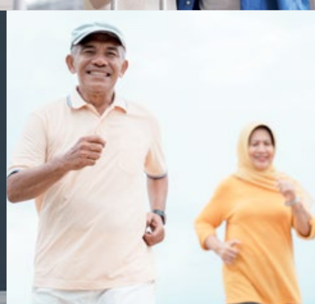
PUBLIC BANK

2023 INTEGRATED ANNUAL REPORT
FINANCIAL STATEMENTS

BANK FOR THE PEOPLE



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PILLAR 3 DISCLOSURE

Bank For The People

Public Bank's foundation is deeply rooted in the vision of serving the banking needs of the people. This vision signifies a commitment to inclusivity, ensuring that banking services are accessible and beneficial to all segments of society.

The cover design communicates the Bank's core values of inclusivity, accessibility, and the commitment to being a 'Bank for the People'. Public Bank remains strong through stability in leadership, financial acumen, digital transformation, high proficiency and professionalism, and continues to excel in delivering financial services that cater to the needs of individuals and businesses alike, promoting economic development and prosperity for all.

450
Branches in the region

>19,000
Staff Force

Corporate Mission

To sustain the position of being the most efficient, profitable and respected premier financial institution in Malaysia.

Corporate Philosophy

Public Bank Cares...

FOR ITS CUSTOMERS

- By providing the most courteous and efficient service in every aspect of its business
- By being innovative in the development of new banking products and services

FOR ITS SHAREHOLDERS

- By forging ahead and consolidating its position as a stable and progressive financial institution
- By generating profits and a fair return on their investment

FOR ITS EMPLOYEES

- By promoting the well-being of its staff through attractive remuneration and fringe benefits
- By promoting good staff morale through proper staff training and development and provision of opportunities for career advancement

FOR THE COMMUNITY IT SERVES

- By assuming its role as a socially responsible corporate citizen in a tangible manner
- By adhering closely to national policies and objectives thereby contributing towards the progress of the nation

...With Integrity

FINANCIAL HIGHLIGHTS

	GROUP		BANK	
	2023	**2022**	**2023**	**2022**
PROFITABILITY (RM'Million)				
Operating revenue	**25,415**	21,427	**17,572**	14,651
Operating profit	**8,678**	9,203	**6,741**	6,973
Profit before tax expense and zakat	**8,539**	8,831	**6,863**	6,825
Net profit attributable to equity holders of the Bank	**6,649**	6,119	**5,439**	4,849
KEY BALANCE SHEET DATA (RM'Million)				
Total assets	**510,598**	493,263	**385,280**	376,464
Gross loans, advances and financing	**398,997**	376,892	**299,098**	285,651
Deposits from customers	**412,897**	394,719	**305,060**	293,505
Shareholders' equity	**54,674**	50,179	**43,581**	40,728
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest bearing assets	**2.2**	2.4	**2.1**	2.3
Net return on equity[1]	**13.0**	12.8	**13.4**	12.4
Return on average assets	**1.7**	1.8	**1.8**	1.9
Return on average risk-weighted assets	**2.6**	2.9	**2.8**	2.9
Capital Adequacy Ratios[2]				
Common Equity Tier I capital ratio	**14.7**	14.6	**13.1**	13.1
Tier I capital ratio	**14.7**	14.6	**13.1**	13.1
Total capital ratio	**17.6**	17.6	**16.2**	16.3
Asset Quality Ratio				
Gross impaired loans ratio	**0.59**	0.42	**0.42**	0.37

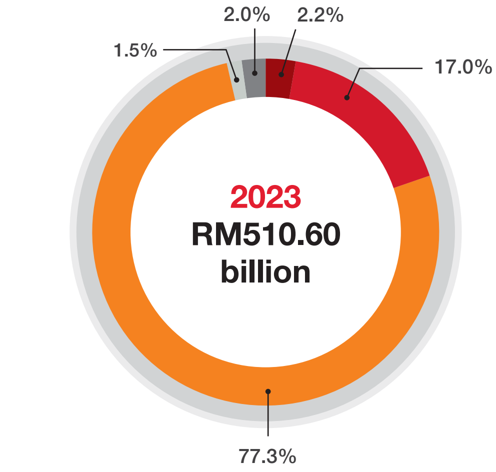
1 Based on average equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.
2 After deducting dividend declared subsequent to year end.

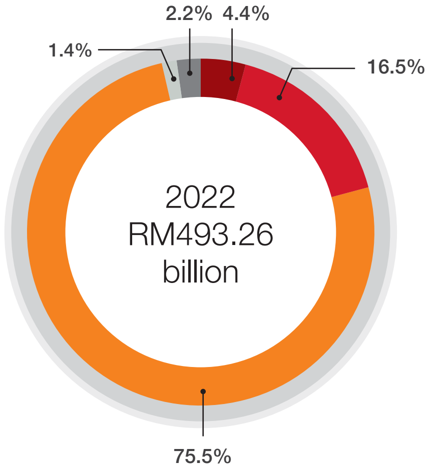
SIMPLIFIED GROUP BALANCE SHEET

ASSETS

- Cash and balances with banks and reverse repurchase agreements
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with Central Banks
- Other assets (including intangible assets)

Total 2023
RM510.60 billion
2022: RM493.26 billion

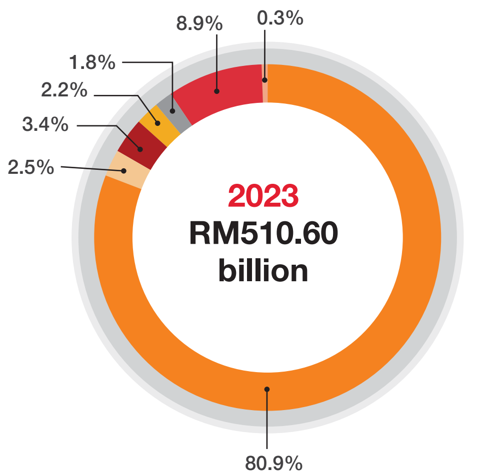


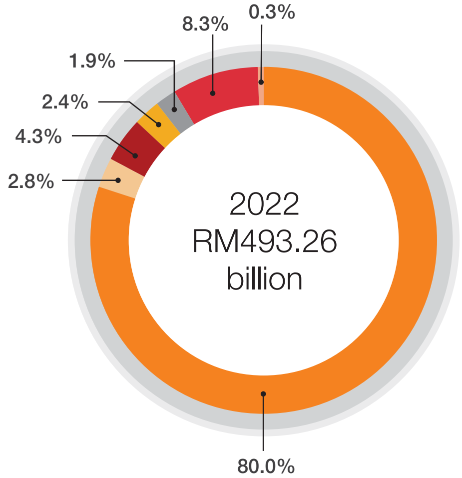


LIABILITIES & EQUITY

- Deposits from customers
- Deposits from banks and other financial institutions
- Bills and acceptances payable and other liabilities
- Debt securities issued and other borrowed funds
- Share capital
- Reserves
- Non-controlling interests

Total 2023
RM510.60 billion
2022: RM493.26 billion





FIVE-YEAR GROUP FINANCIAL SUMMARY

Year Ended 31 December	2023	2022	2021	2020	2019
OPERATING RESULTS (RM'Million)					
Operating profit	**8,678**	9,203	8,579	7,403	7,283
Profit before tax expense and zakat	**8,539**	8,831	7,367	6,285	7,134
Net profit attributable to equity holders of the Bank	**6,649**	6,119	5,657	4,872	5,512
KEY BALANCE SHEET DATA (RM'Million)					
Total assets	**510,598**	493,263	462,739	451,257	432,831
Gross loans, advances and financing	**398,997**	376,892	358,027	345,651	330,468
Total liabilities	**454,218**	441,737	413,314	402,830	388,084
Deposits from customers	**412,897**	394,719	380,394	365,871	353,340
Core customer deposits	**342,033**	335,570	325,770	310,144	294,646
Share capital	**9,418**	9,418	9,418	9,418	9,418
Shareholders' equity	**54,674**	50,179	48,163	47,248	43,594
Commitments and contingencies	**121,326**	104,722	102,643	106,934	94,315
SHARE INFORMATION AND VALUATION					
Share Information					
Per share (sen)					
Basic/Diluted earnings*	**34.3**	31.5	29.1	25.1	28.4
Dividend*	**19.0**	17.0	15.2	13.0	14.6
Net assets*	**281.7**	258.5	248.1	243.4	224.6
Share price as at 31 December (RM)*	**4.29**	4.32	4.16	4.12	3.89
Market capitalisation (RM'Million)	**83,272**	83,854	80,748	79,972	75,469
Valuation					
Dividend yield (%)	**4.4**	3.9	3.7	3.2	3.8
Dividend payout ratio (%)	**55.5**	53.9	52.2	51.8	51.4
Price to earnings multiple (times)	**12.5**	13.7	14.3	16.4	13.7
Price to book multiple (times)	**1.5**	1.7	1.7	1.7	1.7

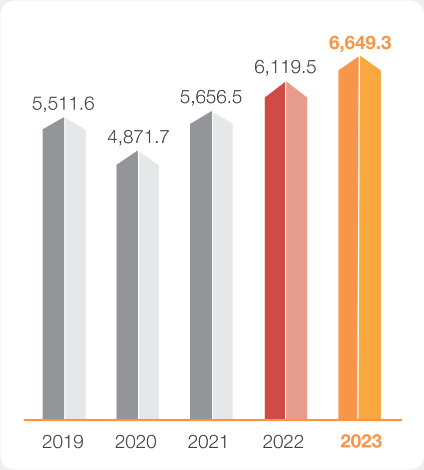
** For comparative purpose, the earnings, dividend, net assets and price per share had been adjusted to reflect the bonus issue of four bonus shares for every one existing ordinary share which was completed on 29 January 2021.*

Year Ended 31 December	2023	2022	2021	2020	2019
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest bearing assets	**2.2**	2.4	2.2	2.0	2.2
Net return on equity[1]	**13.0**	12.8	12.4	11.2	13.6
Return on average assets	**1.7**	1.8	1.6	1.4	1.7
Return on average risk-weighted assets	**2.6**	2.9	2.5	2.2	2.6
Cost/income ratio	**33.7**	31.5	31.6	34.6	34.4
Asset Quality Ratios					
Gross loans to fund ratio	**92.9**	91.4	90.1	90.2	88.9
Gross loans to fund and equity ratio	**82.0**	81.1	80.0	80.0	79.2
Gross impaired loans ratio	**0.59**	0.42	0.31	0.36	0.49
Loan loss coverage					
- Exclude regulatory reserve	**181.8**	272.0	360.7	227.7	124.1
- Include regulatory reserve	**212.8**	291.8	383.2	325.1	249.8
Capital Adequacy Ratios[2]					
Common Equity Tier I ("CET I") capital ratio	**14.7**	14.6	14.5	14.0	13.5
Tier I capital ratio	**14.7**	14.6	14.6	14.0	13.5
Total capital ratio	**17.6**	17.6	17.7	17.1	16.8
PRODUCTIVITY RATIOS					
Number of employees	**19,827**	19,188	19,364	19,414	19,260
Gross loans per employee (RM'000)	**20,124**	19,642	18,489	17,804	17,158
Deposits per employee (RM'000)	**20,825**	20,571	19,644	18,846	18,346
Profit before tax per employee (RM'000)	**431**	460	380	324	370
MARKET SHARE (%)					
Domestic market share					
Loans, advances & financing	**17.5**	17.4	17.4	17.7	17.3
Deposits from customers	**16.3**	16.3	16.2	16.5	16.5
Core customer deposits	**16.4**	16.8	17.2	17.2	16.9

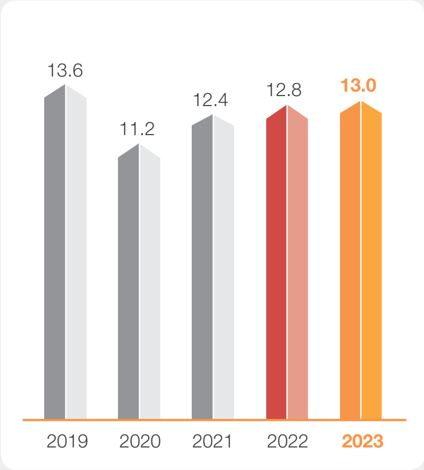
1 Based on equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.
2 After deducting dividend declared subsequent to year end.

SUMMARY OF FIVE-YEAR GROUP GROWTH

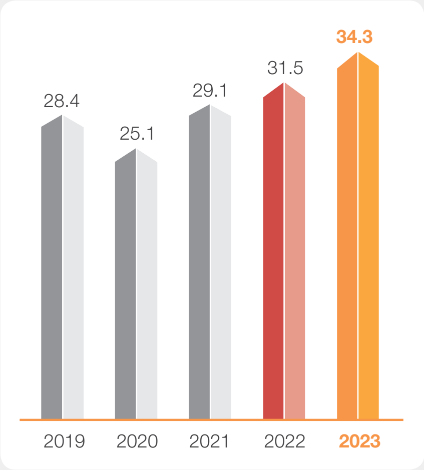
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
RM'Million



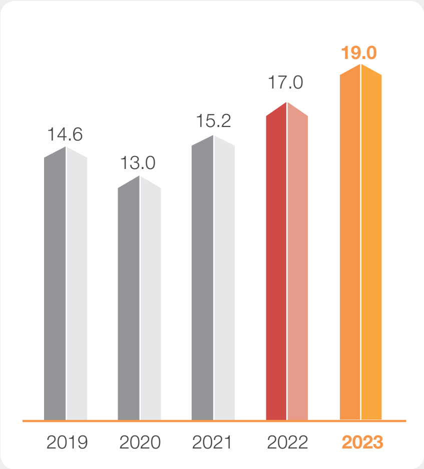
NET RETURN ON EQUITY
Percentage (%)



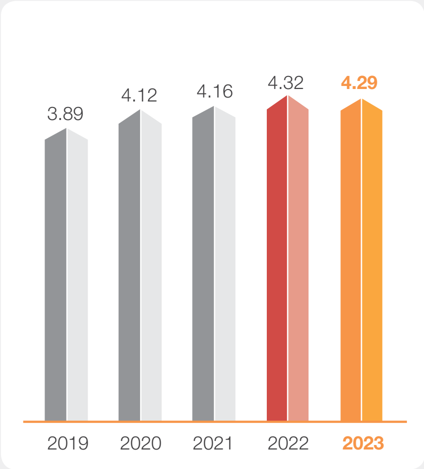
EARNINGS PER SHARE
Sen



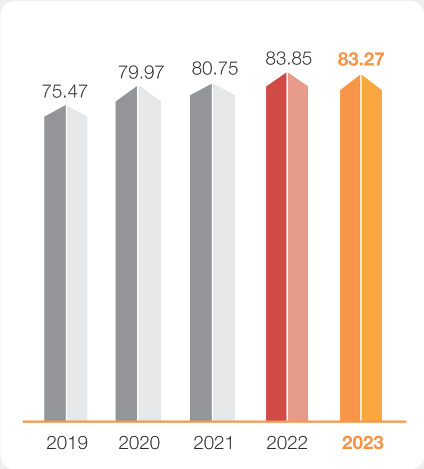
DIVIDEND PER SHARE#
Sen



SHARE PRICE#
RM



MARKET CAPITALISATION
RM'Billion

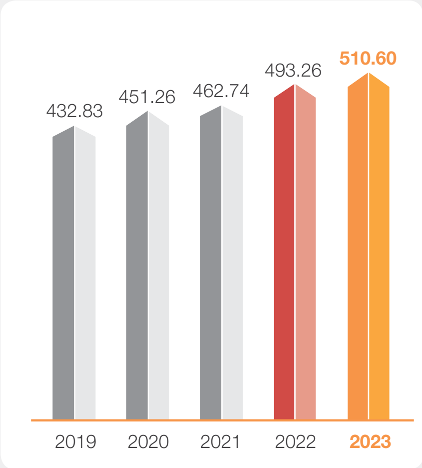


Adjusted to reflect the bonus issue of four bonus shares for every one existing ordinary share, which was completed on 29 January 2021.

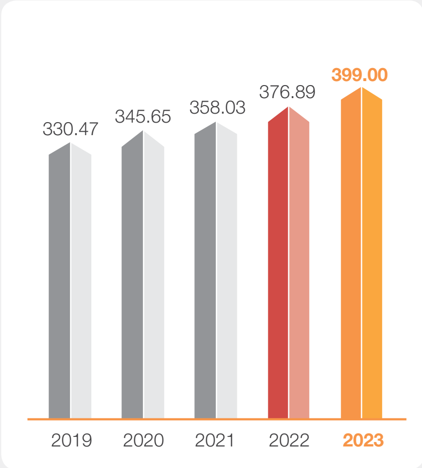
Public Bank's Ranking by Market Capitalisation on Bursa Malaysia Securities Berhad

Year	2019	2020	2021	2022	2023
Ranking	2nd	2nd	2nd	2nd	2nd

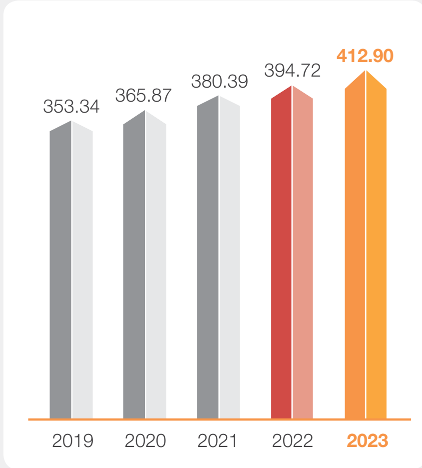
TOTAL ASSETS
RM'Billion



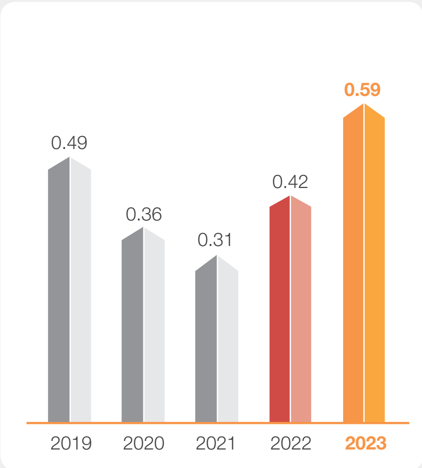
GROSS LOANS, ADVANCES AND FINANCING
RM'Billion



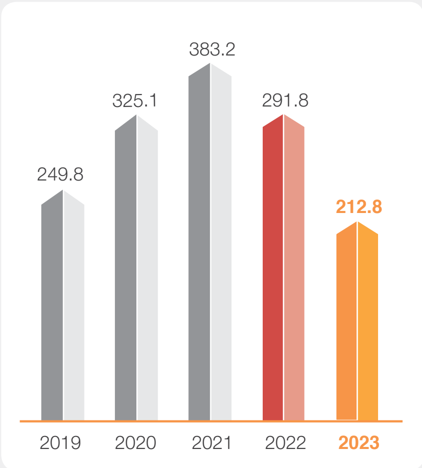
CUSTOMER DEPOSITS
RM'Billion



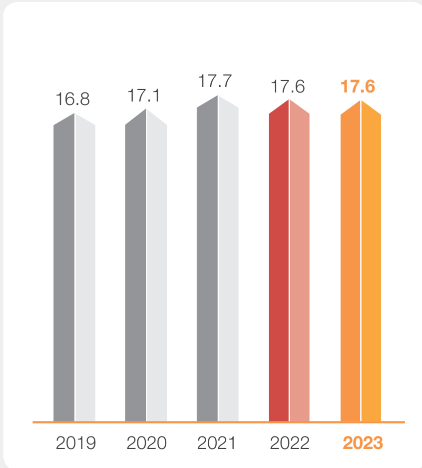
GROSS IMPAIRED LOANS RATIO
Percentage (%)



LOAN LOSS COVERAGE*
Percentage (%)



TOTAL CAPITAL RATIO**
Percentage (%)

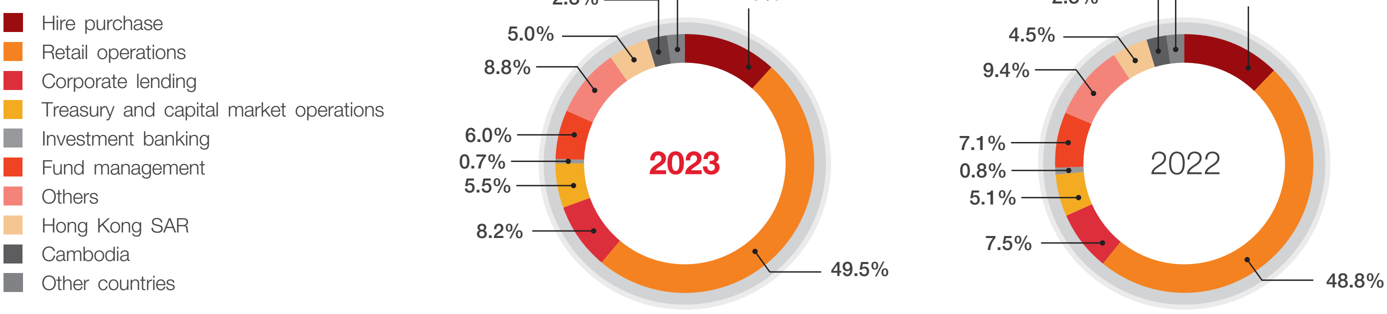


* *Including regulatory reserves*
** *After deducting dividend declared subsequent to year end*

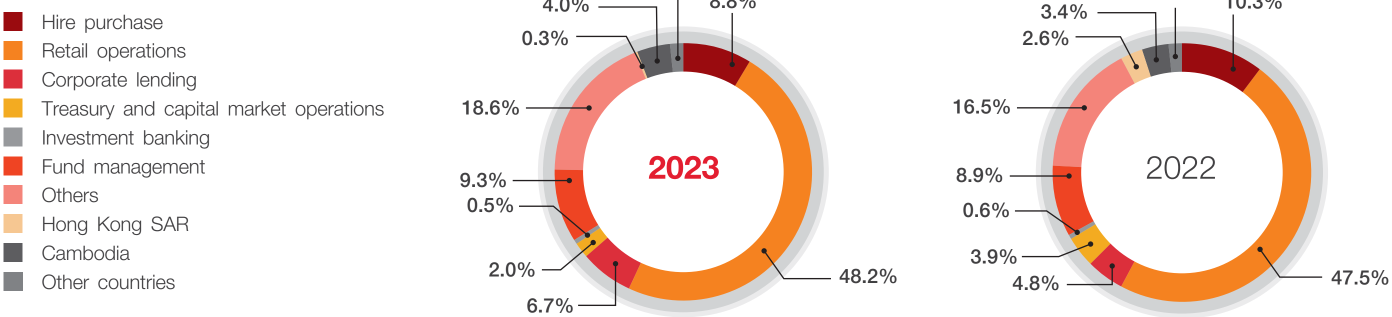
SEGMENTAL ANALYSIS

	Operating Revenue		Profit Before Tax		Total Assets	
	2023 (%)	2022 (%)	2023 (%)	2022 (%)	2023 (%)	2022 (%)
Hire purchase	**11.8**	12.3	**8.8**	10.3	**10.4**	9.7
Retail operations	**49.5**	48.8	**48.2**	47.5	**49.7**	51.5
Corporate lending	**8.2**	7.5	**6.7**	4.8	**7.2**	7.0
Treasury and capital market operations	**5.5**	5.1	**2.0**	3.9	**16.2**	15.2
Investment banking	**0.7**	0.8	**0.5**	0.6	**0.4**	0.5
Fund management	**6.0**	7.1	**9.3**	8.9	**0.1**	0.1
Others	**8.8**	9.4	**18.6**	16.5	**9.1**	9.1
Total domestic	**90.5**	91.0	**94.1**	92.5	**93.1**	93.1
Hong Kong SAR	**5.0**	4.5	**0.3**	2.6	**3.6**	3.7
Cambodia	**2.3**	2.3	**4.0**	3.4	**1.6**	1.7
Other countries	**2.2**	2.2	**1.6**	1.5	**1.7**	1.5
Total overseas	**9.5**	9.0	**5.9**	7.5	**6.9**	6.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

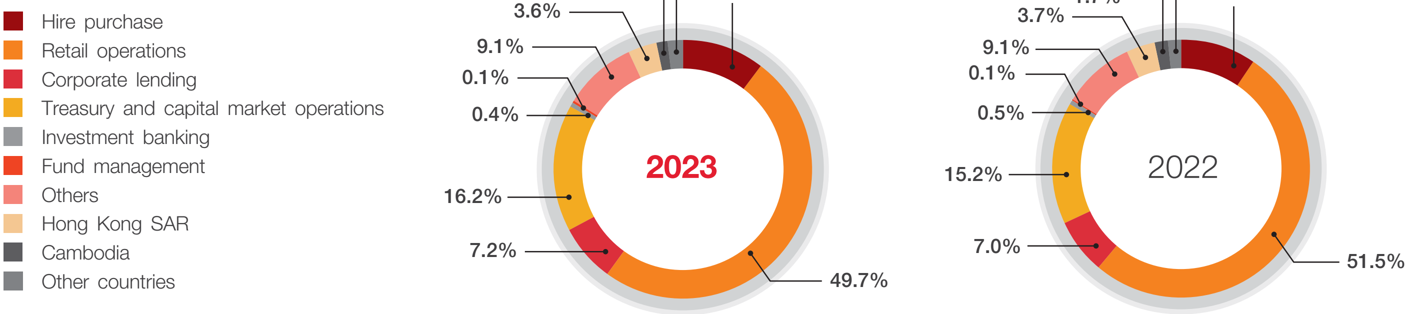
OPERATING REVENUE



PROFIT BEFORE TAX



TOTAL ASSETS



STATEMENT OF RESPONSIBILITY BY DIRECTORS

In respect of the preparation of the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Bank are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, requirements of the Companies Act 2016 in Malaysia, Bank Negara Malaysia's Guidelines and Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Bank are prepared with reasonable accuracy from the accounting records of the Group and of the Bank 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 as well as cash flows for the year then ended.

In preparing the annual audited financial statements, the Directors have:

a. applied the appropriate and relevant accounting policies on a consistent basis;

b. made judgements and estimates that are reasonable and prudent; and

c. prepared the audited financial statements on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and of the Bank, and to prevent and detect fraud as well as other irregularities.

CONTENTS

Financial Statements

Appendix

Pillar 3 Disclosure

DIRECTORS' REPORT

For the Financial Year ended 31 December 2023

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

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

The principal activities of the subsidiary and associated companies are as disclosed in Notes 15 and 16 to the financial statements respectively.

There have been no significant changes to these principal activities during the financial year.

FINANCIAL RESULTS

	GROUP RM'000	BANK RM'000
Profit before tax expense and zakat	8,538,788	6,863,281
Tax expense and zakat	(1,883,775)	(1,424,107)
Profit for the year	6,655,013	5,439,174
Attributable to:		
Equity holders of the Bank	6,649,314	5,439,174
Non-controlling interests	5,699	–
Profit for the year	6,655,013	5,439,174

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2022 were as follows:

	RM'000
In respect of financial year ended 31 December 2022:	
Third interim dividend of 5.0 sen based on 19,410,691,735 ordinary shares paid on 22 March 2023	970,535
In respect of financial year ended 31 December 2023:	
First interim dividend of 9.0 sen based on 19,410,691,735 ordinary shares paid on 22 September 2023	1,746,962
	2,717,497

Subsequent to the financial year end, on 28 February 2024 the Directors declared a second interim dividend of 10.0 sen, with the total amounting to approximately RM1,941,069,174 in respect of the current financial year. This is computed based on 19,410,691,735 ordinary shares in issue as at 31 December 2023, to be paid and distributed to shareholders whose names appear in the Record of Depositors at the close of business on 14 March 2024. The financial statements for the current financial year do not reflect these dividends. Upon declaration, this dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2024.

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

ISSUANCE OF SHARES AND DEBENTURES

There were no issuance of new shares by the Bank during the year.

During the year, the Group and the Bank made various issuances and redemptions of debt securities, as disclosed in Note 25 to the financial statements.

SHARE BUY-BACK

There were no share buy-backs, shares held as treasury shares nor resale of treasury shares by the Bank during the year.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those as disclosed in the statements of changes in equity and Notes 3, 7, 8, 9, 10, 11, 26, 29 and 30 to the financial statements.

DIRECTORS OF THE BANK

The Directors who served since the beginning of the financial year to the date of this report are:

Mr Lai Wan
Tan Sri Dato' Sri Dr. Tay Ah Lek
Ms Cheah Kim Ling
Mr Lee Chin Guan
Dato' Mohd Hanif bin Sher Mohamed
Ms Tham Chai Fhong
Mr Lim Chao Li
Ms Gladys Leong
Ms Teoh Meow Choo (appointed on 1 November 2023)

The names of the Directors of the Bank's subsidiary companies who served on the respective boards of the subsidiary companies since the beginning of the financial year to the date of this report are disclosed in the Appendix to the financial statements.

In accordance with Clause 105 of the Bank's Constitution, Ms Teoh Meow Choo retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

In accordance with Clause 107 of the Bank's Constitution, Dato' Mohd Hanif bin Sher Mohamed, Mr Lim Chao Li and Ms Gladys Leong retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares of the Bank and in shares of its subsidiary company during the financial year were as follows:

Shares Held in the Bank

	Number of Ordinary Shares			
	Balance at 1.1.2023	Acquired	Disposed	Balance at 31.12.2023
Direct interests:				
Tan Sri Dato' Sri Dr. Tay Ah Lek	27,944,225	–	–	**27,944,225**
Mr Lee Chin Guan	1,000,150	–	–	**1,000,150**
Ms Tham Chai Fhong	73,500	–	–	**73,500**
Mr Lim Chao Li	151,710	–	–	**151,710**
Ms Gladys Leong	20,000	–	–	**20,000**
Ms Teoh Meow Choo (appointed on 1 November 2023)	46,000	–	–	**46,000**
Deemed interests:				
Tan Sri Dato' Sri Dr. Tay Ah Lek	3,448,725	–	–	**3,448,725**
Mr Lai Wan	93,270	–	–	**93,270**
Ms Cheah Kim Ling	51,960	–	–	**51,960**

DIRECTORS' INTERESTS (CONTINUED)

Shares Held in a Subsidiary Company, Public Financial Holdings Limited

	Number of Ordinary Shares			
	Balance at 1.1.2023	**Acquired**	**Disposed**	**Balance at 31.12.2023**
Direct interests:				
Tan Sri Dato' Sri Dr. Tay Ah Lek	350,000	–	–	**350,000**

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary companies is a party with the object 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.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 43(a) to the financial statements.

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

	GROUP RM'000	**BANK RM'000**
Directors of the Bank:		
Directors' fees	**5,278**	**2,693**
Directors' salary, bonus and other emoluments	**55,393**	**53,825**
Directors of the subsidiary companies:		
Directors' fees	**3,734**	**–**
Directors' salary, bonus and other emoluments	**14,599**	**–**

Details of Directors' remuneration are set out in Note 37 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss and statements of financial position of the Group and of the Bank were made out, the Directors took reasonable steps:

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

  (ii) to ensure that current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business at 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.

OTHER STATUTORY INFORMATION (CONTINUED)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

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

(ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

(c) 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 and liabilities in the financial statements of the Group and of the Bank misleading or inappropriate.

(d) 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.

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

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

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

(f) In the opinion of the Directors:

(i) no contingent liability 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 will or may substantially affect the ability of the Group or of the Bank to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant events during the financial year are as disclosed in Note 54 to the financial statements.

Other than as dislosed in Note 55 to the financial statements, there were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.

INDEMNIFICATION OF DIRECTORS

The Bank maintained on a group basis, a Directors' and Officers' Liability Insurance up to an aggregate limit of RM435,000,000 (2022: RM435,000,000) against any legal liability incurred by the Directors and officers in the discharge of their duties while holding office for the Bank or for its subsidiary companies. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The amount of insurance premium paid for the Directors and officers for the current financial year was RM10,759,000 (2022: RM10,795,000).

BUSINESS REVIEW 2023

Global economic activities expanded in 2023, supported by global demand. This helped to cushion the impact weighed by heightened financial market volatility and geopolitical tension(s). The Malaysian economy was mainly supported by domestic demand, supportive Government policy as well as stable labour market condition.

The Malaysian banking system remained resilient underpinned by ample liquidity and healthy capital buffers.

BUSINESS REVIEW 2023 (CONTINUED)

In the areas of environmental, social and governance ("ESG"), the Public Bank Group's efforts encompass a wide array of initiatives. The Group and several property developers are collaborating on property financing of green and sustainable development projects in Malaysia. The Group also offers attractive financing packages for the purchase of energy efficient vehicles and solar panel, among others, which are supportive of a green and lower carbon emission environment.

Both loans and deposits grew at a healthy rate during the year. The Public Bank Group recorded loans growth of 5.9% supported by home mortgages, passenger vehicle hire purchase financing, commercial property financing and other consumer financing. The Group remained a market leader in lending for residential property, commercial property and hire purchase financing with market shares of 20.4%, 32.6% and 30.5% respectively.

The Public Bank Group's deposit-taking business grew by 4.6%, mainly supported by money market deposits, fixed deposits and demand deposits. In 2023, the Group's money market deposits, fixed deposits and demand deposits grew by 19.8%, 3.3% and 1.5% respectively, whilst savings deposits declined by 3.6%.

Net interest income remains the main contributor to the Public Bank Group's total income in 2023, accounting for 69.2% of the Group's total net income. However, the Group recorded a compression in net interest margin owing to persistent competitive pressures on deposit-taking and lending business. Intense competition for retail deposits coupled with competition for housing, vehicle financing products and small and medium enterprises ("SME") lending exerted pressure on pricing, resulting in continued interest margin squeeze.

The Public Bank Group's non-interest income grew by 2.6% in 2023, supported by foreign exchange, unit trust and stock-broking businesses. The Group's unit trust management business which is conducted by Public Mutual, a wholly-owned subsidiary of Public Bank, remained a market leader in the private unit trust business with total retail market share of 35.9% in Malaysia. The Group's bancassurance business through its strategic partnership with AIA Berhad continued to yield favourable results.

The Public Bank Group's capital and liquidity positions remained healthy. The Group's Common Equity Tier I, Tier I and total capital ratios stood at 14.7%, 14.7% and 17.6% respectively as at the end of 2023, which continued to be well above the minimum regulatory requirements. The Group's liquidity coverage ratio stood at 136.8% as at the end of 2023, higher than the minimum regulatory requirement of 100%.

The Public Bank Group continued to maintain stable asset quality and prudent loan loss reserves, backed by its strong risk management practices. The Group's gross impaired loans ratio remained low at 0.59% as at the end of 2023. The Group's loan loss coverage ratio stood at 181.8% as at the end of 2023, which was significantly above the banking industry's loan loss coverage ratio of 92.0%. With the inclusion of regulatory reserves, the Group's loan loss coverage ratio was higher at 212.8%.

The Public Bank Group's cost-to-income ratio stood at an efficient level of 33.7% as a result of its prudent cost management, which was well below the banking industry's average of 48.3%.

The Public Bank Group has a combined staff force of more than 19,000 employees and more than 2,000 units of self service terminals across its network of 293 branches in Malaysia. The Group's regional presence comprises a network of 73 branches in Hong Kong, 5 in China, 32 in Cambodia, 40 in Vietnam, 4 in Laos and 3 in Sri Lanka as at the end of 2023.

The Public Bank Group has implemented various initiatives to enhance its cybersecurity efforts to manage risks of cyber frauds and scams targeting at its customers. These include dedicated complaint channel and 24-hour case management operation for customers to report online scams and fraud related matters as well as the Group's participation in various efforts with industry players to combat financial scams. As at 31 December 2023, Public Bank had prevented more than 2.8 million transactions worth RM1.4 billion from being scammed.

The Public Bank Group improved its operational efficiency and resilience by strengthening further its information and communication technology infrastructure. These initiatives will also facilitate the Group's ability to ensure the availability of relevant products with greater accessibility through various digital channels. The Group continued to enhance features of its digital channels such as a revamped version of the previous online banking website and introduction of the new MyPB app, with easy navigation and faster response for retail customers.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2024

The global economy is expected to grow in 2024, with downside risks weighed by the anticipated downtrend in external trades, slower momentum in major economies, protracted geopolitical tension(s) and tight financial market conditions. China's economic activities are expected to grow albeit at a slower than expected pace, supported by both domestic and global demand. In the United States of America ("US"), consumer demand is expected to be adversely impacted as consumers have largely depleted excess savings accumulated during the pandemic. The euro area economy is also expected to face challenges amid global uncertainties.

The Malaysian economic growth is expected to be backed by firm fundamentals, stable labour market conditions and its diversified economic structure, coupled with the national pursuits of sustainability encompassing a wide spectrum of economic activities in the area of ESG. Steady domestic demand, services sector growth including tourism activities as well as further progress of investment and infrastructure projects will remain supportive of growth. Meanwhile, downside risks mainly stem from weaker-than-expected global growth and more volatile global financial market conditions. Domestic financial conditions remain conducive for financial intermediation supported by resilience in the Malaysian banking system, underpinned by ample liquidity and healthy capital buffers. Ongoing policy support will help cushion the impact of rising inflation and mitigate the downside risks stemming from prolonged geopolitical uncertainties and tight global financial conditions.

The Malaysian banking system is expected to remain supported by ample liquidity and healthy capital buffers. Credit quality is also expected to be resilient as banks remain proactive in monitoring its asset quality. Banks in Malaysia will continue to cater to the needs of customers while enhancing their operational and cost efficiency as well as overall productivity through various digital efforts.

BUSINESS OUTLOOK FOR 2024

The Malaysian business landscape is expected to remain supportive of economic activities in 2024. However, the extent of economic growth would remain highly dependent on the overall macro developments, both in the domestic and international fronts.

The Public Bank Group is fully committed in its role as a financial intermediary as well as contributing towards national development and economic growth. The Group continues to maintain prudence in its management of credit risk as well as preserve its sound corporate governance and risk management practices.

The Public Bank Group remains focused in pursuit of synergistic growth of its retail banking and financing business, particularly on domestic consumer banking and SME lending. In terms of lending, the Group continues to emphasise on home mortgages, hire purchase financing for passenger vehicles and retail commercial loans for SMEs. The Group's residential property financing segment will remain focused on home mortgages, particularly for first time home buyers. The Group will also expand its market base and cater to the needs of businesses through its multi-delivery channels, while it continues to provide lending to SMEs.

The Public Bank Group remains committed in embracing business sustainability and addressing climate change risk, which encompasses various ESG initiatives. The Group continues to promote the transition to a low carbon economy by supporting green financing and embedding environmental consideration into its business operations and strategies. The Group continues to support a green and lower carbon emission environment with its ongoing collaboration with several property developers on property financing of green and sustainable development projects coupled with its offering of attractive financing packages for the purchase of energy efficient vehicles and solar panel.

On digitalisation and technological innovation, the Public Bank Group continues to apply relevant roadmap and strategies for the development of digital initiatives. This includes ongoing upgrades and enhancement of information and communication technology infrastructure as well as exploration and adoption of new technologies to cater to the evolving customers' needs.

For long term sustainability, the Public Bank Group continues to enhance its service delivery standards and infrastructure by leveraging on technological advancement and innovation. The Group will continue to provide seamless banking services across its multi-delivery channels. The Group will also strive to deliver efficient customer service through its extensive network of physical and digital channels, while sustaining its position as a market leader in both the domestic retail and consumer segments.

For funding, there will be continued emphasis on growing savings and demand deposits as the Public Bank Group continues to attract new deposits and optimise its funding cost.

BUSINESS OUTLOOK FOR 2024 (CONTINUED)

Amid financial market volatility in anticipation of the interest rate direction by the US Federal Reserve, the Public Bank Group's treasury operations will remain vigilant in its business approach and will maintain a prudent risk profile, while further strengthening its risk management capabilities to weather ongoing market risks.

The Public Bank Group will continue to grow its non-interest income segment, supported by its private retail unit trust and bancassurance businesses which are expected to perform in tandem with market conditions.

The Public Bank Group remains committed to strengthen its regional presence in Indochina as it continues to leverage on its strong branding and prudent management practices.

The Public Bank Group continues to face intense competition in various lines of business, including competition for market share among new players such as digital banks and non-bank players (e.g. e-Wallet providers and FinTech companies).

The Public Bank Group is expected to sustain its profitability and will remain proactive in managing any potential stress in asset quality. The Group continues to ensure that it remains well-capitalised and well-funded to support its business while it safeguards the interests of its stakeholders. The Group's healthy capital and liquidity position coupled with its resilient asset quality and prudent loan loss reserves will enable the Group to generate sustainable profit through challenging times and business cycles.

AUDITORS

The retiring auditors, Messrs. Ernst & Young PLT, have indicated their willingness to accept re-appointment.

Auditors' remuneration is as follows:

	GROUP RM'000	BANK RM'000
Ernst & Young	6,335	2,678
Other auditors	345	24
	6,680	2,702

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

LAI WAN
Director

TAN SRI DATO' SRI DR. TAY AH LEK
Director

Kuala Lumpur
Date: 28 February 2024

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, LAI WAN and TAN SRI DATO' SRI DR. TAY AH LEK, being two of the Directors of PUBLIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 24 to 247 are properly 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 year then ended.

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

LAI WAN
Director

TAN SRI DATO' SRI DR. TAY AH LEK
Director

Kuala Lumpur
Date: 28 February 2024

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, YIK SOOK LING, being the officer primarily responsible for the financial management of PUBLIC BANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 24 to 247, 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.

Subscribed and solemnly declared by the
abovenamed YIK SOOK LING at KUALA LUMPUR
in WILAYAH PERSEKUTUAN on 28 February 2024

YIK SOOK LING
MIA No.: CA 11419

BEFORE ME:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

To the Members of Public Bank Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Public Bank Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 24 to 247.

In our opinion, the accompanying financial statements 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.

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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Bank. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Key audit matters (continued)

Risk area and rationale	Our response
Impairment of goodwill and investment in subsidiaries As at 31 December 2023, (i) the goodwill recognised in the financial statements of the Group and of the Bank are RM2,553 million and RM695 million respectively; and (ii) the carrying amount of investment in subsidiaries in the financial statements of the Bank stood at RM6,795 million. Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. The Group and the Bank are required to annually test the amount of goodwill for impairment. Similarly, we focused on impairment assessment of investment in subsidiaries as the impairment testing relies on VIU estimates based on estimated future cash flows. These involve management judgment and are based on assumptions that are affected by expected future market and economic conditions. *Refer to summary of material accounting policies in Note 2(iii)(l)(i) and Note 2(iii)(b)(i), significant accounting estimates and judgment in Note 2(iii)(a)(iv) and the disclosure of goodwill and investment in subsidiaries in Note 20 and Note 15 respectively to the financial statements.*	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment. We tested the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions. We also assessed the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data. We also assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts. We also reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about those key assumptions to which the outcome of the impairment test is most sensitive.
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss As at 31 December 2023, the loans, advances and financing represent 77% of the total assets of the Group and of the Bank respectively, and the investments carried at amortised cost and fair value through other comprehensive income represent 16% and 14% of the total assets of the Group and of the Bank respectively. MFRS 9 requires the Group and the Bank to account for impairment losses on loans, advances and financing, investments carried at amortised cost and fair value through other comprehensive income using forward-looking expected credit loss ("ECL") approach.	Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording and monitoring of the loans, advances and financing and the investments. We also assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group and the Bank in staging the credit exposures and calculating the ECL.

Key audit matters (continued)

Risk area and rationale	Our response
<u>Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss (continued)</u> The measurement of ECL requires the application of significant judgment and increased complexity which include the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models and management overlays (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios. *Refer to summary of material accounting policies in Note 2(iii)(h), significant accounting judgments, estimates and assumptions in Note 2(iii)(a)(ii) and Note 2(iii)(a)(iii), and disclosure of loans, advances and financing and investments in Notes 9, 7 and 8, disclosure of allowance for impairment on loans, advances and financing and investments in Note 38 and 39 and financial risk management disclosure relating to credit risk in Note 45 to the financial statements.*	For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group and the Bank for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's and the Bank's credit risk management practices. For the measurement of ECL, we assessed and tested reasonableness of the Group's and the Bank's ECL models, including model input, model design, model performance and management overlays for significant portfolios. We challenged whether historic experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis, probability-weighted multiple scenarios, and the use of management overlays which require substantial judgment. We evaluated if changes in modelling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed and tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions. With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired. In response to the latest uncertainties and emerging risks, we included borrowers/customers which are more vulnerable to the current economic environment in our risk-based sampling approach to perform loan and financing review procedures. For cases where impairment has been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available. We also assessed whether the financial statement disclosures appropriately reflect the Group's and the Bank's exposure to credit risk. We involved our credit modelling specialists and information technology specialists in the performance of these procedures where their specific expertise was required.

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 information included in the Directors' Report and the Integrated Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– 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.

– 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.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditors' responsibilities for the audit of the financial statements (continued)

– Conclude on the appropriateness of 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 and 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.

– 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.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members 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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Dato' Megat Iskandar Shah bin Mohamad Nor
No. 03083/07/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 February 2024

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

		GROUP		BANK	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
ASSETS					
Cash and balances with banks	3	**11,127,417**	21,766,900	**8,045,976**	16,045,318
Reverse repurchase agreements	4(a)	**851**	4,193	**851**	53,618
Financial assets at fair value through profit or loss	5	**2,637,648**	949,325	**723,630**	926,938
Derivative financial assets	6	**414,811**	446,564	**409,372**	439,742
Financial investments at fair value through other comprehensive income	7	**54,138,308**	54,867,289	**34,333,301**	37,154,286
Financial investments at amortised cost	8	**29,955,413**	25,570,231	**21,342,381**	15,561,016
Loans, advances and financing	9	**394,749,979**	372,583,116	**296,192,586**	282,577,665
Other assets	10	**3,501,689**	3,749,865	**3,088,328**	3,500,877
Statutory deposits with Central Banks	12	**7,526,753**	6,882,404	**5,169,488**	4,395,985
Deferred tax assets	13	**567,305**	630,201	**356,565**	392,775
Collective investments	14	**–**	–	**6,457,102**	6,245,825
Investment in subsidiary companies	15	**–**	–	**6,794,603**	6,794,166
Investment in associated companies	16	**141,743**	120,164	**67,500**	67,500
Investment properties	17	**744,960**	669,570	**–**	–
Right-of-use assets	18(i)(a)	**1,243,436**	1,287,639	**1,011,091**	1,051,072
Property and equipment	19	**1,258,084**	1,196,283	**591,335**	562,076
Intangible assets	20	**2,589,600**	2,539,021	**695,393**	695,393
TOTAL ASSETS		**510,597,997**	493,262,765	**385,279,502**	376,464,252
LIABILITIES					
Deposits from customers	21	**412,896,967**	394,718,757	**305,059,591**	293,505,435
Deposits from banks and other financial institutions	22	**12,602,429**	13,774,842	**13,814,884**	14,511,266
Obligations on securities sold under repurchase agreements	4(b)	**3,017,789**	6,776,410	**2,920,263**	6,630,718
Bills and acceptances payable	23	**192,169**	314,168	**189,783**	311,068
Recourse obligations on loans and financing sold to Cagamas	24	**5,100,015**	5,100,015	**4,000,015**	4,000,015
Derivative financial liabilities	6	**354,450**	496,045	**375,941**	535,790
Debt securities issued and other borrowed funds	25	**11,144,016**	12,023,484	**8,498,499**	9,403,356
Lease liabilities	18(i)(b)	**904,324**	912,967	**1,065,478**	1,090,367
Other liabilities	26	**7,426,548**	6,608,224	**5,365,686**	5,019,205
Provision for tax expense and zakat	27	**484,975**	928,858	**408,522**	729,118
Deferred tax liabilities	13	**94,197**	83,187	**–**	–
TOTAL LIABILITIES		**454,217,879**	441,736,957	**341,698,662**	335,736,338

	Note	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
EQUITY					
Share capital	28	**9,417,653**	9,417,653	**9,417,653**	9,417,653
Regulatory reserves	29	**723,829**	314,153	**682,723**	257,054
Other reserves	30	**2,085,743**	1,188,430	**401,415**	269,926
Retained profits		**42,447,124**	39,258,985	**33,079,049**	30,783,281
Equity attributable to equity holders of the Bank		**54,674,349**	50,179,221	**43,580,840**	40,727,914
Non-controlling interests		**1,705,769**	1,346,587	**–**	–
TOTAL EQUITY		**56,380,118**	51,525,808	**43,580,840**	40,727,914
TOTAL LIABILITIES AND EQUITY		**510,597,997**	493,262,765	**385,279,502**	376,464,252
COMMITMENTS AND CONTINGENCIES	49	**121,325,677**	104,721,984	**109,110,256**	93,564,059
Net assets per share attributable to equity holders of the Bank (RM)		**2.82**	2.59	**2.25**	2.10

The accompanying notes form an integral part of the financial statements

STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Operating revenue	2(iii)(r)	**25,415,010**	21,426,926	**17,571,810**	14,650,574
Interest income	31	**18,040,197**	14,931,856	**15,788,565**	13,153,830
Interest expense	32	**(8,984,905)**	(5,764,972)	**(8,254,322)**	(5,375,012)
Net interest income		**9,055,292**	9,166,884	**7,534,243**	7,778,818
Net income from Islamic banking business	56	**1,561,548**	1,857,189	**–**	–
		10,616,840	11,024,073	**7,534,243**	7,778,818
Fee and commission income	33(a)	**2,969,784**	2,867,894	**1,281,550**	1,174,362
Fee and commission expense	33(b)	**(1,019,937)**	(953,393)	**(567,991)**	(476,884)
Net fee and commission income	33	**1,949,847**	1,914,501	**713,559**	697,478
Net gains and losses on financial instruments	34	**48,967**	70,876	**44,558**	70,470
Other operating income	35	**476,933**	428,792	**1,150,492**	1,065,024
Net income		**13,092,587**	13,438,242	**9,442,852**	9,611,790
Other operating expenses	36	**(4,414,788)**	(4,235,384)	**(2,701,527)**	(2,638,912)
Operating profit before impairment losses		**8,677,799**	9,202,858	**6,741,325**	6,972,878
(Allowance)/Writeback of allowance for impairment on loans, advances and financing	38	**(156,689)**	(365,556)	**119,639**	(136,653)
(Allowance)/Writeback of allowance for impairment on other assets	39	**(1,278)**	(13,199)	**2,317**	(10,951)
		8,519,832	8,824,103	**6,863,281**	6,825,274
Share of profit after tax of equity accounted associated companies		**18,956**	6,947	**–**	–
Profit before tax expense and zakat		**8,538,788**	8,831,050	**6,863,281**	6,825,274
Tax expense and zakat	40	**(1,883,775)**	(2,661,423)	**(1,424,107)**	(1,976,205)
Profit for the year		**6,655,013**	6,169,627	**5,439,174**	4,849,069
Attributable to:					
Equity holders of the Bank		**6,649,314**	6,119,499	**5,439,174**	4,849,069
Non-controlling interests		**5,699**	50,128	**–**	–
Profit for the year		**6,655,013**	6,169,627	**5,439,174**	4,849,069
Earnings per share:					
– basic/diluted (sen)	41	**34.26**	31.53		

The accompanying notes form an integral part of the financial statements

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Profit for the year		**6,655,013**	6,169,627	**5,439,174**	4,849,069
Other comprehensive (loss)/income:					
Items that will not be reclassified subsequently to profit or loss:					
(Loss)/Gain on remeasurements of defined benefit plan	11, 30	**(158,298)**	75,501	**(154,388)**	73,580
Net change in revaluation of					
– Equity instruments		**5,731**	18,408	**5,918**	18,388
– Property and equipment	17, 30	**43,816**	15,046	**–**	–
		(108,751)	108,955	**(148,470)**	91,968
Items that may be reclassified subsequently to profit or loss:					
Translation differences in respect of					
– Foreign operations		**367,085**	287,741	**(15,044)**	(165,828)
– Net investment hedge	6, 30	**(153,009)**	(235,887)	**–**	–
Net change in revaluation of financial investments at fair value through other comprehensive income		**681,486**	(664,372)	**403,181**	(435,437)
Net change in cash flow hedges	30	**(73,356)**	222,872	**(54,030)**	114,392
		822,206	(389,646)	**334,107**	(486,873)
Income tax effect	13, 30	**(90,837)**	64,178	**(54,388)**	59,392
Share of changes in associated companies' reserves	30	**2,623**	(2,227)	**–**	–
Other comprehensive income/(loss) for the year, net of tax		**625,241**	(218,740)	**131,249**	(335,513)
Total comprehensive income for the year		**7,280,254**	5,950,887	**5,570,423**	4,513,556
Total comprehensive income for the year attributable to:					
– Equity holders of the Bank		**7,212,625**	5,840,465	**5,570,423**	4,513,556
– Non-controlling interests		**67,629**	110,422	**–**	–
		7,280,254	5,950,887	**5,570,423**	4,513,556

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

2023 GROUP	Note	Share Capital RM'000	Regulatory Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
		Attributable to Equity Holders of the Bank						
		Non-distributable			Distributable			
At 1 January 2023		9,417,653	314,153	1,188,430	39,258,985	50,179,221	1,346,587	51,525,808
Profit for the year		–	–	–	6,649,314	6,649,314	5,699	6,655,013
Other comprehensive income for the year		–	–	563,311	–	563,311	61,930	625,241
Total comprehensive income for the year		–	–	563,311	6,649,314	7,212,625	67,629	7,280,254
Transactions with owners/other equity movements:								
Net increase during the year		–	–	–	–	–	298,425	298,425
Transfer to statutory reserves		–	–	12,702	(12,702)	–	–	–
Transfer to regulatory reserves		–	409,676	–	(409,676)	–	–	–
Transfer to general reserves		–	–	321,300	(321,300)	–	–	–
Dividends paid	42	–	–	–	(2,717,497)	(2,717,497)	(6,872)	(2,724,369)
		–	409,676	334,002	(3,461,175)	(2,717,497)	291,553	(2,425,944)
At 31 December 2023		9,417,653	723,829	2,085,743	42,447,124	54,674,349	1,705,769	56,380,118
		Note 28	Note 29	Note 30				

The accompanying notes form an integral part of the financial statements

2022 GROUP	Note	Share Capital RM'000	Regulatory Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
		Attributable to Equity Holders of the Bank						
		Non-distributable			Distributable			
At 1 January 2022		9,417,653	248,231	1,435,886	37,060,892	48,162,662	1,262,745	49,425,407
Profit for the year		–	–	–	6,119,499	6,119,499	50,128	6,169,627
Other comprehensive (loss)/income for the year		–	–	(279,034)	–	(279,034)	60,294	(218,740)
Total comprehensive (loss)/income for the year		–	–	(279,034)	6,119,499	5,840,465	110,422	5,950,887
Transactions with owners/other equity movements:								
Transfer to statutory reserves		–	–	13,345	(13,345)	–	–	–
Transfer to regulatory reserves		–	65,922	–	(65,922)	–	–	–
Transfer to general reserves		–	–	18,405	(18,405)	–	–	–
Transfer from Profit Equalisation Reserves of Islamic banking institution		–	–	(172)	172	–	–	–
Dividends paid	42	–	–	–	(3,823,906)	(3,823,906)	(26,580)	(3,850,486)
		–	65,922	31,578	(3,921,406)	(3,823,906)	(26,580)	(3,850,486)
At 31 December 2022		9,417,653	314,153	1,188,430	39,258,985	50,179,221	1,346,587	51,525,808
		Note 28	Note 29	Note 30				

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

2023 BANK	Note	Attributable to Equity Holders of the Bank: Non-distributable: Share Capital RM'000	Non-distributable: Regulatory Reserves RM'000	Non-distributable: Other Reserves RM'000	Distributable: Retained Profits RM'000	Total Equity RM'000
At 1 January 2023		**9,417,653**	**257,054**	**269,926**	**30,783,281**	**40,727,914**
Profit for the year		**–**	**–**	**–**	**5,439,174**	**5,439,174**
Other comprehensive income for the year		**–**	**–**	**131,249**	**–**	**131,249**
Total comprehensive income for the year		**–**	**–**	**131,249**	**5,439,174**	**5,570,423**
Transactions with owners/other equity movements:						
Transfer to statutory reserves		**–**	**–**	**240**	**(240)**	**–**
Transfer to regulatory reserves		**–**	**425,669**	**–**	**(425,669)**	**–**
Dividends paid	42	**–**	**–**	**–**	**(2,717,497)**	**(2,717,497)**
		–	**425,669**	**240**	**(3,143,406)**	**(2,717,497)**
At 31 December 2023		**9,417,653**	**682,723**	**401,415**	**33,079,049**	**43,580,840**
		Note 28	Note 29	Note 30		

2022 BANK	Note	Attributable to Equity Holders of the Bank: Non-distributable: Share Capital RM'000	Non-distributable: Regulatory Reserves RM'000	Non-distributable: Other Reserves RM'000	Distributable: Retained Profits RM'000	Total Equity RM'000
At 1 January 2022		9,417,653	211,063	605,282	29,804,266	40,038,264
Profit for the year		–	–	–	4,849,069	4,849,069
Other comprehensive loss for the year		–	–	(335,513)	–	(335,513)
Total comprehensive (loss)/ income for the year		–	–	(335,513)	4,849,069	4,513,556
Transactions with owners/other equity movements:						
Transfer to statutory reserves		–	–	157	(157)	–
Transfer to regulatory reserves		–	45,991	–	(45,991)	–
Dividends paid	42	–	–	–	(3,823,906)	(3,823,906)
		–	45,991	157	(3,870,054)	(3,823,906)
At 31 December 2022		9,417,653	257,054	269,926	30,783,281	40,727,914
		Note 28	Note 29	Note 30		

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS

For the 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 tax expense and zakat		**8,538,788**	8,831,050	**6,863,281**	6,825,274
Adjustments for:					
Share of profit after tax of equity accounted associated companies		**(18,956)**	(6,947)	**–**	–
Depreciation of right-of-use assets	18(i)(a), 36	**110,134**	107,983	**80,404**	81,135
Depreciation of property and equipment	19, 36	**253,282**	263,600	**180,173**	190,323
Amortisation of core deposits intangible	20, 36	**4,638**	4,639	**–**	–
Net gain on disposal of property and equipment	35	**(1,520)**	(3,027)	**(1,353)**	(235)
Net gain on disposal of foreclosed properties	35	**(3,322)**	(1,205)	**(3,322)**	(1,205)
Allowance/(Writeback of allowance) for impairment on loans, advances and financing	38	**355,677**	596,812	**(6,144)**	272,206
Net gain arising from disposal of financial investments at fair value through other comprehensive income	30, 34	**(66,227)**	(49,032)	**(63,053)**	(47,409)
Net loss/(gain) arising from disposal of financial investments at amortised cost	34	**54**	(1,456)	**54**	(1,456)
Amortisation of cost and accretion of discount relating to debt securities issued and other borrowed funds	25	**3,110**	3,817	**2,131**	2,578
Unrealised loss/(gain) on revaluation of financial assets at fair value through profit or loss	34	**28,571**	(26,953)	**26,909**	(25,484)
Unrealised (gain)/loss on revaluation of trading derivatives	34	**(2)**	3	**(2)**	3
(Gain)/Loss representing ineffective portions of hedging derivatives	34	**(1,933)**	2,710	**29**	(542)
Dividends from financial investments at fair value through other comprehensive income	34	**(3,138)**	(1,635)	**(2,497)**	(1,207)
Distributions from collective investments	35	**–**	–	**(215,450)**	(164,738)
Dividends from subsidiary companies	35	**–**	–	**(697,581)**	(771,044)
Gain on remeasurement of lease contracts		**(3,112)**	(1,538)	**(3,428)**	(1,226)
Property and equipment written off	19, 36	**343**	431	**97**	397
Loss/(Gain) on revaluation of investment properties	17, 35	**8,646**	(5,110)	**–**	–
Allowance/(Writeback of allowance) for impairment on other assets	39	**1,278**	13,199	**(2,317)**	10,951
Operating profit before working capital changes		**9,206,311**	9,727,341	**6,157,931**	6,368,321

STATEMENTS OF CASH FLOWS

For the 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 (continued)					
Decrease/(Increase) in operating assets:					
Placements with banks with original maturity more than three months		**1,402,482**	510,771	**740,095**	1,513,861
Reverse repurchase agreements		**3,342**	(4,193)	**52,767**	(53,618)
Financial assets at fair value through profit or loss		**(1,716,894)**	93,632	**176,399**	93,632
Loans, advances and financing		**(22,592,185)**	(19,173,401)	**(13,668,559)**	(10,871,425)
Other assets		**113,409**	(580,763)	**238,920**	(455,223)
Statutory deposits with Central Banks		**(644,349)**	(5,660,239)	**(773,503)**	(4,034,449)
Increase/(Decrease) in operating liabilities:					
Deposits from customers		**18,178,210**	14,324,543	**11,554,156**	4,993,843
Deposits from banks and other financial institutions		**(1,172,413)**	5,651,073	**(696,382)**	4,706,315
Obligations on securities sold under repurchase agreements		**(3,758,621)**	5,774,579	**(3,710,455)**	5,628,887
Bills and acceptances payable		**(121,999)**	92,114	**(121,285)**	89,298
Recourse obligations on loans and financing sold to Cagamas		**–**	(499,989)	**–**	(499,989)
Other liabilities		**612,007**	1,321,795	**250,612**	1,414,185
Cash (used in)/generated from operations		**(490,700)**	11,577,263	**200,696**	8,893,638
Income tax expense and zakat paid		**(2,345,300)**	(2,413,921)	**(1,762,881)**	(1,758,494)
Net cash (used in)/generated from operating activities		**(2,836,000)**	9,163,342	**(1,562,185)**	7,135,144
Cash flows from investing activities					
Purchase of property and equipment	19	**(308,490)**	(146,182)	**(210,095)**	(92,533)
Addition to investment properties	17	**(350)**	(43,361)	**–**	–
Purchase of leasehold land	18(i)(a)	**–**	(40,032)	**–**	–
Proceeds from disposal of property and equipment		**1,758**	3,904	**1,542**	763
Proceeds from disposal of foreclosed properties		**52,442**	29,309	**48,730**	25,702
Net (purchase)/sale of financial investments		**(2,889,644)**	(1,679,294)	**(2,488,445)**	5,913
Additional investment in a subsidiary company		**–**	–	**(437)**	(300,000)
Investment in collective investments by non-controlling interests		**298,425**	–	**–**	–
Investment in collective investments by the Bank		**–**	–	**(211,277)**	(158,971)
Distributions received from collective investments		**–**	–	**211,277**	158,971
Dividends received from subsidiary companies		**–**	–	**740,573**	818,562
Dividends received from financial investments at fair value through other comprehensive income	34	**3,138**	1,635	**2,497**	1,207
Net cash (used in)/generated from investing activities		**(2,842,721)**	(1,874,021)	**(1,905,635)**	459,614

	Note	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Cash flows from financing activities					
Dividends paid to equity holders of the Bank		**(2,717,497)**	(3,823,906)	**(2,717,497)**	(3,823,906)
Dividends paid to non-controlling interests		**(6,872)**	(26,580)	**–**	–
Repayment of lease liabilities	18(i)(d)	**(87,443)**	(88,156)	**(62,775)**	(63,627)
Repayment of term loan facilities	25	**–**	(3,089,670)	**–**	(2,467,895)
Net proceeds from term loan facilities	25	**–**	3,078,333	**–**	2,459,237
Net proceeds from issuance of debt securities	25	**998,845**	3,498,940	**998,845**	1,998,940
Redemption of debt securities	25	**(2,010,000)**	(2,500,000)	**(2,010,000)**	(2,000,000)
Net cash used in financing activities		**(3,822,967)**	(2,951,039)	**(3,791,427)**	(3,897,251)
Net (decrease)/increase in cash and cash equivalents		**(9,501,688)**	4,338,282	**(7,259,247)**	3,697,507
Cash and cash equivalents at beginning of year		**18,795,171**	14,048,205	**15,075,723**	11,378,216
Exchange differences on translation of opening balances		**264,665**	408,684	**–**	–
Cash and cash equivalents at end of year		**9,558,148**	18,795,171	**7,816,476**	15,075,723
Note:					
Cash and balances with banks	3	**11,127,417**	21,766,900	**8,045,976**	16,045,318
Less: Balances with banks with original maturity more than three months		**(1,569,269)**	(2,971,729)	**(229,500)**	(969,595)
Cash and cash equivalents at end of year		**9,558,148**	18,795,171	**7,816,476**	15,075,723
Non-cash changes:					
– Non-cash investing activities	18(i)(a)	**57,353**	48,539	**32,593**	24,412
– Effects of rent concessions received during the year	18(i)(c)	**–**	24	**–**	–

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2023

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Group is principally engaged in all aspects of commercial banking, investment banking, financing and Islamic banking business, stock-broking, provision of related financial services, management of unit trust funds and sale of trust units, underwriting of general insurance, trustee services and investment holding.

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

There have been no significant changes to these principal activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 27th Floor, Menara Public Bank, 146, Jalan Ampang, 50450 Kuala Lumpur.

The financial statements were approved and authorised for issue by the Board of Directors on 28 February 2024.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following:

(i) Malaysian Financial Reporting Standards ("MFRS") and Amendments to MFRSs that were Adopted or Early Adopted by the Group and the Bank

The Group and the Bank have adopted the following in the current financial year:

<u>Effective for annual periods commencing on or after 1 January 2023</u>

– MFRS 17 Insurance Contracts
– Amendments to MFRS 17 Insurance Contracts
– Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)
– Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)
– Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)
– Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendment to MFRS 17 Insurance Contracts)
– International Tax Reform – Pillar Two Model Rules (Amendments to MFRS 112 Income Taxes)

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

– Non-current Liabilities with Covenants (Amendments to MFRS 101 Presentation of Financial Statements)
– Supplier Finance Arrangements (Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures)

Other than as disclosed below, the adoption of the above MFRS and amendments to MFRSs did not have any impact on the financial statements of the Group and of the Bank.

MFRS 17 Insurance Contracts – MFRS 17 introduces consistent accounting for all insurance contracts based on a current measurement model. Under MFRS 17, the general model requires entities to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. The adoption of MFRS 17 did not have any material financial impact on the financial statements of the Group as the general insurance subsidiary company's business and operations are not material to the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following (continued):

(i) MFRS and Amendments to MFRSs that were Adopted or Early Adopted by the Group and the Bank (continued)

Amendments to MFRS 17 Insurance Contracts – The amendments are designed to minimise the risk of disruption to implementation already underway and do not change the fundamental principles of the standard or reduce the usefulness of information for investors. In addition, the amendments also defer the effective date of MFRS 17 by two years to annual reporting periods beginning on or after 1 January 2023. The adoption of these amendments did not have any material financial impact on the financial statements of the Group as the general insurance subsidiary company's business and operations are not material to the Group.

Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts) – The amendments extend the expiry date for the temporary exemption from applying MFRS 9 Financial Instruments by two years to annual periods beginning on or after 1 January 2023, to be aligned with the effective date of MFRS 17, which replaces MFRS 4. The adoption of these amendments did not have any material financial impact on the financial statements of the Group as the general insurance subsidiary company's business and operations are not material to the Group.

Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements) – The amendments require entities to disclose their material accounting policy information rather than significant accounting policies and include examples of what is considered to be material to their financial statements. To support the amendments, MFRS Practice Statement 2 Making Materiality Judgments was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosure. The adoption of these amendments only affected disclosures and did not have any financial impact to the Group and the Bank.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes) – The amendments clarify how companies should account for deferred tax on transactions such as leases and decommissioning obligation. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal and offsetting temporary differences. The adoption of these amendments affected the Group's and the Bank's classification of deferred tax in relation to right-of-use assets and the corresponding lease liabilities which were previously recognised on a net basis, as disclosed in Note 13, but did not have any financial impact on the Group and the Bank.

International Tax Reform – Pillar Two Model Rules (Amendments to MFRS 112 Income Taxes) – The amendments give entities temporary relief from recognising and disclosing accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform; and introduces targeted disclosure requirements to help investors better understand an entity's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect. The adoption of these amendments only affected disclosures and did not have any financial impact to the Group and the Bank, as disclose in Note 40.

(ii) Amendments to MFRSs that have been Issued but are Not Yet Effective to the Group and the Bank

The following Amendments to MFRSs have been issued by Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Group and the Bank:

Effective for annual periods commencing on or after 1 January 2025

– Lack of Exchangeability (Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates)

Effective date of these Amendments to Standards has been deferred, pending further announcement

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(ii) Amendments to MFRSs that have been Issued but are Not Yet Effective to the Group and the Bank (continued)

The following Amendments to MFRSs have been issued by Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Group and the Bank (continued):

Lack of Exchangeability (Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates) – The amendments provide guidance on the spot exchange rate to use when a currency is not exchangeable into another currency and the disclosures entities need to provide to enable users of financial statements to understand the impact of a currency not being exchangeable. The adoption of these amendments to MFRSs is not expected to have any financial impact on the financial statements of the Group and of the Bank.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – The amendments clarify that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), as defined in MFRS 3 Business Combinations. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments to MFRSs is not expected to have any financial impact on the financial statements of the Group and of the Bank.

(iii) Material Accounting Policies

(a) Basis of Accounting

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The financial statements of the Group and of the Bank have been prepared on a historical cost basis unless otherwise indicated in the notes to the financial statements.

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

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

In the preparation of the financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(i) *Fair value estimation of financial instruments (Note 46)* – For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgment is required where market observable data are not available. Such judgment normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest/profit rate yield curves, exchange rates, volatilities and prepayment and default rates.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(a) Basis of Accounting (continued)

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following (continued):

(ii) *Impairment losses on loans, advances and financing (Note 9 and 38)* – The measurement of impairment losses on loans, advances and financing requires judgment. In particular, the estimation of the amount and timing of future cash flows, the assessment of a significant increase in credit risk and incorporation of forward-looking information in the measurement of impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of impairment losses.

The impairment losses computed based on the expected credit losses ("ECL") models are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgments are also required in applying the accounting requirements for measuring impairment losses, such as determining criteria for significant increase in credit risk, choosing appropriate models and assumptions for the measurement of impairment losses, establishing the segmentation of loans for purposes of measuring impairment losses on a collective basis, determining the number of economic inputs (e.g. gross domestic product growth rates, consumer price index, housing price index, etc.) as well as the effects on default rates and recovery rates, and selecting forward-looking macroeconomic scenarios and determining its probability-weightings.

The following are the values of the key domestic macroeconomic variables and latest available statistics/projections, as published by the government and related agencies which have been considered by the Group and the Bank in the forward-looking models:

	2023
Gross domestic product %	**4.0 – 4.5**
Consumer price index %	**3.3**
Housing price index	**217.0***
Unemployment rate %	**3.3 – 3.8**

* Latest available statistics.

For credit-impaired loans, advances and financing ("loan(s)") which are individually assessed, judgment by management is required in the estimation of the amount and timing of future cash flows in the determination of impairment losses. In estimating these cash flows, judgments are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ, hence resulting in changes to impairment losses recognised.

(iii) *Management overlay for ECL of loans/financing (Note 38)* – The Group and the Bank have exercised judgment in the provision of management overlay for ECL of loans/financing which is estimated and adapted based on information on-hand. Management overlay is made in circumstances where the Group and the Bank believe that existing inputs, assumptions and modelling process have not captured existing or expected risk factors relevant to the loan/financing portfolio. Examples of such circumstances include emerging risks in the local or global macroeconomic, microeconomic or political events, and natural disasters that have not been considered in the modelling process.

The Group and the Bank have made management overlay for potential deterioration in credit risks of its large corporate, retail and small and medium enterprises ("SME") portfolios. The factors associated with potential deterioration in credit risks include economic uncertainty due to geopolitical tensions, rising inflation, rapidly increasing interest rates, alongside other factors, which may have potential ramifications to the economy. Additionally, the deterioration in credit profile has yet to be fully reflected in modelling data due to the masking effects of observed defaults owing to various relief assistances to support businesses and individuals, hence management overlay is provided.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(a) Basis of Accounting (continued)

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following (continued):

(iv) *Impairment of goodwill and intangible assets (Note 20)* – The Group and the Bank perform an annual assessment of the carrying value of its goodwill and intangible assets against the recoverable amount of the cash-generating units ("CGU") to which the goodwill and intangible assets have been allocated. The measurement of the recoverable amount of CGUs are determined based on the value-in-use method, incorporating the present value of estimated future cash flows expected to arise from the respective CGU's ongoing operations. Management judgment is used in the determination of the assumptions made, particularly the cash flow projections, discount rates and the growth rates used. The estimation of pre-tax cash flows is sensitive to the periods for which the forecasts are available and to assumptions regarding the long-term sustainable cash flows, and reflect management's view of future performance.

(v) *Valuation of investment properties (Note 17)* – The measurement of the fair values for investment properties performed by management are determined with reference to quotations of market value provided by independent professional valuers.

(vi) *Income taxes (Note 40)* – The Group and the Bank are subject to income taxes in many jurisdictions. Significant management judgment is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether taxes will be payable. The estimation process may involve seeking the advice of experts, where appropriate. Where the final liability for taxation assessed by the tax authority is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

(vii) *Deferred tax assets (Note 13)* – Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

(viii) *Defined Benefit Plan (Note 11)* – The defined benefit obligation is determined based on an actuarial valuation. The actuarial valuation involves making assumptions regarding the discount rate, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statement of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainties due to other assumptions made regarding fund membership levels and future salary increases.

(ix) *Leases (Note 18)* – The measurement of leases requires management to make certain judgments and estimations. Critical judgments required include establishing whether or not it is reasonably certain that an extension option will be exercised or termination option will not be exercised and calculating the appropriate discount rate to use.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Bank, its subsidiary companies and its controlled entities made up to the end of the financial year.

(i) Subsidiary Companies

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from the involvement with the investee; and
- has the ability to affect those returns through its power over investee.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(i) Subsidiary Companies (continued)

When the Group has less than a majority of the voting rights but has rights that are sufficient to give it the practical ability to direct the relevant activities unilaterally, the Group considers all facts and circumstances in assessing whether or not the voting rights give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
– potential voting rights held by the Group, other vote holders or other parties;
– rights arising from other contractual arrangements; and
– any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary companies are consolidated from the date on which the Group controls, and ceases from the date that control ceases. The financial results of the subsidiary companies are included in the consolidated financial statements from the date that control is obtained until the date that the Group loses control.

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for the acquisition of a subsidiary company is measured at the fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition-related costs are expensed off in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at fair value as at acquisition date.

Goodwill is measured as the excess of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest in the subsidiary company over the fair value of the Group's share of the identifiable net assets acquired. The accounting policy on goodwill is set out in Note 2(iii)(l)(i). In the event that the fair value of the Group's share of the identifiable net assets acquired exceeds the amount of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest (i.e. a bargain purchase), the entire resulting gain is recognised in profit or loss of the Group. Non-controlling interests represent the portion of profit or loss and net assets of subsidiary companies not attributable, directly or indirectly, to the Group. Non-controlling interests are presented separately in the consolidated statement of profit or loss and consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity holders of the Bank. For each business combination, the Group will elect to measure the amount of non-controlling interests either at fair value or at the non-controlling interest's proportionate share of the subsidiary company's identifiable net assets.

In a business combination achieved in stages, the previously-held equity interest is remeasured at the acquisition-date fair value with the resulting gain or loss recognised in profit or loss. Changes in the Group's ownership interest in a subsidiary company which does not result in a loss of control are treated as transactions between equity holders and are reported in equity.

In preparing the consolidated financial statements, intragroup transactions and balances and intragroup gains on transactions between companies are eliminated in full. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the relevant asset. Consistent accounting policies are applied by the subsidiary companies for transactions and events in similar circumstances. The non-controlling interests' portion of total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(i) Subsidiary Companies (continued)

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statement of profit or loss.

In the Bank's separate financial statements, investment in subsidiary companies is stated at cost less impairment losses, if any. On disposal of such investment, the difference between the net disposal proceeds and the net carrying value of the investment is recognised in profit or loss.

(ii) Collective Investments

Collective investments are those investments in unit trust funds which the Group is deemed to have control, and hence consolidates the financial results of the funds. The basis of consolidating the collective investments is similar to that used in the consolidation of the subsidiary companies.

In the Bank's separate financial statements, collective investments are stated at cost less impairment losses, if any. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investment is recognised in profit or loss.

(iii) Associated Companies

Associated companies are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control or joint control of those policies.

Investment in associated companies is accounted for in the consolidated financial statements using the equity method. The Group's investment in associated companies is initially recognised in the consolidated statement of financial position at cost. This initial carrying amount is increased or decreased to recognise the Group's share of post-acquisition net results and other changes to comprehensive income of the associated company less impairment loss, if any, determined on an individual basis. The Group's share of results of the associated company is recognised in profit or loss from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company. Consistent accounting policies are applied for transactions and events in similar circumstances.

Goodwill, if any, relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the fair value of the associated company's net identifiable assets and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the results of the associated company in the period in which the investment is acquired.

The gain or loss on disposal of an associated company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the associated company being disposed. All gains or losses on disposal of associated companies are recognised in profit or loss.

In the Bank's separate financial statements, the investment in associated companies is stated at cost less impairment losses, if any, determined on an individual basis. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(c) Foreign Currency

(i) Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates, i.e. the functional currency. The financial statements of the Group and of the Bank are presented in RM, which is also the Bank's functional currency.

(ii) Foreign Currency Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than each entity's functional currency, i.e. foreign currencies, are translated into the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rates ruling at the reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at reporting date are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at exchange rates at the date when the fair value is determined. Any exchange component of a gain or loss on a non-monetary item is recognised directly in other comprehensive income if the gain or loss on the fair value of the non-monetary item is recognised directly in other comprehensive income. Any exchange component of a gain or loss on a non-monetary item is recognised directly in profit or loss if the gain or loss on the fair value of the non-monetary item is recognised in profit or loss.

(iii) Net Investment in Foreign Operations

In the Bank's separate financial statements, exchange differences arising from monetary items that form part of the Bank's net investment in foreign operations and that are denominated in the functional currency of the Bank or the foreign operations are recognised in profit or loss. In the consolidated financial statements, such exchange differences are recognised initially in other comprehensive income and will be reclassified to profit or loss only upon disposal of the net investment.

(iv) Consolidation of Financial Statements of Foreign Operations

The results and financial position of the Group's foreign operations and its subsidiary companies incorporated in the Federal Territory of Labuan, whose functional currencies are not the presentation currency or the currency of a hyperinflationary economy, are translated into the presentation currency at average exchange rates for the year and at the closing exchange rates as at reporting date respectively. All resulting exchange differences are recognised in other comprehensive income as a foreign currency translation reserve and are subsequently reclassified to profit or loss upon disposal of the foreign operation. Exchange differences arising from foreign currency borrowings and foreign currency forwards designated as hedges of a net investment in a foreign operation are recognised in the foreign currency translation reserve via other comprehensive income until the disposal of the net investment, at which time the accumulated translation differences are taken to profit or loss.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short-term deposits with original maturity of less than three (3) months but excluding monies held-in-trust.

(e) Financial Assets and Liabilities

(i) Initial Recognition

Financial assets and financial liabilities are recognised when the Group and the Bank become a party to the contractual provisions of the instrument. At initial recognition, the Group and the Bank measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Management also determines the classification of a financial asset and a financial liability at initial recognition.

Regular way purchases and sales of financial assets are recognised using settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement

(a) Financial Assets

The Group and the Bank classify financial assets in the following measurement categories – amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification requirements for debt and equity instruments are described below:

(1) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on the Group's and the Bank's business model for managing the asset and the cash flow characteristics of the asset. Based on these factors, the Group and the Bank classify its debt instruments into one of the following three (3) measurement categories:

Amortised cost
Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest/profit ("SPPI/SPPP"), and that are not designated at FVTPL, are measured at amortised cost using the effective interest method. The carrying amount of these assets is adjusted by impairment losses recognised and measured using the ECL models described in Note 2(iii)(h)(ii). Interest income on financial assets measured at amortised cost is recognised in "interest income" in the statement of profit or loss. The losses arising from impairment on loans, advances and financing are recognised in the statement of profit or loss as "Allowance for impairment on loans, advances and financing". The losses arising from impairment on financial assets other than loans, advances and financing are recognised in the statement of profit or loss as "Allowance for impairment on other assets".

FVOCI
Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI/SPPP, and that are not designated at FVTPL, are measured at FVOCI. The changes in the fair value are recognised through other comprehensive income, except for the recognition of impairment losses measured using the ECL models as described in Note 2(iii)(h)(ii), interest income and foreign exchange gains or losses on the financial assets' amortised cost which are recognised in profit or loss. Interest earned whilst holding the assets are reported as "Interest income" using the effective interest method. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and recognised in "Net gains and losses on financial instruments".

FVTPL
Financial assets that do not meet the criteria for amortised cost or FVOCI, including financial assets held for trading and derivatives, are measured at FVTPL. Upon derecognition, the gain or loss on a financial asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in "Net gains and losses on financial instruments". Interest earned whilst holding the assets are reported as "Interest income" using the effective interest method.

Business model assessment
The Group and the Bank make an assessment of the objective of a business model in which an asset is held at a portfolio level which best reflects the way the business is managed and information is provided to management. The factors considered include policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets. Other factors considered also include the frequency, volume and timing of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement (continued)

(a) Financial Assets (continued)

(1) Debt instruments (continued)

Assessment whether contractual cash flows are solely payments of principal and interest/profit (the SPPI/SPPP test)

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial assets' contractual cash flows represent solely payment of principal and interest/profit. In applying the SPPI/SPPP test, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest/profit.

Reclassification of debt investments

The Group and the Bank reclassify debt instruments when and only when its business model for managing those assets changes. The Group and the Bank do not change the classification of the remaining financial assets held in that business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

(2) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Upon initial recognition, the Group and the Bank may occasionally elect to classify irrevocably an equity investment 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 gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividends earned whilst holding the equity investment are recognised in "Net gains and losses on financial instruments" in the statement of profit or loss when the right to the payment has been established.

For equity instruments measured at FVTPL, the gains and losses, including dividends earned, are recognised in "Net gains and losses on financial instruments" in the statement of profit or loss.

(b) Derecognition other than a modification of loan

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

Collateral furnished by the Group and the Bank under repurchase agreements are not derecognised as the Group and the Bank retain substantially all risks and rewards on the basis of the pre-determined repurchase price, and hence the criteria for derecognition are not met.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement (continued)

(c) Financial Liabilities

The Group and the Bank classify financial liabilities in the following measurement categories - amortised cost or FVTPL. Financial liabilities are classified and subsequently measured at amortised cost, except for:

(i) financial liabilities at FVTPL; and

(ii) financial guarantee contracts and loan commitments.

Amortised cost

Financial liabilities issued by the Group and the Bank are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group and the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Non-derivative financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and other financial institutions, repurchase agreements, lease liabilities and debt securities issued and other borrowed funds.

FVTPL

The classification and measurement of financial liabilities at FVTPL is applied to derivative financial instruments as described in Note 2(iii)(f). The Group and the Bank do not have any non-derivative financial liabilities designated at FVTPL.

Derecognition of financial liabilities

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

(iii) Determination of Fair Value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is generally the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value are measured in accordance with the valuation methodologies as set out in Note 46.

(iv) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement 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 to realise the asset and to settle the liability simultaneously. This is not generally the case for financial instruments with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statement of financial position.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(f) Derivative Financial Instruments and Hedge Accounting

The Group and the Bank had elected an accounting policy choice under MFRS 9 Financial Instruments to continue to apply the hedge accounting requirements under MFRS 139 Financial Instruments: Recognition and Measurement.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are classified as financial assets when their fair values are positive and as financial liabilities when their fair values are negative.

Derivatives which are not designated in an effective hedge transaction are classified as FVTPL, with changes in fair value recognised in "Net gains and losses on financial instruments" in the statement of profit or loss. For derivative transactions which meet the specific criteria for hedge accounting, the Group and the Bank apply either fair value, cash flow or net investment hedge accounting.

At inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instruments, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge relationship. Hedges are expected to be highly effective in offsetting the designated risk in the hedged item, and are assessed at inception of the hedge relationship and on an ongoing basis to ensure that they remain highly effective throughout the hedge period. A hedge is deemed as highly effective if the cumulative changes in the fair value or cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the period for which the hedge is designated.

The Group and the Bank will discontinue hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

(i) Fair Value Hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment that is attributable to a particular risk, and could affect profit or loss. For designated and qualifying fair value hedges, changes in the fair value of the hedging instrument are recognised in profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The net result is reported as hedge ineffectiveness under "Net gains and losses on financial instruments" in the statement of profit or loss.

If the hedging instrument is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to profit or loss over the remaining period to maturity using the effective interest rate.

(ii) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged forecast cash flows affect the profit or loss. If the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gain or loss previously recognised in other comprehensive income is adjusted to the initial cost of the asset or liability.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(f) Derivative Financial Instruments and Hedge Accounting (continued)

(ii) Cash Flow Hedge (continued)

When a hedging instrument expires or is sold, terminated, exercised or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss as hedge ineffectiveness.

(iii) Net Investment Hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations and 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 directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to profit or loss.

<u>Interest Rate Benchmark Reform</u>

The discontinuation of Interbank Offered Rates ("IBORs") in particular London Interbank Offered Rate ("LIBOR") and the transition to alternative Risk Free Rates ("RFRs") is expected to bring about legal, valuation, regulatory and system implications to the Group and the Bank.

The Group and the Bank have comprehensively assessed and managed the impacts of IBOR reform, including the smooth transition to RFRs and ensure that the signposts or deadlines set by BNM and other global regulators/administrators are met. These include engagement and renegotiation with customers and banking counterparties, incorporation of fallback provisions in loans and derivative contracts, risk assessment and operational readiness. The latest development of IBOR reform and the progress of the transition activities are periodically reported to Assets and Liabilities Management Committee and Risk Management Committee.

The Group's and the Bank's exposures subject to IBOR reform are not significant (i.e. mainly USD LIBOR) through their lending to customers, borrowings from banks and interest rate swaps derivative contracts held for hedging purpose. New agreements are referenced to eligible RFRs, where applicable. For those financial instruments with contractual maturity dates fall beyond the planned IBOR cessation date, additional supplementary agreement with fallback provisions has been executed.

(g) Embedded Derivatives

Some hybrid financial instruments contain both an embedded derivative and a non-derivative component. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and separately accounted for at fair value, with changes in fair value recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(h) Impairment of Financial Assets

(i) Definition of Credit-impaired and Default

At each reporting date, the Group and the Bank assess whether financial assets are impaired. In general, a financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loans, advances and financing ("loan(s)") of the Group and of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

(1) principal or interest/profit or both are past due for ninety (90) days or more; or

(2) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or

(3) where a loan is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the loan exhibits indications of significant credit weaknesses; or

(4) where a credit-impaired loan is rescheduled and restructured ("R&R"), the loan will remain as credit-impaired until repayments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months and the account is less than ninety (90) days past due upon compliance of the required nursing period; or

(5) for repayments scheduled on intervals of ninety (90) days or more including bullet repayment, as soon as default occurs.

In making an assessment whether an investment in debt or sovereign debt is impaired, the Group and the Bank consider factors such as, but not limited to, market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness and country's ability to access the capital markets for new debt issuance.

As part of the assessment of impairment for financial assets under the ECL model, the default definition has been applied to model Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). The definition of default largely aligns with the definition of impaired for regulatory reporting purposes except for immaterial exposures which are not considered defaulted as such defaults are not attributed to the credit risk of the exposures and certain exposures which are considered defaulted based on qualitative assessment.

(ii) Measurement of Impairment – Expected Credit Losses ("ECL")

The Group and the Bank assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group and the Bank recognise a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable as well as supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. No impairment loss is recognised on equity investments.

The Group and the Bank assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine that objective evidence of impairment exists, i.e. credit-impaired, for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss which has been incurred. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics such as instrument type, credit risk ratings, credit utilisation, level of collateralisation, collateral type, remaining term to maturity and other relevant factors. Collectively, the individual assessment allowance and collective assessment allowance form the total allowance for impairment on debt instruments, loans, advances and financing.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(h) Impairment of Financial Assets (continued)

(ii) Measurement of Impairment – Expected Credit Losses ("ECL") (continued)

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL – not credit-impaired
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL – not credit-impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL – credit-impaired
Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognised.

Significant increase in credit risk

At each reporting date, the Group and the Bank assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group and the Bank consider both quantitative and qualitative information and analysis based on the Group's and the Bank's historical experience and expert credit risk assessment, including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative factors such as delinquency, historical delinquency trend, changes in credit ratings and qualitative factors as well as a backstop based on delinquency. For retail portfolio, a combination of delinquency, historical delinquency trend and qualitative factors are used to determine significant increase in credit risk. For non-retail portfolio, internally derived credit ratings have been identified as representing the best available determinant of credit risk whilst for debt securities, external ratings attributed by external agencies are used. The Group and the Bank assign each counterparty, debt securities and financial instrument, credit rating at initial recognition based on available information about the counterparty, debt securities and financial instrument. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. Nevertheless, regardless of the change in credit rating, a backstop is applied and a financial asset is considered to have experienced a significant increase in credit risk if the financial asset is more than 30 days past due on its contractual payments. In addition, the Group and the Bank may determine that an exposure has demonstrated a significant increase in credit risk based on certain qualitative factors using its expert credit judgment and, where possible, relevant historical experience that are considered to be indicative of such increase and whose effect may not otherwise be fully reflected in its quantitative factors.

The Group and the Bank have not used the low credit risk exemption for any financial assets in the current financial year.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(h) Impairment of Financial Assets (continued)

(ii) Measurement of Impairment – Expected Credit Losses ("ECL") (continued)

Measurement of ECL

ECL are measured using three components, i.e. a PD, a LGD and an EAD. These parameters are derived from internally developed statistical models and adjusted to reflect forward-looking information as described below.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of the financial instrument respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk. The LGD represents the expected loss if a default event occurs at a given time, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdown of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the remaining life multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest rate or an approximation thereof.

Forward-looking information

The Group and the Bank have developed methodologies for the application of forward macro-economic variables ("MEV") which comprise economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEVs into the estimation of the PD and LGD via an application of a scale. The process of formulating a scale involves developing the correlation of MEVs to default rates and recovery rates for various portfolios of financial assets based on analysis of historical data. This correlation is then used to form the predicted effect (reflected via a scalar) between the MEVs and PD as well as LGD, taking into account the projections of MEVs.

The MEVs taken into consideration include, but are not limited to, gross domestic product growth rates, consumer price index as well as housing price index, and require an evaluation of both the current and forecast of the economic environment. The projections of the MEVs are made based on a most-likely outcome (the "base economic scenario") and a more favourable ("upside") as well as a more unfavourable outcome ("downside") as compared to the base economic scenario. The base economic scenario represents a most-likely outcome and is aligned with information used by the Group and the Bank for other purposes such as budgeting. The projections based on the respective economic scenarios are approved by the Bank's Assets and Liabilities Management Committee and are provided once a year. However, the projections will be reviewed and updated if economic conditions have changed significantly. Scenario weightings for each economic scenario are also determined via a statistical analysis with reference to external forecasts. The scenario weightings will be used to derive a single probability-weighted scalar for each portfolio which will be used to adjust for the PD and LGD of the respective portfolio.

The carrying amount of the asset (other than debt instrument measured at FVOCI) is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. The impairment loss for a debt instrument measured at FVOCI does not reduce the carrying amount of the financial asset which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset was measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to the profit or loss upon the derecognition of the financial asset.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as allowance for impairment on loan commitments and financial guarantees which is reported under "Other liabilities" in the statement of financial position.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(h) Impairment of Financial Assets (continued)

(iii) Write-off

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in profit or loss.

(iv) Modification of Loans

Where a loan shows evidence of significant credit weaknesses, the Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of the loan rather than take possession of the collateral. When this happens, the Group and the Bank assess whether the new terms are substantially different from the original terms. The Group and the Bank consider, among others, the following factors:

(a) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;

(b) Whether any substantial new terms are introduced that substantially affect the risk profile of the loan;

(c) Significant extension of the loan term;

(d) Significant change in the interest/profit rate; and

(e) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

The Group and the Bank derecognise a loan when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan and recalculates a new effective interest/profit rate for the loan. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new loan recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition and impairment continues to be assessed for significant increase in credit risk compared to the credit risk at initial origination.

(i) Investment Properties

Investment properties are properties which are held to earn rental income or for capital appreciation or both. Properties that are occupied by companies in the Group for conduct of business operations are accounted for as owner-occupied rather than as investment properties upon consolidation.

The Group has adopted the fair value method in measuring investment properties. Investment properties are measured initially at cost, including transaction cost. Subsequent to initial recognition, all properties are measured at fair value, with any changes recognised in profit or loss.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Fair values of investment properties are determined with reference to quotations of market value provided by independent professional valuers.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(i) Investment Properties (continued)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income as a property revaluation reserve. If a fair value gain reverses a previously recognised impairment loss, the gain is recognised in profit or loss. Upon disposal of the investment property, any surplus previously recorded in revaluation reserve is transferred to retained profits.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss.

(j) Leases

(i) Recognition of Leases as a Lessee

The Group and the Bank consider whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group and the Bank assess whether:

– the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and the Bank;
– the Group and the Bank have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
– the Group and the Bank have the right to direct the use of the identified asset throughout the period of use. The Group and the Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

(ii) Measurement of Leases as a Lessee

At lease commencement date, the Group and the Bank recognise a right-of-use asset (other than leasehold land) and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and the Bank, an estimate of any costs to dismantle and remove the asset or to restore the asset or the site on which it is located at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received.

The right-of-use asset (other than leasehold land) is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is measured at amortised cost using effective interest method, and is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the incremental borrowing rates of the Bank and of the respective entities within the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) and payments arising from options reasonably certain to be exercised.

The Group and the Bank exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(j) Leases (continued)

(ii) Measurement of Leases as a Lessee (continued)

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest accrued. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and the Bank present right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for leases with lease term of less than 12 months and leases of low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Leasehold land is recognised at cost on initial measurement. Subsequent to initial recognition, leasehold land is stated at cost less accumulated depreciation and accumulated impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(iii)(n).

Leasehold land is depreciated over the remaining leasehold period. When the use of leasehold land changes from owner-ocupied to investment property, the leasehold land is remeasured to fair value and reclassified as investment property.

(iii) Recognition and Measurement of Leases as a Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

(k) Property and Equipment and Depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of replaced parts are derecognised. All other repairs and maintenance are charged to profit or loss when they are incurred.

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

Subsequent to initial recognition, property and equipment other than freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(iii)(n).

Freehold land with an indefinite useful life and work-in-progress which are not yet available for use are not depreciated. Depreciation of other property and equipment is provided on a straight-line basis calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives, summarised as follows:

Buildings	50 years
Renovations	Over the term of the leases ranging from 2-10 years
Office equipment, furniture and fittings	3-10 years
Computer equipment and software	2-6 years
Motor vehicles	5-6 years

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(k) Property and Equipment and Depreciation (continued)

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

(l) Intangible Assets

(i) Goodwill

Goodwill is measured as the excess of consideration transferred, any non-controlling interests and the acquisition-date fair value of any previously-held equity interest over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment assessment, goodwill is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with MFRS 8 Operating Segments. The carrying amount of goodwill is assessed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, by comparing the recoverable amount from the CGU against the carrying amount of its net assets, including attributable goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the fair value of the Group's share of the identifiable net assets acquired exceeds the amount of consideration transferred, any non-controlling interests and the acquisition-date fair value of any previously-held equity interest, the entire resulting gain is recognised immediately in profit or loss.

(ii) Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Intangible assets are recognised only when the identifiability and economic benefit probability criterion are met.

Intangible assets with an indefinite useful life are not amortised but are reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Intangible assets with an indefinite useful life are reviewed annually to determine whether the indefinite useful life assumption continues to be supportable.

Intangible assets with a finite useful life will be amortised on a straight-line basis over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(m) Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

(n) Impairment of Non-Financial Assets

Non-financial assets other than goodwill, such as right-of-use assets, property and equipment, investments in subsidiary and associated companies and foreclosed properties, are assessed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value-in-use.

The impairment loss is recognised in profit or loss, and is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years.

Impairment of goodwill is discussed under the accounting policy on goodwill in Note 2(iii)(l)(i).

(o) Repurchase and Reverse Repurchase Agreements

Securities purchased under resale agreements (i.e. reverse repurchase agreements) at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recognised in 'reverse repurchase agreements' in the statement of financial position, reflecting the transaction's economic substance as a collateralised loan by the Group and the Bank. The difference between the purchase and resale prices is recognised in 'Interest income' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

Securities sold under repurchase agreements (i.e. repurchase agreements) at a specified future date are not derecognised from the statement of financial position as the Group and the Bank retain substantially all the risks and rewards of ownership. The consideration received is recognised as an asset with the corresponding obligation, including accrued interest as a liability, reflecting the transaction's economic substance as a collateralised loan given to the Group and the Bank. The difference between the sale and the repurchase prices is recognised in 'Interest expense' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

(p) General Insurance

General insurance underwriting results are determined after taking into account reinsurances, unearned premium reserves, net commissions and net claims incurred.

Unearned premium reserves ("UPR") represent the unexpired risks at the end of the financial year. A fixed percentage method or time apportionment method is used in determining the UPR at reporting date.

Provision is made for outstanding claims based on the estimated costs of all claims together with related expenses less reinsurance recoveries in respect of claims notified but not settled at reporting date. Provision is also made for the cost of claims together with related expenses incurred but not reported at reporting date using a mathematical method of estimation determined by the management on a case by case basis.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(q) Debt Securities Issued

Debt securities issued are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost. The Group may hedge the fixed interest rate risk on these debt securities, and apply fair value hedge accounting. When hedge accounting is applied to fixed-rate debt instruments, the carrying values of the debt securities are adjusted for changes in fair value related to the hedged exposure, instead of being carried at amortised cost.

(r) Operating Revenue

Operating revenue of the Group comprises all types of revenue derived from commercial banking, investment banking, financing and other Islamic banking activities, stock-broking, general insurance, trustee services, management of unit trust funds and sale of trust units but excluding all related company transactions.

Operating revenue of the Bank comprises gross interest income, commissions earned and other income derived from commercial banking operations.

(s) Interest and Financing Income and Expense

For all financial instruments measured at amortised cost and interest/profit-bearing financial assets classified as FVTPL and FVOCI, interest and financing income and expense are recognised under “Interest income”, “Interest expense” and “Net income from Islamic banking business” respectively in the statement of profit or loss using the effective interest/profit method.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest/financing income or expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective interest/profit rate, as well as premiums or discounts are also considered.

For impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest/financing income continues to be recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

(t) Fee and Commission Income

The Group and the Bank earn fee and commission income from a diverse range of services provided to its customers. Such income are generally recognised on an accrual basis based on performance obligations satisfied.

Fees earned for the provision of services over a period of time, such as asset management and loan arrangement and management, are accrued over the period. Fee income from the provision of transaction services, such as funds remittances and stock-broking, are recognised upon completion of the underlying transaction. Fees that are linked to the performance of a certain activity or service, such as corporate advisory services, are recognised upon completion of the performance criteria.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(u) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Overseas subsidiary companies make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a fully-funded defined benefit plan approved by the Inland Revenue Board known as the Public Bank Group Officers' Retirement Benefits Fund (the "Fund") for its eligible employees. The obligations under the Fund are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years are estimated. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognised immediately in defined benefit reserve via other comprehensive income and are not subsequently recycled to profit or loss. Past service costs, whether unvested or already vested, are recognised immediately in profit or loss as incurred. Net interest income or cost is calculated by applying the discount rate to the net defined benefit asset or liability. The Group recognises the changes in the net defined benefit obligation which includes current service costs, past service costs and net interest expense or income under "Personnel costs" in the statement of profit or loss.

The amount recognised in the statements of financial position represents the actual deficit or surplus in the Fund. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from or reductions in future contributions to the Fund.

(iv) Share-based Compensation Benefits

Where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in profit or loss over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by the vesting date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. The Group could revise its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Material Accounting Policies (continued)

(v) Tax Expense

Tax expense comprises current and deferred tax. Tax expense is calculated on the basis of the applicable tax law in the respective jurisdictions and is recognised as an expense in profit or loss except to the extent that it relates to items that are charged or credited in other comprehensive income or directly to equity. In such cases, tax expense is charged or credited to other comprehensive income or to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for goodwill which is not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax relating to fair value remeasurement of financial investments at FVOCI and cash flow hedges, which are recognised in other comprehensive income, is also charged or credited directly to other comprehensive income, and is subsequently recognised in profit or loss when the deferred fair value gain or loss is recognised in profit or loss.

For investment properties which are carried at fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set-off under the same taxable entity and taxation authority. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

(w) Government Financing Scheme and Government Financing Facility

Financing under a government scheme is recognised and measured in accordance with MFRS 9 Financial Instruments, with the benefit at a below market and concession rate is measured as the difference between the initial carrying amount or fair value of the financing and the amount received. Government financing facility is measured in accordance with the amount received.

The benefit of a financing or a facility under a government scheme that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled.

3. CASH AND BALANCES WITH BANKS

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Cash and bank balances	**5,493,928**	6,486,901	**2,340,381**	3,307,697
Money market deposit placements:				
– maturing within one month	**3,387,540**	10,428,688	**4,619,895**	9,150,233
– maturing after one month	**2,248,077**	4,853,377	**1,085,700**	3,587,388
	5,635,617	15,282,065	**5,705,595**	12,737,621
Allowance for expected credit losses ("ECL")				
– 12-Month ECL (Stage 1)	**(2,128)**	(2,066)	**–**	–
	11,127,417	21,766,900	**8,045,976**	16,045,318

The monies held-in-trust for clients for the Group as at reporting date are approximately RM170,056,000 (2022: RM181,921,000). These amounts are excluded from the cash and balances with banks of the Group in accordance with FRSIC 18.

4. REVERSE REPURCHASE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

a) Reverse Repurchase Agreements:

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
At amortised cost				
Malaysian Government Securities	**–**	–	**–**	49,425
Foreign government treasury bills	**851**	4,193	**851**	4,193
	851	4,193	**851**	53,618

The fair value of securities accepted as collateral under reverse repurchase agreements that the Group and the Bank are permitted to sell or repledge in the absence of default by their owners was RM852,000 (2022 – RM4,196,000) and RM852,000 (2022 – RM54,984,000) respectively, of which none has been resold (2022 – None).

b) Obligations on Securities Sold under Repurchase Agreements:

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
At amortised cost				
Financial investments at:				
– fair value through other comprehensive income	**3,017,667**	6,776,337	**2,920,141**	6,630,645
– amortised cost	**122**	73	**122**	73
	3,017,789	6,776,410	**2,920,263**	6,630,718

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

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	**197,548**	214,801	**197,548**	214,801
Malaysian Government Securities	**71,191**	302,620	**71,191**	302,620
Malaysian Government Investment Issues	**113,413**	40,662	**113,413**	40,662
	382,152	558,083	**382,152**	558,083
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	**1,893,292**	–	**–**	–
Non-money market instruments:				
Equity securities				
– Unquoted shares in Malaysia	**362,204**	391,242	**341,478**	368,855
	2,637,648	949,325	**723,630**	926,938

6. 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/profit rates and equity prices) of the underlying instruments. These instruments further allow the Group and the Bank to transfer, modify or reduce its foreign exchange and interest/profit rate risks via designated hedge relationships. Derivative financial instruments that are entered into for hedging purposes but which do not meet the hedge effectiveness criteria or which relate to customers' transactions are classified as trading derivatives. The Group and the Bank may also take conservative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates via its trading derivatives.

The following tables show the Group's and the Bank's derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts as at the reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 45 to the financial statements.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

GROUP	2023 Contract/ Notional Amount RM'000	2023 Fair Value Assets RM'000	2023 Fair Value Liabilities RM'000	2022 Contract/ Notional Amount RM'000	2022 Fair Value Assets RM'000	2022 Fair Value Liabilities RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	**2,133,910**	**8,412**	**5,209**	1,752,724	9,504	12,612
– Currency swaps	**28,095,612**	**228,801**	**312,852**	24,451,793	158,437	357,249
– Currency options	**117,677**	**–**	**–**	103,007	–	–
Precious metal contracts						
– Forwards	**456**	**1**	**–**	230	–	–
	30,347,655	**237,214**	**318,061**	26,307,754	167,941	369,861
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
– Interest rate swaps	**546,210**	**23,418**	**–**	524,463	30,542	–
Cash flow hedge						
Interest/profit rate related contracts						
– Interest/profit rate swaps	**5,248,300**	**154,179**	**81**	4,455,683	227,411	25
Net investment hedge						
Foreign exchange contracts						
– Forwards	**1,304,523**	**–**	**36,308**	3,183,497	20,670	126,159
	7,099,033	**177,597**	**36,389**	8,163,643	278,623	126,184
Total	**37,446,688**	**414,811**	**354,450**	34,471,397	446,564	496,045

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

BANK	2023 Contract/ Notional Amount RM'000	2023 Fair Value Assets RM'000	2023 Fair Value Liabilities RM'000	2022 Contract/ Notional Amount RM'000	2022 Fair Value Assets RM'000	2022 Fair Value Liabilities RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	**2,108,609**	**8,388**	**5,188**	1,731,904	9,494	12,598
– Currency swaps	**26,667,977**	**221,987**	**309,768**	24,078,870	158,253	354,086
– Currency options	**117,677**	**–**	**–**	103,007	–	–
Precious metal contracts						
– Forwards	**456**	**1**	**–**	230	–	–
	28,894,719	**230,376**	**314,956**	25,914,011	167,747	366,684
Hedging derivatives:						
Cash flow hedge						
Interest rate related contracts						
– Interest rate swaps	**8,648,300**	**178,996**	**24,677**	7,655,683	251,325	42,947
Net investment hedge at Group level						
Foreign exchange contracts						
– Forwards	**1,304,523**	**–**	**36,308**	3,183,497	20,670	126,159
	9,952,823	**178,996**	**60,985**	10,839,180	271,995	169,106
Total	**38,847,542**	**409,372**	**375,941**	36,753,191	439,742	535,790

With the exception of options contracts, the fair values of derivative financial instruments are normally zero or negligible at inception. The subsequent change in fair value is either favourable or unfavourable as a result of fluctuations in the underlying market interest/profit rates and/or foreign exchange rates relative to the terms of the respective contracts.

The fair value at inception of options contracts purchased represents the consideration paid for these contracts, with subsequent changes in the fair value dependent on the movements in the value of the underlying asset and/or index.

As at 31 December 2023, the Group and the Bank have positions in the following types of derivative financial instruments:

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest/profit rates.

Options

Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying asset at a pre-determined price. The seller receives a premium from the purchaser in consideration of risk. Options may be either exchange-traded or negotiated between the purchaser and the seller in the over-the-counter market.

Over-the-counter derivatives may expose the Group and the Bank to the risks associated with the absence of an exchange to close out an open position. This credit risk represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation. To control the level of credit risk, the Group and the Bank continually monitor and assess the credit standing of these counterparties.

Hedge Accounting

Where derivatives of the Group and of the Bank have been designated for the purpose of hedging and meet the hedge effectiveness criteria, the accounting treatment of these derivatives will depend on the nature of the instrument hedged and the type of hedge transaction, as described in Note 2(iii)(f). The Group and the Bank apply hedge accounting in three separate hedging strategies, namely fair value hedge, cash flow hedge and net investment hedge.

Fair Value Hedge

The Group and the Bank use fair value hedges to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instruments hedged for interest rate risk include the Bank's financial investments at fair value through other comprehensive income ("FVOCI"). The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

The Group and the Bank only hedge the interest rate risk element and other risks such as credit risk, are managed but not hedged by the Group and the Bank. The interest rate risk component is determined as the change in fair value of the long-term fixed rate bonds (assets), i.e. the hedged items, arising solely from changes in 3-month Kuala Lumpur Inter-bank Offer Rate ("KLIBOR") and United States ("US") Dollar 3-month Overnight Financing Rate ("SOFR") (the benchmark rates of interest). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to the changes in benchmark KLIBOR and SOFR with changes in the fair value of the interest rate swaps (hedging instruments).

The accounting policies for fair value hedge are as disclosed in Note 2(iii)(f).

The Group and the Bank establish the hedging ratio by matching the notional of the derivatives with the principal of the hedged items. The main potential sources of hedge ineffectiveness are as follows:

(i) Counterparty credit risk which impacts the fair value of the interest rate swaps but not the hedged items; and

(ii) Mismatches in the terms of hedged items and hedging instruments such as the frequency and the timing of when the interest rates are reset.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Fair Value Hedge (continued)

The following tables show the notional amount of derivatives designated in fair value hedge relationships in time bands based on the maturity of the derivatives:

Interest rate swaps	2023 Up to 3 Months RM'000	2023 3-12 Months RM'000	2023 1-5 Years RM'000	2023 > 5 Years RM'000	2023 Total RM'000	2022 Up to 3 Months RM'000	2022 3-12 Months RM'000	2022 1-5 Years RM'000	2022 > 5 Years RM'000	2022 Total RM'000
GROUP										
Hedge of USD bonds (Pay fixed)	**–**	**–**	**472,770**	**73,440**	**546,210**	–	–	321,729	202,734	524,463
Average fixed interest rate (%)	**–**	**–**	**3.82**	**3.38**		–	–	3.39	4.34	

The carrying amount of hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments included in these carrying amounts are as follows:

	GROUP				BANK			
	2023		2022		2023		2022	
	Carrying Amount RM'000	Fair Value Hedge Adjustments* RM'000	Carrying Amount RM'000	Fair Value Hedge Adjustments* RM'000	Carrying Amount RM'000	Fair Value Hedge Adjustments* RM'000	Carrying Amount RM'000	Fair Value Hedge Adjustments* RM'000
Financial investments at FVOCI	**546,210**	**23,418**	524,463	30,542	**–**	**–**	–	–

* The carrying amount of financial investments at FVOCI does not include a fair value adjustment as the hedged item is measured at fair value. The accounting for the hedge relationships results in a transfer from other comprehensive income to the profit or loss.

Fair value hedge relationships resulted in the following changes in value used as the basis for recognising hedge ineffectiveness during the year:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(Loss)/Gain on hedging instruments	**(7,125)**	56,122	**–**	1,829
Gain/(Loss) on hedged items attributable to the hedged risk	**8,992**	(59,376)	**–**	(1,851)
Exchange differences	**95**	(20)	**–**	–
Ineffectiveness charged to profit or loss (Note 34)	**1,962**	(3,274)	**–**	(22)

The gains and losses on the ineffective portions of the Group's and of the Bank's fair value hedges are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments".

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Cash Flow Hedge

The Group and the Bank principally use interest/profit rate and cross currency interest rate swaps to protect against exposures to variability in future cash flows on non-trading financial assets and liabilities which bear interest/profit at variable rates. The derivatives are entered into after taking into consideration of the interest rate risk from a portfolio of exposures, such as portfolio of assets or portfolio of liabilities.

To qualify for hedge accounting purpose, derivatives are designated in a cash flow hedge relationships to manage the profit and loss volatility associated with the derivatives which would otherwise measured at fair value through profit or loss. This requires identification of eligible assets and liabilities, and designation of derivatives to obtain hedge accounting, which involves designating derivatives as hedges of the variability in highly probable forecast future cash flows attributable to interest/profit rate risk from the benchmark interest rate on variable rate assets and liabilities. The accounting policies for cash flow hedge are as disclosed in Note 2(iii)(f).

To test hedge effectiveness, a comparison is performed to ensure the expected interest/profit cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is the mismatches in the terms of hedged items and hedging instruments such as the frequency and the timing of when the interest rates are reset.

The following tables show the notional amount of derivatives designated in cash flow hedge relationships in time bands based on the maturity of the derivatives:

	2023					2022				
	Up to 3 Months RM'000	3-12 Months RM'000	1-5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 3 Months RM'000	3-12 Months RM'000	1-5 Years RM'000	> 5 Years RM'000	Total RM'000
GROUP										
Interest/profit rate swaps										
– Pay fixed	–	50,000	4,998,300	200,000	5,248,300	–	25,000	4,330,683	100,000	4,455,683
BANK										
Interest rate swaps										
– Pay fixed	–	50,000	4,998,300	200,000	5,248,300	–	25,000	4,330,683	100,000	4,455,683
– Receive fixed	–	–	3,200,000	200,000	3,400,000	–	–	3,100,000	100,000	3,200,000
	–	50,000	8,198,300	400,000	8,648,300	–	25,000	7,430,683	200,000	7,655,683

There were no cash flow hedges that were discontinued as a result of the hedged cash flows no longer expected to occur.

The gains and losses on the ineffective portions of such derivatives are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments". During the financial year, a loss of RM29,000 (2022 - gain of RM564,000) (Note 34) was recognised by the Group and the Bank.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Net Investment Hedge

The Group's statement of financial position is affected by gains and losses as a result of the translation of net assets of its subsidiary companies denominated in currencies other than its functional currency. The Group hedges its exposures to foreign exchange risk via the designation of liabilities (certain short-term interbank borrowing funding pools) and forward foreign exchange contracts.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The accounting policies for net investment hedge are as disclosed in Note 2(iii)(f).

For hedging instruments which are liabilities, effectiveness is assessed by comparing changes in the carrying amount of the liabilities with changes in the investment in foreign operations which is due to movement in the spot exchange rate.

For hedging instruments which are forward foreign exchange contracts, the Group only designates the spot element of the derivatives as hedging instruments. Changes in the fair value of the hedging instruments attributable to changes in forward points are recognised directly in profit or loss under "Other operating income - foreign exchange profit" and these amounts are not included in the assessment of hedge effectiveness.

Ineffectiveness may also arise if there are significant losses recorded in the net assets of the foreign operations.

The following table shows the notional amount of financial instruments designated as net investment hedge relationships in time bands based on the maturity of the financial instruments:

	2023					2022						
GROUP	**Foreign Currency FCY'000**	**Up to 3 Months RM'000**	**3-12 Months RM'000**	**1-3 Years RM'000**	**Total RM'000**	**Foreign Currency FCY'000**	**Up to 3 Months RM'000**	**3-12 Months RM'000**	**1-3 Years RM'000**	**3-5 Years RM'000**	**Total RM'000**
USD Short-term interbank borrowings	**589,000**	**2,703,510**	**–**	**–**	**2,703,510**	589,000	2,595,870	–	–	–	2,595,870
HKD:MYR Forward foreign exchange contracts	**2,220,465**	**–**	**229,383**	**1,075,140**	**1,304,523**	5,632,016	–	1,928,379	220,696	1,034,422	3,183,497
		2,703,510	**229,383**	**1,075,140**	**4,008,033**		2,595,870	1,928,379	220,696	1,034,422	5,779,367

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Net Investment Hedge (continued)

The amounts relating to items designated as hedging instruments are as follows:

	Notional Amount RM'000	Carrying Amount Liabilities RM'000	Change in Fair Value Used for Calculating Hedge Ineffectiveness RM'000	Change in the Value of the Hedging Instruments Recognised in Other Comprehensive Income RM'000	Hedge Ineffectiveness Recognised in Profit or Loss RM'000
2023					
USD Short-term interbank borrowings	**–**	**2,703,510**	**(81,806)**	**(81,806)**	**–**
HKD:MYR Forward foreign exchange contracts	**1,304,523**	**–**	**(71,203)**	**(71,203)**	**–**
	1,304,523	**2,703,510**	**(153,009)**	**(153,009)**	**–**
				Note 30	
2022					
USD Short-term interbank borrowings	–	2,595,870	(105,979)	(105,979)	–
HKD:MYR Forward foreign exchange contracts	3,183,497	–	(129,908)	(129,908)	–
	3,183,497	2,595,870	(235,887)	(235,887)	–
				Note 30	

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

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	**98,774**	618,797	**98,774**	349,765
Malaysian Government Securities	**18,367,367**	20,562,422	**17,475,888**	19,815,634
Malaysian Government Investment Issues	**29,247,716**	26,923,746	**15,556,797**	14,121,212
Other government treasury bills	**289,431**	167,201	**–**	–
	48,003,288	48,272,166	**33,131,459**	34,286,611
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	**298,997**	842,032	**497,707**	1,722,871
Non-money market instruments:				
Equity securities				
– Quoted shares and convertible loan stocks outside Malaysia	**1,478**	1,675	**–**	–
– Unquoted shares	**420,990**	413,287	**413,921**	406,384
Debt securities				
– Cagamas bonds	**242,771**	443,938	**–**	301,389
– Unquoted corporate bonds/sukuk	**5,170,784**	4,894,191	**290,214**	437,031
	5,836,023	5,753,091	**704,135**	1,144,804
	54,138,308	54,867,289	**34,333,301**	37,154,286

Included in financial investments at FVOCI are the following securities sold under repurchase agreements (Note 4(b)):

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysian Government Securities	**1,439,646**	3,206,698	**1,339,157**	3,064,470
Malaysian Government Investment Issues	**1,699,755**	3,890,943	**1,699,755**	3,880,784
	3,139,401	7,097,641	**3,038,912**	6,945,254

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

The following expected credit losses ("ECL") for debt instruments are recognised in other comprehensive income. Such ECL do not reduce the carrying amount in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

		Lifetime ECL		
GROUP	**12-Month ECL (Stage 1) RM'000**	**Not Credit-Impaired (Stage 2) RM'000**	**Credit-Impaired (Stage 3) RM'000**	**Total RM'000**
At 1 January 2022	13,585	–	–	13,585
Net allowance made (Note 39)	2,762	–	–	2,762
New financial investments purchased	4,174	–	–	4,174
Allowance made	987	–	–	987
Amount derecognised	(3,568)	–	–	(3,568)
Change in models/risk parameters	1,169	–	–	1,169
Exchange differences	22	–	–	22
At 31 December 2022	16,369	–	–	16,369
Net allowance written back (Note 39)	**(4,714)**	**–**	**–**	**(4,714)**
New financial investments purchased	**3,844**	**–**	**–**	**3,844**
Allowance written back	**(1,507)**	**–**	**–**	**(1,507)**
Amount derecognised	**(4,288)**	**–**	**–**	**(4,288)**
Change in models/risk parameters	**(2,763)**	**–**	**–**	**(2,763)**
Exchange differences	**14**	**–**	**–**	**14**
At 31 December 2023	**11,669**	**–**	**–**	**11,669**

		Lifetime ECL		
BANK	**12-Month ECL (Stage 1) RM'000**	**Not Credit-Impaired (Stage 2) RM'000**	**Credit-Impaired (Stage 3) RM'000**	**Total RM'000**
At 1 January 2022	6,304	–	–	6,304
Net allowance made (Note 39)	96	–	–	96
New financial investments purchased	3,599	–	–	3,599
Allowance written back	(6)	–	–	(6)
Amount derecognised	(3,497)	–	–	(3,497)
At 31 December 2022	6,400	–	–	6,400
Net allowance written back (Note 39)	**(590)**	**–**	**–**	**(590)**
New financial investments purchased	**3,017**	**–**	**–**	**3,017**
Allowance written back	**(29)**	**–**	**–**	**(29)**
Amount derecognised	**(3,578)**	**–**	**–**	**(3,578)**
At 31 December 2023	**5,810**	**–**	**–**	**5,810**

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Securities	**4,131,453**	1,099,289	**4,091,808**	1,059,635
Malaysian Government Investment Issues	**9,486,103**	8,075,557	**5,021,516**	3,654,151
Foreign government treasury bills	**1,519,357**	1,485,035	**51,539**	32,313
Other foreign government securities	**211,647**	608,130	**3,543**	2,636
	15,348,560	11,268,011	**9,168,406**	4,748,735
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	**2,196,800**	1,827,367	**1,769,094**	708,670
Non-money market instruments:				
Debt securities				
– Cagamas bonds	**6,798,445**	5,146,601	**5,695,055**	4,043,212
– Unquoted corporate bonds/sukuk	**5,616,481**	7,332,574	**4,713,560**	6,063,380
	12,414,926	12,479,175	**10,408,615**	10,106,592
Allowance for impairment	**(4,873)**	(4,322)	**(3,734)**	(2,981)
	29,955,413	25,570,231	**21,342,381**	15,561,016

Movements in allowances for impairment on debt instruments which reflect the ECL model on impairment are as follows:

GROUP	12-Month ECL (Stage 1) RM'000	Lifetime ECL: Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL: Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2022	4,336	–	19	4,355
Net allowance made (Note 39)	19	–	–	19
New financial investments purchased	1,912	–	–	1,912
Allowance written back	(6)	–	–	(6)
Amount derecognised	(1,887)	–	–	(1,887)
Exchange differences	(52)	–	–	(52)
At 31 December 2022	4,303	–	19	4,322
Net allowance made (Note 39)	**535**	**–**	**–**	**535**
New financial investments purchased	**2,031**	**–**	**–**	**2,031**
Allowance written back	**(402)**	**–**	**–**	**(402)**
Amount derecognised	**(987)**	**–**	**–**	**(987)**
Change in models/risk parameters	**(107)**	**–**	**–**	**(107)**
Exchange differences	**16**	**–**	**–**	**16**
At 31 December 2023	**4,854**	**–**	**19**	**4,873**

8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in allowances for impairment on debt instruments which reflect the ECL model on impairment are as follows (continued):

BANK	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2022	3,008	–	19	3,027
Net allowance made (Note 39)	27	–	–	27
New financial investments purchased	1,370	–	–	1,370
Allowance made	117	–	–	117
Amount derecognised	(1,460)	–	–	(1,460)
Exchange differences	(73)	–	–	(73)
At 31 December 2022	2,962	–	19	2,981
Net allowance made (Note 39)	**753**	**–**	**–**	**753**
New financial investments purchased	**1,388**	**–**	**–**	**1,388**
Allowance written back	**(238)**	**–**	**–**	**(238)**
Amount derecognised	**(309)**	**–**	**–**	**(309)**
Change in models/risk parameters	**(88)**	**–**	**–**	**(88)**
At 31 December 2023	**3,715**	**–**	**19**	**3,734**

Included in financial investments at amortised cost are the following securities sold under repurchase agreements (Note 4(b)):

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Foreign government treasury bills	**125**	84	**125**	84

9. LOANS, ADVANCES AND FINANCING

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
At amortised cost				
Overdrafts	**8,953,714**	9,116,969	**5,851,097**	6,025,328
Term loans/financing				
– Housing loans/financing	**162,958,538**	152,915,174	**121,036,720**	114,661,406
– Syndicated term loans/financing	**4,059,702**	4,238,211	**866,918**	1,153,793
– Hire purchase receivables	**67,262,849**	60,933,018	**52,400,276**	47,420,073
– Other term loans/financing	**135,672,879**	129,578,837	**103,291,130**	100,395,985
Credit card receivables	**2,835,060**	2,528,424	**2,695,945**	2,438,998
Bills receivables	**138,610**	141,162	**136,807**	134,422
Trust receipts	**124,469**	174,668	**90,480**	101,184
Claims on customers under acceptance credits	**2,943,729**	3,093,295	**2,714,706**	2,882,387
Revolving credits	**11,836,012**	11,976,772	**8,141,121**	8,560,112
Staff loans*	**2,211,035**	2,195,407	**1,872,749**	1,876,822
Gross loans, advances and financing	**398,996,597**	376,891,937	**299,097,949**	285,650,510
Less: Allowance for impairment on loans, advances and financing				
– Expected credit losses	**(4,246,618)**	(4,308,821)	**(2,905,363)**	(3,072,845)
– Stage 1: 12-Month ECL	**(1,183,547)**	(2,074,558)	**(788,636)**	(1,392,936)
– Stage 2: Lifetime ECL not credit-impaired	**(2,497,151)**	(1,858,411)	**(1,802,130)**	(1,443,023)
– Stage 3: Lifetime ECL credit-impaired	**(565,920)**	(375,852)	**(314,597)**	(236,886)
Net loans, advances and financing	**394,749,979**	372,583,116	**296,192,586**	282,577,665

* Included in staff loans of the Group and of the Bank are loans to directors of subsidiary companies amounting to RM13,854,000 (2022 – RM8,480,000) and RM7,151,000 (2022 – RM7,791,000) respectively.

Gross loans, advances and financing presented by class of financial instruments are as follows:

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Retail loans/financing*				
– Housing loans/financing	**162,958,542**	152,915,181	**121,036,720**	114,661,406
– Hire purchase	**66,978,606**	60,672,636	**52,400,276**	47,420,073
– Credit cards	**2,835,060**	2,528,424	**2,695,945**	2,438,998
– Other loans/financing^	**116,976,985**	114,931,108	**84,919,064**	84,173,303
	349,749,193	331,047,349	**261,052,005**	248,693,780
Corporate loans/financing	**49,247,404**	45,844,588	**38,045,944**	36,956,730
	398,996,597	376,891,937	**299,097,949**	285,650,510

* Included in retail loans/financing are loans/financing granted to individual borrowers and mid-market commercial enterprises.
^ Included in other loans/financing are term loans, trade financing, overdrafts and revolving credits.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

The maturity structure of gross loans, advances and financing by residual contractual maturity is as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Maturity within one year	**35,206,476**	32,003,265	**24,164,102**	21,747,532
More than one year to three years	**31,852,005**	28,799,158	**24,787,779**	21,667,013
More than three years to five years	**32,035,573**	32,868,993	**26,137,441**	27,409,810
More than five years	**299,902,543**	283,220,521	**224,008,627**	214,826,155
	398,996,597	376,891,937	**299,097,949**	285,650,510

Gross loans, advances and financing analysed by type of customer are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-bank financial institutions				
– Stock-broking companies	**4,806**	5,115	**4,806**	5,115
– Others	**16,917,296**	15,584,596	**14,465,447**	14,393,888
Business enterprises				
– Small and medium enterprises	**72,722,041**	71,764,392	**57,869,765**	57,053,743
– Others	**25,875,225**	26,598,868	**18,641,547**	19,583,288
Government and statutory bodies	**2,036,511**	1,017,220	**18,678**	15,604
Individuals	**275,575,634**	258,144,587	**203,847,263**	192,439,610
Other entities	**29,645**	20,272	**17,931**	15,343
Foreign entities	**5,835,439**	3,756,887	**4,232,512**	2,143,919
	398,996,597	376,891,937	**299,097,949**	285,650,510

Gross loans, advances and financing analysed by geographical distribution are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysia	**372,697,455**	352,065,239	**298,568,924**	285,141,923
Hong Kong SAR and the People's Republic of China	**14,269,038**	14,064,723	**–**	–
Cambodia	**6,442,464**	5,605,533	**–**	–
Other countries	**5,587,640**	5,156,442	**529,025**	508,587
	398,996,597	376,891,937	**299,097,949**	285,650,510

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by interest rate/rate of return sensitivity are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fixed rate				
– Housing loans/financing	**1,153,712**	1,145,645	**48,049**	35,408
– Hire purchase receivables	**64,370,774**	58,111,038	**52,218,458**	47,292,216
– Other fixed rate loans/financing	**24,737,573**	23,221,035	**12,042,524**	12,406,183
Variable rate				
– Base rate/Base lending rate plus	**254,562,527**	242,732,800	**202,358,027**	194,321,075
– Cost plus	**39,998,709**	37,822,072	**32,265,458**	31,428,956
– Other variable rates	**14,173,302**	13,859,347	**165,433**	166,672
	398,996,597	376,891,937	**299,097,949**	285,650,510

Gross loans, advances and financing analysed by economic purpose are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Purchase of securities	**3,766,169**	4,151,491	**3,171,160**	3,690,597
Purchase of transport vehicles	**67,510,435**	61,165,783	**52,651,399**	47,657,702
Purchase of properties	**253,120,816**	241,152,228	**194,470,363**	187,135,065
(of which: – residential	**168,491,831**	158,506,338	**125,695,541**	119,386,908
– non-residential)	**84,628,985**	82,645,890	**68,774,822**	67,748,157
Purchase of fixed assets (excluding properties)	**422,629**	434,072	**61,965**	74,061
Personal use	**16,082,685**	13,793,372	**8,805,561**	6,884,049
Credit card	**2,835,060**	2,528,424	**2,695,945**	2,438,998
Purchase of consumer durables	**678**	785	**206**	308
Construction	**7,436,894**	7,396,488	**4,946,684**	5,151,885
Working capital	**44,413,375**	42,173,138	**29,526,470**	29,383,925
Other purpose	**3,407,856**	4,096,156	**2,768,196**	3,233,920
	398,996,597	376,891,937	**299,097,949**	285,650,510

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by sector are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Agriculture, hunting, forestry and fishing	**3,014,419**	3,036,518	**2,424,390**	2,468,206
Mining and quarrying	**194,152**	236,131	**152,001**	128,535
Manufacturing	**12,056,303**	11,664,437	**8,911,634**	8,179,013
Electricity, gas and water	**66,952**	83,294	**38,938**	39,268
Construction	**17,675,022**	17,835,469	**13,522,086**	13,738,521
Wholesale & retail trade and restaurants & hotels	**33,954,367**	33,251,044	**27,127,990**	26,851,993
Transport, storage and communication	**4,783,692**	4,655,463	**2,385,338**	2,515,932
Finance, insurance and business services	**20,956,273**	19,736,990	**17,767,817**	17,567,542
Real estate	**23,524,481**	24,075,734	**17,644,900**	18,393,218
Community, social and personal services	**4,374,849**	3,308,015	**2,050,987**	1,925,417
Households	**276,747,324**	257,708,575	**207,065,338**	193,835,806
Others	**1,648,763**	1,300,267	**6,530**	7,059
	398,996,597	376,891,937	**299,097,949**	285,650,510

Movements in credit-impaired loans, advances and financing ("impaired loans/financing") are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	**1,584,096**	1,101,923	**1,063,774**	741,668
Impaired during the year	**2,791,971**	1,563,157	**1,342,043**	992,022
Reclassified as non-impaired	**(1,101,250)**	(453,297)	**(731,093)**	(308,069)
Recoveries	**(456,436)**	(316,789)	**(184,703)**	(211,222)
Amount written off	**(426,176)**	(270,376)	**(157,359)**	(105,953)
Loans/financing converted to foreclosed properties	**(71,178)**	(46,886)	**(62,492)**	(39,485)
Exchange differences	**14,345**	6,364	**559**	(5,187)
At 31 December	**2,335,372**	1,584,096	**1,270,729**	1,063,774
Gross impaired loans/financing as percentage of gross loans, advances and financing	**0.59%**	0.42%	**0.42%**	0.37%

Impaired loans/financing analysed by geographical distribution are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysia	**1,489,262**	1,186,647	**1,234,565**	1,028,531
Hong Kong SAR and the People's Republic of China	**547,102**	181,644	**–**	–
Cambodia	**97,900**	95,034	**–**	–
Other countries	**201,108**	120,771	**36,164**	35,243
	2,335,372	1,584,096	**1,270,729**	1,063,774

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired loans/financing analysed by economic purpose are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Purchase of securities	**34,242**	36,545	**34,242**	36,545
Purchase of transport vehicles	**212,001**	172,580	**128,359**	112,553
Purchase of properties	**1,510,176**	878,840	**870,082**	684,006
(of which: – residential	**652,007**	398,837	**394,463**	259,800
– non-residential)	**858,169**	480,003	**475,619**	424,206
Purchase of fixed assets (excluding properties)	**10,882**	8,702	**208**	285
Personal use	**125,795**	114,555	**31,349**	22,209
Credit card	**19,507**	17,364	**18,134**	16,414
Purchase of consumer durables	**–**	9	**–**	9
Construction	**24,171**	13,810	**7,809**	7,747
Working capital	**397,359**	339,279	**179,343**	181,622
Other purpose	**1,239**	2,412	**1,203**	2,384
	2,335,372	1,584,096	**1,270,729**	1,063,774

Impaired loans/financing analysed by sector are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Agriculture, hunting, forestry and fishing	**3,150**	13,084	**3,056**	13,026
Mining and quarrying	**15,018**	11,044	**14,842**	11,044
Manufacturing	**88,367**	88,494	**40,977**	41,573
Electricity, gas and water	**5,590**	5,362	**60**	5
Construction	**102,423**	96,278	**82,128**	86,948
Wholesale & retail trade and restaurants & hotels	**236,243**	142,330	**100,411**	113,292
Transport, storage and communication	**13,372**	14,679	**11,102**	8,770
Finance, insurance and business services	**47,910**	106,364	**28,032**	25,253
Real estate	**717,578**	355,283	**368,068**	331,503
Community, social and personal services	**8,492**	1,446	**8,295**	1,368
Households	**1,058,763**	731,229	**613,758**	430,991
Others	**38,466**	18,503	**–**	1
	2,335,372	1,584,096	**1,270,729**	1,063,774

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows:

GROUP 2023	Retail Loans/Financing Housing Loans/ Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2023	348,397	671,937	27,098	715,414	311,712	2,074,558
Changes due to loans, advances and financing recognised as at 1 January 2023	114,706	66,703	7,487	133,312	(10,840)	311,368
– Transfer to Stage 1: 12-Month ECL	115,739	72,855	8,203	147,113	782	344,692
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(965)	(5,399)	(618)	(11,274)	(11,583)	(29,839)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(68)	(753)	(98)	(2,527)	(39)	(3,485)
New loans, advances and financing originated	6,771	38,625	2,449	45,087	14,944	107,876
Net remeasurement due to changes in credit risk	(328,801)	(518,410)	(8,844)	(305,891)	(64,334)	(1,226,280)
Loans, advances and financing derecognised (other than write-off)	(1,627)	(13,294)	(340)	(30,374)	(9,992)	(55,627)
Modifications to contractual cash flows of loans, advances and financing	(833)	(254)	(132)	(102)	(1,594)	(2,915)
Changes in models/risk parameters	128	(9,201)	(16)	(7,885)	(8,258)	(25,232)
Amount written off	–	(749)	–	–	–	(749)
Exchange differences	286	299	4	(118)	77	548
At 31 December 2023	139,027	235,656	27,706	549,443	231,715	1,183,547

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

GROUP 2023	Retail Loans/Financing: Housing Loans/ Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2023	283,318	214,303	10,971	700,416	649,403	1,858,411
Changes due to loans, advances and financing recognised as at 1 January 2023	(119,338)	(71,567)	(4,177)	(152,527)	10,801	(336,808)
– Transfer to Stage 1: 12-Month ECL	(112,568)	(69,873)	(5,239)	(144,219)	(782)	(332,681)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	10,051	10,566	1,982	14,429	11,583	48,611
– Transfer to Stage 3: Lifetime ECL credit-impaired	(16,821)	(12,260)	(920)	(22,737)	–	(52,738)
New loans, advances and financing originated	5,854	8,849	618	39,514	7,197	62,032
Net remeasurement due to changes in credit risk	349,826	387,981	1,389	203,989	139,864	1,083,049
Loans, advances and financing derecognised (other than write-off)	(7,451)	(6,259)	(1,352)	(34,765)	(2,210)	(52,037)
Modifications to contractual cash flows of loans, advances and financing	(19,634)	(559)	1,741	(9,311)	(32,804)	(60,567)
Changes in models/risk parameters	653	(2,420)	(3)	(25,487)	(31,379)	(58,636)
Exchange differences	53	289	–	1,328	37	1,707
At 31 December 2023	493,281	530,617	9,187	723,157	740,909	2,497,151

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

GROUP 2023	Retail Loans/Financing: Housing Loans/ Financing RM'000	Retail Loans/Financing: Hire Purchase RM'000	Retail Loans/Financing: Credit Cards RM'000	Retail Loans/Financing: Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2023	43,763	102,599	13,986	116,817	98,687	375,852
Changes due to loans, advances and financing recognised as at 1 January 2023	4,632	4,864	(3,310)	19,215	39	25,440
– Transfer to Stage 1: 12-Month ECL	(3,171)	(2,982)	(2,964)	(2,894)	–	(12,011)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(9,086)	(5,167)	(1,364)	(3,155)	–	(18,772)
– Transfer to Stage 3: Lifetime ECL credit-impaired	16,889	13,013	1,018	25,264	39	56,223
New loans, advances and financing originated*	1,116	2,668	228	50,924	–	54,936
Net remeasurement due to changes in credit risk	66,688	112,735	15,299	197,381	73,117	465,220
Loans, advances and financing derecognised (other than write-off)	(1,943)	(13,165)	(1,757)	(6,127)	–	(22,992)
Modifications to contractual cash flows of loans, advances and financing	26,968	6,849	9,697	18,303	25,392	87,209
Changes in models/risk parameters	111	(1,603)	(7)	(393)	–	(1,892)
Amount written off	(56,228)	(90,917)	(18,375)	(260,656)	–	(426,176)
Exchange differences	197	964	7	6,684	1,006	8,858
Amount transferred to allowance for impairment loss on foreclosed properties	–	–	–	(535)	–	(535)
At 31 December 2023	85,304	124,994	15,768	141,613	198,241	565,920
Total ECL as at 31 December 2023	717,612	891,267	52,661	1,414,213	1,170,865	4,246,618

* New loans, advances and financing originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

GROUP 2022	Retail Loans/Financing: Housing Loans/ Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2022	65,559	843,922	24,377	689,865	486,678	2,110,401
Changes due to loans, advances and financing recognised as at 1 January 2022	34,501	103,715	9,198	102,142	(11,237)	238,319
– Transfer to Stage 1: 12-Month ECL	36,034	113,380	9,768	117,118	4,582	280,882
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,477)	(9,152)	(511)	(9,493)	(15,817)	(36,450)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(56)	(513)	(59)	(5,483)	(2)	(6,113)
New loans, advances and financing originated	7,295	34,666	2,321	46,354	18,018	108,654
Net remeasurement due to changes in credit risk	243,787	(297,374)	(6,076)	(81,827)	(141,344)	(282,834)
Loans, advances and financing derecognised (other than write-off)	(1,686)	(12,876)	(308)	(33,279)	(10,755)	(58,904)
Modifications to contractual cash flows of loans, advances and financing	(401)	(26)	(14)	(1,494)	(4,434)	(6,369)
Changes in models/risk parameters	(979)	–	(2,410)	(9,890)	(25,320)	(38,599)
Amount written off	–	(418)	–	–	–	(418)
Exchange differences	321	328	10	3,543	106	4,308
At 31 December 2022	348,397	671,937	27,098	715,414	311,712	2,074,558

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

GROUP 2022	Retail Loans/Financing Housing Loans/ Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2022	222,618	321,168	16,280	675,779	385,704	1,621,549
Changes due to loans, advances and financing recognised as at 1 January 2022	(36,536)	(103,716)	(6,841)	(120,573)	(27,179)	(294,845)
– Transfer to Stage 1: 12-Month ECL	(34,148)	(109,442)	(7,024)	(113,779)	(4,582)	(268,975)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	5,342	14,877	1,271	13,580	15,817	50,887
– Transfer to Stage 3: Lifetime ECL credit-impaired	(7,730)	(9,151)	(1,088)	(20,374)	(38,414)	(76,757)
New loans, advances and financing originated	6,453	6,975	630	31,247	6,262	51,567
Net remeasurement due to changes in credit risk	(47,783)	4,547	1,227	94,618	345,279	397,888
Loans, advances and financing derecognised (other than write-off)	(9,817)	(8,399)	(1,270)	(35,181)	(1,726)	(56,393)
Modifications to contractual cash flows of loans, advances and financing	149,352	(6,325)	945	125,894	31,291	301,157
Changes in models/risk parameters	(1,018)	–	–	(73,298)	(90,232)	(164,548)
Exchange differences	49	53	–	1,930	4	2,036
At 31 December 2022	283,318	214,303	10,971	700,416	649,403	1,858,411

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

GROUP 2022	Retail Loans/Financing: Housing Loans/ Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2022	30,943	104,525	6,376	86,035	14,460	242,339
Changes due to loans, advances and financing recognised as at 1 January 2022	2,035	1	(2,357)	18,432	38,415	56,526
– Transfer to Stage 1: 12-Month ECL	(1,886)	(3,938)	(2,744)	(3,339)	–	(11,907)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(3,865)	(5,725)	(760)	(4,087)	–	(14,437)
– Transfer to Stage 3: Lifetime ECL credit-impaired	7,786	9,664	1,147	25,858	38,415	82,870
New loans, advances and financing originated*	570	1,979	193	40,607	–	43,349
Net remeasurement due to changes in credit risk	35,500	61,965	11,917	141,716	42,547	293,645
Loans, advances and financing derecognised (other than write-off)	(1,067)	(18,419)	(961)	(5,043)	–	(25,490)
Modifications to contractual cash flows of loans, advances and financing	7,999	9,547	8,780	5,945	2,980	35,251
Changes in models/risk parameters	(1,049)	–	(149)	(1,314)	–	(2,512)
Amount written off	(30,765)	(57,766)	(9,822)	(172,023)	–	(270,376)
Exchange differences	87	767	9	3,092	285	4,240
Amount transferred to allowance for impairment loss on foreclosed properties	(490)	–	–	(630)	–	(1,120)
At 31 December 2022	43,763	102,599	13,986	116,817	98,687	375,852
Total ECL as at 31 December 2022	675,478	988,839	52,055	1,532,647	1,059,802	4,308,821

* New loans, advances and financing originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

BANK 2023	Retail Loans Housing Loans RM'000	Retail Loans Hire Purchase RM'000	Retail Loans Credit Cards RM'000	Retail Loans Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2023	206,430	514,292	26,211	356,306	289,697	1,392,936
Changes due to loans and advances recognised as at 1 January 2023	82,650	49,320	7,216	109,701	(8,021)	240,866
– Transfer to Stage 1: 12-Month ECL	83,365	53,502	7,887	118,549	290	263,593
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(679)	(3,892)	(578)	(8,730)	(8,311)	(22,190)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(36)	(290)	(93)	(118)	–	(537)
New loans and advances originated	4,854	31,276	2,055	13,011	12,886	64,082
Net remeasurement due to changes in credit risk	(196,369)	(397,263)	(9,009)	(188,474)	(64,604)	(855,719)
Loans and advances derecognised (other than write-off)	(1,261)	(10,665)	(317)	(5,351)	(8,789)	(26,383)
Modifications to contractual cash flows of loans and advances	(397)	(163)	(130)	(53)	(1,567)	(2,310)
Changes in models/risk parameters	99	(7,297)	(15)	(6,346)	(7,908)	(21,467)
Amount written off	–	(625)	–	–	–	(625)
Exchange differences	–	–	–	(2,744)	–	(2,744)
At 31 December 2023	96,006	178,875	26,011	276,050	211,694	788,636

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

BANK 2023	Retail Loans Housing Loans RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2023	209,449	151,293	10,356	511,098	560,827	1,443,023
Changes due to loans and advances recognised as at 1 January 2023	(86,339)	(49,695)	(3,999)	(113,132)	8,021	(245,144)
– Transfer to Stage 1: 12-Month ECL	(81,271)	(51,356)	(5,005)	(117,980)	(290)	(255,902)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	7,432	7,789	1,861	10,849	8,311	36,242
– Transfer to Stage 3: Lifetime ECL credit-impaired	(12,500)	(6,128)	(855)	(6,001)	–	(25,484)
New loans and advances originated	3,495	5,900	497	13,650	4,125	27,667
Net remeasurement due to changes in credit risk	178,914	272,438	1,265	129,336	130,448	712,401
Loans and advances derecognised (other than write-off)	(5,677)	(4,755)	(1,250)	(22,218)	(1,868)	(35,768)
Modifications to contractual cash flows of loans and advances	(17,528)	(384)	1,566	(7,796)	(27,756)	(51,898)
Changes in models/risk parameters	488	(1,800)	(3)	(18,947)	(27,889)	(48,151)
At 31 December 2023	282,802	372,997	8,432	491,991	645,908	1,802,130

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

	Retail Loans					
BANK **2023**	**Housing Loans RM'000**	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Loans RM'000**	**Corporate Loans RM'000**	**Total RM'000**
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2023	31,587	65,484	13,457	33,760	92,598	236,886
Changes due to loans and advances recognised as at 1 January 2023	3,689	375	(3,217)	3,431	–	4,278
– Transfer to Stage 1: 12-Month ECL	(2,094)	(2,146)	(2,882)	(569)	–	(7,691)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(6,753)	(3,897)	(1,283)	(2,119)	–	(14,052)
– Transfer to Stage 3: Lifetime ECL credit-impaired	12,536	6,418	948	6,119	–	26,021
New loans and advances originated*	497	1,986	188	418	–	3,089
Net remeasurement due to changes in credit risk	43,092	68,242	13,910	39,805	(141)	164,908
Loans and advances derecognised (other than write-off)	(1,694)	(9,811)	(1,642)	(1,899)	–	(15,046)
Modifications to contractual cash flows of loans and advances	21,374	5,065	9,050	16,331	25,392	77,212
Changes in models/risk parameters	75	(1,170)	(7)	(369)	–	(1,471)
Amount written off	(42,510)	(49,864)	(17,013)	(47,972)	–	(157,359)
Exchange differences	–	–	–	2,635	–	2,635
Amount transferred to allowance for impairment loss on foreclosed properties	–	–	–	(535)	–	(535)
At 31 December 2023	56,110	80,307	14,726	45,605	117,849	314,597
Total ECL as at 31 December 2023	434,918	632,179	49,169	813,646	975,451	2,905,363

* New loans and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

BANK 2022	Retail Loans Housing Loans RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2022	45,316	644,703	23,565	335,784	423,037	1,472,405
Changes due to loans and advances recognised as at 1 January 2022	27,547	78,651	9,039	80,694	(2,803)	193,128
– Transfer to Stage 1: 12-Month ECL	28,593	85,515	9,581	87,271	4,579	215,539
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,022)	(6,585)	(486)	(6,496)	(7,382)	(21,971)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(24)	(279)	(56)	(81)	–	(440)
New loans and advances originated	4,949	28,037	2,134	11,966	16,070	63,156
Net remeasurement due to changes in credit risk	130,281	(226,391)	(8,220)	(56,053)	(110,186)	(270,569)
Loans and advances derecognised (other than write-off)	(1,276)	(10,319)	(293)	(6,731)	(8,719)	(27,338)
Modifications to contractual cash flows of loans and advances	(387)	(23)	(14)	(1,472)	(4,400)	(6,296)
Changes in models/risk parameters	–	–	–	(7,429)	(23,302)	(30,731)
Amount written off	–	(366)	–	–	–	(366)
Exchange differences	–	–	–	(453)	–	(453)
At 31 December 2022	206,430	514,292	26,211	356,306	289,697	1,392,936

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

BANK 2022	Retail Loans Housing Loans RM'000	Retail Loans Hire Purchase RM'000	Retail Loans Credit Cards RM'000	Retail Loans Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2022	179,183	235,615	15,815	492,605	378,884	1,302,102
Changes due to loans and advances recognised as at 1 January 2022	(29,357)	(78,721)	(6,688)	(80,028)	(35,610)	(230,404)
– Transfer to Stage 1: 12-Month ECL	(27,122)	(82,429)	(6,874)	(86,133)	(4,579)	(207,137)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	3,897	10,532	1,225	10,028	7,382	33,064
– Transfer to Stage 3: Lifetime ECL credit-impaired	(6,132)	(6,824)	(1,039)	(3,923)	(38,413)	(56,331)
New loans and advances originated	3,123	4,640	549	11,860	6,187	26,359
Net remeasurement due to changes in credit risk	(42,205)	611	996	53,756	294,229	307,387
Loans and advances derecognised (other than write-off)	(7,781)	(6,242)	(1,198)	(27,761)	(1,621)	(44,603)
Modifications to contractual cash flows of loans and advances	106,486	(4,610)	882	106,762	219	209,739
Changes in models/risk parameters	–	–	–	(46,096)	(81,461)	(127,557)
At 31 December 2022	209,449	151,293	10,356	511,098	560,827	1,443,023

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

BANK 2022	Retail Loans Housing Loans RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2022	23,009	70,226	6,068	27,547	9,564	136,414
Changes due to loans and advances recognised as at 1 January 2022	1,810	70	(2,351)	(666)	38,413	37,276
– Transfer to Stage 1: 12-Month ECL	(1,471)	(3,086)	(2,707)	(1,138)	–	(8,402)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(2,875)	(3,947)	(739)	(3,532)	–	(11,093)
– Transfer to Stage 3: Lifetime ECL credit-impaired	6,156	7,103	1,095	4,004	38,413	56,771
New loans and advances originated*	182	1,555	193	68	–	1,998
Net remeasurement due to changes in credit risk	26,786	45,366	11,471	31,536	41,641	156,800
Loans and advances derecognised (other than write-off)	(748)	(14,259)	(877)	(2,627)	–	(18,511)
Modifications to contractual cash flows of loans and advances	6,495	7,653	8,491	4,363	2,980	29,982
Amount written off	(25,457)	(45,127)	(9,538)	(25,831)	–	(105,953)
Amount transferred to allowance for impairment loss on foreclosed properties	(490)	–	–	(630)	–	(1,120)
At 31 December 2022	31,587	65,484	13,457	33,760	92,598	236,886
Total ECL as at 31 December 2022	447,466	731,069	50,024	901,164	943,122	3,072,845

* New loans and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Financial assets that are purchased or originated and credit-impaired

The Group and the Bank do not purchase or originate credit-impaired loans, advances and financing.

Write-off of loans, advances and financing which are still under enforcement activity

The contractual amount outstanding on loans, advances and financing that were written off during the year and that are still subject to enforcement activity for the Group and the Bank are RM426,176,000 (2022 – RM270,376,000) and RM157,359,000 (2022 – RM105,953,000) respectively.

Information about the nature and effect of modification on the measurement of allowance for impairment on loans/financing

The amortised costs prior to modification of loans, advances and financing of the Group and of the Bank that were modified but not derecognised during the year for which allowance for impairment was measured at an amount equal to lifetime ECL are RM3,168,995,000 (2022 – RM7,885,775,000) and RM2,319,050,000 (2022 – RM6,142,537,000) respectively.

Gross carrying amount of previously modified loans, advances and financing for which loss allowance has changed to 12-Month ECL measurement during the year for the Group and the Bank are RM1,471,910,000 (2022 – RM540,476,000) and RM1,074,389,000 (2022 – RM429,551,000) respectively as at the end of the year.

Collateral and other credit enhancements

The Group's and the Bank's policies regarding obtaining collateral have not significantly changed during the year and there has been no significant change in the overall quality of the collateral held by the Group and the Bank since the end of the previous financial year.

In line with the Group's and the Bank's ECL model, no loss allowance was recognised for certain loans, advances and financing which were individually assessed where the expected realisable value of the underlying collateral were higher than the exposure at default at the reporting date. The carrying amount of such financial assets for the Group and the Bank are RM174,846,000 (2022 – RM165,388,000) and RM116,526,000 (2022 – RM109,231,000) respectively as at the end of the year.

Impact of movements in gross carrying amount of loans, advances and financing on allowance for loans, advances and financing

The following explains the key changes in the allowance for impairment of loans, advances and financing as well as how significant changes in the gross carrying amount of loans, advances and financing during the financial year have contributed to the changes in the allowance for impairment on loans, advances and financing for the Group and the Bank.

Overall, the total allowance for impairment on loans, advances and financing for the Group and the Bank decreased by RM62.2 million and RM167.5 million respectively, due to the following:

a) 12-month ECL (Stage 1) - decreased by RM891.0 million and RM604.3 million respectively for the Group and the Bank, mainly due to:

   – loans, advances and financing that were repaid or remeasurement of ECL due to improvement in credit quality;
   – recalibration of forward looking macro-economic variables used in the Group's models; and
   – loans, advances and financing derecognised due to full settlement;

   partially offset by

   – loans, advances and financing that were newly originated.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impact of movements in gross carrying amount of loans, advances and financing on allowance for loans, advances and financing (continued)

b) Lifetime ECL Not Credit-Impaired (Stage 2) - increased by RM638.7 million and RM359.1 million respectively for the Group and the Bank, mainly due to:

– loans, advances and financing that migrated to Stage 2 from Stage 1 as a result of deterioration in credit quality;

partially offset by

– recalibration of forward looking macro-economic variables used in the Group's models.

c) Lifetime ECL Credit-Impaired (Stage 3) – increased by RM190.1 million and RM77.7 million respectively for the Group and the Bank, mainly due to:

– loans, advances and financing that migrated to Stage 3 due to deterioration in credit quality;

partially offset by

– loans, advances and financing that were written off.

10. OTHER ASSETS

		GROUP		BANK	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred handling fees	(i)	**291,936**	258,491	**226,412**	203,529
Interest/Income receivable		**112,439**	82,242	**31,000**	30,448
Other receivables, deposits and prepayments		**2,308,440**	2,399,026	**1,929,572**	2,059,811
Collateral pledged for derivative transactions		**54,095**	198,436	**54,095**	198,436
Employee benefits	11	**17,079**	158,128	**16,821**	155,393
Amount due from trust funds	(ii)	**229,020**	176,012	**–**	–
Foreclosed properties#		**232,790**	209,247	**200,556**	180,978
Outstanding contracts on clients' accounts	(iii)	**255,890**	268,283	**–**	–
Amount due from subsidiary companies	(iv)	**–**	–	**39,104**	42,695
Distribution receivable from collective investments	43(b)	**–**	–	**36,468**	32,295
Dividend receivable from subsidiary companies	43(b)	**–**	–	**554,300**	597,292
		3,501,689	3,749,865	**3,088,328**	3,500,877
# Stated net of accumulated allowance for impairment loss		**73,228**	73,215	**66,632**	69,123

(i) This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase loans/financing.

(ii) This balance refers to amount due from trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units. It also includes management fee receivable from trust funds.

(iii) This balance represents outstanding purchase contracts in respect of the stock-broking business of the subsidiary companies entered into on behalf of clients where settlements have yet to be made by clients.

(iv) These balances are unsecured, non-interest bearing and are repayable on demand.

11. EMPLOYEE BENEFITS

Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a defined benefit plan known as the Public Bank Group Officers' Retirement Benefits Fund ("the Fund") for its eligible employees. Under the Fund, eligible employees are entitled to one month of the final or last drawn salary for each completed year of service with the Group upon attainment of retirement age. Effective from 1 July 2013, the normal retirement age was raised from 55 years to 60 years in accordance with Malaysia's Minimum Retirement Age Act 2012, and an optional retirement age, from 55 years to anytime prior to 60 years was introduced. For employees who leave before the attainment of the normal retirement age or the optional retirement age, the retirement benefit will be computed based on the scale rate stipulated in the rules of the Fund.

The defined benefit plan is a tax exempt fund, fully funded by the Bank and certain subsidiary companies which are participating companies of the plan. Employees are not required to contribute to the plan. The funding requirements are based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions as set out below. The latest actuarial valuation for funding purposes was made as at 31 December 2023 by Actuarial Partners Consulting Sdn. Bhd ("Actuary").

As at 31 December 2023, the plan is in surplus of RM17,079,000 (31 December 2022: RM158,128,000). Cash contributions were made to the plan during the financial year by the Bank and the participating subsidiary companies. The Actuary has projected that the cash contributions are required to be made in the coming years until the next actuarial valuation in 2026.

The assets of the Fund are held separately from the assets of the Group and of the Bank and are administered by a board of trustees. There are three (3) trustees currently, one (1) of the trustees is a member of the Board of Directors of the Bank and the remaining two (2) trustees are members of senior management of the Bank.

The defined benefit plan exposes the Group and the Bank to actuarial risks such as market (investment) risk, interest rate risk and salary risk. Market risk arises from investments delivering an inadequate return; changes in interest rate would affect the cost of borrowings as well as valuation of plan obligations; salary risk arises from higher than expected salary increase leading to higher plan obligations.

The investments of the plan comply with the requirement of the income tax ruling for tax exempt funds that 80% of the plan assets (gross) are invested in specified assets with at least 20% of plan assets (gross) in government issued securities. The strategic investment policy of the defined benefit plan can be summarised as plan asset mix based on 20% to 35% of investment properties, 20% to 25% of government securities and 40% to 60% in a combination of equities, unit trusts and cash.

Compliance with investment policies is reported quarterly to the Board of Trustees.

The amounts recognised in the statements of financial position are determined as follows:

		GROUP		BANK	
	Note	**2023 RM'000**	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Present value of funded obligations		**(1,402,791)**	(1,191,426)	**(1,381,609)**	(1,170,814)
Fair value of plan assets		**1,419,870**	1,349,554	**1,398,430**	1,326,207
Net assets	10	**17,079**	158,128	**16,821**	155,393

11. EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (continued)

Movements in the present value of funded obligations are as follows:

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Obligation at 1 January	**1,191,426**	1,233,344	**1,170,814**	1,213,241
Recognised in profit or loss				
– current service cost	**68,807**	74,223	**67,768**	72,939
– interest cost	**61,997**	56,107	**61,061**	55,137
– allocation adjustment	**–**	–	**2,621**	(1,234)
Benefits paid – the Fund	**(90,368)**	(92,144)	**(89,003)**	(90,551)
Remeasurements recognised in other comprehensive income				
– effects of changes in financial assumptions	**103,907**	(80,104)	**102,338**	(78,718)
– effects of experience adjustments	**67,022**	–	**66,010**	–
Obligation at 31 December	**1,402,791**	1,191,426	**1,381,609**	1,170,814

Movements in the fair value of plan assets are as follows:

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Fair value at 1 January	**1,349,554**	1,313,250	**1,326,207**	1,291,845
Recognised in profit or loss				
– interest income	**72,261**	61,382	**71,169**	60,320
– allocation adjustment	**–**	–	**1,626**	(811)
Contributions made	**75,792**	71,669	**74,471**	70,542
Benefits paid – the Fund	**(90,368)**	(92,144)	**(89,003)**	(90,551)
Remeasurements recognised in other comprehensive income				
– remeasurements on plan assets	**12,631**	(4,603)	**12,440**	(4,523)
– allocation adjustment	**–**	–	**1,520**	(615)
Fair value at 31 December	**1,419,870**	1,349,554	**1,398,430**	1,326,207

11. EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (continued)

The fair value of plan assets constitutes the following:

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Deposit placements and cash	**23**	15	**23**	15
Government securities	**560,692**	552,358	**552,225**	542,802
Unquoted corporate bonds	**259,603**	256,500	**255,683**	252,063
Quoted equity securities[1]	**923,255**	927,504	**909,314**	911,459
Unit trust funds[2]	**48,423**	45,329	**47,691**	44,544
Properties[3]	**922,873**	888,706	**908,938**	873,331
Plan assets (gross)	**2,714,869**	2,670,412	**2,673,874**	2,624,214
Other liabilities (net)	**(13,031)**	(12,524)	**(12,834)**	(12,307)
Borrowings	**(1,281,968)**	(1,308,334)	**(1,262,610)**	(1,285,700)
	1,419,870	1,349,554	**1,398,430**	1,326,207

[1] Quoted equity securities analysed by sector are as follows:

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Financial institutions*	**622,508**	626,801	**613,109**	615,958
Insurance companies	**224,435**	237,196	**221,046**	233,092
Property companies	**76,294**	63,489	**75,141**	62,391
Commercial/trading companies	**18**	18	**18**	18
	923,255	927,504	**909,314**	911,459

* Included in the fair value of equity securities of the Fund are ordinary shares of the Bank with a fair value of RM620,256,000 (2022 – RM624,594,000).

[2] Unit trust funds analysed by type of fund are as follows:

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Equity funds	**48,423**	45,329	**47,691**	44,544

11. EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (continued)

[3] Properties* analysed by type of property are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Terraced shop offices	**860,285**	827,011	**847,295**	812,703
Stratified office lots	**34,493**	33,670	**33,972**	33,088
Commercial buildings	**26,430**	26,430	**26,031**	25,973
Residential buildings	**1,665**	1,595	**1,640**	1,567
	922,873	888,706	**908,938**	873,331

* All the properties held as plan assets of the Group and of the Bank are occupied by the Bank and certain subsidiary companies of the Bank. Certain floors in the commercial buildings and terraced shop offices are tenanted by external parties of which they contributed about 1.7% (2022: 1.6%) of the total rental income from properties.

The amounts recognised under other operating expenses in the statement of profit or loss are as follows:

		GROUP		BANK	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Current service cost		**68,807**	74,223	**67,768**	72,939
Interest cost		**61,997**	56,107	**61,061**	55,137
Interest income		**(72,261)**	(61,382)	**(71,169)**	(60,320)
Allocation adjustment		**–**	–	**995**	(423)
Amount included under "personnel costs – pension costs"	36	**58,543**	68,948	**58,655**	67,333

Remeasurements recognised in other comprehensive income are as follows:

		GROUP		BANK	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Present value of funded obligations:					
– effects of changes in financial assumptions		**(103,907)**	80,104	**(102,338)**	78,718
– effects of experience adjustments		**(67,022)**	–	**(66,010)**	–
Fair value of plan assets:					
– remeasurements on plan assets		**12,631**	(4,603)	**12,440**	(4,523)
– allocation adjustment		**–**	–	**1,520**	(615)
	30	**(158,298)**	75,501	**(154,388)**	73,580

11. EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (continued)

Actual return on plan assets is as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest income on plan assets	**72,261**	61,382	**71,169**	60,320
Remeasurements on plan assets	**12,631**	(4,603)	**12,440**	(4,523)
Allocation adjustment	**–**	–	**3,146**	(1,426)
Actual return on plan assets	**84,892**	56,779	**86,755**	54,371

(i) Actuarial Assumptions

Principal actuarial assumptions used at the reporting date (expressed as weighted averages) are as follows:

	GROUP AND BANK	
	2023	2022
Discount rate	**4.60%**	5.40%
Expected rate of salary increases	**6.00%**	6.00%

The discount rate used in the actuarial assumptions is based on a blend of yields of long term high quality corporate bonds. The expected rate of salary increases takes into account the increases in salaries from factors such as inflation, productivity and promotions.

As at 31 December 2023, the weighted average duration of the defined benefit obligation was 10.0 years.

(ii) Sensitivity Analysis

The effect of changes in the principal actuarial assumptions on the present value of funded obligations are as follows:

	2023 Sensitivity		2022 Sensitivity	
	+1% RM'000	–1% RM'000	+1% RM'000	–1% RM'000
GROUP				
(Decrease)/Increase in present value of funded obligations:				
– Discount rate	**(127,877)**	**149,491**	(102,812)	117,110
– Expected salary	**143,831**	**(125,881)**	139,823	(123,913)
BANK				
(Decrease)/Increase in present value of funded obligations:				
– Discount rate	**(125,946)**	**147,234**	(101,033)	115,084
– Expected salary	**141,659**	**(123,980)**	137,404	(121,770)

The sensitivity analysis presented above may not be representative of the actual change in the present value of funded obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

12. STATUTORY DEPOSITS WITH CENTRAL BANKS

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Bank Negara Malaysia	**6,890,295**	6,164,506	**5,140,000**	4,376,415
Other central banks	**636,458**	717,898	**29,488**	19,570
	7,526,753	6,882,404	**5,169,488**	4,395,985

The non-interest bearing statutory deposits are 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 ("SRR") is determined based on a set percentage of total eligible liabilities.

Banks in Malaysia were allowed to use Malaysian Government Securities and Malaysian Government Investment Issues to fully meet the SRR compliance only until 31 December 2022.

The statutory deposits of the overseas subsidiary companies and overseas branches are denominated in foreign currencies and are maintained with the central banks of the respective countries, in compliance with the applicable legislations in the respective countries.

13. DEFERRED TAX

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
At 1 January	**547,014**	448,014	**392,775**	273,782
Recognised in profit or loss (net) (Note 40)				
– relating to origination and reversal of temporary differences	**21,195**	41,651	**22,167**	59,194
– (over)/under provision of net deferred tax assets	**(3,966)**	(5,198)	**(3,989)**	407
Recognised in equity (net) (Note 30)	**(90,837)**	64,178	**(54,388)**	59,392
Exchange differences	**(298)**	(1,631)	**–**	–
At 31 December	**473,108**	547,014	**356,565**	392,775

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities in respect of each entity and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Deferred tax assets, net	**567,305**	630,201	**356,565**	392,775
Deferred tax liabilities, net	**(94,197)**	(83,187)	**–**	–
	473,108	547,014	**356,565**	392,775

The Group and the Bank previously recognised deferred tax in relation to leases on a net basis. Arising from the adoption of the amendments to MFRS 112 Income Taxes (Note 2 (i)) during the financial year, the Group and the Bank reclassified the deferred tax recognised on the right-of-use assets to deferred tax liabilities.

13. DEFERRED TAX (CONTINUED)

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

	GROUP		BANK	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000 (Restated)
Deferred tax assets	**973,596**	967,085	**806,522**	803,079
Deferred tax liabilities	**(500,488)**	(420,071)	**(449,957)**	(410,304)
	473,108	547,014	**356,565**	392,775

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group	**Allowance for Losses on Loans and Financing RM'000**	**Other Temporary Differences* RM'000**	**Total RM'000**
At 1 January 2022			
– as previously stated	426,129	309,222	735,351
– effects of adoption of Amendments to MFRS 112	–	196,380	196,380
At 1 January 2022, as restated	426,129	505,602	931,731
Recognised in profit or loss (Note 40)			
– relating to origination and reversal of temporary differences	37,200	4,745	41,945
– effects of adoption of Amendments to MFRS 112	–	(1,079)	(1,079)
– over provision	–	(5,671)	(5,671)
Exchange differences	(468)	627	159
At 31 December 2022, as restated	462,861	504,224	967,085
Recognised in profit or loss (Note 40)			
– relating to origination and reversal of temporary differences	**47,281**	**(37,237)**	**10,044**
– under/(over) provision	**66**	**(4,688)**	**(4,622)**
Exchange differences	**610**	**479**	**1,089**
At 31 December 2023	**510,818**	**462,778**	**973,596**

* Mainly consist of temporary differences in respect of provision for other operating expenses.

13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax liabilities of the Group	Defined Benefit Assets RM'000	Revaluation Reserves RM'000	Excess of Capital Allowances Over Depreciation RM'000	Hedging Reserves RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2022						
– as previously stated	18,896	(69,567)	113,673	1,128	223,207	287,337
– effects of adoption of Amendments to MFRS 112	–	–	–	–	196,380	196,380
At 1 January 2022, as restated	18,896	(69,567)	113,673	1,128	419,587	483,717
Recognised in profit or loss (Note 40)						
– relating to origination and reversal of temporary differences	585	–	(4,666)	–	4,375	294
– effects of adoption of Amendments to MFRS 112	–	–	–	–	(1,079)	(1,079)
– over provision	–	–	(473)	–	–	(473)
Recognised in equity (Note 30)	18,163	(135,830)	–	53,489	–	(64,178)
Exchange differences	1	–	1,447	1	341	1,790
At 31 December 2022, as restated	37,645	(205,397)	109,981	54,618	423,224	420,071
Recognised in profit or loss (Note 40)						
– relating to origination and reversal of temporary differences	**4,087**	**–**	**(4,625)**	**–**	**(10,613)**	**(11,151)**
– under/(over) provision	**131**	**–**	**(787)**	**–**	**–**	**(656)**
Recognised in equity (Note 30)	**(37,863)**	**146,305**	**–**	**(17,605)**	**–**	**90,837**
Exchange differences	**–**	**–**	**1,137**	**–**	**250**	**1,387**
At 31 December 2023	**4,000**	**(59,092)**	**105,706**	**37,013**	**412,861**	**500,488**

13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax assets of the Bank	Allowance for Losses on Loans RM'000	Other Temporary Differences* RM'000	Total RM'000
At 1 January 2022			
– as previously stated	303,684	194,914	498,598
– effects of adoption of Amendments to MFRS 112	–	256,439	256,439
At 1 January 2022, as restated	303,684	451,353	755,037
Recognised in profit or loss (Note 40)			
– relating to origination and reversal of temporary differences	17,190	36,066	53,256
– effects of adoption of Amendments to MFRS 112	–	(5,149)	(5,149)
– over provision	–	(65)	(65)
At 31 December 2022, as restated	320,874	482,205	803,079
Recognised in profit or loss (Note 40)			
– relating to origination and reversal of temporary differences	**40,930**	**(32,842)**	**8,088**
– over provision	**(26)**	**(4,619)**	**(4,645)**
At 31 December 2023	**361,778**	**444,744**	**806,522**

* Mainly consist of temporary differences in respect of provision for other operating expenses.

13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax liabilities of the Bank	Defined Benefit Assets RM'000	Revaluation Reserves RM'000	Excess of Capital Allowances Over Depreciation RM'000	Hedging Reserves RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2022						
– as previously stated	18,626	(36,934)	65,049	22,564	155,511	224,816
– effects of adoption of Amendments to MFRS 112	–	–	–	–	256,439	256,439
At 1 January 2022, as restated	18,626	(36,934)	65,049	22,564	411,950	481,255
Recognised in profit or loss (Note 40)						
– relating to origination and reversal of temporary differences	767	–	(7,106)	–	401	(5,938)
– effects of adoption of Amendments to MFRS 112	–	–	–	–	(5,149)	(5,149)
– over provision	–	–	(472)	–	–	(472)
Recognised in equity (Note 30)	17,659	(104,505)	–	27,454	–	(59,392)
At 31 December 2022, as restated	37,052	(141,439)	57,471	50,018	407,202	410,304
Recognised in profit or loss (Note 40)						
– relating to origination and reversal of temporary differences	**3,814**	**–**	**(7,660)**	**–**	**(10,233)**	**(14,079)**
– under/(over) provision	**131**	**–**	**(787)**	**–**	**–**	**(656)**
Recognised in equity (Note 30)	**(37,053)**	**104,408**	**–**	**(12,967)**	**–**	**54,388**
At 31 December 2023	**3,944**	**(37,031)**	**49,024**	**37,051**	**396,969**	**449,957**

13. DEFERRED TAX (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items as it is not probable that the respective subsidiary companies will generate sufficient future taxable profits available against which these can be utilised:

	GROUP	
	2023 RM'000	2022 RM'000
Unutilised tax losses	**5,865**	5,482
Unutilised capital allowances	**21,194**	21,194

Subject to the agreement by the relevant tax authorities, the Group has unabsorbed tax losses and unabsorbed capital allowances carried forward of RM5,865,000 (2022 - RM5,482,000) and RM21,194,000 (2022 - RM21,194,000) respectively which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses and unutilised capital allowances.

14. COLLECTIVE INVESTMENTS

Details of the collective investments of the Bank are as follows:

			Effective Interest	
Name of Funds	Principal Activities	Place of Incorporation	2023 %	2022 %
Public Institutional Bond Fund	Bond fund	Malaysia	**100.0**	100.0
Public Wholesale Income Fund	Wholesale income fund	Malaysia	**93.6**	100.0
Public Islamic Wholesale Income Fund	Wholesale income fund	Malaysia	**94.1**	100.0

The collective investments have been consolidated in accordance with MFRS 10 Consolidated Financial Statements.

15. INVESTMENT IN SUBSIDIARY COMPANIES

	2023		2022	
BANK	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
At cost:				
Quoted shares outside Malaysia				
– Quoted shares in Hong Kong SAR	**1,672,194**	**760,500**	1,672,194	1,095,275
Unquoted shares				
– In Malaysia	**3,631,471**		3,631,034	
– Outside Malaysia	**1,491,918**		1,491,918	
	6,795,583		6,795,146	
Less: Accumulated impairment losses	**(980)**		(980)	
	6,794,603		6,794,166	

15. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest 2023 %	Effective Interest 2022 %
Local subsidiary companies			
Public Islamic Bank Berhad	Islamic banking	**100.0**	100.0
Public Investment Bank Berhad	Investment banking	**100.0**	100.0
Public Invest Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Invest Nominees (Asing) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Consolidated Holdings Sdn. Bhd.	Investment holding	**100.0**	100.0
Public Mutual Berhad	Sale and management of unit trust funds and private retirement schemes	**100.0**	100.0
Public Holdings Sdn. Bhd.	Property holding	**100.0**	100.0
Public Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Nominees (Asing) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Bank (L) Ltd.	Labuan banking	**100.0**	100.0
PB Trust (L) Ltd.	Labuan trust company	**100.0**	100.0
PB Trustee Services Berhad	Trustee services	**100.0**	100.0
PB Venture Capital Sdn. Bhd.	Investment holding	**100.0**	100.0
Public Leasing & Factoring Sdn. Bhd.	Leasing and factoring	**100.0**	100.0
PB International Factors Sdn. Bhd.	Investment holding	**100.0**	100.0

15. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows (continued):

Name	Principal Activities	Effective Interest 2023 %	Effective Interest 2022 %
Overseas subsidiary companies			
Cambodian Public Bank Plc++	Banking	**100.0**	100.0
Campu Securities Plc++	Securities dealing and underwriting	**100.0**	100.0
Campu Lonpac Insurance Plc++	General insurance	**55.0**	55.0
Public Financial Holdings Limited+*	Investment and property holding	**73.2**	73.2
Public Bank (Hong Kong) Limited+	Banking	**73.2**	73.2
Public Finance Limited+	Deposit-taking and finance	**73.2**	73.2
Public Financial Limited+	Investment holding	**73.2**	73.2
Public Securities Limited+	Securities brokerage	**73.2**	73.2
Public Securities (Nominees) Limited+	Nominee services	**73.2**	73.2
Public Financial Securities Limited+	Securities brokerage	**73.2**	73.2
Public Bank (Nominees) Limited+	Nominee services	**73.2**	73.2
Public Futures Limited+	Dormant	**73.2**	73.2
Winton (B.V.I.) Limited+	Investment holding	**73.2**	73.2
Winton Financial Limited+	Provision of financing	**73.2**	73.2
Winton Motors, Limited+	Trading of taxi cabs and taxi licences, and leasing of taxis	**73.2**	73.2
Public Bank Vietnam Limited#	Banking	**100.0**	100.0
Public Bank Lao Limited+++	Banking	**100.0**	–

* Shares quoted on The Stock Exchange of Hong Kong Limited.
\+ Subsidiary companies audited by Ernst & Young Hong Kong.
++ Subsidiary companies audited by Ernst & Young Cambodia.
\# Subsidiary company audited by KPMG Vietnam.
+++ Subsidiary company audited by Ernst & Young Lao Company Limited.

All the local subsidiary companies are incorporated in Malaysia. All the overseas subsidiary companies are incorporated in Hong Kong SAR except for Public Financial Holdings Limited which is incorporated in Bermuda, Cambodian Public Bank Plc, Campu Securities Plc and Campu Lonpac Insurance Plc which are incorporated in Cambodia, Winton (B.V.I.) Limited which is incorporated in the British Virgin Islands, Public Bank Vietnam Limited which is incorporated in Socialist Republic of Vietnam, and Public Bank Lao Limited which is incorporated in Lao People's Democratic Republic.

15. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

a) Subscription of Shares Issued by a Subsidiary Company

During the year, the Bank subscribed to shares issued by its wholly-owned subsidiary company, PB Trust (L) Ltd. for a total consideration of USD100,000 (RM437,000 equivalent).

b) Commencement of Business Operations of Public Bank Lao Limited ("PB Lao")

On 1 January 2024, PB Lao commenced its operations as the Bank's wholly-owned banking subsidiary company in Lao People's Democratic Republic ("PDR"), by taking over the existing foreign bank branches of the Bank in Lao PDR following the issuance of a banking license by the Bank of Lao PDR on 21 November 2023.

c) Proposed Acquisition of 100% Equity Interest in RHB Securities Vietnam Company Limited ("RHBSVN") by Public Bank Vietnam Limited ("PBVN")

On 19 February 2024, PBVN, a wholly-owned subsidiary company of the Bank entered into a sale and purchase agreement ("SPA") with RHB Investment Bank Berhad, a wholly-owned subsidiary of RHB Bank Berhad for the proposed acquisition of 100% equity interest in RHBSVN. The proposed acquisition is for a cash consideration of VND374.00 billion (RM72.55 million equivalent), subject to adjustments based on the terms and conditions of the SPA.

RHBSVN is incorporated and domiciled in Vietnam and its principal activities include the provision of securities brokerage service, securities investment consultancy service, securities custodian service and proprietary securities trading.

The proposed acquisition is not expected to have any material effect on the earnings and net assets of the Group. Barring any unforseen circumstances, the proposed acquisition is expected to contribute positively to the future earnings of the Group.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Bank, non-controlling shareholders hold protective rights restricting the Bank's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

The Bank's subsidiary companies which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

16. INVESTMENT IN ASSOCIATED COMPANIES

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Unquoted shares, at cost	**135,010**	135,010	**67,500**	67,500
Share of post-acquisition reserves	**6,733**	(14,846)	**–**	–
	141,743	120,164	**67,500**	67,500
Represented by:				
Group's share of net assets	**141,743**	120,164		

16. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

The summarised financial information of associated companies is as follows:

	GROUP 2023 RM'000	GROUP 2022 RM'000
Total assets	**4,206,367**	3,422,225
Total liabilities	**3,768,971**	3,045,794
Operating revenue	**2,499,105**	2,141,577
Profit after tax	**246,720**	231,522
Total comprehensive income	**253,287**	223,902

Details of the associated companies, all of which are unquoted, are as follows:

Name	Principal Activities	Place of Incorporation	Effective Interest 2023 %	Effective Interest 2022 %
AIA PUBLIC Takaful Berhad	Family takaful	Malaysia	**30.0**	30.0
CPB Properties Co., Ltd.	Property holding	Cambodia	**49.0**	49.0

There are no significant restrictions on the ability of the associated companies to transfer funds to the Group in the form of cash dividends.

The Group's associated companies are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

17. INVESTMENT PROPERTIES

	Note	GROUP 2023 RM'000	GROUP 2022 RM'000
At fair value			
At 1 January		**669,570**	606,074
Transfer from owner-occupied property			
– Right-of-use assets	18(i)(a)	**30,350**	–
– Property and equipment	19	**153**	2,054
Reversal of over provision		**–**	(13,149)
Fair valuation (loss)/gain recognised in profit or loss	35	**(8,646)**	5,110
Fair valuation gain recognised in other comprehensive income as a result of transfer from owner-occupied property		**43,816**	15,046
Addition		**350**	43,361
Exchange differences		**9,367**	11,074
At 31 December		**744,960**	669,570
Included in the above are:			
Freehold land and building		**435,360**	425,950
Short term leasehold land and building		**220,914**	224,087
Long term leasehold land and building		**88,686**	19,533
		744,960	669,570

17. INVESTMENT PROPERTIES (CONTINUED)

The Group's investment properties are stated at fair value and are situated in Malaysia and Hong Kong SAR. The investment properties in Malaysia amounting to RM436,310,000 (2022 - RM426,900,000) have been determined with reference to quotations of market value provided by an independent professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd. The investment properties in Hong Kong SAR amounting to RM308,650,000 (2022 - RM242,670,000) have been revalued by CS Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. The Group has assessed that the highest and best use of its properties do not differ from their existing use. The decrease in the fair values of RM8,646,000 (2022 - increase in fair values of RM5,110,000) has been recognised in profit or loss during the year.

The investment properties held by the Group are let under operating leases to third parties, from which the Group earned rental income of RM22,333,000 (2022 - RM19,198,000) (Note 35) during the year.

No investment properties were pledged as security for banking facilities at the reporting date.

18. LEASES

(i) As a Lessee

The Group and the Bank lease various assets including leasehold land, land and buildings. Information about leases for which the Group and the Bank are the lessees is presented below:

(a) Right-of-use assets

GROUP	Short term leasehold land RM'000	Long term leasehold land RM'000	Land and Buildings RM'000	Total RM'000
At 1 January 2022	97,144	252,115	903,127	1,252,386
Additions	40,032	–	48,539	88,571
Disposals	–	(440)	–	(440)
Depreciation charge for the year (Note 36)	(5,138)	(701)	(102,144)	(107,983)
Remeasurements	–	–	33,996	33,996
Exchange differences	5,470	13,892	1,747	21,109
At 31 December 2022	137,508	264,866	885,265	1,287,639
Additions	**–**	**–**	**57,353**	**57,353**
Depreciation charge for the year (Note 36)	**(5,780)**	**(701)**	**(103,653)**	**(110,134)**
Transfer to investment properties (Note 17)	**–**	**(30,350)**	**–**	**(30,350)**
Remeasurements	**–**	**–**	**20,266**	**20,266**
Exchange differences	**5,351**	**10,158**	**3,153**	**18,662**
At 31 December 2023	**137,079**	**243,973**	**862,384**	**1,243,436**

18. LEASES (CONTINUED)

(i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

(a) Right-of-use assets (continued)

BANK	Long term leasehold land RM'000	Land and Buildings RM'000	Total RM'000
At 1 January 2022	111	1,075,955	1,076,066
Additions	–	24,412	24,412
Depreciation charge for the year (Note 36)	(1)	(81,134)	(81,135)
Remeasurements	–	35,039	35,039
Exchange differences	–	(3,310)	(3,310)
At 31 December 2022	110	1,050,962	1,051,072
Additions	**–**	**32,593**	**32,593**
Depreciation charge for the year (Note 36)	**(1)**	**(80,403)**	**(80,404)**
Remeasurements	**–**	**7,838**	**7,838**
Exchange differences	**–**	**(8)**	**(8)**
At 31 December 2023	**109**	**1,010,982**	**1,011,091**

(b) Lease liabilities

The following table sets out a maturity analysis of lease liabilities, showing contractual undiscounted cash flows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Within one year	**117,270**	119,137	**109,321**	108,160
Between one and five years	**391,321**	381,061	**438,686**	431,642
More than five years	**676,638**	700,819	**868,797**	924,488
	1,185,229	1,201,017	**1,416,804**	1,464,290
Lease liabilities included in the statement of financial position	**904,324**	912,967	**1,065,478**	1,090,367

18. LEASES (CONTINUED)

(i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

(c) Amount recognised in the profit or loss

	Note	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Depreciation charge of right-of-use assets					
– Leasehold land		**6,481**	5,839	**1**	1
– Land and buildings		**103,653**	102,144	**80,403**	81,134
	18(i)(a)	**110,134**	107,983	**80,404**	81,135
Interest expense		**37,340**	36,452	**46,040**	46,299
Financing expense		**634**	520	**–**	–
		37,974	36,972	**46,040**	46,299
Variable lease payments not included in the measurement of lease liabilities (included in marketing expenses)		**254**	666	**254**	666
Negative variable lease payments arising from COVID-19-related rent concessions (included in establishment costs)		**–**	24	**–**	–

(d) Amount recognised in the statements of cash flows

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Total cash outflow for leases	**(87,443)**	(88,156)	**(62,775)**	(63,627)

18. LEASES (CONTINUED)

(i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

(e) Leasing activities

Real estate leases

The Group and the Bank lease various premises from which it conducts business. Rental contracts are typically made for fixed periods of 3 years. Most leases include an option to renew the lease for an additional period of the same duration after the end of the contract term as described in Note 18(i)(f) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements generally do not impose any covenants other than to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Leases are either non-cancellable or may only be cancelled by giving 2 or 3 months notice before the termination date.

The lease payments are adjusted upon renewal of the lease contract, based on the current market rentals. Rental incremental rate was capped at between 5% and 10% for most of the lease contracts.

Gateway server and electronic terminal with variable lease payments based on usage

The Bank has lease agreements with certain vendors to provide gateway server and electronic terminal to facilitate the acceptance of digital wallet which contain variable lease payments that are based on number of usage and the number of terminals being leased during the period.

The Bank has elected not to recognise right-of-use assets and lease liabilities for these leases. Payments made under these leases are expensed as incurred and recognised in the profit or loss as marketing expenses as disclosed in Note 18(i)(c) above.

Other leases

The Group and the Bank did not enter into any lease contracts that are short-term and/or leases of low value items.

(f) Extension options

Most leases of the Group's and the Bank's premises contain extension options exercisable by the Group and the Bank and not by the lessors. The Group and the Bank assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Bank reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

All the extension options in premises leases have been included in the lease liability as the Group and the Bank are reasonably certain that the leases will be extended based on its past practice.

18. LEASES (CONTINUED)

(ii) As a Lessor

The Group leases out its investment properties under operating leases with the term of the leases ranging from one to five years. None of the leases includes contingent rentals.

Rental income received during the year is as disclosed in Note 35.

Total future minimum lease payments under these non-cancellable operating leases are as follows:

	GROUP 2023 RM'000	GROUP 2022 RM'000
Within one year	**18,950**	16,397
Between one and five years	**17,867**	23,113
	36,817	39,510

The Group and the Bank do not have any leases under finance lease.

19. PROPERTY AND EQUIPMENT

GROUP 2023	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2023		166,423	815,530	403,803	590,653	1,442,897	35,950	5,715	3,460,971
Additions		–	–	25,024	32,893	226,086	2,474	22,013	308,490
Disposals		–	–	–	(2,154)	(4,548)	(4,170)	–	(10,872)
Transfer to investment properties	17	–	(228)	–	–	–	–	–	(228)
Reclassification		–	–	(6,885)	6,589	296	–	–	–
Write-offs	36	–	–	(3,826)	(5,816)	(9,278)	(56)	–	(18,976)
Exchange differences		–	6,381	4,656	2,598	10,820	659	–	25,114
At 31 December 2023		166,423	821,683	422,772	624,763	1,666,273	34,857	27,728	3,764,499
Accumulated depreciation									
At 1 January 2023		–	321,690	329,998	465,961	1,114,686	27,532	–	2,259,867
Depreciation charge for the year	36	–	20,800	19,067	33,495	176,357	3,563	–	253,282
Disposals		–	–	–	(2,130)	(4,547)	(3,957)	–	(10,634)
Transfer to investment properties	17	–	(75)	–	–	–	–	–	(75)
Reclassification		–	–	(15)	15	–	–	–	–
Write-offs	36	–	–	(3,826)	(5,700)	(9,051)	(56)	–	(18,633)
Exchange differences		–	3,603	3,808	2,173	7,696	507	–	17,787
At 31 December 2023		–	346,018	349,032	493,814	1,285,141	27,589	–	2,501,594
Accumulated impairment loss									
At 1 January/31 December 2023		1,064	3,757	–	–	–	–	–	4,821
Carrying amounts									
At 31 December 2023		165,359	471,908	73,740	130,949	381,132	7,268	27,728	1,258,084

19. PROPERTY AND EQUIPMENT (CONTINUED)

GROUP 2022	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2022		166,598	829,970	392,888	643,690	1,361,465	34,466	–	3,429,077
Additions		–	1,212	17,620	25,007	95,050	1,578	5,715	146,182
Disposals		–	(1,074)	–	(4,185)	(3,620)	(555)	–	(9,434)
Transfer to investment properties	17	(175)	(6,227)	–	–	–	–	–	(6,402)
Reclassification		–	–	(8,546)	8,752	(206)	–	–	–
Write-offs	36	–	–	(1,246)	(84,706)	(17,063)	(4)	–	(103,019)
Reversal of over provision		–	(16,736)	–	–	–	–	–	(16,736)
Exchange differences		–	8,385	3,087	2,095	7,271	465	–	21,303
At 31 December 2022		166,423	815,530	403,803	590,653	1,442,897	35,950	5,715	3,460,971
Accumulated depreciation									
At 1 January 2022		–	301,348	307,971	515,487	950,910	23,833	–	2,099,549
Depreciation charge for the year	36	–	21,002	20,393	37,632	180,481	4,092	–	263,600
Disposals		–	(662)	–	(4,171)	(3,618)	(546)	–	(8,997)
Transfer to investment properties	17	–	(4,348)	–	–	–	–	–	(4,348)
Reclassification		–	–	(11)	51	(51)	11	–	–
Write-offs	36	–	–	(1,234)	(84,328)	(17,022)	(4)	–	(102,588)
Exchange differences		–	4,350	2,879	1,290	3,986	146	–	12,651
At 31 December 2022		–	321,690	329,998	465,961	1,114,686	27,532	–	2,259,867
Accumulated impairment loss									
At 1 January/31 December 2022		1,064	3,757	–	–	–	–	–	4,821
Carrying amounts									
At 31 December 2022		165,359	490,083	73,805	124,692	328,211	8,418	5,715	1,196,283

19. PROPERTY AND EQUIPMENT (CONTINUED)

BANK 2023	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 January 2023		81,092	262,042	217,579	477,871	1,106,579	15,523	2,160,686
Additions		–	–	9,789	23,576	176,484	246	210,095
Disposals		–	–	–	(1,206)	(4,015)	(3,013)	(8,234)
Reclassification		–	–	(6,858)	6,562	296	–	–
Write-offs	36	–	–	(552)	(1,804)	(927)	(56)	(3,339)
Exchange differences		–	–	(432)	(18)	201	(28)	(277)
At 31 December 2023		81,092	262,042	219,526	504,981	1,278,618	12,672	2,358,931
Accumulated depreciation								
At 1 January 2023		–	141,863	182,417	378,836	882,800	12,694	1,598,610
Depreciation charge for the year	36	–	5,225	5,802	24,731	142,982	1,433	180,173
Disposals		–	–	–	(1,204)	(4,014)	(2,827)	(8,045)
Write-offs	36	–	–	(552)	(1,776)	(858)	(56)	(3,242)
Exchange differences		–	–	(203)	(15)	328	(10)	100
At 31 December 2023		–	147,088	187,464	400,572	1,021,238	11,234	1,767,596
Carrying amounts								
At 31 December 2023		81,092	114,954	32,062	104,409	257,380	1,438	591,335

19. PROPERTY AND EQUIPMENT (CONTINUED)

BANK 2022	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 January 2022		81,092	262,042	218,908	464,696	1,053,896	15,837	2,096,471
Additions		–	–	12,280	15,916	64,070	267	92,533
Disposals		–	–	(744)	(6,295)	(4,958)	(91)	(12,088)
Reclassification		–	–	(8,546)	8,487	59	–	–
Write-offs	36	–	–	(1,084)	(3,937)	(99)	(4)	(5,124)
Exchange differences		–	–	(3,235)	(996)	(6,389)	(486)	(11,106)
At 31 December 2022		81,092	262,042	217,579	477,871	1,106,579	15,523	2,160,686
Accumulated depreciation								
At 1 January 2022		–	136,633	179,683	365,182	739,677	11,495	1,432,670
Depreciation charge for the year	36	–	5,230	6,297	24,093	153,018	1,685	190,323
Disposals		–	–	(730)	(5,966)	(4,776)	(88)	(11,560)
Write-offs	36	–	–	(1,072)	(3,562)	(89)	(4)	(4,727)
Exchange differences		–	–	(1,761)	(911)	(5,030)	(394)	(8,096)
At 31 December 2022		–	141,863	182,417	378,836	882,800	12,694	1,598,610
Carrying amounts								
At 31 December 2022		81,092	120,179	35,162	99,035	223,779	2,829	562,076

No land and buildings of the Group and of the Bank were pledged as security for banking facilities at the reporting date.

20. INTANGIBLE ASSETS

	Finite Useful Life	Indefinite Useful Lives		
GROUP	**Core Deposits Intangible RM'000**	**Goodwill RM'000**	**Share-broking Licence and Stock Exchange Trading Rights RM'000**	**Total RM'000**
At 1 January 2022	19,713	2,413,148	26,573	2,459,434
Amortisation during the year (Note 36)	(4,639)	–	–	(4,639)
Exchange differences	–	84,204	22	84,226
At 31 December 2022	15,074	2,497,352	26,595	2,539,021
Amortisation during the year (Note 36)	**(4,638)**	**–**	**–**	**(4,638)**
Impairment during the year (Note 39)	**–**	**(6,242)**	**(283)**	**(6,525)**
Exchange differences	**–**	**61,729**	**13**	**61,742**
At 31 December 2023	**10,436**	**2,552,839**	**26,325**	**2,589,600**
	Note (a)	<-------------- Note (b)	-------------->	

20. INTANGIBLE ASSETS (CONTINUED)

BANK	Goodwill RM'000
1 January/31 December 2023	**695,393**
1 January/31 December 2022	695,393

(a) Intangible Assets with Finite Useful Life

Core deposits intangible was recognised arising from the acquisition of Public Bank Vietnam Limited. The core deposits intangible is deemed to have a finite useful life of 10 years and is amortised based on a straight-line method.

(b) Goodwill and Intangible Assets with Indefinite Useful Lives

For purposes of impairment assessment, goodwill and intangible assets with indefinite useful lives have been allocated to the Group's cash-generating units ("CGU"), which are either operating segments or at a level not larger than an operating segment, as follows:

As at 31 December 2023	GROUP RM'000	BANK RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
Cash-generating Unit:				
Goodwill				
Hire purchase financing	**395,953**	**395,953**	**12.0**	**4.7**
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	**299,440**	**299,440**	**11.0**	**4.7**
Hong Kong operations	**1,692,335**	**–**	**8.5**	**2.8**
Fund management	**19,555**	**–**	**11.0**	**4.7**
Investment banking	**28,053**	**–**	**12.0**	**4.7**
Vietnam operations	**117,503**	**–**	**7.4**	**6.4**
	2,552,839	**695,393**		
Share-broking Licence and Stock Exchange Trading Rights				
Hong Kong operations	**75**	**–**	**8.5**	**2.8**
Investment banking	**26,250**	**–**	**12.0**	**4.7**
	26,325	**–**		
	2,579,164	**695,393**		

20. INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill and Intangible Assets with Indefinite Useful Lives (continued)

For purposes of impairment assessment, goodwill and intangible assets with indefinite useful lives have been allocated to the Group's cash-generating units ("CGU"), which are either operating segments or at a level not larger than an operating segment, as follows (continued):

As at 31 December 2022	GROUP RM'000	BANK RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
Cash-generating Unit:				
Goodwill				
Hire purchase financing	395,953	395,953	11.5	4.5
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	10.5	4.5
Hong Kong operations	1,630,606	–	8.1	2.8
Fund management	19,555	–	10.5	4.5
Investment banking	28,053	–	11.5	4.5
Trustee services	6,242	–	10.5	4.5
Vietnam operations	117,503	–	7.2	6.4
	2,497,352	695,393		
Share-broking Licence and Stock Exchange Trading Rights				
Hong Kong operations	345	–	8.1	2.8
Investment banking	26,250	–	11.5	4.5
	26,595	–		
	2,523,947	695,393		

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. For annual impairment assessment purposes, the recoverable amount of the CGUs are based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial forecasts approved by management. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, where applicable, at the date of assessment of the respective CGU. Cash flow projections are based on three (3) years' or five (5) years' financial projections approved by management. Cash flows beyond the periods under projections are extrapolated using terminal growth rate which does not exceed the average of the last twenty (20) years' inflation-adjusted Gross Domestic Product growth rates of the respective countries where the CGUs operate. The forecast period is based on the Group's long-term perspective with respect to the operation of these units. Impairment is recognised in profit or loss when the carrying amount of a CGU exceeds its recoverable amount.

The intangible assets with indefinite useful lives consist of a share-broking licence and stock exchange trading rights which are deemed to have indefinite useful lives as there are no expiry dates. The recoverable amount of the intangible assets have been assessed using the value-in-use method, by discounting the estimated cash flows from their CGUs. Impairment is recognised in profit or loss when the carrying amounts of the CGUs exceed their recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill and intangible assets to exceed the recoverable amount of the CGU, except for the goodwill of the trustee services CGU. Based on this review, an impairment loss of RM6,242,000 (2022: Nil) was recognised for the goodwill of trustee services CGU.

21. DEPOSITS FROM CUSTOMERS

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
At amortised cost				
Core deposits:				
– Demand deposits	**69,712,584**	68,676,154	**56,509,529**	55,820,713
– Savings deposits	**47,582,021**	49,356,557	**33,221,766**	34,258,061
– Fixed deposits	**224,738,760**	217,537,372	**157,026,731**	160,124,646
	342,033,365	335,570,083	**246,758,026**	250,203,420
Money market deposits	**70,792,207**	59,081,617	**58,245,313**	43,251,118
Other deposits	**71,395**	67,057	**56,252**	50,897
	412,896,967	394,718,757	**305,059,591**	293,505,435

Certain deposits from customers of the Bank and its wholly-owned Islamic banking subsidiary company, Public Islamic Bank Berhad are insured by Perbadanan Insurans Deposit Malaysia ("PIDM"), up to a maximum limit of RM250,000 per depositor per PIDM member bank. The deposit insurance covers all Ringgit Malaysia and foreign currency deposits held under current accounts, savings accounts and fixed deposits, inclusive of Islamic deposits. This guarantee excludes money market deposits and negotiable instruments of deposit.

Included in deposits from customers of the Group and of the Bank are deposits of RM6,533,571,000 (2022 – RM3,410,945,000) and RM5,537,960,000 (2022 – RM2,427,997,000) respectively held as collateral for loans, advances and financing.

The maturity structure of fixed deposits, negotiable instruments of deposit and money market deposits are as follows:

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Due within six months	**231,254,885**	233,910,652	**166,985,698**	173,842,926
More than six months to one year	**62,476,979**	38,342,917	**48,217,341**	29,418,128
More than one year to three years	**1,794,339**	4,360,349	**64,857**	109,984
More than three years to five years	**4,285**	5,071	**3,669**	4,726
More than five years	**479**	–	**479**	–
	295,530,967	276,618,989	**215,272,044**	203,375,764

The deposits are sourced from the following types of customers:

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Federal and state governments	**7,860,662**	7,995,307	**861,490**	953,927
Local government and statutory authorities	**2,988,067**	3,417,572	**936,390**	2,288,005
Business enterprises	**108,652,444**	113,813,691	**87,517,302**	91,223,265
Individuals	**219,196,723**	209,056,024	**164,349,850**	161,180,717
Foreign customers	**21,355,424**	12,957,849	**16,327,540**	8,126,545
Others	**52,843,647**	47,478,314	**35,067,019**	29,732,976
	412,896,967	394,718,757	**305,059,591**	293,505,435

22. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At amortised cost				
Licensed banks	**5,350,588**	4,456,035	**2,615,610**	2,864,790
Licensed Islamic banks	**83,900**	400,000	**–**	–
Licensed investment banks	**776,133**	705,894	**341,790**	357,416
Bank Negara Malaysia*	**2,309,696**	2,269,606	**2,245,680**	2,204,920
Other financial institutions	**4,082,112**	5,943,307	**8,611,804**	9,084,140
	12,602,429	13,774,842	**13,814,884**	14,511,266

* Included RM2,083,351,000 (2022: RM2,149,913,000) and RM2,026,161,000 (2022: RM2,093,574,000) in the Group and the Bank respectively are amount received under a government financing scheme for the purpose of SME lending at a below market and concession rate with remaining tenures to maturity of more than 3 years. The fair value gain arising from the placement of funds with the Group and the Bank is applied to address the financial and accounting impact incurred from lending at concession rates to SMEs and for COVID-19 related relief measures.

23. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

24. RECOURSE OBLIGATIONS ON LOANS AND FINANCING SOLD TO CAGAMAS

This represents the proceeds received from housing loans and Islamic house financing sold directly to Cagamas Berhad with recourse to the Bank and its wholly-owned subsidiary company, Public Islamic Bank Berhad. Under these agreements, the Bank and its subsidiary company undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy-back any loans and financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS

		GROUP		BANK	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At amortised cost					
Borrowings	(a)	**3,255,901**	3,124,614	**2,610,384**	2,504,486
At amortised cost, modified for change in value as a result of fair value hedges					
Senior Medium Term Notes/Sukuk Murabahah	(b)	**1,889,919**	2,799,832	**889,919**	1,799,832
Subordinated Notes/Sukuk Murabahah	(c)	**5,998,196**	5,999,096	**4,998,196**	4,999,096
Additional Tier I capital securities	(d)	**–**	99,942	**–**	99,942
		7,888,115	8,898,870	**5,888,115**	6,898,870
		11,144,016	12,023,484	**8,498,499**	9,403,356

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

Movements in debt securities issued and other borrowed funds are as follows:

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
At 1 January	**12,023,484**	10,863,742	**9,403,356**	9,275,548
Addition/Issuance:				
– Borrowings	**–**	3,078,333	**–**	2,459,237
– Senior Medium Term Notes/Sukuk Murabahah	**–**	1,000,000	**–**	–
– Subordinated Notes/Sukuk Murabahah	**998,845**	2,498,940	**998,845**	1,998,940
Repayment/Redemption:				
– Borrowings	**–**	(3,089,670)	**–**	(2,467,895)
– Senior Medium Term Notes/Sukuk Murabahah	**(910,000)**	–	**(910,000)**	–
– Subordinated Notes/Sukuk Murabahah	**(1,000,000)**	(2,500,000)	**(1,000,000)**	(2,000,000)
– Additional Tier I capital securities	**(100,000)**	–	**(100,000)**	–
Amortisation of cost/Accretion of discount	**3,110**	3,817	**2,131**	2,578
Exchange differences	**128,577**	168,322	**104,167**	134,948
	11,144,016	12,023,484	**8,498,499**	9,403,356

(a) Borrowings

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Unsecured:				
Hong Kong Dollar term loan	**643,464**	612,834	**–**	–
United States Dollar term loan	**914,827**	878,278	**914,827**	878,278
United States Dollar syndicated term loan	**1,692,815**	1,625,197	**1,692,815**	1,625,197
	3,251,106	3,116,309	**2,607,642**	2,503,475
Cumulative amortisation of transaction costs	**4,795**	8,305	**2,742**	1,011
	3,255,901	3,124,614	**2,610,384**	2,504,486

The unsecured Hong Kong Dollar term loan is maturing in 2 years with interest at HIBOR plus 0.87% (2022 – HIBOR plus 0.87%).

The unsecured United States Dollar term loan is maturing in 4 years with interest at SOFR plus 0.95% (2022 – SOFR plus 0.95%).

The unsecured United States Dollar syndicated term loan is maturing in 4 years with interest at SOFR plus 0.98% (2022 – SOFR plus 0.98%).

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(b) Senior Medium Term Notes ("MTNs")/Sukuk Murabahah

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Issued under the RM20.0 billion Senior MTNs Programme:				
RM910 million due in 2023	**–**	909,545	**–**	909,545
RM890 million due in 2025	**889,555**	889,555	**889,555**	889,555
Issued under the RM5.0 billion Sukuk Murabahah Programme:				
RM1,000 million due in 2027	**1,000,000**	1,000,000	**–**	–
	1,889,555	2,799,100	**889,555**	1,799,100
Cumulative amortisation of transaction costs	**364**	732	**364**	732
	1,889,919	2,799,832	**889,919**	1,799,832

Senior MTNs issued by the Bank

The Senior MTNs issued by the Bank are under a Senior MTNs Programme of up to RM20.0 billion in nominal value. The tenure of the Senior MTNs Programme will be up to thirty (30) years from the date of first issuance. Each issuance of the Senior MTNs shall have a tenure of more than one (1) year provided that the Senior MTNs shall mature on or prior to the expiry of the Senior MTNs Programme. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

On 7 April 2023, the Bank had redeemed the sixth (6th) tranche of Senior MTNs amounting to RM910 million in nominal value together with accrued interest.

The Senior MTNs bear interest rate at 4.60% (2022: ranging between 4.45% and 4.60%) per annum.

Senior Sukuk Murabahah

The Senior Sukuk Murabahah issued by the Bank's wholly owned subsidiary company, Public Islamic Bank Berhad ("PIBB") is under a Sukuk Murabahah Programme which is for the purpose of facilitating the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value. The tenure of the Sukuk Murabahah Programme will be up to thirty (30) years from the date of first issuance. Each issuance of the Senior Sukuk Murabahah shall have a tenure of more than one (1) year provided that the Senior Sukuk Murabahah shall mature on or prior to the expiry of the Sukuk Murabahah Programme. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Senior Sukuk Murabahah bear profit at 4.50% (2022: 4.50%) per annum.

The Senior MTNs/Sukuk Murabahah constitute direct unsecured liabilities of the Group and of the Bank, and rank at least pari passu with all other present and future unsecured liabilities of the Group and of the Bank, except for those liabilities preferred by law.

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah

	Note	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
(i) Issued under the RM20.0 billion Subordinated Medium Term Notes Programme:					
First tranche: RM1,000 million 4.27% Subordinated Notes 2033/2028		**998,845**	–	**998,845**	–
Cumulative amortisation of transaction costs		**43**	–	**43**	–
		998,888	–	**998,888**	–
(ii) Issued under the RM10.0 billion Subordinated Medium Term Notes Programme:					
Fifth tranche: RM1,000 million 4.70% Subordinated Notes 2028/2023	(a)	**–**	1,000,000	**–**	1,000,000
Sixth tranche: RM1,500 million 3.90% Subordinated Notes 2029/2024	(b)	**1,500,000**	1,500,000	**1,500,000**	1,500,000
Seventh tranche: RM500 million 3.72% Subordinated Notes 2029/2024	(c)	**500,000**	500,000	**500,000**	500,000
Eighth tranche: RM2,000 million 3.93% Subordinated Notes 2032/2027	(d)	**1,998,940**	1,998,940	**1,998,940**	1,998,940
Cumulative amortisation of transaction costs		**368**	156	**368**	156
		3,999,308	4,999,096	**3,999,308**	4,999,096
(iii) Issued under the RM5.0 billion Sukuk Murabahah Programme:					
Third tranche: RM500 million 3.75% Subordinated Sukuk Murabahah 2029/2024	(a)	**500,000**	500,000	**–**	–
Fourth tranche: RM500 million 4.40% Subordinated Sukuk Murabahah 2032/2027	(b)	**500,000**	500,000	**–**	–
		1,000,000	1,000,000	**–**	–
		5,998,196	5,999,096	**4,998,196**	4,999,096

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah (continued)

(i) Issued under the RM20.0 billion Subordinated Medium Term Notes ("Sub-Notes") Programme

The RM20.0 billion Sub-Notes Programme have a tenure of thirty (30) years from the date of first issuance of the Sub-Notes. The Sub-Notes to be issued under the Sub-Notes Programme are Basel III-compliant and qualified as Tier II capital for the computation of the regulatory capital of the Group and of the Bank in accordance with Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework (Capital Components).

On 25 October 2023, the Bank issued the first tranche of RM1,000 million in aggregate nominal amount of Sub-Notes due in 2033 callable in 2028. The Notes bear interest at 4.27% per annum.

(ii) Issued under the RM10.0 billion Sub-Notes Programme

The RM10.0 billion Sub-Notes Programme have a tenure of thirty (30) years from the date of first issuance of the Sub-Notes. The Sub-Notes to be issued under the Sub-Notes Programme are Basel III-compliant and qualified as Tier II capital for the computation of the regulatory capital of the Group and of the Bank in accordance with BNM's Capital Adequacy Framework (Capital Components).

The Bank has issued the following tranches of Sub-Notes:

(a) On 29 October 2018, the Bank issued the fifth tranche of RM1,000 million in aggregate nominal amount of Subordinated Notes due in 2028 callable in 2023. The Notes bear interest at 4.70% per annum. The Notes were fully redeemed on 30 October 2023.

(b) On 29 July 2019, the Bank issued the sixth tranche of RM1,500 million in aggregate nominal amount of Subordinated Notes due in 2029 callable in 2024. The Notes bear interest at 3.90% per annum.

(c) On 18 December 2019, the Bank issued the seventh tranche of RM500 million in aggregate nominal amount of Subordinated Notes due in 2029 callable in 2024. The Notes bear interest at 3.72% per annum.

(d) On 7 April 2022, the Bank issued the eighth tranche of RM2,000 million in aggregate nominal amount of Subordinated Notes due in 2032 callable in 2027. The Notes bear interest at 3.93% per annum.

(iii) Issued under the RM5.0 billion Sukuk Murabahah Programme

The RM5.0 billion Sukuk Murabahah Programme was established by the Bank's wholly-owned Islamic banking subsidiary company, PIBB under the Shariah principle of Murabahah to facilitate the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value. The Sukuk Murabahah Programme have a tenure of thirty (30) years from the date of first issuance of the Sukuk Murabahah.

The Subordinated Sukuk Murabahah to be issued under the Sukuk Murabahah Programme are Basel III-compliant and qualified as Tier II capital for the computation of the regulatory capital of the Group and PIBB in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

PIBB has issued the following tranches of Subordinated Sukuk Murabahah:

(a) On 31 October 2019, PIBB issued the third tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2029 callable in 2024. The Subordinated Sukuk Murabahah bear profit at 3.75% per annum.

(b) On 28 July 2022, PIBB issued the fourth tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2032 callable in 2027. The Subordinated Sukuk Murabahah bear profit at 4.40% per annum.

The Bank and/or PIBB may, subject to the prior consent of BNM, redeem these Subordinated Notes/Sukuk Murabahah in whole or in part, on the first call date or at any subsequent interest/profit payment date.

The above Subordinated Notes/Sukuk Murabahah constitute unsecured liabilities/obligations of the Bank and PIBB respectively, and are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank and PIBB, other than the Additional Tier I capital securities, which are subordinated to the Subordinated Notes/Sukuk Murabahah, in accordance with the terms and conditions of the Subordinated Notes/Sukuk Murabahah.

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(d) Additional Tier I Capital Securities ("ATICS")

	GROUP AND BANK	
	2023 RM'000	2022 RM'000
Issued under the RM10.0 billion Additional Tier I Capital Securities Programme:		
First tranche: RM100 million 5.08% ATICS callable in 2023	–	99,400
Cumulative amortisation of transaction costs	–	542
	–	99,942

The RM10.0 billion ATICS Programme is perpetual. The ATICS to be issued under the ATICS Programme are Basel III-compliant and qualified as Additional Tier I capital of the Group and of the Bank and shall comply with the BNM's Capital Adequacy Framework (Capital Components).

The Bank may, subject to the prior consent of BNM, redeem the ATICS in whole or in part, on the first call date or at any subsequent distribution payment date.

The ATICS are direct and unsecured obligations of the Bank. The ATICS rank pari passu and without preference among themselves, with the most junior class of preference shares (if any), but in priority to the rights and claims of holders of ordinary shares of the Bank. The ATICS are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank except to those liabilities which by their terms rank equal with or junior to the ATICS.

On 26 June 2018, the Bank issued the first tranche of RM100 million in aggregate nominal amount of ATICS. The ATICS is perpetual and bear interest at 5.08% per annum. The ATICS were fully redeemed on 26 June 2023.

26. OTHER LIABILITIES

		GROUP		BANK	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Interest/Income payable		**3,210,085**	1,896,870	**2,225,127**	1,354,424
Other payables and accruals		**3,328,324**	3,814,228	**2,696,855**	3,208,513
Collateral received for derivative transactions		**265,476**	295,771	**265,476**	295,771
Amount due to trust funds	(i)	**85,416**	75,703	**–**	–
Unprocessed sales and/or redemptions	(ii)	**149,380**	92,660	**–**	–
Accrued restoration costs	(iii)	**72,285**	72,711	**70,537**	70,957
Outstanding contracts on clients' accounts	(iv)	**232,581**	251,610	**–**	–
Allowance for impairment on loan/financing commitments and financial guarantees	(v)	**77,521**	75,953	**65,161**	62,451
Dividend payable to shareholders		**5,480**	32,718	**4,637**	14,444
Amount due to subsidiary companies	(vi)	**–**	–	**37,893**	12,645
		7,426,548	6,608,224	**5,365,686**	5,019,205

26. OTHER LIABILITIES (CONTINUED)

(i) This balance refers to amount due to trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units.

(ii) The unprocessed sales and/or redemptions are in respect of the fund management activities of a subsidiary company.

(iii) Costs estimated to dismantle and remove the asset or to restore the leased asset or the site on which it is located at the end of the lease term.

(iv) These balances relate to contracts entered by the stock-broking business of the subsidiary companies on behalf of clients where settlements have yet to be made.

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows:

GROUP 2023	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2023	49,857	24,799	1,297	75,953
Changes due to loan/financing commitments and financial guarantees recognised as at 1 January 2023	5,065	(5,201)	136	–
– Transfer to Stage 1: 12-Month ECL	6,985	(6,900)	(85)	–
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,862)	2,037	(175)	–
– Transfer to Stage 3: Lifetime ECL credit-impaired	(58)	(338)	396	–
New loan/financing commitments and financial guarantees originated	4,369	4,107	24	8,500
Net remeasurement due to changes in credit risk	(3,723)	1,951	109	(1,663)
Loan/financing commitments and financial guarantees derecognised	(2,075)	(958)	(38)	(3,071)
Modifications to contractual cash flows of loan/financing commitments and financial guarantees	(49)	817	43	811
Changes in models/risk parameters	(1,735)	(1,311)	2	(3,044)
Exchange differences	35	–	–	35
At 31 December 2023	51,744	24,204	1,573	77,521

26. OTHER LIABILITIES (CONTINUED)

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows (continued):

GROUP 2022	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	 Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2022	51,361	23,175	328	74,864
Changes due to loan/financing commitments and financial guarantees recognised as at 1 January 2022	3,747	(3,850)	103	–
– Transfer to Stage 1: 12-Month ECL	4,759	(4,737)	(22)	–
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,004)	1,061	(57)	–
– Transfer to Stage 3: Lifetime ECL credit-impaired	(8)	(174)	182	–
New loan/financing commitments and financial guarantees originated	4,491	4,611	50	9,152
Net remeasurement due to changes in credit risk	(3,079)	3,796	460	1,177
Loan/financing commitments and financial guarantees derecognised	(2,721)	(2,194)	(91)	(5,006)
Modifications to contractual cash flows of loan/financing commitments and financial guarantees	(30)	2,211	447	2,628
Changes in models/risk parameters	(4,050)	(2,951)	–	(7,001)
Exchange differences	138	1	–	139
At 31 December 2022	49,857	24,799	1,297	75,953

26. OTHER LIABILITIES (CONTINUED)

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows (continued):

BANK 2023	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2023	41,804	19,522	1,125	62,451
Changes due to loan commitments and financial guarantees recognised as at 1 January 2023	3,396	(3,485)	89	–
– Transfer to Stage 1: 12-Month ECL	4,962	(4,894)	(68)	–
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,509)	1,636	(127)	–
– Transfer to Stage 3: Lifetime ECL credit-impaired	(57)	(227)	284	–
New loan commitments and financial guarantees originated	3,275	3,086	14	6,375
Net remeasurement due to changes in credit risk	(954)	1,877	17	940
Loan commitments and financial guarantees derecognised	(1,747)	(825)	(35)	(2,607)
Modifications to contractual cash flows of loan commitments and financial guarantees	(19)	692	(42)	631
Changes in models/risk parameters	(1,497)	(1,133)	1	(2,629)
At 31 December 2023	44,258	19,734	1,169	65,161

26. OTHER LIABILITIES (CONTINUED)

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows (continued):

BANK 2022	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2022	41,515	18,236	310	60,061
Changes due to loan commitments and financial guarantees recognised as at 1 January 2022	2,859	(2,937)	78	–
– Transfer to Stage 1: 12-Month ECL	3,671	(3,649)	(22)	–
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(806)	853	(47)	–
– Transfer to Stage 3: Lifetime ECL credit-impaired	(6)	(141)	147	–
New loan commitments and financial guarantees originated	3,299	3,150	11	6,460
Net remeasurement due to changes in credit risk	(2,014)	3,671	403	2,060
Loan commitments and financial guarantees derecognised	(1,857)	(1,825)	(89)	(3,771)
Modifications to contractual cash flows of loan commitments and financial guarantees	(28)	1,616	412	2,000
Changes in models/risk parameters	(1,970)	(2,389)	–	(4,359)
At 31 December 2022	41,804	19,522	1,125	62,451

(vi) These balances are unsecured, non-interest bearing and have no fixed terms of repayment.

27. PROVISION FOR TAX EXPENSE AND ZAKAT

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Tax expense	**484,975**	928,858	**408,522**	729,118

28. SHARE CAPITAL

	GROUP AND BANK	
	2023 '000	**2022 '000**
Number of ordinary shares:		
At 1 January/31 December	**19,410,692**	19,410,692

	GROUP AND BANK	
	2023 RM'000	**2022 RM'000**
Issued and fully paid ordinary shares:		
At 1 January/31 December	**9,417,653**	9,417,653

29. REGULATORY RESERVES

The regulatory reserves are maintained by the Bank and the Bank's banking subsidiary companies in Malaysia, Hong Kong SAR and Cambodia as an additional credit risk absorbent in excess of the requirements of accounting standards. The reserves in respect of Malaysia are maintained in line with the requirements of BNM by the Bank and its domestic banking subsidiary companies. The reserves in respect of Hong Kong SAR and Cambodia are maintained in line with the requirements of the Hong Kong Monetary Authority and the National Bank of Cambodia.

30. OTHER RESERVES

GROUP	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves: Financial Investments at FVOCI RM'000	Revaluation Reserves: Property RM'000	Defined Benefit Reserves RM'000	General Reserves RM'000	Total RM'000
At 1 January 2023	77,680	60,442	76,452	172,956	(456,382)	16,579	525,483	715,220	1,188,430
Net currency translation differences in respect of:									
– foreign operations	–	–	317,440	–	–	–	–	–	317,440
– net investment hedge (Note 6)	–	–	(153,009)	–	–	–	–	–	(153,009)
	–	–	164,431	–	–	–	–	–	164,431
Net change in revaluation of financial investments at fair value through other comprehensive income ("FVOCI")									
– Net unrealised gain	–	–	–	–	752,888	–	–	–	752,888
– Net gain on disposal reclassified to profit or loss (Note 34)	–	–	–	–	(66,227)	–	–	–	(66,227)
	–	–	–	–	686,661	–	–	–	686,661
Net change in revaluation of property and equipment	–	–	–	–	–	32,087	–	–	32,087
Net change in cash flow hedges:									
– Net unrealised loss	–	–	–	(73,356)	–	–	–	–	(73,356)
Loss on remeasurements of defined benefit plan (Note 11)	–	–	–	–	–	–	(158,298)	–	(158,298)
Deferred tax (Note 13)	–	–	–	17,605	(146,305)	–	37,863	–	(90,837)
Share of gain of equity accounted associated company	–	–	–	–	2,623	–	–	–	2,623
Other comprehensive income/(loss)	–	–	164,431	(55,751)	542,979	32,087	(120,435)	–	563,311
Transferred from retained profits	12,702	–	–	–	–	–	–	321,300	334,002
At 31 December 2023	90,382	60,442	240,883	117,205	86,597	48,666	405,048	1,036,520	2,085,743

30. OTHER RESERVES (CONTINUED)

GROUP	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves: Financial Investments at FVOCI RM'000	Revaluation Reserves: Property RM'000	Defined Benefit Reserves RM'000	General Reserves RM'000	Others RM'000	Total RM'000
At 1 January 2022	64,335	60,442	84,892	3,573	55,979	1,533	468,145	696,815	172	1,435,886
Net currency translation differences in respect of:										
– foreign operations	–	–	227,447	–	–	–	–	–	–	227,447
– net investment hedge (Note 6)	–	–	(235,887)	–	–	–	–	–	–	(235,887)
	–	–	(8,440)	–	–	–	–	–	–	(8,440)
Net change in revaluation of financial investments at FVOCI										
– Net unrealised loss	–	–	–	–	(596,932)	–	–	–	–	(596,932)
– Net gain on disposal reclassified to profit or loss (Note 34)	–	–	–	–	(49,032)	–	–	–	–	(49,032)
	–	–	–	–	(645,964)	–	–	–	–	(645,964)
Net change in revaluation of property and equipment (Note 17)	–	–	–	–	–	15,046	–	–	–	15,046
Net change in cash flow hedges:										
– Net unrealised gain	–	–	–	222,872	–	–	–	–	–	222,872
Gain on remeasurements of defined benefit plan (Note 11)	–	–	–	–	–	–	75,501	–	–	75,501
Deferred tax (Note 13)	–	–	–	(53,489)	135,830	–	(18,163)	–	–	64,178
Share of loss of equity accounted associated company	–	–	–	–	(2,227)	–	–	–	–	(2,227)
Other comprehensive (loss)/income	–	–	(8,440)	169,383	(512,361)	15,046	57,338	–	–	(279,034)
Transferred from/(to) retained profits	13,345	–	–	–	–	–	–	18,405	(172)	31,578
At 31 December 2022	77,680	60,442	76,452	172,956	(456,382)	16,579	525,483	715,220	–	1,188,430

30. OTHER RESERVES (CONTINUED)

BANK	Statutory Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves – Financial Investments at FVOCI RM'000	Defined Benefit Reserves RM'000	Total RM'000
At 1 January 2023	**3,510**	**(213,065)**	**158,389**	**(195,023)**	**516,115**	**269,926**
Net currency translation differences in respect of foreign operations	**–**	**(15,044)**	**–**	**–**	**–**	**(15,044)**
Net change in revaluation of financial investments at FVOCI						
– Net unrealised gain	**–**	**–**	**–**	**472,152**	**–**	**472,152**
– Net gain on disposal reclassified to profit or loss (Note 34)	**–**	**–**	**–**	**(63,053)**	**–**	**(63,053)**
	–	**–**	**–**	**409,099**	**–**	**409,099**
Net change in cash flow hedges:						
– Net unrealised loss	**–**	**–**	**(54,030)**	**–**	**–**	**(54,030)**
Loss on remeasurements of defined benefit plan (Note 11)	**–**	**–**	**–**	**–**	**(154,388)**	**(154,388)**
Deferred tax (Note 13)	**–**	**–**	**12,967**	**(104,408)**	**37,053**	**(54,388)**
Other comprehensive (loss)/income	**–**	**(15,044)**	**(41,063)**	**304,691**	**(117,335)**	**131,249**
Transferred from retained profits	**240**	**–**	**–**	**–**	**–**	**240**
At 31 December 2023	**3,750**	**(228,109)**	**117,326**	**109,668**	**398,780**	**401,415**
At 1 January 2022	3,353	(47,237)	71,451	117,521	460,194	605,282
Net currency translation differences in respect of foreign operations	–	(165,828)	–	–	–	(165,828)
Net change in revaluation of financial investments at FVOCI						
– Net unrealised loss	–	–	–	(369,640)	–	(369,640)
– Net gain on disposal reclassified to profit or loss (Note 34)	–	–	–	(47,409)	–	(47,409)
	–	–	–	(417,049)	–	(417,049)
Net change in cash flow hedges:						
– Net unrealised gain	–	–	114,392	–	–	114,392
Gain on remeasurements of defined benefit plan (Note 11)	–	–	–	–	73,580	73,580
Deferred tax (Note 13)	–	–	(27,454)	104,505	(17,659)	59,392
Other comprehensive (loss)/income	–	(165,828)	86,938	(312,544)	55,921	(335,513)
Transferred from retained profits	157	–	–	–	–	157
At 31 December 2022	3,510	(213,065)	158,389	(195,023)	516,115	269,926

30. OTHER RESERVES (CONTINUED)

The statutory reserves maintained by an overseas subsidiary company and overseas branches are in compliance with the requirements of the Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.

The capital reserves of the Group arose mainly from the capitalisation of retained profits that resulted from bonus issues by subsidiary companies and the restructuring exercise involving certain subsidiary companies undertaken by the Group in previous years.

The foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of overseas subsidiary companies, overseas branches and the subsidiary companies incorporated in the Federal Territory of Labuan, after offsetting the impact of the effective portion of net investment hedges.

The hedging reserves are in respect of the effective portion of unrealised fair value gains and losses on cash flow hedging instruments.

The revaluation reserves – financial investments at fair value through other comprehensive income ("FVOCI") are in respect of unrealised fair value gains and losses on financial investments at FVOCI, after offsetting the impact of related fair value hedges.

The revaluation reserves – property relates to the revaluation gains and losses of the transfer of own-occupied properties to investment properties subsequent to the change of use.

The defined benefit reserves are in respect of remeasurements of the net defined benefit assets/liabilities.

The general reserves represent non-distributable profit reserves maintained by the Group and an overseas subsidiary company in compliance with the regulatory requirements.

31. INTEREST INCOME

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Loans and advances	**15,335,618**	12,628,151	**13,539,239**	11,141,768
Balances with banks	**414,726**	258,508	**334,734**	215,867
Financial investments at fair value through other comprehensive income	**1,305,505**	1,275,245	**1,063,942**	1,045,229
Financial investments at amortised cost	**885,580**	698,637	**769,830**	637,208
Others	**67,828**	48,208	**50,958**	90,651
	18,009,257	14,908,749	**15,758,703**	13,130,723
Financial assets at fair value through profit or loss	**30,940**	23,107	**29,862**	23,107
	18,040,197	14,931,856	**15,788,565**	13,153,830
Of which:				
Interest income earned on impaired loans and advances	**99,287**	70,043	**50,439**	32,086

32. INTEREST EXPENSE

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deposits from banks and other financial institutions	**299,119**	329,042	**379,179**	321,172
Deposits from customers	**8,053,136**	4,862,763	**7,270,559**	4,488,781
Loans sold to Cagamas	**184,000**	137,749	**184,000**	137,749
Debt securities issued and other borrowed funds	**391,766**	386,637	**357,184**	371,256
Others	**56,884**	48,781	**63,400**	56,054
	8,984,905	5,764,972	**8,254,322**	5,375,012

33. NET FEE AND COMMISSION INCOME

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(a) Fee and commission income:				
Commissions	**861,355**	761,133	**921,496**	811,053
Service charges and fees	**313,689**	310,171	**241,778**	231,941
Guarantee fees	**34,604**	33,570	**32,073**	31,427
Commitment fees	**61,239**	67,589	**57,348**	62,106
Unit trust management fees	**1,261,973**	1,243,925	**–**	–
Fee on sale of trust units	**253,583**	278,220	**–**	–
Brokerage and commissions from stock-broking activities	**126,859**	109,943	**–**	–
Other fee and commission income	**56,482**	63,343	**28,855**	37,835
	2,969,784	2,867,894	**1,281,550**	1,174,362
(b) Fee and commission expense:				
Unit trust agency fees	**(431,180)**	(460,348)	**–**	–
Debit/Credit card related fees	**(544,038)**	(454,591)	**(543,829)**	(454,481)
Loan-related fees	**(15,992)**	(16,118)	**(15,671)**	(11,977)
Other fee and commission expense	**(28,727)**	(22,336)	**(8,491)**	(10,426)
	(1,019,937)	(953,393)	**(567,991)**	(476,884)
Net fee and commission income	**1,949,847**	1,914,501	**713,559**	697,478

34. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net gain/(loss) arising on financial assets at fair value through profit or loss:				
– net gain/(loss) on disposal	**4,195**	(7,584)	**4,021**	(7,602)
– gross dividend income	**2,097**	2,097	**1,977**	1,977
– unrealised revaluation (loss)/gain	**(28,571)**	26,953	**(26,909)**	25,484
	(22,279)	21,466	**(20,911)**	19,859
Net gain/(loss) arising on trading derivatives:				
– unrealised revaluation gain/(loss)	**2**	(3)	**2**	(3)
Net gain arising on financial investments at fair value through other comprehensive income:				
– net gain on disposal (Note 30)	**66,227**	49,032	**63,053**	47,409
– gross dividend income	**3,138**	1,635	**2,497**	1,207
	69,365	50,667	**65,550**	48,616
Net (loss)/gain arising on financial investments at amortised cost				
– net (loss)/gain on disposal	**(54)**	1,456	**(54)**	1,456
Gain/(Loss) representing ineffective portions of hedging derivatives:				
– fair value hedge (Note 6)	**1,962**	(3,274)	**–**	(22)
– cash flow hedge (Note 6)	**(29)**	564	**(29)**	564
	1,933	(2,710)	**(29)**	542
	48,967	70,876	**44,558**	70,470

35. OTHER OPERATING INCOME

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Distribution income from collective investments	–	–	215,450	164,738
Dividend income from subsidiary companies:				
– quoted outside Malaysia	–	–	14,385	72,577
– unquoted in Malaysia	–	–	683,196	698,467
	–	–	913,031	935,782
Other income:				
Foreign exchange profit	360,755	308,943	144,723	47,627
Rental income from:				
– investment properties (Note 17)	22,333	19,198	–	–
– other properties	10,919	11,435	12,468	12,916
Net gain on disposal of property and equipment	1,520	3,027	1,353	235
Net gain on disposal of foreclosed properties	3,322	1,205	3,322	1,205
(Loss)/Gain on revaluation of investment properties (Note 17)	(8,646)	5,110	–	–
Others	86,730	79,874	75,595	67,259
	476,933	428,792	237,461	129,242
	476,933	428,792	1,150,492	1,065,024

36. OTHER OPERATING EXPENSES

	GROUP 2023 RM'000	GROUP 2022 RM'000	BANK 2023 RM'000	BANK 2022 RM'000
Personnel costs				
– Salaries, allowances and bonuses	**2,691,630**	2,519,265	**2,039,540**	1,923,851
– Pension costs	**356,944**	358,761	**304,050**	307,739
– Others	**147,577**	165,760	**105,563**	126,888
	3,196,151	3,043,786	**2,449,153**	2,358,478
Establishment costs				
– Depreciation	**363,416**	371,583	**260,577**	271,458
– Insurance	**25,888**	25,456	**20,906**	20,684
– Water and electricity	**55,086**	48,355	**35,408**	31,910
– General repairs and maintenance	**66,226**	61,954	**43,108**	43,974
– Information technology expenses	**199,756**	160,368	**151,980**	118,770
– Others	**107,784**	98,221	**53,465**	48,404
	818,156	765,937	**565,444**	535,200
Marketing expenses				
– Advertisement and publicity	**38,706**	45,339	**17,174**	15,906
– Others	**71,099**	65,859	**43,421**	38,279
	109,805	111,198	**60,595**	54,185
Administration and general expenses				
– Communication expenses	**70,169**	105,220	**51,754**	64,923
– Legal and professional fees	**50,385**	45,838	**31,479**	27,814
– Others	**170,122**	163,405	**79,198**	75,951
	290,676	314,463	**162,431**	168,688
Cost of resource sharing charged to Public Islamic Bank Berhad*	**–**	–	**(536,096)**	(477,639)
Total other operating expenses	**4,414,788**	4,235,384	**2,701,527**	2,638,912

* The type of resource sharing rendered by the Bank in Malaysia are as follows:

	BANK 2023 RM'000	BANK 2022 RM'000
Credit related	**(230,652)**	(204,874)
Non-credit branch support	**(200,878)**	(177,537)
Other administration function	**(104,566)**	(95,228)
	(536,096)	(477,639)

36. OTHER OPERATING EXPENSES (CONTINUED)

Included in other operating expenses are the following:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Auditors' remuneration:				
Parent auditor				
– Audit	**3,266**	3,359	**2,404**	2,294
– Regulatory related services*	**1,156**	588	**848**	489
– Other services	**7**	6	**–**	–
Firms affiliated with parent auditor				
– Audit	**3,069**	2,973	**274**	270
– Regulatory related services*	**517**	359	**–**	–
– Other services	**57**	65	**–**	–
Other auditors				
– Audit	**345**	270	**24**	21
– Regulatory related services*	**100**	46	**29**	27
– Other services	**21**	8	**21**	8
Depreciation of right-of-use assets (Note 18(i)(a))	**110,134**	107,983	**80,404**	81,135
Depreciation of property and equipment (Note 19)	**253,282**	263,600	**180,173**	190,323
Amortisation of core deposits intangible (Note 20)	**4,638**	4,639	**–**	–
Direct operating expenses of investment properties that:				
– generated rental income	**7,058**	5,965	**–**	–
Directors' remuneration (Note 37)	**78,231**	93,228	**56,473**	70,720
Pension costs				
– defined contribution plan	**298,401**	289,813	**245,395**	240,406
– defined benefit plan (Note 11)	**58,543**	68,948	**58,655**	67,333
Property and equipment written off (Note 19)	**343**	431	**97**	397

* Regulatory related services include limited review, audit of liquidity coverage ratio, validation review based on agreed-upon procedures, review of statement on risk management and internal control and etc.

37. DIRECTORS' REMUNERATION

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Directors of the Bank:				
Executive Director/Chief Executive Officer:				
Fees	**1,098**	910	**316**	316
Salary and other remuneration, including meeting allowances	**26,977**	23,070	**26,101**	22,237
Bonuses	**24,658**	22,761	**24,658**	22,761
Benefits-in-kind	**45**	40	**45**	40
	52,778	46,781	**51,120**	45,354
Non-Executive Directors:				
Fees	**4,180**	5,971	**2,377**	2,752
Other remuneration	**3,713**	23,498	**3,021**	22,654
Benefits-in-kind	**–**	49	**–**	49
	7,893	29,518	**5,398**	25,455
Directors of subsidiary companies:				
Executive Directors:				
Fees	**727**	712	**–**	–
Salary and other remuneration, including meeting allowances	**6,943**	6,713	**–**	–
Bonuses	**3,133**	4,814	**–**	–
Benefits-in-kind	**728**	724	**–**	–
	11,531	12,963	**–**	–
Non-Executive Directors:				
Fees	**3,007**	2,536	**–**	–
Other remuneration	**3,795**	2,243	**–**	–
	6,802	4,779	**–**	–
Grand total	**79,004**	94,041	**56,518**	70,809
Total (excluding benefits-in-kind) (Note 36)	**78,231**	93,228	**56,473**	70,720

37. DIRECTORS' REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

	Remuneration Received from the Bank						Remuneration Received from Subsidiary Companies		
2023	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Group Total RM'000
Executive Director:									
Tan Sri Dato' Sri Dr. Tay Ah Lek	16,589	316	24,658	9,512	45	51,120	782	876	52,778
Non-Executive Directors:									
Mr Lai Wan	–	428	–	630	–	1,058	313	–	1,371
Ms Cheah Kim Ling	–	316	–	364	–	680	297	68	1,045
Mr Lee Chin Guan	–	316	–	235	–	551	297	127	975
Dato' Mohd Hanif bin Sher Mohamed	–	316	–	518	–	834	300	254	1,388
Ms Tham Chai Fhong	–	316	–	399	–	715	–	–	715
Mr Lim Chao Li	–	316	–	402	–	718	296	–	1,014
Ms Gladys Leong	–	316	–	405	–	721	300	243	1,264
Teoh Meow Choo (appointed on 1 November 2023)	–	53	–	68	–	121	–	–	121
	–	2,377	–	3,021	–	5,398	1,803	692	7,893
Total Directors' remuneration	16,589	2,693	24,658	12,533	45	56,518	2,585	1,568	60,671

37. DIRECTORS' REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (continued):

	Remuneration Received from the Bank						Remuneration Received from Subsidiary Companies		
2022	**Salary RM'000**	**Fees RM'000**	**Bonus RM'000**	**Other Emoluments RM'000**	**Benefits-in-kind RM'000**	**Bank Total RM'000**	**Fees RM'000**	**Other Emoluments RM'000**	**Group Total RM'000**
Executive Director:									
Tan Sri Dato' Sri Dr. Tay Ah Lek	13,824	316	22,761	8,413	40	45,354	594	833	46,781
Non-Executive Directors:									
Tan Sri Dato' Sri Dr. Teh Hong Piow (demised on 12 December 2022)	–	428	–	20,014	49	20,491	1,619	383	22,493
Mr Lai Wan	–	428	–	317	–	745	302	–	1,047
Ms Cheah Kim Ling	–	316	–	476	–	792	251	–	1,043
Mr Lee Chin Guan	–	316	–	240	–	556	286	109	951
Dato' Mohd Hanif bin Sher Mohamed	–	316	–	512	–	828	300	228	1,356
Ms Tham Chai Fhong	–	316	–	378	–	694	–	–	694
Mr Lim Chao Li	–	316	–	404	–	720	286	–	1,006
Ms Gladys Leong	–	316	–	313	–	629	175	124	928
	–	2,752	–	22,654	49	25,455	3,219	844	29,518
Total Directors' remuneration	13,824	3,068	22,761	31,067	89	70,809	3,813	1,677	76,299

38. ALLOWANCE/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Expected credit losses ("ECL") made/(written back) on:				
– Loans, advances and financing	**354,144**	595,862	**(8,854)**	269,816
– Loan/financing commitments and financial guarantees	**1,533**	950	**2,710**	2,390
	355,677	596,812	**(6,144)**	272,206
Impaired loans and financing written off	**67**	132	**65**	131
Impaired loans and financing recovered	**(199,055)**	(231,388)	**(113,560)**	(135,684)
	156,689	365,556	**(119,639)**	136,653

Details of the forward-looking macro-economic variables and management overlay are explained in Note 2(iii)(a)(ii) and (iii).

38. ALLOWANCE/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING (CONTINUED)

The breakdown of ECL made/(written back) are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Base ECL	**475,952**	499,150	**135,544**	258,268
Forward-looking ECL due to emerging risks/ COVID-19 pandemic				
– Macro-economic variables	**(90,640)**	(343,639)	**(74,131)**	(285,953)
– Management overlay	**(29,635)**	441,301	**(67,557)**	299,891
Total ECL made/(written back)	**355,677**	596,812	**(6,144)**	272,206

39. ALLOWANCE/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON OTHER ASSETS

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
ECL (written back)/made on:				
– Financial investments at fair value through other comprehensive income				
– Debt instruments (Note 7)	**(4,714)**	2,762	**(590)**	96
– Financial investments at amortised cost				
– Debt instruments (Note 8)	**535**	19	**753**	27
– Deposits and placements with banks and other financial institutions	**(22)**	(94)	**–**	–
Allowance (written back)/made on:				
– Foreclosed properties	**(1,215)**	10,512	**(2,480)**	10,278
– Intangible assets (Note 20)	**6,525**	–	**–**	–
– Others	**169**	–	**–**	–
– Investment in a subsidiary company	**–**	–	**–**	550
	1,278	13,199	**(2,317)**	10,951

40. TAX EXPENSE AND ZAKAT

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Malaysian income tax	**1,804,978**	2,582,822	**1,457,425**	2,031,643
Overseas income tax	**121,716**	126,876	**9,435**	5,991
	1,926,694	2,709,698	**1,466,860**	2,037,634
(Over)/Under provision in prior years				
– Malaysian income tax	**(25,126)**	(12,728)	**(22,521)**	(4,852)
– Overseas income tax	**(2,923)**	(961)	**(2,054)**	3,024
	1,898,645	2,696,009	**1,442,285**	2,035,806
Deferred tax (Note 13)				
– Relating to origination and reversal of temporary differences arising from:				
– allowance for losses on loans/financing	**(47,281)**	(37,200)	**(40,930)**	(17,190)
– shortfall of capital allowance over depreciation	**(4,625)**	(4,666)	**(7,660)**	(7,106)
– defined benefit plan	**4,087**	585	**3,814**	767
– other temporary differences	**26,624**	(370)	**22,609**	(35,665)
	(21,195)	(41,651)	**(22,167)**	(59,194)
– under/(over) provision	**3,966**	5,198	**3,989**	(407)
	(17,229)	(36,453)	**(18,178)**	(59,601)
Tax expense	**1,881,416**	2,659,556	**1,424,107**	1,976,205
Zakat	**2,359**	1,867	**–**	–
	1,883,775	2,661,423	**1,424,107**	1,976,205

The Malaysian income tax is calculated at the statutory tax rate of 24% on the estimated chargeable profit (2022: Calculated at the statutory tax rate of 24% on first RM100 million of the chargeable income and 33% tax rate ("Cukai Makmur") is applied on chargeable income exceeding RM100 million) for the financial year. The computation of deferred tax assets and deferred tax liabilities is based on the statutory tax rate of 24% and has taken into account of capital gain tax on unquoted shares.

Tax in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

MFRS 112 requires the disclosure on applying the exception to recognise and disclose information about deferred tax assets and liabilities related to tax law enacted or substantively enacted to implement the Pillar Two income taxes for annual reporting periods beginning on or after 1 January 2023.

The Group's entities operate in jurisdictions where the Pillar Two legislation of certain countries have been substantially enacted. It has applied the temporary exception to recognise and disclose information about deferred tax assets and liabilities related to the Pillar Two model rules for year 2023 annual financial statements.

In view that the legislation was substantively enacted close to the reporting period, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023. The potential exposure of Pillar Two income taxes, if any, is currently not reasonably estimable. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual financial statements when the said legislation is in effect.

40. TAX EXPENSE AND ZAKAT (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax expense at the statutory tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

GROUP	2023 %	2023 RM'000	2022 %	2022 RM'000
Profit before tax expense		**8,538,788**		8,831,050
Income tax using Malaysian tax rate	**24.0**	**2,049,309**	24.0	2,119,454
Effects of different tax rates	**(0.3)**	**(25,040)**	(0.4)	(33,502)
Income not subject to tax	**(1.9)**	**(160,699)**	(1.6)	(143,269)
Effects of unrecognised benefit of tax losses	**–**	**40**	–	(2)
Expenses not deductible for tax purposes	**0.4**	**34,645**	0.7	63,341
Capital gain tax on unquoted shares	**0.1**	**7,244**	–	–
Impact on Cukai Makmur	**–**	**–**	7.5	662,025
	22.3	**1,905,499**	30.2	2,668,047
Over provision in prior years	**(0.3)**	**(24,083)**	(0.1)	(8,491)
Tax expense for the year	**22.0**	**1,881,416**	30.1	2,659,556

BANK	2023 %	2023 RM'000	2022 %	2022 RM'000
Profit before tax expense		**6,863,281**		6,825,274
Income tax using Malaysian tax rate	**24.0**	**1,647,187**	24.0	1,638,066
Income not subject to tax	**(3.2)**	**(220,201)**	(3.4)	(231,240)
Expenses not deductible for tax purposes	**0.2**	**10,878**	0.3	23,144
Capital gain tax on unquoted shares	**0.1**	**6,829**	–	–
Impact on Cukai Makmur	**–**	**–**	8.0	548,470
	21.1	**1,444,693**	28.9	1,978,440
Over provision in prior years	**(0.3)**	**(20,586)**	–	(2,235)
Tax expense for the year	**20.8**	**1,424,107**	28.9	1,976,205

41. EARNINGS PER SHARE

(a) Basic Earnings Per Share

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Bank for the year divided by the weighted average number of ordinary shares in issue or issuable during the year, if any.

	GROUP		BANK	
	2023	**2022**	**2023**	**2022**
Net profit attributable to equity holders of the Bank (RM'000)	**6,649,314**	6,119,499	**5,439,174**	4,849,069
'000				
Number of ordinary shares in issue at beginning/end of the year	**19,410,692**	19,410,692	**19,410,692**	19,410,692
Basic earnings per share (sen)	**34.26**	31.53	**28.02**	24.98

(b) Diluted Earnings Per Share

The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

42. DIVIDENDS

	GROUP AND BANK	
	2023 RM'000	**2022 RM'000**
Dividends recognised as distribution to ordinary equity holders of the Bank:		
First interim dividend of 9.0 sen (2022 – 8.0 sen) in respect of the financial year ended 31 December 2023	**1,746,962**	1,552,855
Third interim dividend of 5.0 sen in respect of the financial year ended 31 December 2022	**970,535**	–
Second interim dividend of 4.0 sen in respect of the financial year ended 31 December 2022	**–**	776,428
Second interim dividend of 7.7 sen in respect of the financial year ended 31 December 2021	**–**	1,494,623
	2,717,497	3,823,906

42. DIVIDENDS (CONTINUED)

Subsequent to the financial year end, on 28 February 2024, the Directors declared a second interim dividend of 10.0 sen, with the total amounting to approximately RM1,941,069,174 computed based on 19,410,691,735 ordinary shares in respect of the financial year ended 31 December 2023. The financial statements for the current financial year do not reflect these dividends. Upon declaration, the dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2024. The Directors do not propose any final dividend in respect of the financial year ended 31 December 2023.

Accordingly, based on the above, the dividend declared per share for each financial year are as follows:

	GROUP AND BANK Dividend per share	
	2023 Sen	**2022 Sen**
Dividends per ordinary share:		
Paid:		
First interim dividend	**9.0**	8.0
Second interim dividend	**–**	4.0
Declared subsequent to the financial year end:		
Second interim dividend	**10.0**	–
Third interim dividend	**–**	5.0
	19.0	17.0

43. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both. The related parties of the Group and of the Bank are:

(i) Collective Investments
Collective investments are those investments as disclosed in Note 14.

(ii) Subsidiary Companies
Details of the subsidiary companies are shown in Note 15.

(iii) Associated Companies
Associated companies are those entities in which the Group has significant influence but not control, as disclosed in Note 16.

(iv) Key Management Personnel and the Close Members of His/Her Family
Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel of the Group and of the Bank include Executive Director and Non-Executive Directors of the Bank, chief executive officers of major subsidiary companies of the Bank and certain key members of senior management of the Bank and its major subsidiary companies.

(v) Public Bank Group Officers' Retirement Benefits Fund
Details of the retirement benefits fund are shown in Note 11.

(vi) Companies in which Certain Directors Have Substantial Financial Interest
These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Bank.

All related party transactions are conducted on normal commercial terms which are no more favourable than those generally available to the public.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The significant transactions of the Group and of the Bank with its related parties are as follows:

GROUP	Key Management Personnel* 2023 RM'000	Key Management Personnel* 2022 RM'000	Companies in which Certain Directors have Substantial Interest 2023 RM'000	Companies in which Certain Directors have Substantial Interest 2022 RM'000	Public Bank Group Officers' Retirement Benefits Fund 2023 RM'000	Public Bank Group Officers' Retirement Benefits Fund 2022 RM'000
Income earned:						
Interest on loans, advances and financing	**876**	596	**3,086**	1,411	**46,824**	33,105
Commission income	**–**	–	**–**	49,856	**–**	–
Rental income	**–**	147	**–**	3,996	**–**	–
Brokerage income	**3**	98	**–**	–	**–**	–
Fee income	**–**	–	**30**	348	**10**	17
	879	841	**3,116**	55,611	**46,834**	33,122
Expenditure incurred:						
Interest on deposits	**11,861**	352,014	**–**	2,923	**–**	–
Interest on debt securities issued	**44**	19	**–**	1,387	**–**	–
Rental of premises^	**–**	–	**–**	420	**44,684**	43,447
Insurance premiums	**–**	–	**–**	41,082	**–**	–
Others	**–**	–	**–**	320	**–**	–
	11,905	352,033	**–**	46,132	**44,684**	43,447

* Included transactions with close members of the key management personnel's family.
^ This amount represents actual rental of premises incurred by the Group.

The table above includes the following transactions of the Group with the Directors of the Bank (including close members of their families):

i) interest on deposits of RM9,981,000 (2022 – RM351,173,000);

ii) rental income of nil (2022 – RM147,000); and

iii) interest on loans, advances and financing of RM61,000 (2022 – RM61,000).

Transactions between the Bank and its subsidiary companies and collective investments are eliminated at Group level upon consolidation.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The significant transactions of the Group and of the Bank with its related parties are as follows (continued):

BANK	Collective Investments 2023 RM'000	Collective Investments 2022 RM'000	Subsidiary Companies 2023 RM'000	Subsidiary Companies 2022 RM'000	Key Management Personnel* 2023 RM'000	Key Management Personnel* 2022 RM'000	Companies in which Certain Directors have Substantial Interest 2023 RM'000	Companies in which Certain Directors have Substantial Interest 2022 RM'000	Public Bank Group Officers' Retirement Benefits Fund 2023 RM'000	Public Bank Group Officers' Retirement Benefits Fund 2022 RM'000
Income earned:										
Interest on interbank lending and money market instruments held	**–**	–	**192,459**	72,294	**–**	–	**–**	–	**–**	–
Interest rate swaps	**–**	–	**–**	42,449	**–**	–	**–**	–	**–**	–
Interest on loans and advances	**–**	–	**28,066**	18,641	**194**	194	**1,580**	924	**46,824**	33,105
Dividend/Distribution income (Note 35)	**215,450**	164,738	**697,581**	771,044	**–**	–	**–**	–	**–**	–
Cost of resource sharing charged (Note 36)	**–**	–	**536,096**	477,639	**–**	–	**–**	–	**–**	–
Commission income	**–**	–	**110,699**	104,567	**–**	–	**–**	49,492	**–**	–
Brokerage income	**–**	–	**–**	–	**3**	92	**–**	–	**–**	–
Rental income	**–**	–	**1,557**	1,501	**–**	147	**–**	–	**–**	–
Others	**–**	–	**14,143**	10,712	**–**	–	**–**	–	**–**	–
	215,450	164,738	**1,580,601**	1,498,847	**197**	433	**1,580**	50,416	**46,824**	33,105
Expenditure incurred:										
Interest on deposits	**35,250**	22,455	**182,288**	58,607	**11,233**	351,779	**–**	2,417	**–**	–
Interest rate swaps	**–**	–	**867**	–	**–**	–	**–**	–	**–**	–
Interest on debt securities issued	**–**	–	**–**	–	**–**	–	**–**	918	**–**	–
Rental of premises^	**–**	–	**31,575**	31,350	**–**	–	**–**	420	**41,815**	41,012
Insurance premiums	**–**	–	**–**	–	**–**	–	**–**	30,004	**–**	–
Fee and commission expense	**–**	–	**4,150**	3,955	**–**	–	**–**	–	**–**	–
Professional fees	**–**	–	**1,800**	1,150	**–**	–	**–**	–	**–**	–
Building maintenance	**–**	–	**3,355**	3,366	**–**	–	**–**	–	**–**	–
	35,250	22,455	**224,035**	98,428	**11,233**	351,779	**–**	33,759	**41,815**	41,012

* Included transactions with close members of the key management personnel's family.
^ This amount represents actual rental of premises incurred by the Bank.

The table above includes the following transactions of the Bank with its Directors (including close members of their families):

i) interest on deposits of RM9,944,000 (2022 – RM351,165,000);

ii) rental income of nil (2022 – RM147,000); and

iii) interest on loans and advances of RM61,000 (2022 – RM61,000).

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows:

GROUP 31 December 2023	Associated Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties				
Loans, advances and financing	–	29,541	56,616	1,282,994
Rental deposits	–	–	–	11,292
	–	29,541	56,616	1,294,286
Amount due to related parties				
Demand deposits	26,552	13,895	1,268	227
Term deposits	32,170	375,628	–	23
Debt securities issued	–	1,000	–	–
Others	20	1,007	–	–
	58,742	391,530	1,268	250
Commitments and contingencies				
Contingent liabilities	–	–	27,641	–
Commitments	–	5,290	32,359	715,900
	–	5,290	60,000	715,900

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

GROUP 31 December 2022	Associated Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties				
Loans, advances and financing	–	23,591	58,156	1,308,221
Rental deposits	–	–	–	11,034
	–	23,591	58,156	1,319,255
Amount due to related parties				
Demand deposits	20,006	13,689	963	–
Term deposits	443,690	241,660	–	15
Debt securities issued	–	1,000	–	–
Others	671	761	–	–
	464,367	257,110	963	15
Commitments and contingencies				
Contingent liabilities	–	–	24,959	–
Commitments	–	6,115	35,041	696,774
	–	6,115	60,000	696,774

* Included transactions with close members of the key management personnel's family.

The tables above include the following outstanding balances of the Group with the Directors of the Bank (including close members of their families):

i) demand deposits and term deposits of RM289,851,000 (2022 – RM198,737,000); and

ii) loans, advances and financing of RM1,496,000 (2022 – RM1,585,000).

Balances between the Bank and its subsidiary companies and collective investments are eliminated at Group level upon consolidation.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

BANK 31 December 2023	Collective Investments RM'000	Subsidiary Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties					
Interbank lending	–	2,023,966	–	–	–
Derivative financial assets	–	24,817	–	–	–
Loans and advances	–	695,580	8,554	29,116	1,282,994
Money market instruments held	–	1,967,804	–	–	–
Dividend/Distribution receivable (Note 10)	36,468	554,300	–	–	–
Rental deposits	–	36,380	–	–	10,574
Interest receivable	–	2,365	–	–	–
Others	–	756	–	–	–
	36,468	5,305,968	8,554	29,116	1,293,568
Amount due to related parties					
Demand deposits	101	15,964	12,622	1,268	227
Term deposits	1,136,567	671,446	351,239	–	23
Interbank borrowing	–	4,824,199	–	–	–
Derivative financial liabilities	–	24,596	–	–	–
Interest payable	8,834	29,067	–	–	–
Others	–	389	802	–	–
	1,145,502	5,565,661	364,663	1,268	250
Commitments and contingencies					
Contingent liabilities	–	189,593	–	27,641	–
Commitments	–	1,072,417	4,132	32,359	715,900
	–	1,262,010	4,132	60,000	715,900

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

BANK 31 December 2022	Collective Investments RM'000	Subsidiary Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties					
Interbank lending	–	3,577,465	–	–	–
Derivative financial assets	–	23,914	–	–	–
Loans and advances	–	691,888	9,275	30,656	1,308,221
Money market instruments held	–	1,589,509	–	–	–
Reverse repurchase agreements	–	49,425	–	–	–
Dividend/Distribution receivable (Note 10)	32,295	597,292	–	–	–
Rental deposits	–	36,366	–	–	10,317
Interest receivable	–	5,800	–	–	–
Others	–	529	–	–	–
	32,295	6,572,188	9,275	30,656	1,318,538
Amount due to related parties					
Demand deposits	100	18,365	12,262	963	–
Term deposits	665,416	607,263	223,979	–	15
Interbank borrowing	–	3,291,721	–	–	–
Derivative financial liabilities	–	42,922	–	–	–
Interest payable	2,360	9,896	–	–	–
Others	–	389	567	–	–
	667,876	3,970,556	236,808	963	15
Commitments and contingencies					
Contingent liabilities	–	78,557	–	24,959	–
Commitments	–	952,408	5,214	35,041	696,774
	–	1,030,965	5,214	60,000	696,774

* Included transactions with close members of the key management personnel's family.

The tables above include the following outstanding balances of the Bank with its Directors (including close members of their families):

i) demand deposits and term deposits of RM287,061,000 (2022 – RM197,548,000); and

ii) loans and advances of RM1,496,000 (2022 – RM1,585,000).

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Loans, advances and financing granted to the Directors of the Bank and other key management personnel of the Group and of the Bank are on similar terms and conditions generally available to other employees within the Group.

None of the loans, advances and financing granted to key management personnel (2022 – None) are impaired.

(d) Key Management Personnel Compensation

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

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Employee benefits:				
Fees	**5,278**	6,881	**2,693**	3,068
Salary and other remuneration, including meeting allowances	**129,444**	136,979	**108,510**	115,279
Benefits-in-kind	**1,662**	1,537	**287**	316
Post-employment benefits:				
Defined contribution plan	**17,791**	16,077	**15,630**	13,747
Annual service cost	**862**	990	**664**	793
	155,037	162,464	**127,784**	133,203

Included in the total key management personnel compensation are:

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Directors' remuneration including benefits-in-kind – Directors of the Bank	**60,671**	76,299	**56,518**	70,809

44. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	GROUP		BANK	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Outstanding credit exposures with connected parties	**3,973,474**	2,442,111	**3,993,566**	3,112,875
of which:				
Total credit exposures which are impaired or in default	**175**	38	**175**	38
Total credit exposures	**443,162,379**	416,121,752	**332,397,482**	314,136,499
Percentage of outstanding credit exposures to connected parties				
– as a proportion of total credit exposures	**0.90%**	0.59%	**1.20%**	0.99%
– as a proportion of total capital	**6.56%**	4.34%	**9.24%**	7.68%
– which is impaired or in default	**0.00%**	0.00%	**0.00%**	0.00%

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with Para. 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to any of the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Influential shareholder and his close relatives;

(iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and

(viii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures with connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and creditworthiness. Due care has been taken to ensure that the creditworthiness of the connected party is not less than that normally required of other persons.

45. FINANCIAL RISK MANAGEMENT

Overview

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, market risk, and liquidity and funding risk.

The Group's financial risk management is underpinned by the Group's risk appetite and is subject to the Board of Directors' oversight, through the Risk Management Committee ("RMC"), a Board Committee, which oversees the establishment of enterprise-wide risk management policies and processes. The RMC is assisted by the specific risk oversight committees and working group which are the Assets & Liabilities Management Committee ("ALCO"), the Credit Risk Management Committee ("CRMC"), the Operational Risk Management Committee ("ORMC") and the Internal Capital Adequacy Assessment Process ("ICAAP") Working Group.

Credit Risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Group, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Group to credit risk and counterparty credit risk ("CCR").

Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Group's credit risk frameworks and policies, credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

Risk Management Approach

The Group's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. The credit policies, guidelines and procedures are periodically reviewed to ensure their continued relevance.

Within the Risk Management Division ("RMD"), the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing group-wide credit risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the credit risk policies are implemented and complied with.

The management of credit risk starts with experienced key personnel appointed to the Credit Committee. The Credit Committee approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. Loan applications of significant amounts and/or higher risk exposure are approved at Head Office or by the Credit Committee while experienced senior credit officers at branches are given authority to approve loans with lower risk exposure. The Board of Directors of the respective entities has the authority to reject or modify the terms and conditions of loans which have been approved by the Credit Committee. The credit approving authorities are assigned discretionary powers based on their seniority and track record.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(a) Lending to Retail Consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer as well as the business condition and prospect. The credit assessment is assisted by the internal credit risk rating scoresheet. The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the customer's loan application.

(b) Lending to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated through the use of an internal or external credit risk rating scoresheet. Credit officers identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

(c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Group's trading or investing its surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the relevant approving authorities. In addition, the investment in debt securities are subject to the minimum investment grade, minimum acceptable return and the maximum tenures and these investment parameters are subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Board of Directors. As at the reporting date, the Group does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.

(d) Counterparty Credit Risk on Derivative Financial Instruments

CCR on derivative financial instruments is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity, option or credit derivative contract defaults prior to maturity date of the contract and that the Group, at the relevant time, has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes.

Unlike on-balance sheet financial instruments, the Group's financial loss is not the entire contracted notional principal value of the derivatives, but equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract. The Group will only suffer losses if the contract carries a positive economic value at time of default.

The CCR arising from all derivative financial instruments is managed via the establishment of credit exposure limits and daily settlement limits for each counterparty. Where possible, Over-the-Counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral, usually in the form of cash or government securities upon any excess over the threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Control & Processing Department monitors counterparties' positions and promptly follows up with the requirements to post collateral upon any excess over the threshold levels.

Where possible, the Group settles its OTC derivatives via the Payment-versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Group establishes settlement limits through the Group's credit approval process.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

Proposition of counterparty limits to financial institutions by the business units are independently assessed and evaluated by RMD before approval is granted by the relevant approving party. The Independent Credit Review ("ICR") Team within RMD provides independent evaluation and views on retail business loans and corporate loans of selected loan size and/or type. Periodical review/assessment of business sectors and industries in which the Bank's borrowers are significantly exposed to are also carried out by the ICR Team besides providing assistance in the formulation of credit policies and guidelines undertaken by the business units.

Post approval reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Various credit risk analytics are performed periodically to identify key risk characteristics and to risk profile the credit portfolio. In addition, comprehensive assessment on emerging risk is conducted to assess the impact of the risk on the Bank's portfolio as well as establishing appropriate measures to mitigate the risk. Internal risk management reports are presented to the Credit Committee, CRMC and RMC, containing information on asset quality trends across major credit portfolios, results of the credit profiling conducted, emerging risk assessment, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management, Credit Committee, CRMC and RMC to identify adverse credit trends, take corrective actions and formulate business strategies.

There have been no changes to the process for managing credit risk and the methods used to measure credit risk.

(i) Credit Risk Exposures and Credit Concentration Risk

The following tables present the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amount. For financial guarantees, the maximum exposure to credit risk is the full amount that the Group or the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

Credit concentration risk arises from excessive exposures to any single exposure or group of exposure or sector that will potentially result in losses which are large enough to undermine the health of the Group and of the Bank. To manage these large exposures and to avoid any undue credit concentration risk, the Group has emplaced internal exposure limits expressed as a percentage of the Group's capital.

By Industry Analysis

The analysis of credit concentration risk presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account any collateral held or other credit enhancements.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

GROUP 31 December 2023	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks (Gross)	1,462,244	9,667,301	–	–	–	–	–	–	11,129,545
Reverse repurchase agreements	851	–	–	–	–	–	–	–	851
Financial assets at fair value through profit or loss									
– Government securities and treasury bills	382,152	–	–	–	–	–	–	–	382,152
– Money market instruments	–	1,893,292	–	–	–	–	–	–	1,893,292
– Non-money market instruments*	–	–	–	–	–	–	–	–	–
Derivative financial assets	–	414,811	–	–	–	–	–	–	414,811
Financial investments at fair value through other comprehensive income									
– Government securities and treasury bills	48,003,288	–	–	–	–	–	–	–	48,003,288
– Money market instruments	–	298,997	–	–	–	–	–	–	298,997
– Non-money market instruments#	87,196	4,282,946	80,334	860,562	102,517	–	–	–	5,413,555
Financial investments at amortised cost (Gross)									
– Government securities and treasury bills	15,348,560	–	–	–	–	–	–	–	15,348,560
– Money market instruments	–	2,196,800	–	–	–	–	–	–	2,196,800
– Non-money market instruments	126,356	10,039,435	749,663	959,387	540,085	–	–	–	12,414,926
Gross loans, advances and financing									
– Retail loans/financing									
– housing loans/ financing	–	–	–	–	26,096	162,915,796	–	16,650	162,958,542
– hire purchase	587	52,922	2,752,866	6,399,141	2,288,583	–	55,484,507	–	66,978,606
– credit cards	455	7,072	18,011	54,928	9,695	–	–	2,744,899	2,835,060
– other loans/financing	18,017	312,950	5,757,341	35,370,209	21,808,723	8,284,414	239,948	45,185,383	116,976,985
– Corporate loans/financing	2,017,522	17,051,744	2,125,257	9,110,678	17,066,333	53,155	–	1,822,715	49,247,404
Statutory deposits with Central Banks	7,526,753	–	–	–	–	–	–	–	7,526,753
	74,973,981	46,218,270	11,483,472	52,754,905	41,842,032	171,253,365	55,724,455	49,769,647	504,020,127
Commitments and Contingencies									
Contingent liabilities	1,997	25,494	141,895	250,253	154,375	–	–	2,778,302	3,352,316
Commitments	518,312	1,533,686	3,500,270	15,191,124	9,038,377	20,351,732	21,323	30,371,849	80,526,673
	520,309	1,559,180	3,642,165	15,441,377	9,192,752	20,351,732	21,323	33,150,151	83,878,989
Total Credit Exposures	75,494,290	47,777,450	15,125,637	68,196,282	51,034,784	191,605,097	55,745,778	82,919,798	587,899,116

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

GROUP 31 December 2022	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks (Gross)	9,607,404	12,161,562	–	–	–	–	–	–	21,768,966
Reverse repurchase agreements	4,193	–	–	–	–	–	–	–	4,193
Financial assets at fair value through profit or loss									
– Government securities and treasury bills	558,083	–	–	–	–	–	–	–	558,083
– Non-money market instruments*	–	–	–	–	–	–	–	–	–
Derivative financial assets	–	446,564	–	–	–	–	–	–	446,564
Financial investments at fair value through other comprehensive income									
– Government securities and treasury bills	48,272,166	–	–	–	–	–	–	–	48,272,166
– Money market instruments	–	842,032	–	–	–	–	–	–	842,032
– Non-money market instruments#	85,970	4,266,677	150,307	697,596	137,579	–	–	–	5,338,129
Financial investments at amortised cost (Gross)									
– Government securities and treasury bills	11,268,011	–	–	–	–	–	–	–	11,268,011
– Money market instruments	–	1,827,367	–	–	–	–	–	–	1,827,367
– Non-money market instruments	766,505	8,351,655	940,309	1,158,252	1,262,454	–	–	–	12,479,175
Gross loans, advances and financing									
– Retail loans/financing									
– housing loans/ financing	–	–	–	–	25,496	152,871,267	–	18,418	152,915,181
– hire purchase	755	47,333	2,644,694	5,890,820	2,062,317	–	50,026,710	7	60,672,636
– credit cards	143	9,256	16,888	48,293	10,278	–	–	2,443,566	2,528,424
– other loans/financing	15,540	293,383	5,850,403	34,827,484	21,751,528	8,083,819	231,600	43,877,351	114,931,108
– Corporate loans/financing	1,000,853	15,720,114	2,101,028	8,805,089	18,061,473	44,794	–	111,237	45,844,588
Statutory deposits with Central Banks	6,882,404	–	–	–	–	–	–	–	6,882,404
	78,462,027	43,965,943	11,703,629	51,427,534	43,311,125	160,999,880	50,258,310	46,450,579	486,579,027
Commitments and Contingencies									
Contingent liabilities	154	27,867	260,078	383,590	170,765	–	–	2,392,673	3,235,127
Commitments	536,493	2,132,387	3,968,898	13,429,774	7,710,769	20,665,451	21,983	18,549,705	67,015,460
	536,647	2,160,254	4,228,976	13,813,364	7,881,534	20,665,451	21,983	20,942,378	70,250,587
Total Credit Exposures	78,998,674	46,126,197	15,932,605	65,240,898	51,192,659	181,665,331	50,280,293	67,392,957	556,829,614

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

BANK 31 December 2023	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks (Gross)	400,000	7,645,976	–	–	–	–	–	–	8,045,976
Reverse repurchase agreements	851	–	–	–	–	–	–	–	851
Financial assets at fair value through profit or loss									
– Government securities and treasury bills	382,152	–	–	–	–	–	–	–	382,152
– Non-money market instruments*	–	–	–	–	–	–	–	–	–
Derivative financial assets	–	409,372	–	–	–	–	–	–	409,372
Financial investments at fair value through other comprehensive income									
– Government securities and treasury bills	33,131,459	–	–	–	–	–	–	–	33,131,459
– Money market instruments	–	497,707	–	–	–	–	–	–	497,707
– Non-money market instruments#	–	138,154	–	100,439	51,621	–	–	–	290,214
Financial investments at amortised cost (Gross)									
– Government securities and treasury bills	9,168,406	–	–	–	–	–	–	–	9,168,406
– Money market instruments	–	1,769,094	–	–	–	–	–	–	1,769,094
– Non-money market instruments	126,356	8,185,114	749,663	867,679	479,803	–	–	–	10,408,615
Gross loans and advances									
– Retail loans									
– housing loans	–	–	–	–	–	121,036,720	–	–	121,036,720
– hire purchase	276	51,335	2,327,067	6,173,925	2,214,357	–	41,633,316	–	52,400,276
– credit cards	455	7,072	18,011	54,928	9,695	–	–	2,605,784	2,695,945
– other loans	18,017	226,085	3,951,277	25,629,964	15,179,930	6,880,276	214,067	32,819,448	84,919,064
– Corporate loans	–	14,678,416	926,061	6,802,666	13,762,931	53,155	–	1,822,715	38,045,944
Statutory deposits with Central Banks	5,169,488	–	–	–	–	–	–	–	5,169,488
	48,397,460	33,608,325	7,972,079	39,629,601	31,698,337	127,970,151	41,847,383	37,247,947	368,371,283
Commitments and Contingencies									
Contingent liabilities	157	212,200	91,286	116,375	96,793	–	–	2,136,385	2,653,196
Commitments	517,652	2,474,913	1,608,400	12,646,603	7,080,440	15,717,576	9,981	27,553,953	67,609,518
	517,809	2,687,113	1,699,686	12,762,978	7,177,233	15,717,576	9,981	29,690,338	70,262,714
Total Credit Exposures	48,915,269	36,295,438	9,671,765	52,392,579	38,875,570	143,687,727	41,857,364	66,938,285	438,633,997

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

BANK 31 December 2022	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks (Gross)	5,463,140	10,582,178	–	–	–	–	–	–	16,045,318
Reverse repurchase agreements	53,618	–	–	–	–	–	–	–	53,618
Financial assets at fair value through profit or loss									
– Government securities and treasury bills	558,083	–	–	–	–	–	–	–	558,083
– Non-money market instruments*	–	–	–	–	–	–	–	–	–
Derivative financial assets	–	439,742	–	–	–	–	–	–	439,742
Financial investments at fair value through other comprehensive income									
– Government securities and treasury bills	34,286,611	–	–	–	–	–	–	–	34,286,611
– Money market instruments	–	1,722,871	–	–	–	–	–	–	1,722,871
– Non-money market instruments#	–	436,483	90,632	134,641	76,664	–	–	–	738,420
Financial investments at amortised cost (Gross)									
– Government securities and treasury bills	4,748,735	–	–	–	–	–	–	–	4,748,735
– Money market instruments	–	708,670	–	–	–	–	–	–	708,670
– Non-money market instruments	670,518	6,383,045	940,309	1,128,157	984,563	–	–	–	10,106,592
Gross loans and advances									
– Retail loans									
– housing loans	–	–	–	–	–	114,661,406	–	–	114,661,406
– hire purchase	518	45,424	2,186,940	5,711,792	1,989,618	–	37,485,781	–	47,420,073
– credit cards	143	9,256	16,888	48,293	10,278	–	–	2,354,140	2,438,998
– other loans	15,014	210,424	3,972,980	25,591,338	15,204,910	6,657,439	206,460	32,314,738	84,173,303
– Corporate loans	–	14,527,227	1,023,999	6,322,651	14,926,822	44,794	–	111,237	36,956,730
Statutory deposits with Central Banks	4,395,985	–	–	–	–	–	–	–	4,395,985
	50,192,365	35,065,320	8,231,748	38,936,872	33,192,855	121,363,639	37,692,241	34,780,115	359,455,155
Commitments and Contingencies									
Contingent liabilities	154	103,572	95,828	145,880	134,121	–	–	1,927,255	2,406,810
Commitments	531,993	2,848,127	1,852,944	11,153,659	6,168,908	15,665,821	2,631	16,179,975	54,404,058
	532,147	2,951,699	1,948,772	11,299,539	6,303,029	15,665,821	2,631	18,107,230	56,810,868
Total Credit Exposures	50,724,512	38,017,019	10,180,520	50,236,411	39,495,884	137,029,460	37,694,872	52,887,345	416,266,023

* Excluding equity securities of the Group and of the Bank of RM362,204,000 (2022 – RM391,242,000) and RM341,478,000 (2022 – RM368,855,000) respectively which do not carry any credit risk.

Excluding equity securities of the Group and of the Bank of RM422,468,000 (2022 – RM414,962,000) and RM413,921,000 (2022 – RM406,384,000) respectively which do not carry any credit risk.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Geographical Analysis

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows:

GROUP 31 December 2023	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks (Gross)	4,248,883	3,078,886	1,622,669	2,179,107	11,129,545
Reverse repurchase agreements	–	–	–	851	851
Financial assets at fair value through profit or loss					
– Government securities and treasury bills	382,152	–	–	–	382,152
– Money market instruments	1,893,292	–	–	–	1,893,292
– Non-money market instruments*	–	–	–	–	–
Derivative financial assets	160,028	26,915	–	227,868	414,811
Financial investments at fair value through other comprehensive income					
– Government securities and treasury bills	47,713,857	–	–	289,431	48,003,288
– Money market instruments	298,997	–	–	–	298,997
– Non-money market instruments#	5,092,489	–	–	321,066	5,413,555
Financial investments at amortised cost (Gross)					
– Government securities and treasury bills	13,617,556	1,561,172	114,750	55,082	15,348,560
– Money market instruments	–	1,106,321	–	1,090,479	2,196,800
– Non-money market instruments	11,684,222	264,814	–	465,890	12,414,926
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	155,987,817	5,080,037	618,342	1,272,346	162,958,542
– hire purchase	64,196,008	2,636,625	1,744	144,229	66,978,606
– credit cards	2,808,661	–	15,881	10,518	2,835,060
– other loans/financing	103,719,595	3,286,018	5,806,497	4,164,875	116,976,985
– Corporate loans/financing	43,261,583	3,448,103	–	2,537,718	49,247,404
Statutory deposits with Central Banks	6,890,295	1,342	509,885	125,231	7,526,753
	461,955,435	20,490,233	8,689,768	12,884,691	504,020,127
Commitments and Contingencies					
Contingent liabilities	2,572,798	111,230	26,829	641,459	3,352,316
Commitments	66,335,340	1,421,382	1,264,573	11,505,378	80,526,673
	68,908,138	1,532,612	1,291,402	12,146,837	83,878,989
Total Credit Exposures	530,863,573	22,022,845	9,981,170	25,031,528	587,899,116

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Geographical Analysis (continued)

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows (continued):

GROUP 31 December 2022	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks (Gross)	13,890,980	3,126,314	2,315,480	2,436,192	21,768,966
Reverse repurchase agreements	–	–	–	4,193	4,193
Financial assets at fair value through profit or loss					
– Government securities and treasury bills	558,083	–	–	–	558,083
– Non-money market instruments*	–	–	–	–	–
Derivative financial assets	234,657	28,162	–	183,745	446,564
Financial investments at fair value through other comprehensive income					
– Government securities and treasury bills	48,104,965	–	–	167,201	48,272,166
– Money market instruments	842,032	–	–	–	842,032
– Non-money market instruments#	5,074,845	–	–	263,284	5,338,129
Financial investments at amortised cost (Gross)					
– Government securities and treasury bills	9,174,846	1,620,946	437,270	34,949	11,268,011
– Money market instruments	–	1,075,349	–	752,018	1,827,367
– Non-money market instruments	11,723,024	487,497	–	268,654	12,479,175
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	146,198,349	5,032,344	495,719	1,188,769	152,915,181
– hire purchase	57,926,615	2,608,935	820	136,266	60,672,636
– credit cards	2,512,850	–	11,886	3,688	2,528,424
– other loans/financing	102,802,760	3,199,052	5,097,108	3,832,188	114,931,108
– Corporate loans/financing	41,629,253	3,357,609	–	857,726	45,844,588
Statutory deposits with Central Banks	6,164,506	2,921	547,389	167,588	6,882,404
	446,837,765	20,539,129	8,905,672	10,296,461	486,579,027
Commitments and Contingencies					
Contingent liabilities	2,440,629	108,834	29,643	656,021	3,235,127
Commitments	63,123,372	1,544,371	1,023,254	1,324,463	67,015,460
	65,564,001	1,653,205	1,052,897	1,980,484	70,250,587
Total Credit Exposures	512,401,766	22,192,334	9,958,569	12,276,945	556,829,614

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Geographical Analysis (continued)

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows (continued):

BANK 31 December 2023	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks (Gross)	4,690,930	329,039	1,002	3,025,005	8,045,976
Reverse repurchase agreements	–	–	–	851	851
Financial assets at fair value through profit or loss					
– Government securities and treasury bills	382,152	–	–	–	382,152
– Non-money market instruments*	–	–	–	–	–
Derivative financial assets	169,928	20,604	–	218,840	409,372
Financial investments at fair value through other comprehensive income					
– Government securities and treasury bills	33,131,459	–	–	–	33,131,459
– Money market instruments	497,707	–	–	–	497,707
– Non-money market instruments#	290,214	–	–	–	290,214
Financial investments at amortised cost (Gross)					
– Government securities and treasury bills	9,113,324	–	–	55,082	9,168,406
– Money market instruments	1,769,094	–	–	–	1,769,094
– Non-money market instruments	10,408,615	–	–	–	10,408,615
Gross loans and advances					
– Retail loans					
– housing loans	121,006,782	–	–	29,938	121,036,720
– hire purchase	52,399,359	–	–	917	52,400,276
– credit cards	2,695,411	–	–	534	2,695,945
– other loans	84,421,428	–	–	497,636	84,919,064
– Corporate loans	35,305,935	306,994	–	2,433,015	38,045,944
Statutory deposits with Central Banks	5,140,000	–	–	29,488	5,169,488
	361,422,338	656,637	1,002	6,291,306	368,371,283
Commitments and Contingencies					
Contingent liabilities	2,455,878	–	185,822	11,496	2,653,196
Commitments	55,989,017	999,374	–	10,621,127	67,609,518
	58,444,895	999,374	185,822	10,632,623	70,262,714
Total Credit Exposures	419,867,233	1,656,011	186,824	16,923,929	438,633,997

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Geographical Analysis (continued)

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows (continued):

BANK 31 December 2022	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks (Gross)	12,342,520	181,230	966	3,520,602	16,045,318
Reverse repurchase agreements	49,425	–	–	4,193	53,618
Financial assets at fair value through profit or loss					
– Government securities and treasury bills	558,083	–	–	–	558,083
– Non-money market instruments*	–	–	–	–	–
Derivative financial assets	240,369	27,968	–	171,405	439,742
Financial investments at fair value through other comprehensive income					
– Government securities and treasury bills	34,286,611	–	–	–	34,286,611
– Money market instruments	1,722,871	–	–	–	1,722,871
– Non-money market instruments#	738,420	–	–	–	738,420
Financial investments at amortised cost (Gross)					
– Government securities and treasury bills	4,713,786	–	–	34,949	4,748,735
– Money market instruments	708,670	–	–	–	708,670
– Non-money market instruments	10,106,592	–	–	–	10,106,592
Gross loans and advances					
– Retail loans					
– housing loans	114,630,747	–	–	30,659	114,661,406
– hire purchase	47,419,257	–	–	816	47,420,073
– credit cards	2,438,458	–	–	540	2,438,998
– other loans	83,696,731	–	–	476,572	84,173,303
– Corporate loans	35,930,023	254,885	–	771,822	36,956,730
Statutory deposits with Central Banks	4,376,415	–	–	19,570	4,395,985
	353,958,978	464,083	966	5,031,128	359,455,155
Commitments and Contingencies					
Contingent liabilities	2,323,329	–	65,417	18,064	2,406,810
Commitments	52,998,921	905,651	–	499,486	54,404,058
	55,322,250	905,651	65,417	517,550	56,810,868
Total Credit Exposures	409,281,228	1,369,734	66,383	5,548,678	416,266,023

* Excluding equity securities of the Group and of the Bank of RM362,204,000 (2022 – RM391,242,000) and RM341,478,000 (2022 – RM368,855,000) respectively which do not carry any credit risk.

\# Excluding equity securities of the Group and of the Bank of RM422,468,000 (2022 – RM414,962,000) and RM413,921,000 (2022 – RM406,384,000) respectively which do not carry any credit risk.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality

The table below represents an analysis of the credit quality of financial assets based on the following internally classified grades:

- "Good Grade" refers to exposures that are neither past due nor credit-impaired and debt instruments with rating of AAA to AA- / P-1 by a recognised credit rating agency or government guaranteed.
- "Satisfactory Grade" refers to exposures that are past due 1 to 30 days after the contractual due date that are neither credit-impaired nor have shown significant increase in credit risk and debt instruments with rating of A+ to BBB / P-2 by a recognised credit rating agency.
- "Sub-standard Grade" refers to exposures that are past due 31 days or more but not credit-impaired as well as borrowers with indication of significant increase in credit risk and debt instruments with rating of BB to CCC / P-3 by a recognised credit rating agency.
- "Credit-Impaired Grade" refers to exposures that have been assessed as credit-impaired.

In the absence of ratings for the debt instruments, the issuer's rating will be applied.

	2023				2022			
GROUP	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debt Instruments								
Good	**82,506,059**	**–**	**–**	**82,506,059**	77,015,475	–	–	77,015,475
Satisfactory	**3,124,426**	**–**	**–**	**3,124,426**	3,306,185	–	–	3,306,185
Sub-standard	**–**	**321,066**	**–**	**321,066**	–	263,284	–	263,284
Credit-impaired	**–**	**–**	**19**	**19**	–	–	19	19
Gross carrying amount	**85,630,485**	**321,066**	**19**	**85,951,570**	80,321,660	263,284	19	80,584,963
Gross Loans, Advances and Financing								
Good	**350,903,509**	**–**	**–**	**350,903,509**	333,601,898	–	–	333,601,898
Satisfactory	**16,847,065**	**–**	**–**	**16,847,065**	15,024,954	–	–	15,024,954
Sub-standard	**–**	**28,910,651**	**–**	**28,910,651**	–	26,680,989	–	26,680,989
Credit-impaired	**–**	**–**	**2,335,372**	**2,335,372**	–	–	1,584,096	1,584,096
Gross carrying amount	**367,750,574**	**28,910,651**	**2,335,372**	**398,996,597**	348,626,852	26,680,989	1,584,096	376,891,937
Loan/Financing Commitments and Financial Guarantees								
Good	**30,461,962**	**–**	**–**	**30,461,962**	26,108,467	–	–	26,108,467
Satisfactory	**84,715**	**–**	**–**	**84,715**	78,071	–	–	78,071
Sub-standard	**–**	**1,185,058**	**–**	**1,185,058**	–	959,957	–	959,957
Credit-impaired	**–**	**–**	**40,897**	**40,897**	–	–	32,925	32,925
Gross exposure	**30,546,677**	**1,185,058**	**40,897**	**31,772,632**	26,186,538	959,957	32,925	27,179,420

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality (continued)

	2023				2022			
BANK	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Debt Instruments								
Good	**55,637,623**	**–**	**–**	**55,637,623**	52,859,958	–	–	52,859,958
Satisfactory	**10,005**	**–**	**–**	**10,005**	10,005	–	–	10,005
Sub-standard	**–**	**–**	**–**	**–**	–	–	–	–
Credit-impaired	**–**	**–**	**19**	**19**	–	–	19	19
Gross carrying amount	**55,647,628**	**–**	**19**	**55,647,647**	52,869,963	–	19	52,869,982
Gross Loans and Advances								
Good	**263,351,856**	**–**	**–**	**263,351,856**	253,089,436	–	–	253,089,436
Satisfactory	**11,879,722**	**–**	**–**	**11,879,722**	10,623,000	–	–	10,623,000
Sub-standard	**–**	**22,595,642**	**–**	**22,595,642**	–	20,874,300	–	20,874,300
Credit-impaired	**–**	**–**	**1,270,729**	**1,270,729**	–	–	1,063,774	1,063,774
Gross carrying amount	**275,231,578**	**22,595,642**	**1,270,729**	**299,097,949**	263,712,436	20,874,300	1,063,774	285,650,510
Loan Commitments and Financial Guarantees								
Good	**24,463,517**	**–**	**–**	**24,463,517**	20,542,506	–	–	20,542,506
Satisfactory	**61,387**	**–**	**–**	**61,387**	60,057	–	–	60,057
Sub-standard	**–**	**959,178**	**–**	**959,178**	–	769,770	–	769,770
Credit-impaired	**–**	**–**	**35,833**	**35,833**	–	–	29,323	29,323
Gross exposure	**24,524,904**	**959,178**	**35,833**	**25,519,915**	20,602,563	769,770	29,323	21,401,656

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality (continued)

Past Due But Not Credit-impaired

Past due but not credit-impaired loans, advances and financing are loans/financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes loans/financing which are due one or more days after the contractual due date but less than ninety (90) days.

An aging analysis of loans, advances and financing which are past due but not credit-impaired is as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
1 to 30 Days	**18,940,716**	18,385,521	**13,690,088**	13,032,891
31 to 59 Days	**4,729,140**	4,279,017	**3,306,656**	3,204,910
60 to 89 Days	**2,579,962**	1,796,074	**1,610,011**	1,180,727
	26,249,818	24,460,612	**18,606,755**	17,418,528

(iii) Collateral

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

- for residential mortgages – charges over residential properties
- for commercial property loans/financing – charges over the properties being financed
- for motor vehicle financing – ownership claims over the vehicles financed
- for share margin financing – pledges over securities from listed exchange
- for other loans/financing – charges over business assets such as premises, inventories, trade receivables or deposits

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans, advances and financing for the Group and the Bank as at 31 December 2023 are at 90.9% (2022 - 93.5%) and 91.1% (2022 - 93.3%) respectively. The financial effect of collateral held for other remaining financial assets is not significant.

Repossessed Collateral

Assets obtained by taking possession of collateral held as security against loans, advances and financing, and held as at the end of the financial year are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Residential properties	**140,763**	116,347	**118,479**	97,947
Non-residential properties	**92,027**	92,900	**82,077**	83,031
	232,790	209,247	**200,556**	180,978

Repossessed collateral are sold as soon as practicable. Repossessed collateral are recognised in other assets on the statements of financial position. The Group and the Bank do not occupy repossessed properties for its business use.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit rating agencies:

Financial Assets at Fair Value through Profit or Loss

	31 December 2023						31 December 2022					
	Money Market Instruments			Non-money Market Instruments – Debt Securities			Money Market Instruments			Non-money Market Instruments – Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
GROUP												
AAA to AA-	–	1,893,292	1,893,292	–	–	–	–	–	–	–	–	–

Financial Investments at Fair Value through Other Comprehensive Income

	31 December 2023						31 December 2022					
	Money Market Instruments			Non-money Market Instruments – Debt Securities			Money Market Instruments			Non-money Market Instruments – Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
GROUP												
Sovereign guaranteed	–	–	–	–	319,921	319,921	–	–	–	–	483,711	483,711
AAA to AA-	–	298,997	298,997	–	3,591,209	3,591,209	–	842,032	842,032	–	3,126,886	3,126,886
A+ to A-	–	–	–	222,794	759,795	982,589	–	–	–	211,253	1,071,738	1,282,991
BBB+ to BBB-	–	–	–	198,770	–	198,770	–	–	–	181,257	–	181,257
Lower than BBB-	–	–	–	321,066	–	321,066	–	–	–	263,284	–	263,284
	–	298,997	298,997	742,630	4,670,925	5,413,555	–	842,032	842,032	655,794	4,682,335	5,338,129
BANK												
Sovereign guaranteed	–	–	–	–	51,621	51,621	–	–	–	–	152,980	152,980
AAA to AA-	–	497,707	497,707	–	238,593	238,593	–	1,722,871	1,722,871	–	585,440	585,440
	–	497,707	497,707	–	290,214	290,214	–	1,722,871	1,722,871	–	738,420	738,420

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit rating agencies (continued):

Financial Investments at Amortised Cost

	31 December 2023						31 December 2022					
	Money Market Instruments			Non-money Market Instruments – Debt Securities			Money Market Instruments			Non-money Market Instruments – Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
GROUP												
Sovereign guaranteed	-	-	-	-	2,639,504	2,639,504	–	–	–	–	4,642,539	4,642,539
AAA to AA-	476,324	-	476,324	518,119	9,034,694	9,552,813	287,192	–	287,192	464,393	7,070,461	7,534,854
A+ to A-	1,629,721	-	1,629,721	212,585	10,005	222,590	1,367,869	–	1,367,869	291,758	10,005	301,763
BBB+ to BBB-	90,755	-	90,755	-	-	-	172,306	–	172,306	–	–	–
Defaulted	-	-	-	-	19	19	–	–	–	–	19	19
	2,196,800	-	2,196,800	730,704	11,684,222	12,414,926	1,827,367	–	1,827,367	756,151	11,723,024	12,479,175
BANK												
Sovereign guaranteed	-	-	-	-	2,629,262	2,629,262	–	–	–	–	4,149,724	4,149,724
AAA to AA-	-	1,769,094	1,769,094	-	7,769,329	7,769,329	–	708,670	708,670	–	5,946,844	5,946,844
A+ to A-	-	-	-	-	10,005	10,005	–	–	–	–	10,005	10,005
Defaulted	-	-	-	-	19	19	–	–	–	–	19	19
	-	1,769,094	1,769,094	-	10,408,615	10,408,615	–	708,670	708,670	–	10,106,592	10,106,592

The ratings shown for money market instruments (e.g. negotiable instruments of deposit and bankers' acceptances) are based on the ratings assigned to the respective financial institutions issuing the financial instruments. The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance.

As at the reporting date, there were no financial investments which were past due (2022 – none).

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk

Market risk is the risk that movements in market variables, including interest rates/rates of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Group.

The market risk exposure of the Group is identified into two types:

(i) Traded Market Risk

Primarily the interest rate/rate of return risk and credit spread risk, exists in the Group's trading book positions held for the purpose of benefiting from short-term price movements. These trading book positions are mainly originated by the treasury operations.

(ii) Non-Traded Market Risk

Interest rate/rate of return risk, foreign exchange risk and equity prices risk arising mainly from the retail and commercial banking assets and liabilities, as well as financial investments designated as at fair value through other comprehensive income and at amortised cost.

The Group's core market risks are as follows:

(a) Interest Rate/Rate of Return Risk in the Banking Book ("IRR/RoRBB")

Risk to the Group's earnings and economic value of equity ("EVE") arising from adverse movements in the interest rate/rate of return over time arising from activities such as deposits taking, lending or financing and investment.

(b) Foreign Exchange Risk

Risk of adverse impact arising from movements in exchange rates on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings in its subsidiary companies and overseas branches, whose functional currencies are not in Ringgit Malaysia. The main foreign currencies in which the Group's businesses are transacted in are United States Dollars and Hong Kong Dollars.

(c) Equity Risk

Risk of adverse impact arising from movements in equity prices on equity positions held by the Group for dividend purposes.

Risk Governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group's market risk frameworks and policies, aligns market risk management with risk appetite and implements actions to ensure that the market risk remains within established risk tolerance level.

(i) Traded Market Risk

Risk Management Approach

The Group's traded market risk frameworks comprise market risk policies and practices, market risk limits and valuation methodologies. The Group's traded market risk for fixed income instruments is measured by the present value of 1 basis point change ("PV01") and controlled by daily and cumulative cut-loss limits. The Treasury Middle Office ("TMO") conducts daily operational checking on the treasury operations. Any operational lapses and non-compliance with the internal policies and limits will be reported to the ALCO. In addition, TMO also conducts independent verification on the daily mark-to-market valuation of fixed income instruments.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(i) Traded Market Risk (continued)

Risk Management Approach (continued)

The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by RMD. Changes to operational market risk limits are approved by the ALCO. The trading book positions and limits are reported to the ALCO regularly. The Group maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

During the financial year, the Group's and the Bank's traded market risk exposures on fixed income instruments as measured by PV01, averaged at RM116,000 (2022 – RM89,000) and RM95,000 (2022 – RM89,000) respectively. The composition of the Group's and the Bank's trading portfolio is set out in Note 5 (except for equity securities) to the financial statements.

(ii) Non-Traded Market Risk

(a) Interest Rate/Rate of Return Risk in the Banking Book

The sources of IRR/RoRBB are as follows:

(i) Repricing Risk – Risk caused by timing differences in the interest rate/rate of return changes and cash flows that occur in the repricing and maturity of the Group's fixed and floating rate assets, liabilities and off-balance sheet instruments.

(ii) Yield Curve Risk – Risk when unanticipated changes in the yield curve has adverse effects on the Group's earnings and EVE.

(iii) Basis Risk – Risk arising from the imperfect correlation between changes in the interest rate/rate of return earned and paid on different instruments with otherwise similar repricing characteristics. This will affect the Group's net interest/profit margin, i.e. earnings and also future cash flows, which in turn affect economic value of the Group.

(iv) Optionality Risk – Risk of early repayments of loans/financing and early withdrawal of deposits due to changes in the interest rate/rate of return which will potentially affect future earnings.

Risk Management Approach

The Group emphasises the importance of IRR/RoRBB as most of the balance sheet items of the Group generate interest/profit income and interest/profit expense that are correlated to interest rate/rate of return. Hence, the primary objective in managing the IRR/RoRBB is to manage the volatility in the Group's net interest/profit income ("NII/NPI") and EVE due to the changing levels of interest rate/rate of return, whilst balancing the cost of hedging the risk. This is achieved in various manners such as the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in the interest rate/rate of return of sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge the interest rate/rate of return risk is set out in Note 6 to the financial statements.

The Group's IRR/RoRBB is also governed by the Group's Interest Rate Risk/Rate of Return Risk Management Policy to ensure that all IRR/RoRBB is managed within its risk appetite. All limits and policies are approved by the Board of Directors or RMC and are regularly reviewed to ensure that the limits and policies remain applicable and is able to surface potential interest rate/rate of return risk.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Risk Management Approach (continued)

The Group uses a range of approaches to measure IRR/RoRBB, whereby the impact on NII/NPI and EVE is considered at all times, as follows:

(i) Repricing Gap Reports

Distribution of interest rate/rate of return sensitive assets, liabilities and off-balance sheet positions into time bands according to their remaining maturity or next repricing maturity. One of the challenges of this mismatch repricing analysis is the underlying assumptions of the embedded optionality of loan/financing prepayments, early deposits withdrawal and effective duration of liabilities which are contractually repayable on demand such as current and savings accounts.

This is measured on a monthly basis for the Bank and quarterly basis for the Group.

(ii) Sensitivity Analysis

Impact to NII/NPI – This is the projected Group's NII/NPI sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's interest rate/rate of return sensitivity gap as at the reporting date after taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

Impact to EVE – This measure takes a comprehensive view of the potential long-term effects of a 100 basis point parallel movement in interest rates/rates of return on the economic value of the Group's Balance Sheet. It requires all future cash flows associated with the Group's assets, liabilities and off-balance sheet positions to be discounted at relevant market rates to determine the overall net present value of the Group.

These are measured on a monthly basis for the Bank and quarterly basis for the Group.

(iii) Simulation Scenarios

As and when the need arises, analysis is performed on the sensitivity of projected NII/NPI and EVE under varying interest rate/rate of return and balance sheet scenarios. The analysis also incorporates business assumptions obtained from various lines of business and behavioural assumptions established based on statistical methods for the Group. The impact on earnings is measured against the approved Earning-at-Risk ("EaR") and EVE limits where new business and hedging strategies are carried out to mitigate any increasing interest rate/rate of return risk.

(iv) Stress Testing

The vulnerability of the Group's earnings and EVE under various levels of stress using a variety of economic parameters. This semi-annual practice is also to determine the adequacy of capital in meeting the adverse impact of extreme interest rate/rate of return movements on the Group's statements of financial position which can provide an early warning of the potential losses and to facilitate proactive management of the interest rate/rate of return risk.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis

The following tables indicate the effective interest rate/rate of return at the reporting date and the Group's and the Bank's sensitivity to the interest rate/rate of return by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans, advances and financing.

	Non-trading book											
GROUP 2023	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
ASSETS												
Cash and balances with banks	5,171,639	1,680,740	565,563	-	-	-	-	-	3,709,475	-	11,127,417	4.67
Reverse repurchase agreements	851	-	-	-	-	-	-	-	-	-	851	8.57
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	2,637,648	2,637,648	3.56
Financial investments at fair value through other comprehensive income	20,278	381,194	12,166,356	10,696,485	10,612,555	6,660,277	6,261,431	6,917,262	422,470	-	54,138,308	3.54
Financial investments at amortised cost	677,005	3,643,665	6,316,809	2,866,932	4,108,421	7,929,571	3,233,882	1,179,128	-	-	29,955,413	3.99
Loans, advances and financing												
– not credit-impaired	300,002,569	13,175,177	16,807,913	17,934,635	13,189,360	10,313,032	8,368,627	16,869,912	-	-	396,661,225	4.72
– credit-impaired*	-	-	-	-	-	-	-	-	(1,911,246)	-	(1,911,246)	-
Other asset balances	-	-	-	-	-	-	-	-	17,751,167	237,214	17,988,381	-
TOTAL ASSETS	305,872,342	18,880,776	35,856,641	31,498,052	27,910,336	24,902,880	17,863,940	24,966,302	19,971,866	2,874,862	510,597,997	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
GROUP 2023	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
LIABILITIES AND EQUITY												
Deposits from customers	150,448,500	82,199,545	121,771,912	1,785,279	3,672	1,434	2,851	-	56,683,774	-	412,896,967	3.09
Deposits from banks and other financial institutions	6,212,271	3,492,395	472,492	18,705	14,815	4,230	19,413	7,480	2,360,628	-	12,602,429	4.50
Obligations on securities sold under repurchase agreements	2,626,780	391,009	-	-	-	-	-	-	-	-	3,017,789	3.30
Bills and acceptances payable	-	-	-	-	-	-	-	-	192,169	-	192,169	-
Recourse obligations on loans and financing sold to Cagamas	-	-	1,100,000	-	-	4,000,015	-	-	-	-	5,100,015	4.29
Debt securities issued and other borrowed funds	645,517	2,610,384	2,500,000	889,919	-	3,499,308	998,888	-	-	-	11,144,016	4.18
Other liability balances	58,838	-	-	-	-	-	-	-	8,887,595	318,061	9,264,494	7.75
Total Liabilities	159,991,906	88,693,333	125,844,404	2,693,903	18,487	7,504,987	1,021,152	7,480	68,124,166	318,061	454,217,879	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	54,674,349	-	54,674,349	-
Non-controlling interests	-	-	-	-	-	-	-	-	1,705,769	-	1,705,769	-
TOTAL LIABILITIES AND EQUITY	159,991,906	88,693,333	125,844,404	2,693,903	18,487	7,504,987	1,021,152	7,480	124,504,284	318,061	510,597,997	
On-balance sheet interest/ profit sensitivity gap	145,880,436	(69,812,557)	(89,987,763)	28,804,149	27,891,849	17,397,893	16,842,788	24,958,822	(104,532,418)	2,556,801	-	
Off-balance sheet interest/ profit sensitivity gap (interest/profit rate swaps)	1,510,160	4,284,350	(50,000)	(1,916,220)	(818,850)	(2,248,300)	(487,700)	(273,440)	-	-	-	
TOTAL INTEREST/ PROFIT SENSITIVITY GAP	147,390,596	(65,528,207)	(90,037,763)	26,887,929	27,072,999	15,149,593	16,355,088	24,685,382	(104,532,418)	2,556,801	-	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
GROUP 2022	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
ASSETS												
Cash and balances with banks	12,124,742	3,133,956	1,717,653	–	–	–	–	–	4,790,549	–	21,766,900	3.53
Reverse repurchase agreements	4,193	–	–	–	–	–	–	–	–	–	4,193	14.54
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	–	949,325	949,325	3.22
Financial investments at fair value through other comprehensive income	349,765	2,189,119	7,745,618	13,687,941	9,606,352	9,236,099	4,517,309	7,120,126	414,960	–	54,867,289	3.76
Financial investments at amortised cost	525,999	1,755,242	5,579,370	6,227,703	2,284,589	497,047	7,507,769	1,192,512	–	–	25,570,231	3.71
Loans, advances and financing												
– not credit-impaired	288,517,428	11,922,021	13,902,723	16,720,001	12,604,658	9,968,446	7,218,233	14,454,331	–	–	375,307,841	4.68
– credit-impaired*	–	–	–	–	–	–	–	–	(2,724,725)	–	(2,724,725)	–
Other asset balances	–	–	–	–	–	–	–	–	17,353,770	167,941	17,521,711	–
TOTAL ASSETS	301,522,127	19,000,338	28,945,364	36,635,645	24,495,599	19,701,592	19,243,311	22,766,969	19,834,554	1,117,266	493,262,765	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
GROUP 2022	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
LIABILITIES AND EQUITY												
Deposits from customers	166,229,074	85,905,961	82,943,349	4,285,299	5,778	3,325	1,746	–	55,344,225	–	394,718,757	2.60
Deposits from banks and other financial institutions	6,064,711	3,399,023	1,834,395	17	40,278	7,966	5,546	24,301	2,398,605	–	13,774,842	4.05
Obligations on securities sold under repurchase agreements	2,631,827	3,194,943	949,640	–	–	–	–	–	–	–	6,776,410	3.15
Bills and acceptances payable	–	–	–	–	–	–	–	–	314,168	–	314,168	–
Recourse obligations on loans and financing sold to Cagamas	–	–	–	1,100,000	–	–	4,000,015	–	–	–	5,100,015	4.29
Debt securities issued and other borrowed funds	620,128	2,504,486	2,009,918	2,500,000	889,856	–	3,499,096	–	–	–	12,023,484	4.13
Other liability balances	51,504	–	–	–	–	–	–	–	8,607,916	369,861	9,029,281	8.34
Total Liabilities	175,597,244	95,004,413	87,737,302	7,885,316	935,912	11,291	7,506,403	24,301	66,664,914	369,861	441,736,957	
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	–	50,179,221	–	50,179,221	–
Non-controlling interests	–	–	–	–	–	–	–	–	1,346,587	–	1,346,587	–
TOTAL LIABILITIES AND EQUITY	175,597,244	95,004,413	87,737,302	7,885,316	935,912	11,291	7,506,403	24,301	118,190,722	369,861	493,262,765	
On-balance sheet interest/ profit sensitivity gap	125,924,883	(76,004,075)	(58,791,938)	28,750,329	23,559,687	19,690,301	11,736,908	22,742,668	(98,356,168)	747,405	–	
Off-balance sheet interest/ profit sensitivity gap (interest/profit rate swaps)	855,774	4,124,371	(25,000)	(50,000)	(1,705,621)	(716,109)	(2,180,681)	(302,734)	–	–	–	
TOTAL INTEREST/ PROFIT SENSITIVITY GAP	126,780,657	(71,879,704)	(58,816,938)	28,700,329	21,854,066	18,974,192	9,556,227	22,439,934	(98,356,168)	747,405	–	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
BANK 2023	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
ASSETS												
Cash and balances with banks	4,619,896	1,085,700	-	-	-	-	-	-	2,340,380	-	8,045,976	5.00
Reverse repurchase agreements	851	-	-	-	-	-	-	-	-	-	851	8.57
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	723,630	723,630	3.36
Financial investments at fair value through other comprehensive income	-	398,909	6,512,033	7,261,951	8,111,903	4,415,170	3,755,362	3,464,051	413,922	-	34,333,301	3.49
Financial investments at amortised cost	2,301	1,701,432	2,352,981	2,945,935	3,615,148	8,021,624	2,101,082	601,878	-	-	21,342,381	4.06
Loans and advances												
– not credit-impaired	230,990,353	10,218,911	10,087,883	12,707,043	10,189,152	7,593,561	5,895,825	10,144,492	-	-	297,827,220	4.60
– credit-impaired*	-	-	-	-	-	-	-	-	(1,634,634)	-	(1,634,634)	-
Other asset balances	-	-	-	-	-	-	-	-	24,410,401	230,376	24,640,777	-
TOTAL ASSETS	235,613,401	13,404,952	18,952,897	22,914,929	21,916,203	20,030,355	11,752,269	14,210,421	25,530,069	954,006	385,279,502	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

BANK 2023	Non-trading book Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
LIABILITIES AND EQUITY												
Deposits from customers	109,280,541	57,421,021	90,372,403	72,721	2,940	1,433	2,236	-	47,906,296	-	305,059,591	3.01
Deposits from banks and other financial institutions	6,079,634	4,154,632	700,234	17,102	12,198	4,048	19,104	7,480	2,820,452	-	13,814,884	4.78
Obligations on securities sold under repurchase agreements	2,529,254	391,009	-	-	-	-	-	-	-	-	2,920,263	3.30
Bills and acceptances payable	-	-	-	-	-	-	-	-	189,783	-	189,783	-
Recourse obligations on loans sold to Cagamas	-	-	-	-	-	4,000,015	-	-	-	-	4,000,015	4.60
Debt securities issued and other borrowed funds	-	2,610,384	2,000,000	889,919	-	1,999,308	998,888	-	-	-	8,498,499	4.00
Other liability balances	58,838	-	-	-	-	-	-	-	6,841,833	314,956	7,215,627	7.75
Total Liabilities	117,948,267	64,577,046	93,072,637	979,742	15,138	6,004,804	1,020,228	7,480	57,758,364	314,956	341,698,662	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	43,580,840	-	43,580,840	-
TOTAL LIABILITIES AND EQUITY	117,948,267	64,577,046	93,072,637	979,742	15,138	6,004,804	1,020,228	7,480	101,339,204	314,956	385,279,502	
On-balance sheet interest sensitivity gap	117,665,134	(51,172,094)	(74,119,740)	21,935,187	21,901,065	14,025,551	10,732,041	14,202,941	(75,809,135)	639,050	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	100,000	1,748,300	(50,000)	(450,000)	650,000	(1,748,300)	(250,000)	-	-	-	-	
TOTAL INTEREST SENSITIVITY GAP	117,765,134	(49,423,794)	(74,169,740)	21,485,187	22,551,065	12,277,251	10,482,041	14,202,941	(75,809,135)	639,050	-	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
BANK 2022	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
ASSETS												
Cash and balances with banks	9,191,236	2,617,793	969,595	–	–	–	–	–	3,266,694	–	16,045,318	3.76
Reverse repurchase agreements	53,618	–	–	–	–	–	–	–	–	–	53,618	4.09
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	–	926,938	926,938	3.22
Financial investments at fair value through other comprehensive income	349,764	1,897,284	6,189,486	7,492,520	6,391,529	7,002,469	3,367,269	4,057,581	406,384	–	37,154,286	3.69
Financial investments at amortised cost	–	198,598	1,666,286	3,658,358	2,371,582	450	6,829,319	836,423	–	–	15,561,016	4.24
Loans and advances												
– not credit-impaired	222,444,300	9,263,816	9,404,516	12,534,050	8,911,448	7,627,886	5,135,898	9,264,822	–	–	284,586,736	4.56
– credit-impaired*	–	–	–	–	–	–	–	–	(2,009,071)	–	(2,009,071)	–
Other asset balances	–	–	–	–	–	–	–	–	23,977,664	167,747	24,145,411	–
TOTAL ASSETS	232,038,918	13,977,491	18,229,883	23,684,928	17,674,559	14,630,805	15,332,486	14,158,826	25,641,671	1,094,685	376,464,252	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
BANK 2022	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
LIABILITIES AND EQUITY												
Deposits from customers	119,650,388	62,632,936	64,002,869	105,896	4,088	2,993	1,733	–	47,104,532	–	293,505,435	2.53
Deposits from banks and other financial institutions	6,064,935	3,889,828	2,006,339	17	34,964	7,053	5,228	23,924	2,478,978	–	14,511,266	4.15
Obligations on securities sold under repurchase agreements	2,583,537	3,097,541	949,640	–	–	–	–	–	–	–	6,630,718	3.15
Bills and acceptances payable	–	–	–	–	–	–	–	–	311,068	–	311,068	–
Recourse obligations on loans sold to Cagamas	–	–	–	–	–	–	4,000,015	–	–	–	4,000,015	4.60
Debt securities issued and other borrowed funds	–	2,504,486	2,009,918	2,000,000	889,856	–	1,999,096	–	–	–	9,403,356	4.02
Other liability balances	51,504	–	–	–	–	–	–	–	6,956,292	366,684	7,374,480	8.34
Total Liabilities	128,350,364	72,124,791	68,968,766	2,105,913	928,908	10,046	6,006,072	23,924	56,850,870	366,684	335,736,338	
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	–	40,727,914	–	40,727,914	–
TOTAL LIABILITIES AND EQUITY	128,350,364	72,124,791	68,968,766	2,105,913	928,908	10,046	6,006,072	23,924	97,578,784	366,684	376,464,252	
On-balance sheet interest sensitivity gap	103,688,554	(58,147,300)	(50,738,883)	21,579,015	16,745,651	14,620,759	9,326,414	14,134,902	(71,937,113)	728,001	–	
Off-balance sheet interest sensitivity gap (interest rate swaps)	(350,000)	1,605,683	(25,000)	(50,000)	(250,000)	750,000	(1,680,683)	–	–	–	–	
TOTAL INTEREST SENSITIVITY GAP	103,338,554	(56,541,617)	(50,763,883)	21,529,015	16,495,651	15,370,759	7,645,731	14,134,902	(71,937,113)	728,001	–	

* This is arrived at after deducting expected credit losses from the outstanding credit-impaired loans, advances and financing.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(ii) Interest Rate/Rate of Return Risk Sensitivity Analysis

The following tables present the projected Group's and Bank's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's and Bank's interest rate/rate of return sensitivity gap as at the reporting date, taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

	2023		2022	
	–100 bps	+100 bps	–100 bps	+100 bps
	Increase/(Decrease)			
GROUP	RM'000	RM'000	RM'000	RM'000
Impact on NII/NPI				
Ringgit Malaysia	**(903,505)**	**804,415**	(783,934)	687,789
United States Dollars	**(48,358)**	**41,881**	(20,943)	13,175
Hong Kong Dollars	**(37,223)**	**33,453**	(28,967)	21,400
Other Currencies	**(26,204)**	**23,677**	(31,765)	28,875
	(1,015,290)	**903,426**	(865,609)	751,239
Impact on EVE				
Ringgit Malaysia	**2,708,429**	**(1,373,954)**	2,616,568	(1,293,957)
United States Dollars	**126,981**	**(84,960)**	91,300	(44,116)
Hong Kong Dollars	**(45,915)**	**56,842**	(49,348)	66,310
Other Currencies	**28,473**	**(18,470)**	42,432	(29,882)
	2,817,968	**(1,420,542)**	2,700,952	(1,301,645)

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(ii) Interest Rate/Rate of Return Risk Sensitivity Analysis (continued)

	2023		2022	
	–100 bps	+100 bps	–100 bps	+100 bps
	Increase/(Decrease)			
BANK	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Impact on NII				
Ringgit Malaysia	**(732,391)**	**655,998**	(645,182)	571,134
United States Dollars	**(1,377)**	**1,275**	4,204	(4,337)
Hong Kong Dollars	**430**	**(413)**	9,560	(9,563)
Other Currencies	**(29,216)**	**28,950**	(9,349)	9,044
	(762,554)	**685,810**	(640,767)	566,278
Impact on EVE				
Ringgit Malaysia	**1,939,354**	**(829,037)**	1,973,356	(858,890)
United States Dollars	**(62,586)**	**61,842**	(70,910)	69,509
Hong Kong Dollars	**(27,519)**	**26,831**	(45,276)	44,011
Other Currencies	**(21,138)**	**25,905**	5,102	1,386
	1,828,111	**(714,459)**	1,862,272	(743,984)

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the ALCO seeks to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statements of financial position and that all positions run to maturity.

The repricing profile of loans/financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, loans/financing prepayments are generally estimated based on past statistics and trends. The impact on the NII/NPI and EVE are measured on a monthly basis for the Bank and quarterly basis for the Group, both of which are reported to the ALCO and the RMC.

(b) Foreign Exchange Risk

Risk Management Approach

The Group manages such risk through funding in the same functional currencies or hedging via forward contracts, where possible. In addition, Net Open Position ("NOP") limit is set for overall NOP as well as NOP limits for individual currencies. The decision to hedge the Group's net investment in its overseas operations is based on the potential foreign exchange risk against the cost of hedging and is periodically assessed by the ALCO.

(i) The following tables summarised the assets, liabilities and NOP by currencies as at the reporting date, which are mainly in Ringgit Malaysia, Hong Kong Dollars and United States Dollars. Other currencies mainly include exposure to Vietnamese Dong, Euro, Australian Dollars, Chinese Renminbi, New Zealand Dollars, Sri Lankan Rupees, Laotian Kip, Great Britain Pounds, Cambodian Riel, Japanese Yen and Singapore Dollars.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

GROUP 2023	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	2,725,992	681,462	4,788,503	2,931,460	11,127,417
Reverse repurchase agreements	–	–	–	851	851
Financial assets at fair value through profit or loss	2,637,648	–	–	–	2,637,648
Derivative financial assets	283,231	6,311	124,742	527	414,811
Financial investments at fair value through other comprehensive income	52,957,075	3,997	564,819	612,417	54,138,308
Financial investments at amortised cost	25,297,357	2,545,574	1,641,274	471,208	29,955,413
Loans, advances and financing	365,051,783	13,797,771	7,716,246	8,184,179	394,749,979
Other assets	1,708,003	732,113	314,246	747,327	3,501,689
Statutory deposits with Central Banks	6,890,295	200	509,720	126,538	7,526,753
Deferred tax assets	524,393	28,737	13,444	731	567,305
Investment in associated companies	141,725	–	18	–	141,743
Investment properties	436,310	308,650	–	–	744,960
Right-of-use assets	779,199	423,341	33,211	7,685	1,243,436
Property and equipment	1,018,758	130,182	54,065	55,079	1,258,084
Intangible assets	769,251	1,692,410	–	127,939	2,589,600
TOTAL ASSETS	461,221,020	20,350,748	15,760,288	13,265,941	510,597,997
LIABILITIES					
Deposits from customers	368,669,580	13,701,460	18,137,026	12,388,901	412,896,967
Deposits from banks and other financial institutions	6,172,220	171,457	3,959,352	2,299,400	12,602,429
Obligations on securities sold under repurchase agreements	3,017,667	–	–	122	3,017,789
Bills and acceptances payable	191,991	–	–	178	192,169
Recourse obligations on loans and financing sold to Cagamas	5,100,015	–	–	–	5,100,015
Derivative financial liabilities	351,345	24	–	3,081	354,450
Debt securities issued and other borrowed funds	7,888,115	645,517	2,610,384	–	11,144,016
Lease liabilities	799,740	53,057	44,976	6,551	904,324
Other liabilities	4,862,271	905,380	509,181	1,149,716	7,426,548
Provision for tax expense and zakat	411,160	–	67,708	6,107	484,975
Deferred tax liabilities	62,017	32,180	–	–	94,197
TOTAL LIABILITIES	397,526,121	15,509,075	25,328,627	15,854,056	454,217,879
Non-controlling interests	298,962	1,361,141	45,666	–	1,705,769
On-Balance Sheet Open Position	63,395,937	3,480,532	(9,614,005)	(2,588,115)	54,674,349
Off-Balance Sheet Open Position	(14,765,459)	(1,614,364)	10,226,264	6,153,559	–
NET OPEN POSITION	48,630,478	1,866,168	612,259	3,565,444	54,674,349

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

GROUP 2022	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	10,900,639	1,146,806	6,384,840	3,334,615	21,766,900
Reverse repurchase agreements	–	–	–	4,193	4,193
Financial assets at fair value through profit or loss	949,325	–	–	–	949,325
Derivative financial assets	283,257	194	163,113	–	446,564
Financial investments at fair value through other comprehensive income	53,898,987	3,846	531,887	432,569	54,867,289
Financial investments at amortised cost	20,893,970	2,676,592	1,701,949	297,720	25,570,231
Loans, advances and financing	346,258,857	13,338,752	7,228,594	5,756,913	372,583,116
Other assets	2,361,921	617,804	101,198	668,942	3,749,865
Statutory deposits with Central Banks	6,164,507	350	529,784	187,763	6,882,404
Deferred tax assets	599,406	20,568	9,952	275	630,201
Investment in associated companies	120,147	–	17	–	120,164
Investment properties	426,900	242,670	–	–	669,570
Right-of-use assets	798,055	455,441	29,606	4,537	1,287,639
Property and equipment	975,908	114,117	55,664	50,594	1,196,283
Intangible assets	775,493	1,630,951	–	132,577	2,539,021
TOTAL ASSETS	445,407,372	20,248,091	16,736,604	10,870,698	493,262,765
LIABILITIES					
Deposits from customers	353,394,185	13,356,195	20,242,992	7,725,385	394,718,757
Deposits from banks and other financial institutions	5,748,755	973,589	5,348,256	1,704,242	13,774,842
Obligations on securities sold under repurchase agreements	6,776,337	–	–	73	6,776,410
Bills and acceptances payable	314,075	–	–	93	314,168
Recourse obligations on loans and financing sold to Cagamas	5,100,015	–	–	–	5,100,015
Derivative financial liabilities	492,868	1,131	–	2,046	496,045
Debt securities issued and other borrowed funds	8,898,870	620,128	2,504,486	–	12,023,484
Lease liabilities	807,613	56,599	40,475	8,280	912,967
Other liabilities	4,352,907	811,660	458,362	985,295	6,608,224
Provision for tax expense and zakat	852,703	9,142	58,196	8,817	928,858
Deferred tax liabilities	55,056	28,131	–	–	83,187
TOTAL LIABILITIES	386,793,384	15,856,575	28,652,767	10,434,231	441,736,957
Non-controlling interests	–	1,304,472	42,115	–	1,346,587
On-Balance Sheet Open Position	58,613,988	3,087,044	(11,958,278)	436,467	50,179,221
Off-Balance Sheet Open Position	(11,914,842)	(2,999,829)	11,937,189	2,977,482	–
NET OPEN POSITION	46,699,146	87,215	(21,089)	3,413,949	50,179,221

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

BANK 2023	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	2,783,110	176,258	3,864,077	1,222,531	8,045,976
Reverse repurchase agreements	–	–	–	851	851
Financial assets at fair value through profit or loss	723,630	–	–	–	723,630
Derivative financial assets	308,048	–	101,324	–	409,372
Financial investments at fair value through other comprehensive income	34,301,720	–	31,139	442	34,333,301
Financial investments at amortised cost	21,287,299	–	3,543	51,539	21,342,381
Loans and advances	292,362,282	306,485	1,151,487	2,372,332	296,192,586
Other assets	1,613,148	555,837	220,663	698,680	3,088,328
Statutory deposits with Central Banks	5,140,000	–	19,437	10,051	5,169,488
Deferred tax assets	355,834	–	–	731	356,565
Collective investments	6,457,102	–	–	–	6,457,102
Investment in subsidiary companies	3,363,574	1,672,194	539,086	1,219,749	6,794,603
Investment in associated companies	67,500	–	–	–	67,500
Right-of-use assets	1,007,755	–	–	3,336	1,011,091
Property and equipment	586,597	–	–	4,738	591,335
Intangible assets	695,393	–	–	–	695,393
TOTAL ASSETS	371,052,992	2,710,774	5,930,756	5,584,980	385,279,502
LIABILITIES					
Deposits from customers	289,065,410	36,383	8,936,599	7,021,199	305,059,591
Deposits from banks and other financial institutions	5,276,312	42,779	7,824,984	670,809	13,814,884
Obligations on securities sold under repurchase agreements	2,920,141	–	–	122	2,920,263
Bills and acceptances payable	189,605	–	–	178	189,783
Recourse obligations on loans sold to Cagamas	4,000,015	–	–	–	4,000,015
Derivative financial liabilities	375,941	–	–	–	375,941
Debt securities issued and other borrowed funds	5,888,115	–	2,610,384	–	8,498,499
Lease liabilities	1,060,246	–	3,407	1,825	1,065,478
Other liabilities	4,252,472	536	191,811	920,867	5,365,686
Provision for tax expense	400,407	–	5,862	2,253	408,522
TOTAL LIABILITIES	313,428,664	79,698	19,573,047	8,617,253	341,698,662
On-Balance Sheet Open Position	57,624,328	2,631,076	(13,642,291)	(3,032,273)	43,580,840
Off-Balance Sheet Open Position	(14,765,491)	(1,623,842)	11,655,928	4,733,405	–
NET OPEN POSITION	42,858,837	1,007,234	(1,986,363)	1,701,132	43,580,840

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

BANK 2022	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	8,743,688	197,839	5,576,455	1,527,336	16,045,318
Reverse repurchase agreements	49,425	–	–	4,193	53,618
Financial assets at fair value through profit or loss	926,938	–	–	–	926,938
Derivative financial assets	307,171	–	132,571	–	439,742
Financial investments at fair value through other comprehensive income	37,117,510	–	36,367	409	37,154,286
Financial investments at amortised cost	15,526,067	–	2,636	32,313	15,561,016
Loans and advances	280,749,173	254,687	1,037,498	536,307	282,577,665
Other assets	2,339,383	521,886	14,159	625,449	3,500,877
Statutory deposits with Central Banks	4,376,416	–	12,039	7,530	4,395,985
Deferred tax assets	392,500	–	–	275	392,775
Collective investments	6,245,825	–	–	–	6,245,825
Investment in subsidiary companies	3,363,575	1,672,194	538,648	1,219,749	6,794,166
Investment in associated companies	67,500	–	–	–	67,500
Right-of-use assets	1,047,152	–	–	3,920	1,051,072
Property and equipment	557,468	–	–	4,608	562,076
Intangible assets	695,393	–	–	–	695,393
TOTAL ASSETS	362,505,184	2,646,606	7,350,373	3,962,089	376,464,252
LIABILITIES					
Deposits from customers	279,741,006	27,948	10,678,940	3,057,541	293,505,435
Deposits from banks and other financial institutions	4,700,497	703,344	8,092,867	1,014,558	14,511,266
Obligations on securities sold under repurchase agreements	6,630,645	–	–	73	6,630,718
Bills and acceptances payable	310,975	–	–	93	311,068
Recourse obligations on loans sold to Cagamas	4,000,015	–	–	–	4,000,015
Derivative financial liabilities	535,790	–	–	–	535,790
Debt securities issued and other borrowed funds	6,898,870	–	2,504,486	–	9,403,356
Lease liabilities	1,085,542	–	3,175	1,650	1,090,367
Other liabilities	4,027,937	1,560	162,551	827,157	5,019,205
Provision for tax expense	717,905	–	9,615	1,598	729,118
TOTAL LIABILITIES	308,649,182	732,852	21,451,634	4,902,670	335,736,338
On-Balance Sheet Open Position	53,856,002	1,913,754	(14,101,261)	(940,581)	40,727,914
Off-Balance Sheet Open Position	(11,914,905)	(2,886,530)	12,093,405	2,708,030	–
NET OPEN POSITION	41,941,097	(972,776)	(2,007,856)	1,767,449	40,727,914

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

(ii) Structural foreign exchange risk represents the Group's currency exposure in its net investments in overseas operations and capital funds/retained earnings of overseas branches. Where possible, the Group manages such risk through funding investments in the same functional currencies or hedging via forward contracts. The structural currency exposures of the Group as at the reporting date are as follows:

GROUP	Hedged RM'000	Unhedged RM'000	Total RM'000
2023			
United States Dollars	**3,258,900**	**331,426**	**3,590,326**
Hong Kong Dollars	**1,377,000**	**2,030,084**	**3,407,084**
Other currencies	**–**	**3,401,978**	**3,401,978**
	4,635,900	**5,763,488**	**10,399,388**
2022			
United States Dollars	3,129,148	51,171	3,180,319
Hong Kong Dollars	3,283,401	(10,678)	3,272,723
Other currencies	–	3,264,236	3,264,236
	6,412,549	3,304,729	9,717,278

(iii) Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group on its non-trading unhedged positions as at each reporting date is summarised below:

GROUP	Change in Currency Rates %	Revaluation Sensitivity 2023 RM'000	Revaluation Sensitivity 2022 RM'000
United States Dollars	+/- 1	**+/- 3,314**	+/- 512
Hong Kong Dollars	+/- 1	**+/- 20,301**	-/+ 107
Other currencies	+/- 1	**+/- 34,020**	+/- 32,642

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Equity Risk

Risk Management Approach

The Group manages such risk via pre-approved portfolio size and cut-loss limits. Decisions concerning such positions are made by the Share Investment Committee.

Considering that other risk variables remain constant, the table below summarised the impact on the carrying amount of equity positions as at each reporting date should there be a change in equity market prices:

	Change in Equity Market Prices %	Sensitivity of Equity RM'000
GROUP		
2023	**+/- 20**	**+/- 296**
2022	+/- 20	+/- 335
BANK		
2023	**+/- 20**	**–**
2022	+/- 20	–

Liquidity and Funding Risk

Liquidity and funding risk is the risk of insufficient financial resources to meet obligations due and/or inefficient funding structure resulting in high funding cost.

Risk Governance

The ALCO supports the RMC in liquidity and funding risk management oversight. The ALCO reviews the Group's liquidity risk policies and guidelines, and implements necessary actions to ensure that the liquidity and funding risk is well managed and within the established liquidity risk appetite and thresholds.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach

The Group's liquidity and funding risk management is guided by the Group's Liquidity and Funding Risk Management Policy. The policy sets out the processes involved in identifying, assessing, measuring, controlling, mitigating and monitoring of the liquidity and funding risk. The policy also addresses the regulatory requirements on Basel III Liquidity standards, including the BNM's Basel III Liquidity Coverage Ratio and Basel III Net Stable Funding Ratio. Monitoring tools and liquidity/funding risk limits are established to manage liquidity and funding exposures within the Group, including maturity mismatch, concentration of funding, and significant foreign currencies position. Liquidity and funding positions are reported to the ALCO and RMC on a monthly basis.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of high quality liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flows and the replenishment of funds as they matured or are borrowed by/financed to the customers.

The Group's liquidity and funding positions consist of a well-diversified funding mix with significant retail deposit base and funding from wholesale markets. The Group's retail deposit base comprises demand and time deposits which have traditionally in aggregate provided stable sources of funding. The Group's strong reputation in financial and capital strength, wide branches network and sound infrastructure are core attributes to preserve depositors' confidence and ensure stable liquidity. The Group accesses the wholesale markets through the issuance of debt securities, certificate of deposits and the taking of money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

Contingency funding plans are in place to identify and monitor early warning signals of a liquidity event. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity event. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed on periodic basis or ad hoc if necessary by the various entities under the Group to detect any vulnerability in respective entities' cash flows under various stress scenarios. The outcome of stress test exercise will be utilised to strengthen the liquidity management within the Group.

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity

The following tables show the maturity analysis of the carrying amounts of the Group's and of the Bank's assets and liabilities based on remaining contractual maturity. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have significant amounts of "demand and savings deposits" of non-bank customers which are at call (included in the "Up to 7 days" time band) but which are historically a stable source of long-term funding for the Group and the Bank.

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and commitments as set out in Note 49 to the financial statements. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

GROUP 2023	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
ASSETS									
Cash and balances with banks	5,803,169	3,077,945	1,680,740	512,236	53,327	–	–	–	11,127,417
Reverse repurchase agreements	851	–	–	–	–	–	–	–	851
Financial investments	246,693	1,452,673	4,605,539	5,216,144	13,341,131	30,242,243	24,881,507	6,745,439	86,731,369
Derivative financial assets	15,886	53,410	96,655	71,204	440	51,197	117,511	8,508	414,811
Loans, advances and financing	10,672,700	6,117,403	8,583,178	10,181,979	22,020,613	66,531,828	50,157,662	220,484,616	394,749,979
Other asset balances	1,222,250	14,721	10,805	3	469,200	–	–	15,856,591	17,573,570
TOTAL ASSETS	17,961,549	10,716,152	14,976,917	15,981,566	35,884,711	96,825,268	75,156,680	243,095,154	510,597,997
LIABILITIES									
Deposits from customers	150,170,359	56,941,882	82,216,778	59,000,189	62,772,275	1,791,199	4,285	–	412,896,967
Deposits from banks and other financial institutions	4,316,285	2,125,265	3,497,495	470,044	25,096	1,720,886	25,923	421,435	12,602,429
Obligations on securities sold under repurchase agreements	632,999	1,993,781	391,009	–	–	–	–	–	3,017,789
Recourse obligations on loans and financing sold to Cagamas	–	–	–	–	1,100,000	–	4,000,015	–	5,100,015
Derivative financial liabilities	5,792	51,010	114,999	153,489	332	28,828	–	–	354,450
Debt securities issued and other borrowed funds	–	645,517	–	–	2,500,000	889,919	7,108,580	–	11,144,016
Lease liabilities	–	10,275	20,107	29,414	55,991	207,351	180,801	400,385	904,324
Other liability balances	3,843,197	694,463	989,935	881,732	609,737	13,960	41	1,164,824	8,197,889
TOTAL LIABILITIES	158,968,632	62,462,193	87,230,323	60,534,868	67,063,431	4,652,143	11,319,645	1,986,644	454,217,879
EQUITY									
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	54,674,349	54,674,349
Non-controlling interests	–	–	–	–	–	–	–	1,705,769	1,705,769
TOTAL EQUITY	–	–	–	–	–	–	–	56,380,118	56,380,118
NET MATURITY MISMATCH	(141,007,083)	(51,746,041)	(72,253,406)	(44,553,302)	(31,178,720)	92,173,125	63,837,035	184,728,392	–

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

GROUP 2022	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
ASSETS									
Cash and balances with banks	14,759,437	2,155,854	3,133,956	1,503,993	213,660	–	–	–	21,766,900
Reverse repurchase agreements	4,193	–	–	–	–	–	–	–	4,193
Financial investments	–	756,961	3,583,153	5,700,108	8,595,270	33,384,133	22,738,693	6,628,527	81,386,845
Derivative financial assets	33,762	26,745	85,318	21,560	556	65,575	196,848	16,200	446,564
Loans, advances and financing	9,943,933	5,690,365	8,434,479	11,980,736	17,214,039	60,723,889	48,302,177	210,293,498	372,583,116
Other asset balances	933,223	8,201	11,462	1,309	–	–	–	16,120,952	17,075,147
TOTAL ASSETS	25,674,548	8,638,126	15,248,368	19,207,706	26,023,525	94,173,597	71,237,718	233,059,177	493,262,765
LIABILITIES									
Deposits from customers	155,063,089	66,495,466	85,902,744	44,554,467	38,337,571	4,360,349	5,071	–	394,718,757
Deposits from banks and other financial institutions	3,916,429	2,366,365	3,405,245	1,836,200	16,286	51,205	1,669,821	513,291	13,774,842
Obligations on securities sold under repurchase agreements	591,882	2,039,945	3,194,943	949,640	–	–	–	–	6,776,410
Recourse obligations on loans and financing sold to Cagamas	–	–	–	–	–	1,100,000	4,000,015	–	5,100,015
Derivative financial liabilities	22,234	123,485	160,685	173,556	16,085	–	–	–	496,045
Debt securities issued and other borrowed funds	–	620,128	–	1,009,918	1,000,000	3,389,856	6,003,582	–	12,023,484
Lease liabilities	–	10,079	20,243	30,145	57,846	202,092	175,514	417,048	912,967
Other liability balances	4,313,898	778,751	848,730	685,560	213,290	25,839	30	1,068,339	7,934,437
TOTAL LIABILITIES	163,907,532	72,434,219	93,532,590	49,239,486	39,641,078	9,129,341	11,854,033	1,998,678	441,736,957
EQUITY									
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	50,179,221	50,179,221
Non-controlling interests	–	–	–	–	–	–	–	1,346,587	1,346,587
TOTAL EQUITY	–	–	–	–	–	–	–	51,525,808	51,525,808
NET MATURITY MISMATCH	(138,232,984)	(63,796,093)	(78,284,222)	(30,031,780)	(13,617,553)	85,044,256	59,383,685	179,534,691	–

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

BANK 2023	Up to 7 Days RM'000	> 7 Days-1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
ASSETS									
Cash and balances with banks	4,642,939	2,317,337	1,085,700	–	–	–	–	–	8,045,976
Reverse repurchase agreements	851	–	–	–	–	–	–	–	851
Financial investments	887	1,412	2,100,343	2,760,507	6,367,293	22,124,283	18,607,770	4,436,817	56,399,312
Derivative financial assets	15,424	47,034	96,655	71,204	440	55,366	122,654	595	409,372
Loans and advances	7,950,634	3,715,298	6,312,674	7,218,977	18,033,730	51,625,034	37,140,052	164,196,187	296,192,586
Other asset balances	1,125,917	14,899	9,701	–	356,565	–	–	22,724,323	24,231,405
TOTAL ASSETS	13,736,652	6,095,980	9,605,073	10,050,688	24,758,028	73,804,683	55,870,476	191,357,922	385,279,502
LIABILITIES									
Deposits from customers	113,032,072	44,141,968	57,433,818	42,164,872	48,207,530	75,662	3,669	–	305,059,591
Deposits from banks and other financial institutions	4,086,414	2,741,359	4,159,355	511,315	209,868	1,660,709	25,323	420,541	13,814,884
Obligations on securities sold under repurchase agreements	632,999	1,896,255	391,009	–	–	–	–	–	2,920,263
Recourse obligations on loans sold to Cagamas	–	–	–	–	–	–	4,000,015	–	4,000,015
Derivative financial liabilities	5,236	48,461	114,999	153,489	332	51,646	1,721	57	375,941
Debt securities issued and other borrowed funds	–	–	–	–	2,000,000	889,919	5,608,580	–	8,498,499
Lease liabilities	–	9,109	18,217	27,350	54,639	219,419	218,671	518,073	1,065,478
Other liability balances	2,402,291	569,552	742,948	652,030	467,093	731	35	1,129,311	5,963,991
TOTAL LIABILITIES	120,159,012	49,406,704	62,860,346	43,509,056	50,939,462	2,898,086	9,858,014	2,067,982	341,698,662
EQUITY									
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	43,580,840	43,580,840
TOTAL EQUITY	–	–	–	–	–	–	–	43,580,840	43,580,840
NET MATURITY MISMATCH	(106,422,360)	(43,310,724)	(53,255,273)	(33,458,368)	(26,181,434)	70,906,597	46,012,462	145,709,100	–

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

BANK 2022	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
ASSETS									
Cash and balances with banks	10,661,146	1,957,436	2,457,141	969,595	–	–	–	–	16,045,318
Reverse repurchase agreements	4,193	49,425	–	–	–	–	–	–	53,618
Financial investments	–	349,765	1,834,944	4,423,368	4,150,450	20,215,277	17,452,632	5,215,804	53,642,240
Derivative financial assets	33,752	26,561	85,318	21,560	556	67,464	200,945	3,586	439,742
Loans and advances	7,311,978	3,249,763	5,951,979	8,782,277	13,889,561	48,472,630	37,903,233	157,016,244	282,577,665
Other asset balances	967,258	7,781	11,054	1,667	392,775	–	–	22,325,134	23,705,669
TOTAL ASSETS	18,978,327	5,640,731	10,340,436	14,198,467	18,433,342	68,755,371	55,556,810	184,560,768	376,464,252
LIABILITIES									
Deposits from customers	115,391,749	51,356,379	62,639,728	34,584,741	29,418,128	109,984	4,726	–	293,505,435
Deposits from banks and other financial institutions	3,508,504	2,911,353	3,895,638	1,872,385	150,293	46,850	1,613,077	513,166	14,511,266
Obligations on securities sold under repurchase agreements	591,882	1,991,655	3,097,541	949,640	–	–	–	–	6,630,718
Recourse obligations on loans sold to Cagamas	–	–	–	–	–	–	4,000,015	–	4,000,015
Derivative financial liabilities	20,168	122,374	160,685	173,556	16,085	8,259	31,410	3,253	535,790
Debt securities issued and other borrowed funds	–	–	–	1,009,918	1,000,000	2,889,856	4,503,582	–	9,403,356
Lease liabilities	–	9,015	18,029	27,043	54,073	217,175	213,910	551,122	1,090,367
Other liability balances	3,088,788	593,913	623,228	554,334	172,307	642	27	1,026,152	6,059,391
TOTAL LIABILITIES	122,601,091	56,984,689	70,434,849	39,171,617	30,810,886	3,272,766	10,366,747	2,093,693	335,736,338
EQUITY									
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	40,727,914	40,727,914
TOTAL EQUITY	–	–	–	–	–	–	–	40,727,914	40,727,914
NET MATURITY MISMATCH	(103,622,764)	(51,343,958)	(60,094,413)	(24,973,150)	(12,377,544)	65,482,605	45,190,063	141,739,161	–

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The interest/profit payments of subordinated notes/sukuk murabahah and additional Tier I capital securities are computed up to the first optional redemption date.

GROUP 2023	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
Deposits from customers	150,777,484	57,551,843	83,460,650	60,350,707	65,088,342	1,901,653	4,966	–	419,135,645
Deposits from banks and other financial institutions	4,325,575	2,135,628	3,528,875	477,844	26,301	1,816,746	30,074	507,020	12,848,063
Obligations on securities sold under repurchase agreements	637,537	2,007,429	395,436	–	–	–	–	–	3,040,402
Recourse obligations on loans and financing sold to Cagamas	22,181	–	–	87,322	1,209,968	368,001	4,184,016	–	5,871,488
Debt securities issued and other borrowed funds	–	690,417	41,547	166,355	2,747,429	1,564,986	7,360,349	–	12,571,083
Lease liabilities	–	10,425	20,396	29,800	56,650	208,796	182,525	676,639	1,185,231
Other liability balances	3,221,696	74,378	119,593	153,449	431	28,884	–	1,164,824	4,763,255
Total Liabilities	**158,984,473**	**62,470,120**	**87,566,497**	**61,265,477**	**69,129,121**	**5,889,066**	**11,761,930**	**2,348,483**	**459,415,167**
Direct credit substitutes	53,559	22,791	66,198	165,567	412,937	184,345	5,296	735	911,428
Transaction-related contingent items	426,620	80,782	117,454	163,516	402,073	578,863	88,620	4,440	1,862,368
Short term self-liquidating trade-related contingencies	76,916	223,655	168,409	70,028	39,512	–	–	–	578,520
Other commitments, such as formal standby facilities and credit lines	10,754,279	950,303	2,335,515	3,005,982	7,886,768	40,245,538	906,994	4,535,294	70,620,673
Unutilised credit card lines	9,751,690	–	–	–	119,161	–	–	–	9,870,851
Forward asset purchases	35,149	–	–	–	–	–	–	–	35,149
Total Commitments and Contingencies	**21,098,213**	**1,277,531**	**2,687,576**	**3,405,093**	**8,860,451**	**41,008,746**	**1,000,910**	**4,540,469**	**83,878,989**

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

GROUP 2022	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
Deposits from customers	155,450,797	66,953,401	86,819,484	45,310,327	39,437,393	4,583,585	5,686	–	398,560,673
Deposits from banks and other financial institutions	3,928,915	2,377,952	3,434,597	1,865,664	17,161	55,119	1,920,724	607,656	14,207,788
Obligations on securities sold under repurchase agreements	593,403	2,051,971	3,218,923	965,739	–	–	–	–	6,830,036
Recourse obligations on loans and financing sold to Cagamas	22,181	–	–	86,843	109,847	1,503,471	4,368,016	–	6,090,358
Debt securities issued and other borrowed funds	–	665,199	32,959	1,198,412	1,249,103	4,082,203	6,427,360	–	13,655,236
Lease liabilities	–	10,166	20,402	30,377	58,191	203,091	177,968	700,818	1,201,013
Other liability balances	3,926,817	143,498	193,417	173,565	16,065	–	–	1,068,339	5,521,701
Total Liabilities	163,922,113	72,202,187	93,719,782	49,630,927	40,887,760	10,427,469	12,899,754	2,376,813	446,066,805
Direct credit substitutes	53,452	24,661	67,013	161,051	405,414	188,296	3,751	896	904,534
Transaction-related contingent items	383,931	84,505	109,277	154,857	369,312	549,000	78,971	6,998	1,736,851
Short term self-liquidating trade-related contingencies	139,450	70,803	294,690	47,956	40,843	–	–	–	593,742
Other commitments, such as formal standby facilities and credit lines	10,317,368	1,003,226	2,296,322	3,222,639	8,500,980	27,675,020	620,235	4,112,368	57,748,158
Unutilised credit card lines	9,045,489	–	–	–	106,938	–	–	–	9,152,427
Forward asset purchases	21,635	93,240	–	–	–	–	–	–	114,875
Total Commitments and Contingencies	19,961,325	1,276,435	2,767,302	3,586,503	9,423,487	28,412,316	702,957	4,120,262	70,250,587

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

BANK 2023	Up to 7 Days RM'000	> 7 Days-1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
Deposits from customers	113,161,627	44,596,364	58,645,254	43,293,398	49,890,580	78,037	3,833	–	309,669,093
Deposits from banks and other financial institutions	4,093,275	2,761,797	4,232,530	520,477	221,318	1,660,792	25,333	420,541	13,936,063
Obligations on securities sold under repurchase agreements	637,537	1,909,617	395,436	–	–	–	–	–	2,942,590
Recourse obligations on loans sold to Cagamas	22,181	–	–	69,935	92,389	368,001	4,184,016	–	4,736,522
Debt securities issued and other borrowed funds	–	29,490	41,547	134,444	2,204,446	1,430,986	5,793,349	–	9,634,262
Lease liabilities	–	9,109	18,217	27,350	54,645	219,430	219,256	868,797	1,416,804
Other liability balances	2,141,129	71,942	122,576	156,932	6,150	43,319	1,797	1,130,424	3,674,269
Total Liabilities	120,055,749	49,378,319	63,455,560	44,202,536	52,469,528	3,800,565	10,227,584	2,419,762	346,009,603
Direct credit substitutes	50,481	20,344	60,814	158,245	387,062	178,406	5,071	657	861,080
Transaction-related contingent items	401,053	34,276	80,152	114,787	265,460	533,942	79,603	4,009	1,513,282
Short term self-liquidating trade-related contingencies	35,791	35,444	60,518	146,079	1,002	–	–	–	278,834
Other commitments, such as formal standby facilities and credit lines	9,404,361	568,113	1,712,306	2,334,178	5,666,648	34,551,297	399,750	3,632,288	58,268,941
Unutilised credit card lines	9,305,428	–	–	–	–	–	–	–	9,305,428
Forward asset purchases	35,149	–	–	–	–	–	–	–	35,149
Total Commitments and Contingencies	19,232,263	658,177	1,913,790	2,753,289	6,320,172	35,263,645	484,424	3,636,954	70,262,714

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

BANK 2022	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
Deposits from customers	115,496,544	51,716,847	63,454,156	35,242,090	30,292,336	113,425	4,888	–	296,320,286
Deposits from banks and other financial institutions	3,517,388	2,932,941	3,939,183	1,906,367	157,125	46,955	1,613,082	513,166	14,626,207
Obligations on securities sold under repurchase agreements	593,403	2,003,425	3,120,989	965,739	–	–	–	–	6,683,556
Recourse obligations on loans sold to Cagamas	22,181	–	–	69,551	92,269	368,505	4,368,016	–	4,920,522
Debt securities issued and other borrowed funds	–	29,490	32,959	1,166,922	1,206,180	3,429,219	4,793,360	–	10,658,130
Lease liabilities	–	9,015	18,029	27,043	54,073	217,225	214,417	924,488	1,464,290
Other liability balances	2,923,568	142,357	177,576	176,899	22,946	25,974	7,619	1,027,038	4,503,977
Total Liabilities	122,553,084	56,834,075	70,742,892	39,554,611	31,824,929	4,201,303	11,001,382	2,464,692	339,176,968
Direct credit substitutes	51,198	22,245	62,282	151,919	380,966	180,300	3,751	761	853,422
Transaction-related contingent items	354,368	32,609	85,428	108,234	241,491	491,644	75,035	6,708	1,395,517
Short term self-liquidating trade-related contingencies	36,237	23,927	55,088	39,801	584	2,234	–	–	157,871
Other commitments, such as formal standby facilities and credit lines	9,284,846	536,522	1,769,269	2,494,607	6,287,448	21,520,745	359,522	3,269,809	45,522,768
Unutilised credit card lines	8,766,415	–	–	–	–	–	–	–	8,766,415
Forward asset purchases	21,635	93,240	–	–	–	–	–	–	114,875
Total Commitments and Contingencies	18,514,699	708,543	1,972,067	2,794,561	6,910,489	22,194,923	438,308	3,277,278	56,810,868

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

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

Risk Governance

The Group's operational risk management is guided by the Group's Operational Risk Management Policy which is designed to ensure that operational risks are consistently identified, assessed, mitigated/controlled, monitored and reported within the Group.

The Board, through RMC, maintains overall responsibility for risk oversight within the Group. The ORMC assists the RMC in operational risk management oversight. The ORMC is responsible for assessing the effectiveness of risk management policies and processes in relation to operational risk. The Operational Risk Management Working Group ("ORMWG") is established to support and assist the ORMC in its ongoing review of the operational risk management policies and procedures and ensuring effective implementation of the policies and procedures within the business and support units.

The various business and support units are responsible for the day-to-day management of operational risks within their lines of business and functions and ensure that their business activities are carried out within the established operational risk management policies, guidelines, procedures and limits.

To ensure effective management of operational risk, independent risk management and compliance functions provide support to the business and support units and conduct compliance checks on their implementation of risk management policies and tools to identify, assess, control and monitor operational risk.

The internal audit function provides independent assurance on the adequacy and effectiveness of operational risk management policies, processes and systems.

Risk Management Approach

The day-to-day management of operational risk exposures is through a system of risk management and internal controls to ensure that operational policies, guidelines and procedures are being adhered to at all levels throughout the Group. As events and business conditions evolve, the Group continues to strengthen and refine its operational risk management processes to ensure that the current and potential operational risk exposures are properly understood and managed.

(a) Strategy and Processes

The Group has put in place a disciplined evaluation process for the offering of new product and electronic banking ("e-banking") services. The Group's evaluation process is governed by the Group's Policy and Internal Guideline on Risk Management Practices for New Products and the Group's Policy and Procedures on the Provision of Electronic Banking Services. Each new product or e-banking service introduced as well as variations to existing products or e-banking services are subject to a rigorous risk review and sign-off process where risks are identified and assessed by divisions independent of the risk taking unit that proposes the products or e-banking services. This is further augmented by the Group's Policy on Product Transparency and Disclosure which emphasises the importance of safeguarding customers' confidentiality and promoting their awareness and understanding of the products and services, and informed decision making.

The Group continues to direct group-wide efforts to maintain its legal and regulatory compliance culture in all jurisdictions that the Group operates. The Group seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities to ensure compliance with statutory and regulatory requirements as well as internal policies and guidelines.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk (continued)

Risk Management Approach (continued)

(a) Strategy and Processes (continued)

Comprehensive risk assessments are conducted on major operational risk issues/emerging risk events arising from changes in business and operating environment to facilitate pro-active development of appropriate risk response to emerging operational risk events which would affect the achievement of the Group's business objectives. Periodic reviews and enhancements to operational risk limits and assessment of the control effectiveness are also conducted in response to changes in internal and external factors so that the Group's operational risk exposures are managed within its risk appetite.

The Group has put in place the crisis management plan, disaster recovery and business continuity plans which are regularly tested and updated that enable the Group to respond and continue to operate critical business functions across a broad spectrum of interruptions to the business, arising from internal or external events. Where appropriate, the Group mitigates risk of high impact loss events by insurance coverage.

The Group protects information security through continuous assessment of the security features on all computer platforms and network infrastructure, and implementation of appropriate security controls to protect against the misuse or compromise of information assets. In response to the rapid evolvement of cyber threats, the Group maintains continued focus and investment in its control environment through working closely with the relevant consultants, organisations and regulators to understand and address threats originating outside the Group. In addition, the Group continues to undertake initiatives to maintain 100% system availability and robust system performance in the Group's computer systems, peripherals and network infrastructure to ensure uninterrupted transmission.

The Group manages its outsourcing arrangements through the Group's Policy and Internal Guideline on Outsourcing Arrangements which stipulate the requirements and the operating procedures to be observed in managing activities that are outsourced to third party service providers. This is to ensure that the risks associated with outsourcing arrangements are managed effectively.

(b) Tools and Methods for Risk Mitigation

To monitor and mitigate operational risk, the Group uses various tools and methods including:

(i) Risk and control self-assessment – To assess the state of risk management and internal controls for continuous enhancements;

(ii) Key risk indicators – To collect statistical data on an ongoing basis to facilitate early detection of operational risk issues and control deficiencies;

(iii) Operational risk incident reporting and data collection – To analyse the causes of operational risk incidents and trends of operational risk data which are useful in assessing the Group's operational risk exposures and in strengthening the internal control environment; and

(iv) Scenario Analysis – To identify and assess extreme but plausible operational risk events which can provide better understanding of the risks under extreme conditions and assess the need for additional risk management controls or mitigation solutions.

(c) Reporting

Reporting is one of the important processes in operational risk management. The Group's operational risk management processes are aimed to ensure that operational risk exposures are properly identified, escalated and managed on a timely manner.

Operational risk exposures for the key business and control units are reported through monthly operational risk management reports which provide analyses and action plans for each significant business operation. The key operational risk areas included in the operational risk management reports are premises controls and safety, losses due to fraud or control lapses, IT risk management, business continuity management, outsourcing arrangements, compliance review results as well as litigation against the Group. The operational risk management reports are tabled to the ORMWG, the ORMC and the RMC for deliberations.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Shariah Non-compliance Risk

Shariah non-compliance ("SNC") risk is risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the entities may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and/or the SAC of Securities Commission ("SC") Malaysia, Bursa Malaysia, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act 2013 ("IFSA"), or decisions or advice of the respective entities' Shariah Committee/Shariah Advisers.

SNC risk of the Group may emanate from the Islamic banking operations, business, affairs and activities of Public Islamic Bank Berhad ("PIBB"), the management of Shariah-based funds by Public Mutual Berhad ("PMU") and the Islamic capital market activities of Public Investment Bank Berhad.

Islamic Banking Operations

PIBB is governed under the IFSA which requires it to ensure that its operations, business, affairs and activities are managed in strict compliance with Shariah and in accordance with the advice and ruling issued by the BNM SAC. PIBB Shariah Governance Policy ("SGP") which is developed in accordance with BNM SGP 2019, provides a comprehensive guidance to the Board, Shariah Committee, and Senior Management in discharging its duties in matters relating to Shariah and outlines the key Shariah functions.

The Board is responsible in providing overall oversight on Shariah governance, structure and compliance of PIBB's operations. The Shariah Committee is responsible to provide advice to ensure PIBB's operations, business, affairs and activities are Shariah compliant. This includes advising the Board and Senior Management on Shariah matters, endorsing Shariah policies, products and relevant documents of Islamic banking operations, deliberating and affirming the status of a potential Shariah Non-Compliance event confirmed by the Potential Shariah Non-Compliance Committee reported by control functions as well as endorsing rectification plans to address the actual Shariah Non-Compliance events prior to the approval by the Board.

The management of Shariah Non-Compliance risk in PIBB encompasses the three lines of defence approach as follows:

– First Line of Defence

  The Chief Executive Officer and Senior Management with the support of Business and Support units are responsible for the day-to-day management of PIBB to ensure it complies with Shariah requirements. The Shariah Division, which consists of the Shariah Advisory, Research & Secretariat functions which perform research on Shariah issues, provide day-to-day advice on Shariah matters, disseminate Shariah Committee's decisions and advices as well as providing administrative and secretarial functions to support the Shariah Committee.

– Second Line of Defence

  The Shariah Risk Management function being the second line of defence is responsible for the identification, measurement, monitoring and mitigation of SNC risks in the operations and business activities of PIBB. Shariah Risk Management Policy are in place to manage SNC risk as part of the enterprise risk management including new and emerging risks.

  The Shariah Review and Compliance function is responsible for assessing, monitoring and reporting on PIBB's compliance with Shariah requirements. This is discharged through performing periodic reviews on the state of compliance with Shariah requirements in the operations and business activities of PIBB. Any identified non-compliances are escalated to both Shariah Committee and PIBB's Risk Management Committee on Compliance Function.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Shariah Non-compliance Risk (continued)

Islamic Banking Operations (continued)

The management of Shariah Non-Compliance risk in PIBB encompasses the three lines of defence approach as follows (continued):

– Third Line of Defence

  The Shariah Audit function is responsible to perform periodic internal audits to independently assess the quality and effectiveness of PIBB's internal controls, risk management systems, governance processes as well as the overall compliance of PIBB's operations and business activities with Shariah requirements. Any incidences of Shariah non-compliance are reported to both Shariah Committee and PIBB's Audit Committee.

For the financial year ended 31 December 2023, there were seven (7) SNC incidents (2022: 8) with SNC income amounting to RM26,000 (2022: RM1,080,000). Further, a total of RM62,000 (2022: RM111,000) was identified as Gharamah and are not recognised as income.

During the financial year 2023, rectification plan has been on-going to rectify the SNC incident in relation to incomplete/under construction properties as underlying assets for Bai' Bithaman Ajil ("BBA") House Financing-i and BBA Term Financing-i. The accumulated profit relating to the affected accounts has been derecognised from the financial statements until the appropriate actions have been taken to rectify this SNC incident.

Remedial measures to rectify the SNC events including the method of purification of SNC Income were endorsed by the Shariah Committee and approved by the Board of Directors. Subsequently, the incidents have been reported in accordance with the reporting requirement prescribed by the regulator.

Management of Shariah-Based Funds

SNC risk emanating from investments and operations of Shariah-based funds is managed through SNC risk management processes. An independent third party registered with the SC is appointed as the Shariah Adviser for the Shariah-based funds managed by PMU. The role of the Shariah Adviser is to review the funds' investments and to engage with the investment management team to ensure the investments and operations of the Shariah-based funds are in compliance with Shariah requirements.

The Compliance Division of PMU is responsible for assessing, monitoring and reporting on the company's compliance with the applicable Shariah rules and regulations in managing its Shariah-based funds. The Compliance Division conducts regular reviews and works closely with the Shariah Adviser to ensure all transactions under the Shariah-based funds comply with the Shariah requirements at all times.

Shariah-compliant securities which are reclassified to be SNC upon review of the securities by the SAC of SC or the Shariah Adviser will result in the SNC securities being disposed of from the respective funds. For the purpose of purification, any capital gain arising from the disposal of the SNC securities made at market price/valuation, at the time of the announcement/review day may be retained. However, gains derived from the disposal of the SNC securities after the announcement/review day at market price/valuation that is above the closing price/valuation on the announcement/review day is deposited into a separate account which is segregated from the funds' account.

The SNC income from the funds may be channelled to baitumal and/or charitable bodies as advised by the Shariah Adviser. The SAC of SC also allows SNC income from the funds, at its discretion, to be distributed to the investors. Should such income be distributed to investors, the Manager will inform investors that it is the investors' obligation to purify it in accordance to Shariah principles upon receiving it from the funds.

During the current financial year, SNC income of RM13,800 (2022: RM46,000) under the Shariah-based funds arising from the disposal of SNC securities was distributed to investors as advised by the Shariah Adviser.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Shariah Non-compliance Risk (continued)

Islamic capital market activities

SNC risk emanating from Islamic capital market activities is managed through the appointment of an external independent Shariah Adviser who is registered with the SAC of SC in Malaysia. The roles of the Shariah Adviser are as follows:

a) advising on all aspects of Islamic stock-broking matters;

b) advising on all aspects of Sukuk issuance in accordance with Shariah principles;

c) providing Shariah expertise and guidance on all matters, particularly in documentation, structuring and ensure compliance with relevant best practices, SC's and BNM's regulations;

d) ensuring that the applicable best practices, Shariah rulings, principles and concepts issued by the Bursa Malaysia, SAC of SC and BNM are complied with; and

e) issuance of a Shariah Pronouncement in relation to the Islamic capital market products.

The Securities Trading Division works closely with the Shariah Adviser to ensure all Islamic capital market transactions comply with the Shariah requirements under the relevant best practices and guidelines issued by Bursa Malaysia, SC and BNM.

The Debt Capital Markets ("DCM") Division works closely with the Shariah Adviser to ensure all Islamic capital market transactions comply with the Shariah requirements under the relevant best practices guidelines issued by Bursa Malaysia, SC and BNM, where applicable.

Ongoing independent reviews on compliance with Shariah requirements under the relevant guidelines and best practices issued by Bursa Malaysia, SC and BNM are undertaken by Compliance Division and Internal Audit Division. Shariah non-compliances, if any, noted during compliance reviews and the issues raised by internal auditors pursuant to their audit are submitted to the Shariah Adviser for review, advice and guidance.

For the current financial year, RM23 (2022: RM55) arising from the Islamic capital market activities was recognised as gharamah amount to be channeled to charity as advised by the Shariah Adviser.

46. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and the fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities, price quotations from Bond Pricing Agency Malaysia and broker quotes on Bloomberg/Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgment and estimation, due to the low complexity of the financial instruments held.

The Group and the Bank classify financial instruments and non-financial assets which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 – Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 – Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 – Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

The Group's control framework in respect of the measurement of Level 3 fair values enables that the fair values are determined and validated by a function independent of the business unit undertaking the risks. Finance Division establishes the accounting policies and procedures governing valuation and is responsible for ensuring compliance with all relevant accounting standards. The team within Finance Division which oversees the fair value measurements, including Level 3 fair values, reports directly to the Chief Financial Officer. Independent verification on financial instruments is performed by Treasury Middle Office. For investment properties, the valuation is determined with reference to quotations of market value provided by independent professional valuers.

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

GROUP 2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	–	382,152	–	382,152
– Money market instruments	–	1,893,292	–	1,893,292
– Non-money market instruments	–	–	362,204	362,204
	–	2,275,444	362,204	2,637,648
Financial investments at fair value through other comprehensive income				
– Government securities and treasury bills	–	48,003,288	–	48,003,288
– Money market instruments	–	298,997	–	298,997
– Non-money market instruments	1,478	5,413,555	420,990	5,836,023
	1,478	53,715,840	420,990	54,138,308
Derivative financial assets	–	414,811	–	414,811
Total financial assets measured at fair value	1,478	56,406,095	783,194	57,190,767
Non-financial assets				
Investment properties	–	–	744,960	744,960
Financial liabilities				
Derivative financial liabilities	–	354,450	–	354,450
Total financial liabilities measured at fair value	–	354,450	–	354,450

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

GROUP 2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	–	558,083	–	558,083
– Non-money market instruments	–	–	391,242	391,242
	–	558,083	391,242	949,325
Financial investments at fair value through other comprehensive income				
– Government securities and treasury bills	–	48,272,166	–	48,272,166
– Money market instruments	–	842,032	–	842,032
– Non-money market instruments	1,675	5,338,129	413,287	5,753,091
	1,675	54,452,327	413,287	54,867,289
Derivative financial assets	–	446,564	–	446,564
Total financial assets measured at fair value	1,675	55,456,974	804,529	56,263,178
Non-financial assets				
Investment properties	–	–	669,570	669,570
Financial liabilities				
Derivative financial liabilities	–	496,045	–	496,045
Total financial liabilities measured at fair value	–	496,045	–	496,045

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

BANK 2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	–	382,152	–	382,152
– Non-money market instruments	–	–	341,478	341,478
	–	382,152	341,478	723,630
Financial investments at fair value through other comprehensive income				
– Government securities and treasury bills	–	33,131,459	–	33,131,459
– Money market instruments	–	497,707	–	497,707
– Non-money market instruments	–	290,214	413,921	704,135
	–	33,919,380	413,921	34,333,301
Derivative financial assets	–	409,372	–	409,372
Total financial assets measured at fair value	–	34,710,904	755,399	35,466,303
Financial liabilities				
Derivative financial liabilities	–	375,941	–	375,941
Total financial liabilities measured at fair value	–	375,941	–	375,941

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

BANK 2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	–	558,083	–	558,083
– Non-money market instruments	–	–	368,855	368,855
	–	558,083	368,855	926,938
Financial investments at fair value through other comprehensive income				
– Government securities and treasury bills	–	34,286,611	–	34,286,611
– Money market instruments	–	1,722,871	–	1,722,871
– Non-money market instruments	–	738,420	406,384	1,144,804
	–	36,747,902	406,384	37,154,286
Derivative financial assets	–	439,742	–	439,742
Total financial assets measured at fair value	–	37,745,727	775,239	38,520,966
Financial liabilities				
Derivative financial liabilities	–	535,790	–	535,790
Total financial liabilities measured at fair value	–	535,790	–	535,790

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2022 – None).

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

Reconciliation of movements in Level 3 financial instruments:

	Unquoted Equity Securities	
GROUP	**Financial Assets at Fair Value Through Profit or Loss RM'000**	**Financial Investments at Fair Value Through Other Comprehensive Income RM'000**
At 1 January 2023	**391,242**	**413,287**
Recognised in profit or loss		
– unrealised revaluation loss	**(29,038)**	**–**
Recognised in other comprehensive income		
– unrealised revaluation gain	**–**	**5,928**
Exchange differences	**–**	**1,775**
At 31 December 2023	**362,204**	**420,990**
At 1 January 2022	365,568	392,801
Recognised in profit or loss		
– unrealised revaluation gain	25,674	–
Recognised in other comprehensive income		
– unrealised revaluation gain	–	18,347
Exchange differences	–	2,139
At 31 December 2022	391,242	413,287

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

Reconciliation of movements in Level 3 financial instruments (continued):

BANK	Unquoted Equity Securities: Financial Assets at Fair Value Through Profit or Loss RM'000	Unquoted Equity Securities: Financial Investments at Fair Value Through Other Comprehensive Income RM'000
At 1 January 2023	**368,855**	**406,384**
Recognised in profit or loss		
– unrealised revaluation loss	**(27,377)**	**–**
Recognised in other comprehensive income		
– unrealised revaluation gain	**–**	**5,918**
Exchange differences	**–**	**1,619**
At 31 December 2023	**341,478**	**413,921**
At 1 January 2022	344,650	386,070
Recognised in profit or loss		
– unrealised revaluation gain	24,205	–
Recognised in other comprehensive income		
– unrealised revaluation gain	–	18,388
Exchange differences	–	1,926
At 31 December 2022	368,855	406,384

The fair values of unquoted equity securities which are held mainly for socio-economic purpose are determined based on net assets or earnings of the companies.

All investment properties of the Group carried at fair values were classified under Level 3. A reconciliation of movements in Level 3 is disclosed in Note 17.

The fair values of investment properties located in Malaysia are determined using comparison method by reference to the recent sales prices of comparable properties, adjustments are made where dissimilarities exist.

The fair values of investment properties located in Hong Kong are determined using comparison method by reference to recent sales prices of comparable properties on a price per square meter basis. The price per square meter of the properties adopted, which were significant inputs, ranged from RM18,000 to RM619,000 (2022: RM18,000 to RM370,000) with weighted average of RM262,000 (2022: RM151,000). A significant change in the price per square meter will result in a significant change in the fair value of the investment properties in Hong Kong.

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities:

GROUP	2023 Carrying Amount RM'000	2023 Fair Value RM'000	2022 Carrying Amount RM'000	2022 Fair Value RM'000
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	**15,346,088**	**15,394,206**	11,266,287	11,226,535
– Money market instruments	**2,196,577**	**2,195,399**	1,827,185	1,817,525
– Non-money market instruments	**12,412,748**	**12,511,104**	12,476,759	12,467,678
Loans, advances and financing				
– Retail loans/financing				
– housing loans/financing	**162,240,930**	**162,282,267**	152,239,703	152,284,852
– hire purchase	**66,087,339**	**65,659,743**	59,683,797	58,587,019
– credit cards	**2,782,399**	**2,782,399**	2,476,369	2,476,369
– other loans/financing	**115,562,772**	**115,611,125**	113,398,461	113,482,901
– Corporate loans/financing	**48,076,539**	**48,065,790**	44,784,786	44,755,417
Financial liabilities				
Recourse obligations on loans and financing sold to Cagamas	**5,100,015**	**5,207,533**	5,100,015	5,128,453
Debt securities issued and other borrowed funds	**11,144,016**	**11,220,285**	12,023,484	12,006,233

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

	2023		2022	
BANK	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	**9,166,856**	**9,199,214**	4,747,933	4,746,327
– Money market instruments	**1,768,793**	**1,765,663**	708,550	712,114
– Non-money market instruments	**10,406,732**	**10,511,572**	10,104,533	10,123,410
Loans and advances				
– Retail loans				
– housing loans	**120,601,802**	**120,603,598**	114,213,940	114,215,258
– hire purchase	**51,768,097**	**51,443,894**	46,689,004	45,834,695
– credit cards	**2,646,776**	**2,646,776**	2,388,974	2,388,974
– other loans	**84,105,418**	**84,104,914**	83,272,139	83,266,991
– Corporate loans	**37,070,493**	**37,068,472**	36,013,608	35,990,040
Financial liabilities				
Recourse obligations on loans sold to Cagamas	**4,000,015**	**4,107,533**	4,000,015	4,046,255
Debt securities issued and other borrowed funds	**8,498,499**	**8,540,599**	9,403,356	9,387,635

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities:

	Fair Value			
GROUP **2023**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	–	15,394,206	–	15,394,206
– Money market instruments	–	2,195,399	–	2,195,399
– Non-money market instruments	–	12,511,104	–	12,511,104
Loans, advances and financing				
– Retail loans/financing				
– housing loans/financing	–	162,282,267	–	162,282,267
– hire purchase	–	65,659,743	–	65,659,743
– credit cards	–	2,782,399	–	2,782,399
– other loans/financing	–	–	115,611,125	115,611,125
– Corporate loans/financing	–	–	48,065,790	48,065,790
Financial liabilities				
Recourse obligations on loans and financing sold to Cagamas	–	–	5,207,533	5,207,533
Debt securities issued and other borrowed funds	–	11,220,285	–	11,220,285

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

	Fair Value			
GROUP 2022	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	–	11,226,535	–	11,226,535
– Money market instruments	–	1,817,525	–	1,817,525
– Non-money market instruments	–	12,467,678	–	12,467,678
Loans, advances and financing				
– Retail loans/financing				
– housing loans/financing	–	152,284,852	–	152,284,852
– hire purchase	–	58,587,019	–	58,587,019
– credit cards	–	2,476,369	–	2,476,369
– other loans/financing	–	–	113,482,901	113,482,901
– Corporate loans/financing	–	–	44,755,417	44,755,417
Financial liabilities				
Recourse obligations on loans and financing sold to Cagamas	–	–	5,128,453	5,128,453
Debt securities issued and other borrowed funds	–	12,006,233	–	12,006,233

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

	Fair Value			
BANK **2023**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	–	9,199,214	–	9,199,214
– Money market instruments	–	1,765,663	–	1,765,663
– Non-money market instruments	–	10,511,572	–	10,511,572
Loans and advances				
– Retail loans				
– housing loans	–	120,603,598	–	120,603,598
– hire purchase	–	51,443,894	–	51,443,894
– credit cards	–	2,646,776	–	2,646,776
– other loans	–	–	84,104,914	84,104,914
– Corporate loans	–	–	37,068,472	37,068,472
Financial liabilities				
Recourse obligations on loans sold to Cagamas	–	–	4,107,533	4,107,533
Debt securities issued and other borrowed funds	–	8,540,599	–	8,540,599

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

	Fair Value			
BANK **2022**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	–	4,746,327	–	4,746,327
– Money market instruments	–	712,114	–	712,114
– Non-money market instruments	–	10,123,410	–	10,123,410
Loans and advances				
– Retail loans				
– housing loans	–	114,215,258	–	114,215,258
– hire purchase	–	45,834,695	–	45,834,695
– credit cards	–	2,388,974	–	2,388,974
– other loans	–	–	83,266,991	83,266,991
– Corporate loans	–	–	35,990,040	35,990,040
Financial liabilities				
Recourse obligations on loans sold to Cagamas	–	–	4,046,255	4,046,255
Debt securities issued and other borrowed funds	–	9,387,635	–	9,387,635

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

(a) *Financial investments at amortised cost* – The fair values of financial investments at amortised cost are estimated based on quoted bid prices.

(b) *Loans, advances and financing* – The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity.

The fair values of impaired loans/financing are represented by their carrying amounts, net of any expected credit losses, being the expected recoverable amount.

(c) *Recourse obligations on loans and financing sold to Cagamas* – The fair values of recourse obligations on loans and financing sold to Cagamas with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of recourse obligations on loans and financing sold to Cagamas with remaining maturity of more than one year are estimated using discounted cash flows based on prevailing Cagamas rates with similar remaining period to maturity.

(d) *Debt securities issued and other borrowed funds* – The fair values of borrowings approximate their carrying amounts as these are variable rate borrowings. The fair values of debt securities issued are estimated based on quoted ask prices.

47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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.

Derivatives, reverse repurchase agreements and obligations on securities sold under repurchase agreements included in the amount not set-off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash and securities that are received from or pledged with counterparties.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

				Amount Not Set-off in the Statement of Financial Position		
GROUP **2023**	**Gross Amount Recognised as Financial Assets/ Liabilities RM'000**	**Gross Amount Offset in the Statement of Financial Position RM'000**	**Amount Presented in the Statement of Financial Position RM'000**	**Values of the Financial Instruments* RM'000**	**Cash Collateral Received/ Pledged RM'000**	**Net Amount RM'000**
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	237,213	–	237,213	(65,588)	(104,481)	67,144
– Interest/profit rate related contracts	177,597	–	177,597	(47,058)	(102,495)	28,044
– Precious metal contracts	1	–	1	–	–	1
	414,811	–	414,811	(112,646)	(206,976)	95,189
Reverse repurchase agreements	851	–	851	(851)	–	–
Other assets:						
– Outstanding contracts on clients' accounts	402,690	(146,800)	255,890	–	–	255,890
	818,352	(146,800)	671,552	(113,497)	(206,976)	351,079
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	354,369	–	354,369	(112,595)	(45,288)	196,486
– Interest/profit rate related contracts	81	–	81	(51)	–	30
	354,450	–	354,450	(112,646)	(45,288)	196,516
Obligations on securities sold under repurchase agreements	3,017,789	–	3,017,789	(3,017,789)	–	–
Other liabilities:						
– Outstanding contracts on clients' accounts	379,381	(146,800)	232,581	–	–	232,581
	3,751,620	(146,800)	3,604,820	(3,130,435)	(45,288)	429,097

47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

GROUP 2022	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position: Values of the Financial Instruments* RM'000	Amount Not Set-off in the Statement of Financial Position: Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	188,611	–	188,611	(67,526)	(81,356)	39,729
– Interest/profit rate related contracts	257,953	–	257,953	(52,770)	(70,837)	134,346
	446,564	–	446,564	(120,296)	(152,193)	174,075
Reverse repurchase agreements	4,193	–	4,193	(4,193)	–	–
Other assets:						
– Outstanding contracts on clients' accounts	345,036	(76,753)	268,283	–	–	268,283
	795,793	(76,753)	719,040	(124,489)	(152,193)	442,358
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	496,020	–	496,020	(120,271)	(163,899)	211,850
– Interest/profit rate related contracts	25	–	25	(25)	–	–
	496,045	–	496,045	(120,296)	(163,899)	211,850
Obligations on securities sold under repurchase agreements	6,776,410	–	6,776,410	(6,776,410)	–	–
Other liabilities:						
– Outstanding contracts on clients' accounts	328,363	(76,753)	251,610	–	–	251,610
	7,600,818	(76,753)	7,524,065	(6,896,706)	(163,899)	463,460

47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

BANK 2023	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position: Values of the Financial Instruments* RM'000	Amount Not Set-off in the Statement of Financial Position: Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	230,375	–	230,375	(65,588)	(104,481)	60,306
– Interest rate related contracts	178,996	–	178,996	(47,058)	(102,495)	29,443
– Precious metal contracts	1	–	1	–	–	1
	409,372	–	409,372	(112,646)	(206,976)	89,750
Reverse repurchase agreements	851	–	851	(851)	–	–
	410,223	–	410,223	(113,497)	(206,976)	89,750
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	351,264	–	351,264	(112,595)	(45,288)	193,381
– Interest rate related contracts	24,677	–	24,677	(51)	–	24,626
	375,941	–	375,941	(112,646)	(45,288)	218,007
Obligations on securities sold under repurchase agreements	2,920,263	–	2,920,263	(2,920,263)	–	–
	3,296,204	–	3,296,204	(3,032,909)	(45,288)	218,007

47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

BANK 2022	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position: Values of the Financial Instruments* RM'000	Amount Not Set-off in the Statement of Financial Position: Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	188,417	–	188,417	(67,526)	(81,356)	39,535
– Interest rate related contracts	251,325	–	251,325	(52,770)	(70,837)	127,718
	439,742	–	439,742	(120,296)	(152,193)	167,253
Reverse repurchase agreements	53,618	–	53,618	(53,618)	–	–
	493,360	–	493,360	(173,914)	(152,193)	167,253
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	492,843	–	492,843	(120,271)	(163,899)	208,673
– Interest rate related contracts	42,947	–	42,947	(25)	–	42,922
	535,790	–	535,790	(120,296)	(163,899)	251,595
Obligations on securities sold under repurchase agreements	6,630,718	–	6,630,718	(6,630,718)	–	–
	7,166,508	–	7,166,508	(6,751,014)	(163,899)	251,595

* Include securities accepted as collateral.

48. CAPITAL AND OTHER COMMITMENTS

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Authorised and contracted for:				
– Renovations	**3,794**	4,006	**3,563**	3,063
– Office equipment, furniture and fittings	**2,212**	3,513	**2,017**	2,486
– Computer equipment and software	**54,030**	32,879	**35,082**	30,086
	60,036	40,398	**40,662**	35,635
Authorised but not contracted for:				
– Land and buildings	**2,257**	24,115	**–**	–
– Renovations	**2,295**	2,652	**–**	–
– Office equipment, furniture and fittings	**7,078**	1,018	**5,409**	–
– Computer equipment and software	**28,008**	58,173	**–**	–
	39,638	85,958	**5,409**	–
	99,674	126,356	**46,071**	35,635

49. 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 are not secured against the Group's and the Bank's assets.

The notional amounts of the commitments and contingencies of the Group and of the Bank are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Contingent liabilities				
Direct credit substitutes	**911,428**	904,534	**861,080**	853,422
Transaction-related contingent items	**1,862,368**	1,736,851	**1,513,282**	1,395,517
Short term self-liquidating trade-related contingencies	**578,520**	593,742	**278,834**	157,871
	3,352,316	3,235,127	**2,653,196**	2,406,810
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	**45,139,436**	33,021,059	**37,709,254**	25,634,872
– not exceeding one year	**25,481,237**	24,727,099	**20,559,687**	19,887,896
Unutilised credit card lines	**9,870,851**	9,152,427	**9,305,428**	8,766,415
Forward asset purchases	**35,149**	114,875	**35,149**	114,875
	80,526,673	67,015,460	**67,609,518**	54,404,058
Derivative financial instruments				
Foreign exchange related contracts:				
– up to one year	**30,576,582**	28,235,903	**29,123,646**	27,842,160
– more than one year to five years	**1,075,140**	1,255,118	**1,075,140**	1,255,118
Interest/profit rate related contracts:				
– up to one year	**50,000**	25,000	**50,000**	25,000
– more than one year to five years	**5,471,070**	4,652,413	**8,198,300**	7,430,683
– more than five years	**273,440**	302,733	**400,000**	200,000
Commodity related contracts:				
– up to one year	**456**	230	**456**	230
	37,446,688	34,471,397	**38,847,542**	36,753,191
	121,325,677	104,721,984	**109,110,256**	93,564,059

Disclosure of the credit equivalent amount and risk-weighted asset of the commitments and contingencies above, as required by BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), is presented in the Pillar 3 disclosures section of the Annual Report.

50. CAPITAL ADEQUACY

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

	GROUP		BANK	
	2023	**2022**	**2023**	**2022**
Before deducting interim dividends*:				
Common Equity Tier I ("CET I") capital ratio	**15.235%**	14.862%	**13.875%**	13.472%
Tier I capital ratio	**15.253%**	14.912%	**13.875%**	13.513%
Total capital ratio	**18.146%**	17.925%	**16.990%**	16.722%
After deducting interim dividends*:				
CET I capital ratio	**14.654%**	14.552%	**13.112%**	13.072%
Tier I capital ratio	**14.672%**	14.603%	**13.112%**	13.113%
Total capital ratio	**17.564%**	17.616%	**16.227%**	16.322%

* Refer to interim dividends declared subsequent to the financial year end.

The capital adequacy ratios of the Group consist of total capital and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of total capital and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd.

The total risk-weighted assets of the Group and of the Bank are computed based on the following approaches:

(i) Standardised Approach for Credit Risk;

(ii) Standardised Approach for Market Risk; and

(iii) Basic Indicator Approach for Operational Risk.

Regulatory capital requirements

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II – Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB"), countercyclical capital buffer ("CCyB") and higher loss absorbency ("HLA") requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a CCB of 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

HLA requirement is applicable to financial institutions designated as domestic systemically important banks ("D-SIBs"). Arising from this, the Group which is designated as a D-SIB by BNM is required to maintain an additional capital buffer of 0.5% to the regulatory capital requirements in line with the BNM's D-SIB Framework.

50. CAPITAL ADEQUACY (CONTINUED)

(b) The components of CET I, Tier I and Tier II capital of the Group and of the Bank are as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CET I/Tier I Capital:				
Share capital	**9,417,653**	9,417,653	**9,417,653**	9,417,653
Other reserves	**1,872,244**	998,895	**366,098**	235,063
Retained profits	**42,160,770**	38,962,590	**33,087,269**	30,762,417
Qualifying non-controlling interests	**755,337**	721,467	**–**	–
Less: Goodwill and other intangible assets	**(2,589,600)**	(2,539,021)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(567,305)**	(630,201)	**(356,565)**	(392,775)
Less: Defined benefit pension fund assets	**(17,079)**	(158,128)	**(16,838)**	(155,613)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	**(180,183)**	(154,918)	**(6,505,741)**	(6,505,741)
Total CET I Capital	**50,851,837**	46,618,337	**35,296,483**	32,665,611
Additional Tier I capital securities	**–**	99,942	**–**	99,942
Qualifying CET I and additional Tier I capital instruments held by third parties	**60,247**	58,268	**–**	–
Total Tier I Capital	**50,912,084**	46,776,547	**35,296,483**	32,765,553
Tier II Capital:				
Stage 1 and Stage 2 expected credit loss allowances#	**3,774,347**	3,575,757	**2,666,187**	2,782,854
Qualifying regulatory reserves	**4,155**	–	**258,421**	–
Subordinated notes	**4,998,196**	4,999,096	**4,998,196**	4,999,096
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**725,806**	734,353	**–**	–
Others	**150,759**	140,839	**–**	–
Total Tier II Capital	**9,653,263**	9,450,045	**7,922,804**	7,781,950
Total Capital	**60,565,347**	56,226,592	**43,219,287**	40,547,503

No expected credit loss allowances restricted from Tier II capital of the Group (2022 – RM453,732,000) and of the Bank (2022 – RM125,217,000) at the reporting date.

In arriving at the total capital of the Group and of the Bank above, the interim dividends declared subsequent to the financial year end were not deducted.

50. CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of risk-weighted assets by each major risk category of the Group and of the Bank is as follows:

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Credit risk	**302,280,158**	286,060,596	**233,968,650**	222,628,352
Market risk	**7,069,633**	4,552,498	**3,900,674**	4,218,024
Operational risk	**23,833,549**	22,457,709	**15,942,048**	15,042,201
Large exposure risk	**590,812**	607,456	**570,086**	585,069
	333,774,152	313,678,259	**254,381,458**	242,473,646

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures section of the Annual Report.

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	Public Islamic Bank Berhad[1]	Public Investment Bank Berhad[2]	Public Bank (L) Ltd[3]	Public Bank (Hong Kong) Limited[4]	Public Finance Limited[4]	Cambodian Public Bank Plc[5]	Public Bank Vietnam Limited[6]
2023							
Before deducting interim dividends*:							
CET I capital ratio	**13.232%**	**39.135%**	**23.220%**	**23.008%**	**29.340%**	**N/A**	**N/A**
Tier I capital ratio	**13.232%**	**39.135%**	**23.220%**	**23.008%**	**29.340%**	**N/A**	**N/A**
Total capital ratio	**16.245%**	**39.748%**	**23.308%**	**23.760%**	**30.369%**	**28.063%**	**21.201%**
After deducting interim dividends*:							
CET I capital ratio	**13.232%**	**36.393%**	**23.220%**	**22.612%**	**28.958%**	**N/A**	**N/A**
Tier I capital ratio	**13.232%**	**36.393%**	**23.220%**	**22.612%**	**28.958%**	**N/A**	**N/A**
Total capital ratio	**16.245%**	**37.005%**	**23.308%**	**23.364%**	**29.988%**	**28.063%**	**21.201%**
2022							
Before deducting interim dividends*:							
CET I capital ratio	12.863%	38.729%	24.821%	22.470%	28.855%	N/A	N/A
Tier I capital ratio	12.863%	38.729%	24.821%	22.470%	28.855%	N/A	N/A
Total capital ratio	16.025%	39.489%	24.888%	23.251%	29.902%	23.110%	23.140%
After deducting interim dividends*:							
CET I capital ratio	12.863%	35.078%	24.821%	22.348%	27.805%	N/A	N/A
Tier I capital ratio	12.863%	35.078%	24.821%	22.348%	27.805%	N/A	N/A
Total capital ratio	16.025%	35.837%	24.888%	23.129%	28.852%	23.110%	23.140%

* Refer to interim dividends declared subsequent to the financial year end.

50. CAPITAL ADEQUACY (CONTINUED)

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows (continued):

[1] The risk-weighted assets of Public Islamic Bank Berhad ("PIBB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks for Islamic Banks on Capital Components and Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including CCB and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIBB is required to maintain a CCB of 2.5% and a CCyB if this buffer is applied by regulators in countries which PIBB has exposures to.

[2] The risk-weighted assets of Public Investment Bank Berhad ("PIVB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II - Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including CCB and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIVB is required to maintain a CCB of 2.5% and a CCyB if this buffer is applied by regulators in countries which PIVB has exposures to.

[3] The risk-weighted assets of Public Bank (L) Ltd are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with the Banking Capital Adequacy Framework - Guidelines on Capital Components and Risk Weighted Assets issued by the Labuan Financial Services Authority. The minimum regulatory capital adequacy requirements for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

[4] These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies are computed in accordance with the provisions of the Banking Ordinance relating to Basel III capital standards and the Banking (Capital) Rules. These two subsidiaries are required to maintain a CCB of 2.5% and a CCyB of 1.0% as imposed by Hong Kong Monetary Authority to their private sector exposures in Hong Kong.

[5] The amount presented here is the solvency ratio of Cambodian Public Bank Plc ("Campu Bank"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with National Bank of Cambodia Prakas B7-010-182 and B7-00-46 (amended by Prakas No. B7-04-206 and Prakas No. B7-07-135). This ratio is derived as Campu Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 16.0%.

[6] The amount presented here is the capital adequacy ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with the State Bank of Vietnam ("SBV") Circular No.41/2016/TT- NHNN and is derived as PBVN's capital divided by its risk-weighted assets for credit risk, market risk and operational risk. The minimum regulatory capital adequacy ratio requirement is 8.0%.

51. CAPITAL MANAGEMENT

The Group actively manages its capital to support underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders' value via an efficient capital structure, whilst ensuring that it complies with regulatory capital requirements. The allocation of capital resources represents part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

The Group's capital is managed in line with the objectives of the Group Capital Management Framework. The key objectives under the framework include meeting regulatory capital requirements, optimising return to shareholders, maintaining adequate levels and optimum mix of capital, maintaining strong external credit ratings and allocation of capital across business units and subsidiary companies. In order to meet these objectives, the Group actively manages its capital structure and makes adjustments to address changes in the economic environment, regulatory requirements and risk characteristics inherent in its business operations. These initiatives include issuances of capital securities, adjustments to the amount of dividends distributed to shareholders and focus on growth in non-interest income and other less capital-intensive business activities. The Group's Internal Capital Adequacy Assessment Process ("ICAAP") assesses the Group's internal capital requirements beyond the minimum regulatory requirements to ensure its capital commensurates with the Group's risk profile, the complexity of the business activities undertaken and its risk appetite.

The Group's and the Bank's regulatory capital are determined under BNM's Capital Adequacy Frameworks on Capital Components and Basel II – Risk-Weighted Assets and their capital ratios have complied with the minimum requirements set under this guideline. Information on the Group's and the Bank's capital adequacy ratios, regulatory minimum capital requirements and the components of total capital are disclosed in Note 50 (a) and (b).

52. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group's operating and reportable segments are business units engaged in providing different products or services and business units operating in different geographical locations. These businesses are managed and assessed separately as each requires a differentiated strategy focused on the specific products and services provided for the economic, competitive, geographical and regulatory environment in which it operates. For each operating segment, the Management Committee (the chief operating decision-maker) reviews the internal management reports monthly in order to assess their performance.

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments:

(i) Hire Purchase

Hire purchase operations focus on the provision of passenger vehicle financing to all levels of customers.

(ii) Retail Operations

Retail operations focus on providing products and services to individual customers and small and medium enterprises. The products and services offered to customers include credit facilities (mortgages, trade and personal loans), credit cards, remittance services, deposit collection and investment products.

(iii) Corporate Lending

The corporate lending operations cater to the funding needs of large corporate customers which are primarily public listed companies and their related corporations.

52. SEGMENT INFORMATION (CONTINUED)

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments (continued):

(iv) Treasury and Capital Market Operations

The treasury and capital market operations involve in proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading.

(v) Investment Banking

The investment banking operations cater to the business needs of large corporate customers through the provision of financial solutions and direct lending. The services offered include structured financing, corporate advisory services, merger and acquisition, stock-broking and debt restructuring advisory services.

(vi) Fund Management

The fund management operations consist of sale of trust units and the management of unit trust funds as conducted by the Bank's wholly-owned subsidiary company, Public Mutual Berhad.

(vii) Others

Others refer mainly to non-core operations such as property holding.

(viii) Head Office and Funding Center

Head office manages the investment of funds from shareholders' funds and capital securities, provides support services to the business segments within the Bank as well as serves as a funding center.

The Group's overseas business operations are organised according to the following geographical locations:

(i) Hong Kong SAR

This includes all business operations conducted by the Bank's subsidiary companies in Hong Kong SAR and the People's Republic of China, including retail and commercial banking and lending, wealth management services, stock-broking and other related financial services.

(ii) Cambodia

This comprises all business operations conducted by the Bank's subsidiary companies in Cambodia, which includes mainly financing, deposit-taking, general insurance businesses and stock-broking.

(iii) Other Countries

This refers to the Group's banking business operations in the Socialist Republic of Vietnam, Lao People's Democratic Republic and Sri Lanka.

There are no changes in the operating segments during the year.

Measurement and Evaluation of Segment Performance

The Management Committee evaluates operating segments' performance on the basis of revenue, profit, cost-to-income ratio, loan and deposit growth and asset quality. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. Funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income.

Major Customers

There is no single customer which contributes revenue amount greater than 10% of the Group's revenues for the current financial year (2022 – none).

52. SEGMENT INFORMATION (CONTINUED)

By Business Segments:

	Domestic Operating Segments									Overseas Operating Segments					
2023	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office and Funding Center RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
External revenue	2,993,165	12,577,496	2,082,306	1,401,873	186,637	1,517,632	19,713	2,216,625	22,995,447	1,274,900	591,872	552,791	2,419,563	-	25,415,010
Revenue from other segments	13,019	1,422,080	46,934	2,113,741	1,002	55,812	50,950	526,188	4,229,726	5	55,327	104,673	160,005	(4,389,731)	-
Total revenue	3,006,184	13,999,576	2,129,240	3,515,614	187,639	1,573,444	70,663	2,742,813	27,225,173	1,274,905	647,199	657,464	2,579,568	(4,389,731)	25,415,010
Net interest income/(expense) and Islamic banking income	932,541	5,654,009	608,840	(149,794)	24,602	16,378	(20,382)	2,168,953	9,235,147	584,338	483,945	316,815	1,385,098	(3,405)	10,616,840
Other income/(expense)	1,852	776,172	23,699	374,672	68,610	1,027,402	20,216	(9,541)	2,283,082	108,404	63,861	21,136	193,401	(736)	2,475,747
Net income/(expense)	934,393	6,430,181	632,539	224,878	93,212	1,043,780	(166)	2,159,412	11,518,229	692,742	547,806	337,951	1,578,499	(4,141)	13,092,587
Other operating expenses	(269,671)	(2,379,729)	(20,982)	(57,978)	(51,800)	(245,678)	(32,132)	(558,134)	(3,616,104)	(480,200)	(153,347)	(169,278)	(802,825)	4,141	(4,414,788)
of which:															
Depreciation	*(2,256)*	*(75,887)*	*(311)*	*(5,109)*	*(3,955)*	*(21,271)*	*(10,155)*	*(141,874)*	*(260,818)*	*(60,225)*	*(23,414)*	*(18,959)*	*(102,598)*	-	*(363,416)*
Writeback of allowance/ (Allowance) for impairment on loans, advances and financing	88,375	68,043	(43,424)	-	1,410	(64)	-	-	114,340	(188,659)	(52,782)	(29,588)	(271,029)	-	(156,689)
Writeback of allowance/ (Allowance) for impairment on other assets	-	1,215	-	325	24	-	(64)	(2,398)	(898)	(261)	(119)	-	(380)	-	(1,278)
Profit/(Loss) by segments	753,097	4,119,710	568,133	167,225	42,846	798,038	(32,362)	1,598,880	8,015,567	23,622	341,558	139,085	504,265	-	8,519,832
Reconciliation of segment profits to consolidated profits:															
Share of profit after tax of equity accounted associated companies									18,956				-		18,956
Profit before tax expense and zakat									8,034,523				504,265		8,538,788
Cost-to-income ratio	28.9%	37.0%	3.3%	25.8%	55.6%	23.5%	n/a	25.8%	31.4%	69.3%	28.0%	50.1%	50.9%		33.7%

52. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2023 (continued)	Domestic Operating Segments: Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office and Funding Center RM'000	Total Domestic Operations RM'000	Overseas Operating Segments: Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
Gross loans, advances and financing	64,572,332	261,999,315	45,566,697	-	438,974	118,626	1,511	-	372,697,455	14,269,038	6,442,464	5,587,640	26,299,142	-	398,996,597
Loans growth	10.9%	4.4%	7.9%	-	1.8%	-0.8%	2.0%	-	5.9%	1.5%	14.9%	8.4%	5.9%	-	5.9%
Impaired loans, advances and financing	167,884	877,039	443,477	-	-	862	-	-	1,489,262	547,102	97,900	201,108	846,110	-	2,335,372
Impaired loan/financing ratio	0.26%	0.33%	0.97%	-	-	0.73%	-	-	0.40%	3.83%	1.52%	3.60%	3.22%	-	0.59%
Deposits from customers	-	297,787,351	185,137	85,979,167	966,049	-	-	-	384,917,704	17,352,658	6,061,980	4,564,625	27,979,263	-	412,896,967
Deposits growth	-	1.3%	-29.2%	19.8%	-8.2%	-	-	-	4.8%	0.8%	-5.3%	15.2%	1.5%	-	4.6%
Addition to non-current assets	2,769	68,255	71	3,988	872	9,580	22,943	158,037	266,515	56,503	21,182	21,993	99,678	-	366,193
Segment assets	64,018,955	307,846,728	44,484,820	100,417,774	2,683,242	497,303	839,244	55,040,333	575,828,399	22,417,568	10,078,948	10,439,657	42,936,173	(113,409,670)	505,354,902
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									141,725				18		141,743
Unallocated assets									2,511,752				-		2,511,752
Intangible assets									769,251				1,820,349		2,589,600
Total assets									579,251,127				44,756,540		510,597,997

52. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2022	Domestic Operating Segments									Overseas Operating Segments					
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office and Funding Center RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
External revenue	2,636,799	10,453,619	1,615,238	1,090,262	171,016	1,524,324	22,725	1,977,573	19,491,556	962,961	493,444	478,965	1,935,370	–	21,426,926
Revenue from other segments	8,664	1,229,959	30,032	1,324,032	820	48,728	50,459	331,854	3,024,548	–	22,257	22,872	45,129	(3,069,677)	–
Total revenue	2,645,463	11,683,578	1,645,270	2,414,294	171,836	1,573,052	73,184	2,309,427	22,516,104	962,961	515,701	501,837	1,980,499	(3,069,677)	21,426,926
Net interest income/(expense) and Islamic banking income	861,210	6,147,357	589,528	76,173	33,294	10,364	(15,301)	2,063,727	9,766,352	645,218	373,784	242,630	1,261,632	(3,911)	11,024,073
Other income	1,763	750,114	25,890	328,167	67,095	1,009,397	25,933	20,869	2,229,228	111,548	59,271	50,038	220,857	(35,916)	2,414,169
Net income	862,973	6,897,471	615,418	404,340	100,389	1,019,761	10,632	2,084,596	11,995,580	756,766	433,055	292,668	1,482,489	(39,827)	13,438,242
Other operating expenses	(254,739)	(2,272,243)	(18,698)	(57,726)	(47,860)	(239,395)	(29,443)	(612,765)	(3,532,869)	(455,656)	(140,642)	(146,044)	(742,342)	39,827	(4,235,384)
of which:															
Depreciation	*(1,771)*	*(77,111)*	*(430)*	*(6,219)*	*(3,986)*	*(22,092)*	*(10,255)*	*(150,137)*	*(272,001)*	*(57,368)*	*(22,728)*	*(19,486)*	*(99,582)*	–	*(371,583)*
Writeback of allowance/(Allowance) for impairment on loans, advances and financing	298,490	(417,207)	(171,219)	–	(342)	(1)	–	–	(290,279)	(73,232)	5,302	(7,347)	(75,277)	–	(365,556)
(Allowance)/Writeback of allowance for impairment on other assets	–	(10,512)	–	196	(72)	–	–	(2,851)	(13,239)	18	22	–	40	–	(13,199)
Profit/(Loss) by segments	906,724	4,197,509	425,501	346,810	52,115	780,365	(18,811)	1,468,980	8,159,193	227,896	297,737	139,277	664,910	–	8,824,103
Reconciliation of segment profits to consolidated profits:															
Share of profit after tax of equity accounted associated companies									6,947				–		6,947
Profit before tax expense and zakat									8,166,140				664,910		8,831,050
Cost-to-income ratio	29.5%	32.9%	3.0%	14.3%	47.7%	23.5%	>100.0%	29.4%	29.5%	60.2%	32.5%	49.9%	50.1%		31.5%

52. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2022 (continued)	Domestic Operating Segments									Overseas Operating Segments					
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office and Funding Center RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
Gross loans, advances and financing	58,250,460	251,031,796	42,230,854	–	431,091	119,556	1,482	–	352,065,239	14,064,723	5,605,533	5,156,442	24,826,698	–	376,891,937
Loans growth	9.0%	4.9%	1.9%	–	10.4%	-1.1%	2.1%	–	5.2%	0.2%	14.0%	16.7%	6.2%	–	5.3%
Impaired loans, advances and financing	143,692	623,398	418,144	–	–	1,413	–	–	1,186,647	181,644	95,034	120,771	397,449	–	1,584,096
Impaired loan/financing ratio	0.25%	0.25%	0.99%	–	–	1.18%	–	–	0.34%	1.29%	1.70%	2.34%	1.60%	–	0.42%
Deposits from customers	–	294,068,107	261,475	71,761,759	1,052,712	–	–	–	367,144,053	17,209,835	6,401,808	3,963,061	27,574,704	–	394,718,757
Deposits growth	–	2.0%	41.9%	13.5%	8.9%	–	–	–	4.1%	0.0%	-8.9%	12.0%	-0.7%	–	3.8%
Addition to non-current assets	2,944	52,215	5	495	429	10,321	11,009	57,476	134,894	123,365	6,898	12,957	143,220	–	278,114
Segment assets	57,559,378	303,926,698	41,186,077	89,450,801	3,101,664	444,378	825,731	52,743,714	549,238,441	22,112,781	9,967,991	8,921,709	41,002,481	(102,280,212)	487,960,710
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									120,147				17		120,164
Unallocated assets									2,642,870				–		2,642,870
Intangible assets									775,493				1,763,528		2,539,021
Total assets									552,776,951				42,766,026		493,262,765

53. RATING STATEMENT

As at 31 December 2023, the Bank was accorded the following ratings:

Agencies	Date accorded/Reaffirmed	Ratings
RAM Rating Services Berhad	8 September 2023 (Reaffirmed)	Long-Term Rating: AAA
	8 September 2023 (Reaffirmed)	Short-Term Rating: P1
	8 September 2023 (Reaffirmed)	Outlook: Stable
	8 September 2023 (Reaffirmed)	Senior Medium-Term Notes Programme: AAA/Stable
	8 September 2023 (Assigned)	RM20 Billion Subordinated Medium-Term Notes Programme: AA1/Stable
	8 September 2023 (Reaffirmed)	RM10 Billion Subordinated Medium-Term Notes Programme: AA1/Stable
	8 September 2023 (Reaffirmed)	RM10 Billion Additional Tier-I Capital Securities Programme: AA3/Stable
Moody's Investors Service	16 August 2023 (Reaffirmed)	Foreign Currency: Long-Term Deposits Rating: A3 Short-Term Deposits Rating: P-2
	16 August 2023 (Reaffirmed)	Local Currency: Long-Term Deposits Rating: A3 Short-Term Deposits Rating: P-2
	16 August 2023 (Reaffirmed)	Foreign Currency Outlook: Stable
	16 August 2023 (Reaffirmed)	Local Currency Outlook: Stable
Standard & Poor's Ratings Services	19 November 2023 (Reaffirmed)	Foreign Currency: Long-Term Rating: A- Short-Term Rating: A-2
	19 November 2023 (Reaffirmed)	Local Currency: Long-Term Deposits Rating: A- Short-Term Deposits Rating: A-2
	19 November 2023 (Reaffirmed)	Foreign Currency Outlook: Stable
	19 November 2023 (Reaffirmed)	Local Currency Outlook: Stable

54. SIGNIFICANT EVENTS

The significant events relating to debt issuance and debt redemption of the Group and of the Bank are disclosed in Note 25 to the financial statements.

55. SUBSEQUENT EVENTS

Other than as disclosed in Note 15 to the financial statements, there were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.

56. ISLAMIC BANKING BUSINESS

The financial position as at 31 December 2023 and results for the financial year ended on this date under the Islamic banking business of the Group, which is conducted by the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("PIBB"), are summarised as follows:

Statement of Financial Position as at 31 December 2023

	Note	GROUP 2023 RM'000	GROUP 2022 RM'000
ASSETS			
Cash and balances with banks		**247,627**	3,065,329
Financial assets at fair value through profit or loss		**1,893,292**	–
Derivative financial assets		**24,596**	42,922
Financial investments at fair value through other comprehensive income		**12,949,519**	12,076,612
Financial investments at amortised cost		**5,374,376**	5,635,686
Financing and advances	(a)	**72,760,746**	65,637,072
Other assets		**231,231**	217,946
Statutory deposits with Bank Negara Malaysia		**1,710,590**	1,746,100
Deferred tax assets		**112,223**	148,606
Collective investments		**609,709**	589,838
Investment in an associated company		**67,500**	67,500
Right-of-use assets		**21,708**	19,846
Property and equipment		**3,186**	3,492
Total Assets		**96,006,303**	89,250,949
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(b)	**82,325,264**	76,088,570
Deposits from banks and other financial institutions		**2,287,243**	2,715,451
Bills and acceptances payable		**2,386**	3,100
Recourse obligations on financing sold to Cagamas		**1,100,000**	1,100,000
Derivative financial liabilities		**24,817**	23,914
Senior Sukuk Murabahah		**1,000,000**	1,000,000
Subordinated Sukuk Murabahah		**1,000,000**	1,000,000
Lease liabilities		**22,295**	20,101
Other liabilities		**831,024**	463,445
Provision for zakat and taxation		**–**	92,947
Total Liabilities		**88,593,029**	82,507,528
Islamic Banking Funds		**7,413,274**	6,743,421
Total Liabilities and Islamic Banking Funds		**96,006,303**	89,250,949
COMMITMENTS AND CONTINGENCIES		**13,649,791**	13,328,439

The accompanying notes form an integral part of the financial statements

56. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Profit or Loss for the year ended 31 December 2023

	GROUP 2023 RM'000	GROUP 2022 RM'000
Income derived from investment of depositors' funds and others*	**3,571,303**	2,937,316
Income derived from investment of Islamic Banking Funds*	**309,537**	247,606
Allowance for impairment on financing and advances	**(17,972)**	(154,890)
Allowance for impairment on other assets	**(1,342)**	(589)
Total distributable income	**3,861,526**	3,029,443
Income attributable to depositors and others	**(2,481,647)**	(1,440,396)
Total net income	**1,379,879**	1,589,047
Personnel expenses	**(36,012)**	(28,323)
Other overheads and expenditures	**(592,805)**	(554,945)
Profit before zakat and taxation	**751,062**	1,005,779
Zakat	**(2,359)**	(1,867)
Taxation	**(182,824)**	(328,451)
Profit for the year	**565,879**	675,461

Net income from Islamic banking business as reported in the statement of profit or loss of the Group is derived as follows:

	GROUP 2023 RM'000	GROUP 2022 RM'000
Income derived from investment of depositors' funds and others*	**3,571,303**	2,937,316
Income derived from investment of Islamic Banking Funds*	**309,537**	247,606
Income attributable to depositors and others	**(2,481,647)**	(1,440,396)
	1,399,193	1,744,526
Elimination of inter-company income and expenses	**162,355**	112,663
Net income from Islamic banking business reported in the statement of profit or loss of the Group	**1,561,548**	1,857,189
Of which:		
Financing income earned on impaired financing	**8,581**	5,065

The accompanying notes form an integral part of the financial statements

56. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Comprehensive Income for the year ended 31 December 2023

	GROUP	
	2023 RM'000	2022 RM'000
Profit for the year	**565,879**	675,461
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to profit or loss:		
(Loss)/Gain on remeasurements of defined benefit plan	**(2,644)**	1,783
Items that may be reclassified subsequently to profit or loss:		
Net change in revaluation of financial investments at fair value through other comprehensive income	**158,779**	(112,038)
Net change in cash flow hedges	**(19,326)**	108,480
	139,453	(3,558)
Income tax effect	**(32,835)**	426
Other comprehensive income/(loss) for the year, net of tax	**103,974**	(1,349)
Total comprehensive income for the year	**669,853**	674,112

The accompanying notes form an integral part of the financial statements

56. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Changes in Islamic Banking Funds for the year ended 31 December 2023

GROUP	Non-distributable Capital Funds RM'000	Non-distributable Hedging Reserves RM'000	Non-distributable Revaluation Reserves RM'000	Non-distributable Defined Benefit Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2023	**3,032,717**	**14,567**	**(185,007)**	**6,828**	**3,874,316**	**6,743,421**
Profit for the year	**–**	**–**	**–**	**–**	**565,879**	**565,879**
Other comprehensive (loss)/income for the year	**–**	**(14,688)**	**120,672**	**(2,010)**	**–**	**103,974**
Total comprehensive (loss)/income for the year	**–**	**(14,688)**	**120,672**	**(2,010)**	**565,879**	**669,853**
At 31 December 2023	**3,032,717**	**(121)**	**(64,335)**	**4,818**	**4,440,195**	**7,413,274**

GROUP	Non-distributable Capital Funds RM'000	Non-distributable Hedging Reserves RM'000	Non-distributable Revaluation Reserves RM'000	Non-distributable Defined Benefit Reserves RM'000	Non-distributable Other Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2022	2,732,717	(67,878)	(99,858)	5,473	172	3,198,683	5,769,309
Profit for the year	–	–	–	–	–	675,461	675,461
Other comprehensive income/(loss) for the year	–	82,445	(85,149)	1,355	–	–	(1,349)
Total comprehensive income/(loss) for the year	–	82,445	(85,149)	1,355	–	675,461	674,112
Transactions with owners/other equity movements:							
Transfer from Profit Equalisation Reserves	–	–	–	–	(172)	172	–
Issue of shares	300,000	–	–	–	–	–	300,000
	300,000	–	–	–	(172)	172	300,000
At 31 December 2022	3,032,717	14,567	(185,007)	6,828	–	3,874,316	6,743,421

The accompanying notes form an integral part of the financial statements

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances

(i) Net financing and advances analysed by type and Shariah contracts are as follows:

31 December 2023	Bai' Bithaman Ajil RM'000	Ijarah^ Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Others RM'000	Total Financing and Advances RM'000
At amortised cost							
Cash line	1,376,638	–	245,083	–	–	–	1,621,721
Term financing							
– House financing	4,786,610	–	–	30,194,425	–	–	34,981,035
– Syndicated financing	–	–	–	–	1,000,857	359,663	1,360,520
– Hire purchase receivables	–	11,796,649	–	–	–	–	11,796,649
– Other term financing	1,157,910	–	2,937,700	14,840,037	2,869,350	1,025,448	22,830,445
Credit card receivables	–	–	–	–	–	113,250	113,250
Bills receivables	–	–	–	–	826	–	826
Trust receipts	–	–	–	–	902	–	902
Claims on customers under acceptance credits	–	–	–	–	222,629	–	222,629
Revolving credits	–	–	250,735	–	333,659	–	584,394
Staff financing	–	16,735	–	117,832	–	–	134,567
Gross financing and advances	7,321,158	11,813,384	3,433,518	45,152,294	4,428,223	1,498,361	73,646,938
Allowance for impairment on financing and advances:							
– Expected credit losses							(886,192)
– Stage 1: 12-Month ECL							(178,079)
– Stage 2: Lifetime ECL not credit-impaired							(635,085)
– Stage 3: Lifetime ECL credit-impaired							(73,028)
Net financing and advances							72,760,746

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(i) Net financing and advances analysed by type and Shariah contracts are as follows (continued):

31 December 2022	Bai' Bithaman Ajil RM'000	Ijarah^ Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Others RM'000	Total Financing and Advances RM'000
At amortised cost							
Cash line	1,582,097	–	27,635	–	–	–	1,609,732
Term financing							
– House financing	5,159,217	–	–	26,408,385	–	–	31,567,602
– Syndicated financing	–	–	–	–	1,000,852	359,233	1,360,085
– Hire purchase receivables	–	10,507,358	–	–	–	–	10,507,358
– Other term financing	1,334,524	–	2,115,983	14,410,896	1,798,459	747,520	20,407,382
Credit card receivables	–	–	–	–	–	74,392	74,392
Bills receivables	–	–	–	–	2,636	–	2,636
Trust receipts	–	–	–	–	3,709	–	3,709
Claims on customers under acceptance credits	–	–	–	–	205,354	–	205,354
Revolving credits	–	–	250,475	–	405,771	–	656,246
Staff financing	–	14,154	–	110,870	–	–	125,024
Gross financing and advances	8,075,838	10,521,512	2,394,093	40,930,151	3,416,781	1,181,145	66,519,520
Allowance for impairment on financing and advances:							
– Expected credit losses							(882,448)
– Stage 1: 12-Month ECL							(455,527)
– Stage 2: Lifetime ECL not credit-impaired							(376,749)
– Stage 3: Lifetime ECL credit-impaired							(50,172)
Net financing and advances							65,637,072

All the Group's Islamic banking financing and advances are located in Malaysia.

^ PIBB is the owner of the asset throughout the tenure of the Ijarah financing. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(ii) The maturity structure of gross financing and advances by residual contractual maturity is as follows:

	GROUP	
	2023 RM'000	**2022 RM'000**
Maturity within one year	**2,877,371**	2,805,056
More than one year to three years	**4,517,826**	4,876,974
More than three years to five years	**3,022,237**	3,333,226
More than five years	**63,229,504**	55,504,264
	73,646,938	66,519,520

(iii) Gross financing and advances presented by class of financial instruments are as follows:

	GROUP	
	2023 RM'000	**2022 RM'000**
Retail financing*		
– House financing	**34,981,035**	31,567,602
– Hire purchase	**11,796,649**	10,507,358
– Credit cards	**113,250**	74,392
– Other financing^	**19,145,069**	18,935,679
	66,036,003	61,085,031
Corporate financing	**7,610,935**	5,434,489
	73,646,938	66,519,520

* Included in retail financing are financing granted to individual customers and mid-market commercial enterprises.
^ Included in other financing are term financing, trade financing, cash line and revolving credit.

(iv) Gross financing and advances analysed by type of customer are as follows:

	GROUP	
	2023 RM'000	**2022 RM'000**
Domestic non-bank financial institutions		
– Others	**2,447,251**	1,180,545
Domestic business enterprises		
– Small and medium enterprises	**10,078,377**	10,168,277
– Others	**3,915,422**	3,885,570
Government and statutory bodies	**2,017,833**	1,001,616
Individuals	**55,035,195**	50,119,693
Other domestic entities	**3,428**	3,932
Foreign entities	**149,432**	159,887
	73,646,938	66,519,520

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(v) Gross financing and advances analysed by rate of return sensitivity are as follows:

	GROUP	
	2023 RM'000	**2022 RM'000**
Fixed rate		
– House financing	**157,167**	191,655
– Hire purchase receivables	**11,796,386**	10,507,052
– Other fixed rate financing	**4,753,742**	3,679,634
Variable rate		
– Base rate/Base financing rate plus	**52,003,599**	48,195,971
– Cost plus	**4,936,044**	3,945,208
	73,646,938	66,519,520

(vi) Gross financing and advances analysed by economic purpose are as follows:

	GROUP	
	2023 RM'000	**2022 RM'000**
Purchase of transport vehicles	**11,813,386**	10,521,513
Purchase of properties	**49,307,334**	45,171,068
(of which: – residential	**35,742,147**	32,320,362
– non-residential)	**13,565,187**	12,850,706
Purchase of fixed assets (excluding properties)	**4,056**	294
Personal use	**2,852,338**	3,051,575
Credit card	**113,250**	74,392
Purchase of consumer durables	**472**	477
Construction	**1,120,168**	996,641
Working capital	**7,821,885**	5,880,292
Other purpose	**614,049**	823,268
	73,646,938	66,519,520

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(vii) Gross financing and advances analysed by sector are as follows:

	GROUP	
	2023 RM'000	2022 RM'000
Agriculture, hunting, forestry and fishing	**451,805**	446,671
Mining and quarrying	**41,218**	106,478
Manufacturing	**1,789,668**	1,774,574
Electricity, gas and water	**3,026**	22,957
Construction	**2,779,735**	2,822,927
Wholesale & retail trade and restaurants & hotels	**3,558,179**	3,510,445
Transport, storage and communication	**1,393,965**	1,202,869
Finance, insurance and business services	**2,858,265**	1,602,030
Real estate	**3,276,295**	3,415,684
Community, social and personal services	**2,323,209**	1,382,598
Households	**55,171,573**	50,232,287
	73,646,938	66,519,520

(viii) Movements in credit-impaired ("impaired") financing and advances are as follows:

	GROUP	
	2023 RM'000	2022 RM'000
At 1 January	**154,367**	132,260
Impaired during the year	**607,682**	183,719
Reclassified as non-impaired during the year	**(319,597)**	(89,625)
Recoveries	**(146,513)**	(35,025)
Amount written off	**(35,851)**	(29,561)
Financing converted to foreclosed properties	**(8,686)**	(7,401)
At 31 December	**251,402**	154,367
Gross impaired financing and advances as % of gross financing and advances	**0.34%**	0.23%

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(ix) Impaired financing and advances analysed by economic purpose are as follows:

	GROUP	
	2023 RM'000	2022 RM'000
Purchase of transport vehicles	**41,027**	32,574
Purchase of properties	**179,178**	94,017
(of which: – residential	**144,148**	63,370
– non-residential)	**35,030**	30,647
Personal use	**24,249**	24,310
Credit card	**1,034**	580
Working capital	**5,892**	2,871
Other purpose	**22**	15
	251,402	154,367

(x) Impaired financing and advances analysed by sector are as follows:

	GROUP	
	2023 RM'000	2022 RM'000
Agriculture, hunting, forestry and fishing	**25**	58
Mining and quarrying	**176**	–
Manufacturing	**231**	307
Construction	**3,802**	3,121
Wholesale & retail trade and restaurants & hotels	**7,361**	1,852
Transport, storage and communication	**487**	263
Finance, insurance and business services	**14,430**	19,484
Real estate	**4,755**	1,087
Community, social and personal services	**197**	78
Households	**219,938**	128,117
	251,402	154,367

All the Group's Islamic banking impaired financing and advances are located in Malaysia.

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows:

2023	Retail Financing House Financing RM'000	Retail Financing Hire Purchase RM'000	Retail Financing Credit Cards RM'000	Retail Financing Other Financing RM'000	Corporate Financing RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2023	132,720	150,722	850	152,813	18,422	455,527
Changes due to financing and advances recognised as at 1 January 2023	31,823	17,805	271	24,168	(3,210)	70,857
– Transfer to Stage 1: 12-Month ECL	32,106	19,316	316	26,233	–	77,971
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(263)	(1,425)	(40)	(2,032)	(3,204)	(6,964)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(20)	(86)	(5)	(33)	(6)	(150)
New financing and advances originated	1,786	6,868	394	3,730	1,731	14,509
Net remeasurement due to changes in credit risk	(132,358)	(124,044)	(314)	(96,053)	81	(352,688)
Financing and advances derecognised (other than write-off)	(314)	(2,463)	(23)	(1,932)	(954)	(5,686)
Modifications to contractual cash flows of financing and advances	(436)	(91)	(2)	(49)	(27)	(605)
Changes in models/risk parameters	29	(1,904)	(1)	(1,538)	(297)	(3,711)
Amount written off	–	(124)	–	–	–	(124)
At 31 December 2023	33,250	46,769	1,175	81,139	15,746	178,079

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

2023	Retail Financing: House Financing RM'000	Retail Financing: Hire Purchase RM'000	Retail Financing: Credit Cards RM'000	Retail Financing: Other Financing RM'000	Corporate Financing RM'000	Total RM'000
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2023	72,841	57,464	615	163,693	82,136	376,749
Changes due to financing and advances recognised as at 1 January 2023	(32,527)	(17,660)	(178)	(24,551)	3,204	(71,712)
– Transfer to Stage 1: 12-Month ECL	(31,093)	(18,480)	(234)	(24,917)	–	(74,724)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	2,546	2,695	121	2,967	3,204	11,533
– Transfer to Stage 3: Lifetime ECL credit-impaired	(3,980)	(1,875)	(65)	(2,601)	–	(8,521)
New financing and advances originated	2,054	2,868	121	3,626	3,072	11,741
Net remeasurement due to changes in credit risk	170,074	108,659	110	57,247	9,628	345,718
Financing and advances derecognised (other than write-off)	(1,495)	(1,453)	(102)	(5,144)	(342)	(8,536)
Modifications to contractual cash flows of financing and advances	(2,106)	(175)	175	(1,515)	(5,048)	(8,669)
Changes in models/risk parameters	165	(620)	–	(6,540)	(3,211)	(10,206)
At 31 December 2023	209,006	149,083	741	186,816	89,439	635,085

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

	Retail Financing					
2023	**House Financing RM'000**	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Financing RM'000**	**Corporate Financing RM'000**	**Total RM'000**
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2023	8,082	18,677	481	22,932	–	50,172
Changes due to financing and advances recognised as at 1 January 2023	704	(145)	(93)	383	6	855
– Transfer to Stage 1: 12-Month ECL	(1,013)	(836)	(82)	(1,316)	–	(3,247)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(2,283)	(1,270)	(81)	(935)	–	(4,569)
– Transfer to Stage 3: Lifetime ECL credit-impaired	4,000	1,961	70	2,634	6	8,671
New financing and advances originated*	619	672	35	207	–	1,533
Net remeasurement due to changes in credit risk	13,945	20,260	651	16,157	126	51,139
Financing and advances derecognised (other than write-off)	(166)	(3,282)	(65)	(884)	–	(4,397)
Modifications to contractual cash flows of financing and advances	5,594	1,784	647	1,972	–	9,997
Changes in models/risk parameters	36	(433)	–	(23)	–	(420)
Amount written off	(6,824)	(11,656)	(816)	(16,555)	–	(35,851)
At 31 December 2023	21,990	25,877	840	24,189	132	73,028
Total ECL as at 31 December 2023	264,246	221,729	2,756	292,144	105,317	886,192

* New financing and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

2022	Retail Financing: House Financing RM'000	Retail Financing: Hire Purchase RM'000	Retail Financing: Credit Cards RM'000	Retail Financing: Other Financing RM'000	Corporate Financing RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2022	11,715	193,188	630	139,630	56,332	401,495
Changes due to financing and advances recognised as at 1 January 2022	6,847	25,371	159	25,535	(4,331)	53,581
– Transfer to Stage 1: 12-Month ECL	7,242	27,865	187	27,748	–	63,042
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(387)	(2,396)	(25)	(2,167)	(4,331)	(9,306)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(8)	(98)	(3)	(46)	–	(155)
New financing and advances originated	2,099	6,197	187	4,045	1,559	14,087
Net remeasurement due to changes in credit risk	112,358	(71,597)	(111)	(11,766)	(32,165)	(3,281)
Financing and advances derecognised (other than write-off)	(285)	(2,382)	(15)	(1,743)	(1,111)	(5,536)
Modifications to contractual cash flows of financing and advances	(14)	(3)	–	(22)	(34)	(73)
Changes in models/risk parameters	–	–	–	(2,866)	(1,828)	(4,694)
Amount written off	–	(52)	–	–	–	(52)
At 31 December 2022	132,720	150,722	850	152,813	18,422	455,527

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

	Retail Financing					
2022	**House Financing RM'000**	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Financing RM'000**	**Corporate Financing RM'000**	**Total RM'000**
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2022	42,556	85,394	465	150,303	5,185	283,903
Changes due to financing and advances recognised as at 1 January 2022	(6,827)	(25,093)	(153)	(25,120)	4,331	(52,862)
– Transfer to Stage 1: 12-Month ECL	(6,827)	(27,013)	(150)	(26,589)	–	(60,579)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	1,377	4,174	46	2,633	4,331	12,561
– Transfer to Stage 3: Lifetime ECL credit-impaired	(1,377)	(2,254)	(49)	(1,164)	–	(4,844)
New financing and advances originated	2,816	2,335	81	3,989	75	9,296
Net remeasurement due to changes in credit risk	(6,719)	(1,300)	231	32,393	49,256	73,861
Financing and advances derecognised (other than write-off)	(1,851)	(2,157)	(72)	(1,986)	(65)	(6,131)
Modifications to contractual cash flows of financing and advances	42,866	(1,715)	63	19,132	31,072	91,418
Changes in models/risk parameters	–	–	–	(15,018)	(7,718)	(22,736)
At 31 December 2022	72,841	57,464	615	163,693	82,136	376,749

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

2022	Retail Financing House Financing RM'000	Retail Financing Hire Purchase RM'000	Retail Financing Credit Cards RM'000	Retail Financing Other Financing RM'000	Corporate Financing RM'000	Total RM'000
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2022	5,378	20,477	120	15,988	–	41,963
Changes due to financing and advances recognised as at 1 January 2022	(20)	(278)	(6)	(415)	–	(719)
– Transfer to Stage 1: 12-Month ECL	(415)	(852)	(37)	(1,159)	–	(2,463)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(990)	(1,778)	(21)	(466)	–	(3,255)
– Transfer to Stage 3: Lifetime ECL credit-impaired	1,385	2,352	52	1,210	–	4,999
New financing and advances originated*	388	190	–	130	–	708
Net remeasurement due to changes in credit risk	6,456	11,870	446	18,964	–	37,736
Financing and advances derecognised (other than write-off)	(316)	(4,160)	(84)	(664)	–	(5,224)
Modifications to contractual cash flows of financing and advances	1,504	1,894	289	1,582	–	5,269
Amount written off	(5,308)	(11,316)	(284)	(12,653)	–	(29,561)
At 31 December 2022	8,082	18,677	481	22,932	–	50,172
Total ECL as at 31 December 2022	213,643	226,863	1,946	339,438	100,558	882,448

* New financing and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(b) Deposits from Customers

(i) By type of deposit and contract:

	GROUP	
	2023 RM'000	**2022 RM'000**
At amortised cost		
Savings deposits		
– Qard	**9,556,033**	9,797,611
Demand deposits		
– Qard	**8,538,785**	7,653,155
Term deposits		
– Commodity Murabahah	**50,412,429**	42,025,215
– Special term deposit account		
– Commodity Murabahah	**13,818,017**	16,612,589
	82,325,264	76,088,570

Included in deposits from customers are deposits of RM454,052,000 (2022 – RM447,400,000) held as collateral for financing and advances.

(ii) By type of customers:

	GROUP	
	2023 RM'000	**2022 RM'000**
Federal and state governments	**6,993,662**	7,027,155
Local government and statutory authorities	**1,866,677**	969,567
Business enterprises	**15,042,626**	14,956,487
Individuals	**36,719,481**	32,020,178
Foreign customers	**870,362**	713,180
Others	**20,832,456**	20,402,003
	82,325,264	76,088,570

(iii) The maturity structure of term deposits is as follows:

	GROUP	
	2023 RM'000	**2022 RM'000**
Due within six months	**49,418,551**	47,739,245
More than six months to one year	**13,575,070**	6,785,332
More than one year to three years	**1,236,312**	4,112,882
More than three years to five years	**513**	345
	64,230,446	58,637,804

APPENDIX

DIRECTORS OF SUBSIDIARY COMPANIES OF THE BANK

The following is the list of directors who served on the boards of the subsidiary companies of the Bank since the beginning of the current financial year to the date of the Directors' Report:

Name of Subsidiary Company	Name of Director
Public Islamic Bank Berhad	Dato' Haji Kamil Khalid bin Dato' Mushir Ariff Tan Sri Dato' Sri Dr. Tay Ah Lek Datin Dr. Rusnah binti Muhamad Mr Lam Song Shen Dr. Shafaai bin Musa Datuk Mohd Anwar bin Yahya *(appointed on 1 August 2023)*
Public Investment Bank Berhad	Dato' Dr. Thillainathan A/L Ramasamy Tan Sri Dato' Sri Dr. Tay Ah Lek En. Abdul Karim bin Md Lassim Mr Lim Hun Soon @ David Lim Ms Phe Kheng Peng Cik Shahira binti Abdul Aziz *(appointed on 1 July 2023)*
Public Invest Nominees (Tempatan) Sdn. Bhd.	Mr Lee Yo-Hunn Ms Lim Geok Lian Ms Hor Siew Peng
Public Invest Nominees (Asing) Sdn. Bhd.	Mr Lee Yo-Hunn Ms Lim Geok Lian Ms Hor Siew Peng
Public Consolidated Holdings Sdn. Bhd.	Mr Quah Poh Keat Ms Yik Sook Ling
Public Mutual Berhad	Tan Sri Dato' Sri Dr. Tay Ah Lek Mr Quah Poh Keat Dato' Mohammed Najeeb bin Abdullah Dato' Mohd Hanif bin Sher Mohamed Ms Yeoh Kim Hong Ms Gladys Leong Mr Chiang Kang Pey
Public Holdings Sdn. Bhd.	Mr Quah Poh Keat Ms Chang Siew Yen
Public Nominees (Tempatan) Sdn. Bhd.	Dato' Chang Kat Kiam Mr Raymond Paul Lai Fook Sung Mr Goh Kah Poh Mr Chan Kok Kwai (resigned on 31 December 2023)

Name of Subsidiary Company	Name of Director
Public Nominees (Asing) Sdn. Bhd.	Dato' Chang Kat Kiam Mr Raymond Paul Lai Fook Sung Mr Goh Kah Poh Mr Chan Kok Kwai (resigned on 31 December 2023)
Public Bank (L) Ltd.	Ms Chan Chew Fung Mr Tang Wing Chew Mr Lai Wan
PB Trust (L) Ltd.	Ms Chang Siew Yen Ms Yik Sook Ling
PB Trustee Services Berhad	Dato' Mohammed Najeeb bin Abdullah Ms Chang Siew Yen Ms Yik Sook Ling
PB Venture Capital Sdn. Bhd.	Mr Quah Poh Keat Ms Yik Sook Ling
Public Leasing & Factoring Sdn. Bhd.	Mr Wong Man Hoe Mr Chan See Choi (appointed on 1 January 2024) Mr Chan Kok Kwai (resigned on 31 December 2023)
PB International Factors Sdn. Bhd.	Mr Wong Man Hoe Mr Chan See Choi (appointed on 1 January 2024) Mr Chan Kok Kwai (resigned on 31 December 2023)
Cambodian Public Bank Plc	Dato' Mohammed Najeeb bin Abdullah Dato' Chang Kat Kiam Mr Quah Poh Keat Mr Ong Ming Teck Dr. Phai Touch *(appointed on 25 April 2023)* Dr. Ghanty Sam Abdoullah *(retired on 27 March 2023)*
Campu Securities Plc	Mr Quah Poh Keat Dato' Chang Kat Kiam Mr Ong Ming Teck

DIRECTORS OF SUBSIDIARY COMPANIES OF THE BANK (CONTINUED)

The following is the list of directors who served on the boards of the subsidiary companies of the Bank since the beginning of the current financial year to the date of the Directors' Report (continued):

Name of Subsidiary Company	Name of Director
Campu Lonpac Insurance Plc	Mr Tan Kok Guan Dato' Chang Kat Kiam Mr Quah Poh Keat Dato' Mohammed Najeeb bin Abdullah Dr. Phai Touch *(appointed on 8 June 2023)* Dr. Ghanty Sam Abdoullah *(retired on 25 May 2023)*
Public Financial Holdings Limited	Mr Lai Wan Mr Quah Poh Keat Mr Lee Chin Guan Dato' Chang Kat Kiam Mr Chong Yam Kiang Mr Lim Chao Li Ms Phe Kheng Peng *(appointed on 19 May 2023)* Mr Lee Huat Oon *(appointed on 1 January 2024)* Mr Tan Yoke Kong *(resigned on 1 January 2024)* Ms Cheah Kim Ling *(resigned on 1 January 2024)*
Public Bank (Hong Kong) Limited	Mr Lai Wan Tan Sri Dato' Sri Dr. Tay Ah Lek Mr Lee Chin Guan Dato' Chang Kat Kiam Mr Chong Yam Kiang Mr Lim Chao Li Ms Phe Kheng Peng *(appointed on 28 September 2023)* Mr Tan Yoke Kong *(resigned on 1 January 2024)* Ms Cheah Kim Ling *(resigned on 1 January 2024)*
Public Finance Limited	Mr Tang Wing Chew Mr Lai Wan Mr Quah Poh Keat Mr Lee Chin Guan Dato' Chang Kat Kiam Mr Chong Yam Kiang Mr Lim Chao Li Ms Phe Kheng Peng *(appointed on 28 September 2023)* Mr Lee Huat Oon *(appointed on 1 January 2024)* Ms Cheah Kim Ling *(resigned on 1 January 2024)*
Public Financial Limited	Ms Chiu Chik Shang Mr Chong Yam Kiang
Public Securities Limited	Ms Chiu Chik Shang Mr Chong Yam Kiang
Public Securities (Nominees) Limited	Ms Chiu Chik Shang Mr Chong Yam Kiang
Public Financial Securities Limited	Mr Ng Chee Khuen Mr Kwok Ka Leung Mr Or Pui Sing Mr Chong Yam Kiang *(appointed on 1 January 2024)* Mr Tan Yoke Kong *(resigned on 1 January 2024)*
Public Bank (Nominees) Limited	Ms Chan Sau Kuen Mr Chong Yam Kiang Mr Tan Yoke Kong *(resigned on 1 January 2024)*
Public Futures Limited	Ms Chiu Chik Shang Mr Chong Yam Kiang *(appointed on 1 January 2024)* Mr Tan Yoke Kong *(resigned on 1 January 2024)*
Winton (B.V.I.) Limited	Mr Ng Chee Khuen Mr Chong Yam Kiang

DIRECTORS OF SUBSIDIARY COMPANIES OF THE BANK (CONTINUED)

The following is the list of directors who served on the boards of the subsidiary companies of the Bank since the beginning of the current financial year to the date of the Directors' Report (continued):

Name of Subsidiary Company	Name of Director
Winton Financial Limited	Mr Ng Chee Khuen Mr Chong Yam Kiang
Winton Motors, Limited	Mr Ng Chee Khuen Mr Chong Yam Kiang
Public Bank Vietnam Limited	Mr Lee Chin Guan Dato' Chang Kat Kiam Mr Chee Keng Eng Dato' Mohammed Najeeb bin Abdullah Ms Cheah Kim Ling *(appointed on 6 April 2023)*
Public Bank Lao Limited	Mr Lee Chin Guan *(appointed on 13 December 2023)* Mr Quah Poh Keat *(appointed on 13 December 2023)* Dato' Chang Kat Kiam *(appointed on 13 December 2023)* Dato' Mohammed Najeeb bin Abdullah *(appointed on 13 December 2023)* Mr Ng Swee Keat *(appointed on 13 December 2023)*

PILLAR 3 DISCLOSURE

As at 31 December 2023

OVERVIEW

The Pillar 3 Disclosure is required under the Bank Negara Malaysia ("BNM")'s Risk-Weighted Capital Adequacy Framework ("RWCAF"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision and the Islamic Financial Services Board. Basel II consists of 3 Pillars as follows:

(a) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks they assume;

(b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions to develop and employ more rigorous risk management framework and techniques, including specific oversight by the Board of Directors ("the Board") and senior management on internal controls and corporate governance practices, to ensure that banking institutions maintain adequate capital levels consistent with their risk profile and business plan at all times; and

(c) Pillar 3 aims to harness market discipline through enhanced disclosure to supplement regulatory supervision of banking institutions through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions.

The Public Bank Group ("the Group") adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of the Pillar 1 under BNM's RWCAF. Under the Standardised Approach, the Group applied the standard risk weights prescribed by BNM to assess the capital requirements for exposures in credit risk and market risk. The assessment of the capital required for operational risk under the Basic Indicator Approach however, is based on a percentage fixed by BNM over the Group's average gross income for a fixed number of quarterly periods.

The Group's Pillar 3 Disclosure is governed by the Group's Disclosure Policy on Basel II RWCAF/Capital Adequacy Framework for Islamic Banks – Pillar 3 which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been reviewed and verified by the internal auditors and certified by Public Bank Berhad ("the Bank")'s Managing Director/Chief Executive Officer. Under the BNM's RWCAF, the information disclosed herein is not required to be audited by external auditors. The Pillar 3 Disclosure will be published in the Bank's website, www.publicbankgroup.com

MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Group's principal business activity is commercial banking which focuses mainly on retail banking and financing operations. The following tables present the minimum regulatory capital requirements to support the Group's and the Bank's risk-weighted assets.

	2023		2022	
	Risk-Weighted Assets RM'000	**Minimum Capital Requirement at 8% RM'000**	**Risk-Weighted Assets RM'000**	**Minimum Capital Requirement at 8% RM'000**
Group				
Credit Risk	**302,280,158**	**24,182,413**	286,060,596	22,884,848
Market Risk	**7,069,633**	**565,571**	4,552,498	364,200
Operational Risk	**23,833,549**	**1,906,684**	22,457,709	1,796,617
Large Exposure Risk	**590,812**	**47,265**	607,456	48,596
Total	**333,774,152**	**26,701,933**	313,678,259	25,094,261
Bank				
Credit Risk	**233,968,650**	**18,717,492**	222,628,352	17,810,268
Market Risk	**3,900,674**	**312,054**	4,218,024	337,442
Operational Risk	**15,942,048**	**1,275,364**	15,042,201	1,203,376
Large Exposure Risk	**570,086**	**45,607**	585,069	46,806
Total	**254,381,458**	**20,350,517**	242,473,646	19,397,892

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank and its subsidiary and associated companies. The Group offers Islamic banking financial services via the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("Public Islamic"). Information on subsidiary and associated companies of the Group is available in Notes 15 and 16 to the financial statements respectively.

The basis of consolidation for financial accounting purposes is described in Note 2(iii)(b) to the financial statements, and differs from that used for regulatory capital purposes. The investment in its insurance associated company, which is equity-accounted in the financial accounting consolidation and the investment in the subsidiary company engaged in insurance activities is excluded from the regulatory consolidation and is deducted from the regulatory capital.

There were no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group during the financial year.

All information in the ensuing sections is based on the Group's positions. Certain information on capital adequacy relating to the Bank is presented on a voluntary basis to provide additional information to users. The capital adequacy-related information of the Bank, which is presented on a global basis, includes its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd, as required under the RWCAF.

2. CAPITAL MANAGEMENT – INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

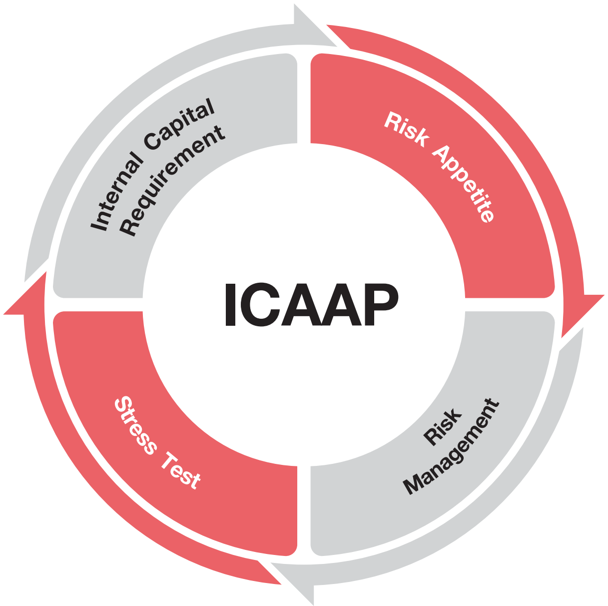
The objective of the Group's capital management is to protect the interests of its depositors, creditors and shareholders. To achieve this, the capital management is subject to ongoing review and the Board's approval on the level and composition of the Group's total capital, assessed against the following key objectives:

- Regulatory requirements on minimal capital required
- Capital levels maintained are adequate to support all material risks and to meet the strategic and business plans
- Capital levels maintained are adequate to support the strong external rating for domestic and international rating agencies
- An appropriate balance between maximising shareholders returns and prudent capital management

This is executed through its Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP requires the Group to identify and assess all material risks, maintain sufficient capital to support these risks and apply the appropriate risk management techniques to manage and mitigate these risks within the given level of capital, on an ongoing and forward looking basis. The ICAAP is supported by a strong risk governance structure with clear roles and responsibilities to ensure the effectiveness of the ICAAP with the Board being ultimately responsible for the overall oversight of the ICAAP. In discharging its duty, the Board is assisted by the Risk Management Committee ("RMC") and ICAAP Working Group. Senior management together with the management committees are responsible to ensure the effective implementation of the capital management directions of the Board. The Internal Audit Division ("IAD") is responsible to conduct reviews of processes relating to the ICAAP to ensure their integrity, objectivity and consistency in application.

2. CAPITAL MANAGEMENT – ICAAP (CONTINUED)

The key elements of the Group's ICAAP are as follows:



(a) Risk Appetite

The Group's Risk Appetite expresses the level of risk which the Group is willing to assume within the Group's capacity in order to achieve the Group's objectives, as defined by a set of minimum quantitative metrics and qualitative standards. The key elements applied in setting the Group's Risk Appetite are the strategic business directions, the risk taking capacity and the level of risk currently assumed by the Group. The Board reviews and approves the Risk Appetite on an annual basis, or more frequently in the event of unexpected changes in the risk environment, with the aim of ensuring the Risk Appetite is consistent with the Group's strategic directions, business and regulatory environment and stakeholders' requirements. The setting, cascading, monitoring and the review/revision of the Risk Appetite is set out in the Group's Risk Appetite Framework and is as follows:

Set Risk Appetite

- Set the desired risk appetite considering:
  - Strategic business directions
  - Risk taking capacity
  - Current risk profile
- Articulate risk appetite using:
  - Risk Appetite Metrics

Cascade Risk Appetite

- Cascade the applicable risk appetite via:
  - Financial budgeting process to:
    - Entity level
    - Business units/ Control units level
- Assimilation of the risk appetite into policies, frameworks and procedures
- Implementation of Key Risk Indicators

Monitor Risk Appetite

- Regular monitoring of the risk profile against the risk appetite
- Identify the underlying reason for the non-achievements of the risk appetite and develop action plans to address the non-achievements

Review/Revise Risk Appetite

- Review/revise risk appetite in the light of:
  - Changing business and economic condition
  - Evolving strategic business directions

2. CAPITAL MANAGEMENT – ICAAP (CONTINUED)

(b) Risk Management

The Group's Risk Management Framework sets out the principles applied in managing the material risks that the Group is exposed to. The Framework serves to drive the development of a consistent risk management practices which enable the continuous identification, measurement, control, monitoring and reporting of all applicable and material risks and this includes the continuous identification of emerging risks followed by the assessment of the risks on the Group's business and capital positions. Risk limits established to manage the size of the risk exposures are aligned to the overall Risk Appetite. The key principles and components of the Framework are discussed in item 3.

Annual comprehensive risk assessment is undertaken across all the banking entities within the Group as part of ICAAP to identify and assess the following risks:

(i) Risks captured under Pillar 1 (credit risk, operational risk and market risk);

(ii) Risks not fully captured under Pillar 1 (e.g. residual credit risk); and

(iii) Risk types not covered by Pillar 1 (e.g. credit concentration risk, interest rate risk on banking book, reputation risk, amongst others).

(c) Stress Test

The Group's stress testing process is guided by the Group's Stress Test Policy ("Stress Test Policy"). The objectives of the Stress Test Policy are as follows:

(i) To ensure the establishment of a comprehensive and consistent stress test process in conducting the stress test by all entities within the Group;

(ii) To drive the development of stress test parameters, assumptions and scenarios that are relevant and effective, taking into account the nature, risk profile and complexity of the Group's business as well as the environment in which it operates;

(iii) To ensure all material risks are captured in the stress test including emerging risks;

(iv) To ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management and the relevant committees prior to the execution of the stress test exercise; and

(v) To ensure the adverse unexpected outcomes are identified and that capital buffers are set aside to absorb losses that may be experienced during an economic downturn.

The key focus of the stress test is to identify the potential adverse impact on the Group's capital, profitability, asset quality and liquidity positions followed by the identification of the appropriate actions to mitigate the risk of such possibilities. The results of the stress test are reviewed and deliberated by the ICAAP Working Group and the RMC and are applied to recalibrate the Group's Internal Capital Targets.

(d) Internal Capital Requirement

The Group's internal capital requirement is articulated through its capital plans which are drawn up annually, covering a three-year horizon, and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of different components of capital are maintained to support the Group's strategic directions and business plans. In formulating the Group's capital plans, the Group considers the current regulatory requirements, the demands for capital arising from the business outlooks and potential market stresses and the available supply of capital including the sources of the capital. The Group's capital plans are reviewed regularly by the Board against the Group's Internal Capital Targets.

3. RISK MANAGEMENT FRAMEWORK

The key principles and components of the Group's Risk Management Framework are as follows:

(a) Risk Governance Structure;

(b) Risk Appetite;

(c) Risk Management Culture; and

(d) Risk Management Processes.

(a) Risk Governance Structure

The Group's risk governance structure sets out the roles and responsibilities of the respective parties involved in the Group's risk management and internal control system as follows:

ESTABLISH RISK APPETITE & POLICY

1. **Board of Directors**
2. **Risk Management Committee**
3. **Credit Risk Management Committee**
4. **Shariah Committee/Shariah Adviser**

ENSURE IMPLEMENTATION OF RISK AND COMPLIANCE POLICY

5. **Dedicated Risk Committees**
   - Assets & Liabilities Management Committee
   - Operational Risk Management Committee
   - Internal Capital Adequacy Assessment Process Working Group
6. **Credit Committee**
7. **Risk Management and Control Functions**
   - Risk Management Function
   - Compliance Function

IMPLEMENT AND COMPLY WITH RISK POLICY

8. **Support Functions**
   - Human Resource
   - Information Technology
   - Finance
   - Banking Operations
   - Credit Control, Administration & Supervision
   - Property
   - Security
9. **Business Functions**
   - Corporate Lending
   - Investment Banking
   - Islamic Banking
   - Retail Banking and Financing Operations
   - Share Broking
   - Fund Management
   - Treasury and Capital Market Operations

10. COMPLIANCE COMMITTEE
(supported by Compliance Function)

11. AUDIT COMMITTEE
(supported by Internal Audit Function)

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure (continued)

Board of Directors

The Board is overall responsible for the Group's risk management and internal control system. For this purpose, the Board:

(i) Ensures the corporate objectives are supported by sound risk strategies and an effective risk management framework that is appropriate to the nature, scale and complexity of the Group's activities;

(ii) Is responsible for the overall oversight on the soundness of the risk management processes and internal controls;

(iii) Is responsible for the remuneration of the senior management and that the remuneration is aligned with prudent risk taking; and

(iv) Provides direction and guidance to the senior management on the management of the material risks.

Risk Management Committee

The RMC assists the Board to oversee the management of all material risks including inter-alia reviewing risk management frameworks and policies, reviewing risk management limits, risk exposures and portfolio composition and ensuring risk infrastructure, resources and systems are put in place for effective risk management oversight.

Credit Risk Management Committee

The Credit Risk Management Committee assists the Board in discharging its oversight role over the management of credit risk including inter-alia in ensuring the risk infrastructures and systems are able to manage and control the risk taking activities within the credit risk appetite and credit risk strategy.

Compliance Committee

The Compliance Committee is responsible for the oversight of compliance management system which encompasses assessment of compliance profile and evaluation of compliance risks. The Compliance Committee deliberates on identified compliance issues regularly to ensure they are resolved effectively, and adequate infrastructure, resources, processes and systems are in place to effectively manage compliance risks.

Audit Committee

The Audit Committee assists the Board to review and evaluate the adequacy, soundness and effectiveness of the risk management systems, internal controls, anti-bribery and anti-corruption measures, whistleblowing policy and procedures, and governance processes implemented in the Bank.

In performing this role, the Audit Committee reviews the internal control issues reported, the root causes and its impacts identified by the internal and external auditors during their audits as well as the assessment outcome conducted by the regulators. The Audit Committee also reviews the appropriateness, adequacy and timeliness of the remedial actions taken by the Management to address and resolve the control weaknesses, policies and other operational lapses highlighted by the internal and external auditors, and the regulators in ensuring continuous compliance with the applicable laws and regulatory requirements as well as internal policies.

In addition, the Audit Committee also reviews the performance and effectiveness of the Internal Audit function, with particular focus on the achievement of its key performance indicators, audit methodology applied, quality of audit, adequacy of audit scope and coverage, adequacy of resources and competency, knowledge and skillsets of the Internal Audit staff.

The Audit Committee is also entrusted to review the unaudited quarterly and half-yearly financial results and the audited annual financial statements of the Bank and the Group prior to its recommendation to the Board for approval. The Audit Committee, through the Internal Audit function, ascertains that the Bank's financial reporting processes are reliable and transparent.

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure (continued)

Shariah Committee

The Shariah Committee ("SC") is responsible to provide advice to ensure Public Islamic's operations, business, affairs and activities are conducted in accordance with Shariah principles. This includes advising the Board and Management on the application of any Shariah Advisory Council's ("SAC") rulings or standards on Shariah matters, endorsing Shariah related policies, products and services and the relevant documentation in relation to Islamic banking operations. The SC is also responsible to deliberate and affirm the status of any potential Shariah Non-Compliance ("SNC") event confirmed by Potential SNC Committee and endorse rectification measures to address the actual SNC events prior to the approval by the Board.

Dedicated Risk Committees

The dedicated risk committees assist the RMC in the management of all material risks. The committees are responsible for the effective implementation of the risk management strategies and policies as approved by the Board or RMC. The key responsibilities of the dedicated risk committees are as follows:

(i) Formulating processes and internal practices to operationalise the risk policies and risk limits;

(ii) Ensuring all relevant and material risks including emerging risks associated with the Group's business operations are identified, assessed and mitigated to the levels within the risk appetite or risk limits; and

(iii) Designing monitoring and reporting procedures to ensure risks identified are surfaced for deliberation and actions.

(b) Risk Appetite

The Group's risk appetite defines the amount and the types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also reflects the level of risk tolerance and limits to govern, manage and control the Group's risk taking activities. The strategic objectives, business plans, desired risk profile and capital plans are aligned to the risk appetite.

(c) Risk Management Culture

The culture of managing risk is embedded into the day-to-day operations and decision-making process through the following:

(i) Strong corporate governance;

(ii) Organisational structure with clearly defined roles and responsibilities;

(iii) Effective communication;

(iv) Commitment to compliance with laws, regulations and internal controls;

(v) Integrity in fiduciary responsibilities;

(vi) Clear policies, procedures and guidelines; and

(vii) Continuous training.

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Risk Management Processes

The risk management processes are as follows:

The detailed risk management processes for the respective key risks are set out in the following sections:

(i) Item 5: Credit Risk

(ii) Item 6: Market Risk

(iii) Item 8: Liquidity and Funding Risk

(iv) Item 9: Operational Risk

(v) Item 10: Shariah Non-Compliance Risk

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE

The following tables present the capital adequacy ratios and the capital structure of the Group and of the Bank.

(a) Capital Adequacy Ratios of the Group and of the Bank

	GROUP		BANK	
	2023	2022	2023	2022
Before deducting interim dividends*:				
Common Equity Tier I ("CET I") capital ratio	**15.235%**	14.862%	**13.875%**	13.472%
Tier I capital ratio	**15.253%**	14.912%	**13.875%**	13.513%
Total capital ratio	**18.146%**	17.925%	**16.990%**	16.722%
After deducting interim dividends*:				
CET I capital ratio	**14.654%**	14.552%	**13.112%**	13.072%
Tier I capital ratio	**14.672%**	14.603%	**13.112%**	13.113%
Total capital ratio	**17.564%**	17.616%	**16.227%**	16.322%

* Refer to interim dividends declared subsequent to the financial year end.

The capital adequacy ratios of the banking subsidiary companies of the Bank are set out in Note 50(d) to the financial statements.

Regulatory capital requirements

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II – Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB"), countercyclical capital buffer ("CCyB") and higher loss absorbency ("HLA") requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a CCB of 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

HLA requirement is applicable to financial institutions designated as domestic systemically important banks ("D-SIBs"). Arising from this, the Group which is designated as a D-SIB by BNM is required to maintain an additional capital buffer of 0.5% to the regulatory capital requirements in line with the BNM's D-SIB Framework.

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CET I/Tier I capital				
Share capital	**9,417,653**	9,417,653	**9,417,653**	9,417,653
Other reserves	**1,872,244**	998,895	**366,098**	235,063
Retained profits	**42,160,770**	38,962,590	**33,087,269**	30,762,417
Qualifying non-controlling interests	**755,337**	721,467	**–**	–
Less: Goodwill and other intangible assets	**(2,589,600)**	(2,539,021)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(567,305)**	(630,201)	**(356,565)**	(392,775)
Less: Defined benefit pension fund assets	**(17,079)**	(158,128)	**(16,838)**	(155,613)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	**(180,183)**	(154,918)	**(6,505,741)**	(6,505,741)
Total CET I capital	**50,851,837**	46,618,337	**35,296,483**	32,665,611
Additional Tier I capital securities	**–**	99,942	**–**	99,942
Qualifying CET I and additional Tier I capital instruments held by third parties	**60,247**	58,268	**–**	–
Total Tier I capital	**50,912,084**	46,776,547	**35,296,483**	32,765,553
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances#	**3,774,347**	3,575,757	**2,666,187**	2,782,854
Qualifying regulatory reserves	**4,155**	–	**258,421**	–
Subordinated notes	**4,998,196**	4,999,096	**4,998,196**	4,999,096
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**725,806**	734,353	**–**	–
Others	**150,759**	140,839	**–**	–
Total Tier II capital	**9,653,263**	9,450,045	**7,922,804**	7,781,950
Total capital	**60,565,347**	56,226,592	**43,219,287**	40,547,503

No expected credit loss allowances restricted from Tier II capital of the Group (2022: RM453,732,000) and of the Bank (2022: RM125,217,000) at reporting date.

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure (continued)

The Group has issued various capital instruments which qualify as components of regulatory capital under the BNM's Capital Adequacy Framework (Capital Components), as summarised in the following table:

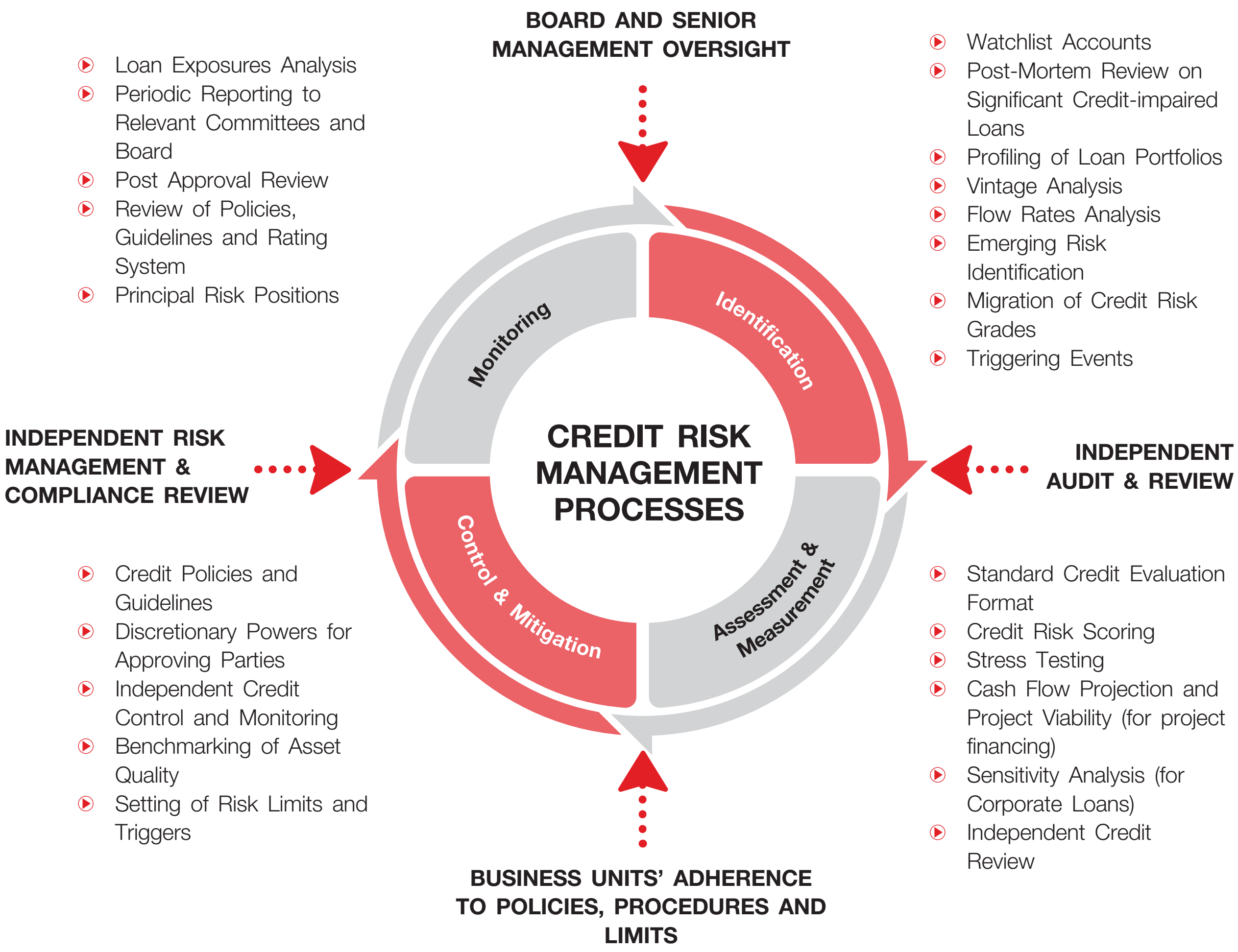
Capital Instruments	Capital Component	Main Features
Issued by the Bank:		
(a) Basel III-Compliant Additional Tier I capital securities ("Basel III-ATICS") (fully redeemed during the year)	Tier I Capital	• Subordinated to all liabilities, including depositors and Subordinated Notes/Sukuk Murabahah • Unsecured • Perpetual, with optional redemption after 5 years. No step-up • Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-ATICS may be subject to write-off • The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-ATICS
(b) Basel III-Compliant Subordinated notes ("Basel III-Compliant Sub Notes")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to Basel III-ATICS • Unsecured • Optional redemption after 5 years. No step-up • Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Notes may be subject to write-off • The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-Compliant Sub Notes
Issued by Public Islamic:		
(a) Basel III-Compliant Subordinated Sukuk Murabahah ("Basel III-Compliant Sub Sukuk Murabahah")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to Basel III-ATICS • Unsecured • Optional redemption after 5 years. No step-up • Upon occurrence of a Trigger Event at the Bank/Public Islamic as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Sukuk Murabahah may be subject to write-off • The write-off shall not constitute an event of default or trigger any cross-default under the Basel III-Compliant Sub Sukuk Murabahah

The details of the capital instruments are found in Note 25 to the financial statements.

5. CREDIT RISK

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Group, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Group to credit risk and counterparty credit risk ("CCR").

The following diagram presents the risk management processes over credit risk.



The risk governance and risk management approach for credit risk are set out in the credit risk section of Note 45 to the financial statements.

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank.

GROUP Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2023				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	72,655,296	72,655,296	523,027	41,842
Public Sector Entities	2,304,355	2,304,355	30,066	2,405
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	14,655,811	14,655,811	4,772,701	381,816
Insurance Companies, Securities Firms and Fund Managers	600,986	580,339	500,986	40,079
Corporates	87,763,371	83,318,739	64,508,390	5,160,671
Regulatory Retail	161,426,346	160,130,707	122,888,280	9,831,062
Residential Mortgages	155,530,953	155,184,901	70,869,928	5,669,594
Higher Risk Assets	109,595	109,390	164,085	13,127
Other Assets	7,864,278	7,864,278	4,827,994	386,240
Equity Exposures	748,913	748,913	748,913	59,913
Defaulted Exposures	4,377,543	4,375,830	6,077,831	486,227
	508,037,447	501,928,559	275,912,201	22,072,976
Off-Balance Sheet Exposures				
Credit-related Exposures	31,588,958	30,845,514	26,027,288	2,082,183
Derivative Financial Instruments	995,763	995,763	310,497	24,840
Other Treasury-related Exposures	156,888	156,888	17,837	1,427
Defaulted Exposures	9,124	9,124	12,335	987
	32,750,733	32,007,289	26,367,957	2,109,437
Total Credit Exposures	540,788,180	533,935,848	302,280,158	24,182,413

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank (continued).

GROUP Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	76,699,311	76,699,311	1,078,250	86,260
Public Sector Entities	1,459,615	1,459,615	57,319	4,586
Banks, DFIs and MDBs	16,599,315	16,599,315	5,837,999	467,040
Insurance Companies, Securities Firms and Fund Managers	414,092	401,000	323,230	25,858
Corporates	85,624,413	82,396,315	63,779,113	5,102,329
Regulatory Retail	150,926,393	149,695,702	114,743,314	9,179,465
Residential Mortgages	145,452,060	145,136,165	65,553,832	5,244,307
Higher Risk Assets	107,841	107,594	161,391	12,911
Other Assets	8,466,886	8,466,886	4,801,827	384,146
Equity Exposures	765,000	765,000	765,000	61,200
Defaulted Exposures	6,057,573	6,046,738	8,771,237	701,699
	492,572,499	487,773,641	265,872,512	21,269,801
Off-Balance Sheet Exposures				
Credit-related Exposures	25,164,974	24,466,390	19,835,556	1,586,845
Derivative Financial Instruments	1,019,071	1,019,071	312,114	24,969
Other Treasury-related Exposures	436,189	436,189	22,312	1,785
Defaulted Exposures	12,801	12,801	18,102	1,448
	26,633,035	25,934,451	20,188,084	1,615,047
Total Credit Exposures	519,205,534	513,708,092	286,060,596	22,884,848

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank (continued).

BANK Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2023				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	48,618,045	48,618,045	106,307	8,504
Public Sector Entities	144,649	144,649	3,659	293
Banks, DFIs and MDBs	8,742,848	8,742,848	3,082,378	246,590
Insurance Companies, Securities Firms and Fund Managers	59,711	59,355	58,748	4,700
Corporates	68,935,358	64,827,952	49,600,964	3,968,077
Regulatory Retail	121,002,190	119,968,526	90,560,534	7,244,843
Residential Mortgages	116,390,136	116,116,062	52,198,783	4,175,903
Higher Risk Assets	93,559	93,354	140,031	11,202
Other Assets	6,089,953	6,089,953	4,556,347	364,508
Equity Exposures	7,183,714	7,183,714	7,183,714	574,697
Defaulted Exposures	2,956,594	2,955,481	4,188,807	335,105
	380,216,757	374,799,939	211,680,272	16,934,422
Off-Balance Sheet Exposures				
Credit-related Exposures	26,532,804	25,836,732	21,938,745	1,755,100
Derivative Financial Instruments	1,077,547	1,077,547	323,564	25,885
Other Treasury-related Exposures	153,924	153,924	17,837	1,427
Defaulted Exposures	6,246	6,246	8,232	658
	27,770,521	27,074,449	22,288,378	1,783,070
Total Credit Exposures	407,987,278	401,874,388	233,968,650	18,717,492

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank (continued).

BANK Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	50,189,733	50,189,733	433,349	34,668
Public Sector Entities	141,943	141,943	3,106	249
Banks, DFIs and MDBs	10,999,455	10,949,857	4,195,887	335,671
Insurance Companies, Securities Firms and Fund Managers	46,418	46,295	45,780	3,662
Corporates	67,764,314	64,900,081	49,974,511	3,997,961
Regulatory Retail	113,450,098	112,467,057	84,673,368	6,773,869
Residential Mortgages	109,772,196	109,521,468	48,671,575	3,893,726
Higher Risk Assets	93,815	93,589	140,384	11,231
Other Assets	6,897,831	6,897,831	4,722,205	377,776
Equity Exposures	6,986,967	6,986,967	6,986,967	558,957
Defaulted Exposures	4,609,376	4,599,966	6,709,894	536,792
	370,952,146	366,794,787	206,557,026	16,524,562
Off-Balance Sheet Exposures				
Credit-related Exposures	20,155,918	19,502,669	15,702,183	1,256,175
Derivative Financial Instruments	1,129,478	1,129,478	334,195	26,735
Other Treasury-related Exposures	429,494	429,494	22,312	1,785
Defaulted Exposures	8,890	8,890	12,636	1,011
	21,723,780	21,070,531	16,071,326	1,285,706
Total Credit Exposures	392,675,926	387,865,318	222,628,352	17,810,268

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures

Tables (a)-(c) present the analysis of credit exposures of financial assets before the effect of credit risk mitigation of the Group as follows:

(a) Industry analysis

(b) Geographical analysis based on geographical location where the credit risk resides

(c) Maturity analysis based on the residual contractual maturity

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the full amount that the Group would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(a) Industry Analysis

GROUP	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
2023									
On-Balance Sheet Exposures									
Cash and balances with banks (Gross)	1,462,244	9,667,301	–	–	–	–	–	–	11,129,545
Reverse repurchase agreements	851	–	–	–	–	–	–	–	851
Financial assets at fair value through profit or loss*	382,152	1,893,292	–	–	–	–	–	–	2,275,444
Derivative financial assets	–	414,811	–	–	–	–	–	–	414,811
Financial investments at fair value through other comprehensive income*	48,090,484	4,581,943	80,334	860,562	102,517	–	–	–	53,715,840
Financial investments at amortised cost (Gross)	15,474,916	12,236,235	749,663	959,387	540,085	–	–	–	29,960,286
Gross loans, advances and financing	2,036,581	17,424,688	10,653,475	50,934,956	41,199,430	171,253,365	55,724,455	49,769,647	398,996,597
Statutory deposits with Central Banks	7,526,753	–	–	–	–	–	–	–	7,526,753
	74,973,981	46,218,270	11,483,472	52,754,905	41,842,032	171,253,365	55,724,455	49,769,647	504,020,127
Commitments and Contingencies									
Contingent liabilities	1,997	25,494	141,895	250,253	154,375	–	–	2,778,302	3,352,316
Commitments	518,312	1,533,686	3,500,270	15,191,124	9,038,377	20,351,732	21,323	30,371,849	80,526,673
	520,309	1,559,180	3,642,165	15,441,377	9,192,752	20,351,732	21,323	33,150,151	83,878,989
Total Credit Exposures	75,494,290	47,777,450	15,125,637	68,196,282	51,034,784	191,605,097	55,745,778	82,919,798	587,899,116

* Excluding equity securities which do not have any credit risk.

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(a) Industry Analysis (continued)

GROUP	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
2022									
On-Balance Sheet Exposures									
Cash and balances with banks (Gross)	9,607,404	12,161,562	–	–	–	–	–	–	21,768,966
Reverse repurchase agreements	4,193	–	–	–	–	–	–	–	4,193
Financial assets at fair value through profit or loss*	558,083	–	–	–	–	–	–	–	558,083
Derivative financial assets	–	446,564	–	–	–	–	–	–	446,564
Financial investments at fair value through other comprehensive income*	48,358,136	5,108,709	150,307	697,596	137,579	–	–	–	54,452,327
Financial investments at amortised cost (Gross)	12,034,516	10,179,022	940,309	1,158,252	1,262,454	–	–	–	25,574,553
Gross loans, advances and financing	1,017,291	16,070,086	10,613,013	49,571,686	41,911,092	160,999,880	50,258,310	46,450,579	376,891,937
Statutory deposits with Central Banks	6,882,404	–	–	–	–	–	–	–	6,882,404
	78,462,027	43,965,943	11,703,629	51,427,534	43,311,125	160,999,880	50,258,310	46,450,579	486,579,027
Commitments and Contingencies									
Contingent liabilities	154	27,867	260,078	383,590	170,765	–	–	2,392,673	3,235,127
Commitments	536,493	2,132,387	3,968,898	13,429,774	7,710,769	20,665,451	21,983	18,549,705	67,015,460
	536,647	2,160,254	4,228,976	13,813,364	7,881,534	20,665,451	21,983	20,942,378	70,250,587
Total Credit Exposures	78,998,674	46,126,197	15,932,605	65,240,898	51,192,659	181,665,331	50,280,293	67,392,957	556,829,614

* Excluding equity securities which do not have any credit risk.

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(b) Geographical Analysis

GROUP	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2023					
On-Balance Sheet Exposures					
Cash and balances with banks (Gross)	4,248,883	3,078,886	1,622,669	2,179,107	11,129,545
Reverse repurchase agreements	–	–	–	851	851
Financial assets at fair value through profit or loss*	2,275,444	–	–	–	2,275,444
Derivative financial assets	160,028	26,915	–	227,868	414,811
Financial investments at fair value through other comprehensive income*	53,105,343	–	–	610,497	53,715,840
Financial investments at amortised cost (Gross)	25,301,778	2,932,307	114,750	1,611,451	29,960,286
Gross loans, advances and financing	369,973,664	14,450,783	6,442,464	8,129,686	398,996,597
Statutory deposits with Central Banks	6,890,295	1,342	509,885	125,231	7,526,753
	461,955,435	20,490,233	8,689,768	12,884,691	504,020,127
Commitments and Contingencies					
Contingent liabilities	2,572,798	111,230	26,829	641,459	3,352,316
Commitments	66,335,340	1,421,382	1,264,573	11,505,378	80,526,673
	68,908,138	1,532,612	1,291,402	12,146,837	83,878,989
Total Credit Exposures	530,863,573	22,022,845	9,981,170	25,031,528	587,899,116

* Excluding equity securities which do not have any credit risk.

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(b) Geographical Analysis (continued)

GROUP	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2022					
On-Balance Sheet Exposures					
Cash and balances with banks (Gross)	13,890,980	3,126,314	2,315,480	2,436,192	21,768,966
Reverse repurchase agreements	–	–	–	4,193	4,193
Financial assets at fair value through profit or loss*	558,083	–	–	–	558,083
Derivative financial assets	234,657	28,162	–	183,745	446,564
Financial investments at fair value through other comprehensive income*	54,021,842	–	–	430,485	54,452,327
Financial investments at amortised cost (Gross)	20,897,870	3,183,792	437,270	1,055,621	25,574,553
Gross loans, advances and financing	351,069,827	14,197,940	5,605,533	6,018,637	376,891,937
Statutory deposits with Central Banks	6,164,506	2,921	547,389	167,588	6,882,404
	446,837,765	20,539,129	8,905,672	10,296,461	486,579,027
Commitments and Contingencies					
Contingent liabilities	2,440,629	108,834	29,643	656,021	3,235,127
Commitments	63,123,372	1,544,371	1,023,254	1,324,463	67,015,460
	65,564,001	1,653,205	1,052,897	1,980,484	70,250,587
Total Credit Exposures	512,401,766	22,192,334	9,958,569	12,276,945	556,829,614

* Excluding equity securities which do not have any credit risk.

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(c) Maturity Analysis

GROUP	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
2023					
On-Balance Sheet Exposures					
Cash and balances with banks	**11,127,417**	**–**	**–**	**–**	**11,127,417**
Reverse repurchase agreements	**851**	**–**	**–**	**–**	**851**
Financial assets at fair value through profit or loss*	**2,090,840**	**51,193**	**61,407**	**72,004**	**2,275,444**
Derivative financial assets	**237,595**	**51,197**	**117,511**	**8,508**	**414,811**
Financial investments at fair value through other comprehensive income*	**12,330,845**	**22,953,361**	**13,403,523**	**5,028,111**	**53,715,840**
Financial investments at amortised cost (Gross)	**10,441,937**	**7,238,896**	**11,418,541**	**860,912**	**29,960,286**
Gross loans, advances and financing	**35,206,476**	**31,852,005**	**32,035,573**	**299,902,543**	**398,996,597**
Statutory deposits with Central Banks	**–**	**–**	**–**	**7,526,753**	**7,526,753**
Total On-Balance Sheet Exposures	**71,435,961**	**62,146,652**	**57,036,555**	**313,398,831**	**504,017,999**

GROUP	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
2022					
On-Balance Sheet Exposures					
Cash and balances with banks	21,766,900	–	–	–	21,766,900
Reverse repurchase agreements	4,193	–	–	–	4,193
Financial assets at fair value through profit or loss*	457,109	100,974	–	–	558,083
Derivative financial assets	167,941	65,575	196,848	16,200	446,564
Financial investments at fair value through other comprehensive income*	10,494,683	24,528,736	14,480,752	4,948,156	54,452,327
Financial investments at amortised cost (Gross)	7,684,703	8,756,139	8,259,388	874,323	25,574,553
Gross loans, advances and financing	32,003,265	28,799,158	32,868,993	283,220,521	376,891,937
Statutory deposits with Central Banks	–	–	–	6,882,404	6,882,404
Total On-Balance Sheet Exposures	72,578,794	62,250,582	55,805,981	295,941,604	486,576,961

* Excluding equity securities which do not have any credit risk.

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(c) Maturity Analysis (continued)

Approximately 14% (2022: 15%) of the Group's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 75% (2022: 75%) of the Group's gross loans, advances and financing has residual maturity of more than five years. The longer maturity is from the housing loans/financing and hire purchase which made up 58% (2022: 57%) of the portfolio and are traditionally longer term in nature and well secured.

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future cash requirements since the Group expects many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Group are mainly from the following:

(i) Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans even though they are contingent in nature;

(ii) Documentary and commercial letters of credit, which are undertakings by the Group on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;

(iii) Commitments to extend credit including the unutilised or undrawn portions of credit facilities;

(iv) Unutilised credit card lines; and

(v) Principal/notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance with the credit risk management approach as set out in item 5 of the Pillar 3 Disclosure.

(b) Counterparty Credit Risk on Derivative Financial Instruments

The risk management approach on counterparty credit risk on derivative financial instruments are set out in the credit risk section of Note 45(d) to the financial statements.

Credit Ratings Downgrade

As at reporting date, there were no requirements to post additional collateral in the event of a one-notch downgrade in rating (2022: nil) as the ISDA/CSA agreements entered with the majority of the counterparties had removed the threshold limit for posting of additional collateral whereby any shortfalls in value, cash collateral were posted immediately. For ISDA/CSA with threshold limits, no collateral was required to be posted as the shortfalls were well within the threshold limits for one-notch downgrade.

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts.

GROUP	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2023				
Contingent Liabilities				
Direct credit substitutes	911,428		911,428	491,337
Transaction-related contingent items	1,862,368		931,184	503,255
Short-term self-liquidating trade-related contingencies	578,520		115,704	111,649
	3,352,316		1,958,316	1,106,241
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	45,139,436		22,569,348	19,204,241
– not exceeding one year	25,481,237		5,096,248	4,248,513
Unutilised credit card lines	9,870,851		1,974,170	1,480,628
Forward asset purchases	35,149		35,149	4,981
	80,526,673		29,674,915	24,938,363
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	121,739		121,739	12,856
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	30,576,582	237,213	603,138	188,054
– more than one year to five years	1,075,140	–	75,260	37,630
Interest/profit rate related contracts:				
– up to one year	50,000	381	506	101
– more than one year to five years	5,471,070	168,707	291,204	75,660
– more than five years	273,440	8,509	25,649	9,046
Commodity related contracts:				
– up to one year	456	1	6	6
	37,446,688	414,811	995,763	310,497
Total Off-Balance Sheet Exposures	121,447,416	414,811	32,750,733	26,367,957

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

GROUP	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2022				
Contingent Liabilities				
Direct credit substitutes	904,534		904,534	495,591
Transaction-related contingent items	1,736,851		868,426	480,443
Short-term self-liquidating trade-related contingencies	593,742		118,748	108,083
	3,235,127		1,891,708	1,084,117
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	33,021,059		16,510,162	13,333,805
– not exceeding one year	24,727,099		4,945,420	4,062,872
Unutilised credit card lines	9,152,427		1,830,485	1,372,864
Forward asset purchases	114,875		114,875	18,906
	67,015,460		23,400,942	18,788,447
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	321,314		321,314	3,406
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	28,235,903	167,941	486,020	143,335
– more than one year to five years	1,255,118	20,670	114,458	57,229
Interest/profit rate related contracts:				
– up to one year	25,000	–	63	13
– more than one year to five years	4,652,413	241,753	385,077	97,385
– more than five years	302,733	16,200	33,451	14,150
Commodity related contracts:				
– up to one year	230	–	2	2
	34,471,397	446,564	1,019,071	312,114
Total Off-Balance Sheet Exposures	105,043,298	446,564	26,633,035	20,188,084

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

BANK	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2023				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	861,080		861,080	453,361
Transaction-related contingent items	1,513,282		756,641	376,455
Short-term self-liquidating trade-related contingencies	278,834		55,767	53,573
	2,653,196		1,673,488	883,389
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	37,709,254		18,854,408	16,305,181
– not exceeding one year	20,559,687		4,111,937	3,329,061
Unutilised credit card lines	9,305,428		1,861,086	1,395,814
Forward asset purchases	35,149		35,149	4,981
	67,609,518		24,862,580	21,035,037
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	118,775		118,775	12,856
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	29,123,646	230,375	589,105	181,958
– more than one year to five years	1,075,140	–	75,260	37,630
Interest rate related contracts:				
– up to one year	50,000	381	506	101
– more than one year to five years	8,198,300	178,019	349,969	79,897
– more than five years	400,000	596	24,595	4,919
Commodity related contracts:				
– up to one year	456	1	6	6
	38,847,542	409,372	1,039,441	304,511
Total	109,229,031	409,372	27,694,284	22,235,793

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

BANK	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2023				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	11,475		11,475	6,885
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	46,166		23,083	23,083
– not exceeding one year	17,864		3,573	3,564
	64,030		26,656	26,647
Derivative Financial Instruments				
Interest rate related contracts:				
– more than one year to five years	472,770	15,505	25,052	12,526
– more than five years	73,440	7,913	13,054	6,527
	546,210	23,418	38,106	19,053
Total	621,715	23,418	76,237	52,585
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	109,850,746	432,790	27,770,521	22,288,378

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

BANK	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2022				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	853,422		853,422	456,369
Transaction-related contingent items	1,395,517		697,759	351,994
Short-term self-liquidating trade-related contingencies	157,871		31,574	29,058
	2,406,810		1,582,755	837,421
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	25,634,872		12,817,135	10,373,097
– not exceeding one year	19,887,896		3,977,579	3,159,698
Unutilised credit card lines	8,766,415		1,753,283	1,314,962
Forward asset purchases	114,875		114,875	18,906
	54,404,058		18,662,872	14,866,663
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	314,619		314,619	3,406
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	27,842,160	167,747	481,513	142,434
– more than one year to five years	1,255,118	20,670	114,458	57,229
Interest rate related contracts:				
– up to one year	25,000	–	63	13
– more than one year to five years	7,430,683	247,739	469,966	106,855
– more than five years	200,000	3,586	13,585	2,717
Commodity related contracts:				
– up to one year	230	–	2	2
	36,753,191	439,742	1,079,587	309,250
Total	93,878,678	439,742	21,639,833	16,016,740

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

BANK	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2022				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	11,018		11,018	6,611
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	14,408		7,204	7,204
– not exceeding one year	79,168		15,834	15,826
	93,576		23,038	23,030
Derivative Financial Instruments				
Interest rate related contracts:				
– more than one year to five years	321,730	17,928	25,025	12,513
– more than five years	202,733	12,614	24,866	12,432
	524,463	30,542	49,891	24,945
Total	629,057	30,542	83,947	54,586
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	94,507,735	470,284	21,723,780	16,071,326

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation

The Group's approach in granting credit facilities is based on the credit standing of the customer, source of repayment and debt servicing ability rather than placing primary reliance on credit risk mitigants ("CRM"). Depending on a customer's credit standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

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

(a) for residential mortgages – charges over residential properties;

(b) for commercial property loans/financing – charges over the properties being financed;

(c) for motor vehicle financing – ownership claims over the vehicles financed;

(d) for share margin financing – pledges over securities from listed exchange; and

(e) for other loans/financing – charges over business assets such as premises, inventories, trade receivables or deposits.

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and the ease of realising the CRM. Policies and procedures are in place to govern the protection of the Group's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon during documentation to ensure the legal enforceability of the CRM.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. In mortgage financing, the collateral is required to be insured at all times against major risks, for instance, against fire, with the respective banking entities as the loss payee under the insurance policy. In addition, customers are generally insured against major risks, such as, death and permanent disability.

The Group also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk, subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Group's credit exposures. In addition, the Group enters into master netting arrangements with its derivative counterparties to reduce the credit risk, all amounts with the counterparty are settled on a net basis.

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (continued)

Credit Risk Mitigation Analysis

The following tables present the credit risk mitigation analysis of the Group i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral.

GROUP Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2023				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	72,655,296	–	–	–
Public Sector Entities	2,304,355	2,154,026	–	–
Banks, DFIs and MDBs	14,655,811	187,516	–	–
Insurance Companies, Securities Firms and Fund Managers	600,986	607	20,647	–
Corporates	87,763,371	6,449,111	4,444,632	–
Regulatory Retail	161,426,346	782,047	1,295,639	–
Residential Mortgages	155,530,953	–	346,052	–
Higher Risk Assets	109,595	–	205	–
Other Assets	7,864,278	–	–	–
Equity Exposures	748,913	–	–	–
Defaulted Exposures	4,377,543	–	1,713	–
	508,037,447	9,573,307	6,108,888	–
Off-Balance Sheet Exposures				
Credit-related Exposures	31,588,958	190,003	743,444	–
Derivative Financial Instruments	995,763	–	–	–
Other Treasury-related Exposures	156,888	–	–	–
Defaulted Exposures	9,124	–	–	–
	32,750,733	190,003	743,444	–
Total Credit Exposures	540,788,180	9,763,310	6,852,332	–

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (continued)

Credit Risk Mitigation Analysis (continued)

The following tables present the credit risk mitigation analysis of the Group i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral (continued).

GROUP Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	76,699,311	–	–	–
Public Sector Entities	1,459,615	1,173,022	–	–
Banks, DFIs and MDBs	16,599,315	187,481	–	–
Insurance Companies, Securities Firms and Fund Managers	414,092	515	13,092	–
Corporates	85,624,413	10,325,390	3,228,098	–
Regulatory Retail	150,926,393	1,013,150	1,230,691	–
Residential Mortgages	145,452,060	–	315,895	–
Higher Risk Assets	107,841	–	247	–
Other Assets	8,466,886	–	–	–
Equity Exposures	765,000	–	–	–
Defaulted Exposures	6,057,573	–	10,835	–
	492,572,499	12,699,558	4,798,858	–
Off-Balance Sheet Exposures				
Credit-related Exposures	25,164,974	47,326	698,584	–
Derivative Financial Instruments	1,019,071	–	–	–
Other Treasury-related Exposures	436,189	–	–	–
Defaulted Exposures	12,801	–	–	–
	26,633,035	47,326	698,584	–
Total Credit Exposures	519,205,534	12,746,884	5,497,442	–

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM in the RWCAF:

(a) Standard & Poor's ("S&P")

(b) Moody's Investors Service ("Moody's")

(c) Fitch Ratings ("Fitch")

(d) RAM Rating Services Berhad ("RAM")

(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns and Central Banks

(b) Banking Institutions

(c) Corporates

Unrated and Rated Counterparties

In general, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the RWCAF. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

Rating Category	S & P	Moody's	Fitch	RAM	MARC
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Unrated and Rated Counterparties (continued)

The Group uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a summarised risk weight mapping matrix for each credit quality rating category:

	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
			Banking Institutions	
Rating Category	Sovereigns and Central Banks	Corporates	For Exposure Greater Than Six Months Original Maturity	For Exposure Less Than Six Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of three months or less which are denominated and funded in Ringgit Malaysia, are all risk-weighted at 20% regardless of credit rating.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories.

	Rating Categories							
GROUP Exposure Class	**1 RM'000**	**2 RM'000**	**3 RM'000**	**4 RM'000**	**5 RM'000**	**6 RM'000**	**Unrated RM'000**	**Total RM'000**
2023								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	18,761,801	1,356,829	198,986	–	–	–		20,317,616
– Regulatory Retail	23,583	–	–	–	–	–		23,583
	18,785,384	1,356,829	198,986	–	–	–		20,341,199
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	1,578,754	69,518,576	–	385,175	1,087,371	85,420		72,655,296
– Public Sector Entities	–	2,285,751	–	–	–	–		2,285,751
– Banks, DFIs and MDBs	–	187,517	–	–	–	–		187,517
– Insurance Companies, Securities Firms and Fund Managers	–	607	–	–	–	–		607
– Corporates	–	2,814,729	–	–	–	–		2,814,729
– Regulatory Retail	–	751,381	–	–	–	–		751,381
	1,578,754	75,558,561	–	385,175	1,087,371	85,420		78,695,281
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	7,051,513	4,211,514	102,272	737,939	359,765	–		12,463,003
– Corporates	592,225	68,491	–	–	–	–		660,716
– Regulatory Retail	–	4,671	–	–	–	–		4,671
	7,643,738	4,284,676	102,272	737,939	359,765	–		13,128,390
(iv) Exposures risk-weighted using ratings of Insurance Companies, Securities Firms and Fund Managers								
– Insurance Companies, Securities Firms and Fund Managers	98,432	–	–	–	–	–		98,432
Total Rated Exposures	28,106,308	81,200,066	301,258	1,123,114	1,447,136	85,420		112,263,302
(b) Total Unrated Exposures							395,774,145	395,774,145
	28,106,308	81,200,066	301,258	1,123,114	1,447,136	85,420	395,774,145	508,037,447

Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (continued)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories (continued).

GROUP Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2023								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	186,513	4,685	308	–	–	–		191,506
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	–	162,601	–	–	–	–		162,601
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	436,735	298,846	19,893	3,906	–	–		759,380
– Corporates	1,833	3,444	–	–	–	–		5,277
– Regulatory Retail	–	–	–	4,026	–	–		4,026
	438,568	302,290	19,893	7,932	–	–		768,683
Total Rated Exposures	625,081	469,576	20,201	7,932	–	–		1,122,790
(b) Total Unrated Exposures							31,627,943	31,627,943
	625,081	469,576	20,201	7,932	–	–	31,627,943	32,750,733
Total Credit Exposures before Credit Risk Mitigation	28,731,389	81,669,642	321,459	1,131,046	1,447,136	85,420	427,402,088	540,788,180

Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (continued)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories (continued).

GROUP Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2022								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	16,353,695	1,475,462	181,495	–	–	–		18,010,652
– Regulatory Retail	35,790	–	–	–	–	–		35,790
	16,389,485	1,475,462	181,495	–	–	–		18,046,442
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	1,473,744	73,262,403	–	315,220	1,589,228	58,712		76,699,307
– Public Sector Entities	–	1,443,319	–	–	–	–		1,443,319
– Banks, DFIs and MDBs	–	237,080	–	–	–	–		237,080
– Insurance Companies, Securities Firms and Fund Managers	–	515	–	–	–	–		515
– Corporates	–	4,391,221	–	–	–	–		4,391,221
– Regulatory Retail	–	970,013	–	–	–	–		970,013
	1,473,744	80,304,551	–	315,220	1,589,228	58,712		83,741,455
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	6,538,905	5,115,341	1,457,580	783,384	351,438	–		14,246,648
– Corporates	696,300	68,730	–	–	–	–		765,030
– Regulatory Retail	974	2,427	–	–	–	–		3,401
	7,236,179	5,186,498	1,457,580	783,384	351,438	–		15,015,079
(iv) Exposures risk-weighted using ratings of Insurance Companies, Securities Firms and Fund Managers								
– Insurance Companies, Securities Firms and Fund Managers	96,569	–	–	–	–	–		96,569
Total Rated Exposures	25,195,977	86,966,511	1,639,075	1,098,604	1,940,666	58,712		116,899,545
(b) Total Unrated Exposures							375,672,954	375,672,954
	25,195,977	86,966,511	1,639,075	1,098,604	1,940,666	58,712	375,672,954	492,572,499

Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (continued)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories (continued).

GROUP Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2022								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	62,710	4,271	–	–	–	–		66,981
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	–	390,927	–	–	–	–		390,927
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	467,251	265,513	10,016	–	–	–		742,780
– Corporates	3,358	3,390	–	–	–	–		6,748
– Regulatory Retail	373	–	–	3,690	–	–		4,063
	470,982	268,903	10,016	3,690	–	–		753,591
Total Rated Exposures	533,692	664,101	10,016	3,690	–	–		1,211,499
(b) Total Unrated Exposures							25,421,536	25,421,536
	533,692	664,101	10,016	3,690	–	–	25,421,536	26,633,035
Total Credit Exposures before Credit Risk Mitigation	25,729,669	87,630,612	1,649,091	1,102,294	1,940,666	58,712	401,094,490	519,205,534

Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights.

	Credit Exposures after the Effect of Credit Risk Mitigation											
GROUP Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2023												
0%	72,188,186	2,154,026	187,517	607	2,696,859	751,381	–	–	3,024,160	–	81,002,736	–
20%	269,606	154,486	10,687,755	98,432	19,542,299	23,583	–	–	15,155	–	30,791,316	6,158,263
35%	–	–	–	–	–	–	103,053,180	–	–	–	103,053,180	36,068,613
50%	2	–	3,892,880	–	1,566,735	26,447	37,019,055	–	–	–	42,505,119	21,252,560
75%	–	–	–	–	–	159,127,237	223,945	–	–	–	159,351,182	119,513,386
100%	404,181	–	758,288	526,862	70,793,170	16,524,293	18,541,604	–	4,824,963	748,913	113,122,274	113,122,274
150%	55,933	–	166,093	–	1,014,758	2,608,663	124,839	139,755	–	–	4,110,041	6,165,062
Total	72,917,908	2,308,512	15,692,533	625,901	95,613,821	179,061,604	158,962,623	139,755	7,864,278	748,913	533,935,848	302,280,158
Risk-Weighted Assets by Exposures	542,003	30,897	5,091,419	546,548	77,007,134	139,800,655	73,474,962	209,633	4,827,994	748,913	302,280,158	
Average Risk Weights	0.7%	1.3%	32.4%	87.3%	80.5%	78.1%	46.2%	150.0%	61.4%	100.0%	56.6%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights (continued).

	Credit Exposures after the Effect of Credit Risk Mitigation											
GROUP Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2022												
0%	74,405,084	1,173,022	187,482	515	4,277,819	970,013	–	–	3,642,702	–	84,656,637	–
20%	2,141,552	290,233	11,075,952	96,569	17,115,943	37,137	–	–	27,946	–	30,785,332	6,157,066
35%	–	–	–	–	–	–	98,725,414	–	–	–	98,725,414	34,553,895
50%	2	–	5,401,918	–	1,667,878	27,002	33,341,344	–	–	–	40,438,144	20,219,072
75%	–	–	–	–	–	148,291,617	283,767	–	–	–	148,575,384	111,431,538
100%	604,471	–	628,268	350,947	64,444,262	15,785,499	16,808,808	–	4,796,238	765,000	104,183,493	104,183,493
150%	39,142	–	412,165	–	1,621,733	4,023,712	112,352	134,584	–	–	6,343,688	9,515,532
Total	77,190,251	1,463,255	17,705,785	448,031	89,127,635	169,134,980	149,271,685	134,584	8,466,886	765,000	513,708,092	286,060,596
Risk-Weighted Assets by Exposures	1,091,495	58,047	6,162,665	370,261	71,133,989	133,060,708	68,414,728	201,876	4,801,827	765,000	286,060,596	
Average Risk Weights	1.4%	4.0%	34.8%	82.6%	79.8%	78.7%	45.8%	150.0%	56.7%	100.0%	55.7%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights (continued).

BANK Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation											
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2023												
0%	48,614,842	126,356	182,405	607	2,504,537	693,526	–	–	2,572,114	–	54,694,387	–
20%	206,916	22,450	7,587,277	–	15,537,564	23,583	–	–	–	–	23,377,790	4,675,558
35%	–	–	–	–	–	–	78,753,644	–	–	–	78,753,644	27,563,775
50%	2	–	698,862	–	928,247	12,881	27,184,451	–	–	–	28,824,443	14,412,222
75%	–	–	–	–	–	125,908,725	141,124	–	–	–	126,049,849	94,537,387
100%	–	–	1,406,803	138,616	55,356,178	6,861,526	12,575,748	–	3,427,534	7,183,714	86,950,119	86,950,119
150%	55,933	–	166,093	–	852,019	1,908,155	33,751	117,900	–	–	3,133,851	4,700,776
1250%	–	–	–	–	–	–	–	–	90,305	–	90,305	1,128,813
Total	48,877,693	148,806	10,041,440	139,223	75,178,545	135,408,396	118,688,718	117,900	6,089,953	7,183,714	401,874,388	233,968,650
Risk-Weighted Assets by Exposures	125,284	4,490	3,522,829	138,616	60,205,843	104,166,459	53,888,218	176,850	4,556,347	7,183,714	233,968,650	
Average Risk Weights	0.3%	3.0%	35.1%	99.6%	80.1%	76.9%	45.4%	150.0%	74.8%	100.0%	58.2%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights (continued).

	Credit Exposures after the Effect of Credit Risk Mitigation											
BANK Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2022												
0%	48,695,428	126,412	182,417	515	3,633,075	894,779	–	–	3,209,108	–	56,741,734	–
20%	1,939,406	19,171	9,129,853	–	13,701,473	37,137	–	–	–	–	24,827,040	4,965,408
35%	–	–	–	–	–	–	76,121,376	–	–	–	76,121,376	26,642,482
50%	2	–	821,092	–	1,036,958	12,665	24,546,964	–	–	–	26,417,681	13,208,840
75%	–	–	–	–	–	117,899,666	171,296	–	–	–	118,070,962	88,553,221
100%	–	–	1,770,992	97,013	50,366,370	6,271,442	11,428,231	–	3,598,855	6,986,967	80,519,870	80,519,870
150%	39,142	–	412,165	–	1,394,094	3,072,494	42,827	116,065	–	–	5,076,787	7,615,181
1250%	–	–	–	–	–	–	–	–	89,868	–	89,868	1,123,350
Total	50,673,978	145,583	12,316,519	97,528	70,131,970	128,188,183	112,310,694	116,065	6,897,831	6,986,967	387,865,318	222,628,352
Risk-Weighted Assets by Exposures	446,595	3,834	4,625,756	97,013	55,716,285	99,318,692	50,536,907	174,098	4,722,205	6,986,967	222,628,352	
Average Risk Weights	0.9%	2.6%	37.6%	99.5%	79.4%	77.5%	45.0%	150.0%	68.5%	100.0%	57.4%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing

Gross Loans, Advances and Financing by Credit Quality

All loans, advances and financing are categorised as either:

(a) neither past due nor credit-impaired;

(b) past due but not credit-impaired; or

(c) credit-impaired.

The loans, advances and financing are considered past due when any payment (whether principal and/or interest/profit) due under the contractual terms are received late or missed.

The loans, advances and financing of the Group and of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

(a) principal or interest/profit or both are past due for ninety (90) days or more; or

(b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or

(c) where the loans, advances and financing are in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the loans, advances and financing exhibits indications of significant credit weaknesses; or

(d) where credit-impaired loans, advances and financing are rescheduled and restructured ("R&R"), the loans, advances and financing will remain as credit-impaired until repayments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months and the account is less than ninety (90) days past due upon compliance of their required nursing period; or

(e) for repayments scheduled on intervals of ninety (90) days or more including bullet repayment as soon as default occurs.

In addition, loans, advances and financing that are considered individually significant, the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that loans, advances and financing are credit-impaired.

The gross loans, advances and financing analysed by credit quality are set out in the credit risk section of Note 45(ii) to the financial statements.

The description of the approaches adopted for the determination of individual and collective impairment allowance are set out in Note 2(iii)(h)(ii) to the financial statements.

(a) Past Due But Not Credit-impaired

Tables (i)-(iii) present the analyses of past due but not credit-impaired loans, advances and financing of the Group by the following:

(i) Economic purpose

(ii) Geographical

(iii) Aging

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(a) Past Due But Not Credit-impaired (continued)

(i) Economic purpose

GROUP	2023 RM'000	2022 RM'000
Purchase of securities	**11,893**	14,587
Purchase of transport vehicles	**7,583,029**	7,384,837
Purchase of properties	**16,058,991**	15,151,624
(Of which: – residential	**12,430,033**	11,017,729
– non-residential)	**3,628,958**	4,133,895
Purchase of fixed assets (excluding properties)	**4,326**	27,838
Personal use	**824,131**	655,131
Credit card	**265,288**	219,578
Construction	**198,210**	111,161
Working capital	**1,145,374**	723,781
Other purpose	**158,576**	172,075
	26,249,818	24,460,612

(ii) Geographical

GROUP	2023 RM'000	2022 RM'000
Malaysia	**24,882,563**	23,124,881
Hong Kong & China	**546,344**	704,130
Cambodia	**557,263**	315,171
Other countries	**263,648**	316,430
	26,249,818	24,460,612

(iii) Aging

GROUP	2023 RM'000	2022 RM'000
1 day to 30 days	**18,940,716**	18,385,521
31 to 59 days	**4,729,140**	4,279,017
60 to 89 days	**2,579,962**	1,796,074
	26,249,818	24,460,612

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following:

(i) Economic purpose

(ii) Geographical

(i) Economic purpose

GROUP	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2023							
Purchase of securities	34,242	11,316	(2,902)	–	8,414	2,015	10,429
Purchase of transport vehicles	212,001	20,550	29,179	(28,808)	20,921	904,242	925,163
Purchase of properties	1,510,176	47,317	121,262	(10,944)	157,635	1,055,602	1,213,237
(Of which: – residential	652,007	4,015	11,055	(6,857)	8,213	400,367	408,580
– non-residential)	858,169	43,302	110,207	(4,087)	149,422	655,235	804,657
Purchase of fixed assets (excluding properties)	10,882	2,027	1,721	(1,355)	2,393	3,107	5,500
Personal use	125,795	26,175	117,296	(117,577)	25,894	116,368	142,262
Credit card	19,507	–	196	1	197	52,467	52,664
Construction	24,171	31	1,369	(54)	1,346	148,214	149,560
Working capital	397,359	25,865	64,075	(53,715)	36,225	297,854	334,079
Other purpose	1,239	–	55	(55)	–	1,413,724	1,413,724
	2,335,372	133,281	332,251	(212,507)	253,025	3,993,593	4,246,618

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following (continued):

(i) Economic purpose (continued)

GROUP	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2022							
Purchase of securities	36,545	8,040	3,276	-	11,316	1,949	13,265
Purchase of transport vehicles	172,580	13,752	7,205	(407)	20,550	1,001,899	1,022,449
Purchase of properties	878,840	11,358	43,804	(7,845)	47,317	1,266,512	1,313,829
(Of which: – residential	398,837	5,435	2,556	(3,976)	4,015	499,597	503,612
– non-residential)	480,003	5,923	41,248	(3,869)	43,302	766,915	810,217
Purchase of fixed assets (excluding properties)	8,702	4,239	(2,388)	176	2,027	3,795	5,822
Personal use	114,555	18,002	115,013	(106,840)	26,175	117,518	143,693
Credit card	17,364	–	–	–	–	52,064	52,064
Purchase of consumer durables	9	–	–	–	–	5	5
Construction	13,810	30	1,829	(1,828)	31	163,235	163,266
Working capital	339,279	24,014	9,892	(8,041)	25,865	295,548	321,413
Other purpose	2,412	185	(29)	(156)	–	1,273,015	1,273,015
	1,584,096	79,620	178,602	(124,941)	133,281	4,175,540	4,308,821

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following (continued):

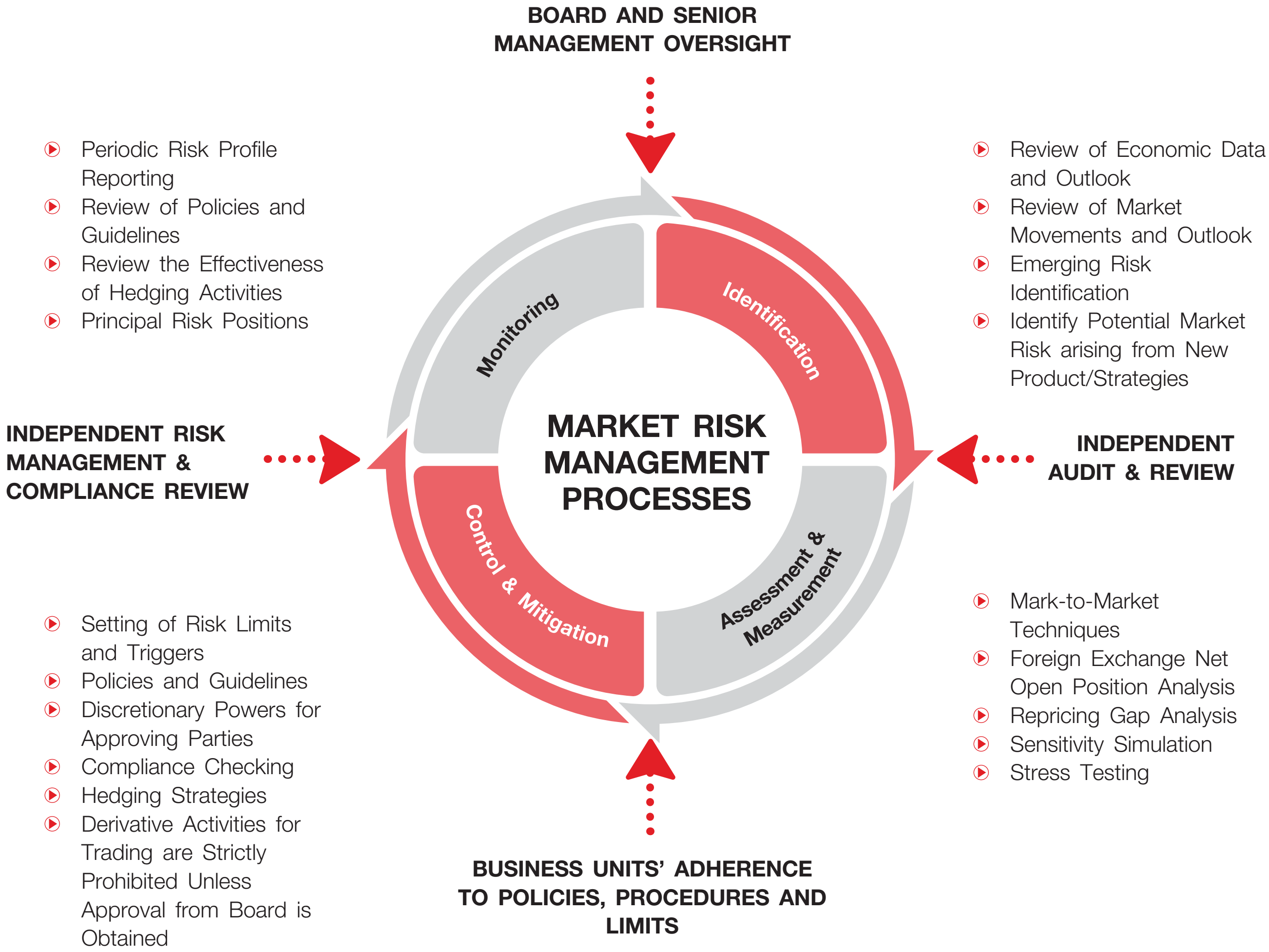
(ii) Geographical

GROUP	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2023							
Malaysia	**1,489,262**	**67,432**	**46,059**	**(21,225)**	**92,266**	**3,737,881**	**3,830,147**
Hong Kong & China	**547,102**	**47,946**	**223,635**	**(145,796)**	**125,785**	**125,546**	**251,331**
Cambodia	**97,900**	**–**	**22,126**	**(13,768)**	**8,358**	**84,063**	**92,421**
Other countries	**201,108**	**17,903**	**40,431**	**(31,718)**	**26,616**	**46,103**	**72,719**
	2,335,372	**133,281**	**332,251**	**(212,507)**	**253,025**	**3,993,593**	**4,246,618**
2022							
Malaysia	1,186,647	24,890	52,860	(10,318)	67,432	3,942,771	4,010,203
Hong Kong & China	181,644	35,171	117,542	(104,767)	47,946	117,548	165,494
Cambodia	95,034	–	–	–	–	71,310	71,310
Other countries	120,771	19,559	8,200	(9,856)	17,903	43,911	61,814
	1,584,096	79,620	178,602	(124,941)	133,281	4,175,540	4,308,821

6. MARKET RISK

Market risk is the risk that movements in market variables, including interest rate/rate of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Group.

The following diagram presents the risk management processes over market risk.



The risk governance and risk management approach for market risk are set out in the market risk section of Note 45 to the financial statements.

6. MARKET RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Market Risk

The following tables present the minimum regulatory capital requirements for market risk of the Group and of the Bank.

GROUP	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2023				
Interest rate/rate of return risk	**33,333,401**	**(31,466,624)**	**1,293,710**	**103,497**
Foreign exchange risk	**6,530,431**	**(754,811)**	**5,775,923**	**462,074**
Total	**39,863,832**	**(32,221,435)**	**7,069,633**	**565,571**
2022				
Interest rate/rate of return risk	29,573,796	(29,351,824)	1,235,158	98,813
Foreign exchange risk	3,317,340	(68)	3,317,340	265,387
Total	32,891,136	(29,351,892)	4,552,498	364,200

BANK	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2023				
Interest rate risk	**30,054,635**	**(30,081,148)**	**1,214,689**	**97,175**
Foreign exchange risk	**3,440,493**	**(2,822,413)**	**2,685,985**	**214,879**
Total	**33,495,128**	**(32,903,561)**	**3,900,674**	**312,054**
2022				
Interest rate risk	29,216,444	(28,994,274)	1,235,158	98,813
Foreign exchange risk	1,737,438	(2,982,866)	2,982,866	238,629
Total	30,953,882	(31,977,140)	4,218,024	337,442

7. EQUITY EXPOSURES IN THE BANKING BOOK

The following tables present the equity exposures in the banking book and the gains and losses on equity exposures in the banking book of the Group.

(a) Equity Exposures in the Banking Book

GROUP	2023 Gross Credit Exposure RM'000	2023 Risk-Weighted Assets RM'000	2022 Gross Credit Exposure RM'000	2022 Risk-Weighted Assets RM'000
Publicly traded				
Holdings of equity investments	**1,478**	**1,478**	1,675	1,675
Privately held				
For socio-economic purposes	**747,435**	**747,435**	763,325	763,325
Not for socio-economic purposes	**35,759**	**53,639**	41,204	61,806
	783,194	**801,074**	804,529	825,131
Total	**784,672**	**802,552**	806,204	826,806

(i) Publicly Traded

Holdings of equity investments comprise mainly of shares listed in an exchange, are held for dividend yield purpose and to take advantage of favourable movements in equity prices. Decisions concerning investing in equities are made by the Share Investment Committee. Equity positions are monitored against pre-determined cut-loss limits. All publicly traded equity exposures are stated at fair value.

(ii) Privately Held

The privately held equity investments are stated at fair value.

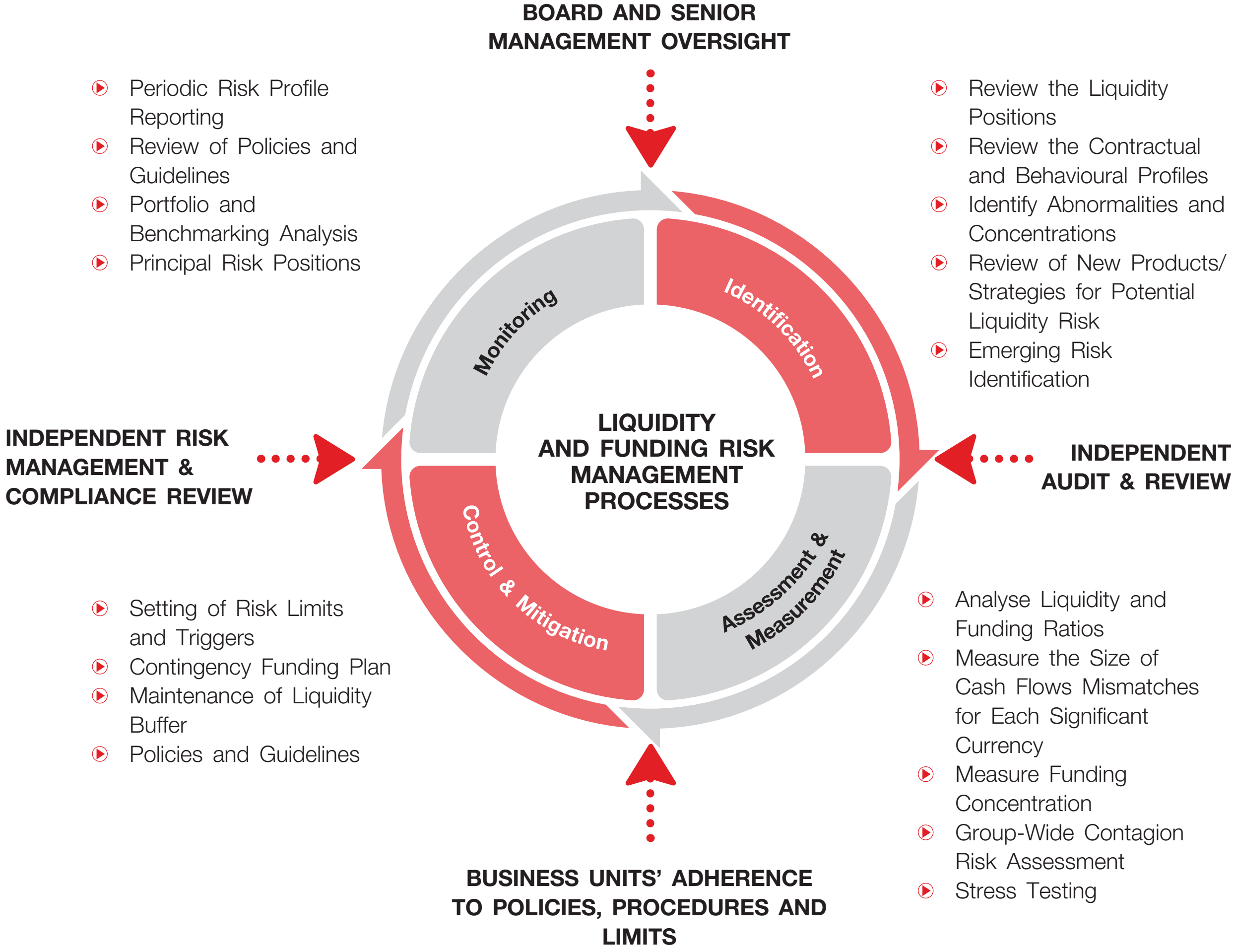
(b) Gains and Losses on Equity Exposures in the Banking Book

GROUP	2023 RM'000	2022 RM'000
Unrealised revaluation (loss)/gain recognised in profit or loss		
– Privately held equity investments	**(29,038)**	25,674
Unrealised revaluation gain/(loss) recognised in other comprehensive income		
– Privately held equity investments	**5,928**	18,347
– Publicly traded equity investments	**(197)**	61
	5,731	18,408

8. LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the risk of insufficient financial resources to meet obligations due and/or inefficient funding structure resulting in high funding cost.

The following diagram presents the risk management processes over liquidity and funding risk.

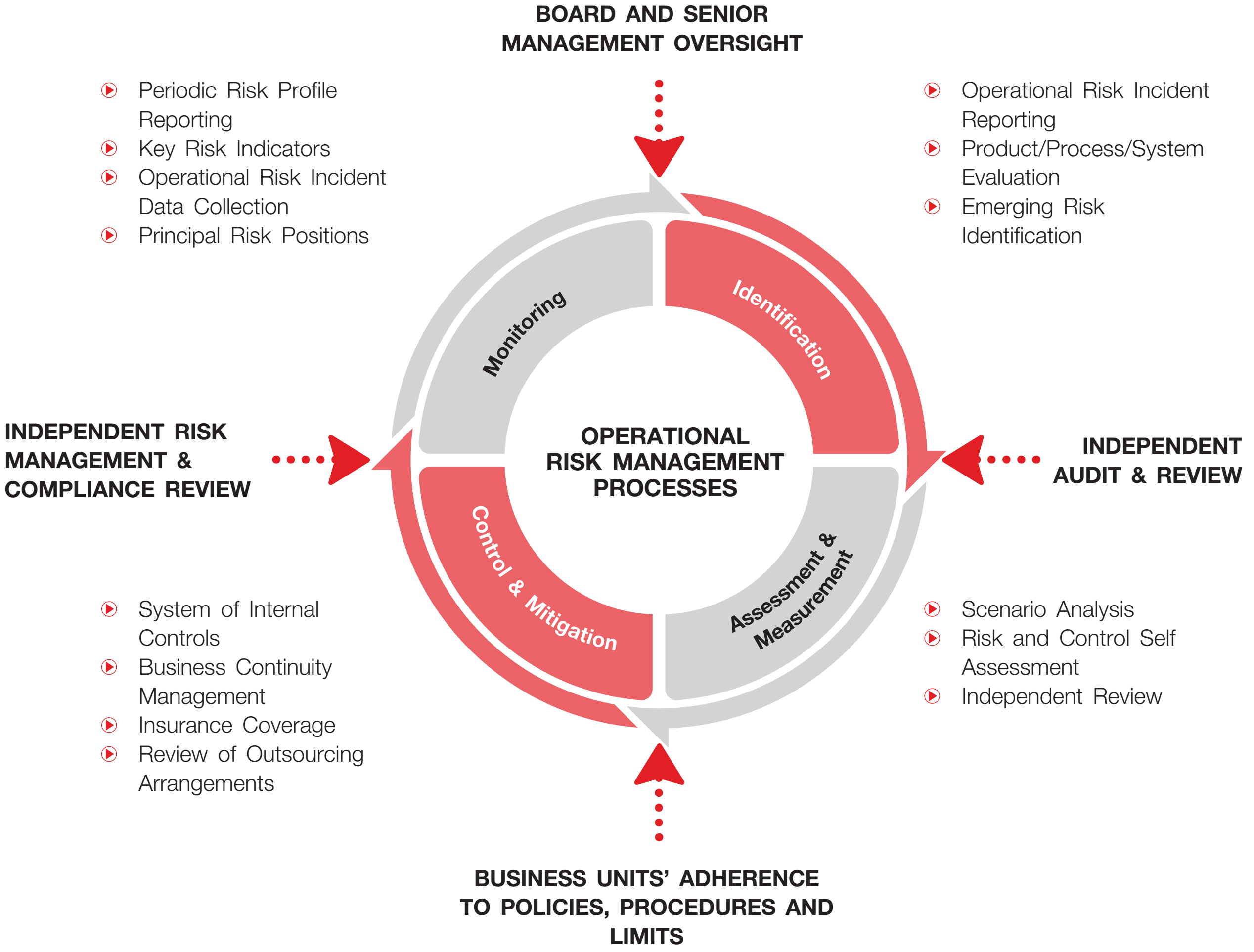


The risk governance and risk management approach for liquidity and funding risk are set out in the liquidity and funding risk section of Note 45 to the financial statements.

9. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is unavoidable as it is inherent in all banking businesses. The objective of the operational risk management of the Group is to manage its operational risk within an acceptable level.

The following diagram presents the risk management processes over operational risk.



The risk governance and risk management approach for operational risk are set out in the operational risk section of Note 45 to the financial statements.

9. OPERATIONAL RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for operational risk of the Group and of the Bank, computed using the Basic Indicator Approach.

	2023		2022	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	**23,833,549**	**1,906,684**	22,457,709	1,796,617
Bank	**15,942,048**	**1,275,364**	15,042,201	1,203,376

10. SHARIAH NON-COMPLIANCE RISK

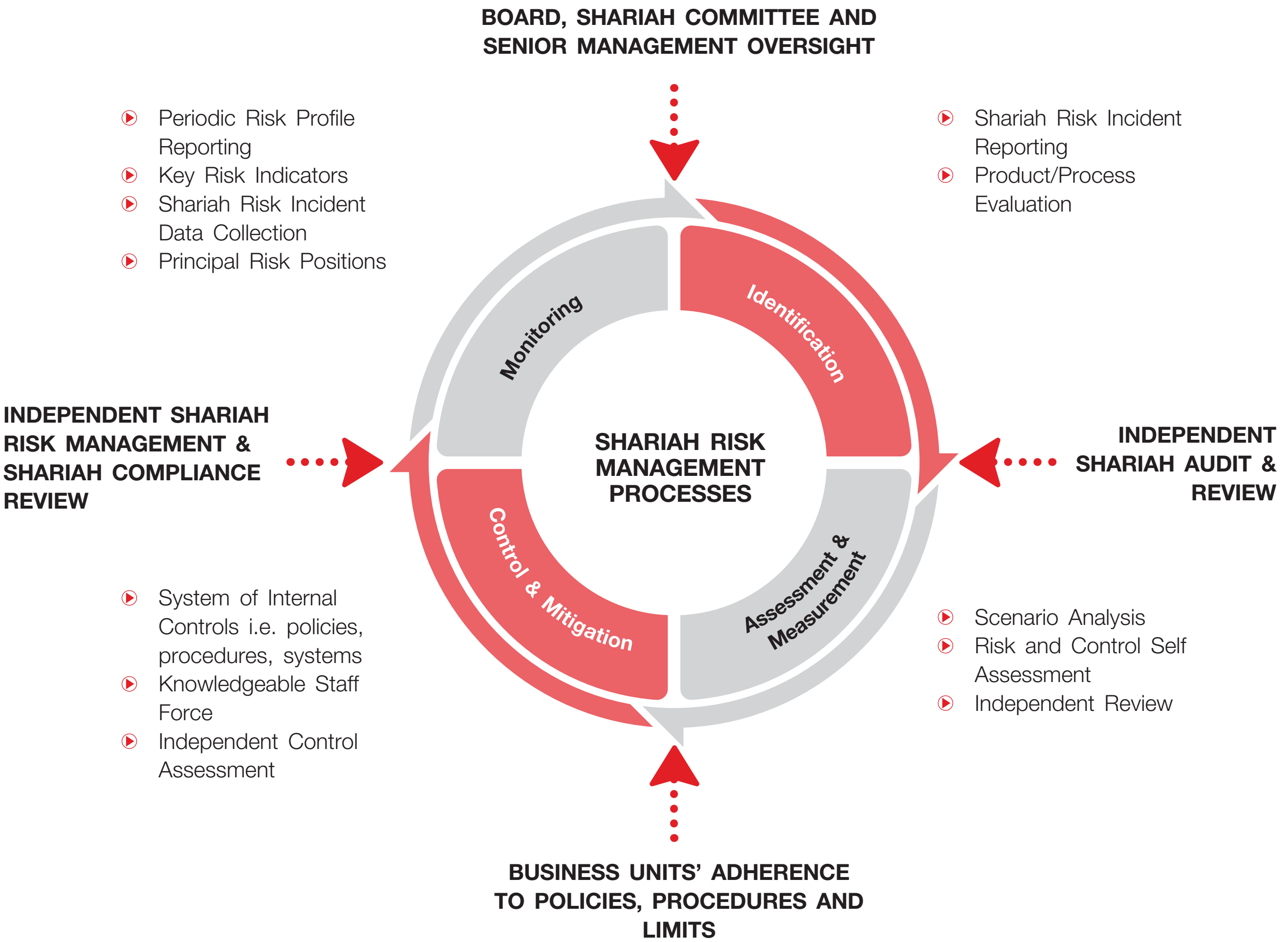
Shariah non-compliance ("SNC") risk is risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the entities may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and/or the SAC of Securities Commission Malaysia, Bursa Malaysia, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act 2013 ("IFSA"), or decisions or advice of the respective entities' Shariah Committee/Shariah Advisers.

SNC risk of the Group may emanate from the Islamic banking operations, business, affairs and activities of Public Islamic, the management of Shariah-based funds by Public Mutual Berhad and the Islamic capital market activities of Public Investment Bank Berhad.

10. SHARIAH NON-COMPLIANCE RISK (CONTINUED)

Islamic Banking Operations

The following diagram presents the risk management processes over SNC risk:



The following disclosures on SNC risk are set out in the Shariah Committee report and Shariah non-compliance risk section of Note 45 to the financial statements:

(a) Nature of Shariah non-compliant activities;

(b) Amount of Shariah non-compliant income;

(c) Number of non-Shariah compliant events occurring during the year; and

(d) Rectification process and control measures to avoid recurrence of such Shariah non-compliant activities.

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