Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD

(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

0947A4/lh

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BANK OF CHINA (MALAYSIA) BERHAD
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and related financial services. The principal activity of the subsidiary is that of providing Chinese visa application services.

There were no significant changes in these activities during the financial year.

Other information relating to the subsidiary is disclosed in Note 14 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	211,394	203,567
Taxation	(55,377)	(49,670)
Net profit for the financial year	156,017	153,897

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the current financial year.

CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year end, other than the issuance and repayment of subordinated loan as disclosed in Note 20 to the financial statements.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write-off any 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.

CURRENT ASSETS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Bank have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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 in respect of the Group and of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

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

CHANGE OF CIRCUMSTANCES

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, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the Directors, 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no material significant events to the reporting date that require disclosure or adjustments to the financial statements.

SUBSEQUENT EVENT AFTER THE BALANCE SHEET DATE

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.

DIRECTORS

The Directors of the Bank and the subsidiary in office since the beginning of the financial year to the date of this report are:

<u>The Bank</u>

Zhu Yanlai
Zhang Min
Eugene Khoo Kong Hooi
Lee Heng Guie
Tan Sri Dato' Low Kian Chuan (Resigned on 19 May 2023)

<u>The subsidiary</u>

Zhang Fengmei
Zhao Haiqing (Appointed on 18 April 2024)
Qiu Hengchang (Resigned on 19 April 2024)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary is a party, being arrangements with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

During and at the end of the financial year, none of the Directors of the Bank has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by Directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 28 of the financial statements and of related corporations) by reason of a contract made by the Bank or a related corporation with the Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except certain Directors received remuneration from the Bank or related corporations in their capacities as executives of the Bank or those related corporations.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, none of the Directors in office at the end of the financial year held any interest in shares of the Bank and its related corporations.

HOLDING COMPANIES

The immediate holding company of the Bank is Bank of China (Hong Kong) Limited ("BOCHK") which was incorporated in Hong Kong whereas the penultimate holding company is Bank of China Limited ("BOC Ltd.") and the ultimate holding company is Central Huijin Investment Ltd, both were incorporated in China.

BUSINESS REVIEW 2023

For the financial year ended 31 December 2023, the Group recorded operating income of RM422.64 million, an increase of RM72.51 million or 20.7% from the corresponding period of 2022. This was mainly contributed by an increase of RM46.56 million in net interest income and other operating income of RM25.95 million. Profit after tax recorded at RM156.02 million, an increase of RM40.09 million or 34.6% higher from the previous year. This was mainly due to the increase in operating income.

Total assets stood at RM16.43 billion as at 31 December 2023, an increase of RM1.47 billion or 9.8% compared to 31 December 2022. This was mainly due to higher cash and short-term funds as well as higher loans and advances. Total liabilities stood at RM14.43 billion, an increase of RM1.30 billion or 9.9% compared to 31 December 2022, mainly due to an increase in deposits from customers.

ECONOMIC OUTLOOK FOR 2024

In 2023, the global economy held up pretty well amid a mixed performance in advanced and emerging economies. Overall, global GDP growth is estimated to be 3.1% in 2023 (3.0% in 2022). Looking ahead to 2024, the International Monetary Fund estimates global economy will continue to grow by 3.1% amid higher interest rates and the withdrawal of fiscal stimulus. In 2024, the US economic growth will be weaker amid the risk of technical recession as the lag effects of high interest rates feed through the economy. Falling household savings and a softening labour market will slow consumer spending. Market expectations are that the US Federal Reserve will start to pivot on interest rate in 2Q-3Q 2024.

China's economy is expected to grow by 4.6% in 2024 (5.2% in 2023), aided by a recovery in consumption demand and exports amid still weakening property sector. Both fiscal and monetary policies should continue to support the economy.

The Malaysian economy has slowed to 3.7% in 2023 from 8.7% in 2022, largely weighed down by exports contraction while domestic demand grew at a slower pace on inflation and rising cost of living amid a strong recovery in the labour market. In 2024, real GDP growth is estimated at 4.3%, primarily driven by continued growth in domestic demand and also aided by a gradual recovery in exports.

Against the backdrop of a cautiously global environment and domestic economic conditions, the Bank will continuously respond to the changes in the operating environment, seek out new profit growth points, and maintain a strong capital level. China remained the largest trading partner of Malaysia and the Bank as the major CNY clearing bank in Malaysia, remains confident to achieve sustainable business growth in the future.

DIRECTORS' REPORT (CONTINUED)

BUSINESS PLAN 2024

The Bank is devoted to achieving its objectives of becoming the leading China-based Bank and one of the most distinguished foreign banks in Malaysia. It aims to be the preferred bank for both Malaysia and China-based enterprises and individual customers, the leading bank in RMB business and cross-border services as well as most reliable China-based bank among the Chinese community in Malaysia. The Bank is utilizing the "Belt and Road Initiative" and RMB internationalization opportunities to establish an advantageous platform for enhanced trade and economic relations between China and Malaysia. The Bank has improved its services to target clients and maintained strong ties with local communities.

The Corporate Banking department intends to capitalize on market opportunities and increase market share by expanding the customer base into target segment, promote the development of RMB business, explore potential Environment, Social and Governance ("ESG") financing projects for existing customers to transform green enterprises, enhance the spirit of collaboration and reflect advantages of globalisation.

Retail Banking department aims to expand its product range and drive digital transformation to improve market competitiveness by intensifying online banking and further enhancing service capability. The department is actively promoting RMB business by enhancing its online RMB product range and services to maintain the Bank's advantages as official RMB Clearing Bank.

Global Market is implementing technological innovation strategies and actively promoting infrastructure construction to cultivate trading service capabilities in order to become the core market maker in Malaysia's RMB market. The Bank is optimizing its income structure by enhancing its product service capabilities.

As part of ESG initiatives, the Bank is strengthening the Three Lines of Defence Model ("3LOD") for effective climate risk management by continuously coordinating and driving implementation of new and emerging regulatory requirements related to climate change. The Bank is establishing guidelines to conduct Enhanced Due Diligence for ESG sensitive sectors, developing risk metrics to manage climate-related risks, assessing the potential implications on financial resilience and identifying potential responses and establishing Board-approved policy on climate-related disclosure and producing climate-related disclosure report, such as Task Force on Climate-related Financial Disclosures ("TCFD") report.

RATINGS BY EXTERNAL RATING AGENCY

RAM has reaffirmed Bank of China (Malaysia) Berhad's Financial Institution Ratings of AA1 and P1, with stable outlook.

DIRECTORS' PROFILE

As at the date of this report, the Board comprises four (4) members, of whom two (2) are Independent Non-Executive Directors, a Non-Independent Non-Executive Director and an Executive Director. The Board members, who were in office since the beginning of the financial year ended 31 December 2023 and up to the date of this Statement, are as follows:-

Designation	Name of Directors
Chairman	Zhu Yanlai *Non-Independent Non-Executive Director*
Member	Zhang Min *Executive Director/Chief Executive Officer*
	Eugene Khoo Kong Hooi *Independent Non-Executive Director*
	Lee Heng Guie *Independent Non-Executive Director*
	Tan Sri Dato' Low Kian Chuan *(Resigned on 19 May 2023)* *Independent Non-Executive Director*

In compliance with Paragraph 10.4 of the Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance ("BNM CG Policy Document") which prohibits an active politician to be a director of a financial institution, Tan Sri Dato' Low, who was appointed as a member of the Senate, had on 12 April 2023 tendered his resignation as an Independent Non-Executive Director of the Bank. On 19 May 2023, BNM responded that they had no objection to the resignation of Tan Sri Dato' Low as Independent Non-Executive Director of the Bank and granted a temporary exemption to the Bank from complying with the requirements in the BNM CG Policy Document on having board majority of independent directors for a period of up to 1 year or until a new independent director is appointed.

The profile of each Director as at the date of this report are as follows:-

Zhu Yanlai – Non-Independent Non-Executive Director and Chairman

Madam Zhu Yanlai, Chinese, aged 70, was appointed to the Board on 1 October 2018.

Madam Zhu graduated from the Renmin University of China with a Bachelor's Degree and Master's Degree in Philosophy. She has also obtained a Master's Degree in Sociology from the University of Regina in Canada.

She started her career as a lecturer in Renmin University of China in 1987 and was the visiting scholar of York University, Canada in 1990. She was a manager in Royal Bank of Canada in 1995 and an Associate in Nesbitt Burns, Bank of Montreal Group in 1996.

Madam Zhu joined Bank of China Group in April 1997 as Senior Manager of the Credit & Business Development Department. From February 1999 to 2001, she became the Assistant General Manager in the Credit Management & Business Department of Bank of China Hong Kong and Macau Regional Office. Since later 2001, she became the General Manager of Economic & Strategic Planning Department of Bank of China (Hong Kong) Limited ("BOCHK"). In 2010, she was appointed as Assistant Chief Executive of BOCHK and in 2013 she was appointed as Deputy Chief Executive of BOCHK. In 2015, she became advisor of BOCHK until September 2018.

Madam Zhu does not have any shareholding in the Bank.

DIRECTORS' PROFILE (CONTINUED)

Zhang Min – Executive Director/Chief Executive Officer

Mr. Zhang Min, Chinese, aged 59, was appointed as Executive Director/Chief Executive Officer on 15 January 2019.

Mr. Zhang graduated from Wuhan University, China with a Bachelor's Degree in International Finance. He also obtained a Master's Degree in Finance from Xiamen University, China, and a Doctoral Degree in Population, Resources and Environmental Economics from Yunnan University, China.

Mr. Zhang has more than 30 years of experience in the banking industry, held various positions and gained wide-ranging experience in international settlement, corporate banking, retail banking, financial market, risk management and banking branch management. He joined BOC Group in 1988. In 2003, he served as Assistant General Manager of Yunnan Branch of BOC and was promoted as Deputy General Manager of Yunnan Branch of BOC in 2006. From 2011 to 2017, he served as General Manager of Jakarta Branch of BOC, responsible for the overall branch management and was then served as General Manager of Credit Risk Division of Bank of China (Hong Kong) Limited from 2017 to January 2019.

Mr. Zhang does not have any shareholding in the Bank.

Eugene Khoo Kong Hooi – Independent Non-Executive Director

Mr. Eugene Khoo Kong Hooi, Malaysian, aged 58, was appointed to the Board on 9 January 2017.

He holds a Bachelor of Economics Degree from Monash University, Australia. He is a qualified Chartered Banker and Chartered Accountant. He holds membership with the Chartered Banker Institute UK, Asian Institute of Chartered Bankers, Malaysian Institute of Accountants and the Chartered Accountants Australia and New Zealand. He is a committee member of the Malaysian Mergers & Acquisitions Association ("MMAA"), a non-profit organisation which was set up to develop the mergers and acquisitions market in Malaysia. He was the President of MMAA from January 2015 to July 2019.

From 2016 to 2018, he was the Group Chief Executive Officer of a public listed company on Bursa Malaysia. He was responsible for its property and plantation businesses. Prior to this, he worked in the corporate and investment banking area with several banks. He has extensive experience in the banking industry, covering various areas including mergers and acquisitions, corporate banking, corporate finance, debt capital markets, equity capital markets, private equity investment and relationship management. He has worked on transactions with clients from small to large corporations in various countries across a broad range of industry sectors. He started his career with an international accounting firm in 1989 where he obtained his qualification as a Chartered Accountant in Australia.

Mr. Eugene Khoo does not have any shareholding in the Bank.

DIRECTORS' PROFILE (CONTINUED)

Lee Heng Guie – Independent Non-Executive Director

Mr. Lee Heng Guie, Malaysian, aged 63, was appointed to the Board on 8 December 2021.

Mr. Lee holds a Bachelor of Arts (Hons) majoring in Economics from the University of Malaya, Malaysia and a Master's Degree in Development Economics from Williams College, USA.

He had over 30 years of professional experience as an economist, with almost 12 years in BNM and 18 years in financial services. Since July 2016, Mr. Lee was appointed as the Executive Director of Socio-Economic Research Centre ("SERC"), an independent research centre of the Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM"). He is currently an independent member of Investment Committee of Opus Asset Management Sdn Bhd and a member of the Economic Committee ("EC") of Malaysia Competition Commission. He is also the external advisor of the Master of Intellectual Property programme at the Xiamen University Malaysia.

Mr. Lee participates actively in providing economic commentaries to print and electronic media as well as participates in seminars/conferences as a resource person. Mr. Lee is the recipient of many awards: He was voted "Best Economist" in The Edge Polls twice and ranked top 3 four times from 2000-2008; "Best Economist" by the Asset Magazine Hong Kong-Local Currency Bond Market of Malaysia in 2007. He also led CIMB Macroeconomic research to be ranked among top 3 for nine consecutive years (2005-2013) in the Asiamoney Polls.

Mr. Lee does not have any shareholding in the Bank.

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS

Adherence to the highest standards of corporate governance is the cornerstone of the Bank's corporate culture.

The Bank has taken necessary steps to ensure conformity with BNM CG Policy Document.

1. Roles and Responsibilities of the Board of Directors

   The Board of Directors ("the Board") of the Bank plays a critical role in ensuring sound and prudent policies as well as practices of the Bank. The Board carries ultimate responsibility for the proper stewardship of the Bank, ensures the maximisation of shareholder's value and safeguarding of stakeholder's interests. The Board oversees the affairs, establishing, amongst others, the corporate values, vision and strategies that will direct the activities of the Bank. It also provides effective check and balance mechanism in the overall management of the Bank.

   The main duties and responsibilities of the Board include:

   (i) Strategy and Planning

   - Set and oversee the implementation of business and risk objectives and strategies and in doing so shall have regard to the long-term viability of the Bank and reasonable standards of fair dealing.

   (ii) Risk Management and Internal Controls

   - Ensure and oversee the effective design and implementation of sound internal controls, compliance and risk management systems commensurate with the nature, scale and complexity of the business and structure of the Bank.
   - Assess and manage risk-taking activities to align with the Bank's capacity to absorb losses and long-term business viability.
   - Ensure requirements in BNM's policy documents on Risk Governance and Risk Management in Technology are at all times observed.

   (iii) Disclosure of Information

   - Ensure reliable and transparent financial reporting process within the Bank. The Board is responsible to ensure the integrity and credibility of financial statements of the Bank.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

1. Roles and Responsibilities of the Board of Directors (continued)

The main duties and responsibilities of the Board include (continued):

(iv) Management and Compliance

- Ensure that the operations of the Bank are conducted prudently, and within the framework of the relevant laws and policies.

(v) Monitoring and Delegation of Authorities to Various Committees

- Establish and ensure effective functioning of various Board Committees. Committee members are selected based on their merits, expertise, and interests. Duties may be delegated to the Board Committees; however, the Board remains responsible for the decisions of the committees. The Board shall be timely and regularly informed of each committee's activities, findings, conclusion and recommendations. The Board shall review reports submitted by various committees, and provide guidance, when necessary.

(vi) Supervision over Performance of the Management

- Oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Bank.

(vii) Communications with Shareholders/Stakeholders

- Manage the Bank's business in accordance with the rules stipulated in the Constitution, relevant laws and regulations. The Board maintains an effective communication policy that enables both the Board and Management to communicate effectively with its shareholders, the stakeholders and the public either through disclosure or annual general meeting ("AGM"). The Board promotes timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank.

(viii) Environmental, Social and Governance

- Promote sustainability through appropriate environmental, social and governance guidelines and policies in the Bank's business strategies.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

2. Board Meetings and Supply of Information to the Board

The Board meets at least five (5) times a year to review the financial performance of the Bank and progress of the Bank's business, approve strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings may also be called to deliberate and assess corporate proposals or business issues that require the Board's immediate consideration or decision.

Board's approval for urgent matters may be obtained through written resolutions.

All Directors are supplied with information on a timely manner. The agenda for each Board meeting, together with detailed reports, proposal papers and supporting documents, are circulated to the Directors for their perusal in advance of the Board's meeting date to facilitate a meaningful deliberation of the Board. The Directors may request to be furnished with additional information or clarification. Relevant senior management officers are invited to attend Board meetings to provide the Board with detailed explanations and clarifications on proposals tabled to enable the Board to make an informed decision.

Minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation at the following Board meeting.

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary provides counsel to the Board on governance matters and facilitate effective information flows between the Board, the Board Committees and senior management. The Directors have the liberty to seek external professional advice if so required by them.

In respect of potential conflict of interest, the Board has established a Policy on Managing Conflict of Interest of Directors to address any actual, perceived and potential conflicts of interest that may arise. The Board has also established a Connected Party Credit Transactions and Exposures Policy for the governance and monitoring of extending credit (and make investments) in the ordinary course of business transactions with related or connected parties. The Board has reviewed all connected party transactions and is satisfied that there is no undue influence involved in all connected party transactions.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

2. Board Meetings and Supply of Information to the Board (continued)

Directors' attendance at the Board meetings held during the financial year is set out below:

Directors	**Number of Meetings**	
	Meetings attended/held	**%**
Zhu Yanlai (Chairman) Non-Independent Non-Executive Director	9/9	100
Zhang Min Executive Director	9/9	100
Eugene Khoo Kong Hooi Independent Non-Executive Director	9/9	100
Tan Sri Dato' Low Kian Chuan Independent Non-Executive Director *(Resigned on 19 May 2023)*	1/1*	100
Lee Heng Guie Independent Non-Executive Director	9/9	100

Note: * Excluded a special meeting on discussions and decisions relating matters involving him.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors

(a) Division of Responsibilities between the Chairman and CEO

The roles of the Chairman and CEO are separated, which is consistent with the principles of corporate governance as set out in BNM CG Policy Document to institute an appropriate balance of power and authority. The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board.

In fulfilling this role, the Chairman is to ensure, among others:-

- the smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
- guidelines and procedures are in place to govern the Board's operation and conduct;
- all relevant issues are on the agenda for Board meeting and all directors are able to participate fully in the Board's activities;
- all decisions are taken on a sound and well-informed basis, including ensuring that the Board considers and debates strategic and critical issues;
- directors receive the necessary information on a timely basis;
- avenues are provided for all directors to participate openly in the discussion and allow dissenting views to be freely expressed and discussed; and
- that she provides leadership to the Board and is responsible for the developmental needs of the Board.

The CEO, in leading the senior management, bears primary responsibility over the development and execution of the Bank's corporate and business strategy, and is ultimately responsible for managing the Bank's day-to-day operations. He is also responsible for charting the future direction of the Bank for the Board's consideration and approval.

The Board considers and approves a set of expectations on the CEO. This subsequently acts as a yardstick against which his performance will be measured, evaluated and rewarded.

3. Effectiveness of the Board of Directors (continued)

(b) Board Composition

The current Board comprises personnel with diverse experience with necessary skill and qualification. The composition of the Board and Directors' profile can be found on pages 7 to 9 of this report. As of to date, the Board consists of four (4) members, of whom two (2) are Independent Non-Executive Directors. The Bank recognises the importance of having a majority Independent Directors at all times and is currently in the process of appointing a new Independent Director to fill the vacancy.

The presence of the Independent Non-Executive Directors provides effective check and balance in the functioning of the Board. Both the current Independent Non-Executive Directors are independent in character and judgment, and free from any association or circumstances that may impair their independent judgement. They ensure a strong element of independence on the Board, both in thought and actions.

(c) Appointments and Re-election of Directors

The proposed appointment of new member(s) of the Board as well as the proposed re-appointment/re-election of Directors at the AGM of the Bank, are assessed and recommended by the Board and approved by the holding company before the application on the proposed appointment is submitted to BNM for approval. The selection criteria with regard to the desired candidate encompasses the combination of competencies, the minimum qualifications specified by regulatory authorities and relevant experience.

The Board has a broad range of skills and credentials, each brings a high degree of independent judgement and knowledge to the Board's discussions. They are individuals of high caliber and comprise directors who as a group provide a mixture of core competencies such as finance, accounting, banking, risk management and business management.

In accordance with the Constitution of the Bank, newly appointed Directors shall hold office only until the next AGM, and shall then be eligible for re-election. Additionally, one-third (1/3) of the Directors shall retire by rotation at each AGM. A retiring Director is eligible for re-election at the AGM.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors (continued)

(d) Directors' Independence and Tenure

The Board Remuneration and Nomination Committee considers a strong element of independence on the Board vital for good corporate governance and it performs annual reviews of the independence of the Directors.

An Independent Non-Executive Director is defined as a Director who is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank.

Independent Non-Executive Directors of the Bank exercise independent judgement and participate in the deliberations of the Board objectively with no individual or small group of individuals dominating the Board's decision-making process. Currently the Bank does not have a majority of Independent Directors, and the BNM had granted a temporary exemption to the Bank from complying with the requirement laid down in the BNM CG Policy Document for a period of up to 1 year, or until a new Independent Director is appointed.

The Bank adopted a 9-year policy for tenure of an Independent Non-Executive Director. The tenure limits for an Independent Non-Executive Director of the Bank should generally not exceed nine (9) years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Bank.

As at the date of this Statement, none of the Bank's Directors have served for a cumulative period of more than 9 years.

(e) Directors' Performance and Remuneration

The Board Remuneration and Nomination Committee will carry out assessment on the performance of the Board annually. The members of the Board will be assessed based on a set of specific criteria as well as the performance of the Board as a whole.

The Bank ensures that Directors' remuneration should be appropriate and reflect their duty and responsibility to fulfil the expectations of the shareholders and meet regulatory requirements. Fees and any benefits payable to the Directors are subject to the approval of the shareholder at a general meeting.

Currently, the Independent Directors are paid directors' fee with the approval of shareholder at the AGM. The details of remuneration received by Directors of the Bank during the financial year are disclosed in Note 28 to the financial statements.

The appointment, remuneration package and benefits of the CEO will be assessed by the immediate holding company and the Board respectively based on the qualification, experience and achievement of targets set.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors (continued)

(f) Induction and Training

All newly appointed directors will receive in-house orientation and continuous education programmes to assist them to familiarise with the industry and the Bank within three months of their appointments. The programmes will cover at a minimum the nature of business, the corporate strategy of the Bank, responsibilities and duties of the Board as a whole, an overview of the risks of the businesses, the risk management strategy of the Bank, legal requirements and financial overview of the Bank.

During the financial year, the Directors attended training programmes, conferences, forums, seminars and briefings organised by professional bodies and regulatory authorities as well as those conducted in-house, included the following:

- Effective Operational Risk Management for Board of Directors and Senior Management
- Opportunities for Financial Development in the Greater Bay Area and Suggestions for the Business Development of BOCHK Group
- Risk and Opportunities in Sustainable Finance
- AMLA 2001, MACC ACT 2009: Prevention, Detection & Collaboration on Fronting Compliance
- Development and Financial Application of Generative AI
- Cyber Security Awarenenss Training 2023
- Islamic Culture & Islamic Banking & Finance
- BOCHK Management Brainstorming Conference
- 2023 3rd group wide compliance refresher E-learning (operational Risk Management, Anti-bribery and corruption)
- First Distinguished Board Leadership Series for 2023 on "Can America stop China's rise? Will ASEAN be damaged?"
- Physical Corporate Governance Masterclass (Analytical Tools for Designing Purpose-Driven Business to Achieve Sustainability Impact) by Professor Mak Yuen Teen
- HSBC Market outlook - Leap into a year of wealth and boundless possibilities
- E&Y Global Regulatory Outlook
- Ethical Finance Asian
- Learn about Fintech & SMEs
- ESG, Climate, and Trust: The Board's Role
- BNM-FIDE FORUM Virtual Dialogue on (1) Cloud Requirements in Risk Management in Technology (RMiT) Policy Document, and (2) Artificial Intelligence & Machine Learning (AI/ML) Adoption Landscape in the Industry
- Complexities and responsibilities that come with Artificial Intelligence
- ESG Journey to Compliance
- What will shape global real estate in 2024 and beyond?
- CEO Series Business and Economic Forum
- Fitch Sustainable Finance Outlook 2024 APAC/EMEA
- CGS-CIMB 15th ANNUAL MALAYSIA VIRTUAL CORPORATE DAY
- Walk Along the Road, Ten Years of BRI
- JP Morgan Investors Day

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors (continued)

(f) Induction and Training (continued)

During the financial year, the Directors attended training programmes, conferences, forums, seminars and briefings organised by professional bodies and regulatory authorities as well as those conducted in-house, included the following (continued):

- Engagement session in conjunction with January Monetary Policy Statement (MPS) release
- Presentation of the World Development Report 2022: Finance for an Equitable Recovery
- Engagement session in conjunction with March Monetary Policy Statement (MPS) release
- Risk Management Committee: Banking Sector
- Leadership for Enterprise Sustainability Asia (LESA) 2023 Conference
- Engagement session in conjunction with the release of BNM Annual Report 2022, Economic & Monetary Review 2022, and Financial Stability Review Second Half 2022
- Engagement session in conjunction with release of 1Q 2023 Quarterly Bulletin (QB) Bank Negara Malaysia
- NCCIM National Economic Forum
- Pre-Budget 2024 Dialogue with YAB Prime Minister
- Reshaping Malaysia's Narrative
- Bank Negara Malaysia Sasana Symposium 2023 (SS2023), - In-depth discussions on key issues and necessary reforms for the Malaysian economy
- The 16th World Chinese Entrepreneurs Convention (WCEC)
- OPUS Management Investors Forum
- COPE Private Investor Conference
- OPUS Management Investors Forum
- World Bank Invitation's Building Malaysia's Resilience: Lessons from COVID-19's Economic Impact and Policy Responses
- ACCCIM Tech Conference – AI UNPLUGGED
- Operationalising Resolution Planning - A Perspective from the Trenches
- ESG, Climate, and Trust: The Board's Role
- Hybrid Workshop for Project Realizing Inclusive and Responsible Business & Investment (IRBI) in APEC
- MARC Forum on Transforming the Malaysian economy
- Launch of the World Bank's 28th Malaysia Economic Monitor
- AM Investment Talk on "Budget 2024 – Analysis and Views"
- RAM Forum: Emerging Risks – How can Malaysia Steer Ahead?
- Constructing a Malaysia-China Community with a Shared Future: Opportunities, Prospects and Challenges
- MISIF's Trade Forum "Navigating Global Market Dynamics for A Sustainable Future in the Iron and Steel Industry"
- Distinguished Board Leadership Series 2023 - Empowering Change through Diversity, Equity and Inclusion (DEI)
- Breakfast Talk on AI
- OPUS Management Investors Forum

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors (continued)

(f) Induction and Training (continued)

During the financial year, the Directors attended training programmes, conferences, forums, seminars and briefings organised by professional bodies and regulatory authorities as well as those conducted in-house, included the following (continued):

- Malaysia's Economic Talk
- REHDA CEO SERIES 2023: Economy and Business Forum
- Unlock Trading Opportunities with Malaysia's First Current Futures Contract: The Mini USD/CHH Futures (FCNH)

BOARD COMMITTEES

The Board has established Board Audit Committee ("BAC"), Board Risk Management Committee ("BRMC"), Board Remuneration and Nomination Committee ("BRNC"), and Board Information Technology Sub-Committee ("BITSC") to complement the Board in the execution of its responsibilities. Each Board Committee has its terms of reference which set forth the responsibilities, authorities and functions of that Committee, in line with BNM CG Policy Document.

The broad functions of the respective Board Committees are as follows:

1. Board Audit Committee ("BAC")

(a) Objective

The objective of the BAC is to assist the Board in fulfilling its oversight responsibility for the Bank and its subsidiary relating to:-

- the integrity of financial statements and the financial reporting process;
- the systems of internal control;
- the performance of internal audit functions and internal auditors;
- the appointment of external auditors and the evaluation of the external auditors' qualifications, independence and performance;
- the periodic review, where appropriate, and the annual audit of the Group's financial statements;
- compliance with applicable accounting standards as well as legal and regulatory requirements on financial disclosures; and
- enhancing the corporate governance framework of the Group.

1. Board Audit Committee ("BAC") (continued)

(b) Membership and Attendance

The BAC comprises only Non-Executive Directors with at least three (3) members. A majority of the members (including the Chairman) shall be Independent Directors, of whom at least one (1) of them shall possess accounting expertise or experience in the field of finance.

The attendance of each member at the BAC meetings held during the financial year ended 31 December 2023 is as follows:

Members	**Number of Meetings**	
	Meetings attended/ held	**%**
Eugene Khoo Kong Hooi (Chairman) (Independent Non-Executive Director)	7/7	100
Lee Heng Guie (Independent Non-Executive Director)	7/7	100
Tan Sri Dato' Low Kian Chuan (Independent Non-Executive Director) *(Ceased as member on 12 April 2023)*	2/2	100
Zhu Yanlai (Non-Independent Non-Executive Director) *(Appointed as member on 12 April 2023)*	5/5	100

(c) Roles and Responsibilities

The BAC shall be responsible, but are not limited to the following:

(i) Review and monitor the effectiveness of the financial reporting processes implemented by the Management, as well as appropriateness of the Group's accounting and financial reporting;

(ii) Review and if appropriate, recommend for approval by the Board:

(a) The annual audited financial statements, together with the report of the Directors and external auditors thereon;
(b) The half-yearly financial statements;
(c) The quarterly financial results; and
(d) All financial information in material public disclosure documents, if any.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

1. Board Audit Committee ("BAC") (continued)

(c) Roles and Responsibilities (continued)

The BAC shall be responsible, but are not limited to the following (continued):

(iii) Review the effectiveness of the risk management and internal control system of the Group;

(iv) Review whistleblowing arrangements for the Group's employees and other stakeholder who, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters;

(v) Review and approve the responsibilities and structure of the Internal Audit Department ("IAD"), and recommend to the Board the appointment, termination, remuneration, annual performance targets, and results of performance appraisal of the Head of IAD;

(vi) Review the reports (including follow-up reports) submitted by IAD, together with the Management's response to any identified weaknesses on internal control and/or follow-up actions;

(vii) Review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, and review the policy on the engagement of the external auditors to supply non-audit services; and

(viii) Review and recommend the appointment, re-appointment and removal of the external auditors, and approve the external auditors' remuneration and terms of engagement.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

1. Board Audit Committee ("BAC") (continued)

(d) Key Internal Control Processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

(i) The BAC reviews internal control issues identified by the internal auditor, the external auditor, regulatory authorities, the auditor from the holding company and the management, and evaluates the adequacy and effectiveness of the internal control systems. The minutes of the BAC meetings are tabled to the Board of the Bank; and

(ii) The Internal Audit Department of the Bank monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. The frequency of the audit is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of the departments. The annual audit plan is reviewed and approved by the BAC and the findings of the audits are submitted to the BAC for review.

2. Board Risk Management Committee ("BRMC")

(a) Objective

The objective of the BRMC is to support the Board in meeting the expectations on risk management as set out in BNM's Policy Document on Risk Governance and any relevant legal instruments, policy documents and guidelines issued by BNM.

The functions of the BRMC include, among others:-

(i) assist the Board in overseeing the establishment of a robust risk management system and an effective framework to identify, monitor, control and report risk;
(ii) oversee the senior management's activities in managing enterprise-wide risks, including all relevant and material risks;
(iii) oversee the implementation of the Bank's governance framework and internal control framework, and periodically reviews whether these remain appropriate in the light of material changes to the size, nature and complexity of the Bank's operation;
(iv) ensure that the integrated risk management functions within the Bank are in place and effectively discharged; and
(v) review and formulate senior management's recommendations to the Board on risk management.

2. Board Risk Management Committee ("BRMC") (continued)

(b) Membership and Attendance

The BRMC comprises only Non-Executive Directors with at least three (3) members and chaired by an Independent Non-Executive Director.

The attendance of each member at the BRMC meetings held during the financial year ended 31 December 2023 is as follows:

Members	**Number of Meetings**	
	Meetings attended/held	**%**
Lee Heng Guie (Chairman) (Independent Non-Executive Director)	6/6	100
Eugene Khoo Kong Hooi (Independent Non-Executive Director)	6/6	100
Zhu Yanlai (Non-Independent Non-Executive Director)	6/6	100

(c) Roles and Responsibilities

The BRMC shall be responsible, but are not limited to the following:

(i) Provide oversight and governance of risk to ensure consistency with the risk strategy and policies approved by the Board;

(ii) Oversee and advise the Board on adherence to the Bank's risk appetite and implementation of risk management measures in managing key risks as well as emerging risks. In order to fulfil the requirement, the BRMC shall oversee:

- Current and forward-looking risk exposures; and
- Bank's risk appetite and risk strategy, including capital and liquidity management strategy; and management of risk of the Bank.

(iii) Oversee all relevant and material risks in senior management's activities in managing enterprise-wide risks, covering, but not limited to credit, market, technology, interest rate, liquidity, climate, operational, legal and compliance, bribery and corruption, reputation, strategic, money laundering and terrorism financing, outsourcing and other risk;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

2. Board Risk Management Committee ("BRMC") (continued)

(c) Roles and Responsibilities (continued)

The BRMC shall be responsible, but are not limited to the following (continued):

(iv) Oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;

(v) Ensure risk management activity is not carried out in isolation but is well-integrated throughout the Bank, considering the potential transmission effects of risk contagion;

(vi) Ensure framework, infrastructure, resources and systems are in place for risk management functions, ensuring that the staff responsible for implementing risk management framework perform those duties independently of the Bank's risk-taking activities;

(vii) Review management's periodic reports on risk exposure, risk portfolio composition, risk management activities, compliance report and anti-money laundering and counter financing of terrorism ("AML/CFT") reporting;

(viii) Advise the Board on risk appetite and tolerance in determining strategy. The BRMC has power delegated by the Board to set risk appetite and accept risks beyond the approval discretion provided to management;

(ix) Provide oversight on the development and implementation of the stress testing programme;

(x) Assess/Approve/Review or recommend for the approval of the Board, the risk and compliance related policies and framework;

(xi) Oversee technology and cybersecurity related matters. Among other things, the BRMC reviews the technology-related framework for the Board's approval, and ensures that risk assessments undertaken in relation to material technology applications are robust and comprehensive;

(xii) Provide effective oversight on senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework;

(xiii) Exercise oversight on Board Information Technology Sub-Committee ("BITSC"); overseeing the technology and cybersecurity related matters, including regular reports on the meeting proceedings on all matters within the duties and responsibilities;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

2. Board Risk Management Committee ("BRMC") (continued)

(c) Roles and Responsibilities (continued)

The BRMC shall be responsible, but are not limited to the following (continued):

(xiv) Exercise oversight on Risk Management and Internal Control Committee ("RMICC") and Compliance Risk Management Committee ("CRMC"), reviewing all matters that are referred to the BRMC for consideration, including minutes and regular reports that assess the risk management and internal control;

(xv) Exercise oversight on Assets and Liabilities Management Committee ("ALCO"); overseeing the Bank's Balance Sheet structure and to ensure that it is consistent with both the policy of the holding company and the overall business plan of the Bank;

(xvi) Exercise oversight on credit risk management including the management of risk models and provision matters to oversee the credit risk management of the Bank;

(xvii) Provide oversight to the senior management in establishing and implementing an appropriate AML/CFT framework of policies, procedures and processes, in the monitoring of the AML/CFT controls, and in making necessary adjustment to AML/CFT policies, to ensure proper development, monitoring, compliance and avoid of all forms of money laundering and terrorism financing and proceeds of unlawful activities in the Bank, as well as to ensure the adoption of a coordinate approach in this regard;

(xviii) Exercise oversight on operational risk management to oversee the operational risk associated with the Bank's activities and to mitigate the risk accordingly;

(xix) Exercise oversight on market risk management to oversee the market risk associated with the Bank's activities and to mitigate the risk accordingly;

(xx) Exercise oversight on the Bank's wholesale financial markets code of conduct risk governance on its treasury activities;

(xxi) Exercise oversight on liquidity risk management to oversee the liquidity risk associated with the Bank's activities and management of liquidity coverage ratio ("LCR") and Net Stable Funding Ratio ("NSFR");

(xxii) Exercise oversight on climate risk management to promote sustainability through the integration of appropriate environmental, social and governance ("ESG") considerations in risk management and decision-making process;

(xxiii) Oversee the management of compliance risk, including the approval of compliance policy and oversee its implementation;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

2. Board Risk Management Committee ("BRMC") (continued)

(c) Roles and Responsibilities (continued)

The BRMC shall be responsible, but are not limited to the following (continued):

(xxiv) Approve the establishment of compliance function and the position of Chief Compliance Officer ("CCO");

(xxv) Recommend the appointment, remuneration, key performance indicators, job description and dismissal/termination of Chief Risk Officer ("CRO")/CCO, including their performance review to the Board for approval;

(xxvi) Review and recommend to the Board for approval on new products and ensure compliance with the prevailing guidelines issued by BNM or other relevant regulatory bodies;

(xxvii) Ensure effective oversight and governance of outsourcing arrangements, supported by a robust outsourcing risk management framework to manage outsourcing risks and ensure compliance with relevant laws, regulations and prudential requirements that relate to outsourced activities;

(xxviii) Discuss compliance issues regularly, ensure adequate time and priority is provided in the Board's agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously;

(xxix) Evaluate the effectiveness of the overall management of compliance risk; and

(xxx) Undertake or consider on behalf of the BRMC Chairman or the Board such other related tasks or topics as the BRMC Chairman or Board may from time to time entrust to it.

3. Board Remuneration and Nomination Committee ("BRNC")

(a) Objective

The objective of the BRNC is to support the Board in overseeing the design and operation of the remuneration system of the Bank, provides a formal and transparent procedure for developing remuneration policy for Directors, CEO, other members of senior management, control function heads and other material risk takers to ensure that remuneration is competitive and consistent with the business objectives, risk strategies, corporate values and long-term interests of the Bank.

In addition, the BRNC supports the Board in carrying out its functions of the appointment and removal of Directors and senior management, provide a formal and transparent procedure for the appointment and removal of Directors, senior management and company secretary as well as assessment of effectiveness of individual Directors, Board as a whole and performance of senior management.

3. Board Remuneration and Nomination Committee ("BRNC") (continued)

(b) Membership and Attendance

The BRNC comprises only Non-Executive Directors with a minimum of three (3) members. The attendance of each member at the BRNC meetings held during the financial year ended 31 December 2023 is as follows:

Members	**Number of Meetings**	
	Meetings attended/held	**%**
Eugene Khoo Kong Hooi (Chairman) (Independent Non-Executive Director) *(Appointed as Chairman on 12 April 2023)*	6/6	100
Lee Heng Guie (Independent Non-Executive Director)	6/6	100
Zhu Yanlai (Non-Independent Non-Executive Director) *(Appointed as member on 12 April 2023)*	5/5	100
Tan Sri Dato' Low Kian Chuan (Independent Non-Executive Director) *(Ceased as Chairman on 12 April 2023)*	1/1	100

(c) Roles and Responsibilities

The BRNC shall be responsible, but are not limited to the following:

(i) Nomination

- Establish the minimum requirements on the skills, knowledge, experience, qualifications and other core competencies of a Director and the CEO;
- Assess and recommend to the Board the nominees for appointment of Director, Board Committee member and CEO;
- Assess and recommend to the Board, the re-appointment of Directors/CEO upon expiry of their respective terms of appointment as approved by BNM;
- On an annual basis, review the required mix of skills, experience and core competencies within the Board and make recommendations to the Board with regard to any changes;
- Oversee the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Director, Non-Executive Directors and Independent Directors through annual review;

3. Board Remuneration and Nomination Committee ("BRNC") (continued)

(c) Roles and Responsibilities (continued)

The BRNC shall be responsible, but are not limited to the following (continued):

(i) Nomination (continued)

- Establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO;

- Assess and recommend to the Board the appointment of Director, Board Committee member and CEO;

- Recommend to the Board the removal of a Director/CEO/other members of senior management from the Board or management if they are ineffective, errant and negligent in discharging their responsibilities;

- Review the results of the Board's performance evaluation process;

- Ensure that all Directors receive appropriate continuous training programmes in order to keep abreast with the latest developments in the industry;

- Oversee the appointment, management succession planning and performance evaluation of senior management; and

  For the avoidance of doubt-

  - the appointment, remuneration, dismissal/termination and performance review of the CRO/CCO are to be recommended by BRMC and approved by the Board.
  - the appointment, termination, remuneration, annual performance targets, and results of performance appraisal of the Head of IAD are to be recommended by BAC and approved by the Board.

- Assess on an annual basis, the fit and properness of Directors and senior management to ensure that they are not disqualified under Section 59(1) of the Financial Services Act 2013 ("FSA") and have complied with the requirements in accordance with the Bank's Fit and Proper Policy for Key Responsible Persons.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee ("BRNC") (continued)

(c) Roles and Responsibilities (continued)

The BRNC shall be responsible, but are not limited to the following (continued):

(ii) Remuneration

- Recommend to the Board a framework and developing a clear remuneration policy for Directors, CEO, other members of senior management and control function heads for the Board's approval;

- Recommend to the Board appropriate remuneration package, which should be sufficient to attract and retain directors of caliber, and yet not excessive to the extent the Bank's funds are used to subsidise the excessive remuneration package;

- Recommend to the Board the appropriate level of remuneration packages for Non-Executive Directors and Independent Directors that is linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. The remuneration of each Board member may differ based on their level of expertise, knowledge and experience; and

- Recommend to the Board the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of senior management.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee ("BRNC") (continued)

(d) Overview of Remuneration System

(i) The Bank's remuneration system is competitive and consistent with the business objectives, risk strategies, corporate values and long-term interest. It links remuneration with performance and risk factors closely. It serves to encourage staff to enhance their performance, and at the same time, to strengthen their awareness of risk so as to achieve sound remuneration management.

(ii) The Remuneration and Incentive Policy of the BOC Group is generally in line with the broad principles set out in the

- Hong Kong Monetary Authority ("HKMA") "Guideline on a Sound Remuneration System" which is applicable to the BOCHK and all of its subsidiaries (including the branches and institutions in and outside Hong Kong); and

- Principle 8 of BNM CG Guidelines for Licensed Institutions on the requirement of "a formal and transparent procedure for fixing the remuneration packages of Board members, CEO and Senior Management and the remuneration policies and practices should be in line with the Licensed Institution's ethical values, objectives and culture".

(iii) BOCHK Group Remuneration Policy sets out the components of remuneration; the governance and review mechanism for the remuneration of all employees of BOCHK Group including Bank of China (Malaysia) Berhad ("BOCM") which is a wholly-owned subsidiary of BOCHK since 17 October 2016.

3. Board Remuneration and Nomination Committee ("BRNC") (continued)

(e) Remuneration Governance

The Bank's Senior Management are responsible for the oversight of remuneration arrangements for all the Bank's local and expatriate employees in Malaysia, ensuring that a competitive remuneration structure is in place to attract and retain talents, consistent with the Bank's culture, objectives and strategy.

As at 31 December 2023, the Senior Management of the Bank consist of a CEO, three (3) Deputy CEO, and a Chief Risk Officer.

(f) Design and Structure of Remuneration Processes

(i) BOC Group has implemented a Remuneration Policy globally within the Group, which covers all local and expatriate employees in Malaysia. The Remuneration Policy of the Bank is founded upon the Group Remuneration System and customised to be in line with Malaysia local market practice and standard regulations. The Remuneration Policy sets out the components of remuneration, the governance and review mechanism for the remuneration of all employees of the Bank and incorporates risk management in the performance management process and job design.

(ii) The objective of the Remuneration Policy is to align remuneration management with risk management whilst providing proper structured remuneration and compensation to attract, retain and motivate high quality people to lead, manage and serve the Bank in a competitive environment and in the best interests of all stakeholders.

(iii) The key features of the policy include the governance and review mechanism for remuneration mix of all employees of the Bank in line with the above-mentioned objectives, and ensuring that remuneration is adjusted appropriately for the time horizon of risks undertaken.

(iv) In year 2023, the Bank has implemented Variable Pay Deferral Policy for all employees of the Bank. The total annual variable pay is subject to deferral condition when it reaches certain threshold. The variable pay deferral rate is set according to total annual variable pay. The deferred variable pay shall be vested one year after the grant date and over 3 years period.

(v) The Bank adopts Staff Performance Management Policy for its staff performance management, whereby the relevant compliance and risk management key performance indicators ("KPI") are embedded according to staff's position. The KPI framework sets out from 4 dimensions; (i) financial perspective, (ii) strategic execution, (iii) risk, compliance and internal control management and (iv) human capital. Employee performance assessment shall include the assessment of the employees' corporate values demonstration in the Bank's efforts to uphold professionalism and utmost integrity.

3. Board Remuneration and Nomination Committee ("BRNC") (continued)

(f) Design and Structure of Remuneration Processses (continued)

(vi) The performance of Officers in risk and control functions is assessed based on their achievements and effectiveness in the performance of their job responsibilities in control functions. Their remuneration is set independent of the financial targets of businesses they oversee to ensure the effectiveness of their roles. There is no direct linkage of their remuneration with the business performance. Failure to detect, mitigate, control or manage risk however will have a direct bearing on their remuneration.

(vii) The Bank may from time to time seek remuneration advice from external consultants such as FIDE FORUM of which the Bank is a member on the remuneration of Directors. FIDE FORUM is a non-profit organisation and the only alumni association that represents the interests of Director of Financial Institutions in Malaysia.

(g) Linking Pay to Performance

(i) The remuneration package for all employees is composed of "fixed remuneration", "variable remuneration" and "benefits-in-kind".

(ii) Fixed remuneration, referred to as "monthly basic salary" and "monthly allowance". Monthly basic salary shall be reviewed annually with reference to various factors such as remuneration strategy, market pay trends and existing base salary levels. The fixed remuneration review budget is determined based on the affordability of the Group as well as the performance of the Bank, business units and individuals during the previous assessment year.

(iii) Variable remuneration is incentive-based, which is determined annually in the light of the Bank's annual performance assessment result, adherence to BOCM's corporate culture and paid in cash, includes but not limited to annual bonus, incentive, etc. Annual bonus is of gratuitous nature and is payable only at the discretion of the Bank.

(iv) Benefits-in-kind refers to non-cash perquisites applicable to individual employee. The Bank's staff benefits are structured according to staff category.

(v) The remuneration, incentive and benefits for expatriate staff are aligned to BOC Group's Expatriate Staff Remuneration Policy.

(vi) Every effort is made to ensure the performance metrics are objective, reliable and measurable to achieve the desired outcome. Immeasurable and "weak" performance metrics are tweaked accordingly to prevent weak linkage of remuneration to performance. Demerit system is also in place as punitive measure for non-compliance incidences.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee ("BRNC") (continued)

(h) Impact of Longer-Term Performance on Remuneration

(i) In order to align variable remuneration with the Bank's long-term performance and risk controls, variable remuneration of all employees is subjected to deferral based on the threshold, deferral rate and vesting terms and conditions, as stipulated in the Bank's Variable Pay Deferral Policy.

(ii) The deferred variable remuneration payout is subject to the achievement of risk adjusted Regional Office's KPIs.

(iii) Forfeiture of deferred variable remuneration payout may apply where prior year failures, financial loss, misconducts, for example fraud, mis-selling of financial products, breaches or non-compliances, non-observation to corporate cultures is reported subsequently. The quantum of forfeiture depends on the magnitude of the incident.

(i) Forms of Variable Remuneration

(i) The Bank offers most employees with a performance bonus as variable remuneration and it is calculated and paid out annually in accordance with the performance assessment result provided by BOC Group.

(ii) Sales employees are eligible for Sales Incentive Plan as variable remuneration. The payment is based on sales achievement and observation of the Bank's core values and code of conducts.

(iii) Total amount of remuneration received by CEO and Directors during the financial year ended 31 December 2023 are as follows:

	Zhang Min	Eugene Khoo Kong Hooi	Dato' Low Kian Chuan (resigned on 19 May 2023)	Lee Heng Guie
	RM'000	RM'000	RM'000	RM'000
Fixed Remuneration - Cash based (non-deferred)	2,049	196	50	182
Variable Remuneration - Cash based (deferred & non-deferred)	808	-	-	-
Benefits-in-kind	53	-	-	-
TOTAL	2,910	196	50	182

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee ("BRNC") (continued)

(i) Forms of Variable Remuneration (continued)

(iv) Total amount of remuneration awarded to the Senior Management for the financial year ended 31 December 2023 are as follows:

	Senior Management RM'000
Fixed Remuneration - Cash based (non-deferred) - Number of officers entitled	 7,060 6
Variable Remuneration - Cash based (non-deferred) - Number of officers entitled	 2,203 7
Variable Remuneration - Cash based (deferred) - Number of officers entitled	 753 5
Defined contribution plan ("EPF")	261
Benefits-in-kind	53
Total	10,330

(v) Summary of deferred remuneration for Senior Management:

	Senior Management RM'000
Variable Remuneration - Cash based (deferred) - Number of officers entitled	 1,099 4
Variable Remuneration - Cash based (deferred vested) - Number of officers entitled	 541 6

There is no reduction value of outstanding deferred remuneration in the year 2023 due to ex-post explicit or implicit adjustments.

4. Board Information Technology Sub-Committee ("BITSC")

(a) Objective

The BITSC is established to assist BRMC to support the Board in discharging the responsibilities in overseeing technology and cyber security related matters, ensuring risks assessments undertaken in relation to material technology applications are robust and comprehensive, and ensuring management meets the expectations on technology and cyber security risk management as set out in BNM's Policy Document on Risk Management in Technology.

(b) Membership and Attendance

The BITSC comprises at least two (2) directors and chaired by a Non-Executive Director. In the absence of the Chairman, the remaining members present shall elect one of them to chair the meeting.

The attendance of each member at the BITSC meetings held during the financial year ended 31 December 2023 is as follows:

Members	**Number of Meetings**	
	Meetings attended/held	**%**
Lee Heng Guie (Chairman) (Independent Non-Executive Director)	4/4	100
Zhang Min (Executive Director/Chief Executive Officer)	4/4	100
Eugene Khoo Kong Hooi (Independent Non-Executive Director)	4/4	100

4. Board Information Technology Sub-Committee ("BITSC") (continued)

(c) Roles and Responsibilities

The BITSC shall be responsible, but are not limited to the following:

- Deliberate BOCM Group's IT strategic plans, budgets, implementation and its adequacy.
- Deliberate strategic direction for IT development within BOCM Group and ensuring that IT, digitalisation, and technology related innovation strategic plans are aligned and integrated with BOCM Group's business objectives and strategies.
- Deliberate and review IT planning and strategy, including the financial, strategic benefits, objectives and risk of the proposed significant IT related projects and initiatives.
- Deliberate IT matters including IT risk assessment and security, and ensure effective implementation of a sound and robust technology risk management framework and cyber resilience framework.
- Oversee implementation and post implementation of IT related projects and initiatives.

5. Risk Management and Internal Control

The Board, through the BRMC, is ultimately responsible for evaluating and determining the nature and extent of risks that the Bank should take to achieve its strategic objectives, and ensuring that the Bank establishes and maintains appropriate and effective risk management framework and internal control systems. The Board provides guidance to the management to ensure effective implementation of bank-wide integrated risk management framework and internal control systems.

Management is responsible for the day-to-day operations and risk management throughout the organization, and provides assurance on the effectiveness of these systems to the Board through various committees. The Bank conducts regular review on the effectiveness of its risk management framework and internal control systems.

5. Risk Management and Internal Control (continued)

The Bank has established a comprehensive risk management framework through the Three Lines of Defence Concept, consisting of risk-taking units, risk control units and internal audit. The risk-taking units are owners of risk and they undertake the day-to-day management of risks inherent in their business activities and ensure proper implementation of the Bank's policy. Risk control units, as the second line of defence, are responsible for the identification, measurement, monitoring and escalation of the risk. Internal audit, as the third line of defence, performs independent review to ensure the adequacy, effectiveness and robustness of the Bank's risk management and internal controls. The key internal controls are summarised as follows:

(i) The Bank has established a robust organisational structure where the responsibility, authority and accountability of key personnel have been clearly defined. The Bank has formulated policies and procedures to embed reasonable checks and balances for all operating units, safeguard the Bank's portfolio quality, and ensure adherence to relevant laws and regulations and risk management in its operations.

(ii) The management formulates and continuously monitors the implementation of the Bank's strategies, business plans and financial budgets. The accounting and management systems are in place to provide basis for evaluating financial and operational performance.

(iii) The Bank has set up mechanism to identify, evaluate and manage all major categories of risks and the corresponding internal control procedures and processes. The policies and procedures cover major aspects of risks including credit, market, interest rate, liquidity, operational, legal, compliance, technology, strategic, reputation and climate-related risk. The procedures for handling and dissemination of information are currently in place.

(iv) The Bank has established risk reporting mechanism to provide the Board, management and external stakeholders such as regulators with accurate and timely information. Such information facilitates the Board, management, business units and the regulatory bodies to assess and monitor the Bank's operations and performance. Proper communication channels and reporting mechanism are in place to facilitate risk-informed decision making.

(v) Internal audit conducts independent reviews on the Bank's key activities using risk-based approach, follows up closely on the items that require attention and reports their implementation status to the management and the Board through BAC in a timely manner.

(vi) The BAC reviews the reports submitted by external auditors in connection with the annual audit as well as the recommendations made by regulatory bodies on risk management and internal control. The Bank's internal audit follows up closely on the same to ensure timely implementation of the recommendations, and also periodically reports the status of the implementation to management and BAC.

5. Risk Management and Internal Control (continued)

The Bank is committed to uphold good corporate governance practices. Internal control system is reviewed regularly to facilitate management and the Board to make informed and timely decision. During the year of 2023, continuous improvements on the risk management policies and procedures have been undertaken by the Bank. In response to local and global economic conditions, operating environment, regulatory compliance and business development, the Bank will continue to review its effectiveness of the risk management framework and internal control mechanism.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board of Directors is assisted by the BAC to oversee the Bank's financial reporting process and the quality of its financial reporting, and present the Bank's financial performance and annual financial statements to BNM.

Internal Audit and Control

The Internal Audit reports functionally to the BAC of the Bank. Its function is independent of the activities or operations of other operating units of the Bank and its subsidiary.

The Internal Audit function undertakes regular reviews of the Bank's operations and the systems of internal control. Regular reviews are performed on the business processes to examine and evaluate the adequacy and efficiency of financial and operating controls. Significant risks and non-compliance impacting the Bank are highlighted and where applicable, recommendations are provided to improve on the effectiveness of risk management, internal control system and governance processes. Management follows through and reviews the status of actions on recommendations made by the internal auditors. Status of actions taken or to be taken by the management are submitted to the BAC for deliberation. Reviews by Internal Audit are carried out on units that are identified using risk-based approach taking into consideration input from the management, BAC and the Board of Directors.

The BAC meets on a scheduled basis to review issues identified in audit reports prepared by Internal Audit and further evaluates the effectiveness and adequacy of the Bank's internal control system. The BAC has active oversight on Internal Audit's independence, scope of work and resources. It also reviews the Internal Audit function, the scope of the annual audit plan and frequency of the internal audit activities. The Head of Internal Auditor attends the BAC meetings to facilitate the deliberation of audit reports. The minutes of the BAC meetings are subsequently tabled to the Board for information.

Whistleblowing Policy

In order to safeguard the integrity of the Bank's operations, the Board establishes, reviews and together with management implements policy and procedures on whistleblowing. The whistleblowing policy is published in the Bank's website.

Board members, who had been appointed and designated as an Independent Non-Executive Director, are responsible for the effective implementation of the whistleblowing policy and procedures.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ACCOUNTABILITY AND AUDIT (CONTINUED)

Related Party Transactions

There were no other significant related party transactions other than as reported in Note 32 to the financial statements.

Compliance with BNM's Guidelines on Financial Reporting

In the preparation of the financial statements of the Group and of the Bank, the Directors have taken reasonable steps to ensure compliance in accordance with BNM's Guidelines on Financial Reporting.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Auditors' remuneration for the financial year is RM660,000 for the Group and RM629,000 for the Bank (2022: RM466,000 for the Group and RM435,000 for the Bank). Details of auditors' remuneration are set out in Note 27 to the financial statements.

Signed on behalf of the Board of Directors in accordance with the approval granted by the Board of Directors dated 29 April 2024.

EUGENE KHOO KONG HOOI DIRECTOR	ZHANG MIN DIRECTOR

Kuala Lumpur
29 April 2024

Registration No.
200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

We, Eugene Khoo Kong Hooi and Zhang Min, being two of the Directors of Bank of China (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 46 to 172 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2023 and of their financial performance and cash flows for the financial year then ended.

In accordance with a resolution of the Board of Directors dated 29 April 2024.

EUGENE KHOO KONG HOOI DIRECTOR	ZHANG MIN DIRECTOR

Kuala Lumpur
29 April 2024

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

I, Zhang Min, being the officer primarily responsible for the financial management of Bank of China (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 46 to 172 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.

ZHANG MIN

Subscribed and solemnly declared by the abovenamed Zhang Min at Kuala Lumpur on 29 April 2024, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)
Registration No. 200001008645 (511251-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of material accounting policy information, as set out on pages 46 to 172.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors’ report thereon

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P O Box 10192, 50706 Kuala Lumpur Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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 skepticism 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.

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 BANK OF CHINA (MALAYSIA) BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200001008645 (511251-V)

OTHER MATTERS

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

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

Kuala Lumpur
29 April 2024

Registration No.

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BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
ASSETS					
Cash and short-term funds	2	3,577,514	2,727,104	3,577,461	2,727,053
Deposits and placements with banks and other financial institutions	3	89,770	1,267,909	89,770	1,267,909
Derivative financial assets	4	16,074	37,338	16,074	37,338
Debt instruments at fair value through other comprehensive income ("FVOCI")	5	1,992,554	1,799,508	1,992,554	1,799,508
Equity instruments at FVOCI	6	19,008	13,223	19,008	13,223
Equity instrument at fair value through profit and loss ("FVTPL")	7	-	-	-	-
Debt instruments at amortised cost	8	70,183	-	70,183	-
Loans and advances	9	10,422,439	8,847,862	10,422,439	8,858,143
Other assets	10	22,444	33,666	22,073	33,374
Right-of-use assets	11	26,894	33,704	21,242	27,027
Tax recoverable		17,617	26,034	17,607	23,935
Deferred tax assets	12	31,339	36,929	31,202	33,018
Statutory deposits with Bank Negara Malaysia	13	92,000	80,000	92,000	80,000
Investment in a subsidiary	14	-	-	1,000	1,000
Property and equipment	15	45,850	50,126	45,465	49,074
Intangible assets	16	1,724	2,904	1,724	2,904
TOTAL ASSETS		16,425,410	14,956,307	16,419,802	14,953,506
LIABILITIES AND EQUITY					
Deposits from customers	17	9,597,622	8,681,962	9,598,810	8,682,685
Deposits and placements of banks and other financial institutions	18	3,029,594	2,753,871	3,029,594	2,753,871
Derivative financial liabilities	4	14,504	36,239	14,504	36,239
Other liabilities	19	343,157	284,652	334,653	277,300
Subordinated loan	20	1,441,742	1,371,681	1,441,742	1,371,681
TOTAL LIABILITIES		14,426,619	13,128,405	14,419,303	13,121,776
Share capital	21	760,518	760,518	760,518	760,518
Reserves	22	1,238,273	1,067,384	1,239,981	1,071,212
TOTAL EQUITY		1,998,791	1,827,902	2,000,499	1,831,730
TOTAL LIABILITIES AND EQUITY		16,425,410	14,956,307	16,419,802	14,953,506
COMMITMENTS AND CONTINGENCIES	34	8,559,867	10,329,349	8,571,867	10,330,849

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Operating revenue	23	810,835	556,780	795,769	556,369
Interest income	24	699,723	471,621	700,049	471,920
Interest expense	25	(388,193)	(206,649)	(388,193)	(206,649)
Net interest income		311,530	264,972	311,856	265,271
Other operating income	26	111,112	85,159	95,720	84,449
Other operating expenses	27	(180,451)	(167,384)	(173,342)	(161,255)
Operating profit before expected credit losses		242,191	182,747	234,234	188,465
Expected credit losses ("ECL") made on loans and advances and other financial assets	29	(30,797)	(23,759)	(30,667)	(24,012)
Profit before taxation		211,394	158,988	203,567	164,453
Taxation	30	(55,377)	(43,061)	(49,670)	(46,741)
Net profit for the financial year		156,017	115,927	153,897	117,712
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
- Net fair value changes in debt instruments at FVOCI, net of tax		14,911	(18,721)	14,911	(18,721)
- Net changes in expected credit losses in debt instruments at FVOCI		(54)	99	(54)	99
- Net gain on foreign exchange translation		15	(31)	15	(31)
Total comprehensive income for the financial year, net of tax		170,889	97,274	168,769	99,059
Earnings per share					
- Basic/fully diluted (sen)	31	20.51	15.24		

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BANK OF CHINA (MALAYSIA) BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Non-distributable				Distributable	
	Share capital RM'000	Foreign exchange reserve RM'000	Fair value through other comprehensive reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Group						
As at 1 January 2023	760,518	(4)	(6,697)	38,000	1,036,085	1,827,902
Profit for the financial year	-	-	-	-	156,017	156,017
Other comprehensive income/(expense), net of tax	-	15	14,857	-	-	14,872
Total comprehensive income for the financial year, net of tax	-	15	14,857	-	156,017	170,889
Transfer from retained profits to regulatory reserve	-	-	-	17,000	(17,000)	-
As at 31 December 2023	760,518	11	8,160	55,000	1,175,102	1,998,791
As at 1 January 2022	760,518	27	11,925	14,800	943,358	1,730,628
Profit for the financial year	-	-	-	-	115,927	115,927
Other comprehensive income/(expense), net of tax	-	(31)	(18,622)	-	-	(18,653)
Total comprehensive income for the financial year, net of tax	-	(31)	(18,622)	-	115,927	97,274
Transfer from retained profits to regulatory reserve	-	-	-	23,200	(23,200)	-
As at 31 December 2022	760,518	(4)	(6,697)	38,000	1,036,085	1,827,902

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BANK OF CHINA (MALAYSIA) BERHAD
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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	Foreign exchange reserve RM'000	Fair value through other comprehensive reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Bank						
As at 1 January 2023	760,518	(4)	(6,697)	38,000	1,039,913	1,831,730
Profit for the financial year	-	-	-	-	153,897	153,897
Other comprehensive income/(expense), net of tax	-	15	14,857	-	-	14,872
Total comprehensive income for the financial year, net of tax	-	15	14,857	-	153,897	168,769
Transfer from retained profits to regulatory reserve	-	-	-	17,000	(17,000)	-
As at 31 December 2023	760,518	11	8,160	55,000	1,176,810	2,000,499
As at 1 January 2022	760,518	27	11,925	14,800	945,401	1,732,671
Profit for the financial year	-	-	-	-	117,712	117,712
Other comprehensive income/(expense), net of tax	-	(31)	(18,622)	-	-	(18,653)
Total comprehensive income for the financial year, net of tax	-	(31)	(18,622)	-	117,712	99,059
Transfer from retained profits to regulatory reserve	-	-	-	23,200	(23,200)	-
As at 31 December 2022	760,518	(4)	(6,697)	38,000	1,039,913	1,831,730

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BANK OF CHINA (MALAYSIA) BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		211,394	158,988	203,567	164,453
Adjustments for:					
Depreciation of property and equipment	27	7,065	5,492	6,401	4,759
Depreciation of right-of-use assets	27	9,008	8,667	7,760	7,373
Amortisation of intangible assets	27	1,549	1,377	1,549	1,377
Amortisation of premium less accretion of discount	24	14,778	15,857	14,778	15,857
ECL on loans and advances and other financial assets	29	32,091	23,759	31,961	24,012
Bad debt recovered during the year	29	(1,294)	-	(1,294)	-
Interest income from debt instruments at FVOCI	24	(68,977)	(67,481)	(68,977)	(67,481)
Interest income from debt instruments at amortised cost	24	(3,768)	(3,126)	(3,768)	(3,126)
Finance cost on lease liabilities	27	1,220	1,268	956	1,119
Interest expense on subordinated loan	25	82,472	30,569	82,472	30,569
Unrealised foreign exchange loss/ (gain)	26	89	(1,304)	89	(1,304)
Net gain on revaluation of derivatives	26	(472)	(711)	(472)	(711)
Dividend income received from equity instruments at FVOCI	26	(60)	(60)	(60)	(60)
Property and equipment written-off	27	11	12	7	8
Operating profit before changes in operating assets and liabilities		285,106	173,307	274,969	176,845
(INCREASE)/DECREASE IN OPERATING ASSETS					
Deposits and placements with banks and other financial institutions		1,178,155	(772,139)	1,178,155	(772,139)
Loans and advances		(1,601,840)	7,860	(1,591,318)	2,846
Right-of-use assets		(2,198)	(13,747)	(1,975)	(6,668)
Other assets		9,515	(3,306)	9,595	(3,697)
Statutory deposits with Bank Negara Malaysia		(12,000)	(72,525)	(12,000)	(72,525)
		(143,262)	(680,550)	(142,574)	(675,338)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

		Group		Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
INCREASE/(DECREASE) IN OPERATING LIABILITIES					
Deposits from customers		915,660	431,909	916,125	432,043
Deposits and placements of banks and other financial institutions		275,723	(423,843)	275,723	(423,843)
Other liabilities		124,084	204,786	121,683	197,852
Cash generated from/(used in) operating activities		1,172,205	(467,698)	1,170,957	(469,286)
Taxes recovered		6,592	-	4,764	-
Taxes paid		(52,670)	(56,083)	(51,000)	(55,812)
Net cash generated from/(used in) operating activities		1,126,127	(523,781)	1,124,721	(525,098)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend income received from equity instrument at FVOCI		60	60	60	60
Purchase of property and equipment	15	(3,058)	(11,007)	(3,058)	(10,987)
Purchase of intangible assets	16	(152)	(674)	(152)	(674)
Purchases of debt instruments at FVOCI		(713,128)	(258,745)	(713,128)	(258,745)
Proceeds from debt instruments at FVOCI		521,982	95,000	521,982	95,000
Purchases of debt instruments at amortised cost		(700,000)	(400,000)	(700,000)	(400,000)
Proceeds from debt instruments at amortised cost		630,000	1,250,000	630,000	1,250,000
Interest received on debt instruments at FVOCI		67,268	65,418	67,268	65,418
Interest received on debt instruments at amortised cost		3,585	5,187	3,585	5,187
Net cash (used in)/generated from investing activities		(193,443)	745,239	(193,443)	745,259

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

	Note	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of lease liabilities		(10,033)	(9,677)	(8,629)	(8,249)
Repayment of subordinated loan		(1,442,120)	-	(1,442,120)	-
Proceed from issuance of subordinated loan		1,442,120	-	1,442,120	-
Interest paid on subordinated loan		(72,241)	(19,878)	(72,241)	(19,878)
Net cash used in financing activities		(82,274)	(29,555)	(80,870)	(28,127)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		850,410	191,903	850,408	192,034
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		2,727,104	2,535,201	2,727,053	2,535,019
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	2	3,577,514	2,727,104	3,577,461	2,727,053

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BANK OF CHINA (MALAYSIA) BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

(i) An analysis of changes in liabilities arising from financing activities is as follow:

	Subordinated Loan RM'000	Lease Liabilities RM'000	Total RM'000
Group			
At 1 January 2023	1,371,681	35,141	1,406,822
Repayment	(1,442,120)	(10,033)	(1,452,153)
Issuance	1,442,120	-	1,442,120
Interest paid	(72,241)	(1,220)	(73,461)
Interest accrued	82,472	1,220	83,692
Exchange differences	59,830	-	59,830
Other non-cash movement	-	3,383	3,383
At 31 December 2023	1,441,742	28,491	1,470,233
At 1 January 2022	1,291,240	29,819	1,321,059
Repayment	-	(9,677)	(9,677)
Interest paid	(19,878)	(1,268)	(21,146)
Interest accrued	30,569	1,268	31,837
Exchange differences	69,750	-	69,750
Other non-cash movement	-	14,999	14,999
At 31 December 2022	1,371,681	35,141	1,406,822

	Subordinated Loan RM'000	Lease Liabilities RM'000	Total RM'000
Bank			
At 1 January 2023	1,371,681	28,400	1,400,081
Repayment	(1,442,120)	(8,629)	(1,450,749)
Issuance	1,442,120	-	1,442,120
Interest paid	(72,241)	(956)	(73,197)
Interest accrued	82,472	956	83,428
Exchange differences	59,830	-	59,830
Other non-cash movement	-	2,927	2,927
At 31 December 2023	1,441,742	22,698	1,464,440
At 1 January 2022	1,291,240	28,876	1,320,116
Repayment	-	(8,249)	(8,249)
Interest paid	(19,878)	(1,119)	(20,997)
Interest accrued	30,569	1,119	31,688
Exchange differences	69,750	-	69,750
Other non-cash movement	-	7,773	7,773
At 31 December 2022	1,371,681	28,400	1,400,081

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

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 and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and the Bank are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000").

The financial statements have been prepared under the historical cost convention, as modified by the fair value through other comprehensive income financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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 period. It also requires Directors to exercise their judgment in the process of applying the Group and Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 39.

<u>Changes in accounting policies</u>

The accounting policies adopted are consistent with those of the previous financial years except as follows:

The Group and the Bank have applied the following amendments for the first time for the financial year beginning on 1 January 2023:

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 on "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" and International Tax Reform – Pillar Two Model Rules

The adoption of the above amendments to MFRS did not have any significant impact on the current period or any prior period of the financial position or performance of the Group and of the Bank.

A BASIS OF PREPARATION (CONTINUED)

Standards, amendments and Interpretations Committee ("IC") interpretation issued but not yet effective

The standards, amendments to publish standards and interpretations are effective for the financial year beginning after 1 January 2024 that are applicable to the Group and the Bank but not yet effective are disclosed below.

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

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

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

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

  The amendments shall be applied retrospectively.

- 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.

These pronouncements are expected to have no significant impact to the financial statements of the Group and of the Bank upon their initial application.

B BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements is prepared using the same reporting date as the Bank. Consistent accounting policies are applied for transactions and events in similar circumstances.

The Bank controls an investee if and only if the Bank has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group’s ownership interests in a subsidiary that do not result in the Group losing control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The resulting difference is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss.

B BASIS OF CONSOLIDATION (CONTINUED)

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

In the Bank's separate financial statements, investment in a subsidiary is accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

<u>Business combinations</u>

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statements of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combinations achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

<u>Subsidiary</u>

A subsidiary is an investee and entity over which the Group has control. A subsidiary is an entity over which the Group has control as defined:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

C PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the property and equipment.

Depreciation of property and equipment, except for freehold land is calculated to write-down the costs of the property and equipment, or their revalued amounts, to their residual values on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Motor vehicles	6 years
Office equipment and furniture	5 to 10 years
Renovations	5 years
Buildings	30 to 35 years
ATM machine	3 years

Depreciation on work-in-progress commences when the assets are ready for their intended use.

Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

At each reporting date, the Group and the Bank assess whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. See Note H in summary of material accounting policy information on impairment of non-financial assets.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

D INTANGIBLE ASSETS

Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred.

E RIGHT-OF-USE ASSETS

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and lease term.

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group and the Bank also apply the lease of low-value assets recognition exemption to leases of assets that are considered of low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense when incurred.

F FINANCIAL ASSETS

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

(a) Recognition and initial measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Bank's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Bank had applied the practical expedient, the Group and the Bank initially 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.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

F FINANCIAL ASSETS (CONTINUED)

(a) Recognition and initial measurement (continued)

The Group's and the Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. This assessment is performed at a portfolio level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Bank commit to purchase or sell the asset.

(b) Subsequent measurements

For purposes of subsequent measurement, financial assets are classified in four categories:

(i) Financial assets at amortised cost (debt instruments);

(ii) Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);

(iii) Financial assets designated at FVOCI without recycling of cumulative gains and losses upon derecognition (equity instruments); and

(iv) Financial assets at FVTPL.

(c) Classification

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

(i) Debts instruments at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

(a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

F FINANCIAL ASSETS (CONTINUED)

(c) Classification (continued)

(ii) Debt instruments at FVOCI

Financial 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 the statements of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statements of comprehensive income and recognised in net realised gain/(loss) on financial instruments. Interest income from these financial assets are included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the statements of comprehensive income.

(iii) Equity instruments at FVOCI without recycling

Upon initial recognition, the Group and the Bank may elect to classify irrevocably an equity investments that is not held for trading at FVOCI. Such classification is determined on an instrument-by-instrument basis. When this election is used, fair value gain and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal.

Dividends are recognised as other income in the statements of comprehensive income when the right of payment has been established, except when the Group and the Bank benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group and the Bank elected to classify irrevocably its non-listed equity investments under this category.

(iv) Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial assets may be designated at FVTPL when:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- a group of financial assets is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately.

F FINANCIAL ASSETS (CONTINUED)

(d) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group and Bank also derecognise the financial asset if they have both transferred the financial asset and the transfer qualifies for derecognition.

The Group and Bank have transferred the financial asset if, and only if, either:

- transfer substantially all the risks and rewards of ownership, or
- neither transfer nor retain substantially all the risks and rewards of ownership and have not retained control.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(e) Modification

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

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported 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 asset 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 defaults, insolvency or bankruptcy.

G IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Bank recognise allowance for expected credit loss ("ECL") for all financial assets classified as debt instruments not held at FVTPL and FVOCI without recycling. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Bank expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there is a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other assets, the Group and the Bank apply a simplified approach in calculating ECL. Therefore, the Group and the Bank do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECL at each reporting date.

The Group and the Bank consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Bank may also consider a financial asset to be in default when internal or external information indicates that the Group and the Bank are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

H 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 losses 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

The impairment loss is charged to statements of comprehensive income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount, other than goodwill, is recognised in statements of comprehensive income unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

I CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposit placements with original maturity of less than one month held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of change in value.

J LEASE LIABILITIES

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

K FINANCIAL LIABILITIES

A financial liability is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Group’s and the Bank’s holding in financial liabilities are financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished. When an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statements of comprehensive income.

(a) Financial liabilities at FVTPL

Financial liabilities at FVTPL are financial liabilities held of trading. A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial liabilities at FVTPL are initially recognised at fair value, and transaction costs are expensed in statements of comprehensive income. Financial liabilities at FVTPL or loss are subsequently stated at fair value, with any resultant gains or losses recognised in statements of comprehensive income.

K FINANCIAL LIABILITIES (CONTINUED)

(b) Financial liabilities measured at amortised cost

Financial liabilities that are not classified as at FVTPL fall into this category. Financial liabilities measured at amortised cost are mainly deposits from banks or customers and bills and acceptances payable.

Bills and acceptance payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

Financial liabilities measured at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised costs using the effective interest method. Gains and losses are recognised in statements of comprehensive income when the liabilities are derecognised.

L SUBORDINATED LIABILITIES

Subordinated liabilities of the Group and the Bank are measured at amortised cost using the effective interest method, except for the portions which are fair value hedged, which are adjusted for the fair value gains or losses attributable to the hedged risks. Interest expense on subordinated liabilities of the Group and the Bank are recognised on an accrual basis.

M FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Bank 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.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the fair value of the guarantee obligation. No receivable for the future premiums is recognised.

The liability is initially measured at fair value and subsequently at the higher amount determined in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation in accordance with MFRS 15 Revenue from Contracts with Customers, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group and the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

N PROVISIONS

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount 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 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 passage of time is recognised as finance cost expense.

O DIVIDENDS PAYABLE

Dividends on ordinary shares are recognised as liabilities when shareholder's right to receive the dividend is established.

P CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation 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 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.

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 of the Bank. The Group and the Bank do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

Q RECOGNITION OF INTEREST INCOME

Interest income is recognised on an accrual basis using the EIR method.

The EIR is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the EIR, as well as premiums or discounts.

When a loan and receivable is impaired, the Group and the Bank reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original EIR.

Interest income from securities portfolio is recognised on an accrual basis using the EIR method. The interest income includes coupons earned/accrued and accretion/amortisation of discount/premium on these securities.

Dividend income is recognised when the right to receive payment is established.

R RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Other income and any related costs are recognised on an accrual basis when the transactions have been carried out.

Dividends are recognised when the shareholders' right to receive payment is established. This applies even if they are paid out of the pre-acquisition profits. Dividend income received from a subsidiary and financial assets at FVOCI are recognised as dividend income in statements of comprehensive income.

S CURRENCY TRANSLATIONS

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group and the Bank operate (the "functional currency"). The financial statements of the Group and the Bank are presented in Ringgit Malaysia, which is also the Bank's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

T INCOME TAX

Current tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits for the financial year.

Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from 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 future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences principally arising from depreciation of property and equipment, amortisation of intangible assets and provision for other liabilities.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

U EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

Post-employment benefits - defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay 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 and the Bank’s contributions to the defined contribution plan are charged to statements of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

V DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Bank are parties to derivative financial instruments that comprise foreign currency related contracts. These instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. If hedge accounting is applied, the Group and the Bank designate certain derivatives as either:

Fair value hedge

Where a derivative financial instrument hedges the change in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss to offset the value change on the hedging instrument.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are recorded in OCI and deferred in equity. The deferred gains or losses are released to profit or loss when the hedged cash flow items affect profit or loss. The ineffective part of any gain or loss is recognised in profit or loss immediately.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI and deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in the equity are recycled to profit or loss when the foreign operation is partially disposed or sold.

Derivatives that do not qualify for hedge accounting

For derivative instruments that do not qualify for hedge accounting, their changes in the fair values are recognised immediately in statements of comprehensive income.

1 GENERAL INFORMATION

The principal activities of the Bank are commercial banking and related financial services. The principal activity of the subsidiary is that of providing Chinese visa application services.

The immediate holding company of the Bank is Bank of China (Hong Kong) Limited, which is incorporated in Hong Kong whereas the penultimate holding company is Bank of China Limited and the ultimate holding company is Central Huijin Investment Ltd, both incorporated in China.

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

The address of the registered office of the Bank is Second Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	675,157	307,869	675,106	307,820
Cash in hand	25,222	25,761	25,220	25,759
Money at call and deposit placements with original maturity within one month	2,877,355	2,393,556	2,877,355	2,393,556
	3,577,734	2,727,186	3,577,681	2,727,135
Less: ECL	(220)	(82)	(220)	(82)
	3,577,514	2,727,104	3,577,461	2,727,053

Movements in ECL on cash and short-term funds:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Stage 1 (12-month ECL):		
As at 1 January	82	119
ECL made/(written-back) during the financial year (Note 29)	138	(37)
As at 31 December	220	82

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2023	2022
	RM'000	RM'000
Licensed banks	89,775	1,267,930
Less: ECL	(5)	(21)
	89,770	1,267,909

Movements in ECL on Deposits and Placements with Banks and Other Financial Institutions:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Stage 1 (12-month ECL):		
As at 1 January	21	19
ECL (written-back)/made during the financial year (Note 29)	(16)	2
As at 31 December	5	21

4 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges and also transacted for proprietary trading purposes.

The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial assets) and gross negative (derivative financial liabilities) fair values at the reporting date are analysed below.

	Group and Bank		
	Contract or underlying principal amount RM'000	Derivative financial assets RM'000	Derivative financial liabilities RM'000
31 December 2023			
Foreign exchange related contracts:			
- spots/forwards/swap	2,312,733	16,074	(14,504)
31 December 2022			
Foreign exchange related contracts:			
- spots/forwards/swap	4,128,883	37,338	(36,239)

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group and Bank	
	2023 RM'000	2022 RM'000
Money market instrument:		
Malaysian Government Securities ("MGS")	966,986	584,619
Malaysian Government Investment Issues quoted securities	952,341	1,100,406
Unquoted securities:		
Corporate bond	40,301	49,833
Foreign bond	32,926	64,650
	73,227	114,483
	1,992,554	1,799,508

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The following ECL for debt instruments are not recognised in the Statements of Financial Position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

Movements in ECL on Debt Instruments at FVOCI

	Group and Bank	
	2023	2022
	RM'000	RM'000
Stage 1 (12-month ECL):		
As at 1 January	191	92
ECL (written-back)/made during the financial year (Note 29)	(54)	99
As at 31 December	137	191

6 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and the Bank designated certain investments shown in the following table as equity instruments at FVOCI, which is held for socio-economic purposes or not for trading purposes.

	Group and Bank	
	2023	2022
	RM'000	RM'000
At fair value:		
Unquoted securities in Malaysia		
of which:		
- Cagamas Holdings Berhad	15,793	10,020
- Credit Guarantee Corporation ("CGC")	3,215	3,203
	19,008	13,223

7 EQUITY INSTRUMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

The quoted equity securities was measured at fair value and carried at nil balance. The cost of the investment was RM2,711,000 and has been fully impaired in 2020.

8 DEBT INSTRUMENTS AT AMORTISED COST

	Group and Bank	
	2023	2022
	RM'000	RM'000
At amortised cost:		
Unquoted corporate bond	70,183	-

9 LOANS AND ADVANCES

(i) By type:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Overdrafts	251,822	278,484	251,822	278,484
Term loans				
- Housing loans	857,439	741,301	857,439	741,301
- Syndicated term loans	3,737,894	3,616,943	3,737,894	3,616,943
- Other term loans	1,471,281	1,538,812	1,471,281	1,538,812
Bills receivables	585,694	685,224	585,694	685,224
Trust receipts	3,358	1,514	3,358	1,514
Claims on customers under acceptance credits	528,056	668,056	528,056	668,056
Revolving credits	3,240,772	1,564,528	3,240,772	1,575,050
Staff loans	973	1,127	973	1,127
Gross loans and advances	10,677,289	9,095,989	10,677,289	9,106,511
Less: ECL	(254,850)	(248,127)	(254,850)	(248,368)
Total net loans and advances	10,422,439	8,847,862	10,422,439	8,858,143

(ii) By geographical distribution:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Malaysia	7,619,159	5,821,029	7,619,159	5,831,551
Other countries	3,058,130	3,274,960	3,058,130	3,274,960
Gross loans and advances	10,677,289	9,095,989	10,677,289	9,106,511

9 LOANS AND ADVANCES (CONTINUED)

(iii) By interest rate sensitivity:

	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Fixed rate				
- Other fixed rate loans	2,062,037	1,672,438	2,062,037	1,672,438
Variable rate				
- Base lending rate/base rate plus	1,627,018	1,635,098	1,627,018	1,635,098
- Cost of funds plus	6,584,514	5,248,038	6,584,514	5,258,560
- Other variable rates	403,720	540,415	403,720	540,415
Gross loans and advances	10,677,289	9,095,989	10,677,289	9,106,511

(iv) By economic sector:

	Group 2023 RM'000	Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Agriculture, forestry and fishing	227,788	255,322	227,788	255,322
Mining and quarrying	133,293	166,092	133,293	166,092
Manufacturing	2,169,179	2,126,963	2,169,179	2,126,963
Electricity, gas, steam and air conditioning supply	941,563	878,269	941,563	878,269
Water supply; sewerage, waste management and remediation activities	3,532	3,932	3,532	3,932
Construction	892,960	585,442	892,960	585,442
Wholesale and retail trade; repair of motor vehicles and motorcycles	319,291	537,294	319,291	537,294
Transport, and storage	1,111,911	61,132	1,111,911	61,132
Accommodation and food service activities	56,299	48,290	56,299	48,290
Information and communication	264,358	46,489	264,358	46,489
Financial and insurance/ takaful activities	1,378,471	779,345	1,378,471	779,345
Real estate activities	1,474,994	1,756,964	1,474,994	1,756,964
Professional, scientific and technical activities	100,613	176,911	100,613	176,911
Administrative and support service Activities	152,896	306,592	152,896	317,114
Public administration and defence; compulsory social security	14,536	20,618	14,536	20,618
Education	209,252	212,445	209,252	212,445
Arts, entertainment and recreation	71,686	75,712	71,686	75,712
Household	1,154,667	1,058,177	1,154,667	1,058,177
Gross loans and advances	10,677,289	9,095,989	10,677,289	9,106,511

9 LOANS AND ADVANCES (CONTINUED)

(v) By residual contractual maturity:

	Group 2023 RM'000	Group 2022 RM'000
Maturing within one month	1,818,013	1,426,350
More than one month to three months	929,617	1,406,476
More than three months to six months	388,419	643,198
More than six months to twelve months	938,236	234,664
More than twelve months	6,603,004	5,385,301
Gross loans and advances	10,677,289	9,095,989

	Bank 2023 RM'000	Bank 2022 RM'000
Maturing within one month	1,818,013	1,436,872
More than one month to three months	929,617	1,406,476
More than three months to six months	388,419	643,198
More than six months to twelve months	938,236	234,664
More than twelve months	6,603,004	5,385,301
Gross loans and advances	10,677,289	9,106,511

9 LOANS AND ADVANCES (CONTINUED)

(vi) Changes in gross loans and advances carrying amount

Group

	12-month ECL (Stage 1) RM'000	Lifetime ECL (non-credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2023	8,174,429	540,728	380,832	9,095,989
Transferred to 12-month ECL (Stage 1)	195,840	(190,796)	(5,044)	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(152,942)	153,054	(112)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(6,586)	(16,515)	23,101	-
Changes due to change in credit risk	(829,745)	(268,051)	(2,628)	(1,100,424)
New loans and advances originated	2,689,040	13,357	-	2,702,397
Amount written off	-	-	(20,673)	(20,673)
Gross carrying amount as at 31 December 2023	10,070,036	231,777	375,476	10,677,289
As at 1 January 2022	7,954,572	970,911	197,991	9,123,474
Transferred to 12-month ECL (Stage 1)	363,012	(362,724)	(288)	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(113,341)	123,097	(9,756)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(27,548)	(180,468)	208,016	-
Changes due to change in credit risk	(866,357)	(10,088)	20,999	(855,446)
New loans and advances originated	864,091	-	-	864,091
Amount written off	-	-	(36,130)	(36,130)
Gross carrying amount as at 31 December 2022	8,174,429	540,728	380,832	9,095,989

9 LOANS AND ADVANCES (CONTINUED)

(vi) Changes in gross loans and advances carrying amount (continued)

Bank

	12-month ECL (Stage 1) RM'000	Lifetime ECL (non-credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2023	8,174,429	551,250	380,832	9,106,511
Transferred to 12-month ECL (Stage 1)	195,840	(190,796)	(5,044)	-
Transferred to lifetime ECL (non-credit impaired(Stage2)	(152,942)	153,054	(112)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(6,586)	(16,515)	23,101	-
Changes due to change in credit risk	(829,745)	(278,573)	(2,628)	(1,110,946)
New loans and advances originated	2,689,040	13,357	-	2,702,397
Amount written off	-	-	(20,673)	(20,673)
Gross carrying amount as at 31 December 2023	10,070,036	231,777	375,476	10,677,289
As at 1 January 2022	7,960,080	970,911	197,991	9,128,982
Transferred to 12-month ECL (Stage 1)	363,012	(362,724)	(288)	-
Transferred to lifetime ECL (non-credit impaired(Stage2)	(118,849)	128,605	(9,756)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(27,548)	(180,468)	208,016	-
Changes due to change in credit risk	(866,357)	(5,074)	20,999	(850,432)
New loans and advances originated	864,091	-	-	864,091
Amount written off	-	-	(36,130)	(36,130)
Gross carrying amount as at 31 December 2022	8,174,429	551,250	380,832	9,106,511

9 LOANS AND ADVANCES (CONTINUED)

(vii) Credit impaired loans and advances:

(a) Movements in credit impaired loans and advances:

	Group and Bank	
	2023	2022
	RM'000	RM'000
As at 1 January	380,832	197,991
Classified as credit impaired during the year	38,832	230,317
Reclassified as non-credit impaired during the year	(5,156)	(10,044)
Amount recovered	(18,359)	(1,302)
Amount written-off	(20,673)	(36,130)
As at 31 December	375,476	380,832
Less: Lifetime ECL (credit impaired) (Stage 3)	(178,694)	(178,597)
	196,782	202,235

(viii) Gross credit impaired loans and advances

(a) By geographical distribution:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Malaysia	359,611	358,507
Other countries	15,865	22,325
	375,476	380,832

(b) By economic sector:

Agriculture, forestry and fishing	39,794	37,330
Manufacturing	81,891	100,032
Electricity, gas, stream and air conditioning supply	15,865	22,325
Construction	671	765
Accommodation and food service activities	17,454	16,017
Financial and insurance/takaful activities	39,783	35,326
Real estate activities	6,976	3,213
Arts, entertainment and recreation	71,686	75,712
Household	101,356	90,112
	375,476	380,832

9 LOANS AND ADVANCES (CONTINUED)

(ix) Movements in ECL on loans and advances measured at amortised cost

Group

	12-month ECL (Stage 1) RM'000	Lifetime ECL (non-credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2023	41,064	28,466	178,597	248,127
Transferred to 12-month ECL (Stage 1)	5,234	(5,234)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(2,659)	2,771	(112)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(245)	(4,680)	4,925	-
New loans and advances Originated	2,875	1,355	-	4,230
ECL (written-back)/made during the year	(5,572)	25,694	36,202	56,324
Full settlement	(3,937)	(8,976)	(19,084)	(31,997)
Amount written off	-	-	(20,673)	(20,673)
Other movement	-	-	(1,161)	(1,161)
Allowance for ECL as at 31 December 2023	36,760	39,396	178,694	254,850
As at 1 January 2022	53,237	96,527	96,701	246,465
Transferred to 12-month ECL (Stage 1)	4,828	(4,550)	(278)	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(1,693)	3,848	(2,155)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(310)	(59,340)	59,650	-
New loans and advances originated	2,735	-	-	2,735
ECL (written-back)/made during the year	(16,351)	(3,339)	44,898	25,208
Full settlement	(1,382)	(4,680)	(594)	(6,656)
Amount written off	-	-	(36,130)	(36,130)
Other movement	-	-	16,505	16,505
Allowance for ECL as at 31 December 2022	41,064	28,466	178,597	248,127

9 LOANS AND ADVANCES (CONTINUED)

(ix) Movements in ECL on loans and advances measured at amortised cost (continued)

Bank

	12-month ECL (Stage 1) RM'000	Lifetime ECL (non-credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2023	41,064	28,707	178,597	248,368
Transferred to 12-month ECL (Stage 1)	5,234	(5,234)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(2,659)	2,771	(112)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(245)	(4,680)	4,925	-
New loans and advances originated	2,875	1,355	-	4,230
ECL (written-back)/made during the year	(5,572)	25,453	36,202	56,083
Full settlement	(3,937)	(8,976)	(19,084)	(31,997)
Amount written off	-	-	(20,673)	(20,673)
Other movement	-	-	(1,161)	(1,161)
Allowance for ECL as at 31 December 2023	36,760	39,396	178,694	254,850
As at 1 January 2022	53,237	96,527	96,701	246,465
Transferred to 12-month ECL (Stage 1)	4,828	(4,550)	(278)	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(1,693)	3,848	(2,155)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(310)	(59,340)	59,650	-
New loans and advances originated	2,735	-	-	2,735
ECL (written-back)/made during the year	(16,351)	(3,098)	44,898	25,449
Full settlement	(1,382)	(4,680)	(594)	(6,656)
Amount written off	-	-	(36,130)	(36,130)
Other movement	-	-	16,505	16,505
Allowance for ECL as at 31 December 2022	41,064	28,707	178,597	248,368

9 LOANS AND ADVANCES (CONTINUED)

(ix) Movements in ECL on loans and advances measured at amortised cost (continued)

Impact of movements in gross carrying amount on expected credit losses

Allowance for impairment of loans and advances has been made based on the following three-stage approach which reflects the change in credit quality of the financial assets.

Overall, total allowance for impairment on loan and advances for the Group and Bank increased by RM6.7 million and RM6.5 million respectively, which was mainly due to the following:

(a) 12-month ECL (stage 1) – decreased by RM4.3 million for the Group and Bank, mainly due to repayment received from existing loan and advances.

(b) Lifetime ECL Not Credit-Impaired (stage 2) - increased by RM10.9 million and RM10.7 million for the Group and Bank respectively, mainly due to credit quality deteriorated and accounts migrated from stage 1 to stage 2.

(c) Lifetime ECL Credit-Impaired (stage 3) - No significant movement.

10 OTHER ASSETS

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Other receivables	18,758	29,307	18,799	29,421
Sundry deposits	2,930	2,824	2,505	2,405
Prepayments	1,767	2,133	1,767	2,133
Precious metal inventories	37	47	37	47
	23,492	34,311	23,108	34,006
Less: ECL	(1,048)	(645)	(1,035)	(632)
	22,444	33,666	22,073	33,374

Movements in ECL on other assets

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Stage 1 (12-month ECL):				
As at 1 January	645	554	632	536
ECL made during the financial year (Note 29)	403	294	403	299
Amount written-off	-	(203)	-	(203)
As at 31 December	1,048	645	1,035	632

11 RIGHT-OF-USE ASSETS

	Premises RM'000	Motor vehicles RM'000	Total RM'000
Group			
Cost			
As at 1 January 2023	61,566	1,080	62,646
Additions	1,965	-	1,965
Remeasurement of lease terms	306	3	309
Termination of lease contracts	(8,486)	(167)	(8,653)
As at 31 December 2023	55,351	916	56,267
Accumulated depreciation			
As at 1 January 2023	28,409	533	28,942
Charge for the financial year	8,587	306	8,893
Remeasurement of lease terms	114	1	115
Termination of lease contracts	(8,411)	(166)	(8,577)
As at 31 December 2023	28,699	674	29,373
Net carrying amount	26,652	242	26,894
Cost			
As at 1 January 2022	48,283	888	49,171
Additions	13,727	-	13,727
Remeasurement of lease terms	-	192	192
Termination of lease contracts	(444)	-	(444)
As at 31 December 2022	61,566	1,080	62,646
Accumulated depreciation			
As at 1 January 2022	20,320	227	20,547
Charge for the financial year	8,361	306	8,667
Remeasurement of lease terms	-	-	-
Termination of lease contracts	(272)	-	(272)
As at 31 December 2022	28,409	533	28,942
Net carrying amount	33,157	547	33,704

11 RIGHT-OF-USE ASSETS (CONTINUED)

	Premises RM'000	Motor vehicles RM'000	Total RM'000
Bank			
Cost			
As at 1 January 2023	49,780	1,080	50,860
Additions	1,680	-	1,680
Remeasurement of lease terms	369	3	372
Termination of lease contracts	(3,829)	(167)	(3,996)
As at 31 December 2023	48,000	916	48,916
Accumulated depreciation			
As at 1 January 2023	23,300	533	23,833
Charge for the financial year	7,334	306	7,640
Remeasurement of lease terms	119	1	120
Termination of lease contracts	(3,753)	(166)	(3,919)
As at 31 December 2023	27,000	674	27,674
Net carrying amount	21,000	242	21,242
Cost			
As at 1 January 2022	43,530	888	44,418
Additions	6,595	-	6,595
Remeasurement of lease terms	-	192	192
Termination of lease contracts	(345)	-	(345)
As at 31 December 2022	49,780	1,080	50,860
Accumulated depreciation			
As at 1 January 2022	16,459	227	16,686
Charge for the financial year	7,067	306	7,373
Remeasurement of lease terms	-	-	-
Termination of lease contracts	(226)	-	(226)
As at 31 December 2022	23,300	533	23,833
Net carrying amount	26,480	547	27,027

11 RIGHT-OF-USE ASSETS (CONTINUED)

The following are the amounts recognised in profit or loss:

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Expense relating to short-term leases (included in establishment cost)	6	14	6	14
Expense relating to leases of low value assets (included in establishment cost)	42	45	32	34

12 DEFERRED TAX ASSETS

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
As at 1 January	36,929	29,252	33,018	29,021
Recognised in profit or loss (Note 30)	(881)	1,765	2,893	(1,915)
Recognised in other comprehensive income	(4,709)	5,912	(4,709)	5,912
As at 31 December	31,339	36,929	31,202	33,018

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets	34,825	38,409	34,663	34,282
Deferred tax liabilities	(3,486)	(1,480)	(3,461)	(1,264)
	31,339	36,929	31,202	33,018

12 DEFERRED TAX ASSETS (CONTINUED)

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

Deferred tax assets/(liabilities)

	Unabsorbed tax losses and capital allowance RM'000	Accelerated capital allowances RM'000	Right-of-use assets RM'000	ECL RM'000	Provision for other liabilities RM'000	Fair value through other comprehensive reserve RM'000	Total RM'000
Group							
As at 1 January 2022	-	(367)	287	20,855	12,214	(3,737)	29,252
Recognised in profit or loss (Note 30)	4,029	(1,113)	58	(5,343)	4,134	-	1,765
Recognised in other comprehensive income	-	-	-	-	-	5,912	5,912
As at 31 December 2022	4,029	(1,480)	345	15,512	16,348	2,175	36,929
Recognised in profit or loss (Note 30)	(4,029)	528	38	1,025	1,557	-	(881)
Recognised in other comprehensive income	-	-	-	-	-	(4,709)	(4,709)
As at 31 December 2023	-	(952)	383	16,537	17,905	(2,534)	31,339

12 DEFERRED TAX ASSETS (CONTINUED)

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

Deferred tax assets/(liabilities) (continued)

	Accelerated capital allowances RM'000	Right-of-use assets RM'000	ECL RM'000	Provision for other liabilities RM'000	Fair value through other comprehensive reserve RM'000	Total RM'000
Bank						
As at 1 January 2022	(504)	275	20,854	12,133	(3,737)	29,021
Recognised in profit or loss (Note 30)	(760)	54	(5,346)	4,137	-	(1,915)
Recognised in other comprehensive income	-	-	-	-	5,912	5,912
As at 31 December 2022	(1,264)	329	15,508	16,270	2,175	33,018
Recognised in profit or loss (Note 30)	337	20	1,021	1,515	-	2,893
Recognised in other comprehensive income	-	-	-	-	(4,709)	(4,709)
As at 31 December 2023	(927)	349	16,529	17,785	(2,534)	31,202

12 DEFERRED TAX ASSETS (CONTINUED)

The amounts of net deferred tax assets, which are not recognised in the financial statements due to uncertainty of their realisation, are as follows:

	Group	
	2023	2022
	RM'000	RM'000
Unutilised tax losses	6,264	-
Unabsorbed capital allowances	2,536	-
	8,800	-

In the current financial year, the subsidiary reported unutilised tax losses which are available for offsetting future taxable profit generated from business source only for the next 10 consecutive years effective from year of assessment 2020. The unabsorbed capital allowance can be carried forward indefinitely to offset against future taxable profits generated from the same underlying business source made by the subsidiary.

However, these utilisation of carried forward tax losses and allowances are also subject to no substantial change in shareholdings of those entities under the Income Tax Act 1967 and guidelines issued by the tax authority.

13 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009. The amount of the Statutory Reserve Requirement is determined based on a set percentage of total eligible liabilities.

14 INVESTMENT IN A SUBSIDIARY

	Bank	
	2023	2022
	RM'000	RM'000
Unquoted shares, at cost, in Malaysia	1,000	1,000

The subsidiary of the Bank is as follow:

		Percentage of equity held	
Name	Principal activity	2023	2022
		%	%
China Bridge (Malaysia) Sdn. Bhd.	Chinese visa application services	100	100

15 PROPERTY AND EQUIPMENT

Group	Computer equipment RM'000	Motor vehicles RM'000	Office equipment and furniture RM'000	Renovations RM'000	Freehold land RM'000	Buildings RM'000	ATM machine RM'000	Work-in-progress RM'000	Total RM'000
Cost									
As at 1 January 2023	24,155	4,009	10,904	19,857	14,000	26,375	3,449	340	103,089
Additions	910	601	173	23	-	-	-	1,351	3,058
Reclassification	409	-	(95)	-	-	-	-	(314)	-
Reclassify to intangible assets (Note 16)	-	-	-	-	-	-	-	(217)	(217)
Write-offs	(87)	-	(270)	(6)	-	-	-	(43)	(406)
As at 31 December 2023	25,387	4,610	10,712	19,874	14,000	26,375	3,449	1,117	105,524
Accumulated depreciation									
As at 1 January 2023	13,189	3,785	9,425	17,911	-	5,566	3,087	-	52,963
Charge for the financial year (Note 27)	4,498	112	508	1,029	-	788	130	-	7,065
Write-offs	(86)	-	(262)	(6)	-	-	-	-	(354)
As at 31 December 2023	17,601	3,897	9,671	18,934	-	6,354	3,217	-	59,674
Net carrying amount	7,786	713	1,041	940	14,000	20,021	232	1,117	45,850

Included in the work-in-progress is projects relating to intangible assets amounting to RM674,000 (2022: RM340,000).

15 PROPERTY AND EQUIPMENT (CONTINUED)

Group	Computer equipment RM'000	Motor vehicles RM'000	Office equipment and furniture RM'000	Renovations RM'000	Freehold land RM'000	Buildings RM'000	ATM machine RM'000	Work-in-progress RM'000	Total RM'000
Cost									
As at 1 January 2022	15,149	4,009	10,950	19,420	14,000	26,375	3,214	851	93,968
Additions	9,113	-	158	60	-	-	235	1,441	11,007
Reclassification	-	-	184	377	-	-	-	(561)	-
Reclassify to intangible assets (Note 16)	-	-	-	-	-	-	-	(1,326)	(1,326)
Write-offs	(107)	-	(388)	-	-	-	-	(65)	(560)
As at 31 December 2022	24,155	4,009	10,904	19,857	14,000	26,375	3,449	340	103,089
Accumulated depreciation									
As at 1 January 2022	11,369	3,660	8,715	16,436	-	4,778	2,995	-	47,953
Charge for the financial year (Note 27)	1,924	125	1,088	1,475	-	788	92	-	5,492
Write-offs	(104)	-	(378)	-	-	-	-	-	(482)
As at 31 December 2022	13,189	3,785	9,425	17,911	-	5,566	3,087	-	52,963
Net carrying amount	10,966	224	1,479	1,946	14,000	20,809	362	340	50,126

Included in the work-in-progress is projects relating to intangible assets amounting to RM340,000 (2021: RM230,000).

15 PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Office computer equipment RM'000	Motor vehicles RM'000	Office equipment and furniture RM'000	Renovations RM'000	Freehold land RM'000	Buildings RM'000	ATM machine RM'000	Work-in-progress RM'000	Total RM'000
Cost									
As at 1 January 2023	21,985	4,008	9,593	17,202	14,000	26,375	3,378	340	96,881
Additions	910	601	173	23	-	-	-	1,351	3,058
Reclassification	409	-	(95)	-	-	-	-	(314)	-
Reclassify to intangible assets (Note 16)	-	-	-	-	-	-	-	(217)	(217)
Write-offs	-	-	(252)	(6)	-	-	-	(43)	(301)
As at 31 December 2023	23,304	4,609	9,419	17,219	14,000	26,375	3,378	1,117	99,421
Accumulated depreciation									
As at 1 January 2023	11,728	3,784	8,212	15,499	-	5,566	3,018	-	47,807
Charge for the financial year (Note 27)	3,933	112	486	952	-	788	130	-	6,401
Write-offs	-	-	(246)	(6)	-	-	-	-	(252)
As at 31 December 2023	15,661	3,896	8,452	16,445	-	6,354	3,148	-	53,956
Net carrying amount	7,643	713	967	774	14,000	20,021	230	1,117	45,465

Included in the work-in-progress is projects relating to intangible assets amounting to RM674,000 (2022: RM340,000).

15 PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Office computer equipment RM'000	Motor vehicles RM'000	Office equipment and furniture RM'000	Renovations RM'000	Freehold land RM'000	Buildings RM'000	ATM machine RM'000	Work-in-progress RM'000	Total RM'000
Cost									
As at 1 January 2022	12,872	4,008	9,633	16,765	14,000	26,375	3,143	851	87,647
Additions	9,113	-	138	60	-	-	235	1,441	10,987
Reclassification	-	-	184	377	-	-	-	(561)	-
Reclassify to intangible assets (Note 16)	-	-	-	-	-	-	-	(1,326)	(1,326)
Write-offs	-	-	(362)	-	-	-	-	(65)	(427)
As at 31 December 2022	21,985	4,008	9,593	17,202	14,000	26,375	3,378	340	96,881
Accumulated depreciation									
As at 1 January 2022	10,370	3,659	7,527	14,142	-	4,778	2,926	-	43,402
Charge for the financial year (Note 27)	1,358	125	1,039	1,357	-	788	92	-	4,759
Write-offs	-	-	(354)	-	-	-	-	-	(354)
As at 31 December 2022	11,728	3,784	8,212	15,499	-	5,566	3,018	-	47,807
Net carrying amount	10,257	224	1,381	1,703	14,000	20,809	360	340	49,074

Included in the work-in-progress is projects relating to intangible assets amounting to RM340,000 (2021: RM230,000).

16 INTANGIBLE ASSETS

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Computer software				
Cost				
As at 1 January	8,748	6,748	8,745	6,745
Additions	152	674	152	674
Reclassify from property and equipment (Note 15)	217	1,326	217	1,326
Write-offs	(3)	-	-	-
As at 31 December	9,114	8,748	9,114	8,745
Accumulated amortisation				
As at 1 January	5,844	4,467	5,841	4,464
Charge for the financial year (Note 27)	1,549	1,377	1,549	1,377
Write-offs	(3)	-	-	-
As at 31 December	7,390	5,844	7,390	5,841
Net book value	1,724	2,904	1,724	2,904

17 DEPOSITS FROM CUSTOMERS

(i) By type of deposits

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Demand deposits	3,199,289	2,473,554	3,200,477	2,474,277
Savings deposits	532,873	490,932	532,873	490,932
Fixed deposits	5,862,910	5,712,476	5,862,910	5,712,476
Other	2,550	5,000	2,550	5,000
	9,597,622	8,681,962	9,598,810	8,682,685

Details on balances with related parties are disclosed in Note 32(b).

17 DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) By type of customers

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	2,550	5,000	2,550	5,000
Business enterprises	4,098,739	3,389,182	4,099,927	3,389,905
Individuals	4,121,412	3,698,555	4,121,412	3,698,555
Others	1,374,921	1,589,225	1,374,921	1,589,225
	9,597,622	8,681,962	9,598,810	8,682,685

(iii) The maturity structure of fixed deposits are as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Due within six months	4,004,920	4,341,965	4,004,920	4,341,965
Six months to one year	1,813,309	1,320,320	1,813,309	1,320,320
One year to three years	44,681	50,191	44,681	50,191
	5,862,910	5,712,476	5,862,910	5,712,476

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2023	2022
	RM'000	RM'000
Bank Negara Malaysia	16,259	15,870
Licensed banks	3,000,045	2,725,626
Licensed investment banks	6,011	5,560
Licensed Islamic banks	7,276	6,811
Other financial institutions	3	4
	3,029,594	2,753,871

19 OTHER LIABILITIES

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Accrued expenses	47,620	41,912	46,898	41,504
Margin deposits	96,141	75,530	96,141	75,530
Interest advances from loans	20,937	18,388	20,937	18,388
Remittances	70,410	50,890	70,410	50,890
Others	65,515	51,811	63,408	51,601
Lease liabilities (Note 19(i))	28,491	35,141	22,698	28,400
Allowance for ECL on commitments and contingencies (Note 19(ii))	14,043	10,980	14,161	10,987
	343,157	284,652	334,653	277,300

The margin deposits include interest bearing deposits amounting to RM2,129,000 (2022: RM2,132,000) with a range of interest between 0.50% to 1.20% (2022: 0.50% to 3.00%), and the non-interest bearing deposits amounting to RM94,012,000 (2022: RM73,398,000).

(i) Lease liabilities maturity analysis

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Scheduled repayment of lease liabilities				
- Not later than one year	8,684	8,575	7,540	7,477
- Later than one year and not later than five years	17,967	23,148	13,708	18,584
- Later than five years	1,840	3,418	1,450	2,339
	28,491	35,141	22,698	28,400

19 OTHER LIABILITIES (CONTINUED)

(ii) Movements in allowance for impairment on commitment and contingencies:

Group

	ECL (Stage 1) RM'000	Lifetime ECL 12-month (non-credit impaired) (Stage 2) RM'000	Lifetime ECL ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2023	9,449	1,531	-	10,980
Transferred to 12-month ECL (Stage 1)	446	(446)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(1,814)	1,814	-	-
New loans and advances originated	530	33	-	563
(Reversal)/Allowance during the year	166	3,635	-	3,801
Full settlement	(418)	(883)	-	(1,301)
As at 31 December 2023	8,359	5,684	-	14,043

	ECL (Stage 1) RM'000	Lifetime ECL 12-month (non-credit impaired) (Stage 2) RM'000	Lifetime ECL ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2022	8,789	77	-	8,866
Transferred to 12-month ECL (Stage 1)	37	(37)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(237)	237	-	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(5)	-	5	-
New loans and advances originated	2,167	-	-	2,167
(Reversal)/Allowance during the year	(1,281)	1,264	(5)	(22)
Full settlement	(21)	(10)	-	(31)
As at 31 December 2022	9,449	1,531	-	10,980

The exposure of the commitments and contingencies are disclosed in Note 37 (b)(v).

19 OTHER LIABILITIES (CONTINUED)

(ii) Movements in allowance for impairment on commitment and contingencies (continued):

Bank

	12-month ECL (Stage 1) RM'000	Lifetime ECL (non-credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2023	9,449	1,538	-	10,987
Transferred to 12-month ECL (Stage 1)	446	(446)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(1,814)	1,814	-	-
New loans and advances originated	530	33	-	563
(Reversal)/Allowance during the year	166	3,746	-	3,912
Full settlement	(418)	(883)	-	(1,301)
As at 31 December 2023	8,359	5,802	-	14,161

	12-month ECL (Stage 1) RM'000	Lifetime ECL (non-credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2022	8,789	77	-	8,866
Transferred to 12-month ECL (Stage 1)	37	(37)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(237)	237	-	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(5)	-	5	-
New loans and advances originated	2,167	-	-	2,167
(Reversal)/Allowance during the year	(1,281)	1,271	(5)	(15)
Full settlement	(21)	(10)	-	(31)
As at 31 December 2022	9,449	1,538	-	10,987

The exposure of the commitments and contingencies are disclosed in Note 37 (b)(v).

20 SUBORDINATED LOAN

	Group and Bank	
	2023	2022
	RM'000	RM'000
At cost	1,442,120	1,254,725
Interest accrued	21,942	11,711
Foreign exchange difference	(22,320)	105,245
	1,441,742	1,371,681

On 5 July 2023, the Bank has drawndown a new subordinated loan facility ("Subordinated Loan 2") of USD310 million and redeemed the existing unsecured subordinated loan facility ("Subordinated Loan 1") of USD 310 million via contra-off/set-off against the Subordinated Loan 2 simultaneously. The Subordinated Loan 2 is an USD310 million subordinated loan (ten (10) years maturity, non-callable five (5) years from the drawdown date) which bears interest rate equal to 0.97% plus SOFR Overnight at a 5 days lookback, interest payable at every 3 months and is prepayable after first five years subject to BNM's approval and other conditions.

The Subordinated Loan 2 was approved by BNM for inclusion as Tier-2 capital of the Bank under BNM's capital adequacy regulations.

The subordinated loan constitutes a direct, unsecured and subordinated obligation of the Bank.

21 SHARE CAPITAL

	Number of ordinary shares		Amount	
	2023	2022	2023	2022
	'000	'000	RM'000	RM'000
Group and Bank				
Ordinary shares with par value at RM1 issued and fully paid:				
At 1 January/31 December	760,518	760,518	760,518	760,518

22 RESERVES

(a) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2023 under the single tier system.

(b) Regulatory reserve

The Bank must maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures in accordance with BNM's revised Financial Reporting Policy document issued on 27 September 2019. As at the report date, the Bank maintains the loss allowance for non-credit impaired exposure and regulatory reserve at the minimum of 1%.

22 RESERVES (CONTINUED)

(c) Fair value through other comprehensive reserve

The fair reserve through other comprehensive reserve is in respect of unrealised fair value gains and losses on debt and equity instruments at FVOCI, net of tax.

(d) Foreign exchange reserve

The foreign exchange reserve captures the foreign exchange currency translation differences in respect of debt instrument at FVOCI, net of tax.

23 OPERATING REVENUE

Operating revenue comprises interest income, gross fee and gross commission income, investment income, service charges and other income.

24 INTEREST INCOME

	Group	
	2023	2022
	RM'000	RM'000
Loans and advances		
- Interest income on non-credit impaired loans and advances	524,106	333,678
- Interest income on credit impaired loans and advances	(1,161)	(1,161)
Money at call and deposit placements with financial institutions	116,190	83,864
Debt instruments at FVOCI	68,977	67,481
Debt instruments at amortised cost	3,768	3,126
Others	2,621	490
	714,501	487,478
Amortisation of premium less accretion of discount	(14,778)	(15,857)
	699,723	471,621

24 INTEREST INCOME (CONTINUED)

	Bank	
	2023	2022
	RM'000	RM'000
Loans and advances		
- Interest income on non-credit impaired loans and advances	524,432	333,977
- Interest income on credit impaired loans and advances	(1,161)	(1,161)
Money at call and deposit placements with financial institutions	116,190	83,864
Debt instruments at FVOCI	68,977	67,481
Debt instruments at amortised cost	3,768	3,126
Others	2,621	490
	714,827	487,777
Amortisation of premium less accretion of discount	(14,778)	(15,857)
	700,049	471,920

25 INTEREST EXPENSE

	Group and Bank	
	2023	2022
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	100,926	44,351
Deposits from customers	203,169	131,031
Subordinated loan	82,472	30,569
Others	1,626	698
	388,193	206,649

26 OTHER OPERATING INCOME

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Fee on loans and advances	8,547	12,434	8,547	12,434
- Service charges and fees	28,971	4,542	2,808	3,161
- Guarantee fees	17,581	16,434	17,581	16,434
	55,099	33,410	28,936	32,029
Fee expense:				
- Commission related expenses	(10,559)	(461)	-	-
Net fee income	44,540	32,949	28,936	32,029
Foreign exchange gain/(loss):				
- Realised	64,571	49,002	64,571	49,002
- Unrealised	(89)	1,304	(89)	1,304
Net gain on revaluation of derivatives	472	711	472	711
Revenue from sale of precious metal products	51	167	51	167
Gain from derivative financial instrument	1,337	572	1,337	572
Dividend income:				
- Equity instruments at FVOCI	60	60	60	60
Other income	170	394	382	604
	111,112	85,159	95,720	84,449

27 OTHER OPERATING EXPENSES

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Salaries and wages (includes CEO/ED)	70,782	66,174	68,039	63,522
Bonuses	35,583	31,555	35,163	31,435
Defined contribution plan ("EPF")	14,036	12,523	13,764	12,246
Staff welfare expenses	3,863	3,465	3,616	3,320
Other personnel costs	14,656	15,739	14,344	15,441
	138,920	129,456	134,926	125,964
Marketing expenses				
Advertising, marketing and communication	778	591	778	591
Others	1,878	1,461	1,878	1,461
	2,656	2,052	2,656	2,052
Establishment costs				
Rental of premises	13	-	-	6
Depreciation of property and equipment (Note 15)	7,065	5,492	6,401	4,759
Depreciation of right-of-use assets (Note 11)	9,008	8,667	7,760	7,373
Amortisation of intangible assets (Note 16)	1,549	1,377	1,549	1,377
Finance cost on lease liabilities	1,220	1,268	956	1,119
Repairs and maintenance	1,478	1,043	1,467	1,028
Property and equipment written-off	11	12	7	8
Information technology expenses	5,764	5,449	5,755	5,432
Other establishment costs	1,421	1,381	1,430	1,372
	27,529	24,689	25,325	22,474
Administration and general expenses				
Insurance premium	2,888	3,079	2,880	3,070
Travelling and accommodation	556	168	555	164
Telecommunication and utilities	1,093	1,141	951	1,044
Printing, stationery and postage	1,401	1,151	1,133	1,130
Legal and professional fees	1,024	871	845	861
Other administration and general expenses	4,345	4,660	4,032	4,379
	11,307	11,070	10,396	10,648
Other expenses				
Cost of sales of precious metal products	39	117	39	117
	180,451	167,384	173,342	161,255

27 OTHER OPERATING EXPENSES (CONTINUED)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- current year audit	281	241	250	210
- regulatory-related services	379	160	379	160
- other services	-	65	-	65
Directors' remuneration (Note 28)	3,338	3,170	3,338	3,170

28 DIRECTORS' REMUNERATION

The details of remuneration received by Directors of the Group and the Bank during the financial year are as follows:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Executive Director/Chief Executive Officer		
- salary and other remuneration	2,857	2,707
- benefits-in-kind	53	38
	2,910	2,745
Non-Executive Directors		
Fees		
- Eugene Khoo Kong Hooi	196	150
- Tan Sri Dato' Low Kian Chuan	50	123
- Lee Heng Guie	182	152
- Zhu Yanlai	-	-
	428	425
	3,338	3,170

28 DIRECTORS' REMUNERATION (CONTINUED)

The number of Directors of the Bank whose total remuneration including benefits-in-kind for the financial year falls into the following remuneration bands:

	Group and Bank Number of Directors	
	2023	2022
Executive Director		
RM2,500,001 - RM3,500,000	1	1
Non-Executive Directors		
Below RM100,000	1	-
RM100,001 - RM150,000	-	3
RM150,001 - RM200,000	2	-

29 ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES AND OTHER FINANCIAL ASSETS

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Allowance/(write-back) for impairment on:				
Cash and short-term funds (Note 2)				
- Stage 1	138	(37)	138	(37)
Deposits and placements with banks and other financial institutions (Note 3)				
- Stage 1	(16)	2	(16)	2
Debt instruments at FVOCI (Note 5)				
- Stage 1	(54)	99	(54)	99
Other assets (Note 10)				
- Stage 1	403	294	403	299
Loans and advances (Note 9)	28,557	21,287	28,316	21,528
Commitments and contingencies (Note 19)	3,063	2,114	3,174	2,121
Bad debt recovered during the year	(1,294)	-	(1,294)	-
	30,797	23,759	30,667	24,012

30 TAXATION

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Tax expense for the financial year:				
- Malaysian income tax	55,043	45,136	53,110	45,136
Deferred tax (Note 12)	881	(1,765)	(2,893)	1,915
Over provision in prior years	(547)	(310)	(547)	(310)
Total tax expense	55,377	43,061	49,670	46,741

The explanation of the relationship between tax expense and profit before taxation is as follows:

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation	211,394	158,988	203,567	164,453
Statutory tax rate in Malaysia, 24% (2022: 24%)	50,735	38,157	48,856	39,469
Additional tax rate of 9% in excess of RM 100 million	-	5,309	-	5,801
Tax effects in respect of				
- Non-allowable expenses	1,174	3,233	1,375	1,370
- Non-taxable income	(14)	(14)	(14)	(14)
Deferred tax assets not recognised/ (recognised) on unutilised tax losses and unabsorbed capital allowance	4,029	(4,029)	-	-
Over provision in prior years	(547)	(310)	(547)	(310)
Temporary differences not recognised in prior years	-	715	-	425
Tax expense	55,377	43,061	49,670	46,741

Domestic income tax is calculated at the Malaysian statutory tax rate at 24% on the estimated profit for the financial year.

In order to support the Government's initiative to assist parties affected by the pandemic, it was proposed in Budget 2022 that for year of assessment ("YA") 2022, a special one-off tax which is called "Cukai Makmur" will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100 million will be charged an income tax rate of 33% for YA 2022.

31 EARNINGS PER SHARE

The basic and fully diluted earnings per ordinary share for the Group have been calculated based on the net profit attributable to equity holder of the Group and weighted average number of ordinary shares in issue during the financial year.

	Group	
	2023	2022
	RM'000	RM'000
Net profit attributable to equity holder	156,017	115,927
Weighted average number of ordinary shares in issue	760,518	760,518
Basic/fully diluted earnings per share (sen)	20.51	15.24

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or of the Bank either directly or indirectly. The key management personnel includes the Directors and senior management of the Group and of the Bank.

The Group and the Bank have related party relationship with following:
- Penultimate holding company, Bank of China Limited;
- Immediate holding company, Bank of China (Hong Kong) Limited;
- Subsidiary of the Bank as disclosed in Note 14 to the financial statements;
- Key management personnel.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions

The following significant transactions between the Group and the Bank and related parties took place at terms agreed between parties during the financial year.

	Penultimate holding company*	Immediate holding company	Key management personnel
	RM'000	RM'000	RM'000
Group			
2023			
Income			
Interest income:			
- Cash and short-term funds	585	2,539	-
- Deposits and placements with banks and other financial institutions	66	7,090	-
- Other	-	1,522	-
Fee income	7,610	248	-
	8,261	11,399	-
Expenses			
Interest expenses:			
- Deposits from customers	-	-	740
- Deposits and placements of banks and other financial institutions	10,758	80,215	-
- Subordinated loan	-	82,472	-
Establishment expenses	-	98	-
Administrative expenses	890	541	-
	11,648	163,326	740

* Penultimate holding company include other related parties companies within Bank of China Limited Group.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (continued)

	Penultimate holding company*	Immediate holding company	Key management personnel
	RM'000	RM'000	RM'000
Group			
2022			
Income			
Interest income:			
- Cash and short-term funds	96	1,081	-
- Deposits and placements with banks and other financial institutions	39	7,078	-
- Other	-	490	-
Fee income	8,287	132	-
	8,422	8,781	-
Expenses			
Interest expenses:			
- Deposits from customers	-	-	247
- Deposits and placements of banks and other financial institutions	5,508	33,723	-
- Subordinated loan	-	30,569	-
Establishment expenses	1,547	339	-
Administrative expenses	-	323	-
	7,055	64,954	247

* Penultimate holding company include other related parties companies within Bank of China Limited Group.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (continued)

	Penultimate holding company* RM'000	Immediate holding company RM'000	Subsidiary RM'000	Key management personnel RM'000
Bank				
2023				
Income				
Interest income:				
- Loans and advances	-	-	326	-
- Cash and short-term funds	585	2,540	-	-
- Deposits and placements with banks and other financial institutions	66	7,090	-	-
- Others	-	1,522	-	-
Fee income	7,610	248	-	-
Other operating income:				
- Others	-	-	211	-
	8,261	11,400	537	-
Expenses				
Interest expenses:				
- Deposits from customers	-	-	-	702
- Deposits and placements of banks and other financial institutions	10,758	80,215	-	-
- Subordinated loan	-	82,472	-	-
Establishment expenses	-	98	-	-
Administrative expenses	890	541	-	-
	11,648	163,326	-	702

* Penultimate holding company include other related parties companies within Bank of China Limited Group.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (continued)

	Penultimate holding company* RM'000	Immediate holding company RM'000	Subsidiary RM'000	Key management personnel RM'000
Bank				
2022				
Income				
Interest income:				
- Loans and advances	-	-	299	-
- Cash and short-term funds	96	1,081	-	-
- Deposits and placements with banks and other financial institutions	39	7,078	-	-
- Others	-	490	-	-
Fee income	8,287	132	-	-
Other operating income:				
- Others	-	-	211	-
	8,422	8,781	510	-
Expenses				
Interest expenses:				
- Deposits from customers	-	-	-	243
- Deposits and placements of banks and other financial institutions	5,508	33,723	-	-
- Subordinated loan	-	30,569	-	-
Establishment expenses	1,547	339	-	-
Administrative expenses	-	323	-	-
	7,055	64,954	-	243

* Penultimate holding company include other related parties companies within Bank of China Limited Group.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances

Significant outstanding balances of the Group and the Bank with its related parties are as follows:

Group	Penultimate holding company* RM'000	Immediate holding company RM'000	Key management personnel RM'000
2023			
Amount due from			
Cash and short-term funds	117,236	709,616	-
	117,236	709,616	-
Amount due to			
Deposits from customers	-	-	18,233
Deposits and placements of banks and other financial institutions	232,435	2,197,251	-
Subordinated loan	-	1,441,742	-
Other liabilities	1,164	65	-
	233,599	3,639,058	18,233

Included in the table above are deposits from the Directors of the Group RM15,513,000. Interest on deposit paid to Directors of the Group RM609,000.

* Penultimate holding company include other related parties companies within Bank of China Limited Group.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances (continued)

Significant outstanding balances of the Group and the Bank with its related parties are as follows:

Group	Penultimate holding company* RM'000	Immediate holding company RM'000	Key management personnel RM'000
2022			
Amount due from			
Cash and short-term funds	65,966	453,462	-
Other assets	-	86	-
	65,966	453,548	-
Amount due to			
Deposits from customers	-	-	17,375
Deposits and placements of banks and other financial institutions	224,435	2,174,136	-
Subordinated loan	-	1,371,681	-
Other liabilities	813	146	-
	225,248	3,545,963	17,375

Included in the table above are deposits from the Directors of the Group RM12,177,000. Interest on deposit paid to Directors of the Group RM135,000.

* Penultimate holding company include other related parties companies within Bank of China Limited Group.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances (continued)

	Penultimate holding company*	Immediate holding company	Subsidiary	Key management personnel
	RM'000	RM'000	RM'000	RM'000
Bank				
2023				
Amount due from				
Cash and short-term funds	117,236	709,616	-	-
Other assets	-	-	70	-
	117,236	709,616	70	-
Amount due to				
Deposits from customers	-	-	1,188	17,279
Deposits and placements of banks and other financial institutions	232,435	2,197,251	-	-
Subordinated loan	-	1,441,742	-	-
Other liabilities	1,164	65	-	-
	233,599	3,639,058	1,188	17,279

Included in the table above are deposits from the Directors of the Bank RM9,085,000. Interest on deposit paid to Directors of the Bank RM387,000.

* Penultimate holding company include other related parties companies within Bank of China Limited Group.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances (continued)

	Penultimate holding company* RM'000	Immediate holding company RM'000	Subsidiary RM'000	Key management personnel RM'000
Bank				
2022				
Amount due from				
Cash and short-term funds	65,966	453,462	-	-
Loans and advances	-	-	10,523	-
Other assets	-	86	633	-
	65,966	453,548	11,156	-
Amount due to				
Deposits from customers	-	-	723	16,630
Deposits and placements of banks and other financial institutions	224,435	2,174,136	-	-
Subordinated loan	-	1,371,681	-	-
Other liabilities	813	146	-	-
	225,248	3,545,963	723	16,630

Included in the table above are deposits from the Directors of the Bank RM6,918,000. Interest on deposit paid to Directors of the Bank RM81,000.

* Penultimate holding company include other related parties companies within Bank of China Limited Group.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Intercompany charges breakdown by geographical distribution:

(i) By geographical distribution:

	Information technology RM'000	Insurance RM'000	Others RM'000	Total RM'000
Group and Bank				
2023				
China	890	-	-	890
Hong Kong	-	116	733	849
	890	116	733	1,739
2022				
China	1,547	-	-	1,547
Hong Kong	-	105	557	662
	1,547	105	557	2,209

(d) Key management personnel compensation

The remuneration of Directors and other key management personnel during the financial year are as follows:

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fees	428	425	428	425
Salaries and other short-term benefits	10,016	9,352	9,536	8,797
Defined contribution plan ("EPF")	261	236	261	236
Benefits-in-kind	53	38	53	38
	10,758	10,051	10,278	9,496

Included in the above table are Directors' remuneration as disclosed in Note 28.

33 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

Connected parties refer to Directors, controlling shareholder, executive officers, officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions and any transactions that involve their close relative and any firm, partnerships, companies or any legal entities controlled by them.

Pursuant to BNM's Guidelines on Credit Transactions and Exposures with Connected Parties, the Group and the Bank is required to disclose the following information:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Outstanding credit exposures with connected parties	696,396	741,220
Outstanding credit exposures with connected parties as a percentage of total credit exposures	5%	6%
Percentage of outstanding credit exposures with connected parties which are non-performing or in default	Nil	Nil

34 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies constitute the following:

Group

	31 December 2023			31 December 2022		
	Principal	Credit* equivalent	Risk weighted	Principal	Credit* equivalent	Risk weighted
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	3,187	3,187	3,187	2,687	2,687	2,687
Transaction-related contingent items	2,553,642	1,276,821	647,176	2,607,586	1,303,793	726,525
Short-term self-liquidation trade related contingencies	70,903	14,181	12,646	81,260	16,251	13,820
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	3,200,332	640,067	567,959	2,521,912	504,382	434,640
- Maturity exceeding one year	419,070	209,535	189,620	987,021	493,511	470,822
Foreign exchange related contracts:						
- Less than one year	1,731,010	27,578	12,010	3,544,028	57,856	26,077
Interest/Profit rate related contracts:						
- Less than one year	517,526	3,360	2,686	346,940	7,245	4,943
- More than one year to five year	64,197	4,536	2,750	237,915	12,761	7,948
Total	8,559,867	2,179,265	1,438,034	10,329,349	2,398,486	1,687,462

*The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

34 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

The commitments and contingencies constitute the following:

Bank

	31 December 2023			31 December 2022		
	Principal	Credit* equivalent	Risk weighted	Principal	Credit* equivalent	Risk weighted
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	3,187	3,187	3,187	2,687	2,687	2,687
Transaction-related contingent items	2,553,642	1,276,821	647,176	2,607,586	1,303,793	726,525
Short-term self-liquidation trade related contingencies	70,903	14,181	12,646	81,260	16,251	13,820
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	3,212,332	642,467	570,359	2,523,412	504,682	434,940
- Maturity exceeding one year	419,070	209,535	189,620	987,021	493,511	470,822
Foreign exchange related contracts:						
- Less than one year	1,731,010	27,578	12,010	3,544,028	57,856	26,077
Interest/Profit rate related contracts:						
- Less than one year	517,526	3,360	2,686	346,940	7,245	4,943
- More than one year to five year	64,197	4,536	2,750	237,915	12,761	7,948
Total	8,571,867	2,181,665	1,440,434	10,330,849	2,398,786	1,687,762

*The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

35 CAPITAL COMMITMENTS

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Capital expenditure for property and equipment approved by the Board and contracted for	535	399	535	399

36 CAPITAL ADEQUACY

(a) The capital adequacy ratios of the Group and of the Bank are as follows:

The total capital and capital adequacy ratio of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's revised Capital Adequacy Framework (Capital Components) Policy. The Framework sets the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which a financial institution is required to operate. The framework has been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision ("BCBS").

The Group and the Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

The capital buffers shall comprise of the following:

(a) Capital Conservation Buffer ("CCB") of 2.5%; and

(b) Countercyclical Capital Buffer ("CCyB"), determined as the weighted average of the prevailing CCyB rates applied in the jurisdictions in which the bank has credit exposures. (intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive). (Maximum is 2.5%)

The Bank has adopted BNM's transitional arrangements to add back a portion of the Stage 1 and Stage 2 provisions for ECL to Common Equity Tier 1 Capital over a four-year period from financial year beginning 2020. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions – interim approach and transitional arrangement" (March 2017) and "Measures to reflect the impact of COVID-19" dated April 2022.

The minimum regulatory capital adequacy ratios for year 2023 are as follows:

CET 1 Capital Ratio (including CCB and CCyB)	7.000% (7.000% in the year 2022)
Tier 1 Capital Ratio (including CCB and CCyB)	8.500% (8.500% in the year 2022)
Total Capital Ratio (including CCB and CCyB)	10.500% (10.500% in the year 2022)

36 CAPITAL ADEQUACY (CONTINUED)

(a) The capital adequacy ratios of the Group and of the Bank are as follows (continued):

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Common Equity Tier 1 ("CET 1") Capital				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	1,175,102	1,036,085	1,176,810	1,039,913
Regulatory reserve	55,000	38,000	55,000	38,000
Fair value through other comprehensive reserve	8,160	(6,697)	8,160	(6,697)
Foreign exchange reserve	11	(4)	11	(4)
	1,998,791	1,827,902	2,000,499	1,831,730
Regulatory adjustment applied in the Calculation of CET 1 Capital				
- Deferred tax assets	(31,339)	(36,929)	(31,202)	(33,018)
- Intangible assets	(1,724)	(2,904)	(1,724)	(2,904)
- 55% of cumulative gains of debt instruments at FVOCI	4,488	-	4,488	-
- Regulatory reserve attributable to financial assets	(55,000)	(38,000)	(55,000)	(38,000)
- Transitional arrangements	-	-	-	-
	(83,575)	(77,833)	(83,438)	(73,922)
Total CET 1 Capital/Total Tier 1 Capital	1,915,216	1,750,069	1,917,061	1,757,808
Tier-2 Capital				
General provision *	132,466	125,841	132,416	125,861
Subordinated loan ^	1,419,800	1,359,970	1,419,800	1,359,970
Less: Investment in a subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 Capital	1,552,266	1,485,811	1,551,216	1,484,831
Total Capital Base	3,467,482	3,235,880	3,468,277	3,242,639

* General provision is subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach for credit risk.

^ Included in the subordinated loan is cost and foreign exchange difference as disclosed in Note 20.

36 CAPITAL ADEQUACY (CONTINUED)

(a) The capital adequacy ratios of the Group and of the Bank are as follows (continued):

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
With transitional arrangements				
CET 1 Capital Ratio	17.003%	16.456%	17.040%	16.529%
Tier 1 Capital Ratio	17.003%	16.456%	17.040%	16.529%
Total Capital Ratio	30.784%	30.427%	30.828%	30.491%
Without transitional arrangements				
CET 1 Capital Ratio	17.003%	16.456%	17.040%	16.529%
Tier 1 Capital Ratio	17.003%	16.456%	17.040%	16.529%
Total Capital Ratio	30.784%	30.367%	30.828%	30.433%

(b) Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Credit risk	10,597,266	10,067,275	10,593,264	10,068,897
Market risk	3,077	1,730	3,077	1,730
Operational risk	663,303	565,906	653,791	564,227
	11,263,646	10,634,911	11,250,132	10,634,854

37 FINANCIAL RISK MANAGEMENT

(a) Financial risk management

The objectives of the Group's and the Bank's financial risk management are to establish an enterprise-wide integrated risk management system which will help evaluate risk with reward and maximise income within an acceptable risk level through risk identification, measurement, monitoring and management.

The Board of Directors and the immediate holding company, Bank of China (Hong Kong) Limited approve the extent of the Group's and the Bank's risk appetite in the pursuit of agreed business strategies and objectives. The Board of Directors also approves risk limits and regularly reviews major policies designed to control risk within the Group and the Bank.

(b) Credit risk

(i) ECL models application

The Group and the Bank adopted general approach for ECL models for financial assets and simplified approach for other receivable, with ECL computed or measured based on the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate or an approximation thereof, after incorporating the components of PD, LGD and Exposure at Default ("EAD").

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) ECL models application (continued)

The details of these three components are as below:

- PD is an estimation of the likelihood of default over a given time horizon, either over the next 12 months, or over the remaining lifetime of the obligation.

- LGD is an estimation of loss the Group and the Bank will incur given the default of borrower. It is the difference between the exposure at the point of default and the cashflow that Group and the Bank are expected to receive, including from the realisation of any collateral, and discounted back to the point of default.

- EAD which includes on-balance sheet and off-balance sheet exposures, is an estimation of exposures at the point of a future default date, taking into account the expected changes in the exposures up to the point of future default including repayments, additional drawdown on committed facility, and additional headroom before default. EAD will be computed when commitment is recognised. For off-balance sheet exposure, the regulatory prescribed credit conversion factor ("CCF") is used.

The Bank's portfolio is segmented into two portfolios, i.e. Non-retail portfolio (inclusive Corporate and Financial Institution) and Retail portfolio.

The ECL estimation method adopted by the Bank is by stages and summarised as below:

- Stage 1: 12-month ECL is provided for performing financial assets on a collective basis.

- Stage 2: Lifetime ECL is provided for financial assets with significant increase in credit risk ("SICR") since its initial recognition on a collective basis. The Bank has estimated behavioural lifetime for revolving facilities such as Overdraft and Revolving Credit.

- Stage 3: Lifetime ECL is estimated on an individual basis using Discounted Cash Flow ("DCF") approach with post-haircut collateral value being applied as prudent measures.

Lifetime ECL is provided for other asset based on simplified approach.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) ECL models application (continued)

Forward-looking information

The Group and the Bank incorporated forward-looking factors in the ECL for Stage 1 and 2 by including the use of macroeconomic variables ("MEV") information. For year 2023, the Bank continuous to adopt a conservative outlook in the MEV projection to ensure sufficient loan loss provisioning for unexpected credit events. Overall, the impact of conservative MEV adjustment amounts to RM22.1 million (2022: RM25.2 million) as at 31 December 2023.

Some of the key MEVs selected for the purposes of forward-looking ECL estimation include GDP, Unemployment Rate, House Price Index and Consumer Price Index. The forward-looking ECL estimation is based on the probability weighted scenario of Good, Neutral and Downturn.

The ECL models are subject to independent review on annual basis. The Bank monitors the model performance regularly to ensure the results are reflective of the underlying portfolio.

In addition, the Bank applied ECL overlay for credit impaired (Stage 3) accounts identified, taking into consideration higher collateral haircut and longer realization period to the collateral pledged to the Bank. The additional impact of the ECL overlay amounts to RM4.8 million as at 31 December 2023.

Stage Determination

Stage determination is determined at borrower level and it is based on the worst stage amongst the facilities.

The Bank considers the borrower upon initial recognition of the financial asset (Stage 1) and whether there has been a SICR (Stage 2) on an on-going basis throughout each reporting period since its recognition.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) ECL models application (continued)

Financial asset is classified as impaired (Stage 3) when it meets the definition of default as below:

- where the principal or interest or both of the loan is past due for more than 90 days or 3 months. In the case of revolving facilities, (e.g. overdraft facilities), the facility shall be classified as impaired when the outstanding amount exceeds the approved limit for a period of more than 90 days or 3 months; or

- where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less and the loan exhibits weaknesses; or

- where repayments are scheduled on intervals of 3 months or longer, the loans and advances is classified as impaired as soon as a default occurs; or

- when the loan is classified as rescheduled and restructured.

SICR

The Group and the Bank determine the exposures of financial instruments to have significantly increased in credit risk when the financial instruments trigger the quantitative, qualitative or backstop criteria.

Exposures of financial instruments will be classified under Stage 2 based on the following criteria:

- exposures with days-past-due ("DPD") more than 30 days; or
- loan is classified as Special Mention (Weak Credit); or
- significant downgrade in credit risk rating since its recognition (applicable to corporate customers which are risk graded); or
- loans rescheduled and restructured by Agensi Kaunseling and Pengurusan Kredit ("AKPK"); or
- where a modification (restructured and rescheduled) is made to the original terms and conditions of an SME loan/financing to assist viable SMEs.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Credit quality of financial assets

The table below shows credit quality of the Group's and the Bank's financial assets based on the following risk grades:

Risk Grades	Definition
Performing	Borrower is able to honour contracts and there is no reason to doubt that the loan principal and interest cannot be repaid fully and timely.
Special Mention	Borrower’s credit risk profile is weak, or 1 or more of the borrower loan account has been overdue for 8 to 90 days. Despite borrower is currently capable of repaying loan principal and interest, there are symptoms or factors that may have an adverse impact in the future repayment ability.
Sub-standard	Impaired loans in arrears for 91 to 180 days. Refer to credit facilities involve more than a normal risk of loss due to one or combination of factors namely rescheduling and restructuring of credit facility due to credit deterioration, sporadic delays in debt servicing, unfavourable financial condition, insufficient operating cashflow to meet current debt commitments, insufficient security or other adverse factors which give rise to some doubt on the ability of the borrower and guarantor to comply with the present and/or revised repayment terms.
Doubtful	Impaired loans in arrears for more than 180 days. Refer to credit facilities where full collection is improbable.
Loss	Refer to credit facilities which are deemed uncollectible and worthless.
Investment grade	Internal rating 4C and above.
Non-investment grade	Internal rating worse than 4C.
Unrated	Indicates that the exposures are not internally rated or have been assigned with a rating by any credit rating agencies.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Credit quality of financial assets (continued)

The table below show the Group's and the Bank's gross loans and advances and their corresponding commitments and contingencies, based on the following risk grades:

				Group
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2023				
Loans and Advances (On Balance Sheet Exposure)				
Pass	10,070,037	24,266	-	10,094,303
Special Mention	-	207,510	-	207,510
Sub-standard	-	-	87,617	87,617
Doubtful	-	-	41,098	41,098
Loss	-	-	246,761	246,761
	10,070,037	231,776	375,476	10,677,289

				Bank
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2023				
Loans and Advances (On Balance Sheet Exposure)				
Pass	10,070,037	24,266	-	10,094,303
Special Mention	-	207,510	-	207,510
Sub-standard	-	-	87,617	87,617
Doubtful	-	-	41,098	41,098
Loss	-	-	246,761	246,761
	10,070,037	231,776	375,476	10,677,289

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Credit quality of financial assets (continued)

The table below show the Group's and the Bank's gross loans and advances and their corresponding commitments and contingencies, based on the following risk grades (continued):

				Group
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Loans and Advances (On Balance Sheet Exposure)				
Pass	8,174,429	284,684	-	8,459,113
Special Mention	-	256,044	-	256,044
Sub-standard	-	-	139,420	139,420
Doubtful	-	-	153,410	153,410
Loss	-	-	88,002	88,002
	8,174,429	540,728	380,832	9,095,989

				Bank
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Loans and Advances (On Balance Sheet Exposure)				
Pass	8,174,429	295,206	-	8,469,635
Special Mention	-	256,044	-	256,044
Sub-standard	-	-	139,420	139,420
Doubtful	-	-	153,410	153,410
Loss	-	-	88,002	88,002
	8,174,429	551,250	380,832	9,106,511

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Credit quality of financial assets (continued)

The table below show the Group's and the Bank's gross loans and advances and their corresponding commitments and contingencies, based on the following risk grades (continued):

				Group
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2023				
Commitments and Contingencies				
Pass	6,136,787	15,353	-	6,152,140
Special Mention	-	94,994	-	94,994
Doubtful	-	-	-	-
	6,136,787	110,347	-	6,247,134

				Bank
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2023				
Commitments and Contingencies				
Pass	6,136,787	27,353	-	6,164,140
Special Mention	-	94,994	-	94,994
Doubtful	-	-	-	-
	6,136,787	122,347	-	6,259,134

				Group
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Commitments and Contingencies				
Pass	6,083,117	94,005	-	6,177,122
Special Mention	-	23,144	-	23,144
Doubtful	-	-	200	200
	6,083,117	117,149	200	6,200,466

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Credit quality of financial assets (continued)

The table below show the Group's and the Bank's gross loans and advances and their corresponding commitments and contingencies, based on the following risk grades (continued):

				Bank
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Commitments and Contingencies				
Pass	6,083,117	95,505	-	6,178,622
Special Mention	-	23,144	-	23,144
Doubtful	-	-	200	200
	6,083,117	118,649	200	6,201,966

The table below shows credit quality of the Group's and the Bank's other debt instruments (including short term fund, interbank lending and debt instrument), based on Investment Grade and Non- Investment Grade:

				Group
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2023				
Other Debt Instruments				
Investment Grade	2,938,381	-	-	2,938,381
Non-investment Grade	-	-	-	-
Unrated	2,766,418	-	-	2,766,418
Total	5,704,799	-	-	5,704,799
2022				
Other Debt Instruments				
Investment Grade	1,993,704	-	-	1,993,704
Non-investment Grade	-	-	-	-
Unrated	3,775,056	-	-	3,775,056
Total	5,768,760	-	-	5,768,760

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Credit quality of financial assets (continued)

The table below shows credit quality of the Group's and the Bank's other debt instruments (including short term fund, interbank lending and debt instrument), based on Investment Grade and Non- Investment Grade (continued):

	Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2023				
Other Debt Instruments				
Investment Grade	2,938,330	-	-	2,938,330
Non-investment Grade	-	-	-	-
Unrated	2,766,418	-	-	2,766,418
Total	5,704,748	-	-	5,704,748
2022				
Other Debt Instruments				
Investment Grade	1,993,655	-	-	1,993,655
Non-investment Grade	-	-	-	-
Unrated	3,775,056	-	-	3,775,056
Total	5,768,711	-	-	5,768,711

The table below shows credit quality of the Group's and the Bank's other assets, based on ageing matrix:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Other Assets				
Aged more than 365 days	3,137	2,940	2,708	2,930
Aged between 181 - 365 days	4,132	9,965	4,132	9,670
Aged between 91 - 180 days	(16)	174	42	174
Aged 90 days or less	13,387	18,407	13,387	18,420
Total	20,640	31,486	20,269	31,194

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Maximum exposure to credit risk

For financial assets recognised in the statements of financial position, the maximum exposure to credit risk before taking account of any collateral held or credit enhancements equals their carrying amount in the statements of financial position. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Items recognised in the statements of financial position				
Cash and short-term funds (exclude cash in hand)	3,552,292	2,701,343	3,552,241	2,701,294
Deposits and placements with banks and other financial institutions	89,770	1,267,909	89,770	1,267,909
Debt instruments at FVOCI	1,992,554	1,799,508	1,992,554	1,799,508
Debt instruments at amortised cost	70,183	-	70,183	-
Loans and advances	10,422,439	8,847,862	10,422,439	8,858,143
Other assets	20,640	31,486	20,269	31,194
Derivative financial assets	16,074	37,338	16,074	37,338
	16,163,952	14,685,446	16,163,530	14,695,386
Items not recognised in the statements of financial position				
Contingent liabilities	2,627,732	2,691,533	2,627,732	2,691,533
Credit commitments	3,619,402	3,508,933	3,631,402	3,510,433
Total maximum credit risk exposure	22,411,086	20,885,912	22,422,664	20,897,352

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans and advances for the Group and Bank is 32% (2022: 32%). The financial effect of collateral held for the other financial assets are insignificant.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Collateral

The Group and the Bank grant credit facilities based on the credit standing of the customer, legitimate loan purpose, source of repayment, debt servicing ability, collateral(s), guarantees and etc. as the credit risk mitigant(s) ("CRM"). The credit facilities may be granted unsecured premised on the merit of the customer's credibility.

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

No	Types of Collaterals
1	Fixed Deposit, Cash Margin
2	Property/Land
3	Quoted Share
4	Bond
5	Standby Letter of Credit by Financial Institution
6	Others (e.g. Machinery, Vessels, Assignment of proceeds, etc.)

The Group and the Bank also accept guarantees from individuals, corporates and institutional customers to mitigate credit risk subject to internal guidelines on eligibility.

Valuation report of property by panel valuer is required by the Group and the Bank to ensure the value is fair unless is exempted by the Group and the Bank. Generally, the value of the property charged is updated during the periodic credit review to reflect the current market value. The estimated market value of the collateral as at 31 December 2023 being RM9.8 billion (2022: RM8.0 billion); of which RM0.58 billion (2022: RM0.5 billion) being collateral of financial assets that are impaired.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector:

Group 2023	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
Agriculture, forestry and fishing	-	-	-	200,179	-	200,179	168,364
Mining and quarrying	-	-	-	131,705	-	131,705	4,106
Manufacturing	-	-	-	2,095,678	-	2,095,678	1,886,933
Electricity, gas, steam and air conditioning supply	-	-	-	921,961	-	921,961	660,043
Water supply; sewerage, waste management and remediation activities	-	-	-	3,483	-	3,483	20,258
Construction	-	-	-	864,150	-	864,150	995,934
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	318,092	-	318,092	338,237
Transport and storage	-	-	-	1,111,327	-	1,111,327	62,265
Accommodation and food service activities	-	-	-	54,224	-	54,224	12,807
Information and communication	-	-	-	260,570	-	260,570	220,631
Financial and insurance/ takaful activities	2,794,912	73,227	-	1,348,215	16,074	4,232,428	1,418,426
Real estate activities	-	-	-	1,460,050	-	1,460,050	176,142
Professional, scientific and technical activities	-	-	-	96,320	-	96,320	29,352
Administrative and support service activities	-	-	-	152,816	-	152,816	105,074
Public administrative and defence; compulsory social security	-	-	-	14,425	-	14,425	-
Education	-	-	-	206,653	-	206,653	26,112

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

Group 2023	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
Arts, entertainment and recreation	-	-	-	71,686	-	71,686	-
Household	-	-	-	1,110,905	-	1,110,905	122,450
Others*	847,150	1,919,327	70,183	-	20,640	2,857,300	-
	3,642,062	1,992,554	70,183	10,422,439	36,714#	16,163,952	6,247,134

* Others include of RM2,836,661,000 under government and government agencies.
# Other assets include derivative financial assets and other receivable.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

Group 2022	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
Agriculture, forestry and fishing	-	-	-	232,614	-	232,614	195,541
Mining and quarrying	-	-	-	163,240	-	163,240	22,764
Manufacturing	-	-	-	2,033,412	-	2,033,412	1,415,748
Electricity, gas, steam and air conditioning supply	-	-	-	852,292	-	852,292	656,370
Water supply; sewerage, waste management and remediation activities	-	-	-	3,906	-	3,906	20,461
Construction	-	-	-	580,047	-	580,047	1,185,226
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	534,674	-	534,674	307,347
Transport and storage	-	-	-	60,921	-	60,921	70,834
Accommodation and food service activities	-	-	-	43,412	-	43,412	252
Information and communication	-	-	-	46,083	-	46,083	181,527
Financial and insurance/ takaful activities	1,729,067	114,483	-	756,928	37,338	2,637,816	1,346,338
Real estate activities	-	-	-	1,729,242	-	1,729,242	306,638
Professional, scientific and technical activities	-	-	-	174,861	-	174,861	266,125
Administrative and support service activities	-	-	-	306,321	-	306,321	70,827
Public administrative and defence; compulsory social security	-	-	-	20,441	-	20,441	-
Education	-	-	-	208,657	-	208,657	27,384

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

Group 2022	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
Arts, entertainment and recreation	-	-	-	75,712	-	75,712	-
Household	-	-	-	1,025,099	-	1,025,099	127,084
Others*	2,240,185	1,685,025	-	-	31,486	3,956,696	-
	3,969,252	1,799,508	-	8,847,862	68,824#	14,685,446	6,200,466

* Others include of RM3,925,215,000 under government and government agencies.
# Other assets include derivative financial assets and other receivable.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

Bank 2023	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
Agriculture, forestry and fishing	-	-	-	200,179	-	200,179	168,364
Mining and quarrying	-	-	-	131,705	-	131,705	4,106
Manufacturing	-	-	-	2,095,678	-	2,095,678	1,886,933
Electricity, gas, steam and air conditioning supply	-	-	-	921,961	-	921,961	660,043
Water supply; sewerage, waste management and remediation activities	-	-	-	3,483	-	3,483	20,258
Construction	-	-	-	864,150	-	864,150	995,934
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	318,092	-	318,092	338,237
Transport and storage	-	-	-	1,111,327	-	1,111,327	62,265
Accommodation and food service activities	-	-	-	54,224	-	54,224	12,807
Information and communication	-	-	-	260,570	-	260,570	220,631
Financial and insurance/ takaful activities	2,794,861	73,227	-	1,348,215	16,074	4,232,377	1,418,426
Real estate activities	-	-	-	1,460,050	-	1,460,050	176,142
Professional, scientific and technical activities	-	-	-	96,320	-	96,320	29,352
Administrative and support service activities	-	-	-	152,816	-	152,816	117,074
Public administrative and defence; compulsory social security	-	-	-	14,425	-	14,425	-
Education	-	-	-	206,653	-	206,653	26,112

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

Bank 2023	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
Arts, entertainment and recreation	-	-	-	71,686	-	71,686	-
Household	-	-	-	1,110,905	-	1,110,905	122,450
Others*	847,150	1,919,327	70,183	-	20,269	2,856,929	-
	3,642,011	1,992,554	70,183	10,422,439	36,343#	16,163,530	6,259,134

* Others include of RM2,836,661,000 under government and government agencies.
# Other assets include derivative financial assets and other receivable.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

Bank 2022	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
Agriculture, forestry and fishing	-	-	-	232,614	-	232,614	195,541
Mining and quarrying	-	-	-	163,240	-	163,240	22,764
Manufacturing	-	-	-	2,033,412	-	2,033,412	1,415,748
Electricity, gas, steam and air conditioning supply	-	-	-	852,292	-	852,292	656,370
Water supply; sewerage, waste management and remediation activities	-	-	-	3,906	-	3,906	20,461
Construction	-	-	-	580,047	-	580,047	1,185,226
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	534,674	-	534,674	307,347
Transport and storage	-	-	-	60,921	-	60,921	70,834
Accommodation and food service activities	-	-	-	43,412	-	43,412	252
Information and communication	-	-	-	46,083	-	46,083	181,527
Financial and insurance/ takaful activities	1,729,018	114,483	-	756,928	37,338	2,637,767	1,346,338
Real estate activities	-	-	-	1,729,242	-	1,729,242	306,638
Professional, scientific and technical activities	-	-	-	174,861	-	174,861	266,125
Administrative and support service activities	-	-	-	316,602	-	316,602	72,327
Public administrative and defence; compulsory social security	-	-	-	20,441	-	20,441	-
Education	-	-	-	208,657	-	208,657	27,384

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

Bank	Short-term funds and placements with financial institutions	Debt instruments at FVOCI	Debt instruments at amortised cost	Loans and advances	Other assets	On-balance sheet total	Commitments and contingents
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022							
Arts, entertainment and recreation	-	-	-	75,712	-	75,712	-
Household	-	-	-	1,025,099	-	1,025,099	127,084
Others*	2,240,185	1,685,025	-	-	31,194	3,956,404	-
	3,969,203	1,799,508	-	8,858,143	68,532#	14,695,386	6,201,966

* Others include of RM3,925,215,000 under government and government agencies.
# Other assets include derivative financial assets and other receivable.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the potential inability of the Group and the Bank to meet its payment obligations. The Group and the Bank are exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, and from margin and other calls on cash-settled derivatives.

The objective of the liquidity policy of the Group and the Bank are to ensure that the Group and the Bank are able to meet its financial obligations, whether such obligations are scheduled or unforeseen. The Group and the Bank have set liquidity risk appetites and established necessary management action triggers to manage its liquidity risk for regulatory compliance and to meet holding companies expectations. Necessary policies and procedures, including the escalation processes are established to promote effective oversight of the liquidity risk. In addition, the Group and the Bank have also formulated a Contingency Funding Plan to manage potential liquidity crisis.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below which analyses financial assets and financial liabilities as at 31 December 2023 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's Guidelines on Financial Reporting:

Group	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Non-specific maturity RM'000	Total RM'000
2023								
Cash and short-term funds	2,608,546	943,746	-	-	-	-	-	3,552,292
Deposits and placements with banks and other financial institutions	-	-	89,770	-	-	-	-	89,770
Derivative financial assets	1,511	4,413	5,030	2,123	387	2,610	-	16,074
Financial investments	-	6,121	7,355	255,458	535,298	1,258,505	19,008	2,081,745
Loans and advances	527,206	1,202,099	928,191	387,625	919,184	6,458,134	-	10,422,439
Other assets	15,853	2,319	506	202	94	3,470	-	22,444
Total assets	3,153,116	2,158,698	1,030,852	645,408	1,454,963	7,722,719	19,008	16,184,764
Deposits from customers	4,176,542	880,976	1,308,533	1,354,003	1,814,454	63,114	-	9,597,622
Deposits and placements of banks and other financial institutions	787,925	1,241,109	817,017	-	183,543	-	-	3,029,594
Derivatives financial liabilities	471	4,302	4,725	2,026	368	2,612	-	14,504
Other liabilities	205,774	31,491	1,802	44,930	10,417	48,743	-	343,157
Subordinated loan	21,942	-	-	-	-	1,419,800	-	1,441,742
Total liabilities	5,192,654	2,157,878	2,132,077	1,400,959	2,008,782	1,534,269	-	14,426,619
Net liquidity gap - Total assets less total liabilities	(2,039,538)	820	(1,101,225)	(755,551)	(553,819)	6,188,450	19,008	1,758,145

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below which analyses financial assets and financial liabilities as at 31 December 2022 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's Guidelines on Financial Reporting:

Group	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Non-specific maturity RM'000	Total RM'000
2022								
Cash and short-term funds	2,415,110	286,233	-	-	-	-	-	2,701,343
Deposits and placements with banks and other financial institutions	-	1,072,849	195,060	-	-	-	-	1,267,909
Derivative financial assets	1,282	6,330	12,795	10,288	150	6,493	-	37,338
Financial investments	2,336	2,661	7,385	48,838	480,293	1,257,995	13,223	1,812,731
Loans and advances	467,550	882,489	1,402,479	641,583	233,136	5,220,625	-	8,847,862
Other assets	27,212	1,351	103	46	2,429	2,525	-	33,666
Total assets	2,913,490	2,251,913	1,617,822	700,755	716,008	6,487,638	13,223	14,700,849
Deposits from customers	3,404,551	1,316,180	1,356,202	1,222,556	1,313,311	69,162	-	8,681,962
Deposits and placements of banks and other financial institutions	469,907	1,320,085	788,115	-	-	175,764	-	2,753,871
Derivative financial liabilities	1,253	5,625	12,478	10,246	146	6,491	-	36,239
Other liabilities	162,554	19,697	1,656	38,215	12,635	49,895	-	284,652
Subordinated loan	11,711	-	-	-	-	1,359,970	-	1,371,681
Total liabilities	4,049,976	2,661,587	2,158,451	1,271,017	1,326,092	1,661,282	-	13,128,405
Net liquidity gap - Total assets less total liabilities	(1,136,486)	(409,674)	(540,629)	(570,262)	(610,084)	4,826,356	13,223	1,572,444

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below which analyses financial assets and financial liabilities as at 31 December 2023 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's Guidelines on Financial Reporting:

Bank	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Non-specific maturity RM'000	Total RM'000
2023								
Cash and short-term funds	2,608,496	943,745	-	-	-	-	-	3,552,241
Deposits and placements with banks and other financial institutions	-	-	89,770	-	-	-	-	89,770
Derivative financial assets	1,511	4,413	5,030	2,123	387	2,610	-	16,074
Financial investments	-	6,121	7,355	255,458	535,298	1,258,505	19,008	2,081,745
Loans and advances	527,206	1,202,099	928,191	387,625	919,184	6,458,134	-	10,422,439
Other assets	15,854	2,302	506	202	86	3,123	-	22,073
Total assets	3,153,067	2,158,680	1,030,852	645,408	1,454,955	7,722,372	19,008	16,184,342
Deposits from customers	4,177,730	880,976	1,308,533	1,354,003	1,814,454	63,114	-	9,598,810
Deposits and placements of banks and other financial institutions	787,925	1,241,109	817,017	-	183,543	-	-	3,029,594
Derivatives financial liabilities	471	4,302	4,725	2,026	368	2,612	-	14,504
Other liabilities	205,774	28,801	1,418	44,654	9,853	44,153	-	334,653
Subordinated loan	21,942	-	-	-	-	1,419,800	-	1,441,742
Total liabilities	5,193,842	2,155,188	2,131,693	1,400,683	2,008,218	1,529,679	-	14,419,303
Net liquidity gap - Total assets less total liabilities	(2,040,775)	3,492	(1,100,841)	(755,275)	(553,263)	6,192,693	19,008	1,765,039

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below which analyses financial assets and financial liabilities as at 31 December 2022 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's Guidelines on Financial Reporting:

Bank	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Non-specific maturity RM'000	Total RM'000
2022								
Cash and short-term funds	2,415,061	286,233	-	-	-	-	-	2,701,294
Deposits and placements with banks and other financial institutions	-	1,072,849	195,060	-	-	-	-	1,267,909
Derivative financial assets	1,282	6,330	12,795	10,288	150	6,493	-	37,338
Financial investments	2,336	2,661	7,385	48,838	480,293	1,257,995	13,223	1,812,731
Loans and advances	467,550	892,770	1,402,479	641,583	233,136	5,220,625	-	8,858,143
Other assets	27,210	843	103	46	2,430	2,742	-	33,374
Total assets	2,913,439	2,261,686	1,617,822	700,755	716,009	6,487,855	13,223	14,710,789
Deposits from customers	3,405,275	1,316,180	1,356,202	1,222,556	1,313,311	69,161	-	8,682,685
Deposits and placements of banks and other financial institutions	469,907	1,320,085	788,115	-	-	175,764	-	2,753,871
Derivatives financial liabilities	1,253	5,625	12,478	10,246	146	6,491	-	36,239
Other liabilities	162,554	19,171	1,400	37,920	12,106	44,149	-	277,300
Subordinated loan	11,711	-	-	-	-	1,359,970	-	1,371,681
Total liabilities	4,050,700	2,661,061	2,158,195	1,270,722	1,325,563	1,655,535	-	13,121,776
Net liquidity gap - Total assets less total liabilities	(1,137,261)	(399,375)	(540,373)	(569,967)	(609,554)	4,832,320	13,223	1,589,013

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The balances in the table below is based on undiscounted basis and do not agree to the balances reported in the statements of financial position.

Group	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Total RM'000
2023							
Financial liabilities							
Deposits from customers	3,732,162	1,360,099	1,294,321	1,377,515	1,861,378	46,371	9,671,846
Deposits and placements of banks and other financial institutions	787,936	1,242,957	823,130	-	217,060	-	3,071,083
Derivatives financial liabilities	388	3,759	5,802	870	2,721	1,300	14,840
Other liabilities	197,381	21,357	2,902	4,682	10,544	21,446	258,312
Subordinated loan	-	22,938	-	22,688	45,626	1,675,106	1,766,358
	4,717,867	2,651,110	2,126,155	1,405,755	2,137,329	1,744,223	14,782,439
2022							
Financial liabilities							
Deposits from customers	2,964,486	1,227,028	1,361,773	1,770,991	1,341,253	60,397	8,725,928
Deposits and placements of banks and other financial institutions	403,971	1,389,042	793,852	-	-	200,863	2,787,728
Derivatives financial liabilities	1,253	5,642	13,824	10,246	2,789	3,350	37,104
Other liabilities	140,390	4,819	1,542	38,162	10,865	24,221	219,999
Subordinated loan	-	1,477	-	1,370	2,787	1,386,374	1,392,008
	3,510,100	2,628,008	2,170,991	1,820,769	1,357,694	1,675,205	13,162,767

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below shows the undiscounted cash outflows of the Bank's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The balances in the table below is based on undiscounted basis and do not agree to the balances reported in the statements of financial position.

Bank	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Total RM'000
2023							
Financial liabilities							
Deposits from customers	3,733,350	1,360,099	1,294,321	1,377,515	1,861,378	46,371	9,673,034
Deposits and placements of banks and other financial institutions	787,936	1,242,957	823,130	-	217,060	-	3,071,083
Derivatives financial liabilities	388	3,759	5,802	870	2,721	1,300	14,840
Other liabilities	197,381	19,231	2,673	4,339	9,559	16,365	249,548
Subordinated loan	-	22,938	-	22,688	45,626	1,675,106	1,766,358
	4,719,055	2,648,984	2,125,926	1,405,412	2,136,344	1,739,142	14,774,863
2022							
Financial liabilities							
Deposits from customers	2,965,209	1,227,028	1,361,773	1,770,991	1,341,253	60,397	8,726,651
Deposits and placements of banks and other financial institutions	403,971	1,389,042	793,852	-	-	200,863	2,787,728
Derivatives financial liabilities	1,253	5,642	13,824	10,246	2,789	3,350	37,104
Other liabilities	140,390	4,601	1,303	37,470	10,557	24,097	218,418
Subordinated loan	-	1,477	-	1,370	2,787	1,386,374	1,392,008
	3,510,823	2,627,790	2,170,752	1,820,077	1,357,386	1,675,081	13,161,909

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and of the Bank's commitments and contingencies:

Group

	2023			2022		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	3,187	-	3,187	2,687	-	2,687
Transaction-related contingent items	1,543,709	1,009,933	2,553,642	1,499,943	1,107,643	2,607,586
Short-term self-liquidating trade-related contingencies	70,903	-	70,903	81,260	-	81,260
Irrevocable commitments to extend credit	3,229,689	389,713	3,619,402	2,521,912	987,021	3,508,933
Foreign exchange related contracts	1,731,010	-	1,731,010	3,544,028	-	3,544,028
Interest/Profit rate related contracts	517,526	64,197	581,723	346,940	237,915	584,855
	7,096,024	1,463,843	8,559,867	7,996,770	2,332,579	10,329,349

The above commitments and contingencies are available for draw down or could be called upon within a period of less than one year.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and of the Bank's commitments and contingencies (continued):

Bank

	2023			2022		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	3,187	-	3,187	2,687	-	2,687
Transaction-related contingent items	1,543,709	1,009,933	2,553,642	1,499,943	1,107,643	2,607,586
Short-term self-liquidating trade-related contingencies	70,903	-	70,903	81,260	-	81,260
Irrevocable commitments to extend credit	3,241,689	389,713	3,631,402	2,523,412	987,021	3,510,433
Foreign exchange related contracts	1,731,010	-	1,731,010	3,544,028	-	3,544,028
Interest/Profit rate related contracts	517,526	64,197	581,723	346,940	237,915	584,855
	7,108,024	1,463,843	8,571,867	7,998,270	2,332,579	10,330,849

The above commitments and contingencies are available for draw down or could be called upon within a period of less than one year.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

Market risk is the risk of potential losses resulting from the changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in the market risk factors such as foreign exchange rates, interest rates, credit spreads, equity prices, commodities prices and their associated volatility.

The Bank's RMICC is responsible for the oversight of market risk management of the Bank and executing the BRMC and Board's mandate on market risk management strategies, risk appetite and tolerance level. The Bank has established the Market Risk Management Policy to govern BOCM's market risk governance structure, risk identification, measurement, monitoring and reporting processes. Various market risk indicators (e.g. Foreign Exchange Net Open Position, Value-at-Risk, Price Value of Basis Point, Stop Loss, etc) are regularly measured and monitored, in order to proactively manage the fluctuations of market interest rates and foreign exchange rates.

The Bank's interest rate risk are monitored through earnings and economic value of equity indicators. The impact on net interest income of the banking book is simulated under various interest rate assumptions. Sensitivity is measured using the Earnings-at-Risk ("EaR") methodology. An increase or decrease by 25 basis points, the impact of increase/decrease on the Bank's earnings for the financial year end is estimated at RM8.9 million (2022: RM7.3 million).

The Group and the Bank are exposed to precious metal risk and such exposures are managed together with foreign exchange risk. An increase or decrease of 1% in market price would impact the fair value by RM600 (2022: RM700).

The Group's and the Bank's foreign exchange risk are managed by matching the quantum and timing of cash flow of the foreign exchange assets with foreign exchange liabilities. The mismatch between foreign currencies mainly arises from the Group's and the Bank's short- term foreign currencies borrowing and medium-to-long term foreign currencies loans.

The following table demonstrates the sensitivity of the Group's and the Bank's profit after taxation and equity to a reasonable possible change in foreign exchange rates with all other variables remaining constant.

Impact on profit after taxation:

	Group and Bank			
	2023		2022	
	Foreign exchange rate	Foreign exchange rate	Foreign exchange rate	Foreign exchange rate
	+1%	-1%	+1%	-1%
	RM'000	RM'000	RM'000	RM'000
Currency				
USD	3,148	(3,148)	(288)	288
SGD	(3)	3	1	(1)
CNY	485	(485)	635	(635)
Others	(17)	17	(245)	245

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk(continued)

Interest rate risk (IBOR Reform)

The discontinuation of London Interbank Offer Rate ("LIBOR") and the transition to alternative Risk Free Rates ("RFR") could pose challenges to the Group and the Bank as the transition from LIBOR is expected to bring about significant legal, valuation, accounting, risk management and system implication.

Bank Negara Malaysia ("BNM") has established key signposts to ensure that banks adequately prepare for and manage a smooth transition away from LIBOR. These include key timelines to be adhered to for engagement with customers to renegotiate contracts and incorporate fallback provisions in loan and derivative contracts, completion of the assessment on operational readiness and capability to support products references to RFRs and resolution of all residual risks and impediments to issue products referenced to RFRs.

BNM introduced the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments.The Financial Markets Committee ("FMC") will engage the International Swaps and Derivatives Association ("ISDA") to ensure continuity of KLIBOR derivatives contracts in the event of a temporary or permanent discontinuation of KLIBOR publication.

The main risk to which the Bank has been exposed as a result of IBOR reform are operational. The transition from IBOR to Risk Free Rate ("RFR") or other types of base rates will have implications to the Bank arising from legal implications for existing derivatives and loan contracts referenced to IBOR, adjustments to accounting and valuation approaches, and system recalibration and reconfiguration.

The Group and the Bank have established an IBOR Transition Programme that is overseen by the Bank's Chief Executive Officer, and regularly updates a number of committees including the Board Risk Committee and Asset Liability Management Committee. The programme comprises a series of business and function workstreams, with oversight and coordination of the specific areas and risks provided by a central project team. The key objectives of these workstreams include the following:

- quantification and monitoring of affected exposures regularly;
- identification of evaluation of key risks arising from the reform under different scenarios;
- formulating an action plan to prudently manage the risk identified;
- monitoring closely the developments of the benchmark reform both in own country and internationally, update the scenarios and action plan as appropriate;
- identifying contracts in scope of benchmark reform;
- considering changes to internal systems, processes, risk management and valuation models;
- identifying and communicating to counterparties with whom repricing and/or re-papering IBOR-referenced contracts is required and executing the necessary change in contracts;
- managing any related tax and accounting implications.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk(continued)

Interest rate risk (IBOR Reform) (continued)

As at 31 December 2023, the Group and the Bank holds the following financial instruments which are referenced to the current benchmark interest rates and have yet to transit to an alternative interest rate benchmark:

	Carrying amount/ nominal amount as at 31 December 2023		Of which, have yet to transit to an alternative benchmark interest as at 31 December 2023	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,894,496	-	367,033	-
	4,894,496	-	367,033	-

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Bank's exposure to interest rate risks at the reporting date. Included in the tables are the Group's and the Bank's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time the Group and the Bank may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

	Non-trading book						
Group	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	Total RM'000
2023							
Assets							
Cash and short-term funds	2,872,076	-	-	-	-	705,438	3,577,514
Deposits and placements with banks and other financial institutions	-	89,456	-	-	-	314	89,770
Derivative financial assets	5,923	5,030	2,510	2,611	-	-	16,074
Debt instruments at FVOCI	-	-	785,264	1,188,505	-	18,785	1,992,554
Equity instruments at FVOCI	-	-	-	-	-	19,008	19,008
Debt instruments at amortised cost	-	-	-	70,000	-	183	70,183
Loans and advances							
- non-impaired	1,662,793	928,191	1,299,389	4,270,914	2,064,370	-	10,225,657
- impaired	66,513	-	7,420	68,289	54,560	-	196,782

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

	Non-trading book						
Group	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	Total RM'000
2023							
Other assets	-	-	-	-	-	22,444	22,444
Tax recoverable	-	-	-	-	-	17,617	17,617
Deferred tax assets	-	-	-	-	-	31,339	31,339
Right-of-use assets	-	-	-	-	-	26,894	26,894
Property and equipment	-	-	-	-	-	45,850	45,850
Intangible assets	-	-	-	-	-	1,724	1,724
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	92,000	92,000
Total assets	4,607,305	1,022,677	2,094,583	5,600,319	2,118,930	981,596	16,425,410

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Group	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000
2023							
Liabilities							
Deposits from customers	1,880,305	1,272,411	3,137,725	44,160	-	3,263,021	9,597,622
Deposits and placements of banks and other financial institutions	1,374,631	814,561	183,200	-	-	657,202	3,029,594
Derivatives financial liabilities	4,774	4,725	2,394	2,611	-	-	14,504
Other liabilities	902	1,226	1,644	17,531	3,522	318,332	343,157
Subordinated loan	-	-	-	1,419,800	-	21,942	1,441,742
Total liabilities	3,260,612	2,092,923	3,324,963	1,484,102	3,522	4,260,497	14,426,619
Total equity	-	-	-	-	-	1,998,791	1,998,791
Total liabilities and equity	3,260,612	2,092,923	3,324,963	1,484,102	3,522	6,259,288	16,425,410
On balance sheet - interest sensitivity gap	1,346,693	(1,070,246)	(1,230,380)	4,116,217	2,115,408	(3,278,901)	
Off balance sheet - interest sensitivity gap	-	-	-	-	-	8,559,867	
Total interest sensitivity gap	1,346,693	(1,070,246)	(1,230,380)	4,116,217	2,115,408	5,280,966	

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Group	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-trading book Non-interest sensitive RM'000	Total RM'000
2022							
Assets							
Cash and short-term funds	2,701,294	-	-	-	-	25,810	2,727,104
Deposits and placements with banks and other financial institutions	1,072,860	195,049	-	-	-	-	1,267,909
Derivative financial assets	-	-	-	-	-	37,338	37,338
Debt instruments at FVOCI	-	-	528,725	1,270,783	-	-	1,799,508
Equity instruments at FVOCI	-	-	-	-	-	13,223	13,223
Debt instruments at amortised cost	-	-	-	-	-	-	-
Loans and advances							
- non-impaired	7,347,919	187,273	205,895	345,381	628,930	(69,771)	8,645,627
- impaired	380,832	-	-	-	-	(178,597)	202,235

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

	Non-trading book						
Group	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	Total RM'000
2022							
Other assets	-	-	-	-	-	33,666	33,666
Tax recoverable	-	-	-	-	-	26,034	26,034
Deferred tax assets	-	-	-	-	-	36,929	36,929
Right-of-use assets	-	-	-	-	-	33,704	33,704
Property and equipment	-	-	-	-	-	50,126	50,126
Intangible assets	-	-	-	-	-	2,904	2,904
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	80,000	80,000
Total assets	11,502,905	382,322	734,620	1,616,164	628,930	91,366	14,956,307

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

	Non-trading book						
Group	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	Total RM'000
2022							
Liabilities							
Deposits from customers	2,974,049	1,356,278	2,542,832	50,191	-	1,758,612	8,681,962
Deposits and placements of banks and other financial institutions	1,387,281	788,115	-	175,764	-	402,711	2,753,871
Derivatives financial liabilities	-	-	-	-	-	36,239	36,239
Other liabilities	29,735	1,433	6,426	23,152	3,414	220,492	284,652
Subordinated loan	-	-	-	1,371,681	-	-	1,371,681
Total liabilities	4,391,065	2,145,826	2,549,258	1,620,788	3,414	2,418,054	13,128,405
Total equity	-	-	-	-	-	1,827,902	1,827,902
Total liabilities and equity	4,391,065	2,145,826	2,549,258	1,620,788	3,414	4,245,956	14,956,307
On balance sheet - interest sensitivity gap	7,111,840	(1,763,504)	(1,814,638)	(4,624)	625,516	(4,154,590)	
Off balance sheet - interest sensitivity gap	-	-	-	-	-	10,329,349	
Total interest sensitivity gap	7,111,840	(1,763,504)	(1,814,638)	(4,624)	625,516	6,174,759	

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Bank	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000
2023							
Assets							
Cash and short-term funds	2,872,023	-	-	-	-	705,438	3,577,461
Deposits and placements with banks and other financial institutions	-	89,456	-	-	-	314	89,770
Derivative financial assets	5,923	5,030	2,510	2,611	-	-	16,074
Debt instruments at FVOCI	-	-	785,264	1,188,505	-	18,785	1,992,554
Equity instruments at FVOCI	-	-	-	-	-	19,008	19,008
Debt instruments at amortised cost	-	-	-	70,000	-	183	70,183
Loans and advances							
- non-impaired	1,662,793	928,191	1,299,389	4,270,914	2,064,370	-	10,225,657
- impaired	66,513	-	7,420	68,289	54,560	-	196,782
Other assets	-	-	-	-	-	22,073	22,073
Deferred tax assets	-	-	-	-	-	31,202	31,202
Tax recoverable	-	-	-	-	-	17,607	17,607
Right-of-use assets	-	-	-	-	-	21,242	21,242
Property and equipment	-	-	-	-	-	45,465	45,465
Intangible assets	-	-	-	-	-	1,724	1,724
Investment in a subsidiary	-	-	-	-	-	1,000	1,000
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	92,000	92,000
Total assets	4,607,252	1,022,677	2,094,583	5,600,319	2,118,930	976,041	16,419,802

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

	Non-trading book						
Bank	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	Total RM'000
2023							
Liabilities							
Deposits from customers	1,880,305	1,272,411	3,137,725	44,160	-	3,264,209	9,598,810
Deposits and placements of banks and other financial institutions	1,374,631	814,561	183,200	-	-	657,202	3,029,594
Derivatives financial liabilities	4,774	4,725	2,394	2,611	-	-	14,504
Other liabilities	903	1,226	1,644	17,532	3,522	309,826	334,653
Subordinated loan	-	-	-	1,419,800	-	21,942	1,441,742
Total liabilities	3,260,613	2,092,923	3,324,963	1,484,103	3,522	4,253,179	14,419,303
Total equity	-	-	-	-	-	2,000,499	2,000,499
Total liabilities and equity	3,260,613	2,092,923	3,324,963	1,484,103	3,522	6,253,678	16,419,802
On balance sheet – interest sensitivity gap	1,346,639	(1,070,246)	(1,230,380)	4,116,216	2,115,408	(3,277,138)	
Off balance sheet - interest sensitivity gap	-	-	-	-	-	8,571,867	
Total interest sensitivity gap	1,346,639	(1,070,246)	(1,230,380)	4,116,216	2,115,408	5,294,729	

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Bank	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000
2022							
Assets							
Cash and short-term funds	2,701,294	-	-	-	-	25,759	2,727,053
Deposits and placements with banks and other financial institutions	1,072,860	195,049	-	-	-	-	1,267,909
Derivative financial assets	-	-	-	-	-	37,338	37,338
Debt instruments at FVOCI	-	-	528,725	1,270,783	-	-	1,799,508
Equity instruments at FVOCI	-	-	-	-	-	13,223	13,223
Debt instruments at amortised cost	-	-	-	-	-	-	-
Loans and advances							
- non-impaired	7,358,200	187,273	205,895	345,381	628,930	(69,771)	8,655,908
- impaired	380,832	-	-	-	-	(178,597)	202,235
Other assets	-	-	-	-	-	33,374	33,374
Deferred tax assets	-	-	-	-	-	33,018	33,018
Tax recoverable	-	-	-	-	-	23,935	23,935
Right-of-use assets	-	-	-	-	-	27,027	27,027
Property and equipment	-	-	-	-	-	49,074	49,074
Intangible assets	-	-	-	-	-	2,904	2,904
Investment in a subsidiary	-	-	-	-	-	1,000	1,000
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	80,000	80,000
Total assets	11,513,186	382,322	734,620	1,616,164	628,930	78,284	14,953,506

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

	Non-trading book						
Bank	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	Total RM'000
2022							
Liabilities							
Deposits from customers	2,974,049	1,356,278	2,542,832	50,191	-	1,759,335	8,682,685
Deposits and placements of banks and other financial institutions	1,387,281	788,115	-	175,764	-	402,711	2,753,871
Derivatives financial liabilities	-	-	-	-	-	36,239	36,239
Other liabilities	29,641	1,244	5,609	18,578	2,347	219,881	277,300
Subordinated loan	-	-	-	1,371,681	-	-	1,371,681
Total liabilities	4,390,971	2,145,637	2,548,441	1,616,214	2,347	2,418,166	13,121,776
Total equity	-	-	-	-	-	1,831,730	1,831,730
Total liabilities and equity	4,390,971	2,145,637	2,548,441	1,616,214	2,347	4,249,896	14,953,506
On balance sheet – interest sensitivity gap	7,122,215	(1,763,315)	(1,813,821)	(50)	626,583	(4,171,612)	
Off balance sheet - interest sensitivity gap	-	-	-	-	-	10,330,849	
Total interest sensitivity gap	7,122,215	(1,763,315)	(1,813,821)	(50)	626,583	6,159,237	

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent in all activities, products and services of financial institutions and can transverse multiple activities and business lines within the Bank. It includes a wide spectrum of heterogeneous risk such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches as well as employee health and safety hazards. Operational risk may result in direct financial losses as well as indirect financial losses (e.g. loss of business and market share) due to reputational damage.

To manage operational risk, the Bank has established “Three lines of defence” to manage operational risk events, where:

First line of defence – Business and functional lines are primarily responsible in managing operational risk of their respective businesses and functions.

Second line of defence – perform reviewing and identification and management of major operational risk by business and functional lines as well as integrating operational risks at the enterprise level.

Third line of defence – provide regular reviews and assessments of the operational risk management framework, processes and systems.

Risk Management and Internal Control Committee (“RMICC”), Compliance Risk Management Committee (“CRMC”), and Board Risk Committees (“BRC”) are the Bank’s risk governance committees accountable in overseeing the enterprise wide operational risk function. The committee is responsible to monitor and deliberate on operational risk issues specific to the business or functional lines, and promote risk ownership and management by the business and functional lines.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

MFRS 7 Financial Instruments: Disclosures requires the classification of financial instruments held at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. *MFRS 13 Fair Value Measurement* also requires the hierarchical disclosure for financial instruments of which their fair values are disclosed. The following levels of hierarchy are used for determining the disclosing the fair value of financial instruments:

Level 1 – Quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2 – Valuation technique using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial statements date.

Where available, quoted and observable market prices are used as the measures of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments carried at fair value

As at 31 December 2023, the Group and the Bank only have fair valued financial instruments that fall under Level 1, Level 2 and Level 3 as listed below:

Group and Bank	Valuation Technique 2023 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Valuation Technique 2022 Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets								
Debt instruments at FVOCI	-	1,992,554	-	1,992,554	-	1,799,508	-	1,799,508
Equity instruments at FVOCI	-	-	19,008	19,008	-	-	13,223	13,223
Derivative financial assets	-	16,074	-	16,074	-	37,338	-	37,338
	-	2,008,628	19,008	2,027,636	-	1,836,846	13,223	1,850,069
Financial liabilities								
Derivative financial liabilities	-	14,504	-	14,504	-	36,239	-	36,239

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The following represents the changes in Level 3 of financial assets:

	Equity instruments at fair value through other comprehensive income RM'000
Group and Bank	
At 1 January 2023	13,223
Total gains recognised in other comprehensive income	5,785
At 31 December 2023	19,008

(i) Debt instruments at FVOCI

The estimated fair value of Malaysian Government Securities and Malaysian Government Investment Issues is generally based on directly or indirectly market observable inputs and classified under Level 2 of the fair value hierarchy.

(ii) Equity instruments at FVOCI

The Bank derived the fair value of the unquoted equity investments based on the “revised net assets” method. The revised net assets were obtained based on the fair value net assets as derived in the investee’s latest publicly available audited financial statement of these investments. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can be reliably measured are measured at cost.

Cagamas Holdings Berhad’s shares is revalued based on fair value of net tangible asset approach.

(iii) Derivative financial assets and liabilities

The fair values of derivative assets and liabilities are from foreign exchange related contracts/interest/profit related contracts. These are the estimated amounts the Group and the Bank would receive or pay to terminate the contracts at the reporting date.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Sensitivity analysis for level 3

	Group and Bank 2023 Favorable changes +10% RM'000	Group and Bank 2023 Unfavorable changes -10% RM'000
Equity instruments at FVOCI		
- Cagamas Holdings Berhad	1,579	(1,579)
- CGC	322	(322)
	1,901	(1,901)

(c) Financial instruments not carried at fair value

A range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at the reporting date. The total fair value by each class of financial instruments is not materially different from the total carrying amount, except for the following financial assets:

	2023 Carrying amount RM'000	2023 Fair value RM'000	2022 Carrying amount RM'000	2022 Fair value RM'000
Group and Bank				
Financial assets				
Debt instruments at amortised cost				
- Level 2	70,183	69,979	-	-
Other assets				
Precious metal inventories				
- Level 2	37	64	47	66
	70,220	70,043	47	66
Group				
Financial assets				
Loans and advances				
- Level 3	10,422,439	10,408,379	8,847,862	8,822,730

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial instruments not carried at fair value (continued)

	2023		2022	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Bank				
Financial assets				
Loans and advances				
- Level 3	10,422,439	10,408,379	8,858,143	8,833,011
Group and Bank				
Financial liabilities				
Deposits and placements of bank and other financial institutions				
- Level 2	3,029,594	3,029,594	2,753,871	2,753,871
Subordinated loan				
- Level 3	1,441,742	1,419,800	1,371,681	1,116,578
Group				
Financial liabilities				
Deposits from customers				
- Level 2	9,597,622	9,595,328	8,681,962	8,671,675
Bank				
Financial liabilities				
Deposits from customers				
- Level 2	9,598,810	9,595,516	8,682,685	8,672,398

(i) Debt instruments at amortised cost

The estimated fair value of negotiable instruments of deposits is based on market yield of similar assets and classified under Level 2 of the fair value hierarchy.

(ii) Precious metal inventories

The fair values of financial assets are determined by quoted market prevailing prices of the respective precious metals as quoted by the London Bullion Market Association.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial instruments not carried at fair value (continued)

(iii) Loans and advances

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing with maturities of 6 months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

The fair value of impaired variable and fixed rate financing are represented by their carrying value, net of individual impairment allowance, being the expected recoverable amount.

(iv) Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than one year approximate the carrying amounts.

(v) Deposits from customers

For deposits from customers with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair value.

(vi) Fair values of other financial instruments carried at cost or amortised cost

Cash and short-term funds and deposits and placements with banks and other financial institutions, as well as interest and other short-term receivables and payables included in other assets and other liabilities respectively, fair values are expected to approximate the carrying amounts in the statements of financial position due to their short-term maturity.

The fair value of fixed rate loans and advances are estimated based on discounted cash flows using prevailing market rates of loans and advances of similar credit risks and maturity. The fair value of the fixed rate loans are approximate their carrying amounts due to their short-term maturity.

For fair values of variable rate loans and advances, the fair values are estimated to approximate their carrying amounts.

The fair value of other financial assets approximates their carrying amounts due to their short-term in nature.

(vii) Subordinated loan

The fair value of subordinated loan is estimated by discounting the expected future cash flows using the applicable prevailing interest rates for similar instruments as at reporting date.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Sensitivity of fair value measurement to changes in unobservable inputs assumptions

Equity instruments at FVOCI was revalued using net tangible asset value approach, where higher net tangible assets result in higher fair value.

39 ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRS requires the use of certain accounting estimates and assumptions that underlie the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. These estimates require the Group's and the Bank's management to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the management's best knowledge of current events and actions actual results may differ. The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances.

ECL for impairment on loans and advances

The Group and the Bank adopt a forward-looking approach in making ECL on loans and advances. The management is guided by the relevant Bank Negara Malaysia guidelines and accounting standards in making judgement on the future and key factors in estimation of the amount and timing of the cash flows arising from impairment on loans and advances. Amongst the factors considered are the Group's and the Bank's aggregate loan exposures, the realisable values of the underlying collaterals, the customers' credit risk rating, the capacity to generate sufficient cash flows to service debt obligations.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. In the case where the Group and the Bank have no entity-specific loss experience or insufficient experience, the Group and the Bank may use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data that have an impact on the current conditions and irrelevant data are removed.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as change in economic variables such as Gross Domestic Product, unemployment rates, property prices, or other relevant factors and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to enhance accuracy of the estimates by minimizing the variance between estimated and actual outcomes.

The amounts of ECL on loans and advances recognised by the Group and the Bank are as disclosed in Note 9. The Group's and the Bank's ECL on loans and advances as at 31 December 2023 was estimated based on a range of forecast economic conditions as at the reporting date and the assumptions used for management ECL overlays are as disclosed in Note 37 (b). There is no significant adjusting post balance sheet event that will impact the Group's and the Bank's financial results for the current financial year ended 31 December 2023.

39 ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Fair value of financial instruments

The majority of the Group’s and the Bank’s financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more details in Note 38.

Deferred tax assets and income taxes

In determining the Group's tax charge for the year it involves estimation and judgement, which includes an interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Bank provides for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where and outflow is probable.

The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors 29 April 2024.