,910	-
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	1,624,905	1,279,899	1,624,905	1,279,899
Other/Miscellaneous Commitments and Contingencies	-	7,421	-	7,421
	16,785,067	10,899,639	16,785,067	10,899,639

* 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 15 December 2023. 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 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% (2022: 7.00%) and 8.50% (2022: 8.50%) respectively for the financial year ended 31 December 2023. The minimum regulatory capital adequacy requirement at 10.50% (2022: 10.50%) for total capital ratio.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)****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	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Basel III				
Common Equity Tier (CET) 1 Capital :				
Share capital	999,800	999,800	999,800	999,800
Other reserves	20,728	16,709	20,728	16,709
Retained profits	428,718	513,272	428,723	513,268
FVOCI reserve	(26,516)	(92,555)	(26,516)	(92,555)
	<u>1,422,730</u>	<u>1,437,226</u>	<u>1,422,735</u>	<u>1,437,222</u>
Less : Regulatory adjustments				
Goodwill and other intangible assets	(307,321)	(307,788)	(307,285)	(307,702)
Investment in associates/subsidiaries	-	-	(2,166)	(3,657)
Regulatory reserves	(20,728)	(16,709)	(20,728)	(16,709)
Deferred tax assets	(27,652)	(63,302)	(27,652)	(63,302)
Other CET1 regulatory adjustments specified by BNM	8,101	19,830	8,113	19,849
CET 1 Capital	<u>1,075,130</u>	<u>1,069,257</u>	<u>1,073,017</u>	<u>1,065,701</u>
Tier 2 Capital				
Qualifying loss provisions #	19,353	14,779	19,336	14,760
Total Tier 2 Capital	<u>19,353</u>	<u>14,779</u>	<u>19,336</u>	<u>14,760</u>
Total Capital	<u>1,094,483</u>	<u>1,084,036</u>	<u>1,092,353</u>	<u>1,080,461</u>

Qualifying loss provisions are restricted to allowances on the unimpaired portion of the loans and advances.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Credit risk	1,548,262	1,182,333	1,546,887	1,180,781
Market risk	555,321	216,533	555,321	216,537
Operational risk	828,299	1,092,257	461,829	524,730
Total Risk Weighted Assets	2,931,882	2,491,123	2,564,037	1,922,048

	The Group		The Bank	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Capital Ratios				
<u>With transitional arrangements</u>				
CET 1 Capital ratio	36.670%	42.923%	41.849%	55.446%
Tier 1 Capital ratio	36.670%	42.923%	41.849%	55.446%
Total Capital ratio	37.330%	43.516%	42.603%	56.214%
<u>Before transitional arrangements</u>				
CET 1 Capital ratio	36.394%	42.127%	41.532%	54.413%
Tier 1 Capital ratio	36.394%	42.127%	41.532%	54.413%
Total Capital ratio	37.054%	42.720%	42.286%	55.181%

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Notes to the financial statements for the financial year ended 31 December 2023 (Continued)

42 Significant events during the current and preceding financial year

Current Financial Year

There is no significant event during the financial year.

Preceding 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”.

Vendors	Sale shares		Provisional
	No. of shares	(1) %	cash consideration 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 Securities 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

42 Significant events during the current and preceding 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

42 Significant events during the current and preceding 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
<u>Cash flows and net assets of AHAM on closing date</u>	
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 substantial shareholder	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	<u>138,951</u>
Less: Realisation of foreign exchange reserve and FVOCI reserve	(94)
Gain on disposal of a subsidiary	<u>1,252,380</u>
Sales consideration received in cash	<u>1,391,237</u>
Less: Professional and legal fees paid for the disposal of a subsidiary	(17,790)
Cash and short-term funds of the subsidiary disposed	<u>(391,530)</u>
Cash inflow on disposal of a subsidiary	<u><u>981,917</u></u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

42 Significant events during the current and preceding 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
	RM'000
<u>Income Statements</u>	
Interest income	1,627
Interest expense	(760)
Net interest income	<u>867</u>
Fee and commission income	267,821
Fee and commission expense	(79,925)
Net fee and commission income	<u>187,896</u>
Net (losses)/gains on financial instruments	(8,418)
Other operating income	<u>4,213</u>
Net income	184,558
Other operating expenses	<u>(100,691)</u>
Operating profit before allowances	83,867
Allowances for credit impairment losses	<u>(37)</u>
Profit before zakat and taxation	83,830
Zakat	<u>(344)</u>
Profit before taxation	83,486
Taxation	<u>(16,144)</u>
Profit after taxation	67,342
Gain on disposal of a subsidiary	1,252,380
Professional and legal fees for the divestment of a subsidiary	<u>(16,938)</u>
Profit from discontinued operation	<u><u>1,302,784</u></u>
	The Group
	31.12.2022
	RM'000
Net cash (used in)/generated from operating activities	(245,340)
Net cash generated from/(used in) investing activities	8,112
Net cash used in financing activities	<u>(102,538)</u>
Net (decrease)/increase in cash flows from discontinued operation	<u><u>(339,766)</u></u>

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.

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Notes to the financial statements for the financial year ended 31 December 2023 (Continued)

44 Long Term Incentive Plan ("LTIP")

On 1 August 2023, Affin Bank Berhad ("ABB") implemented a Long Term Incentive Plan ('LTIP') in the form of an employees' Share Grant Scheme ('SGS') on 1 August 2023, which was approved by the shareholders at the Annual General Meeting held on 25 May 2023. The SGS is governed by the SGS by-laws and is administered by the Group Board Nomination & Remuneration Committee ('SGS Committee').

The SGS is a performance share unit scheme where vesting is subject to performance conditions and the SGS Committee may, at any time within the duration of the SGS, grant an SGS award to eligible employees, subject to the terms and conditions of the SGS by-laws. The SGS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the SGS by-laws.

The SGS primarily serves as an incentive plan to reward eligible employees and to align their interest with the corporate goals and objectives of the Group, including AHIB. Eligible employees refer to employees of the Group (excluding dormant subsidiary companies) who fulfil the eligibility criteria and have been selected to participate in the SGS by Affin Bank Berhad's Board of Directors, on the recommendations of the SGS Committee, subject to terms and conditions of the SGS by-laws.

Any offer awarded to a person who is a Director or Chief Executive of the Group or a person connected to a Director, major shareholder or Chief Executive of the Group, and the related allotment of shares must be approved by shareholders at a general meeting. The SGS will not be extended to any non-executive directors of any company within our Group.

The maximum number of shares which may be made available under the SGS shall not in aggregate exceed 5% of the Group's total number of issued shares (excluding treasury shares, if any) at any point in time during the duration of the SGS.

The fair value of the SGS shares granted, taking into consideration the impact of market vesting condition, in exchange for the services of the employees is recognised over the vesting period. On each reporting date, the Bank estimates the number of SGS shares that are expected to vest based on the non-market vesting conditions and service conditions, and recognises estimation of share based expenses in the income statement as employee benefit with a corresponding increase to capital contribution within equity. As ABB will recharge the cost of the equity instruments to the Bank, the Bank will subsequently reclassify the equity instruments as a payable to ABB.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

44 Long Term Incentive Plan (“LTIP”) (continued)

The maximum number of shares which may be made available under the SGS shall not in aggregate exceed 5% of ABB’s total number of issued shares (excluding treasury shares, if any) at any point in time during the duration of the SGS. Details of SGS are set out below.

Award Date	Fair value RM	Awarded (Units '000)	Vesting Date *
7 August 2023 – First grant	1.806	3,938	30 June 2026

* subject to performance conditions

Executive Director and Key Management Personnel who have been awarded with SGS during the financial year are listed below:

	No of SGS Awarded (Units '000)
Datuk Wan Razly Abdullah bin Wan Ali Key Management Personnel	1,020 3,938

The following table indicates the number and movement of SGS shares during the financial year ended 31 December 2023:

Award Date	As at 1 January 2023 (Units '000)	Movement during the year		As at 31 December 2023 (Units '000)
		Awarded (Units '000)	Forfeited (Units '000)	
The Group and The Bank 7 August 2023 – First grant		3,938	(167)	3,771

The fair value of SGS shares awarded was estimated by an external valuer, taking into account the terms and conditions upon which the SGS shares were awarded. The fair value of SGS shares measured, closing share price at grant date and the assumptions were as follows:

	Award Date 7 August 2023
Fair value of SGS Shares (RM)	1.806
Closing share price at award date (RM)	1.905
Expected volatility (%)	22.21%
Vesting period (years)	2.9
Risk-free rate (%)	3.47%
Expected dividend yield (%)	5.44%

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Notes to the financial statements for the financial year ended 31 December 2023 (Continued)

45 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.

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Notes to the financial statements for the financial year ended 31 December 2023 (Continued)

45 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

45 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:

	Gross loans and advances	Expected credit losses	Net loans and advances	Fair value of collateral held
	RM'000	RM'000	RM'000	RM'000
The Group and the Bank				
31.12.2023				
Loans and advances:				
Term loans	71,288	(32,322)	38,966	65,391
Total credit-impaired assets	71,288	(32,322)	38,966	65,391

	Gross loans and advances	Expected credit losses	Net loans and advances	Fair value of collateral held
	RM'000	RM'000	RM'000	RM'000
The Group and the Bank				
31.12.2022				
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 financial effect of collateral held for loans and advances is 87.45% as at 31 December 2023 (2022: 83.98%). 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	
	31.12.2023	31.12.2022
	RM'000	RM'000
Derivatives	<u>2,700</u>	<u>5,113</u>

The Bank mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash.

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Notes to the financial statements for the financial year ended 31 December 2023 (Continued)

45 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

45 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)	<ul style="list-style-type: none"> • 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 accounts 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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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 2023 and 31 December 2022.

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Notes to the financial statements for the financial year ended 31 December 2023 (Continued)

45 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.

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Notes to the financial statements for the financial year ended 31 December 2023 (Continued)

45 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

45 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:

	31.12.2023	31.12.2022
	%	%
Measurement variables:		
House Price Index	1.02	0.10
Private Consumption Expenditure	28.03	14.67
USD Dollar to Malaysian Ringgit Exchange Rate	1.25	0.10
Malaysia Economic Indicator Leading Index (MEILI)_2015	0.55	3.86
Automotive Association Malaysia Total Car Sales Growth (AAM)	*N/A	5.94
Overnight Policy Rate	*N/A	9.65
Malaysia Debt Service Ratio	0.32	0.82
Current Account (as a percentage of Gross Domestic Product)	5.22	18.84
Average Lending Rate	<u>2.77</u>	<u>4.44</u>

*N/A - Not applicable as a results of change in MEV made during the financial year

The impact on ECL based on 3 years historical MEV are as follows:

	The Group and the Bank			
	31.12.2023		31.12.2022	
	+	-	+	-
	RM'000	RM'000	RM'000	RM'000
(Write-back)/Additional provision of ECL	<u>(1)</u>	<u>15</u>	<u>(464)</u>	<u>600</u>

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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

45 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 Management 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	
	31.12.2023	31.12.2022
	Maximum credit risk exposure RM'000	Maximum credit risk exposure RM'000
Credit risk exposures of on-balance sheet assets:		
Cash and short-term funds *	686,512	311,839
Financial assets at FVTPL [#]	16,456	2
Financial investments at FVOCI ^{##}	4,414,899	3,551,586
Other assets ^{&}	59,608	39,502
	<u>5,177,475</u>	<u>3,902,929</u>
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	64,606	64,606
Irrevocable commitments to extend credit	73,135	42,237
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	1,624,905	1,279,899
	<u>1,762,646</u>	<u>1,386,742</u>
Total maximum credit risk exposure	<u>6,940,121</u>	<u>5,289,671</u>

* Excludes cash in hand

Excludes investments in shares, unit trusts and warrants

Excludes investments in unquoted shares

& Excludes prepayment

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**Notes to the financial statements
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45 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	
	31.12.2023	31.12.2022
	Maximum credit risk exposure RM'000	Maximum credit risk exposure RM'000
Credit risk exposures of on-balance sheet assets:		
Cash and short-term funds *	684,062	309,490
Financial assets at FVTPL #	16,456	2
Financial investments at FVOCI##	4,414,899	3,551,586
Other assets &	60,044	39,663
	<u>5,175,461</u>	<u>3,900,741</u>
Credit risk exposures of off-balance sheet items:		
Transaction related contingent items	64,606	64,606
Irrevocable commitments to extend credit	73,135	42,237
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	1,624,905	1,279,899
	<u>1,762,646</u>	<u>1,386,742</u>
Total maximum credit risk exposure	<u>6,938,107</u>	<u>5,287,483</u>

* Excludes cash in hand

Excludes investments in shares, unit trusts and warrants

Excludes investments in unquoted shares

& Include amounts due from subsidiaries and other assets, excluding 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.

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**Notes to the financial statements
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45 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	Short-term funds	Financial assets at FVTPL	Financial investments at FVOCI	Financial investments at amortised cost	Loans and advances	Trade receivables	Derivative financial assets	Other assets	Total on-balance sheet	Commitments and contingencies
31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agricultural	-	-	-	59,963	18,244	-	-	-	78,207	18,039
Mining and quarrying	-	-	-	5,097	-	-	-	-	5,097	-
Manufacturing	-	16,456	10,138	61,260	11,242	-	-	235	99,331	15,491
Electricity, gas and water	-	-	20,475	32,735	587	-	-	297	54,094	-
Construction	-	-	154,076	15,638	183,093	-	-	-	352,807	269,106
Real estate	-	-	75,684	5,058	127,909	-	-	699	209,350	66,701
Wholesale, retail trade, hotels and restaurants	-	-	101,563	-	6,686	-	-	-	108,249	8,059
Transport, storage and communication	-	-	320,688	24,462	53,169	-	-	185	398,504	58,210
Finance, insurance and business	686,369	-	596,155	325,688	399,856	-	141,380	-	2,149,448	6,412
Government and government agencies	143	-	2,705,827	390,549	-	-	-	-	3,096,519	-
Education, Health and Others	-	-	-	-	16,332	-	-	53,956	70,288	-
Household	-	-	-	-	1,136,662	397,533	-	-	1,534,195	1,320,628
Others	-	-	430,293	136,100	-	-	-	4,236	570,629	-
	686,512	16,456	4,414,899	1,056,550	1,953,780	397,533	141,380	59,608	8,726,718	1,762,646

* Excludes cash in hand of RM221.

Excludes investment in shares & warrants amounting to RM90.38 million.

Excludes investments in unquoted shares amounting to RM24.76 million.

& Include amounts due from subsidiaries and other assets, excluding prepayment amounting to RM5.47 million.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

45 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)

	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
The Group 31.12.2022	-	-	10,080	81,124	28,330	-	-	-	119,534	35
Agricultural	-	-	-	5,094	-	-	-	-	5,094	-
Mining and quarrying	-	-	-	61,256	92	-	-	140	76,607	20,000
Manufacturing	-	-	15,119	33,036	9	-	-	430	150,010	2,991
Electricity, gas and water	-	-	116,535	60,434	205,389	-	-	7	662,826	83,547
Construction	-	-	396,996	50,260	94,394	-	-	-	164,770	40,639
Real estate	-	-	20,116	-	8,158	-	-	198	109,017	5,500
Wholesale, retail trade, hotels and restaurants	-	-	100,661	24,314	78,557	-	-	187	382,429	7,742
Transport, storage and communication	-	-	279,371	201,546	284,822	-	107,680	311	1,169,528	101,925
Finance, insurance and business	311,258	2	263,909	257,021	-	-	-	-	2,423,108	-
Government and government agencies	581	-	2,165,506	-	-	-	-	-	40,290	7,192
Education, Health and Others	-	-	-	-	7,806	-	-	32,484	1,266,202	1,117,171
Household	-	-	-	-	862,448	403,754	-	-	294,600	-
Others	-	-	183,293	105,562	-	-	-	5,745	-	-
	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.

& Includes other assets, excluding prepayment amounting to RM6.00 million.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

45 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	Short-term funds	Financial assets at FVTPL	Financial investments at FVOCI	Financial investments at amortised cost	Loans and advances	Trade receivables	Derivative financial assets	Other assets	Total on-balance sheet	Commitments and contingencies
31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agricultural	-	-	-	59,963	18,244	-	-	-	78,207	18,039
Mining and quarrying	-	-	-	5,097	-	-	-	-	5,097	-
Manufacturing	-	16,456	10,138	61,260	11,242	-	-	235	99,331	15,491
Electricity, gas and water	-	-	20,475	32,735	587	-	-	297	54,094	-
Construction	-	-	154,076	15,638	183,093	-	-	-	352,807	269,106
Real estate	-	-	75,684	5,058	127,909	-	-	699	209,350	66,701
Wholesale, retail trade, hotels and restaurants	-	-	101,563	-	6,686	-	-	-	108,249	8,059
Transport, storage and communication	-	-	320,688	24,462	53,169	-	-	185	398,504	58,210
Finance, insurance and business	683,919	-	596,155	325,688	399,856	-	141,380	640	2,147,638	6,412
Government and government agencies	143	-	2,705,827	390,549	-	-	-	-	3,096,519	-
Education, Health and Others	-	-	-	-	16,332	-	-	53,649	69,981	-
Household	-	-	-	-	1,136,662	397,533	-	-	1,534,195	1,320,628
Others	-	-	430,293	136,100	-	-	-	4,339	570,732	-
	684,062	* 16,456	# 4,414,899	## 1,056,550	1,953,780	397,533	141,380	60,044	8,724,704	1,762,646

* No cash in hand

Excludes investment in shares & warrants amounting to RM89.12 million.

Excludes investments in unquoted shares amounting to RM24.76 million.

& Include amounts due from subsidiaries and other assets, excluding prepayment amounting to RM5.43 million.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

45 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	Short-term funds	Financial assets at FVTPL	Financial investments at FVOCI	Financial investments at amortised cost	Loans and advances	Trade receivables	Derivative financial assets	Other assets	Total on-balance sheet	Commitments and contingencies
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 amounts due from subsidiaries and other assets, excluding prepayment amounting to RM5.99 million.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)****45 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 maximum exposure to credit risk on these assets.

	31.12.2023			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
The Group and the Bank				
Credit grade				
Satisfactory ⁽¹⁾	1,753,015	-	-	1,753,015
Special mention ⁽²⁾	122,119	58,061	-	180,180
Default/impaired	-	-	71,288	71,288
Gross loans and advances	1,875,134	58,061	71,288	2,004,483
Less: Expected credit losses ("ECL")	(953)	(17,428)	(32,322)	(50,703)
Net loans and advances	1,874,181	40,633	38,966	1,953,780
	31.12.2022			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 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

(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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)****45 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:

	31.12.2023			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
The Group				
Cash and short-term funds				
Sovereigns	143	-	-	143
AAA	22,905	-	-	22,905
AA- to AA+	597,202	-	-	597,202
Lower than A-	66,262	-	-	66,262
	<u>686,512</u>	<u>-</u>	<u>-</u>	<u>686,512</u>
Financial investments at FVOCI				
Sovereigns	3,427,646	-	-	3,427,646
AAA	329,882	-	-	329,882
AA- to AA+	459,989	45,981	-	505,970
A- to A+	10,138	-	-	10,138
Lower than A-	4,620	-	-	4,620
Unrated	35,079	101,564	-	136,643
	<u>4,267,354</u>	<u>147,545</u>	<u>-</u>	<u>4,414,899</u>
Expected credit losses ("ECL")	<u>68</u>	<u>21,172</u>	<u>-</u>	<u>21,240</u>
Financial investments at amortised cost				
Sovereigns	429,566	-	-	429,566
AAA	223,244	-	-	223,244
AA- to AA+	313,035	-	-	313,035
A- to A+	40,840	-	-	40,840
Unrated	50,174	-	8,101	58,275
	<u>1,056,859</u>	<u>-</u>	<u>8,101</u>	<u>1,064,960</u>
Expected credit losses ("ECL")	<u>309</u>	<u>-</u>	<u>8,101</u>	<u>8,410</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)****45 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			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 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
	<u>311,839</u>	<u>-</u>	<u>-</u>	<u>311,839</u>
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
	<u>3,450,924</u>	<u>100,662</u>	<u>-</u>	<u>3,551,586</u>
Expected credit losses ("ECL")	<u>803</u>	<u>18,376</u>	<u>-</u>	<u>19,179</u>
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
	<u>880,496</u>	<u>-</u>	<u>15,560</u>	<u>896,056</u>
Expected credit losses ("ECL")	<u>849</u>	<u>-</u>	<u>15,560</u>	<u>16,409</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)****45 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)

	31.12.2023			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
The Bank				
Cash and short-term funds				
Sovereigns	143	-	-	143
AAA	22,885	-	-	22,885
AA- to AA+	594,772	-	-	594,772
Lower than A-	66,262	-	-	66,262
Unrated	-	-	-	-
	<u>684,062</u>	<u>-</u>	<u>-</u>	<u>684,062</u>
Financial investments at FVOCI				
Sovereigns	3,427,646	-	-	3,427,646
AAA	329,882	-	-	329,882
AA- to AA+	459,989	45,981	-	505,970
A- to A+	10,138	-	-	10,138
Lower than A-	4,620	-	-	4,620
Unrated	35,079	101,564	-	136,643
	<u>4,267,354</u>	<u>147,545</u>	<u>-</u>	<u>4,414,899</u>
Expected credit losses ("ECL")	<u>68</u>	<u>21,172</u>	<u>-</u>	<u>21,240</u>
Financial investments at amortised cost				
Sovereigns	429,566	-	-	429,566
AAA	223,244	-	-	223,244
AA- to AA+	313,035	-	-	313,035
A- to A+	40,840	-	-	40,840
Unrated	50,174	-	8,101	58,275
	<u>1,056,859</u>	<u>-</u>	<u>8,101</u>	<u>1,064,960</u>
Expected credit losses ("ECL")	<u>309</u>	<u>-</u>	<u>8,101</u>	<u>8,410</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)****45 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			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 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
	<u>309,490</u>	<u>-</u>	<u>-</u>	<u>309,490</u>
Expected credit losses ("ECL")	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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
	<u>3,450,924</u>	<u>100,662</u>	<u>-</u>	<u>3,551,586</u>
Expected credit losses ("ECL")	<u>803</u>	<u>18,376</u>	<u>-</u>	<u>19,179</u>
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
	<u>880,496</u>	<u>-</u>	<u>15,560</u>	<u>896,056</u>
Expected credit losses ("ECL")	<u>849</u>	<u>-</u>	<u>15,560</u>	<u>16,409</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)**

45 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

	Current RM'000	Current to less than 90 days past due RM'000	31.12.2023 More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
The Group					
Gross carrying amount:					
Trade receivables	-	397,684	72	397,756	(223)
Other assets	33,003	26,598	2,293	61,894	(2,286)

	Current RM'000	Current to less than 90 days past due RM'000	31.12.2022 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)

	Current RM'000	Current to less than 90 days past due RM'000	31.12.2023 More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
The Bank					
Gross carrying amount:					
Trade receivables	-	397,684	72	397,756	(223)
Other assets	32,784	26,598	2,205	61,587	(2,197)

	Current RM'000	Current to less than 90 days past due RM'000	31.12.2022 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)

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**Notes to the financial statements
for the financial year ended 31 December 2023 (Continued)****45 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)

	31.12.2023			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
The Bank				
Amounts due from subsidiaries				
Unrated	654	-	-	654
	31.12.2022			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
The Bank				
Amounts due from subsidiaries				
Unrated	308	-	-	308

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.

	31.12.2023			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
The Group and the Bank				
Loan commitments and financial guarantees				
Satisfactory ⁽¹⁾	1,675,632	-	-	1,675,632
Special mention ⁽²⁾	-	62,264	-	62,264
Default/impaired	-	-	24,750	24,750
	<u>1,675,632</u>	<u>62,264</u>	<u>24,750</u>	<u>1,762,646</u>
Expected credit losses ("ECL")	<u>1</u>	<u>301</u>	<u>17,761</u>	<u>18,063</u>
	31.12.2022			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 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
	<u>1,361,992</u>	<u>-</u>	<u>24,750</u>	<u>1,386,742</u>
Expected credit losses ("ECL")	<u>69</u>	<u>-</u>	<u>17,925</u>	<u>17,994</u>

(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.

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Notes to the financial statements for the financial year ended 31 December 2023 (continued)

45 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 manages its banking book exposure to fluctuation in interest rate arising from differences in the repricing mismatch of interest rate sensitive assets and liabilities through measurement and monitoring of internal limit on Earnings at Risk ("EaR") sensitivity and changes in 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.

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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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 31.12.2023		The Group and The Bank 31.12.2022	
	Increase/(Decrease)		Increase/(Decrease)	
	+100	-100	+100	-100
	basis point	basis point	basis point	basis point
	RM million	RM million	RM million	RM million
Impact on profit after taxation	(31)	31	(31)	31
Impact on equity	(183)	183	(174)	174

Foreign exchange risk sensitivity analysis

The following table sets out the analysis of the exposures to assess the impact of a 1% change in the exchange rates to the profit after taxation.

	The Group		The Bank	
	Increase/(Decrease)		Increase/(Decrease)	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
<u>+ 1%</u>				
Australian Dollar	468	(155)	468	(155)
United States Dollar	6,998	(681)	6,998	(681)
Singapore Dollar	286	(18)	286	(18)
Others	195	82	195	82
	<u>7,947</u>	<u>(772)</u>	<u>7,947</u>	<u>(772)</u>
<u>- 1%</u>				
Australian Dollar	(468)	155	(468)	155
United States Dollar	(6,998)	681	(6,998)	681
Singapore Dollar	(286)	18	(286)	18
Others	(195)	(82)	(195)	(82)
	<u>(7,947)</u>	<u>772</u>	<u>(7,947)</u>	<u>772</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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	Australian Dollar RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Other Currencies RM'000	Total RM'000
31.12.2023					
Assets					
Cash and short-term funds	4,588	15,648	18,486	18,901	57,623
Financial assets at FVTPL	-	-	16,454	-	16,454
Financial investments at FVOCI	19,215	9,269	-	-	28,484
Financial assets at amortised cost	37,784	-	-	65	37,849
Loans and advances	-	34,761	1,740	29,081	65,582
Trade receivables	149	2,971	2,877	5,947	11,944
Other financial assets	(159)	864	251	1,164	2,120
	<u>61,577</u>	<u>63,513</u>	<u>39,808</u>	<u>55,158</u>	<u>220,056</u>
Liabilities					
Deposits from customers	-	16,627	-	-	16,627
Deposits and placements of banks and other financial institutions	-	-	-	29,310	29,310
Trade payables	59	686	2,111	1,142	3,998
Other financial liabilities	-	142,010	73	-	142,083
	<u>59</u>	<u>159,323</u>	<u>2,184</u>	<u>30,452</u>	<u>192,018</u>
Net on-balance sheet financial position	61,518	(95,810)	37,624	24,706	28,038
Off balance sheet commitments	-	1,016,621	-	1,016	1,017,637

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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 31.12.2022	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
Financial investments at FVOCI	-	-	-	-	-
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
	<u>2,134</u>	<u>56,978</u>	<u>4,239</u>	<u>12,109</u>	<u>75,460</u>
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
	<u>22,528</u>	<u>146,636</u>	<u>6,592</u>	<u>1,276</u>	<u>177,032</u>
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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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	Australian Dollar	United States Dollar	Singapore Dollar	Other Currencies	Total
31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	4,588	15,648	18,486	18,901	57,623
Financial assets at FVTPL	-	-	16,454	-	16,454
Financial investments at FVOCI	19,215	9,269	-	-	28,484
Financial assets at amortised cost	37,784	-	-	65	37,849
Loans and advances	-	34,761	1,740	29,081	65,582
Trade receivables	149	2,971	2,877	5,947	11,944
Other financial assets	(159)	864	251	1,164	2,120
	61,577	63,513	39,808	55,158	220,056
Liabilities					
Deposits from customers	-	16,627	-	-	16,627
Deposits and placements of banks and other financial institutions	-	-	-	29,310	29,310
Trade payables	59	686	2,111	1,142	3,998
Other financial liabilities	-	142,010	73	-	142,083
	59	159,323	2,184	30,452	192,018
Net on-balance sheet financial position	61,518	(95,810)	37,624	24,706	28,038
Off balance sheet commitments	-	1,016,621	-	1,016	1,017,637

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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	Australian Dollar	United States Dollar	Singapore Dollar	Other Currencies	Total
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	1,545	1,377	1,870	8,367	13,159
Financial assets at FVTPL	-	-	230	-	230
Financial investments at FVOCI	-	-	-	-	-
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
	<u>2,134</u>	<u>56,978</u>	<u>4,239</u>	<u>12,109</u>	<u>75,460</u>
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
	<u>22,528</u>	<u>146,636</u>	<u>6,592</u>	<u>1,276</u>	<u>177,032</u>
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

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

45 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						Trading book RM'000	Total RM'000
	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		
The Group								
31.12.2023								
Assets								
Cash and short-term funds	686,512	-	-	-	-	-	-	686,512
Securities:								
- Financial assets at FVTPL	-	-	-	-	-	-	106,836	106,836
- Financial investments at FVOCI	9,992	94,993	676,464	1,982,085	1,610,741	65,383	-	4,439,658
- Financial investments at amortised cost	50,000	37,573	-	439,303	517,708	11,966	-	1,056,550
Loans and advances:								
- Performing	1,780,920	24,101	122,180	1,107	4,887	(18,380) ^	-	1,914,815
- Impaired loans	-	-	-	-	-	38,965	-	38,965
Derivative financial assets	-	-	-	-	-	-	141,380	141,380
Trade receivables	-	-	-	-	-	397,533	-	397,533
Other assets ⁽¹⁾	40,112	-	-	-	-	19,496	-	59,608
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	130,600	-	130,600
Total assets	2,567,536	156,667	798,644	2,422,495	2,133,336	645,563	248,216	8,972,457

^ The negative balance represents the expected credit losses for performing loans and advances.

(1) Includes other assets (exclude prepayment).

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

45 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 31.12.2023	Non-trading book							Trading book RM'000	Total RM'000
	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			
Liabilities									
Deposits from customers	2,371,425	934,059	916,244	550,000	-	29,765	-	4,801,493	
Deposits and placement of banks and other financial institution	1,543,729	-	-	-	-	1,440	-	1,545,169	
Obligations on securities sold under repurchase agreements	532,883	277,006	-	-	-	4,067	-	813,956	
Trade payables	-	-	-	-	-	214,100	-	214,100	
Derivative financial liabilities	-	-	-	-	-	-	82,340	82,340	
Lease liabilities	690	1,383	5,874	9,265	-	-	-	17,212	
Other liabilities ⁽²⁾	236,993	-	-	-	-	204,656	-	441,649	
Total liabilities	4,685,720	1,212,448	922,118	559,265	-	454,028	82,340	7,915,919	
Net interest sensitivity gap	(2,118,184)	(1,055,781)	(123,474)	1,863,230	2,133,336				

(2) Includes amount due to holding company and other liabilities, excluding accrued employee benefits.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

45 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)

	Up to 1 month RM'000	Non-trading book					Trading book RM'000	Total 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		
The Group								
31.12.2022								
Assets								
Cash and short-term funds	311,839	-	-	-	-	-	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	354,672	415,341	9,082	-	879,647	
Loans and advances:								
- Performing	1,378,355	53,074	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	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), amount due from related companies, holding company and substantial shareholder.

**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

45 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 31.12.2022	Non-trading book							Trading book RM'000	Total RM'000
	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			
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 related companies and holding company, and other liabilities, excluding accrued employee benefits.

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**Notes to the financial statements
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45 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 31.12.2023	Non-trading book							Trading book RM'000	Total RM'000
	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			
Assets									
Cash and short-term funds	684,062	-	-	-	-	-	-	-	684,062
Securities:									
- Financial assets at FVTPL	-	-	-	-	-	-	-	105,579	105,579
- Financial investments at FVOCI	9,992	94,993	676,464	1,982,085	1,610,741	65,383	-	-	4,439,658
- Financial investments at amortised cost	50,000	37,573	-	439,303	517,708	11,966	-	-	1,056,550
Loans and advances:									
- Performing	1,780,920	24,101	122,180	1,107	4,887	(18,380) ^	-	-	1,914,815
- Impaired loans	-	-	-	-	-	38,965	-	-	38,965
Derivative financial assets	-	-	-	-	-	-	141,380	-	141,380
Trade receivables	-	-	-	-	-	397,533	-	-	397,533
Other assets ⁽¹⁾	40,112	-	-	-	-	19,932	-	-	60,044
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	130,500	-	-	130,500
Total assets	2,565,086	156,667	798,644	2,422,495	2,133,336	645,899	246,959	246,959	8,969,086

^ The negative balance represents the expected credit losses for performing loans and advances.

(1) Includes other assets (exclude prepayment) and amounts due from subsidiaries.

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**Notes to the financial statements
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45 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 31.12.2023	Non-trading book							Trading book RM'000	Total RM'000
	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			
Liabilities									
Deposits from customers	2,371,425	934,059	916,244	550,000	-	29,765	-	4,801,493	
Deposits and placement of banks and other financial institution	1,543,729	-	-	-	-	1,440	-	1,545,169	
Obligations on securities sold under repurchase agreements	532,883	277,006	-	-	-	4,067	-	813,956	
Trade payables	-	-	-	-	-	214,100	-	214,100	
Derivative financial liabilities	-	-	-	-	-	-	82,340	82,340	
Lease liabilities	690	1,383	5,874	9,265	-	-	-	17,212	
Other liabilities ⁽²⁾	236,993	-	-	-	-	203,593	-	440,586	
Total liabilities	4,685,720	1,212,448	922,118	559,265	-	452,965	82,340	7,914,856	
Net interest sensitivity gap	(2,120,634)	(1,055,781)	(123,474)	1,863,230	2,133,336				

(2) Includes amount due to holding company and other liabilities, excluding accrued employee benefits.

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**Notes to the financial statements
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45 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							Trading book RM'000	Total RM'000
	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			
The Bank									
31.12.2022									
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 amounts due from subsidiaries.

**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

45 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							Trading book RM'000	Total RM'000
	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			
The Bank									
31.12.2022									
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 other liabilities, excluding accrued employee benefits.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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.

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
The Group 31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities						
Deposits from customers	2,385,156	946,891	940,856	579,925	-	4,852,828
Deposits and placements of banks and other financial institutions	1,546,476	-	-	-	-	1,546,476
Obligations on securities sold under repurchase agreements	537,493	279,658	-	-	-	817,151
Trade payables	214,100	-	-	-	-	214,100
Amount due to holding company	9,324	-	-	-	-	9,324
Lease liabilities	748	1,470	6,177	9,455	-	17,850
Other liabilities ⁽¹⁾	320,713	15,680	68,925	27,007	-	432,325
	5,014,010	1,243,699	1,015,958	616,387	-	7,890,054
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
The Group 31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	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

(1) Other liabilities exclude accrued employee benefits.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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)

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
The Bank 31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities						
Deposits from customers	2,385,156	946,891	940,856	579,925	-	4,852,828
Deposits and placements of banks and other financial institutions	1,546,476	-	-	-	-	1,546,476
Obligations on securities sold repurchase agreements	537,493	279,658	-	-	-	817,151
Trade payables	214,100	-	-	-	-	214,100
Amount due to holding company	9,324	-	-	-	-	9,324
Lease liabilities	748	1,470	6,177	9,455	-	17,850
Other liabilities ⁽¹⁾	320,713	14,625	68,917	27,007	-	431,262
	5,014,010	1,242,644	1,015,950	616,387	-	7,888,991
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
The Bank 31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	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

(1) Other liabilities exclude accrued employee benefits.

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**Notes to the financial statements
for the financial year ended to 31 December 2023 (continued)**

45 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 31.12.2023						
Interest rate derivatives	(257)	(630)	(2,720)	(8,390)	-	(11,997)

The Group and the Bank
31.12.2022

Interest rate derivatives	(117)	(907)	(2,855)	(7,755)	-	(11,634)
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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 31.12.2023						
Foreign exchange derivatives:						
Outflow	(1,987,269)	(2,107,398)	(534,569)	(178,312)	-	(4,807,548)
Inflow	1,965,224	2,085,839	521,243	169,555	-	4,741,861
	(22,045)	(21,559)	(13,326)	(8,757)	-	(65,687)

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)

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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	Up to 1	>1-3	>3-12	>1-5	Over 5	No specific	Total
31.12.2023	month	months	months	years	years	maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	686,512	-	-	-	-	-	686,512
Financial assets at FVTPL	2	-	-	16,454	-	90,380	106,836
Financial investments at FVOCI	10,094	96,207	682,379	2,000,110	1,626,109	24,759	4,439,658
Financial investments at amortised cost	-	-	-	488,178	568,372	-	1,056,550
Loans and advances	1,636,051	808	156,130	72,570	45,545	42,676	1,953,780
Trade receivables	397,533	-	-	-	-	-	397,533
Derivative financial assets	73,821	39,861	10,246	17,452	-	-	141,380
Other assets	51,068	740	452	4,400	30	2,918	59,608
Statutory deposits with Bank Negara Malaysia	130,600	-	-	-	-	-	130,600
Other non-financial assets ⁽¹⁾	-	-	1,588	3,881	-	393,846	399,315
Total Assets	2,985,681	137,616	850,795	2,603,045	2,240,056	554,579	9,371,772
Liabilities							
Deposits from customers	2,382,250	941,650	924,378	553,215	-	-	4,801,493
Deposits and placements of banks and other financial institutions	1,545,169	-	-	-	-	-	1,545,169
Obligations on securities sold under repurchase agreements	536,275	277,681	-	-	-	-	813,956
Trade payables	214,100	-	-	-	-	-	214,100
Derivative financial liabilities	16,415	37,035	13,056	15,834	-	-	82,340
Other liabilities	320,713	15,680	68,925	27,007	-	-	432,325
Lease liabilities	701	1,383	5,875	9,253	-	-	17,212
Other financial liabilities ⁽²⁾	9,324	-	-	-	-	-	9,324
Other non-financial liabilities ⁽³⁾	-	3,816	29,306	-	-	1	33,123
Total Liabilities	5,024,947	1,277,245	1,041,540	605,309	-	1	7,949,042
Net liquidity gap	(2,039,266)	(1,139,629)	(190,745)	1,997,736	2,240,056	554,578	1,422,730

(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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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)

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	No specific maturity	Total
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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
	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 related companies and holding company.

(3) Other non-financial liabilities include provision for taxation and accrued employee benefits.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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)

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	No specific maturity	Total
The Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2023							
Assets							
Cash and short-term funds	684,062	-	-	-	-	-	684,062
Financial assets at FVTPL	2	-	-	16,454	-	89,123	105,579
Financial investments at FVOCI	10,094	96,207	682,379	2,000,110	1,626,109	24,759	4,439,658
Financial investment at amortised cost	-	-	-	488,178	568,372	-	1,056,550
Loans and advances	1,636,051	808	156,130	72,570	45,545	42,676	1,953,780
Trade receivables	397,533	-	-	-	-	-	397,533
Other assets	48,682	740	145	6,875	30	2,918	59,390
Derivative financial assets	73,821	39,861	10,246	17,452	-	-	141,380
Statutory deposits with Bank Negara Malaysia	130,500	-	-	-	-	-	130,500
Other financial assets ⁽¹⁾	654	-	-	-	-	-	654
Other non-financial assets ⁽²⁾	-	-	1,552	3,881	-	395,968	401,401
Total Assets	2,981,399	137,616	850,452	2,605,520	2,240,056	555,444	9,370,487
Liabilities							
Deposits from customers	2,382,250	941,650	924,378	553,215	-	-	4,801,493
Deposits and placements of banks and other financial institutions	1,545,169	-	-	-	-	-	1,545,169
Obligations on securities sold under repurchase agreements	536,275	277,681	-	-	-	-	813,956
Trade payables	214,100	-	-	-	-	-	214,100
Derivative financial liabilities	16,415	37,035	13,056	15,834	-	-	82,340
Other liabilities	320,713	14,625	68,917	27,007	-	-	431,262
Lease liabilities	701	1,383	5,875	9,253	-	-	17,212
Other financial liabilities ⁽³⁾	9,324	-	-	-	-	-	9,324
Other non-financial liabilities ⁽⁴⁾	-	3,590	29,306	-	-	-	32,896
Total Liabilities	5,024,947	1,275,964	1,041,532	605,309	-	-	7,947,752
Net liquidity gap	(2,043,548)	(1,138,348)	(191,080)	2,000,211	2,240,056	555,444	1,422,735

(1) Other financial assets include amounts due from subsidiaries.

(2) Other non-financial assets include prepayment, investment in subsidiaries and associates, 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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)

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Bank							
31.12.2022							
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 amounts due from subsidiaries and holding company.

(2) Other non-financial assets include prepayment, investment in subsidiaries and associates, 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.

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Notes to the financial statements for the financial year ended 31 December 2023 (continued)

45 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 programme.

F. Compliance and legal risk

Compliance risk refers to risks of liability faced by the Bank, arising from breaches of applicable laws, regulatory requirements and internal policies and procedures governing the business of the Bank. Legal risks are risks arising from non-compliance with legal obligations and risks of the Bank's rights not being wholly enforceable, due to deficient drafting of contractual documents and/or inadequate management of litigation cases.

As an investment bank, the Bank is subject to various regulatory and statutory requirements found, inter alia in the Financial Services Act 2013, Capital Markets & Services Act 2007, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, the Malaysian Anti-Corruption Commission Act 2009, 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, Bank Negara Malaysia ("BNM"), Securities Commission Malaysia ("SC") and Bursa Malaysia Securities Berhad ("Bursa") policy documents, as well as directives, circulars and guidelines issued by these 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 litigation cases against the Bank are also submitted by CD and Legal Department ("LD") respectively to Senior Management Committee - Governance, Risk and Compliance, GBCC (for CD) and BRMC (for LD) to keep these management and board committees updated.

The CD renders compliance advice, monitors compliance risks faced by business and support units of the Bank while LD advises the Bank on all legal matters including, but not limited to, reviewing and/or drafting legal documents and communications for the Bank and monitoring and advising on litigation cases.

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Notes to the financial statements for the financial year ended 31 December 2023 (continued)

45 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 responsibilities of BRMC, 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 Group Technology Risk Management (GTRM) RMD. GTRM RMD supports Senior Management Committee - Governance Risk and Compliance (SMC-GRC) CROC which in turn supports the Board Risk Management Committee (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 for providing 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 risks associated with 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 authentication 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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****45 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 2023 and 31 December 2022, the Bank has exposure to Kuala Lumpur Interbank Offered Rate (“KLIBOR”) on its financial instruments. BNM has discontinued 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.

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 2023, 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 2023 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:	
	Derivatives	Derivatives	Have yet to transition to an alternative benchmark rate	
	Assets	Liabilities	Derivatives	Derivatives
	Assets	Liabilities	Assets	Liabilities
	RM’000	RM’000	RM’000	RM’000
The Group and the Bank				
31.12.2023				
<u>Commitments and contingencies</u>				
Interest rate related contracts				
- less than one year	410,000	260,000	410,000	260,000
- one year to less than five years	1,357,000	1,155,000	1,357,000	1,155,000
	<u>1,767,000</u>	<u>1,415,000</u>	<u>1,767,000</u>	<u>1,415,000</u>
The Group and the Bank	Assets	Liabilities	Assets	Liabilities
31.12.2022	RM’000	RM’000	RM’000	RM’000
<u>Commitments and contingencies</u>				
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
	<u>1,705,000</u>	<u>1,395,000</u>	<u>1,705,000</u>	<u>1,395,000</u>

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)**

46 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 level 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).

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****46 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	Level 1	Level 2	Level 3	Total
31.12.2023	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets at FVTPL				
- Corporate bonds or sukuk	-	16,456	-	16,456
- Shares, warrants and unit trusts	90,380	-	-	90,380
Financial investments at FVOCI				
- Money market instruments	-	2,483,807	-	2,483,807
- Corporate bonds or sukuk	-	1,931,092	-	1,931,092
- Shares	-	-	24,759	24,759
Derivative financial assets	-	141,380	-	141,380
Total	90,380	4,572,735	24,759	4,687,874
Liabilities				
Derivative financial liabilities	-	82,340	-	82,340
Other liabilities - equities trading	981	-	-	981
Total	981	82,340	-	83,321
The Group	Level 1	Level 2	Level 3	Total
31.12.2022	RM'000	RM'000	RM'000	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

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****46 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	Level 1	Level 2	Level 3	Total
31.12.2023	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets at FVTPL				
- Corporate bonds or sukuk	-	16,456	-	16,456
- Shares, warrants and unit trusts	89,123	-	-	89,123
Financial investments at FVOCI				
- Money market instruments	-	2,483,807	-	2,483,807
- Corporate bonds or sukuk	-	1,931,092	-	1,931,092
- Shares	-	-	24,759	24,759
Derivative financial assets	-	141,380	-	141,380
Total	89,123	4,572,735	24,759	4,686,617
Liabilities				
Derivative financial liabilities	-	82,340	-	82,340
Other liabilities - equities trading	981	-	-	981
Total	981	82,340	-	83,321
The Bank	Level 1	Level 2	Level 3	Total
31.12.2022	RM'000	RM'000	RM'000	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

Affin Hwang Investment Bank Berhad

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Notes to the financial statements for the financial year ended 31 December 2023 (continued)

46 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	
	31.12.2023	31.12.2022
	RM'000	RM'000
At beginning of the financial year	23,915	26,697
Total gains/(losses) recognised in other comprehensive income	844	(2,782)
At end of the financial year	24,759	23,915

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		Valuations techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	31.12.2023	31.12.2022			
Description	RM'000	RM'000			
Equity investments measured at FVOCI					
Unquoted shares	24,759	23,915	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.

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****46 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:

The Group and the Bank	Carrying amount RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
31.12.2023					
Financial Assets					
Financial investments at amortised cost	1,056,550	1,056,550	-	-	1,056,550
Loans and advances	1,953,780	-	1,952,854	-	1,952,854
Financial Liabilities					
Deposits from customers	<u>4,801,493</u>	<u>-</u>	<u>4,802,449</u>	<u>-</u>	<u>4,802,449</u>
 The Group and the Bank 31.12.2022					
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	<u>4,525,127</u>	<u>-</u>	<u>4,524,273</u>	<u>-</u>	<u>4,524,273</u>

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Notes to the financial statements for the financial year ended 31 December 2023 (continued)

46 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.

Obligation on securities sold under repurchase agreements

The estimated fair values of obligations on securities sold under repurchase agreements with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market interest rates with similar remaining period to maturity.

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Notes to the financial statements for the financial year ended 31 December 2023 (continued)

46 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.

47 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.

Obligation on securities sold under repurchase agreements

The "Financial instruments" column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as global master repurchase agreements, 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.

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****47 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						
31.12.2023						
Financial assets						
Trade receivables						
- Amount due from Bursa						
Securities Clearing Sdn Bhd	699,866	(673,391)	26,475	-	-	26,475
Derivative financial assets	141,380	-	141,380	(28,991)	(2,700)	109,689
Total	841,246	(673,391)	167,855	(28,991)	(2,700)	136,164
Financial liabilities						
Trade payables						
- Amount due to Bursa						
Securities Clearing Sdn Bhd	673,391	(673,391)	-	-	-	-
Derivative financial liabilities	82,340	-	82,340	(28,991)	(86,001)	(32,652)
Total	755,731	(673,391)	82,340	(28,991)	(86,001)	(32,652)
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

Affin Hwang Investment Bank Berhad

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**Notes to the financial statements
for the financial year ended 31 December 2023 (continued)****47 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						
31.12.2023						
Financial assets						
Trade receivables						
- Amount due from Bursa						
Securities Clearing Sdn Bhd	699,866	(673,391)	26,475	-	-	26,475
Derivative financial assets	141,380	-	141,380	(28,991)	(2,700)	109,689
Total	841,246	(673,391)	167,855	(28,991)	(2,700)	136,164
Financial liabilities						
Trade payables						
- Amount due to Bursa						
Securities Clearing Sdn Bhd	673,391	(673,391)	-	-	-	-
Derivative financial liabilities	82,340	-	82,340	(28,991)	(86,001)	(32,652)
Total	755,731	(673,391)	82,340	(28,991)	(86,001)	(32,652)
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

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Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 31 December 2023 (continued)

48 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	
	31.12.2023	31.12.2022
i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	701,371	776,463
ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	9.96%	13.33%

49 Client trust accounts

As at 31 December 2023, cash held in trust for the clients by the Group and the Bank amounted to RM1,010,282,000 (2022: RM875,763,000). These amounts are not recognised in the financial statements as they are held by the Group and the Bank in its fiduciary capacity.

50 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 21 March 2024.

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 Encik Hasli bin Hashim, 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 32 to 184 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 2023 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 21 March 2024.



Tunku Afwida binti Tunku A.Malek
Chairman



Encik Hasli bin Hashim
Director

**Statutory declaration pursuant to
Section 251(1) of the Companies Act 2016**

I, Ahmad Gazzara Czillich, 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 32 to 184 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.



Ahmad Gazzara Czillich
MIA No. 35641

Subscribed and solemnly declared by the abovenamed Ahmad Gazzara Czillich at Kuala Lumpur in Malaysia on 21 March 2024.

Before me:



COMMISSIONER FOR OATHS



RESURUHJAYA SUMPAH
W 995
CHEONG MUN HOW
01.12.2022-31.12.2024
MALAYSIA

NO. 31-1A, JALAN PANDAN 3/10,
PANDAN JAYA
55100 KUALA LUMPUR



**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 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Bank, and the 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 material accounting policies, as set out on pages 32 to 184.

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*



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)

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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AFFIN HWANG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197301000792 (14389-U)

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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers PLT' followed by a flourish and the number '127'.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to be 'F.' with a large, stylized flourish.

FOONG MEI LIN
03530/09/2024 J
Chartered Accountant

Kuala Lumpur
21 March 2024