Industrial and Commercial Bank of China (Malaysia) Berhad

(Registration No. 201001000001 (839839-M))
(Incorporated in Malaysia)

Directors' Report and Financial Statements
31 December 2024

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DIRECTORS' REPORT
Financial year ended 31 December 2024

The Directors have pleasure in submitting their report together with the audited financial statements of Industrial and Commercial Bank of China (Malaysia) Berhad ("ICBC Malaysia" or "the Bank") for the financial year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Bank is engaged principally in the provision of banking and other related financial services. There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	RM'000
Profit before taxation	93,693
Tax expense	(20,891)
Profit for the year	72,802

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year.

DIRECTORS OF THE BANK

The Directors of the Bank who have served on the Board since the beginning of the current year to the date of this report are:-

Ms Wei Quanhong	Chairperson, Non-Independent Non-Executive Director	
Ms Geng Hao	Non-Independent Executive Director	Appointed on 26 September 2024
Mr Xie Shaoxiong	Non-Independent Executive Director	Resigned on 26 September 2024
Mr Chin Chee Kong	Independent Non-Executive Director	
Mr Ng Lip Yong	Independent Non-Executive Director	
Ms Sum Leng Kuang	Independent Non-Executive Director	

In accordance with Clause 79 of the Bank's Constitution, Mr Ng Lip Yong retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Clause 85 of the Bank's Constitution, Ms Geng Hao retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016, none of the Directors holding office at the end of the financial year (i.e. 31 December 2024) have any beneficial interests in the ordinary shares and/or options over ordinary shares of the Bank and/or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Bank received or became entitled to receive any benefit by reason of a contract made by the Bank with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than the benefits included in the aggregate amount of remuneration received or due and receivable by the Directors or as the fixed salary of a full-time employee of related corporations, or of the Bank as disclosed under Directors' Remuneration in Note 30 (c) to the financial statements and as shown below:

	2024 **RM'000**	**2023** **RM'000**
Executive Directors	1,832	1,712
Non-Executive Directors	369	371
	2,201	2,083

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party, with the object or objects of enabling the 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.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Bank during the financial year. There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Bank during the financial year.

BANK RATINGS

The Bank has not been rated by any external agencies.

HOLDING CORPORATION

The Directors regard Industrial and Commercial Bank of China Limited ("Parent Bank"), a corporation incorporated in China, as the holding corporation of the Bank.

INDEMNITY AND INSURANCE COSTS

During the financial year, the Bank has put in place a Directors and Officers Insurance scheme with a maximum sum insured and premium paid of RM10,000,000 and RM34,289 respectively for the Directors and Officers of the Bank.

FINANCIAL PERFORMANCE DURING THE FINANCIAL YEAR

The Bank recorded a profit before tax of RM93.69 million for the financial year ended 31 December 2024, an increase of RM5.14 million or 5.8% compared with the previous financial year. Net interest income, which contributed 72.9% to the Bank's total net operating income, rose by RM6.25 million or 4.7% compared with the financial year ended 31 December 2023 as a result of a higher average balance of interest-bearing assets for the current financial year. Net non-interest income which constituted 27.1% of the Bank's total operating income, grew to RM51.94 million. The increase was mainly attributed to net trading income, which was higher than the previous financial year by RM15.06 million.

The Bank's other operating expenses decreased slightly by RM1.87 million or 2.5% to RM73.31 million due to lower personnel costs of RM1.70 million and lower administrative expenses of RM0.35 million, offset by higher establishment costs of RM0.20 million. During the year, there was an allowance for impairment on loans, advances and financing amounting to RM24.86 million mainly due to a change in some borrowers' credit rating while there was a write-back of impairment on other financial assets of RM0.52 million due to maturities of financial investments measured at amortised cost.

As at 31 December 2024, the Bank's total assets amounted to RM5.32 billion, which increased by RM390.16 million or 7.9% compared with 31 December 2023. This was mainly due to an increase in financial investments measured at Fair Value at Other Comprehensive Income ("FVOCI") of RM411.97 million or 60.3% to RM1.10 billion and deposits and placements with banks and other financial institutions of RM174.23 million or 137.5% to RM300.95 million compared with the financial year ended 31 December 2023. The Bank's net loans, advances and financing decreased by RM21.89 million or 0.7% to RM3,032.95 million compared with RM3,054.83 million as at 31 December 2023 mainly due to higher allowance for impairment on loans, advances and financing.

The Bank's total liabilities increased by RM319.33 million or 9.0% and stood at RM3.88 billion as at 31 December 2024. The higher balance was attributed to the growth of deposits from customers by RM157.27 million or 6.3% and deposits and placements of banks and other financial institutions by RM155.34 million or 16.0% compared with the previous financial year end.

CORPORATE GOVERNANCE STATEMENT

ICBC Malaysia is always committed to upholding the Bank's corporate governance standards and adhering to the principles and best practices of corporate governance as the basis of its governance model by complying with and practising the core values set out in Bank Negara Malaysia's policy document on Corporate Governance ("BNM CG Policy") and the Malaysian Code on Corporate Governance ("MCCG"). The commitment from the top paves the way for the Management and all employees to ensure that the Bank's businesses and affairs are effectively managed in the best interest of all stakeholders with the ultimate aim of fostering the long-term sustainability of the Bank.

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Bank which supports the three (3) key principles of the MCCG 2021, namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The Board also reviewed the manner in which the BNM CG Policy is applied in the Bank, where applicable, as set out below.

BOARD OF DIRECTORS

(a) **Board Composition**

The Bank recognises the importance of having a diverse Board in terms of experience, skills, competence, ethnicity, gender, culture and age. The size and composition of the Board should be appropriate and well-balanced to ensure the long-term sustainable success of the Bank.

The Board currently consists of five (5) Members, including the Non-Independent Non-Executive Director/Chairperson ("NINED"), the Managing Director/Chief Executive Officer ("MD/CEO") and three (3) Independent Non-Executive Directors ("INEDs"). With Ms Wei Quanhong, Ms Sum Leng Kuang and Ms Geng Hao on the Board, the Board is now more gender diverse, comprising three (3) female and two (2) male Directors. A board with heterogeneous expertise and experience would contribute to the well-functioning of the board, leading to the achievement of the Bank's long-term strategies and sustainability.

The profile of each member of the Board is as follows:-

(i) **Ms Wei Quanhong**
Chairperson/Non-Independent Non-Executive Director
56 years old

Ms Wei Quanhong ("Ms Wei"), a Chinese, was appointed as a Non-Independent Non-Executive Director and Chairperson of ICBC Malaysia on 8 February 2023. She holds a Bachelor's Degree in Economics (major in Trade Economics) from Renmin University, China in 1991. She has further obtained a Master's Degree in Business Administration (major in International Banking and Finance) from The University of Birmingham, United Kingdom in 2000.

Ms Wei, who started her career at the Industrial and Commercial Bank of China Limited ("ICBC Ltd") in July 1991, has over 30 years of extensive experience in the banking industry. She has held various senior positions since joining ICBC Ltd and prior to her current role, Ms Wei was the Senior Expert of the Corporate Strategy and Investor Relations Department of the said Bank.

BOARD OF DIRECTORS *(continued)*

(a) **Board Composition *(continued)***

(ii) **Ms Geng Hao**
Managing Director/Chief Executive Officer
48 years old

Ms Geng Hao ("Ms Geng"), a Chinese, was appointed as MD/CEO of ICBC Malaysia on 26 September 2024. She holds a Master of Arts in Business Administration from Renmin University of China and a Bachelor of Arts in International Finance from Dongbei University of Finance and Economics, China.

Ms Geng has more than 24 years of experience in the banking industry, including corporate banking, trade finance, cash management, retail banking and private banking. She has held various senior positions within ICBC Group and was formerly the Deputy General Manager of ICBC Singapore Branch prior to her appointment as MD/CEO of ICBC Malaysia.

(iii) **Mr Chin Chee Kong**
Independent Non-Executive Director
68 years old

Mr Chin Chee Kong ("Mr Chin"), a Malaysian, was appointed to the Board on 10 August 2017. He is currently the Chairman of the Audit Committee ("AC") as well as a Member of the Board Risk Management Committee ("BRMC") and the Nomination and Remuneration Committee ("NRC").

Mr Chin is a Chartered Accountant and a Certified Public Accountant. He has 35 years of experience in providing audit, taxation and corporate advisory services (including corporate finance and corporate restructuring) to clients in a wide range of industries. He started his career as an audit junior with Peat Marwick Mitchell & Co (now known as KPMG PLT) in 1979 and held various positions before being promoted to a Partner of KPMG Malaysia in 1990. He was subsequently appointed as Partner-in-Charge of KPMG East Malaysia in 2007 and a member of the Executive Council of KPMG Malaysia in 2011 until his retirement from the Firm on 1 January 2014.

Mr Chin currently sits on the Board of Naim Holdings Berhad and Perdana Petroleum Berhad as a Non-Independent Non-Executive Director.

(iv) **Mr Ng Lip Yong**
Independent Non-Executive Director
75 years old

Mr Ng Lip Yong ("Mr Ng"), a Malaysian, was appointed to the Board on 7 February 2019. He is currently the Chairman of the NRC as well as a Member of the AC and the BRMC.

Mr Ng holds a Bachelor of Engineering (Hons) in Electronic Engineering from the University of Sheffield and a Master of Science in Microwave and Communications Engineering from the University of Leeds, UK. He is a Life Member of the Institute of Electrical and Electronic Engineers (IEEE), USA.

BOARD OF DIRECTORS *(continued)*

(a) **Board Composition *(continued)***

(iv) **Mr Ng Lip Yong *(continued)***

Mr Ng has broad experiences through various positions/advisory roles held in government agencies and the corporate sector. He held various technical and management positions in several established companies, which included as Engineer of Standard Telephone & Cables Ltd, England and Telecommunications Authority of Singapore, Resident Manager of GTE International Incorporated, USA (Malaysia Representative Office), Managing Director of Hai-O Marketing Sdn Bhd and Hai-O Energy Sdn Bhd and Business Advisor of Hiap Teck Venture Berhad.

Mr Ng has previously served the Malaysian Government as the Deputy Minister of Ministry of the International Trade & Industry Malaysia ("MITI"), Chairman of the Malaysian Logistic Council, Parliamentary Secretary of the Ministry of Plantation Industries & Commodities Malaysia and Member of Parliament for Batu Constituency, Kuala Lumpur. He is currently the Honourary Advisor of the Malaysia-China Chamber of Commerce.

(v) **Ms Sum Leng Kuang**
Independent Non-Executive Director
71 years old

Ms Sum Leng Kuang ("Ms Sum"), a Malaysian, was appointed to the Board on 15 April 2019. She is currently the Chairperson of the BRMC as well as a Member of the AC and the NRC.

Ms Sum holds a Bachelor of Commerce Degree in Finance from the University of Canterbury, New Zealand. She is also a Certified Financial Planner. Ms Sum has over 30 years of experience in fund investment and management with vast exposures in credit and market risk management. She has worked loyally with Great Eastern Group for 31 years from 1982 to 2013. As the Head of Fixed Income Investment in Great Eastern Life Assurance (Malaysia) Berhad, Ms Sum was responsible for the management of approximately RM40.0 billion fixed income funds as well as credit risk management of the credit investment portfolios. In 2013, Ms Sum joined Hong Leong Asset Management Berhad ("HLAM") as Chief Investment Officer cum Acting Chief Executive Officer to drive and oversee the fund management business of HLAM. Ms Sum was appointed by Credit Guarantee Corporation Malaysia Berhad as an Investment Advisor following her retirement from HLAM in 2014.

As at the date of this report, none of the Directors have any shareholding in the Bank nor any conflict of interest or personal interest in any business arrangement involving the Bank.

(b) **Tenure and Independence**

The Board recognises the importance of having a strong element of independence on the Board so as to provide an effective check and balance in the functioning of the Board to safeguard the interests of the Bank and all stakeholders. The current Independent Directors of the Bank account for 60% of the Board, which is in compliance with the requirement of having a majority of Independent Directors on the Board at all times as set out in BNM CG Policy.

The Board through the NRC assesses the Independent Directors' independence annually. In the annual assessment of the Independent Directors of the Bank for the financial year 2024 ("FY2024"), the Board was satisfied that each of the Independent Directors of the Bank continues to be independent and free from any business or other relationships, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank. All the Independent Directors also continue to fulfill the criteria and definition of 'Independent Director' as stipulated in BNM CG Policy.

BOARD OF DIRECTORS *(continued)*

(b) **Tenure and Independence *(continued)***

The Bank has adopted a policy to limit the tenure of INEDs to a cumulative term of nine (9) years. Upon completion of the nine (9) years, an INED may continue to serve on the Board if the Board has approved his/her re-appointment with the recommendation from the NRC, after the assessment that the services of the INED are still required by the Bank and that the Director concerned remains free of any business or other relationships with the Bank which could reasonably be perceived to materially interfere with his/her exercise of unfettered and independent judgement. Any re-appointment of INED of this nature is subject to the approval of BNM. As at the date of this report, none of the Bank's INEDs have served for a cumulative term of more than nine (9) years.

(c) **Board Responsibilities and Operation**

In discharging its roles and responsibilities, the Board is guided by its Board Charter which outlines, among others, the respective roles, responsibilities and authorities of the Board (both individually and collectively), the Chairperson and MD/CEO of the Bank. The Board Charter serves as the basis of the principles that govern the Board's conduct and its relationship with the stakeholders of the Bank.

The Board Charter will be reviewed as and when deemed appropriate so as to maintain its relevance with the business operations of the Bank and in line with the relevant regulatory requirements. The Board Charter was last reviewed and revised in December 2024 and is available on the Bank's corporate website (www.icbcmy.com) for reference. Other than the Board Charter, the Board has also established a Terms of Reference ("TOR") which serves as a guide to the Board in discharging its duties effectively.

The Board is collectively responsible for effective oversight of the Bank and the helming of the Bank's strategic direction and objectives, business plan, viability, and governance structure that will help to achieve ICBC Malaysia's strategic growth and deliver sustainable shareholder value. The Board is also responsible for setting the risk appetite and determining the principal risks for the Bank while at the same time, through the established Board Committees, providing effective oversight of the Bank's performance, risk assessment and controls over business operations, and compliance with regulatory requirements.

The day-to-day business operation of the Bank is managed by the MD/CEO who is assisted by the Senior Management team. The MD/CEO and her Senior Management team are accountable to the Board for the performance of the Bank. Apart from that, the Board has established Board Committees which operate within clearly defined TORs primarily to support the execution of its duties and responsibilities.

The Board acknowledges the importance of a clear division of responsibilities between the Chairperson and MD/CEO. The roles of Chairperson and MD/CEO are therefore exercised by separate individuals to ensure optimal balance, resulting in increased accountability and enhanced decision-making. The roles and responsibilities of the Chairperson and MD/CEO are also specified clearly in the Board Charter of the Bank.

The Bank has also adopted a Code of Ethics for Directors which is in line with the requirements of BNM CG Policy and ensures that the Board continues to shape the ethical culture through its leadership. The provisions of the Code of Ethics for Directors are aligned with the Code of Ethics and Conduct for Staff (collectively referred to as "Codes") and the corporate culture of uncompromising integrity and exceptional performance applicable across the ICBC Group.

BOARD OF DIRECTORS *(continued)*

(c) **Board Responsibilities and Operation *(continued)***

The Bank adopts a zero-tolerance stance toward any acts of bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships. To complement the existing Codes, the Bank has established the Anti-Bribery and Corruption Policy, which emphasises adherence to the Guidelines on Adequate Procedures issued under the Malaysian Anti-Corruption Commission Act 2009, covering five (5) principles (i.e. Top Level Commitment, Risk Assessment, Undertake Control Measures, Systematic Review, Monitoring & Enforcement and Training & Communication). This reflects the Board and Senior Management's dedication to upholding a high level of ethics, integrity and good corporate governance in cooperation with relevant stakeholders.

(d) **Board and Board Committee Meetings**

The Board meets at least 5 times a year. The dates of Board/Board Committee meetings are scheduled well in advance to enable the Directors to plan ahead whilst an annual schedule of rolling agenda items has been determined to ensure that all matters are given due consideration and reviewed at the appropriate point in the financial and regulatory cycle. In addition to the scheduled meetings, ad-hoc meetings may be convened as and when required to deliberate on any urgent proposals or matters. The agenda together with the management reports and proposal papers are furnished to the Directors between 3 to 10 days before the Board and Board Committees meetings.

There is always an avenue for Non-Executive Directors to seek clarifications or obtain details concerning proposal papers/reports from the Management or the Company Secretary. The Non-Executive Directors may seek independent professional advice, at the Bank’s expense, should the need arise in discharging their duties. Senior Management or Heads of Department are invited to attend Board meetings to report to the Board on matters relating to their respective areas of responsibility and also to brief and provide details to the Directors on recommendations or reports submitted to the Board.

At each Board/Board Committee meeting, the Chairman/Chairperson of the Board/Board Committee ensures all Members of the Board/Board Committee have been given opportunities to express their views, opinions and ideas to facilitate a proper decision-making process by the Board/Board Committees. In particular, for Board meetings, the Board is informed of decisions, salient issues and views raised at the Board Committee meetings by the Chairmen of the respective Committees. Minutes of the respective Board Committee meetings are also tabled for the Board’s information. All Board/Board Committee meetings’ proceedings are properly recorded and the minutes thereof are tabled at the next meeting for confirmation by the Board/Board Committees.

Between board meetings, the Board may, depending on the urgency of matters, grant approval through circular resolutions in writing, as permitted by the Bank’s Constitution.

The Directors have a duty to declare immediately to the Board should they be interested in any proposal being considered or any transaction to be entered into directly or indirectly by the Bank. An interested director is required to abstain from deliberations and decisions of the Board.

The Directors have demonstrated that they are able to allocate sufficient time to the Bank in discharging their duties and responsibilities, and their commitment is affirmed by their attendance at the Board and Board Committee meetings held during FY2024, as reflected below:-

BOARD OF DIRECTORS *(continued)*

(d) **Board and Board Committee Meetings *(continued)***

Directors as at 31 December 2024	**Attendance**			
	Board	Audit Committee	Board Risk Management Committee	Nomination and Remuneration Committee
Wei Quanhong *Chairperson/NINED*	6/6	N/A	N/A	N/A
Geng Hao *MD/CEO* *(Appointed on 26 September 2024)*	2/6	N/A	N/A	N/A
Xie Shaoxiong *MD/CEO* *(Resigned on 26 September 2024)*	4/6	N/A	N/A	N/A
Chin Chee Kong *INED*	6/6	5/5	6/6	5/5
Ng Lip Yong *INED*	6/6	5/5	6/6	5/5
Sum Leng Kuang *INED*	5/6	5/5	5/6	5/5

(e) **Training and Development of Directors**

The Bank recognises the importance of ensuring the Directors are continuously acquiring or enhancing the requisite knowledge and skills to discharge their duties effectively.

To this end, the Bank has put in place a Directors' Induction Programme for newly appointed Directors to familiarise them with the industry as well as the business operations of the Bank, in addition to requiring them to attend the regulatory Mandatory Accreditation Programme, i.e. Financial Institutions Directors' Education Core Programme. Upon appointment, a new Director will attend the Induction Programme organised by the Bank where he/she will be briefed on an overview of the corporate strategies, business operations, financial performance, business risks and risk management strategies of the Bank as well as the regulatory requirements of the banking industry.

The Directors are also provided with opportunities to participate in training programmes and seminars organised internally (including those organised by the ICBC Group) or externally by relevant regulatory authorities and professional bodies to broaden their knowledge and keep abreast with the relevant changes in law, regulations and the business environment.

The training programmes, conferences and forums attended by the Directors of the Bank during FY2024, were as follows:-

- In-house: Climate Change and Principle-Based Taxonomy ("CCPT"): Refresher & Updates
- In-house: Anti-Bribery and Corruption Training
- In-house: Anti-Money Laundering ("AML"), Countering Financing of Terrorism ("CFT"), Countering Proliferation Financing and Targeted Financial Sanctions
- In-house: IT Security
- Capturing Carbon: Understanding the Carbon Capture Storage and Carbon Capture, Utilization and Storage
- Navigating the Financial Currents
- Decoding the China Codex
- Opening-up and Interconnectivity: Emerging Opportunities in China Bond Market

BOARD OF DIRECTORS *(continued)*

(e) **Training and Development of Directors *(continued)***

- Malaysia Sustainable Finance Initiative: Decoding Hydrogen to Support the Energy Transition
- Capital Markets Malaysia - Transition Strategy for ASEAN Corporates
- Delft Risk Management Webinar: Building Resiliance
- Practical Application of the CCPT
- ASPAC Board Leadership Centre ("BLC") Webinar 2024: The Risk Landscape: Navigating Climate Transition Risks in a Circular Economy
- ASPAC BLC Webinar 2024: Geopolitical Risks and the Strategic Imperative for Boards and C-Suite
- Sustainable Investment Platform ("SIP") - Navigating Corporate Governance with Proxy Advisors: Global Trends and Malaysia Insights
- DBS Pulse of Asia Conference
- Climate Change & BNM CCPT
- 2024 Khazanah Megatrend
- Moody's – Digital Green Finance & Tokenization in APAC
- Simplifying e-Invoicing
- Service Tax - Transitional Rules and Expansion of Taxable Services
- Decoding Hydrogen to Support the Energy Transition
- Transition Strategy for ASEAN Corporates
- Environmental, Social and Governance: Essentials for Directors and Management
- Understanding IFRS S1 and IFRS S2: Learn the Impact of the New Reporting Standards and How to Navigate the Requirements for Public Listed Companies
- Navigating Capital Gains Tax
- KPMG Tax and Business Summit 2024
- Audit Oversight Board Conversation with Audit Committees
- MFRS Updates 2024

(f) **Appointment and Re-election of Directors**

▪ Appointment/Re-Appointment of Directors

The Bank has in place a Governance Policy on the Nomination and Appointment of Directors and Succession Planning ("Governance Policy"), which sets out a clear and transparent process for the nomination of directors as well as the minimum criteria and qualifications for director candidates of the Bank.

The nomination process seeks to select individuals with diverse and specialised knowledge, skills and expertise to strengthen the Board and drive the Bank's business success. The said policy also aims to develop a systematic approach to the orderly identification and selection of new Directors in the event vacancies arise due to planned retirements, unplanned departures, Board expansion or other reasons, so as to ensure proper succession planning and smooth functioning of the Board.

Pursuant to the provisions of the Financial Services Act 2013 and BNM CG Policy, the appointment of a new Director is subject to the prior written approval of BNM for a specified term of appointment. The NRC is responsible for undertaking a thorough assessment of the proposed candidate by taking into account the criteria/requirements as stated in the Governance Policy, Fit and Proper Policy of the Bank and/or those imposed by relevant regulatory authorities before recommending an appointment proposal to the Board for approval. Independent background checks will also be conducted to verify the information disclosed in the Fit and Proper Declarations of the proposed candidates.

In the case of INEDs, prior to recommending to the Board for consideration, interview session(s) will also be held by the NRC to assess the suitability of the candidates to be appointed to the Board, during which the NRC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise and experience of the Board as a whole.

BOARD OF DIRECTORS *(continued)*

(f) **Appointment and Re-election of Directors *(continued)***

- Appointment/Re-Appointment of Directors *(continued)*

  For the reappointment of existing Directors, the NRC refers to the results of the individual assessments conducted via the Board Performance Evaluation exercise in addition to their normal interactions with the Directors. The NRC also assesses the Directors on the basis of their performance, contribution to the Board and Board Committees, fitness and propriety, independence of decision-making perspectives, where deemed appropriate, and time commitment. Once approved by the Board, the application for the reappointment of Directors is submitted to BNM for its consideration.

- Re-election of Directors

  The Constitution of the Bank states that newly appointed Directors shall hold office only until the next annual general meeting ("AGM") and shall then be eligible for re-election. In addition, one-third of the Directors or the number nearest to one-third of the Directors for the time being shall retire by rotation from office and shall be eligible for re-election at each AGM. It also states that the CEO so appointed where he/she is a director shall not, while holding that office, be subject to retirement by rotation or be taken into account in determining the retirement by rotation of directors.

(g) **Board Performance Evaluation**

The Bank conducts an annual Board Performance Evaluation ("BPE") exercise with the objective of assessing the performance of the Board as a whole, Board Committees and individual Directors. The results of the BPE form part of the basis for evaluation by the NRC for the reappointment of Directors.

The BPE is a questionnaire-based self-assessment exercise where Directors assess the performance of the Board, Board Committees and individual Directors. The assessment results will be tabled at the NRC and the Board for review to enable the Board to identify and put in place actions to address areas for improvement. All Directors will have access to the final evaluation report for information and improvement.

The Bank has distributed the assessment questionnaire for FY2024 to the Directors and the assessment results had been compiled and subsequently submitted to the NRC and the Board for review.

Apart from that, the Board through the NRC assessed the fitness and propriety of the Directors in accordance with the Bank's Fit and Proper Policy in conjunction with the annual BPE exercise. All Directors are required to complete a self-declared Fit & Proper Declaration annually. The Fit & Proper Declarations by the Directors are verified against independent sources. For FY2024, the Board was satisfied that each of the Directors met the required standard of fitness and propriety to continue to serve as Directors of the Bank.

BOARD COMMITTEES

The Board has established AC, BRMC and NRC to complement the Board in the execution of its roles and responsibilities. Each Board Committee operates within its TOR, which clearly defines its functions and authorities. The aforesaid TORs are reviewed as and when deemed appropriate so as to maintain their relevance with the business operation of the Bank and in line with the regulatory requirements.

BOARD COMMITTEES *(continued)*

(a) **Audit Committee**

The AC comprises entirely of INEDs. The AC supports the Board with matters relating to financial reporting, external audit, internal audit, internal control processes and related party transactions. It also works closely with BRMC in connection with assessing the effectiveness of the risk management and internal control framework. The details of AC's duties and responsibilities are set out in its TOR which is published on the Bank's corporate website.

During FY2024, five (5) regular meetings were held and the details of the attendance of the AC members are reported on page 9 of the Directors' Report. The key activities carried out by AC in FY2024 covered the following:-

i. reviewed the quarterly reports and financial statements of the Bank, focusing particularly on: (i) any changes in accounting policies and practices; (ii) significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed; and (iii) compliance with accounting standards and other legal requirements;

ii. reviewed the audit plan of the external auditors, which encompassed the detailed terms of the external auditors' responsibilities and affirmation of their independence as external auditors, audit methodology, areas of audit emphasis for the financial year and any significant issues that could be foreseen, either as a result of the past year's experience or due to new accounting standards or other changes in statutory requirements;

iii. reviewed the results of the audit with the external auditors, if any, together with their recommendations and Management's responses, as detailed in the Audit Report in respect of the Bank's Statutory Audit for FY2024;

iv. met twice with the external auditors without the presence of Management for open discussions on any issues of concern of the external auditors arising from their audit;

v. assessed the performance, effectiveness and independence of the existing external auditors based on the criteria set out in BNM's Policy Document on External Auditors and recommended the reappointment of the external auditors for FY2024 to the Board;

vi. assessed, following the October 2024 resignation of the external auditors reappointed during the Bank's last Annual General Meeting, the suitability of a replacement audit firm based on the criteria set out in BNM's Policy Document on External Auditors and recommended the appointment of the new external auditors for FY2024 to the Board;

vii. reviewed the internal audit plan to ensure the adequacy of scope, coverage and resources required to perform audits for the identified auditable areas;

viii. reviewed the audit findings and recommendations highlighted by the Internal Audit Department and ensured that Management had taken the necessary corrective actions in a timely manner to address control lapses and weaknesses identified;

ix. reviewed and assessed the annual performance of the Internal Audit function of the Bank;

x. reviewed related party transactions entered into by the Bank and its related parties, covering the nature and amount of the transactions so as to ensure that related party transactions were undertaken on an arm's length basis, on normal commercial terms and on terms that were not more favourable to the related parties than those generally available to non-related parties; and

xi. reviewed the Independent Credit Review ("ICR") reports of the Bank.

BOARD COMMITTEES ***(continued)***

(b) **Board Risk Management Committee**

The BRMC comprises entirely of INEDs. The BRMC is entrusted by the Board to undertake the responsibilities to provide oversight and ensure governance of risks for the Bank. The Committee oversees the risk management framework, and reviews the risk management activities and policies formulated by the Management for approval by the Board. It assists the Board to ensure that the risk exposures and outcomes affecting the Bank are effectively managed and addressed. The details of the BRMC's duties and responsibilities are set out in its TOR which is available on the Bank's corporate website.

During FY2024, five (5) regular meetings and one (1) special meeting were held to consider exigent matters. The details of the attendance of the BRMC members are reported on page 9 of the Directors' Report.

The BRMC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2024:-

i. reviewed risk management reports which covered global and domestic economic developments, risk headwinds, capital adequacy assessment, integrated and thematic stress tests, credit risk, market risk, operational risk, technology risk, liquidity risk, compliance risk, legal risk, strategic risk, reputational risk, climate risk and country risk of the Bank;

ii. reviewed legal and compliance risks reports which included departmental organisation and staffing, the recent development of applicable laws and regulations, legal and compliance risk incidents/management, compliance work/issues/gaps and AML/CFT-related updates;

iii. reviewed the revisions to and/or establishment of the risk management and compliance-related policies/framework/statement of the Bank and ensured alignment of policies with the Bank's objectives, regulatory requirements, and industry standards before recommending the same to the Board for approval.

iv. reviewed and recommended the risk management and compliance-related proposal papers/reports to the Board for approval.

v. reviewed the revisions to the TOR of the BRMC and recommended the same to the Board for approval;

vi. reviewed the ICR Reports of the Bank;

vii. reviewed and endorsed the Compliance & Internal Control Department Work Plan for 2024;

viii. reviewed a bank-wide Compliance Risk Assessment for 2023; and

ix. reviewed and assessed the annual performance of the Risk Management and Compliance functions of the Bank.

(c) **Nomination and Remuneration Committee**

The NRC comprises entirely INEDs. The NRC is responsible for supporting the Board in ensuring formal, transparent and consistent procedures are established by the Bank to govern the board composition, performance assessment and development, fit and proper assessment as well as appointment and removal of Directors, Board Committee Members, Senior Management and senior officers of control functions. It also provides oversight and direction on human resource and remuneration policies of the Bank. The details of NRC's duties and responsibilities are set out in its TOR which is available on the Bank's corporate website.

BOARD COMMITTEES *(continued)*

(c) **Nomination and Remuneration Committee *(continued)***

During FY2024, five (5) NRC meetings were held and the attendances of the NRC members are reported on page 9 of the Directors' Report. The key activities carried out by NRC in FY2024 included the following:-

i. assessed the annual performance of individual Directors, the Board as a whole and Board Committees' members through an internally conducted BPE exercise;

ii. assessed the annual performance of Senior Management and Internal Control functions of the Bank;

iii. assessed and endorsed the 2024 key performance indicators setting of the internal control functions of the Bank;

iv. assessed the fitness and propriety of Directors, Senior Management and the Company Secretary as well as the independence of Independent Directors of the Bank;

v. reviewed the proposals relating to the Bank's annual total remuneration for FY2024; and

vi. reviewed the revisions of the Code of Ethics for Directors of the Bank, the Code of Conduct for Dealers of the Bank, the Code of Ethics and Conduct for Staff of the Bank and the Governance Policy on Nomination and Appointment of Directors and Succession Planning of the Bank.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board affirms its commitment to its overall responsibility and oversight of the Bank's system of risk management and internal control. In acknowledging the importance of having a sound risk management and internal control system, the Board has established a governance structure that ensures effective oversight of risk and internal controls of the Bank at all levels. To this end, the Board is assisted by the BRMC and AC, which have been delegated the primary oversight responsibilities on the Bank's risk management and internal control system.

The Bank has implemented an ongoing process to identify, evaluate, monitor, manage and respond to significant risks faced by the Bank in the achievement of its business goals and objectives amidst the dynamic and challenging business environment and increasing regulatory supervision. This ongoing process has been in place throughout FY2024 and has continued up to the date of this report.

The key processes that the Board has established to provide effective governance and oversight of risk management and internal control of the Bank include, among others, the following:-

(a) **Risk Governance and Oversight**

The risk governance model provides a formalised, transparent and effective governance structure that promotes active involvement from the Board and Senior Management in the risk management process to ensure an integrated view of risks across the Bank. The governance model aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the three (3) Lines of Defence. The management of risks broadly takes place at different hierarchical levels and is embedded within the Bank's three (3) Lines of Defence:-

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK *(continued)*

(a) **Risk Governance and Oversight *(continued)***

Lines of Defence	Functions	Key Responsibilities
1st Line	Business, Operation and Support Functions	Primarily responsible for managing risks inherent in the day-to-day activities, processes and systems for their respective functions, for which they are accountable.
2nd Line	Risk Management, Compliance and Support Functions	Responsible for establishing appropriate governance of risk management and through the use of risk methodology, undertakes the roles of risk identification, assessment and monitoring in managing risks.
3rd Line	Internal Audit	Responsible for providing independent and reasonable assurance over the comprehensiveness and robustness of the internal control system, risk management practices and governance framework.

(b) **Risk Management**

The Deputy CEO in charge of the Risk Management Department and Risk Management function is responsible for establishing and facilitating the implementation of the Bank's risk management framework as well as performing periodic assessments of the consistency of the Bank's risk profile with the risk appetite statement as approved by the Board. The risk management function is guided by the Bank's risk management framework based on the guidelines issued by relevant regulatory authorities, Parent Bank and the best practices in governing the banking business.

Based on the risk management framework, the risk management processes have been defined to effectively manage the identification, assessment, monitoring and controlling of material risks. The outcomes of the risk management processes have been reported periodically for supervision and decision-making purposes at both the Management and Board levels.

The details pertaining to the Bank's financial risk management framework are set out on pages 83 to 105 of these financial statements.

(c) **Compliance**

The Chief Compliance Officer ("CCO") is the central point of authority for the Bank's compliance matters and is responsible for providing an institution-wide view on the management of compliance risk. The CCO is supported by the Compliance and Internal Control Department ("CIC") which undertakes the function of identification, assessment, monitoring and reporting of compliance risk. In carrying out the activities, CIC has adopted a risk-based approach in the management of compliance risk.

The Bank has established the position of Compliance Liaison Officer ("CLO") at Business, Operation and Support Functions to undertake and assist CIC in the management of compliance and AML Risks that reside in the first line of defence, as may be assigned by CIC from time to time. The appointed CLOs are also tasked to promote general compliance awareness cascaded by CIC to their respective functions.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK *(continued)*

(c) **Compliance *(continued)***

The Bank is committed to compliance with the AML/CFT requirements by putting in place AML/CFT programme as well as comprehensive policies, procedures and manuals. The AML/CFT programme continues to be reviewed and updated to reflect changes in the operational needs, business environment and regulatory requirements. This covers areas on risk profiling of customers, submission of cash threshold and suspicious transaction reports, and handling of the investigation orders issued by law enforcement authorities.

Training programmes are regularly arranged for employees of the Bank on relevant legal and regulatory requirements governing the Bank's activities. This aims to provide guidance to employees on the implementation of internal controls to manage compliance risk.

(d) **Internal Audit**

The Internal Audit function is led by the Chief Internal Auditor ("CIA") and aptly supported by a team with specialisation in key risk areas. To preserve the independence of the Internal Audit function, the CIA has a functional reporting line to the AC, and administratively to the MD/CEO and Internal Audit Bureau of the Parent Bank. The Internal Audit function is governed and guided by the Bank's Audit Charter, regulatory guidelines and policies of the Parent Bank.

The Internal Audit function adopts a risk-based approach, driven by a systematic and comprehensive risk assessment model in managing internal audit activities. The fundamental framework for the internal audit function is based on the Committee of Sponsoring Organisations of the Treadway Commission framework, a well-recognised risk and control framework for the evaluation of the design and operating effectiveness of internal control.

Risk assessments on the auditable functions are conducted annually to form the risk-based audit plan for approval by the AC. The Internal Audit function focuses its efforts on performing audits and reviews in accordance with the approved audit plan to provide an independent assessment of the adequacy and effectiveness of the risk management, internal control system and governance structure of the auditable functions. Executions of time-bound remedial action plans are closely monitored to ensure audit issues are resolved timely.

(e) **Human Capital Management**

A fundamental element of any internal control or risk management system is its personnel. The efficacy of the system is contingent upon the exercise of sound judgment, integrity, and a strong sense of accountability by employees in the performance of their duties. Therefore, the Bank has put in place relevant policies and procedures that govern all aspects of human capital management from talent acquisition and development, performance and consequence management to cessation of employment.

The Bank is committed to conducting its business with integrity, sincerity and honesty in compliance with the relevant governing laws, regulations and guidelines. To this end, the Bank has established a Compliance Handbook encompassing, among others, the Code of Ethics and Conduct for Staff ("CECS"), Data Secrecy and Protection and Management of Customer Information and Permitted Disclosures which sets out the requirements imposed by the Bank and the regulatory authorities to be observed and complied with by all employees.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK *(continued)*

(e) **Human Capital Management *(continued)***

The CECS which sets out sound principles and standards of good practice to be observed and complied with by all employees aims to uphold the proper working and ethical standards that are expected by the Bank in its business dealings.

The Bank has established the Whistleblowing Policy and Procedures for Whistleblowing Reporting ("Whistleblowing Policy and Procedures") which provide an avenue for employees and third parties to raise or report concerns in relation to any illegal, unethical or questionable practices. At the same time, the Bank is wholly committed to ensuring strict confidentiality and to protect whistleblowers from the risk of reprisal. The policy in relation to Whistleblowing Reporting by a Third Party is available on the corporate website of the Bank.

REMUNERATION

(a) **Independent Non-Executive Directors**

The Board recognises the importance of setting a fair and competitive remuneration package for INEDs which is commensurate with their expertise, skills, responsibilities, risks and time commitments for being Directors of the Bank. The determination of the INEDs' remuneration is a matter for the Board as a whole and is subject to the approval of the shareholder. The level of remuneration of INEDs is linked to their level of responsibilities.

Currently, the INEDs of the Bank receive Directors' fees and meeting attendance allowances for Board/Board Committee meetings attended. The nature and amount of each major element of the remuneration of the MD/CEO and Non-Executive Directors for FY2024 are disclosed in Note 30(c) to the financial statements. In addition, Non-Executive Directors also receive other benefits including Directors & Officers Liability Insurance, provided that such Director has not acted negligently, fraudulently or dishonestly, or in breach of his/her duty of trust.

(b) **Remuneration Policy of the Bank**

The Bank has established a Remuneration Policy that has been approved by the Board and is subject to periodic reviews by the Board, including when material changes are made to the policy. The Remuneration Policy provides a framework that can be implemented and is replicable year after year. This is to ensure all employees are compensated fairly, transparently and with a proper governance process across all levels of jobs.

Being a performance-driven organisation, the performance measurement, incorporating quantitative indicators, qualitative indicators and penalty points, both financial and non-financial goals, short-term and long-term perspectives as well as measures related to risk, compliance and process controls, aims to support a performance-based culture which promotes prudent risk-taking and long-term sustainability of the Bank.

The Bank's compensation approach is performance-oriented, market aware and aligned with business strategy and stakeholder interests. To ensure the competitiveness and effectiveness of remuneration as well as transparency and internal equity, the principles of sustainable conduct and performance define the key pillars of the remuneration policy.

There are two (2) main components, i.e. fixed remuneration and variable remuneration which form the total cash payable to employees of the Bank. Fixed remuneration refers to basic salary and fixed allowances while variable remuneration refers to the discretionary bonus which is cash-based.

REMUNERATION *(continued)*

(b) **Remuneration Policy of the Bank *(continued)***

The allocation of total cash, i.e. basic salary, fixed allowances and bonuses is subject to the approval of the Board on an annual basis based on the overall financial performance of the Bank and in alignment with group-wide pre-defined guidelines and formulae set by the Parent Bank.

The total bonus pool of the Bank is subject to adjustment upon taking into consideration both quantitative risk measures and qualitative risk outcomes.

The subsequent allocation of bonuses for individual employees is determined in accordance with the performance assessment results of the employees and the department or branch based on the pre-defined matrix and may be adjusted based on the accountability of audit, risk and compliance findings or disciplinary action.

In order to reinforce strong internal governance and to safeguard the independence and authority of control functions, i.e. Internal Audit, Compliance and Risk Management of the Bank, the performance and remuneration of the control functions are measured and assessed independent of the departments and branches they support to avoid any conflict of interests.

From the perspective of prudent risk-taking and long-term sustainability as well as the alignment between risk and reward of the Bank, a portion of the bonuses for Senior Management and Other Material Risk Takers of the Bank is subject to deferment of six (6) to twelve (12) months from the financial year end with the deferred portion increasing in tandem with the individual's level of accountability.

The vesting of a bonus or deferred bonus is subject to the final results of individual performance assessment and the overall financial performance of the Bank. The Board and Senior Management of the Bank reserve the discretion to make a potential adjustment, forfeiture or through malus on any bonus or deferred bonus that has not been paid to or vested to the employees within thirteen (13) months from the financial year end in the event of resignation or cessation of employment with the Bank or ICBC Group, misconduct or material restatement of financial results of the Bank.

All the Senior Management and Other Material Risk Takers of the Bank are required to commit not to undertake activities such as personal hedging strategies and liability-related insurance that will undermine the risk alignment effects embedded in their remuneration.

The following depicts the remuneration awarded to the Senior Management and Other Material Risk Takers of the Bank for FY2024:-

Category	Senior Management (7 headcounts)		Other Material Risk Takers (15 headcounts)	
Total Value of remuneration awards for the financial year	**Unrestricted RM'000**	**Deferred RM'000**	**Unrestricted RM'000**	**Deferred RM'000**
Fixed Remuneration				
* Cash-based	3,930	-	5,802	-
* Shares and share-linked instruments	-	-	-	-
* Others	-	-	-	-
Variable Remuneration				
* Cash-based	1,636	166	2,338	254
* Shares and share-linked instruments	-	-	-	-
* Others	-	-	-	-

REMUNERATION *(continued)*

(b) **Remuneration Policy of the Bank *(continued)***

The Senior Management of the Bank is defined as the MD/CEO, Deputy CEO, Chief Compliance Officer, Chief Internal Auditor and Chief Risk Officer.

Other Material Risk Takers of the Bank are defined as individuals whose responsibilities have a material impact on the performance and risk profile of the Bank and individuals whose responsibilities require them to take on material risk exposure on behalf of the Bank.

ACCOUNTABILITY AND AUDIT

Financial reporting

It is the Board's commitment to present a balanced and meaningful assessment of the Bank's financial performance and prospects at the end of the financial year, primarily through the annual financial statements to BNM. The Board is assisted by the AC to oversee the Bank's financial reporting process and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its financial performance and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that the preparation and fair presentation of these financial statements are in accordance with the Malaysian Financial Reporting Standards Accounting Standards, International Financial Reporting Standards Accounting Standards, the requirements of the Companies Act 2016 and other regulatory requirements in Malaysia in all material respects.

Relationship with the Auditors

Key features underlying the relationship of the AC with the external auditors are included in the AC's TOR.

OTHER STATUTORY INFORMATION

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

(a) all known bad debts have been written off and adequate provision has been made for doubtful debts; and

(b) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

(a) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Bank inadequate to any substantial extent; or

(b) that would render the value attributed to the current assets in the financial statements of the Bank misleading; or

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

(d) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Bank misleading.

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

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

(b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than those arising from the ordinary course of the banking business.

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

In the opinion of the Directors, the financial performance of the Bank for the financial year ended 31 December 2024 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

The auditors’ remuneration for the financial year ended 31 December 2024 amounted to RM252,000.

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

…………………………………………………………….
Chin Chee Kong
Director

…………………………………………………………….
Sum Leng Kuang
Director

Kuala Lumpur, Malaysia
Date: 28 May 2025

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

We, Chin Chee Kong and Sum Leng Kuang being two of the Directors of Industrial and Commercial Bank of China (Malaysia) Berhad, do hereby state on behalf of the Directors that, in our opinion, the accompanying financial statements set out on pages 28 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards Accounting Standards ("MFRS"), International Financial Reporting Standards Accounting Standards ("IFRS") 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 Bank as at 31 December 2024 and of its 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:-

……………………………………………………………
Chin Chee Kong
Director

……………………………………………………………
Sum Leng Kuang
Director

Kuala Lumpur, Malaysia
Date: 28 May 2025

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

I, Geng Hao, the Director primarily responsible for the financial management of Industrial and Commercial Bank of China (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 106 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named, Geng Hao, (PP no. PE2155157), at Kuala Lumpur in the state of Wilayah Persekutuan, Malaysia on 28 May 2025.

……………………………………………………………
Geng Hao

BEFORE ME:

……………………………………………………………

Registration No. 201001000001 (839839-M)

Independent auditors' report to the member of
Industrial and Commercial Bank of China (Malaysia) Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Industrial and Commercial Bank of China (Malaysia) Berhad, which comprise the statement of financial position as at 31 December 2024, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 28 to 106.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with MFRS Accounting Standards, IFRS Accounting 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 audit opinion.

Independence and other ethical responsibilities

We are independent 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"), as applicable to audits of financial statements of public interest entities and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Independent auditors' report to the member of
Industrial and Commercial Bank of China (Malaysia) Berhad (cont'd.)

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements 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 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 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 financial statements of the Bank that give a true and fair view in accordance with MFRS Accounting Standards, IFRS Accounting 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 Bank that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report to the member of
Industrial and Commercial Bank of China (Malaysia) Berhad (cont'd.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

- Identify and assess the risks of material misstatement of the financial statements 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 Bank's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Bank to cease to continue as a going concern.

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

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.

Registration No. 201001000001 (839839-M)

Independent auditors' report to the member of
Industrial and Commercial Bank of China (Malaysia) Berhad (cont'd.)

Other matters

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

The financial statements of the Bank for the financial year ended 31 December 2023 were audited by another auditors who expressed an unmodified opinion on those statements on 20 May 2024.

Ernst & Young PLT	Chan Hooi Lam
202006000003 (LLP0022760-LCA) & AF 0039	02844/02/2026 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
28th May 2025

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
ASSETS			
Cash and short-term funds	4	611,638	581,663
Deposits and placements with banks and other financial institutions	5	300,947	126,716
Financial investments measured at fair value through other comprehensive income ("FVOCI")	6	1,095,518	683,548
Financial investments measured at amortised cost	7	164,224	405,107
Loans, advances and financing	8	3,032,945	3,054,830
Derivative financial assets	9	32,603	6,734
Other assets	10	24,096	16,131
Statutory deposits with Bank Negara Malaysia	11	30,936	30,266
Tax recoverable		7,133	3,961
Property and equipment	12	3,439	3,351
Right-of-use assets	13	8,002	10,620
Intangible asset	14	-	-
Deferred tax assets	15	12,196	10,586
TOTAL ASSETS		5,323,677	4,933,513
LIABILITIES			
Deposits from customers	16	2,666,948	2,509,680
Deposits and placements of banks and other financial institutions	17	1,123,377	968,042
Derivative financial liabilities	9	22,170	6,385
Other liabilities	18	50,774	58,298
Lease liabilities	13	7,899	10,385
Provision for commitments and contingencies	19	3,752	2,885
Provision for taxation	20	298	215
TOTAL LIABILITIES		3,875,218	3,555,890
EQUITY			
Share capital	21	832,609	832,609
Reserves	22	615,850	545,014
EQUITY ATTRIBUTABLE TO OWNER OF THE BANK		1,448,459	1,377,623
TOTAL LIABILITIES AND EQUITY		5,323,677	4,933,513
COMMITMENTS AND CONTINGENCIES	32	3,570,917	2,543,650

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Interest income	23	233,155	204,242
Interest expense	23	(93,763)	(71,096)
Net interest income	23	139,392	133,146
Net non-interest income	24	51,942	39,907
Net operating income		191,334	173,053
Other operating expenses	25	(73,305)	(75,177)
Operating profit		118,029	97,876
Allowance for impairment on loans, advances and financing	26	(24,858)	(10,670)
Write-back of impairment on other financial assets	27	522	1,346
Profit before taxation		93,693	88,552
Tax expense	28	(20,891)	(20,702)
Profit for the year		72,802	67,850
Other comprehensive (expense)/income, net of tax			
Items that are or may be reclassified subsequently (from)/to profit or loss:			
Foreign currency translation reserve			
- Currency translation differences in respect of foreign operations		(1,136)	2,192
Fair value reserve			
- Changes in fair value		(1,092)	4,328
- Deferred tax adjustment	15	262	(1,039)
		(830)	3,289
Total other comprehensive (expense)/income for the year		(1,966)	5,481
Total comprehensive income for the year		70,836	73,331
Basic earnings per ordinary share (sen):	29	8.74	8.15

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Non-Distributable				Distributable	
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Fair Value Reserve RM'000	Regulatory Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 January 2024	832,609	5,571	6,495	17,644	515,304	1,377,623
Total comprehensive (expense)/income for the year						
Other comprehensive (expense)/income, net of tax						
Items that are or may be reclassified subsequently from profit or loss:						
Foreign currency translation reserve						
- Currency translation differences in respect of foreign operations	-	(1,136)	-	-	-	(1,136)
Fair value reserve						
- Changes in fair value	-	-	(1,092)	-	-	(1,092)
- Deferred tax adjustment	-	-	262	-	-	262
	-	-	(830)	-	-	(830)
Total other comprehensive expense for the year	-	(1,136)	(830)	-	-	(1,966)
Profit for the year	-	-	-	-	72,802	72,802
Total comprehensive (expense)/income for the year	-	(1,136)	(830)	-	72,802	70,836
At 31 December 2024	832,609	4,435	5,665	17,644	588,106	1,448,459
	Note 21	Note 22 (a)	Note 22 (b)	Note 22 (c)	Note 22 (d)	

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024 *(continued)*

	← Non-Distributable			→	Distributable	
	Share Capital RM'000	**Foreign Currency Translation Reserve RM'000**	**Fair Value Reserve RM'000**	**Regulatory Reserve RM'000**	**Retained earnings RM'000**	**Total Equity RM'000**
At 1 January 2023	832,609	3,379	3,206	17,644	447,454	1,304,292
Total comprehensive income for the year						
Other comprehensive income, net of tax						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation reserve						
- Currency translation differences in respect of foreign operations	-	2,192	-	-	-	2,192
Fair value reserve						
- Changes in fair value	-	-	4,328	-	-	4,328
- Deferred tax adjustment	-	-	(1,039)	-	-	(1,039)
	-	-	3,289	-	-	3,289
Total other comprehensive income for the year	-	2,192	3,289	-	-	5,481
Profit for the year	-	-	-	-	67,850	67,850
Total comprehensive income for the year	-	2,192	3,289	-	67,850	73,331
At 31 December 2023	832,609	5,571	6,495	17,644	515,304	1,377,623
	Note 21	Note 22 (a)	Note 22 (b)	Note 22 (c)	Note 22 (d)	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RM'000	2023 RM'000
Cash flows from operating activities			
Profit before taxation		93,693	88,552
Adjustments for:			
Depreciation of property and equipment	25	1,306	1,716
Depreciation of right-of-use assets	25	4,272	4,283
Interest expense on lease liabilities	25	269	123
Property and equipment written off	25	4	1
Gain on derecognition of right-of-use assets	24 (iii)	-	(6)
Allowance for impairment on loans, advances and financing	26	24,858	10,670
Write-back of impairment on other financial assets	27	(522)	(1,346)
Net unrealised (gains)/losses arising from derivative trading	24 (ii)	(10,083)	3,123
Transfer (from)/to foreign currency translation reserve		(1,136)	2,192
Accretion of discounts net of amortisation of premiums of financial investments measured at FVOCI		1,705	929
Accretion of discounts net of amortisation of premiums of financial investments measured at amortised cost		1,327	4,082
Operating profit before working capital changes		115,693	114,319
Changes in operating assets			
Deposits and placements with banks and other financial institutions		(183,193)	(4,467)
Loans, advances and financing		(2,106)	(619,128)
Other assets		(7,965)	2,506
Statutory deposits with Bank Negara Malaysia		(670)	2,827
Changes in operating liabilities			
Deposits from customers		157,268	217,112
Deposits and placements of banks and other financial institutions		155,335	527,785
Other liabilities		(7,524)	16,249
Cash from operations		226,838	257,203
Income taxes paid		(25,882)	(24,961)
Income taxes refunded		553	645
Net cash generated from operating activities		201,509	232,887
Cash flows from investing activities			
Purchases of property and equipment	12	(1,398)	(1,559)
(Purchases)/Disposal of financial investments measured at FVOCI		(414,767)	122,659
Net proceeds from financial investments measured at amortised cost		240,000	14,925
Net cash (used in)/generated from investing activities		(176,165)	136,025

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024 ***(continued)***

	Note	2024 RM'000	2023 RM'000
Cash flows from financing activity			
Net payment of lease liabilities		(4,409)	(4,553)
Net cash used in financing activity		(4,409)	(4,553)
Net increase in cash and cash equivalents		20,935	364,359
Cash and cash equivalents at beginning of the year		555,933	190,450
		576,868	554,809
Add: Write-back of expected credit loss for the year	4,5	78	1,124
Cash and cash equivalents at end of the year		576,946	555,933
Cash and cash equivalents comprise:			
Cash and short-term funds	4	611,638	581,663
Deposit and placements with banks and other financial institutions	5	300,947	126,716
		912,585	708,379
Less: Deposits with original maturity more than 3 months		(335,639)	(152,446)
		576,946	555,933

Reconciliation of movements of liabilities to cash flows arising from financing activity:

	Note	2024 RM'000	2023 RM'000
Lease liabilities			
At 1 January		10,385	5,687
Acquisition of new leases		1,656	9,145
Net payment of lease liabilities		(4,409)	(4,553)
Interest expense on lease liabilities		269	123
Termination of leases		(2)	(17)
At 31 December	13	7,899	10,385
Cash outflows for leases as a lessee			
Included in cash flows from operating activities:			
Payment relating to leases of low-value assets	25	138	111
Included in cash flows from financing activity:			
Principal paid in relation to lease liabilities		4,140	4,430
Interest paid in relation to lease liabilities		269	123
		4,409	4,553
Total cash outflows for leases		4,547	4,664

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. General information

Industrial and Commercial Bank of China (Malaysia) Berhad is a public limited liability company incorporated and domiciled in Malaysia. The Bank is principally engaged in the provision of banking and other related financial services. The address of its registered office and principal place of business is as follows:-

Level 10, Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur

The Directors regard Industrial and Commercial Bank of China Limited, a corporation incorporated in China, as the holding corporation of the Bank.

The financial statements were authorised for issue by the Board of Directors on 28 May 2025.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards Accounting Standards (“MFRSs”), International Financial Reporting Standards Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

The accounting policies adopted in the preparation of the audited financial statements are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2023, except for the adoption of the following MFRSs effective as of 1 January 2024 as follows:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 7 – *Financial Instruments: Disclosures - Supplier Finance Arrangements*
- Amendments to MFRS 16 – *Leases - Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 – *Presentation of Financial Statements - Non-current Liabilities with Covenants*
- Amendments to MFRS 107 – *Statement of Cash Flows - Supplier Finance Arrangements*

The initial application of the amendments to the above standards does not have any significant impact to the financial statements of the Bank.

As at the reporting date, the following are relevant amendments to standards and new standards issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective. The Bank intends to adopt these standards, if applicable, when they become effective:-

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2025

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

2. Basis of preparation *(continued)*

(a) Statement of compliance *(continued)*

Annual improvements and amendments to MFRSs effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 7 – *Financial Instruments: Disclosures - Amendments to the Classification and Measurement of Financial Instruments*
- Amendments to MFRS 7 – *Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity*
- Amendments to MFRS 9 – *Financial Instruments - Amendments to the Classification and Measurement of Financial Instruments*
- Amendments to MFRS 9 – *Financial Instruments - Contracts Referencing Nature-dependent Electricity*
- Annual improvements to MFRS Accounting Standards - Volume 11

MFRSs effective for annual periods beginning on or after 1 January 2027

- MFRS 18 – *Presentation and Disclosure in Financial Statements*
- MFRS 19 – *Subsidiaries without Public Accountability: Disclosures*

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

- Amendments to MFRS 10 and MFRS 128 – *Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Bank expects that the adoption of the above standards are not expected to have significant financial impact on the financial statements in the period of initial application.

(b) Basis of measurement

The financial statements of the Bank have been prepared on the historical cost basis unless otherwise indicated in the material accounting policies as disclosed in Note 3.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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

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

2. Basis of preparation *(continued)*

d) Use of estimates and judgements *(continued)*

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

- Note 13 Right-of-use assets and lease liabilities
- Note 15 Deferred tax assets
- Note 34.3 Valuation of financial instruments
- Note 34.4(b) Expected credit loss ("ECL") measurement

3. Material accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated.

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions.

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising from the retranslation of equity instruments designated as measured at fair value through other comprehensive income ("FVOCI") which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of the foreign operations are translated to RM at average exchange rates for the period.

All resulting exchange differences are recognised in other comprehensive income and accumulated in the Foreign Currency Translation Reserve ("FCTR") in equity.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

3. Material accounting policies *(continued)*

(b) Interest recognition

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Interest income is recognised at gross basis for financial assets under Stage 1 and Stage 2 ECL. However, interest income is recognised at net basis for financial assets under Stage 3 ECL.

(c) Fees recognition

Loan arrangement fees which are material are recognised as income when all conditions precedent are fulfilled. Guarantee fees and commitment fees which are material are recognised as income based on time apportionment.

Other fee income on services and facilities extended to customers are recognised as the related services are performed.

Other fee expenses relating mainly to transaction and service fees, are expensed off as the services are received.

(d) Income tax expense

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Material accounting policies *(continued)*

(e) Financial instruments

(i) Initial recognition and measurement

The Bank initially recognises loans advances and financing, deposits and debt securities issued on the date they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the assets. All financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially at its fair value plus or minus, for a financial instrument not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issuance.

(ii) Financial instrument categories and subsequent measurement

Financial Assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

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

Fair value through other comprehensive income - Debt investments
A debt investment is measured at FVOCI only if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(l)(i)) where the effective interest rate is applied to the amount net of ECL.

3. Material accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Financial instrument categories and subsequent measurement *(continued)*

Financial Assets *(continued)*

Fair value through profit or loss
All financial assets, including derivative financial assets, not measured at amortised cost or FVOCI are classified as measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Subsequently, financial assets at FVTPL are measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at FVTPL are subject to impairment assessment (see Note 3(l)(i)).

Financial Liabilities

The categories of financial liabilities at initial recognition are as follows:-

Fair value through profit or loss
Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Bank may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as one to be measured at fair value through profit or loss:-

- if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

- a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel; or

- if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in profit or loss.

For a financial liability that is designated as fair value through profit or loss upon initial recognition, the Bank recognises the amount of change in fair value of the financial liability that is attributable to change in credit risk in other comprehensive income and the remaining amount of the change in fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

3. Material accounting policies *(continued)*

(e) Financial instruments *(continued)*

(ii) Financial instrument categories and subsequent measurement *(continued)*

Financial Liabilities *(continued)*

Amortised cost
Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

(iii) Derecognition

Financial assets are derecognised when the contractual right to receive cash flows from the assets has expired; or when the Bank has transferred its contractual right to receive the cash flows of the financial assets, and either substantially all the risks and rewards of ownership have been transferred; or the Bank has neither retained nor transferred substantially all the risks and rewards of ownership, but has not retained control of the assets.

On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

Financial liabilities are derecognised when the Bank's contractual obligations are discharged, cancelled, or expire.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. Material accounting policies *(continued)*

(e) Financial instruments *(continued)*

(iv) Offsetting

Financial assets and financial 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 realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under the MFRSs.

(f) Cash and cash equivalents

Cash and short-term funds consist of cash and bank balances with banks and other financial institutions and money at call and deposits and placements maturing within one month, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term funds with original maturity of less than three months.

Cash and cash equivalents are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method, net of allowance for expected credit loss. The measurement of expected credit loss is based on a three-stage expected credit loss model as described in Note 3(l)(i).

(g) Deposits and placements with banks and other financial institutions

Deposits and placements with banks and other financial institutions including placements with BNM are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method, net of allowance for expected credit loss. The measurement of expected credit loss is based on a three-stage expected credit loss model as described in Note 3(l)(i).

(h) Other receivables

Other receivables are initially recognised at their costs when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, other receivables are measured at amortised cost using the effective interest method.

3. Material accounting policies *(continued)*

(i) Property and equipment

Recognition and measurement

Items of property and equipment costing RM1,000 or more each are capitalised and are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Subsequent costs

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

Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The property and equipment are depreciated commencing from the month subsequent to the month of addition, and depreciation is accounted for up to the month of disposal at the following annual rates:-

	Depreciation rate per annum (%)
Electronic equipment	33.33
Office equipment, fixtures and fittings	20.00
Computer software	10.00
Improvement on leased assets	Over the lease period

Property and equipment under work-in-progress are not depreciated until the assets are ready for their intended use.

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

Disposal and write-off

On disposal of an item of property and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss. Disposal proceeds may also apply to fully depreciated assets. Where an item of property and equipment is no longer in use, it will be written off.

3. Material accounting policies *(continued)*

(j) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:-

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Bank is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Recognition and initial measurement

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:-

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Bank is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The Bank excludes variable lease payments that are 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.

3. Material accounting policies *(continued)*

(j) Leases *(continued)*

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

Subsequent measurement

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

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

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the 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.

(k) Intangible asset

Intangible asset represents admission fee and is measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible asset is calculated to write-off the cost of the intangible asset on a straight-line basis over the estimated useful life of 5 years. Intangible asset is subject to impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

3. Material accounting policies *(continued)*

(l) Impairment

(i) Financial assets

The Bank assesses impairment by using a forward looking "expected credit loss" ("ECL") model. The ECL model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income.

Based on the ECL model policy established, an assessment is performed at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

The three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition is as follows:-

Stage 1: 12-month ECL - non-credit impaired
For exposures where there has not been a significant increase in credit risk since initial recognition that are not credit impaired upon origination and with a day past due ("DPD") of equal to or less than 30 days, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

Stage 2: Lifetime ECL - non-credit impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired and with a DPD between 31 days to 90 days, a lifetime ECL will be recognised.

Stage 3: Lifetime ECL - credit impaired
A financial asset is assessed as credit impaired when it meets the Bank's default criteria which have detrimental impact on the estimated future cash flows of that asset and with a DPD more than 90 days. For financial assets that are credit impaired, a lifetime ECL will be recognised.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of financial assets measured at FVOCI is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At the end of each reporting period, the Bank assesses whether financial assets at amortised cost and FVOCI are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. Material accounting policies *(continued)*

(l) Impairment *(continued)*

(ii) Other assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit).

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

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

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

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

(m) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as finance cost.

3. Material accounting policies *(continued)*

(n) Provision for commitments and contingencies

The Bank issues financial guarantees, letters of credit and loan commitments but the nominal values of these instruments are not recorded in the statement of financial position. The same assessment criteria are used by the Bank in making commitments and conditional obligations for off-balance sheet risks as it does for on-balances sheet loan assets.

The measurement of expected credit loss for these irrevocable off-balance sheet assets is based on a three- stage expected credit loss model as described in Note 3(l)(i).

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and expensed as the related service is provided.

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

(ii) Defined contribution plan

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

(p) Earnings per ordinary share

The Bank presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

No diluted EPS is presented in these financial statements as there are no dilutive potential ordinary shares.

(q) Fair value measurement

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

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

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

4. Cash and short-term funds

	2024 RM'000	2023 RM'000
Cash and balances with banks and other financial institutions	74,040	85,924
Money at call and deposit placements maturing within one month	537,850	495,995
	611,890	581,919
Less: Allowance for expected credit loss	(252)	(256)
	611,638	581,663

An analysis of changes in the allowance for expected credit loss is as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Allowance for expected credit loss				
At 1 January 2024	256	-	-	256
New assets originated	18	-	-	18
Assets derecognised or repaid	(88)	-	-	(88)
Foreign exchange adjustments	66	-	-	66
At 31 December 2024	252	-	-	252
At 1 January 2023	416	-	-	416
New assets originated	252	-	-	252
Assets derecognised or repaid	(412)	-	-	(412)
At 31 December 2023	256	-	-	256

5. Deposits and placements with banks and other financial institutions

	2024 RM'000	2023 RM'000
Licensed Malaysian banks	271,199	75,000
Foreign banks	30,148	52,124
	301,347	127,124
Less: Allowance for expected credit loss	(400)	(408)
	300,947	126,716

An analysis of changes in the allowance for expected credit loss is as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Allowance for expected credit loss				
At 1 January 2024	408	-	-	408
Assets derecognised or repaid	(8)	-	-	(8)
At 31 December 2024	400	-	-	400
At 1 January 2023	1,372	-	-	1,372
Assets derecognised or repaid	(964)	-	-	(964)
At 31 December 2023	408	-	-	408

6. Financial investments measured at fair value through other comprehensive income

(i) By type

	2024 RM'000	2023 RM'000
Malaysian Government Securities	306,635	321,596
Malaysian Government Investment Issues	788,883	361,952
	1,095,518	683,548

(ii) By maturity structure

	2024 RM'000	2023 RM'000
Within one year	-	266,112
More than one year to three years	242,760	112,395
More than three years to five years	711,903	233,376
More than five years	140,855	71,665
	1,095,518	683,548

(iii) Movement of gross carrying amount and the allowance for expected credit loss to other comprehensive income

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
At 1 January 2024	683,548	-	-	683,548
New assets originated or purchased	680,141	-	-	680,141
Assets derecognised or repaid	(267,079)	-	-	(267,079)
Changes in fair value	(1,092)	-	-	(1,092)
At 31 December 2024	1,095,518	-	-	1,095,518
At 1 January 2023	802,808	-	-	802,808
New assets originated or purchased	31,094	-	-	31,094
Assets derecognised or repaid	(154,682)	-	-	(154,682)
Changes in fair value	4,328	-	-	4,328
At 31 December 2023	683,548	-	-	683,548

6. Financial investments measured at fair value through other comprehensive income *(continued)*

(iii) Movement of gross carrying amount and the allowance for expected credit loss to other comprehensive income *(continued)*

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Allowance for expected credit loss				
At 1 January/31 December 2024	-	-	-	-
At 1 January/31 December 2023	-	-	-	-

The carrying amounts of financial investments measured at FVOCI are their respective fair values. Accordingly, the recognition of allowance for expected credit loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss and credit to other comprehensive income.

7. Financial investments measured at amortised cost

(i) By type

	2024 RM'000	2023 RM'000
Financial institutions' securities	-	45,292
Corporate bonds	105,010	261,007
Other debt securities		
- Cagamas bonds	60,035	100,073
	165,045	406,372
Less: Allowance for expected credit loss	(821)	(1,265)
	164,224	405,107

(ii) By maturity structure

	2024 RM'000	2023 RM'000
Within one year	70,010	241,284
More than one year to three years	95,035	145,088
More than three years to five years	-	20,000
	165,045	406,372

7. Financial investments measured at amortised cost *(continued)*

(iii) Movement of gross carrying amount and allowance for expected credit loss to profit or loss

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
At 1 January 2024	406,372	-	-	406,372
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid	(241,327)	-	-	(241,327)
At 31 December 2024	165,045	-	-	165,045
At 1 January 2023	425,379	-	-	425,379
New assets originated or purchased	60,061	-	-	60,061
Assets derecognised or repaid	(79,068)	-	-	(79,068)
At 31 December 2023	406,372	-	-	406,372

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Allowance for expected credit loss				
At 1 January 2024	1,265	-	-	1,265
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid	(505)	-	-	(505)
Changes due to change in credit risk	4	-	-	4
Changes in model/risk parameter	57	-	-	57
At 31 December 2024	821	-	-	821
At 1 January 2023	1,487	-	-	1,487
New assets originated or purchased	87	-	-	87
Assets derecognised or repaid	(118)	-	-	(118)
Changes due to change in credit risk	(40)	-	-	(40)
Changes in model/risk parameter	(151)	-	-	(151)
At 31 December 2023	1,265	-	-	1,265

8. Loans, advances and financing

(i) By type

	2024 RM'000	2023 RM'000
Overdrafts	4,399	7,570
Term loans		
- Housing loans	119,438	108,740
- Syndicated term loans	805,381	843,419
- Other term loans	697,502	846,649
Bills receivable	170,240	59,082
Account receivable purchase	70,230	29,582
Revolving credits	1,143,185	1,093,156
Bankers' acceptances	75,882	96,298
Staff loans	1,718	1,835
Credit card loans	3,240	3,020
Gross loans, advances and financing	3,091,215	3,089,351
Less: Allowance for expected credit loss		
- Stage 1 (12-month ECL)	(24,579)	(26,145)
- Stage 2 (Lifetime ECL - non-credit impaired)	(32,447)	(7,020)
- Stage 3 (Lifetime ECL - credit impaired)	(1,244)	(1,356)
	(58,270)	(34,521)
Net loans, advances and financing	3,032,945	3,054,830

(ii) By type of customer

	2024 RM'000	2023 RM'000
Domestic non-bank financial institutions		
- Others	282,440	236,237
Domestic business enterprises		
- Small medium enterprises	112,781	258,373
- Others	1,882,666	1,955,184
Individuals	38,912	37,751
Foreign entities	774,416	601,806
	3,091,215	3,089,351

(iii) By interest rate sensitivity

	2024 RM'000	2023 RM'000
Fixed rate loan	219,699	231,199
Variable rate		
- Base rate/base lending rate plus	95,906	83,751
- Cost plus	2,719,986	2,705,285
- Other variable rates	55,624	69,116
	3,091,215	3,089,351

8. Loans, advances and financing *(continued)*

(iv) By sector

	2024 RM'000	2023 RM'000
Agriculture, forestry and fishing	5,013	5,014
Manufacturing	707,793	739,292
Electricity, gas and water	151,976	42,110
Construction	150,314	258,181
Mining and quarrying	217,169	254,168
Real estate activities	461,030	467,769
Wholesale and retail trade; repair of motor vehicles and motorcycles	276,899	216,485
Information and communication	8,456	22,370
Finance and insurance	590,000	558,679
Education	198,203	199,668
Household	128,731	121,090
Transportation and storage	175,394	172,512
Administrative and support services	-	31,700
Accommodation and food services	20,237	313
	3,091,215	3,089,351

(v) By purpose

	2024 RM'000	2023 RM'000
Purchase of properties		
- Non-residential	463,708	513,635
- Residential	120,967	110,358
Construction	136,022	130,004
Credit card	3,240	3,020
Personal use	342	781
Working capital	1,850,466	1,634,752
Other purpose	516,470	696,801
	3,091,215	3,089,351

(vi) By geographical distribution

	2024 RM'000	2023 RM'000
Within Malaysia	2,405,406	2,519,599
Outside Malaysia	685,809	569,752
	3,091,215	3,089,351

Concentration by location for loans, advances and financing is based on the geographical location where the credit risk resides.

8. Loans, advances and financing *(continued)*

(vii) By residual contractual maturity

	2024 RM'000	2023 RM'000
Maturity within one year	1,558,018	1,429,963
More than one year to three years	753,764	770,309
More than three years to five years	393,257	466,153
More than five years	386,176	422,926
	3,091,215	3,089,351

(viii) Impaired loans, advances and financing

(a) Movement in impaired loans, advances and financing

	2024 RM'000	2023 RM'000
At 1 January	1,356	1,279
Impaired during the financial year	120	136
Reclassified as performing during the financial year	(127)	(64)
Write-off	(73)	(48)
Exchange differences	(32)	53
At 31 December	1,244	1,356
As % of gross loans, advances and financing	**0.04%**	**0.04%**

(b) By sector

	2024 RM'000	2023 RM'000
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,207	1,239
Household	37	117
	1,244	1,356

(c) By purpose

	2024 RM'000	2023 RM'000
Working capital	1,207	1,239
Credit card	37	117
	1,244	1,356

8. Loans, advances and financing *(continued)*

(viii) Impaired loans, advances and financing *(continued)*

(d) By geographical distribution

	2024 RM'000	2023 RM'000
Within Malaysia	37	117
Outside Malaysia	1,207	1,239
	1,244	1,356

Concentration by location for impaired loans, advances and financing is based on the geographical location where the credit risk resides.

(ix) Movements in gross loans, advances and financing

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2024	2,771,080	316,915	1,356	3,089,351
New assets originated	1,070,967	26,853	8	1,097,828
Assets derecognised or repaid	(1,036,323)	(59,535)	(1)	(1,095,859)
Transfer to Stage 1	19,668	(19,571)	(97)	-
Transfer to Stage 2	(65,165)	65,194	(29)	-
Transfer to Stage 3	-	(112)	112	-
Write-off	-	-	(73)	(73)
Foreign exchange adjustments	-	-	(32)	(32)
At 31 December 2024	2,760,227	329,744	1,244	3,091,215
At 1 January 2023	2,190,753	278,074	1,279	2,470,106
New assets originated	1,770,831	24,221	10	1,795,062
Assets derecognised or repaid	(1,132,400)	(43,422)	-	(1,175,822)
Transfer to Stage 1	48,566	(48,530)	(36)	-
Transfer to Stage 2	(106,670)	106,698	(28)	-
Transfer to Stage 3	-	(126)	126	-
Write-off	-	-	(48)	(48)
Foreign exchange adjustments	-	-	53	53
At 31 December 2023	2,771,080	316,915	1,356	3,089,351

8. Loans, advances and financing *(continued)*

(x) Movements in allowance for expected credit loss on loans, advances and financing

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2024	26,145	7,020	1,356	34,521
New assets originated	6,992	564	8	7,564
Assets derecognised or repaid	(10,469)	(2,150)	(1)	(12,620)
Transfer to Stage 1	381	(284)	(97)	-
Transfer to Stage 2	(1,430)	1,459	(29)	-
Transfer to Stage 3	-	(2)	2	-
Changes due to change in credit risk	223	26,323	110	26,656
Changes in model/risk parameter	1,653	735	-	2,388
Write-off	-	-	(73)	(73)
Foreign exchange adjustments	1,084	(1,218)	(32)	(166)
At 31 December 2024	24,579	32,447	1,244	58,270
At 1 January 2023	18,871	4,178	1,279	24,328
New assets originated	8,708	984	9	9,701
Assets derecognised or repaid	(6,361)	(1,529)	-	(7,890)
Transfer to Stage 1	943	(907)	(36)	-
Transfer to Stage 2	(1,106)	1,134	(28)	-
Transfer to Stage 3	-	(2)	2	-
Changes due to change in credit risk	2,020	1,853	125	3,998
Changes in model/risk parameter	2,960	1,309	-	4,269
Write-off	-	-	(48)	(48)
Foreign exchange adjustments	110	-	53	163
At 31 December 2023	26,145	7,020	1,356	34,521

9. Derivative financial assets/liabilities

	2024		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	630,105	5,792	17,121
- Currency swaps	794,169	26,439	4,677
Interest rate contracts			
- Cross currency interest rate swaps	-	-	-
- Interest rate swaps	100,000	372	372
Total recognised derivative assets/liabilities (Note 32)	1,524,274	32,603	22,170

	2023		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	146,876	251	196
- Currency swaps	159,988	1,354	1,109
Interest rate contracts			
- Cross currency interest rate swaps	87,774	4,237	4,188
- Interest rate swaps	200,000	892	892
Total recognised derivative assets/liabilities (Note 32)	594,638	6,734	6,385

10. Other assets

	2024 RM'000	2023 RM'000
Interest receivable	17,407	12,357
Deposits	1,315	1,502
Other receivables and prepayments	5,374	2,272
	24,096	16,131

11. Statutory deposits with Bank Negara Malaysia

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

12. Property and equipment

	Electronic equipment RM'000	Office equipment, fixtures and fittings RM'000	Computer software RM'000	Improvement on leased assets RM'000	Work-in-progress RM'000	Total RM'000
Cost						
At 1 January 2024	6,397	3,748	3,443	12,021	-	25,609
Additions	955	238	126	79	-	1,398
Transfer	-	-	-	-	-	-
Written off	(799)	(229)	(17)	(1,049)	-	(2,094)
At 31 December 2024	6,553	3,757	3,552	11,051	-	24,913
Accumulated depreciation						
At 1 January 2024	5,630	3,320	1,473	11,835	-	22,258
Charge during the year (Note 25)	618	200	304	184	-	1,306
Written off	(799)	(229)	(13)	(1,049)	-	(2,090)
At 31 December 2024	5,449	3,291	1,764	10,970	-	21,474
Net carrying amount						
At 1 January 2024	767	428	1,970	186	-	3,351
At 31 December 2024	1,104	466	1,788	81	-	3,439

12. Property and equipment *(continued)*

	Electronic equipment RM'000	Office equipment, fixtures and fittings RM'000	Computer software RM'000	Improvement on leased assets RM'000	Work-in-progress RM'000	Total RM'000
Cost						
At 1 January 2023	5,694	3,623	2,601	12,038	128	24,084
Additions	712	133	183	-	531	1,559
Transfer	-	-	659	-	(659)	-
Written off	(9)	(8)	-	(17)	-	(34)
At 31 December 2023	6,397	3,748	3,443	12,021	-	25,609
Accumulated depreciation						
At 1 January 2023	5,101	3,144	1,245	11,085	-	20,575
Charge during the year (Note 25)	538	183	228	767	-	1,716
Written off	(9)	(7)	-	(17)	-	(33)
At 31 December 2023	5,630	3,320	1,473	11,835	-	22,258
Net carrying amount						
At 1 January 2023	593	479	1,356	953	128	3,509
At 31 December 2023	767	428	1,970	186	-	3,351

13. Right-of-use assets and lease liabilities

Right-of-use assets

	Building premises RM'000	Motor vehicles RM'000	Equipment RM'000	Other leases RM'000	Total RM'000
Cost					
At 1 January 2024	11,938	1,307	282	151	13,678
Additions	962	-	32	662	1,656
Derecognition	(2,059)	-	(98)	(151)	(2,308)
At 31 December 2024	10,841	1,307	216	662	13,026
Accumulated depreciation					
At 1 January 2024	2,457	323	160	118	3,058
Charge during the year (Note 25)	3,652	448	58	114	4,272
Derecognition	(2,057)	-	(98)	(151)	(2,306)
At 31 December 2024	4,052	771	120	81	5,024
Net carrying amount					
At 1 January 2024	9,481	984	122	33	10,620
At 31 December 2024	6,789	536	96	581	8,002

13. Right-of-use assets and lease liabilities *(continued)*

Right-of-use assets (continued)

	Building premises RM'000	Motor vehicles RM'000	Equipment RM'000	Other leases RM'000	Total RM'000
Cost					
At 1 January 2023	12,091	1,346	330	151	13,918
Additions	8,164	933	48	-	9,145
Derecognition	(8,317)	(972)	(96)	-	(9,385)
At 31 December 2023	11,938	1,307	282	151	13,678
Accumulated depreciation					
At 1 January 2023	7,084	835	190	39	8,148
Charge during the year (Note 25)	3,690	448	66	79	4,283
Derecognition	(8,317)	(960)	(96)	-	(9,373)
At 31 December 2023	2,457	323	160	118	3,058
Net carrying amount					
At 1 January 2023	5,007	511	140	112	5,770
At 31 December 2023	9,481	984	122	33	10,620

13. Right-of-use assets and lease liabilities *(continued)*

Right-of-use assets (continued)

The Bank leases a number of branch and office premises. The leases typically run for a period of 2 to 6 years, with an option to renew the leases after their expiry date. For some leases, rentals are renegotiated every three years in accordance with the market then prevailing.

The Bank also leases a few motor vehicles, equipment and other assets. The leases typically run for a period of 3 to 5 years, with an option to renew the leases after their expiry date.

For certain equipment that are of low value but with contract terms of up to five years, the Bank has classified these leases as leases of low-value items. For other assets that are with contract terms of up to one year, the Bank has classified these leases as short-term leases. The Bank has elected not to recognise right-of-use assets and lease liabilities for these leases.

Significant judgements and assumptions in relation to leases

The Bank assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Bank considers all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Bank also applies judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Bank first determines the closest available borrowing rate before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

Lease liabilities

	2024 RM'000	2023 RM'000
Lease liabilities	7,899	10,385

The maturity profile of the Bank's lease liabilities based on undiscounted contractual payments is as follows:

	2024 RM'000	2023 RM'000
Less than 1 month	345	381
Between 1 to 3 months	689	761
Between 3 months to 1 year	3,080	2,976
Between 1 to 5 years	4,034	6,850
	8,148	10,968

14. Intangible asset

	Admission Fee 2024 RM'000	Admission Fee 2023 RM'000
Cost		
At 1 January/31 December	2,600	2,600
Accumulated amortisation		
At 1 January/31 December	2,600	2,600
Carrying amount		
At 1 January/31 December	-	-

15. Deferred tax assets

	2024 RM'000	2023 RM'000
At 1 January	10,586	10,051
Recognised in profit or loss (Note 28)	1,348	1,574
Recognised in equity	262	(1,039)
At 31 December	12,196	10,586

The components and movements of deferred tax assets and liabilities during the financial year are as follows:-

	Deferred tax assets/(liabilities)			
	At 1 January 2024 RM'000	Recognised in profit or loss (Note 28) RM'000	Recognised in equity RM'000	At 31 December 2024 RM'000
Property and equipment	(267)	(153)	-	(420)
Right-of-use assets	(2,534)	664	-	(1,870)
Fair value reserve	(2,050)	-	262	(1,788)
Allowance for expected credit loss	7,075	2,177	-	9,252
Provisions	5,885	(708)	-	5,177
Lease liabilities	2,477	(632)	-	1,845
	10,586	1,348	262	12,196

15. Deferred tax assets *(continued)*

	Deferred tax assets/(liabilities)			
	At 1 January 2023 RM'000	Recognised in profit or loss (Note 28) RM'000	Recognised in equity RM'000	At 31 December 2023 RM'000
Property and equipment	(314)	47	-	(267)
Right-of-use assets	(1,352)	(1,182)	-	(2,534)
Fair value reserve	(1,011)	-	(1,039)	(2,050)
Allowance for expected credit loss	5,687	1,388	-	7,075
Provisions	5,708	177	-	5,885
Lease liabilities	1,333	1,144	-	2,477
	10,051	1,574	(1,039)	10,586

16. Deposits from customers

(i) By type of deposits

	2024 RM'000	2023 RM'000
Demand deposits	737,058	697,150
Fixed deposits	1,373,102	1,253,093
Savings deposits	177,208	160,650
Money market deposits	231,855	244,777
Others	147,725	154,010
	2,666,948	2,509,680

(ii) By type of customers

	2024 RM'000	2023 RM'000
Business enterprises	1,429,576	1,343,131
Individuals	346,782	383,396
Foreign entities	890,269	782,805
Others	321	348
	2,666,948	2,509,680

(iii) By maturity structure of term deposits

	2024 RM'000	2023 RM'000
Due within six months	1,287,788	1,060,473
More than six months to one year	317,169	437,397
	1,604,957	1,497,870

17. Deposits and placements of banks and other financial institutions

	2024 RM'000	2023 RM'000
Licensed Malaysian banks	210,775	326,239
Licensed investment banks	20,000	50,042
Licensed Islamic banks	43,695	25,862
Other financial institutions	30,754	31,984
Foreign banks	818,153	533,915
	1,123,377	968,042

18. Other liabilities

	2024 RM'000	2023 RM'000
Interest payable	21,796	23,585
Other payables and accruals	28,978	34,713
	50,774	58,298

19. Provision for commitments and contingencies

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2024	2,027	858	-	2,885
New commitments originated	3,325	199	-	3,524
Commitments derecognised	(3,007)	(415)	-	(3,422)
Transfer to Stage 1	433	(433)	-	-
Transfer to Stage 2	(2)	2	-	-
Changes due to change in credit risk	57	19	-	76
Changes in model/risk parameter	649	42	-	691
Foreign exchange adjustments	(2)	-		(2)
At 31 December 2024	3,480	272	-	3,752
At 1 January 2023	1,719	574	-	2,293
New commitments originated	2,117	202	-	2,319
Commitments derecognised	(1,773)	(105)	-	(1,878)
Transfer to Stage 1	6	(6)	-	-
Transfer to Stage 2	(8)	8	-	-
Changes due to change in credit risk	(205)	63	-	(142)
Changes in model/risk parameter	171	122	-	293
At 31 December 2023	2,027	858	-	2,885

20. Provision for taxation

Provision for taxation in 2024 and 2023 includes tax payable by the Bank's branch, Industrial and Commercial Bank of China (Malaysia) Berhad, Labuan International Branch, where the Branch is subject to tax at 3% of the chargeable profit pursuant to Section 4(1) of the Labuan Business Activity Tax Act, 1990 for the years of assessment 2024 and 2023.

21. Share capital

	Number of ordinary shares		Amount	
	2024	**2023**	**2024**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ordinary shares with no par value				
Issued and fully paid up				
At 1 January/31 December	832,609	832,609	832,609	832,609

22. Reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve captures the foreign exchange currency translation differences in respect of Labuan branch operations.

(b) Fair value reserve

Fair value reserve captures the fair value adjustment on financial investments (debt instruments) which are measured at fair value through other comprehensive income, its corresponding effect on deferred tax and allowance for expected credit loss arising on financial investments measured at fair value through other comprehensive income. The reserve is non-distributable and cumulative fair value adjustments will be reversed to profit or loss upon disposal of the assets.

(c) Regulatory reserve

The regulatory reserve is maintained by the Bank as an additional credit risk absorbent in excess of the requirement of accounting standards. The reserve is maintained in line with the requirements of Bank Negara Malaysia.

(d) Retained earnings

The retained earnings are distributable as single-tier dividends to shareholder.

23. Net interest income

	2024 RM'000	2023 RM'000
Interest income		
Loans, advances and financing	164,811	142,652
Money at call and deposits and placements with financial institutions	18,026	19,309
Financial investments measured at fair value through other comprehensive income	40,517	29,133
Financial investments measured at amortised cost	9,801	13,148
	233,155	204,242
Interest expense		
Deposits and placements of banks and other financial institutions	(30,003)	(18,591)
Deposits from customers	(63,760)	(52,505)
	(93,763)	(71,096)
Net interest income	139,392	133,146

The amounts reported above include interest income and expense, calculated using the effective interest method that relates to the following:-

	2024 RM'000	2023 RM'000
Financial assets measured at amortised cost	192,638	175,109
Financial assets measured at fair value through other comprehensive income	40,517	29,133
	233,155	204,242
Financial liabilities measured at amortised cost	(93,763)	(71,096)

24. Net non-interest income

(i) Net fee income

	2024 RM'000	2023 RM'000
Fee income:		
- Commission	58	47
- Service charges and fees	4,397	6,147
- Loan processing fees	1,176	3,413
- Syndication fees	1,323	1,759
- Guarantee fees	5,909	5,797
- Commitment fees	905	998
- Other loan related fee income	172	135
- Other fee income	2,073	128
	16,013	18,424
Fee expense:		
- Brokerage fees	(132)	(98)
- Other fee expense	(1,962)	(1,405)
	(2,094)	(1,503)
Net fee income	13,919	16,921

(ii) Net trading income

	2024 RM'000	2023 RM'000
Net gains from dealing in foreign exchange	34,232	31,990
Net losses arising from derivative trading	(6,356)	(5,976)
Net unrealised revaluation losses in foreign exchange	(9)	(1)
Net unrealised gains/(losses) arising from derivative trading	10,083	(3,123)
	37,950	22,890

(iii) Other income

	2024 RM'000	2023 RM'000
Other operating income	73	90
Gain on derecognition of right-of-use assets	-	6
	73	96

	2024 RM'000	2023 RM'000
Total net non-interest income	51,942	39,907

25. Other operating expenses

	2024 RM'000	2023 RM'000
Personnel costs:		
- Salaries, allowance and bonuses (excluding Directors' remuneration)	43,195	44,107
- Directors' remuneration (Note 30(c))	2,201	2,083
- Pension fund contributions	4,794	4,786
- Other staff costs	5,518	6,430
Promotion and marketing related expenses:		
- Advertising and promotion	310	320
- Others	185	194
Establishment costs:		
- Depreciation of property and equipment (Note 12)	1,306	1,716
- Depreciation of right-of-use assets (Note 13)	4,272	4,283
- Interest expense on lease liabilities	269	123
- Expenses relating to leases of low-value assets	253	224
- Property and equipment written off (Note 12)	4	1
- Others	3,282	2,841
Administrative expenses:		
- Auditors' remuneration		
• statutory audit fees	239	238
• audit related services	13	12
- Professional fees	522	909
- Licence fee	341	337
- Membership fee	184	179
- Communication expenses	2,617	2,678
- Insurance expenses	1,128	1,038
- Travelling expenses	611	560
- Security and defence costs	490	501
- Others	1,571	1,617
	73,305	75,177

26. Allowance for impairment on loans, advances and financing

	2024 RM'000	2023 RM'000
Allowance for expected credit loss		
- Loans, advances and financing (Note 8(x))	23,989	10,078
- Provision for commitments and contingencies (Note 19)	869	592
	24,858	10,670

27. Write-back of impairment on other financial assets

	2024 RM'000	2023 RM'000
Write-back of expected credit loss		
- Cash and short-term funds (Note 4)	(70)	(160)
- Deposits and placements with banks and other financial institutions (Note 5)	(8)	(964)
- Financial investments measured at amortised cost (Note 7(iii))	(444)	(222)
	(522)	(1,346)

28. Tax expense

	2024 RM'000	2023 RM'000
Current tax expense		
- Current financial year	22,305	22,243
- (Over)/Under provision in prior years	(66)	33
Total current tax recognised in profit or loss	22,239	22,276
Deferred taxation		
- Origination and reversal of temporary differences	(1,348)	(1,574)
Total deferred tax recognised in profit or loss (Note 15)	(1,348)	(1,574)
	20,891	20,702

	2024 RM'000	2023 RM'000
Reconciliation of tax expense		
Profit before taxation	93,693	88,552
Income tax calculated using Malaysian tax rate of 24% (2023: 24%)	22,486	21,253
Tax effect of:		
Non-deductible expenses	550	919
Effect of tax rate in a different jurisdiction	(2,079)	(1,503)
(Over)/Under provision of income tax expense in prior years	(66)	33
Tax expense	20,891	20,702

29. Basic earnings per ordinary share

The basic earnings per ordinary share has been calculated based on the profit attributable to equity holder of the Bank of RM72,802,000 (2023: RM67,850,000) and weighted average number of ordinary shares outstanding during the year of 832,609,000 (2023: 832,609,000).

30. Significant related party transactions and balances

(a) The significant transactions of the Bank with its holding company and other related entities are as follows:-

	2024		2023	
	RM'000 Holding company	**RM'000** Related companies	**RM'000** Holding company	**RM'000** Related companies
Income				
Interest income				
- Deposits and placements with banks and other financial institutions	664	3,681	711	6,044
- Loans, advances and financing	-	1,942	-	5,241
Expenses				
Interest expense				
- Deposits and placements of banks and other financial institutions	(22,192)	(91)	(11,169)	-
Other operating expenses				
- Other charges	(18)	(8)	(18)	(8)
- Software licence fee	(63)	-	(36)	-

(b) The significant outstanding balances of the Bank with its holding company and other related entities are as follows:-

	2024		2023	
	RM'000 Holding company	**RM'000** Related companies	**RM'000** Holding company	**RM'000** Related companies
Amount due from				
- Cash and short-term funds	30,872	43,866	115,863	31,985
- Deposits and placements with banks and other financial institutions	-	29,747	-	51,716
- Loans, advances and financing	-	34,045	-	57,326
- Other assets	-	508	4	1,674
Amount due to				
- Deposits and placements with banks and other financial institutions	(808,943)	(8,943)	(533,524)	(3)
- Other liabilities	(5,336)	(2)	(2,895)	-

30. Significant related party transactions and balances *(continued)*

All transactions of the Bank with its related parties are made in the ordinary course of business and on substantially the same terms, including interest rates, with third parties.

There is no amount outstanding from key management personnel as at year end.

(c) Key management personnel compensation

The remuneration of key management personnel, being the members of the Board of Directors of the Bank, during the financial year are shown below:-

	2024 RM'000	**2023 RM'000**
Executive Director and CEO		
Ms Geng Hao (Appointed on 26 September 2024)		
- Salaries	351	-
- Bonus	-	-
- Other allowances	2	-
	353	-
Executive Director and CEO		
Mr Xie Shaoxiong (Resigned on 26 September 2024)		
- Salaries	747	982
- Bonus	544	458
- Other allowances	188	272
	1,479	1,712
Non-Executive Directors' fees		
Mr Chin Chee Kong	124	124
Mr Ng Lip Yong	124	124
Ms Sum Leng Kuang	121	123
	369	371
	2,201	2,083
	Note 25	Note 25

31. Credit exposures to connected parties

The credit exposures of the Bank to connected parties, as defined by BNM's "Guidelines on Credit Transactions and Exposures with Connected Parties" are as follows:-

	2024 RM'000	**2023 RM'000**
Aggregate value of outstanding credit exposures to connected parties	282,626	205,870
As a percentage of total credit exposures	4.60%	3.70%
Percentage of outstanding credit exposures to connected parties which are non-performing or in default	0%	0%

32. Commitments and contingencies

In the ordinary course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:-

	2024		
	Principal amount RM'000	**Credit equivalent amount* RM'000**	**Risk-weighted assets* RM'000**
Credit-related exposures			
Direct credit substitutes	111,752	111,752	22,350
Transaction-related contingent items	648,468	324,234	132,850
Short-term self-liquidating trade-related contingencies	166,210	33,242	16,290
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- Exceeding one year	200,154	100,077	99,078
- Not exceeding one year	891,407	178,281	131,639
Unutilised credit card lines	28,652	5,730	4,298
Derivative financial contracts (Note 9)			
Foreign exchange related contracts:			
- Less than one year	1,424,274	60,760	25,957
Interest rate related contracts			
- Less than one year	-	-	-
- One year to five years	100,000	1,372	274
Total	3,570,917	815,448	432,736

* The credit equivalent and risk-weighted amounts are computed using credit conversion factors and risk-weighting rules as per BNM guidelines. The credit conversion factors and risk-weighting rules are based on guidelines of the revised Capital Adequacy Framework on the Standardised Approach.

32. Commitments and contingencies *(continued)*

	2023		
	Principal amount RM'000	**Credit equivalent amount* RM'000**	**Risk-weighted assets* RM'000**
Credit-related exposures			
Direct credit substitutes	114,747	114,747	22,949
Transaction-related contingent items	410,711	205,356	88,050
Short-term self-liquidating trade-related contingencies	180,762	36,152	12,318
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- Exceeding one year	124,535	62,268	59,310
- Not exceeding one year	1,081,047	216,209	175,719
Unutilised credit card lines	37,210	7,442	5,582
Derivative financial contracts (Note 9)			
Foreign exchange related contracts:			
- Less than one year	306,864	4,553	1,917
Interest rate related contracts			
- Less than one year	87,774	7,090	4,225
- One year to five years	200,000	4,892	3,446
Total	2,543,650	658,709	373,516

* The credit equivalent and risk-weighted amounts are computed using credit conversion factors and risk-weighting rules as per BNM guidelines. The credit conversion factors and risk-weighting rules are based on guidelines of the revised Capital Adequacy Framework on the Standardised Approach.

33. Capital adequacy

The total risk-weighted assets of the Bank are computed based on the following approaches:-

(i) Standardised Approach for Credit risk;
(ii) Standardised Approach for Market risk;
(iii) Basic Indicator Approach for Operational risk.

The capital adequacy ratios of the Bank are analysed as follows:-

	2024 RM'000	2023 RM'000
Common Equity Tier 1 ("CET1") Capital/Tier 1 Capital		
Paid-up share capital	832,609	832,609
Retained earnings	588,106	515,304
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	4,435	5,571
Unrealised gains on financial investments measured at FVOCI	5,665	6,495
	1,448,459	1,377,623
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	(12,196)	(10,585)
- 55% cumulative gains of financial investments measured at FVOCI	(3,116)	(3,572)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(32,956)	(31,801)
Total CET1 Capital/Tier 1 Capital	1,415,503	1,345,822
Tier 2 Capital		
Allowance for expected credit loss	25,706	26,107
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	43,350	43,751
Total Capital	1,458,853	1,389,573
CET1 capital ratio	37.308%	35.618%
Tier 1 capital ratio	37.308%	35.618%
Total capital ratio	38.451%	36.776%

Breakdown of gross risk-weighted assets ("RWA") in the various categories of risk-weights:-

	2024		2023	
	Exposures RM'000	Risk-weighted assets RM'000	Exposures RM'000	Risk-weighted assets RM'000
Total RWA for credit risk	6,152,825	3,467,995	5,609,996	3,500,113
Total RWA for market risk	-	13,773	-	12,534
Total RWA for operational risk	-	312,336	-	265,868
	6,152,825	3,794,104	5,609,996	3,778,515

34. Financial Instruments

34.1 Categories of financial instruments

The table below provides an analysis of financial instruments at the end of the reporting period categorised as follows:-

(a) Fair value through profit or loss ("FVTPL")
(b) Amortised cost ("AC")
(c) Fair value through other comprehensive income ("FVOCI")

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI RM'000
2024				
Financial assets				
Cash and short-term funds	611,638	611,638	-	-
Deposits and placements with banks and other financial institutions	300,947	300,947	-	-
Financial investments measured at FVOCI	1,095,518	-	-	1,095,518
Financial investments measured at amortised cost	164,224	164,224	-	-
Loans, advances and financing	3,032,945	3,032,945	-	-
Derivative financial assets	32,603	-	32,603	-
Other assets *	22,902	22,902	-	-
Statutory deposits with Bank Negara Malaysia	30,936	30,936	-	-
Total financial assets	5,291,713	4,163,592	32,603	1,095,518
Financial liabilities				
Deposits from customers	2,666,948	2,666,948	-	-
Deposits and placements of banks and other financial institutions	1,123,377	1,123,377	-	-
Derivative financial liabilities	22,170	-	22,170	-
Other liabilities	50,774	50,774	-	-
Provision for commitments and contingencies	3,752	3,752	-	-
Total financial liabilities	3,867,021	3,844,851	22,170	-

34. Financial Instruments *(continued)*

34.1 Categories of financial instruments *(continued)*

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI RM'000
2023				
Financial assets				
Cash and short-term funds	581,663	581,663	-	-
Deposits and placements with banks and other financial institutions	126,716	126,716	-	-
Financial investments measured at FVOCI	683,548	-	-	683,548
Financial investments measured at amortised cost	405,107	405,107	-	-
Loans, advances and financing	3,054,830	3,054,830	-	-
Derivative financial assets	6,734	-	6,734	-
Other assets *	14,506	14,506	-	-
Statutory deposits with Bank Negara Malaysia	30,266	30,266	-	-
Total financial assets	4,903,370	4,213,088	6,734	683,548
Financial liabilities				
Deposits from customers	2,509,680	2,509,680	-	-
Deposits and placements of banks and other financial institutions	968,042	968,042	-	-
Derivative financial liabilities	6,385	-	6,385	-
Other liabilities	58,298	58,298	-	-
Provision for commitments and contingencies	2,885	2,885	-	-
Total financial liabilities	3,545,290	3,538,905	6,385	-

* Excluded those balances not within the scope of MFRS 9 *Financial Instruments*.

34. Financial Instruments *(continued)*

34.2 Net gains and losses arising from financial instruments

	2024 RM'000	2023 RM'000
Net gains arising on:		
Fair value through profit or loss	37,950	22,890
Financial investments at fair value through other comprehensive income:		
- interest income from financial investments at fair value through other comprehensive income	42,222	30,062
- amortisation of premium recognised in profit or loss	(1,705)	(929)
- recognised in other comprehensive income	(830)	3,289
Financial investments at amortised cost		
- interest income from financial investments at amortised cost	11,128	17,230
- amortisation of premium recognised in profit or loss	(1,327)	(4,082)
Other financial assets at amortised cost	182,837	161,961
Financial liabilities at amortised cost	(93,763)	(71,096)
Net (allowance for)/writeback of impairment on financial instruments:		
- financial assets at amortised cost	(23,467)	(8,732)
- provision for commitments and contingencies	(869)	(592)
	(24,336)	(9,324)
	152,176	150,002

34. Financial Instruments *(continued)*

34.3 Fair value information

Recognised financial instruments

The methods and assumptions used in estimating the fair values of financial instruments are as follows:-

(a) Cash and short-term funds/deposits and placements with banks and other financial institutions

For cash and short-term funds and deposits and placements with banks and other financial institutions including interest-earning deposits, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature (less than one year) and limited credit risk.

(b) Financial investments

Fair values of investment securities are estimated based on broker/dealer price quotation.

(c) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing market rates at the respective reporting dates offered for similar loans. In respect of impaired loans, the fair values are deemed to approximate the carrying values, net of individual assessment impairment allowance.

(d) Deposits from customers

The fair values of demand deposits and saving deposits maturing within a short period of time are equal to the amounts payable on demand. Fair values of fixed deposits maturing within a year are estimated to approximate their carrying amounts. For deposits with maturity exceeding one year, the fair values are estimated using discounted cash flows based on market rates at the respective reporting dates for similar products and maturity.

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

The fair values of non-interest bearing deposits are equal to amounts payable on demand. For deposits with maturity exceeding one year, fair values are estimated by discounting the estimated future cash flows based on market rates at the respective reporting dates for deposits with similar maturity.

34. Financial Instruments *(continued)*

34.3 Fair value information *(continued)*

Recognised financial instruments ***(continued)***

Valuation of financial instruments

The carrying amounts of cash and short-term funds, other assets and other liabilities reasonably approximate their fair values due to the relatively short-term nature of these instruments.

The table below analyses other financial instruments' fair values and their carrying amounts.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024										
Financial assets										
Deposit and placements with banks and other financial institutions	-	-	-	-	-	-	300,947	300,947	300,947	300,947
Financial investments measured at FVOCI	-	1,095,518	-	1,095,518	-	-	-	-	1,095,518	1,095,518
Financial investments measured at amortised cost	-	-	-	-	-	161,037	-	161,037	161,037	164,224
Loans, advances and financing	-	-	-	-	-	-	3,024,873	3,024,873	3,024,873	3,032,945
Derivative financial assets	-	32,603	-	32,603	-	-	-	-	32,603	32,603
	-	1,128,121	-	1,128,121	-	161,037	3,325,820	3,486,857	4,614,978	4,626,237
Financial liabilities										
Deposits from customers	-	-	-	-	-	-	2,666,948	2,666,948	2,666,948	2,666,948
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	1,123,377	1,123,377	1,123,377	1,123,377
Derivative financial liabilities	-	22,170	-	22,170	-	-	-	-	22,170	22,170
	-	22,170	-	22,170	-	-	3,790,325	3,790,325	3,812,495	3,812,495

34. Financial Instruments *(continued)*

34.3 Fair value information *(continued)*

Recognised financial instruments ***(continued)***

Valuation of financial instruments (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023										
Financial assets										
Deposit and placements with banks and other financial institutions	-	-	-	-	-	-	126,716	126,716	126,716	126,716
Financial investments measured at FVOCI	-	683,548	-	683,548	-	-	-	-	683,548	683,548
Financial investments measured at amortised cost	-	-	-	-	-	398,226	-	398,226	398,226	405,107
Loans, advances and financing	-	-	-	-	-	-	3,038,494	3,038,494	3,038,494	3,054,830
Derivative financial assets	-	6,734	-	6,734	-	-	-	-	6,734	6,734
	-	690,282	-	690,282	-	398,226	3,165,210	3,563,436	4,253,718	4,276,935
Financial liabilities										
Deposits from customers	-	-	-	-	-	-	2,509,680	2,509,680	2,509,680	2,509,680
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	968,042	968,042	968,042	968,042
Derivative financial liabilities	-	6,385	-	6,385	-	-	-	-	6,385	6,385
	-	6,385	-	6,385	-	-	3,477,722	3,477,722	3,484,107	3,484,107

34. Financial Instruments *(continued)*

34.3 Fair value information *(continued)*

Recognised financial instruments *(continued)*

Valuation of financial instruments (continued)

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:-

- Level 1: Quoted market price (unadjusted) in an active market for identical financial assets or liabilities that the Bank can access at the measurement date.

- Level 2: Valuation techniques based on observable inputs, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

- Level 3: Valuation techniques of financial assets and liabilities using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments of which market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used in the market. The objective of valuation techniques is to arrive at fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

Transfer between fair value hierarchy
There has been no transfer in any levels of the fair values during the financial year (2023: no transfer in either direction).

34. Financial Instruments *(continued)*

34.4 Financial risk management

(a) Introduction and overview

Risk management framework

The Board of Directors ("Board") establishes the Bank's risk appetite and risk principles. The Board Risk Management Committee ("BRMC") is the principal board committee that oversees the Bank's risk management. It reviews the Bank's overall risk management framework and major risk policies. The BRMC is supported by the Senior Management Committee ("SMC"), various functional committees at management level and Risk Management Department.

Management Risk Management Committee ("MRMC"), has been established for active Senior Management oversight, deliberating on policies, profiles and activities pertaining to integrated risk management. All major risk policies have to be deliberated MRMC and/or such other at relevant functional management committees prior to escalation to the SMC and the BRMC for deliberation, and the Board for approval.

The Bank's risk management policies are established to guide the risk governance activities that cover the identification, measurement, assessment, monitoring and controlling of risks. Risk management policies and systems are reviewed regularly to suit the evolving operating environment and requirements. The Bank, through its training, communications, standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit Committee, supported by Internal Audit Department, provides an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

The Bank has exposure to the following material risks, among others, from financial instruments:-

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

(b) Credit risk

Credit risk is the risk of financial loss to the Bank due to the failure of the Bank's customers or counterparties in meeting their contractual financial obligations. The credit risk comes primarily from the Bank's placements, direct lending, trade finance and funding activities. Credit exposures are managed in a prudent manner and collaterals are taken whenever required as risk mitigation measures. Periodic credit reviews are performed to assess the ongoing quality of the Bank's credit portfolio, the impact of pertinent factors on the credit profile of the counterparties/customers and the collaterals taken.

Management of credit

The Board of Directors has delegated the responsibility for the oversight of credit risk to the Credit Committee and MRMC. These committees are supervised by the SMC.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

The functions of the Credit Committee are as follows:-

- Ensuring prudent underwriting standards that are consistent with the Bank's risk appetite and lending direction.
- Deliberation of lending propositions and credit related requests.
- Reviewing credit exposures periodically to ensure prudent and effective credit risk management

The functions of the MRMC are as follows:-

- Review and deliberation of the Bank's credit risk exposure, credit risk portfolio and credit risk management activities.
- Review and deliberation of credit risk policies.
- Review and recommend the credit risk appetite of the Bank for Board's approval.

The Bank employs a credit ratings system as a tool for determining the credit risk profile of borrowers/counterparties using appropriate form of scorecards. The credit ratings are used as a basis to support the underwriting of credit.

ECL Methodology

MFRS 9 requires banks to determine the quantified amount of expected credit losses on a probability-weighted basis as the difference between cash flows that are due to the Bank in accordance with the contractual terms of financial assets and the cash flows that the Bank expects to receive.

Probability of Default ("PD") - This is an estimate of the likelihood of a borrower/counterparty defaulting on its financial obligation.

Loss Given Default ("LGD") - This is an estimate of the Bank's expectation of the extent of loss on a defaulted exposure. LGD may vary by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

Exposure at Default ("EAD") - This is an estimate of the exposure at a future default date, taking into account expected change in the exposure after the reporting date, including repayments of principal and interest and expected drawdown on committed facilities.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

ECL Measurement

ECL are generally measured based on the risk of default over one of three (3) different stages, depending on whether the credit risk of the borrower/counterparty has increased significantly since initial recognition. Below are the key categories of staging criteria for ECL measurement under MFRS 9:-

A financial instrument that is not credit-impaired where there has not been a Significant Increase in Credit Risk ("SICR") since initial recognition is to be classified as "Stage 1".

If a SICR since initial recognition is identified but it is not yet deemed to be credit-impaired, the financial instrument is to be classified as "Stage 2".

A financial instrument that is credit-impaired is to be classified as "Stage 3".

	Stage 1	**Stage 2**	**Stage 3**
Category	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**
Description	Performing credit assets	Under-performing credit assets: Credit exposure that shows SICR since the initial recognition	Non-performing credit assets: Credit impaired exposure
Staging Criteria	i) DPD ≤30 days ii) Not SICR; and iii) Not credit-impaired	i) SICR, where: • DPD>30 days; ≤90 days • Watchlist; or • Significant downgrade in credit rating; and • Not credit-impaired	i) DPD>90 days; or ii) Credit-impaired

Change in credit quality since initial recognition

Improvement ⟷ Deterioration

Upon implementation of the ECL Model, the provision/impairment for the credit exposures of the Bank is equivalent to 12-Month ECL or Lifetime ECL, depending on the category of the stages as tabulated above, which are to be computed in the following manner:-

Stage 1: 12-month ECL = Point in time ("PiT") 12-Month PD × LGD × EAD
Stage 2: Lifetime ECL = Lifetime PD × LGD × EAD
Stage 3: Lifetime ECL = EAD - Expected Discounted Cash Flows*

* Expected Discounted Cash Flows are computed based on individual impairment assessment as stipulated in the Bank's policies and after incorporating forward-looking considerations.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

ECL Measurement *(continued)*

The Bank's credit ratings system comprises 20 grades levels for instruments under the not impaired category and one (1) grade level for instruments under the impaired category. Grades 1-12 are representative of lower assessed probability of default with other classifications reflecting progressively higher credit risk.

Rating Level

Grades 1-12
Grades 13-20
Grade 21

Credit Quality Analysis

	2024			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loans, Advances and Financing to Corporates				
- Grades 1-12	2,170,176	-	-	2,170,176
- Grades 13-20	462,242	328,859	-	791,101
- Grade 21	-	-	1,207	1,207
	2,632,418	328,859	1,207	2,962,484
Allowance for expected credit loss	(24,307)	(32,437)	(1,207)	(57,951)
Carrying Amount	2,608,111	296,422	-	2,904,533
Cash and Short-term Funds and Deposits and Placements with Banks and Other Financial Institutions				
- Grades 1-12	913,237	-	-	913,237
- Grades 13-20	-	-	-	-
- Grade 21	-	-	-	-
	913,237	-	-	913,237
Allowance for expected credit loss	(652)	-	-	(652)
Carrying Amount	912,585	-	-	912,585
Loans, Advances and Financing to Retails				
- Retails	127,810	884	37	128,731
	127,810	884	37	128,731
Allowance for expected credit loss	(272)	(10)	(37)	(319)
Carrying Amount	127,538	874	-	128,412
Financial Investments				
- Grades 1-12	1,260,562	-	-	1,260,562
- Grades 13-20	-	-	-	-
- Grade 21	-	-	-	-
	1,260,562	-	-	1,260,562
Allowance for expected credit loss	(820)	-	-	(820)
Carrying Amount	1,259,742	-	-	1,259,742

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Credit Quality Analysis *(continued)*

	2023			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Loans, Advances and Financing to Corporates				
- Grades 1-12	2,043,624	215,173	-	2,258,797
- Grades 13-20	607,902	100,323	-	708,225
- Grade 21	-	-	1,239	1,239
	2,651,526	315,496	1,239	2,968,261
Allowance for expected credit loss	(25,796)	(6,795)	(1,239)	(33,830)
Carrying Amount	2,625,730	308,701	-	2,934,431
Cash and Short-term Funds and Deposits and Placements with Banks and Other Financial Institutions				
- Grades 1-12	709,042	-	-	709,042
- Grades 13-20	-	-	-	-
- Grade 21	-	-	-	-
	709,042	-	-	709,042
Allowance for expected credit loss	(663)	-	-	(663)
Carrying Amount	708,379	-	-	708,379
Loans, Advances and Financing to Retails				
- Retails	119,554	1,419	117	121,090
	119,554	1,419	117	121,090
Allowance for credit loss	(349)	(225)	(117)	(691)
Carrying Amount	119,205	1,194	-	120,399
Financial Investments				
- Grades 1-12	1,089,920	-	-	1,089,920
- Grades 13-20	-	-	-	-
- Grade 21	-	-	-	-
	1,089,920	-	-	1,089,920
Allowance for credit loss	(1,265)	-	-	(1,265)
Carrying Amount	1,088,655	-	-	1,088,655

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34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Significant Increase in Credit Risk

The Bank's credit exposure is to be classified under Stage 2 if either one of the following quantitative or qualitative criteria has been met:-

Quantitative Criteria
- The obligor has breached the contractual repayment schedule and is past due for more than 30 days (but within 90 days).
- The obligor's credit rating has deteriorated more than the defined threshold as compared to the original credit rating during initial recognition.
- Exemption is permitted should the borrower is the leading industry player, servicing ability is supported by ring-fencing of fixed repayment sources, government support or recorded net cash position over last 3 financial years.

Qualitative Criteria
- If a credit exposure meets any non-mandatory triggers (as defined in the Bank's policies documents) to the extent that warrants its classification as Watch List Exposure as per criteria set.

Forward looking information

Both the assessment of SICR and the calculation of ECL have incorporated forward looking information. The Bank has performed historical analysis and identified the key macroeconomic factors ("MEFs") that could cause material impacts to the ECL of the Bank's credit portfolios. The identified MEFs (variables) have been actively monitored and considered by the Bank in its major business planning processes and regular risk assessment activities ranging from periodic credit reviews, environmental screening and impacts assessment, which would be deliberated in the regular meetings at management level and Board level. The Bank relies on the publicly available economic forecasts from reliable and reputable institutions such as World Bank, IMF, international credit rating agencies and research institutions. Expert judgement will be applied in forecasting macroeconomic factors if there is no forecasted MEFs data available for the Bank for reference.

Macroeconomic Factors Assumptions

It is assumed that the state of economy in Malaysia may develop into three scenarios with the probability weightage assigned to each macroeconomic scenario as follows:-

State of economy	2024	2023
Upside Scenario	40.00%	50.00%
Base Scenario	30.00%	30.00%
Downside Scenario	30.00%	20.00%

The adoption of the above probability weightage reflects the Bank's internal experience and outlook, aligning with the positive-skew in GDP forecasts gathered. Over the next 12 months, the Bank anticipates a cautiously optimistic outlook for the state of the economy in 2024. The anticipated upside potential is expected to be more balanced with downside risk, mainly due to geopolitical tensions in Middle East continue to disrupt supply chains, causing potential spikes commodity prices, which could weigh on consumer demand and corporate margins. Additionally, monetary tightening by major central banks is likely to sustain higher interest rates, tightening global liquidity and exerting pressure on capital flows to emerging markets.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Loss Given Default

Given the lack of historical loss experience, the Bank derives LGDs from external recovery experiences and guidance notes available based on the order of priority: the higher of local LGD references, including local peer banks and Bank Negara Malaysia; else, in its absence, the higher of international LGD references including major international credit rating agencies and Parent Bank.

Credit Risk Exposure for ECL

The loss allowance recognised may be impacted by factors as described below:-

- Transfers from Stage 1 to Stage 2 or Stage 3 due to financial instruments experiencing significant increases in credit risk or becoming credit impaired during the period which require adoption of lifetime ECL instead of 12-month ECL or vice versa;
- Impact on the measurement of ECL due to changes in values used for PDs, EADs, and LGDs during the period after considering the prevailing MEFs; and
- Impact on the measurement of ECL due to changes made to models and assumptions, if any.

The changes in the loss allowance for loans, advances and financing between the beginning and the end of the reporting period are disclosed under Note 8(x) to the financial statements.

Exposure at Default

EAD is a credit exposure (on and off-balance sheet) that is expected to be outstanding if the default is to occur on a future date. For undrawn credit exposure, it would include an estimate of future drawdown by way of applying applicable credit conversion factors ("CCF") (the percentage of undrawn limit being drawn at the time of default). Similarly, CCF will be applied to other off-balance sheet credit exposures (such as Bank Guarantee) for EAD estimation. The CCF to be used for ECL purposes will be derived from the BNM Policy Document on Capital Adequacy Framework (Basel II - Risk Weighted Assets).

Definition of Default

A credit exposure is to be classified as default/credit impaired exposure and is to be categorised under Stage 3 if there is occurrence of mandatory trigger(s) for loan impairment, as follows:-

- Quantitatively, a credit exposure is to be classified as default or impaired exposure when the obligor has breached its contractual repayment schedule and is past due more than 90 days.
- Qualitatively, a credit exposure is to be classified as default or impaired exposure if it meets any of the mandatory triggers as stipulated in the Bank's policies.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Definition of Default *(continued)*

Individual assessment is required for an impaired loans, advances and financing. Individually assessed expected credit loss is required to be provided if the recoverable amount of the loan asset is less than its net carrying amount. Expected Discounted Cash Flows (or the recoverable amount) is the present value of the estimated future cash flows discounted at the effective interest rate. The individual impairment assessment shall consider forward-looking factors appropriate to the subject impaired credit exposure/counterparty.

Write-off

Clear write-off practices have been established to stipulate the approving authority, escalation process and circumstances under which a loan can be written off. Generally, an impaired exposure will be written off if the possibility of recovery is deemed highly unlikely; i.e. all viable actions have been exhausted.

(i) Exposure to credit risk

An analysis of the exposure to credit risk as at the respective reporting dates is shown below:-

	Gross carrying amount RM'000	Allowance for expected credit loss RM'000	Net carrying amount RM'000
2024			
Loans, Advances and Financing to Customers			
Neither past due nor impaired	3,089,479	(57,022)	3,032,457
Past due but not impaired			
- Less than three months	492	(4)	488
Credit impaired	1,244	(1,244)	-
	3,091,215	(58,270)	3,032,945
Cash and Short-term Funds and Deposits and Placements with Banks and Other Financial Institutions			
Neither past due nor impaired	913,237	(652)	912,585
Financial Investments			
- measured at FVOCI			
Neither past due nor impaired	1,095,518	-	1,095,518
- measured at Amortised Cost			
Neither past due nor impaired	165,045	(821)	164,224

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

(i) Exposure to credit risk *(continued)*

	Gross carrying amount RM'000	Allowance for expected credit loss RM'000	Net carrying amount RM'000
2023			
Loans, Advances and Financing to Customers			
Neither past due nor impaired	3,087,858	(33,163)	3,054,695
Past due but not impaired			
- Less than three months	137	(2)	135
Credit impaired	1,356	(1,356)	-
	3,089,351	(34,521)	3,054,830
Cash and Short-term Funds and Deposits and Placements with Banks and Other Financial Institutions			
Neither past due nor impaired	709,043	(664)	708,379
Financial Investments			
- measured at FVOCI			
Neither past due nor impaired	683,548	-	683,548
- measured at Amortised Cost			
Neither past due nor impaired	406,372	(1,265)	405,107

In addition to the above, the Bank had entered into lending commitments of RM1,273.83 million (2023: RM1,205.58 million). The Bank had also issued financial guarantee contracts for which the maximum amount payable by the Bank, assuming all guarantees are called on, is RM591.47 million (2023: RM706.22 million).

The Bank holds collaterals against loans, advances and financing to customers in the form of fixed deposits, properties, guarantees and other securities. Estimates of fair value are based on the value of collateral assessed at the time of loan origination and subsequent reviews.

Statutory deposits with BNM
For Statutory deposits with BNM, the maximum exposure is represented by its carrying amount in the statement of financial position. Given that such deposits are not exposed to credit risk, the Bank has not recognised any allowance for expected credit loss.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

(ii) Concentration by sector and geographical location

The Bank monitors the concentration of credit risk by sector and by geographical distribution. An analysis of the concentration of credit risk as at the respective reporting dates is shown below:-

	2024 RM'000	2023 RM'000
Cash and Short-term Funds and Deposits and Placements with Banks and Other Financial Institutions		
Carrying amount	912,585	708,379
Concentration of credit risk based on sector		
Financial services	896,319	638,563
Central bank	16,266	69,816
	912,585	708,379
Concentration of credit risk based on geographical location		
Malaysia	803,157	496,141
East Asia	31,499	26,741
South America	47,958	80,469
South East Asia	23,797	86,904
United States of America	5,088	12,678
Europe	625	2,254
Oceania	461	3,192
	912,585	708,379

Concentration of credit risk by geographical distribution for loans, advances and financing to Banks is measured based on the location of the counterparty.

Concentration by sector and by geographical distribution for loans, advances and financing to customers are disclosed under Notes 8(iv) and 8(vi) to the financial statements.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

(ii) Concentration by sector and geographical location *(continued)*

	2024 RM'000	2023 RM'000
Financial Investments		
Carrying amount	1,259,742	1,088,655
Concentration of credit risk based on sector		
Financial services	-	45,260
Government and central bank	1,095,518	683,548
Others	164,224	359,847
	1,259,742	1,088,655
Concentration of credit risk based on geographical location		
Malaysia	1,259,742	1,088,655

Concentration of credit risk by geographical distribution for investment securities is measured based on the location of the issuer.

(iii) Derivatives risk

The Bank's derivatives position may give rise to credit risk in the event the counterparty defaults. Control measures, such as limit setting and monitoring, are in place to manage the said risk.

(iv) Settlement risk

Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash or other assets as contractually agreed. Control measures such as limit setting and monitoring are in place to manage the said risk.

(c) Liquidity risk

Liquidity risk arise when the Bank encounter challenges in securing funds to fulfill its current or future obligations. This can be attributed to premature and collective withdrawals by customers, overdue repayments from counterparties, mismatch in asset-liability maturity structure and difficulties in realisation of assets.

Management of liquidity risk

The liquidity and funding management has been carried out in compliance with the regulatory standards as well as in accordance with the specific requirement and thresholds set by the Assets and Liabilities Committee ("ALCO"). The Bank maintains a strong liquidity position and constantly manages the liquidity composition of its assets, liabilities and commitments. This is to ensure that cash flow needs are adequately addressed and all obligations are met accordingly.

The Bank has continuously maintained relationship with new and existing depositors and funding counterparties. This strategy approach is aimed at growing the diversified funding base.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Contractual maturity of financial assets and liabilities

The table below analyses financial assets and liabilities of the Bank based on the remaining contractual maturity at the end of the reporting period in accordance with BNM's Guidelines on Financial Reporting:-

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
2024							
Financial assets							
Cash and short-term funds	611,890	-	-	-	-	(252)	611,638
Deposits and placements with banks and other financial institutions	-	213,010	88,337	-	-	(400)	300,947
Financial investments measured at FVOCI	-	-	-	954,663	140,855	-	1,095,518
Financial investments measured at amortised cost	5,000	-	65,010	95,035	-	(821)	164,224
Loans, advances and financing	973,818	436,286	147,914	1,147,021	386,176	(58,270)	3,032,945
Derivative financial assets	5,622	5,245	21,364	372	-	-	32,603
Other assets	12,527	4,440	4,607	1,328	-	-	22,902
Statutory deposits with BNM	-	-	-	-	-	30,936	30,936
Total financial assets	1,608,857	658,981	327,232	2,198,419	527,031	(28,807)	5,291,713
Financial liabilities							
Deposits from customers	1,764,023	290,438	612,487	-	-	-	2,666,948
Deposits and placements with banks and other financial institutions	509,990	152,599	460,788	-	-	-	1,123,377
Derivative financial liabilities	5,488	4,943	11,367	372	-	-	22,170
Other liabilities	10,192	8,073	9,668	22,841	-	-	50,774
Provision for commitments and contingencies	-	-	-	-	-	3,752	3,752
Total financial liabilities	2,289,693	456,053	1,094,310	23,213	-	3,752	3,867,021
Net liquidity gap	(680,836)	202,928	(767,078)	2,175,206	527,031	(25,055)	

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Contractual maturity of financial assets and liabilities (continued)

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
2023							
Financial assets							
Cash and short-term funds	581,919	-	-	-	-	(256)	581,663
Deposits and placements with banks and other financial institutions	-	90,396	36,728	-	-	(408)	126,716
Financial investments measured at FVOCI	-	-	266,112	345,771	71,665	-	683,548
Financial investments measured at amortised cost	-	55,243	186,041	165,088	-	(1,265)	405,107
Loans, advances and financing	883,977	436,495	109,491	1,236,462	422,926	(34,521)	3,054,830
Derivative financial assets	220	1,385	4,237	892	-	-	6,734
Other assets	4,859	3,855	4,275	15	-	1,502	14,506
Statutory deposits with BNM	-	-	-	-	-	30,266	30,266
Total financial assets	1,470,975	587,374	606,884	1,748,228	494,591	(4,682)	4,903,370
Financial liabilities							
Deposits from customers	1,243,429	276,377	989,873	1	-	-	2,509,680
Deposits and placements with banks and other financial institutions	433,790	80,120	292,698	161,434	-	-	968,042
Derivative financial liabilities	332	973	4,188	892	-	-	6,385
Other liabilities	10,956	5,425	31,660	10,257	-	-	58,298
Provision for commitments and contingencies	-	-	-	-	-	2,885	2,885
Total financial liabilities	1,688,507	362,895	1,318,419	172,584	-	2,885	3,545,290
Net liquidity gap	(217,532)	224,479	(711,535)	1,575,644	494,591	(7,567)	

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The following tables show the contractual undiscounted cash flows payable for non-derivative financial liabilities by remaining contractual maturity. The amounts disclosed in the tables below will not agree to the carrying amounts reported in the statement of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Cash flows payable in respect of deposits from customers are primarily contractually repayable on demand or at short notice. However, in practice, short term deposit balances remain stable and the Bank's cash flow position has been actively managed.

	Up to 1 month RM'000	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**> 5 years RM'000**	**Total RM'000**
2024						
Non-derivative financial liabilities						
Deposits from customers	1,769,711	296,110	630,535	-	-	2,696,356
Deposits and placements with banks and other financial institutions	357,361	156,484	475,142	171,604	-	1,160,591
Other liabilities	4,461	780	894	22,841	-	28,976
	2,131,533	453,374	1,106,571	194,445	-	3,885,923
Commitments and contingencies						
Contingent liabilities	87,198	83,818	39,172	258,815	225	469,228
Commitments	-	-	232,278	51,810	-	284,088
	87,198	83,818	271,450	310,625	225	753,316

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Contractual maturity of financial liabilities on an undiscounted basis (continued)

Non-derivative financial liabilities (continued)

	Up to 1 month RM'000	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**> 5 years RM'000**	**Total RM'000**
2023						
Non-derivative financial liabilities						
Deposits from customers	1,269,664	258,983	1,018,891	2	-	2,547,540
Deposits and placements with banks and other financial institutions	434,218	81,628	306,078	180,948	-	1,002,872
Other liabilities	6,793	382	17,282	10,257	-	34,714
	1,710,675	340,993	1,342,251	191,207	-	3,585,126
Commitments and contingencies						
Contingent liabilities	45,303	24,653	104,233	181,841	225	356,255
Commitments	-	-	274,087	11,832	-	285,919
	45,303	24,653	378,320	193,673	225	642,174

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts:-

	Contract/ Nominal amount up to 1 Year RM'000	**Positive fair value up to 1 Year RM'000**	**Negative fair value up to 1 Year RM'000**
2024			
Trading derivatives			
Foreign exchange contracts			
- Currency forwards and spots	630,105	5,792	17,121
- Currency swaps	794,169	26,439	4,677
Interest rate contracts			
- Cross currency interest rate swaps	-	-	-
- Interest rate swaps	100,000	372	372
	1,524,274	32,603	22,170

	Contract/ Nominal amount up to 1 Year RM'000	**Positive fair value up to 1 Year RM'000**	**Negative fair value up to 1 Year RM'000**
2023			
Trading derivatives			
Foreign exchange contracts			
- Currency forwards and spots	146,876	251	196
- Currency swaps	159,988	1,354	1,109
Interest rate contracts			
- Cross currency interest rate swaps	87,774	4,237	4,188
- Interest rate swaps	200,000	892	892
	594,638	6,734	6,385

(d) Market risk

Market risk is the risk of loss arising from movements in market variables, such as interest rates, foreign exchange rates or prices of any form of financial instruments.

Management of market risk

The Bank has established governance process for market risk management that covers the activities of identifying, measuring, monitoring, controlling and reporting market risks on a timely basis. The objective of market risk management is to manage and control the market risk exposures within an acceptable range according to the Bank's risk appetite.

The Bank does not engage in any proprietary trading activities. Exposures arising from normal banking activities (deposits, loans, foreign exchange, etc) are managed accordingly to minimise the exposure to market risk. All risks related to treasury activities will be managed according to, and within the authorised risk limits.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(d) Market risk *(continued)*

Foreign exchange risk

Foreign exchange risk is the risk that arises as a result of movements in the relative value of currencies. The Bank is exposed to foreign exchange risk on transactions that are denominated in currencies other than its functional currency. The Bank minimises its exposure to foreign exchange risk through hedging and limiting the net open position of the foreign exchange portfolio.

The following tables summarise the assets, liabilities and net open position by currency as at the reporting date, which are mainly in Malaysia Ringgit, United States Dollars and Chinese Renminbi. Other currencies include Euro, Australia Dollars, Great Britain Pounds, Hong Kong Dollars, Japanese Yen, Canadian Dollars, New Zealand Dollars, Singapore Dollars, Swiss Franc and Thai Baht.

2024	**Malaysia Ringgit RM'000**	**United States Dollar RM'000**	**Chinese Renminbi RM'000**	**Others RM'000**	**Total RM'000**
ASSETS					
Cash and short-term funds	337,506	29,882	236,879	7,371	611,638
Deposits and placements with banks and other financial institutions	240,000	29,747	31,200	-	300,947
Financial investments measured at FVOCI	1,095,518	-	-	-	1,095,518
Financial investments measured at amortised cost	164,224	-	-	-	164,224
Loans, advances and financing	1,588,891	697,527	543,748	202,779	3,032,945
Derivative financial assets	6,515	25,533	-	555	32,603
Other assets	22,998	519	332	247	24,096
Statutory deposits with Bank Negara Malaysia	30,936	-	-	-	30,936
Tax recoverable	7,133	-	-	-	7,133
Property and equipment	3,439	-	-	-	3,439
Right-of-use assets	8,002	-	-	-	8,002
Intangible asset	-	-	-	-	-
Deferred tax assets	12,196	-	-	-	12,196
TOTAL ASSETS	3,517,358	783,208	812,159	210,952	5,323,677

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(d) Market risk *(continued)*

Foreign exchange risk (continued)

2024	Malaysia Ringgit RM'000	United States Dollar RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
LIABILITIES					
Deposits from customers	1,965,208	577,536	116,597	7,607	2,666,948
Deposits and placements of banks and other financial institutions	105,331	84,931	682,183	250,932	1,123,377
Derivative financial liabilities	11,897	-	4,677	5,596	22,170
Other liabilities	40,250	4,323	5,545	656	50,774
Lease liabilities	7,899	-	-	-	7,899
Provision for commitments and contingencies	1,958	1,327	103	364	3,752
Provision for taxation	298	-	-	-	298
TOTAL LIABILITIES	2,132,841	668,117	809,105	265,155	3,875,218

2023	Malaysia Ringgit RM'000	United States Dollar RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and short-term funds	313,391	146,870	102,575	18,827	581,663
Deposits and placements with banks and other financial institutions	75,000	50,164	1,552	-	126,716
Financial investments measured at FVOCI	683,548	-	-	-	683,548
Financial investments measured at amortised cost	405,107	-	-	-	405,107
Loans, advances and financing	1,675,604	507,257	622,942	249,027	3,054,830
Derivative financial assets	5,390	-	1,344	-	6,734
Other assets	14,378	1,719	11	23	16,131
Statutory deposits with Bank Negara Malaysia	30,266	-	-	-	30,266
Tax recoverable	3,961	-	-	-	3,961
Property and equipment	3,351	-	-	-	3,351
Right-of-use assets	10,620	-	-	-	10,620
Intangible asset	-	-	-	-	-
Deferred tax assets	10,586	-	-	-	10,586
TOTAL ASSETS	3,231,202	706,010	728,424	267,877	4,933,513

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(d) Market risk *(continued)*

Foreign exchange risk (continued)

2023	Malaysia Ringgit RM'000	United States Dollar RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
LIABILITIES					
Deposits from customers	1,737,251	591,158	169,792	11,479	2,509,680
Deposits and placements of banks and other financial institutions	130,807	-	591,552	245,683	968,042
Derivative financial liabilities	893	5,333	159	-	6,385
Other liabilities	46,977	5,528	4,449	1,344	58,298
Lease liabilities	10,385	-	-	-	10,385
Provision for commitments and contingencies	2,348	468	35	34	2,885
Provision for taxation	215	-	-	-	215
TOTAL LIABILITIES	1,928,876	602,487	765,987	258,540	3,555,890

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(d) Market risk *(continued)*

Interest rate risk

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following tables summarise the Bank's exposure to interest rate risk at the respective reporting dates and the periods in which they reprice or mature, whichever is earlier.

2024	Non-trading book							
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	603,906	-	-	-	-	7,732	-	611,638
Deposits and placements with banks and other financial institutions	-	213,010	88,337	-	-	(400)	-	300,947
Financial investment measured at FVOCI	-	-	-	954,663	140,855	-	-	1,095,518
Financial investments measured at amortised cost	-	105,000	5,010	55,035	-	(821)	-	164,224
Loans, advances and financing	1,849,910	849,872	132,159	257,265	765	(57,026)	-	3,032,945
Other assets ^	-	-	-	-	-	86,441	-	86,441
Total assets	2,453,816	1,167,882	225,506	1,266,963	141,620	35,926	-	5,291,713
Liabilities								
Deposits from customers	1,151,464	290,438	612,487	612,559	-	-	-	2,666,948
Deposits and placements of banks and other financial institutions	511,184	152,599	306,497	153,097	-	-	-	1,123,377
Other liabilities *	-	-	-	-	-	76,696	-	76,696
Total liabilities	1,662,648	443,037	918,984	765,656	-	76,696	-	3,867,021
Equity	-	-	-	-	-	1,448,459	-	1,448,459
Total liabilities and equity	1,662,648	443,037	918,984	765,656	-	1,525,155	-	5,315,480
On-balance sheet interest sensitivity gap	791,168	724,845	(693,478)	501,307	141,620	(1,489,229)	-	
Total interest sensitivity gap	791,168	724,845	(693,478)	501,307	141,620	(1,489,229)	-	

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(d) Market risk *(continued)*

Interest rate risk (continued)

2023	**Non-trading book**							
	Up to 1 month RM'000	**>1 to 3 months RM'000**	**>3 to 12 months RM'000**	**>1 to 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	575,596	-	-	-	-	6,067	-	581,663
Deposits and placements with banks and other financial institutions	-	90,396	36,728	-	-	(408)	-	126,716
Financial investment measured at FVOCI	-	-	266,112	345,771	71,665	-	-	683,548
Financial investments measured at amortised cost	-	155,243	186,041	65,088	-	(1,265)	-	405,107
Loans, advances and financing:	2,098,768	906,676	55,836	24,915	1,801	(33,166)	-	3,054,830
Other assets ^	-	-	-	-	-	51,506	-	51,506
Total assets	2,674,364	1,152,315	544,717	435,774	73,466	22,734	-	4,903,370
Liabilities								
Deposits from customers	668,703	276,378	989,872	574,727	-	-	-	2,509,680
Deposits and placements of banks and other financial institutions	595,719	80,120	130,769	161,434	-	-	-	968,042
Other liabilities *	-	-	-	-	-	67,568	-	67,568
Total liabilities	1,264,422	356,498	1,120,641	736,161	-	67,568	-	3,545,290
Equity	-	-	-	-	-	1,377,623	-	1,377,623
Total liabilities and equity	1,264,422	356,498	1,120,641	736,161	-	1,445,191	-	4,922,913
On-balance sheet interest sensitivity gap	1,409,942	795,817	(575,924)	(300,387)	73,466	(1,422,457)	-	
Total interest sensitivity gap	1,409,942	795,817	(575,924)	(300,387)	73,466	(1,422,457)	-	

^ Other assets include other assets (excluding non-financial instruments), statutory deposits with BNM and derivative financial assets as disclosed in the statement of financial position.

* Other liabilities include other liabilities, derivative financial liabilities and provision for commitments and contingencies as disclosed in the statement of financial positions.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(d) Market risk *(continued)*

Interest rate risk (continued)

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:-

(i) Sensitivity of projected net interest income

	100 bps* Parallel Increase RM'000	100 bps* Parallel Decrease RM'000
At 31 December 2024	11,271	(11,271)
At 31 December 2023	17,984	(17,984)

(ii) Sensitivity of reported reserves in other comprehensive income to interest rate movements

	100 bps* Parallel Increase RM'000	100 bps* Parallel Decrease RM'000
At 31 December 2024	(39,042)	39,042
At 31 December 2023	(16,556)	16,556

* bps - basis points

(e) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external event. This includes the risks that may result in disruption to operations (which should be mitigated by a business continuity plan), erosion of income and capital fund. Operational risk also includes legal risks, but excludes strategic and reputational risk.

Operational risk is embedded in all the Bank's business and management practices. Potential operational risks inherent in products, practices, procedures and information system should therefore be identified for effective management.

34. Financial Instruments *(continued)*

34.4 Financial risk management *(continued)*

(e) Operational risk *(continued)*

The Bank actively manages operational risk through a comprehensive framework that includes policies, procedures and controls to identify, assess, mitigate, monitor, and report risks. The Bank promotes risk ownership and adopts the following principle in management of operational risks, include but not limited to:

a) clear operational risk management strategy and objective;
b) clear roles and responsibilities of relevant parties;
c) comprehensive policies and procedures to intergrate risk management in daily operations;
d) check and balance between front, middle and back offices;
e) develop and apply scientific tools or methodologies to prevent improper human manipulations and to report operational incidents, errors or near misses through KijangNet;
f) implement effective control to achieve dynamic equilibrium in managing business and risk;
g) promote enterprise-wide risk management culture to create awareness of risk culture among the staff of the Bank; and
h) develop and maintain departmental BCPs ensuring that risk mitigation measures are practical and relevant to each unit's operations.

The Bank has also implemented "Three Lines of Defence" concept so as the Bank could carry out the management of operational risk effectively. Business Departments and Branches as the First Line of Defence are primarily responsible for operational risk management under respective scope of business functions. The Second Line of Defence which consists of functional departments, compliance and internal control, as well as risk management functions should take charge in managing pertinent operational risk of respective subject matter. The Internal Audit Department will be acting as the Third Line of Defence to conduct independent review and assessment on the effectiveness of the Bank's internal control environment and operational risk management.

The Bank review loss events and risk trends regularly with the Board of Directors receiving periodic updates on operational risk management activities. The Bank also remains committed to minimizing operational risks to safeguard its financial and operational stability while maintaining customer trust and confidence.

35. Capital management

Regulatory capital

The Bank's lead regulator, BNM, sets and monitors capital requirement for the Bank. The Bank is required to comply with the provisions of the Basel II and III frameworks in respect of regulatory capital adequacy.

The Bank adopts a prudent capital management approach to ensure it has adequate capital to support its operations at all times. On top of the minimum regulatory capital requirements, a buffer is added on to arrive at the Bank's internal capital target to ensure adequacy of capital to support the current and anticipated business growth. Internal Capital Adequacy Assessment Process ("ICAAP") is formulated to identify the material risks in the business. The material risk areas that are taken into consideration are credit risk, market risk, operational risk, cybersecurity risk, credit concentration risk, liquidity risk, interest rate risk in banking book, climate risk, compliance risk, legal risk, strategic risk as well as reputation risk.

Internal capital assessment is carried out to determine the level of internal capital required by the Bank based on the Pillar 1 and 2 requirements as well as the assessment of the 3-year financial projection and stress testing. Capital plan, business plan and budget are approved by the Board of Directors on an annual basis. The business plan in particular would set out the Bank's lending direction and business strategies for the coming year according to the approved risk appetite. Senior Management is responsible for ensuring a smooth development and implementation of the ICAAP policy as well as effective systems and processes are in place. The Bank's performance against the internal capital level is reviewed on a regular basis by the Senior Management. Should there be a need for capital raising exercise, it will be presented to the Board of Directors for approval.

The Bank undertakes stress test exercise periodically to assess the Bank's capability to withstand an adverse environment. The stress test will at least cover the exceptional but plausible event and the worst-case scenario for a 3-year period. The possible impact to the Bank due to occurrence of adverse events, i.e. significant deterioration in borrowers' credit profile, decline in collateral value, erosion in the Bank's net interest margin and adverse movement of foreign exchange rate will be examined. The results of the stress test together with the proposed mitigating actions will be tabled to the Senior Management and the Board of Directors for deliberations.

The Bank's regulatory capital are analysed as follows:-

(a) Tier 1 Capital, which comprises the following:-

- Common Equity Tier 1 ("CET1") Capital, which includes ordinary share capital, retained earnings (net of dividends declared), statutory reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purpose.

- Additional Tier 1 Capital, which consists of instruments that are issued and paid-up, subordinated to depositors and perpetual in nature (amongst all other criteria) which are not included in CET1 Capital as well as the regulatory adjustments in relation to the calculation of Additional Tier 1 Capital.

(b) Tier 2 Capital includes expected credit loss allowance (excluding expected credit loss allowances attributable to financing classified as impaired) and regulatory reserve.