

Registration No.

199401030666 (316347-D)

**J.P. MORGAN CHASE BANK BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

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J.P. MORGAN CHASE BANK BERHAD  
(Incorporated in Malaysia)

**DIRECTORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

The Directors are pleased to submit their report to the members together with the audited financial statements of the Bank for the financial year ended 31 December 2023.

**PRINCIPAL ACTIVITIES**

The principal activities of the Bank are banking and related financial services.

There was no significant change in the nature of these activities during the financial year.

**FINANCIAL RESULTS**

	RM'000
Net profit for the financial year	<u>282,584</u>

**DIVIDENDS**

No dividend has been paid, declared or proposed since the end of the Bank's previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2023.

**RESERVES AND PROVISIONS**

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

**SHARE CAPITAL**

During the financial year, there was no issuance of new ordinary shares. As at 31 December 2023, the issued share capital of the Bank is RM437,500,002 comprising 395,500,002 ordinary shares.

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**EQUITY COMPENSATION BENEFITS**

The ultimate holding company, JPMorgan Chase & Co. ("JPMC", "The Firm") has a Long-Term Incentive Plan ("LTIP") that provides for grants of common stock-based awards, including stock options, restricted stock, and restricted stock units ("RSU") to certain key employees employed by JPMC and its subsidiaries. JPMC also grants stock options to other employees as recognition of the services rendered, under its broad-based employee stock option plan such as the Value Sharing Plan.

Details of the equity compensation benefits are set out in Note 33 to the financial statements.

**DIRECTORS**

The Directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of the report are as follows:

Osman Tarique Morad  
Robert Armor Morris  
Mahani binti Amat  
Wong Hooi Ching  
Gail Koh De Josselin

In accordance with Clause 93 of the Bank's Constitution, Mahani binti Amat retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

**DIRECTORS' BENEFITS**

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object was to enable 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 except that certain Directors received remuneration as Directors and employees of the Bank and related corporations, and share options granted to Directors of the Bank by the ultimate holding company.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration as disclosed in this Directors' Report and Note 25 to the financial statements) by reason of a contract made by the Bank or a related corporation 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.

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DIRECTORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

DIRECTORS' INTEREST IN SHARES AND OPTIONS

According to the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act, 2016, the following Directors who held office at the end of the financial year have interest in the shares, restricted stock units and share options (collectively "Shares") of the Bank and/or its related corporations during the financial year, as set out below. None of the other Directors who held office at the end of the financial year have any interest in the Shares of the Bank and/or its related corporations during the financial year.

	Number of Shares			
	As at 1.1.2023	Acquired	Disposed	As at 31.12.2023
<u>JPMorgan Chase &amp; Co.</u>				
Wong Hooi Ching	2,496	1,454	136	3,814
Robert Armor Morris	1,500	-	1,500	-
Gail Koh De Josselin	12,539	12,539	5,838	19,240

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out below:

	RM'000
Salary, bonuses and other remuneration	3,609
Defined contribution retirement plan	433
Benefits-in-kind	42
Fees/allowances	602

AUDITORS' REMUNERATION

Auditors' remuneration of the Bank is RM645,107.

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Bank inadequate to any substantial extent.

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**DIRECTORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**CURRENT ASSETS**

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Bank had been written down to an amount which the current assets might be expected to realise.

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

**VALUATION METHODS**

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

**CONTINGENT AND OTHER LIABILITIES**

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

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability in respect of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the 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 affect the ability of the Bank to meet its obligations when they fall due.

**CHANGE OF CIRCUMSTANCES**

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

**ITEMS OF AN UNUSUAL NATURE**

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

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

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### BUSINESS STRATEGY AND REVIEW 2023

Despite continued uncertainty throughout 2023, the Bank's key businesses, in particular transaction services, trade, wholesale banking and markets flow business, delivered satisfactory results in 2023.

The Bank recorded a profit before tax of RM379 million in financial year 2023, an increase of RM163 million against financial year 2022. Net interest income decreased by RM92 million or 53% to RM81 million, contributed by the increase in interest expense arising from deposits and placements of banks and other financial institutions, and deposits from customers of RM356 million and RM291 million respectively, offset by the increase in interest income from money at call and placements with financial institutions, interest income from financial assets held at fair value through profit and loss, and interest income from loans and advances of RM294 million, RM238 million and RM16 million respectively. Other operating income increased by RM269 million or >100%, mainly arising from increase in foreign exchange gain, and management and attribution income of RM311 million and RM23 million respectively, offset by the decrease in net gain from derivatives by RM77 million. Meanwhile, operating expenses increased by RM23 million or 11% to RM223 million.

The Bank's total assets increased by 26% to RM30.0 billion, contributed by the increase in securities purchased under resale agreements and cash and short-term funds of RM5.6 billion and RM2.0 billion respectively, offset by decrease in amount due from related parties by RM1.1 billion. The Bank's total liabilities increased by 27% to RM28 billion, contributed by the increase in amount due to related parties, deposits and placements of banks and other financial institutions, and deposits from customers of RM4.1 billion, RM1.2 billion and RM1.1 billion respectively. The Bank's total capital ratio remained strong at 27.492%, with its Tier 1 capital ratio at 27.283% as at the end of 2023.

### BUSINESS OUTLOOK FOR 2024

Malaysia is an open, export-orientated economy, hence its growth will be influenced by macro factors. The Bank will remain focused on the quality and stability of the Bank by investing in transaction services, trade and wholesale banking businesses while enhancing flow business. The Bank's target clients, which consist of multi-national corporations, large domestic corporates, financial institutions and non-bank financial institutions, will continue to benefit from the Bank's significant competitive advantage of a broad product mix and an expansive global network.

Our commitment to developing our business in Malaysia has allowed us to become a leader among foreign banks in the country, and we are confident of further growth with the support of the Bank's strong capitalisation, global network and fortress balance sheet.

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**ULTIMATE HOLDING CORPORATION**

The Directors regard JPMorgan Chase & Co., a corporation incorporated in the United States of America, as the ultimate holding corporation of the Bank.

**AUDITORS**

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

This report was approved by the Board of Directors on 20 March 2024. Signed on behalf of the Board of Directors:



**ROBERT ARMOR MORRIS**  
DIRECTOR



**WONG HOOI CHING**  
DIRECTOR

Kuala Lumpur

**21 MAY 2024**



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**J.P. MORGAN CHASE BANK BERHAD**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

	<u>Note</u>	<u>2023</u> RM'000	<u>2022</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds	2	15,515,001	13,485,341
Securities purchased under resale agreements	3	10,810,789	5,200,208
Financial assets held at fair value through profit and loss ("FVTPL")	4	1,196,665	1,432,671
Derivative financial instruments	5	1,009,845	1,242,354
Financial assets held at fair value through other comprehensive income ("FVOCI")	6	137,604	374,354
Loans and advances	7	555,775	428,047
Amounts due from related parties	8	353,623	1,423,097
Statutory deposits with Bank Negara Malaysia	9	2	2
Other assets	10	345,006	158,582
Deferred tax assets	11	8,178	7,440
Fixed assets	12	7,048	7,011
Right-of-use assets	13	6,790	10,557
<b>TOTAL ASSETS</b>		<u>29,946,326</u>	<u>23,769,664</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits from customers	14	14,186,490	13,093,388
Deposits and placements of banks and other financial institutions	15	2,271,026	1,035,929
Financial liabilities designated as fair value through profit and loss ("FVTPL")	16	248,959	252,343
Obligations on securities sold under repurchase agreements		229,925	101,268
Derivative financial instruments	5	1,139,614	1,272,148
Amounts due to related parties	17	9,377,428	5,324,590
Tax payable		7,465	18,639
Other liabilities	18	256,982	725,824
<b>Total liabilities</b>		<u>27,717,889</u>	<u>21,824,129</u>
Share capital		437,500	437,500
Retained earnings		1,778,922	1,490,242
Reserves	19	12,015	17,793
<b>Shareholder's equity</b>		<u>2,228,437</u>	<u>1,945,535</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<u>29,946,326</u>	<u>23,769,664</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	27	<u>153,205,128</u>	<u>128,919,221</u>

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	<u>Note</u>	<u>2023</u> RM'000	Restated <u>2022</u> RM'000
Interest income*	20(a)	520,967	204,501
Interest income for financial assets at fair value through profit or loss	20(b)	380,511	142,058
Interest expense	21	(820,716)	(173,864)
Net interest income		<u>80,762</u>	<u>172,695</u>
Other operating income	22	521,574	252,105
Net income		<u>602,336</u>	<u>424,800</u>
Operating expenses	23	(223,406)	(200,700)
Operating profit before allowances		<u>378,930</u>	<u>224,100</u>
Expected credit losses on loans and advances	24	(352)	(8,313)
Profit before taxation		<u>378,578</u>	<u>215,787</u>
Taxation	26	(95,994)	(66,183)
Net profit for the financial year		<u>282,584</u>	<u>149,604</u>
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
- Net unrealised gain/(loss) on revaluation of financial assets held at fair value through other comprehensive income		419	(755)
- Income tax relating to component of other comprehensive income		(101)	182
Other comprehensive income/(loss), net of tax		<u>318</u>	<u>(573)</u>
Total comprehensive income for the financial year		<u>282,902</u>	<u>149,031</u>

\* Comprises of interest recognised on financial assets measured at amortised cost and fair value through other comprehensive income.

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Share capital RM'000	Fair value reserve of OCI RM'000	Option reserve RM'000	Regulatory reserve RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2023	437,500	(256)	11,953	6,096	1,490,242	1,945,535
Net profit for the financial year	-	-	-	-	282,584	282,584
Other comprehensive income (net of tax)	-	318	-	-	-	318
Net unrealised gain on revaluation of financial assets at fair value through other comprehensive income	-	419	-	-	-	419
Income tax relating to component of other comprehensive income	-	(101)	-	-	-	(101)
Total comprehensive income for the financial year	-	318	-	-	282,584	282,902
Transfer from regulatory reserve	-	-	-	(6,096)	6,096	-
	<u>437,500</u>	<u>62</u>	<u>11,953</u>	<u>-</u>	<u>1,778,922</u>	<u>2,228,437</u>

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

	Share capital RM'000	Fair value reserve of OCI RM'000	Option reserve RM'000	Regulatory reserve RM'000	Distributable retained earnings RM'000	Total RM'000
At 1 January 2022	437,500	317	11,953	5,893	1,340,841	1,796,504
Net profit for the financial year	-	-	-	-	149,604	149,604
Other comprehensive loss (net of tax)	-	(573)	-	-	-	(573)
Net unrealised loss on revaluation of financial assets at fair value through other comprehensive income	-	(755)	-	-	-	(755)
Income tax relating to component of other comprehensive income	-	182	-	-	-	182
Total comprehensive income for the financial year	-	(573)	-	-	149,604	149,031
Transfer to regulatory reserve	-	-	-	203	(203)	-
	<u>437,500</u>	<u>(256)</u>	<u>11,953</u>	<u>6,096</u>	<u>1,490,242</u>	<u>1,945,535</u>

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**J.P. MORGAN CHASE BANK BERHAD**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	<u>2023</u> RM'000	<u>2022</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	378,578	215,787
Adjustments for items not involving the movement of cash and cash equivalents:		
Depreciation of fixed assets	2,802	5,389
Depreciation of right-of-use of assets	5,093	5,130
Loss on write-off of fixed assets	2	-
Expected credit losses on loan and advances	352	8,313
Interest expense on lease liabilities	136	184
Net gain on derivatives	(38,370)	(20,089)
Net unrealised gain from revaluation of financial assets held at fair value through profit and loss	(4,712)	(5,255)
Net unrealised loss/(gain) in revaluation on derivatives	51,675	(43,689)
Net unrealised (gain)/loss from revaluation of structured deposits	(3,384)	2,343
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>392,172</b>	<b>168,113</b>
Increase in securities purchased under resale agreements	(5,610,581)	(2,757,422)
Decrease/(increase) in amount due from related parties	491,180	(274,600)
Decrease/(increase) in financial assets held at FVTPL	240,718	(816,252)
Decrease in derivative financial instruments	86,670	184,271
Decrease in financial assets held at FVOCI	237,068	3,021
(Increase)/decrease in loans and advances	(128,080)	24,928
(Increase)/decrease in other assets	(279,237)	202,649
Increase in deposits from customers	1,093,102	8,920,151
Increase in deposits and placements of banks and other financial institutions	1,235,097	448,964
Increase in financial liabilities designated as FVTPL	-	250,000
(Decrease)/increase in other liabilities	(396,137)	247,675
Increase/(decrease) in obligation on securities sold under repurchase agreements	128,657	(242,470)
Increase in amount due to related parties	4,052,838	3,105,972
Cash generated from operating activities	1,543,467	9,465,000
Income taxes paid	(83,879)	(14,494)
<b>Net cash generated from operating activities</b>	<b>1,459,588</b>	<b>9,450,506</b>

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

	<u>Note</u>	<u>2023</u> RM'000	<u>2022</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of fixed assets		(2,841)	(3,491)
Net cash used in investing activity		<u>(2,841)</u>	<u>(3,491)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Lease rental payment		(5,381)	(5,042)
Net cash used in financing activity		<u>(5,381)</u>	<u>(5,042)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,451,366	9,441,973
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		<u>14,248,248</u>	<u>4,806,275</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		<u>15,699,614</u>	<u>14,248,248</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and short-term funds	2	15,515,001	13,485,341
Amount due from related parties	8	184,613	762,907
		<u>15,699,614</u>	<u>14,248,248</u>

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## **SUMMARY OF MATERIAL ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements and are also consistent with those applied in the previous year, unless otherwise stated.

### **A BASIS OF PREPARATION**

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

The financial statements have been prepared on a going concern basis under historical cost convention unless otherwise indicated in this summary of material accounting policies.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. It also requires the Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in accounting policy Note Q.

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

The following standards and amendments have been adopted for the first time by the Bank for the financial year beginning on 1 January 2023:

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

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

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## SUMMARY OF MATERIAL ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### A BASIS OF PREPARATION (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on or after 1 January 2024.

- There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendment, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

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

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

The amendments shall be applied retrospectively.

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

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

The adoption of the above amendments to published standards are not expected to give rise to any material financial impact to the Bank.



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**SUMMARY OF MATERIAL ACCOUNTING POLICIES**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**B INCOME RECOGNITION**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. When calculating the effective interest, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate.

Interest income for financial assets measured at amortised cost and FVOCI is recognised in the Statement of Comprehensive Income as part of interest income.

Interest income for financial assets measured at FVTPL is recognised separately in the Statement of Comprehensive Income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

**C RECOGNITION OF FEES AND OTHER INCOME**

The Bank earn fees and other income from a diverse range of products and services provided to its customers. Fees and other income are recognised when the Bank has satisfied its performance obligation in providing the promised products and services to the customer, and is recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Bank generally satisfies its performance obligations and recognises the fees and other income on the following basis:

- (i) **Transaction-based fee and other income** is recognised on the completion of the transaction. Such fees include fees related to the service charges and fees, and loans and advance arrangement fees. These fees constitute a single performance obligation.
- (ii) For a service that is provided over a period of time, fee and other income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include commitment fee income, which relates to loans and guarantee fees

Net gain or loss from sales of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are recognised in the Statement of Comprehensive Income upon sales of the securities, as the difference between net sales proceeds and the carrying amount of the financial assets.

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**D REPURCHASE AGREEMENTS**

Securities purchased under agreements to resell, and securities sold under agreements to repurchase, are treated as collateralised lending and borrowing transactions respectively. The consideration for the transaction can be in the form of cash or securities. If the consideration for the purchase or sale of securities is given in cash the transaction is recorded on the balance sheet within securities purchased/sold under agreements to resell/repurchase. If the consideration is received or given in the form of securities the transaction is recorded off balance sheet. The difference between the sales and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

**E FINANCIAL ASSETS AND LIABILITIES**

**(a) Recognition of financial assets and financial liabilities**

The Bank recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade-date, which is the date on which the Bank commits to purchase or sell an asset.

**(b) Classification and measurement of financial assets and financial liabilities**

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Bank in determining the business model for a group of assets including the past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

On initial recognition, financial liabilities are classified as measured at either amortised cost or FVTPL.

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E FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Subsequent measurement

There are three measurement categories into which the Bank classifies its financial assets:

(i) Amortised cost

Financial assets are measured at amortised cost if they are held under a business model with the objective to collect contractual cash flows ("Hold to Collect") and they have contractual terms under which cash flows are solely payments of principal and interest ("SPPI"). In making the SPPI assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement).

Interest income from these financial assets is included in interest income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in net gain and loss from financial instruments together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.

Financial assets measured at amortised cost include cash and short-term funds, loans and advances, certain securities purchased under resale agreements, amount due from related parties, statutory deposits with BNM and other assets.

Financial liabilities are measured at amortised cost unless they are held for trading or designated as measured at fair value through profit or loss.

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

Financial assets are measured at FVOCI if they are held under a business model with the objective of both collecting contractual cash flows and selling the financial assets ("Hold to Collect and Sell"), and they have contractual terms under which cash flows are SPPI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement and recognised in other gains/(losses) on financial instruments. Interest income from these financial assets is included in interest income using the effective interest method. Foreign exchange gains and losses are presented in other gains/(losses) on financial instruments and impairment losses are presented as separate line item in the Statement of Comprehensive Income.

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E FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Subsequent measurement (continued)

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

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in the income statement and presented net within other gains/(losses) on financial instruments in the period which they arise. Transaction costs of financial assets carried at FVTPL are expensed off in the income statement.

Financial assets measured at FVTPL include fixed income securities and reverse repurchase agreements.

Financial liabilities measured at FVTPL include structured deposits and repurchase agreements.

(d) Impairment of financial assets and lending-related commitments

Instruments in scope of Traditional Credit Product ("TCP") include loans and advances, lending-related commitments, and other lending products stemming from extensions of credit to borrowers. The Bank establishes an expected credit losses allowance ("ECL") for these instruments to ensure they are reflected in the financial statements at the Bank's best estimate of the net amount expected to be collected. The ECL is determined on in-scope financial instruments measured at amortised cost or FVOCI. ECL is measured collectively via a portfolio-based (modelled) approach for Stage 1 and 2 assets but are generally measured individually for Stage 3 assets. ECL is forecasted over the 12-month term (Stage 1) or expected life (Stage 2 or 3) of in-scope financial instruments, where the forecast period includes the reasonable and supportable ("R&S") forecast period, the reversion period and the residual period and considers the time value of money.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of circumstances that are inherently uncertain. Further, estimating the allowance involves consideration of a range of possible outcomes, which management evaluates to determine its best estimate. Subsequent evaluations of the TCP portfolio, in light of the circumstances then prevailing, may result in significant changes in the ECL in future periods.

The Bank must consider the appropriateness of decisions and judgements regarding methodology and inputs utilised in developing estimates of ECL each reporting period and document them appropriately.

Note 31 provides more detail on how the expected credit loss allowance is measured.

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E FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual right to receive cash flows from the asset has expired, or has been transferred with either of the following conditions met:

- (i) the Bank has transferred substantially all the risks and rewards of ownership of the asset; or
- (ii) the Bank has neither retained nor transferred substantially all of the risks and rewards; but has relinquished control of the asset.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

(f) Write-off

Loan and advances on the balance sheet are written off when it is highly certain that a loss has been realised. The determination of whether to recognise a write-off includes the prioritisation of the Bank's claim in bankruptcy, expectations of the workout/restructuring of the loan and valuation of the borrower's equity or the loan collateral.

All other financial assets are written off when there is no reasonable expectation of recovery and the amount of loss can be reasonably estimated or when the asset is past due for a specified period.

(g) Determining fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are determined by reference to observable market prices where available and reliable. Fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Where market prices are unavailable, fair value is based on valuation models that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

For financial assets and liabilities measured at FVTPL and FVOCI, most market parameters in the valuation model are either directly observable or are implied from instrument prices. When input values do not directly correspond to the most actively traded market parameters the model may perform numerical procedures in the pricing such as interpolation.

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**E FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

(h) Regulatory reserve requirements

Pursuant to BNM Guidelines on Financial Reporting, the Bank shall maintain, in aggregate, Stage 1 and Stage 2 provisions and regulatory reserves of no less than 1% of all credit exposures (on and off balance sheet that are subject to MFRS 9 impairment requirements, excluding exposures to and with an explicit guarantee from Malaysia Government, Bank, a licensed bank, a licensed investment bank, a licensed Islamic Bank and a prescribed development financial institution) net of Stage 3 provision.

**F DERIVATIVE FINANCIAL INSTRUMENTS**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the income statement.

**G OFFSETTING FINANCIAL INSTRUMENTS**

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

**H IMPAIRMENT OF NON-FINANCIAL ASSETS**

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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I FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of fixed assets is calculated on a straight-line basis over the estimated useful lives.

The principal useful lives used are as follows:

	<u>Years</u>
Bank premises	
- improvements, furniture and fittings	Lower of the remaining lease term or 10 years
- office machinery and equipment	5
Computers	3 - 5

The residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

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

At each balance sheet date, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

J CURRENCY TRANSLATIONS

(a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Monetary assets and monetary liabilities in foreign currencies are translated into Ringgit Malaysia at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into Ringgit Malaysia at exchange rates prevailing at the date of the transactions. Any gains or losses arising on translation are taken directly to the income statement.

Non-monetary items denominated in foreign currencies that are stated at historical cost are translated into Ringgit Malaysia at the exchange rate ruling at the date when the transaction was initially recognised.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into Ringgit Malaysia at foreign exchange rates ruling at the dates when the fair values were determined. Translation differences arising on non-monetary items measured at fair value are recognised in the income statement except for differences arising on FVOCI non-monetary financial assets, which are included in the OCI reserve.

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## SUMMARY OF MATERIAL ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### K CURRENT AND DEFERRED INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting of each jurisdiction in which the Bank operates and generates taxable income and includes all taxes based upon the taxable profits.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

Deferred income tax related to fair value remeasurement of financial investments at fair value through other comprehensive income, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with the deferred gain or loss.



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### L EMPLOYEE BENEFITS

#### *Short-term employee benefits*

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

#### *Defined contribution plan*

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to the national pension scheme, Employees' Provident Fund ("EPF").

The Bank's contributions to EPF are charged to the income statement in the period to which they related. Once the contributions have been paid, the Bank has no further payment obligations.

#### *Equity compensation benefits*

Staff costs include equity compensation expenses arising from the grant of stock-based awards to the employees of the Bank which are equity-settled. The details of the stock-based awards available are described in Note 33.

Stock-based payment awards may be made to employees of the Bank under the Firm's incentive awards schemes. The fair value of any such shares, rights to shares or share options is measured when the conditional award is made. This value is recognised as the compensation expense to the Bank over the period to which the performance criteria relate together with employer's other payroll taxes. All of the awards granted are equity settled. The Firm estimates the level of forfeitures and applies this forfeiture rate at the grant date.

The Bank has recognised all equity compensation benefits as equity-settled, whereby all these employee benefit expenses are credited to "Option reserve" under equity. For employee benefit expenses where the Bank has an obligation to settle with JPMorgan Chase & Co the corresponding amounts are transferred from "Option reserve" to "Other liabilities".

### M PROVISION AND CONTINGENT LIABILITIES

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of the Bank, or a present obligation that arises from past events but is not recognised because either an outflow of economic benefits are not probable or the amount of the obligation cannot be reliably measured. For contingent liabilities that are not recognised in the financial statements, disclosure is made unless the probability of settlement is remote.

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### N FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

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

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

### O CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term funds and amount due from related parties. Only short-term deposits under amount due from related parties are considered as cash and cash equivalents.

### P LEASES

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

#### *ROU Asset*

The ROU 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 lease commencement date plus any initial direct costs incurred, less any lease incentives received. The ROU asset is subsequently amortised on a straight-line basis from the commencement date to the earlier of the end of the useful life of the ROU asset or the lease term. The estimated useful life of the ROU asset is determined on the same basis as those of the property and equipment. In addition, the ROU asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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## SUMMARY OF MATERIAL ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### P LEASES (CONTINUED)

#### *Lease Liability*

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 Bank's incremental borrowing rate. The lease liability is measured at amortised cost using a constant periodic rate of interest. It is remeasured when there is a change in an index or rate, or if the Bank changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in earnings if the carrying amount of the ROU asset has been reduced to zero.

The Bank presents the lease liabilities as a separate line item in Note 18 to the Statement of Financial Position. Interest expense on the lease liability is presented within the operating expense in the Statement of Comprehensive Income.

#### *Short-term leases and leases of low-value*

The Bank has elected not to recognise ROU assets and lease liabilities for short-term leases of real estate as well as equipment that have a lease term of 12 months or less and leases of low-value assets.

### Q CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Bank's accounting policies, management makes judgements, estimates and assumptions for certain categories of assets and liabilities. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Making judgements, estimates and assumptions can involve levels of uncertainty and subjectivity and therefore actual results could differ from the reported amounts.

Some of the judgements, estimates and assumptions management makes when preparing the Bank's financial statements involve high levels of subjectivity and assessments about the future and other sources of uncertainty. Those that may have a material impact on the Bank's financial condition, changes in financial condition or results of operations are described below.

#### (a) Fair value of financial instruments

The Bank carries a significant portion of its assets and liabilities at fair value on a recurring basis. Certain financial instruments are classified on the basis of valuation techniques that feature one or more significant inputs that are unobservable, and for them, the measurement of fair value is more judgemental:

- Judgements - In classifying a financial instrument in the valuation hierarchy judgement is applied in determining the observability and significance of the inputs to the fair value measurement. A financial instrument's categorisation within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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Q CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Fair value of financial instruments (continued)

- Estimates - For instruments classified in level 3, management judgement must be applied to assess the appropriate models and level of valuation adjustments. Details on the Bank's level 3 financial instruments and the sensitivity of their valuation to the effect of applying reasonable possible alternative assumptions in determining their fair value are set out in Note 31.

(b) Measurement of the Expected credit losses ("ECL")

An allowance for ECL is required for financial assets measured at amortised cost and fair value through other comprehensive income as well as lending-related commitments such as loan commitments and financial guarantees. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviours. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL are further detailed in Note 31, which also sets out key sensitivities of the ECL to changes in these inputs.

A number of significant judgements are also required in measuring ECL, such as:

- Determining the criteria for identifying when financial instruments have experienced a significant increase in credit risk;
- Choosing appropriate forecasts and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type financial instrument/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

For Multinational Corporations ("MNC") exposures which are not supported by a legally enforceable guarantee, management makes judgement based on local standalone risk grading for ECL measurement.

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1 GENERAL INFORMATION

The principal activities of the Bank are banking and related financial services. There was no significant change in the nature of these activities during the financial year.

The Bank is a wholly-owned subsidiary of J.P. Morgan International Finance Limited, a corporation incorporated in the United States of America. The Directors regard JPMorgan Chase & Co., a corporation incorporated in the United States of America, as the Bank's ultimate holding corporation.

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

The principal place of business and address of the registered office of the Bank is Level 18, Integra Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

2 CASH AND SHORT-TERM FUNDS

	<u>2023</u> RM'000	<u>2022</u> RM'000
Cash and balances with banks and other financial institutions	194,458	91,743
Money at call and deposit placements maturing within one month	15,320,543	13,393,598
	<u>15,515,001</u>	<u>13,485,341</u>

3 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	<u>2023</u> RM'000	<u>2022</u> RM'000
At 31 December		
Securities purchased under resale agreements measured at amortised cost	-	495,226
Securities purchased under resale agreements measured at FVTPL	10,810,789	4,704,982
	<u>10,810,789</u>	<u>5,200,208</u>

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4 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	<u>2023</u> RM'000	<u>2022</u> RM'000
<u>Money market instruments</u>		
Malaysian Government Securities	859,106	961,622
Negotiable Instruments of Deposits	100,809	-
Malaysian Government Investment Issuance	216,918	242,642
Malaysian Treasury Bills	12,232	196,882
Malaysian Government Guaranteed Bonds	-	24,477
<u>Unquoted securities</u>		
Unquoted shares	7,600	7,048
	<u>1,196,665</u>	<u>1,432,671</u>

5 DERIVATIVE FINANCIAL INSTRUMENTS

	<u>Notional amount</u> RM'000	<u>Assets</u> RM'000	<u>Fair values</u> <u>Liabilities</u> RM'000
At 31 December 2023			
<u>Foreign exchange derivatives</u>			
Currency forwards	63,923,498	340,197	(551,646)
Cross-currency interest rate swaps	1,451,198	35,145	(65,259)
Currency options	277,085	2,811	(2,123)
	<u>65,651,781</u>	<u>378,153</u>	<u>(619,028)</u>
<u>Interest rate derivatives</u>			
Interest rate swaps	83,738,087	520,785	(452,464)
Interest rate options	287,386	33,819	-
<u>Credit related derivatives</u>			
Credit default swaps	371,177	8,228	(1,809)
<u>Equity related derivatives</u>			
Equity options	1,180,977	68,860	(66,313)
Total derivative assets/(liabilities)	<u>151,229,408</u>	<u>1,009,845</u>	<u>(1,139,614)</u>

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5 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Notional amount RM'000	Assets RM'000	Fair values Liabilities RM'000
At 31 December 2022			
<u>Foreign exchange derivatives</u>			
Currency forwards	49,199,150	452,328	(628,566)
Cross-currency interest rate swaps	2,561,076	53,001	(67,526)
Currency options	1,059,445	4,847	(5,250)
	<u>52,819,671</u>	<u>510,176</u>	<u>(701,342)</u>
<u>Interest rate derivatives</u>			
Interest rate swaps	72,526,906	607,578	(506,688)
Interest rate options	270,817	44,073	-
<u>Credit related derivatives</u>			
Credit default swaps	488,607	18,669	(5,144)
<u>Equity related derivatives</u>			
Equity options	712,092	61,858	(58,974)
Total derivative assets/(liabilities)	<u>126,818,093</u>	<u>1,242,354</u>	<u>(1,272,148)</u>

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6 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2023</u> RM'000	<u>2022</u> RM'000
<u>Money market instruments</u>		
Malaysian Government Investment Issuance	-	50,545
Malaysian Treasury Bills	137,604	194,776
Bank Negara Interbank Bills	-	129,033
	<u>137,604</u>	<u>374,354</u>

7 LOANS AND ADVANCES

(i) Loans and advances analysed by type of loan are as follows:

Overdrafts	116,823	140,241
Housing loans	523	702
Staff loans	331	361
Revolving credits	380,030	179,470
Trade finance	73,506	122,583
	<u>571,213</u>	<u>443,357</u>
Less: Expected credit losses ("ECL") on loans and advances:		
- Credit-impaired	(54)	(46)
- Not credit-impaired	(15,384)	(15,264)
	<u>555,775</u>	<u>428,047</u>



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7 LOANS AND ADVANCES (CONTINUED)

	<u>2023</u> RM'000	<u>2022</u> RM'000
(ii) The maturity structure of loans and advances are as follows:		
Maturity within		
- one year	570,663	442,305
- one year to three years	51	413
- three years to five years	84	146
- over five years	415	493
	<u>571,213</u>	<u>443,357</u>
(iii) Loans and advances analysed by type of customers are as follows:		
Domestic business enterprises	560,120	420,713
Individuals	854	1,063
Foreign entities	10,239	21,581
	<u>571,213</u>	<u>443,357</u>
(iv) Loans and advances analysed by interest sensitivity are as follows:		
Fixed rate		
- Housing loans	854	1,063
Variable rate		
- Cost-plus	570,359	442,294
	<u>571,213</u>	<u>443,357</u>
(v) Loans and advances analysed by their economic purpose are as follows:		
Purchase of landed properties	854	1,063
Working capital	570,359	442,294
	<u>571,213</u>	<u>443,357</u>
(vi) Loans and advances analysed by their geographical distribution are as follows:		
In Malaysia	560,974	421,776
Other countries	10,239	21,581
	<u>571,213</u>	<u>443,357</u>

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7	LOANS AND ADVANCES (CONTINUED)	2023 RM'000	2022 RM'000
(vii)	Loans and advances analysed by measurement basis are as follows:		
	Amortised cost	571,213	443,357
(viii)	Impaired loans		
(a)	Movements in impaired loans and advances are as follows:		
	At 1 January	186	198
	Classified as impaired during the financial year	62	61
	Reclassified as performing during the financial year	(19)	(65)
	Amount recovered	(7)	(8)
	At 31 December	222	186
	ECL – credit-impaired	(54)	(46)
	Net impaired loans and advances	168	140
	Ratio of net impaired loans and advances to net loans and advances	0.03%	0.03%
(b)	Impaired loans analysed by their economic purpose are as follows:		
	Purchase of landed property	222	186
(c)	Impaired loans analysed by their geographical distribution are as follows:		
	Malaysia	222	186

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8 AMOUNTS DUE FROM RELATED PARTIES

	<u>2023</u> RM'000	<u>2022</u> RM'000
Current deposits	184,613	762,907
Securities purchased under resale agreements measured at FVTPL	106,349	54,851
Other receivables	62,661	605,339
	<u>353,623</u>	<u>1,423,097</u>

9 STATUTORY DEPOSITS WITH BNM

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which is determined at set percentages of total eligible liabilities.

As of 31 December 2023, the Bank has RM2,000 (2022: RM2,000) statutory deposits with BNM.

10 OTHER ASSETS

	<u>2023</u> RM'000	<u>2022</u> RM'000
Receivable from securities sold pending settlement	340,669	87,379
Other receivable, deposits and prepayments	4,337	71,203
	<u>345,006</u>	<u>158,582</u>

11 DEFERRED TAX ASSETS

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

	<u>2023</u> RM'000	<u>2022</u> RM'000
Excess of depreciation over capital allowances	(396)	(508)
Financial assets held at fair value through other comprehensive income	(20)	81
Other liabilities	8,594	7,867
Deferred tax assets	<u>8,178</u>	<u>7,440</u>

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11 DEFERRED TAX ASSETS (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

	Excess of depreciation over capital allowances RM'000	Fair value through other comprehensive income RM'000	Other liabilities RM'000	Total RM'000
<u>2023</u>				
At 1 January	(508)	81	7,867	7,440
Credited to Income Statement (Note 26)	112	-	727	839
Charge to reserve	-	(101)	-	(101)
At 31 December	<u>(396)</u>	<u>(20)</u>	<u>8,594</u>	<u>8,178</u>
<u>2022</u>				
At 1 January	(375)	(101)	6,310	5,834
(Charged)/credited to Income Statement (Note 26)	(133)	-	1,557	1,424
Credited to reserve	-	182	-	182
At 31 December	<u>(508)</u>	<u>81</u>	<u>7,867</u>	<u>7,440</u>

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12 FIXED ASSETS

	<u>Bank premises</u> RM'000	<u>Computers</u> RM'000	<u>Total</u> RM'000
<u>2023</u>			
Cost			
At 1 January	22,461	24,454	46,915
Additions	353	2,488	2,841
Write-off	(22)	(634)	(656)
At 31 December	<u>22,792</u>	<u>26,308</u>	<u>49,100</u>
<u>Accumulated depreciation</u>			
At 1 January	18,646	21,258	39,904
Charge for the financial year	1,406	1,396	2,802
Write-off	(20)	(634)	(654)
At 31 December	<u>20,032</u>	<u>22,020</u>	<u>42,052</u>
<u>Net book value</u>			
At 31 December	<u>2,760</u>	<u>4,288</u>	<u>7,048</u>
<u>2022</u>			
Cost			
At 1 January	22,139	22,841	44,980
Additions	870	2,621	3,491
Write-off	(548)	(1,008)	(1,556)
At 31 December	<u>22,461</u>	<u>24,454</u>	<u>46,915</u>
<u>Accumulated depreciation</u>			
At 1 January	17,917	18,154	36,071
Charge for the financial year	1,277	4,112	5,389
Write-off	(548)	(1,008)	(1,556)
At 31 December	<u>18,646</u>	<u>21,258</u>	<u>39,904</u>
<u>Net book value</u>			
At 31 December	<u>3,815</u>	<u>3,196</u>	<u>7,011</u>

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13 RIGHTS-OF-USE ASSETS

	<u>2023</u> RM'000	<u>2022</u> RM'000
Balance as at 1 January, by class of underlying assets:		
Properties	10,557	15,898
Additions to the ROU assets during the financial year	1,326	-
Remeasurements to the ROU assets during the financial year	-	(211)
Depreciation charge of ROU assets by class of underlying assets:		
Properties	(5,093)	(5,130)
Balance as at 31 December	<u>6,790</u>	<u>10,557</u>

Lease Liabilities Maturity Analysis

Lease liabilities – Maturity Analysis – Contractual Undiscounted Cash Flows		
Less than one year	5,385	5,381
One to five years	1,910	5,878
Total undiscounted lease liabilities at 31 December	<u>7,295</u>	<u>11,259</u>

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14 DEPOSITS FROM CUSTOMERS

	2023 RM'000	2022 RM'000
(i) Deposits from customers analysed by type of deposits are as follows:		
Demand deposits	14,082,264	12,912,152
Fixed deposits	104,226	181,236
	<u>14,186,490</u>	<u>13,093,388</u>
 Maturity structure of fixed deposits is as follows:		
Due within six months	<u>104,226</u>	<u>181,236</u>
(ii) Deposits from customers analysed by type of customers are as follows:		
Business enterprises	14,185,826	13,092,667
Others	664	721
	<u>14,186,490</u>	<u>13,093,388</u>

15 DEPOSITS AND PLACEMENTS OF BANKS  
AND OTHER FINANCIAL INSTITUTIONS

Licensed banks	616,421	887,870
Other financial institutions and business entities	1,654,605	148,059
	<u>2,271,026</u>	<u>1,035,929</u>

16 FINANCIAL LIABILITIES DESIGNATED AS  
FAIR VALUE THROUGH PROFIT AND LOSS

Structured deposits	<u>248,959</u>	<u>252,343</u>
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17 AMOUNTS DUE TO RELATED PARTIES

	<u>2023</u> RM'000	<u>2022</u> RM'000
Current deposits	265,347	729,805
Interbank taking	458,956	-
Fixed deposits	27,721	27,064
Securities sold under repurchase agreements measured at FVTPL	8,471,458	4,257,992
Other payables	153,946	309,729
	<u>9,377,428</u>	<u>5,324,590</u>

18 OTHER LIABILITIES

Other payables	227,787	694,462
Accruals and charges	20,462	18,936
Lease liabilities	7,168	11,088
Expected credit losses – off-balance sheet lending commitment	1,565	1,338
	<u>256,982</u>	<u>725,824</u>

19 RESERVES

Option reserve	11,953	11,953
Regulatory reserve	-	6,096
Fair value reserve – Financial assets through other comprehensive income	62	(256)
	<u>12,015</u>	<u>17,793</u>

- (i) The option reserve is maintained in compliance with MFRS 2 – 'Share based payments'.
- (ii) Regulatory reserve of the Bank is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology.



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19 RESERVES (CONTINUED)

(iii) Movement of the fair value reserve of financial assets held at fair value through other comprehensive income is as follows:

	<u>2023</u> RM'000	<u>2022</u> RM'000
At 1 January	(256)	317
- Net unrealised gain/(loss) on revaluation of financial assets measured at fair value through other comprehensive income debt instruments	419	(755)
- Income tax relating to component of other comprehensive income	(101)	182
At 31 December	<u>62</u>	<u>(256)</u>

20(a) INTEREST INCOME

	<u>2023</u> RM'000	Restated <u>2022</u> RM'000
Loans and advances		
- Interest income other than recoveries from impaired loans	31,376	15,423
- Recoveries from impaired loans	8	9
Money at call and placements with financial institutions	475,619	181,484
Financial assets held at fair value through other comprehensive income	13,946	7,418
Other interest income	18	167
	<u>520,967</u>	<u>204,501</u>

20(b) INTEREST INCOME FOR FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2023</u> RM'000	Restated <u>2022</u> RM'000
Financial assets at fair value through profit or loss	<u>380,511</u>	<u>142,058</u>

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21 INTEREST EXPENSE

	<u>2023</u> RM'000	<u>2022</u> RM'000
Deposits from customers	368,305	77,517
Deposits and placements of banks and other financial institutions	452,411	96,347
	<u>820,716</u>	<u>173,864</u>

22 OTHER OPERATING INCOME

	<u>2023</u> RM'000	Restated <u>2022</u> RM'000
Fee income:		
- Service charges and fees	6,661	6,522
- Guarantee fees	2,127	1,917
	<u>8,788</u>	<u>8,439</u>
Net income from securities:		
- Net gain from sale of financial assets held at fair value through profit and loss	13,679	7,000
- Net unrealised gain from revaluation of financial assets held at fair value through profit and loss	4,712	5,255
Net gain/(loss) from financial liabilities designated as fair value through profit and loss:		
- Unrealised gain/(loss) from revaluation of structured deposits	3,384	(2,343)
Derivatives:		
- Net gain on derivatives	38,370	20,089
- Unrealised (loss)/gain from revaluation of derivatives	(51,675)	43,689
Other income:		
- Foreign exchange gain	398,837	87,517
- Management and attribution income	105,479	82,459
	<u>521,574</u>	<u>252,105</u>

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23 OPERATING EXPENSES

	<u>2023</u> RM'000	<u>2022</u> RM'000
(a) Operating expenses		
Personnel costs:		
- Wages, salaries and bonuses	60,305	54,988
- Defined contribution retirement plan	8,685	7,891
- Other employee benefits	8,801	7,586
	77,791	70,465
Establishment costs:		
- Equipment and fittings repairs, maintenance and rental	817	256
- Depreciation of right-of-use assets	5,093	5,130
- Depreciation of fixed assets	2,802	5,389
- Utilities and others	1,191	615
	9,903	11,390
Marketing expenses	2,325	2,260
Administration and general expenses:		
- Management and attribution fees paid	118,668	104,308
- Banking and corporate expenses	7,168	5,195
- Office supplies, communication expenses and insurance	4,784	4,569
- Other general expenses	2,767	2,513
	133,387	116,585
	<u>223,406</u>	<u>200,700</u>
The above expenditure includes the following statutory disclosures:		
Directors' remuneration (Note 25)	4,686	4,308
Auditors' remuneration:		
- audit fees	445	380
- non-audit fees	200	34
	<u>645</u>	<u>414</u>

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23 OPERATING EXPENSES (CONTINUED)

	<u>2023</u> RM'000	<u>2022</u> RM'000
(b) Management and attribution fees breakdown by geographical location		
United States of America ("USA")	48,125	40,119
Singapore	24,944	22,980
Hong Kong	15,848	16,830
United Kingdom	10,784	6,577
Malaysia	6,637	5,071
Australia	2,869	3,120
Japan	2,645	3,425
China	1,933	380
Others	4,883	5,806
	<u>118,668</u>	<u>104,308</u>
Management and attribution fees breakdown by type of services		
Information Technology Related Support	38,252	30,842
Sales and Marketing Attribution	21,492	18,326
Transaction Management Services	18,133	14,428
Operational Services Support	11,367	7,140
Finance Support	4,426	4,838
Treasury Support	3,978	4,293
Corporate & Management Oversight	3,649	2,970
Wholesale Client Onboarding	2,431	2,247
Human Resources	2,313	1,722
Trade Support	2,106	1,643
Others	10,521	15,859
	<u>118,668</u>	<u>104,308</u>

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24 EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

	<u>2023</u> RM'000	<u>2022</u> RM'000
Expected credit losses made on loans and advances:		
ECL – off-balance sheet lending commitment	(227)	107
ECL – loans and advances	(128)	(8,425)
Loans and advances recovered	3	5
	<u>(352)</u>	<u>(8,313)</u>

25 DIRECTORS' REMUNERATION

Chief Executive Officer:

- Salary, bonuses and other remuneration	3,609	3,303
- Defined contribution retirement plan	433	396
- Benefits-in-kind	42	19
	<u>4,084</u>	<u>3,718</u>

Executive Director:

- Fees/allowances Gail Koh De Josselin	-	-
	<u>-</u>	<u>-</u>

Non-executive Directors:

- Fees/allowances		
Robert Armor Morris	194	190
Osman Tarique Morad	215	211
Mahani binti Amat	193	189
	<u>602</u>	<u>590</u>

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26 TAXATION

	<u>2023</u> RM'000	<u>2022</u> RM'000
(a) Tax expense for the financial year		
Current year tax		
- Malaysian income tax	95,466	67,443
- Under provision in respect of prior year	1,367	164
Deferred tax		
- Origination and reversal of temporary differences	(948)	(1,770)
- Under provision in respect of prior year	109	346
	<u>95,994</u>	<u>66,183</u>

(b) Numerical reconciliation of income tax expense

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

	<u>2023</u> RM'000	<u>2022</u> RM'000
Profit before taxation	<u>378,578</u>	<u>215,787</u>
Tax calculated at a tax rate of 24%	90,859	51,789
Expenses not deductible for tax purposes	3,659	2,036
Under provision in respect of prior year	1,367	164
Under provision of temporary differences in prior year	109	346
Effect due to change in tax rate (Note)	-	11,848
Tax expense	<u>95,994</u>	<u>66,183</u>

Note: For year of assessment ("YA") 2022, in support of Government's initiative of shared national prosperity, a special one-off tax known as "Cukai Makmur" was imposed on companies generating high income during the COVID-19 pandemic period, with the first RM100 million taxed at the standard tax rate of 24%, and amount exceeding RM100 million be taxed at a rate of 33%.

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27 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies constitute the following:

	<u>2023</u> Principal amount RM'000	<u>2022</u> Principal amount RM'000
<u>Credit-related</u>		
Direct credit substitutes	223,888	255,826
Transaction-related contingent items	50,353	33,858
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- over one year	66,692	79,287
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,634,787	1,732,157
<u>Treasury-related</u>		
Foreign exchange related contracts:		
- less than one year	63,714,605	50,843,001
- one year to less than five years	1,744,021	1,791,304
- more than five years	193,155	185,366
Interest rate related contracts:		
- less than one year	25,488,551	24,382,683
- one year to less than five years	55,087,764	47,225,165
- more than five years	3,449,158	1,189,875
Credit related contracts:		
- less than one year	22,938	151,784
- one year to less than five years	348,239	336,823
Equity related contracts:		
- less than one year	1,126,918	644,289
- one year to less than five years	54,059	67,803
	<u>153,205,128</u>	<u>128,919,221</u>

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28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of, and their relationship with the Bank, are as follows:

<u>Name of related parties</u>	<u>Relationship</u>
JPMorgan Chase & Co.	Ultimate holding corporation
JPMorgan Chase Bank, N.A., New York	Subsidiary of ultimate holding corporation ("the Head Office")
JPMorgan Chase Bank, N.A., Hong Kong	Branch of the Head Office
JPMorgan Chase Bank, N.A., Labuan	Branch of the Head Office
JPMorgan Chase Bank, N.A., Frankfurt	Branch of the Head Office
JPMorgan Chase Bank, N.A., London	Branch of the Head Office
JPMorgan Chase Bank, N.A., Singapore	Branch of the Head Office
JPMorgan Chase Bank, N.A., Chicago	Branch of the Head Office
JPMorgan Chase Bank, N.A., Tokyo	Branch of the Head Office
JPMorgan Chase Bank, N.A., Australia	Branch of the Head Office
JPMorgan Chase Bank, N.A., Korea	Branch of the Head Office
JPMorgan Chase Bank, N.A., Philippines	Branch of the Head Office
JPMorgan Chase Bank, N.A., Bangkok	Branch of the Head Office
JPMorgan Chase Bank, N.A., Indonesia	Branch of the Head Office
JPMorgan Chase Bank, N.A., India	Branch of the Head Office
JPMorgan Chase Bank, N.A., China	Branch of the Head Office
JPMorgan Chase Bank, N.A., Dubai	Branch of the Head Office
JPMorgan Chase Bank, N.A., Vietnam	Branch of the Head Office
J.P. Morgan Securities LLC	Subsidiary of ultimate holding corporation
J.P. Morgan Securities Asia Private Limited	Subsidiary of ultimate holding corporation
JPMorgan Securities (Malaysia) Sdn Bhd	Subsidiary of ultimate holding corporation
J.P. Morgan Services (Malaysia) Sdn Bhd	Subsidiary of ultimate holding corporation
J.P. Morgan Securities (Asia Pacific) Limited	Subsidiary of ultimate holding corporation
JPMorgan Securities Japan Co., Ltd.	Subsidiary of ultimate holding corporation
JPMorgan Securities Plc	Subsidiary of ultimate holding corporation
JPMorgan Securities (Thailand) Limited	Subsidiary of ultimate holding corporation
J.P. Morgan (S.E.A.) Limited	Subsidiary of ultimate holding corporation
J.P. Morgan Ventures Energy Corporation	Subsidiary of ultimate holding corporation

Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank includes all the Directors and senior officers of the Bank.



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28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Set out below are other significant related party transactions and balances.

	2023		2022	
	Related entities	Key management personnel	Related entities	Key management personnel
	RM'000	RM'000	RM'000	RM'000
Significant related party transactions of the Bank:				
<u>Income</u>				
Interest on current deposit	2,910	-	249	-
Interest on money at call and placements with financial institutions	38,885	-	5,868	-
Management and attribution fees received	105,479	-	82,459	-
	712,466	-	1,662,826	-
<u>Expense</u>				
Interest on deposits and taking	9,952	-	2,722	-
Interest on repurchase agreements	420,609	-	69,387	-
Rental recovery	(2,538)	-	(2,289)	-
Nostro charges	93	-	94	-
Management and attribution fees paid	118,668	-	104,308	-
Personnel expenses	-	14,195	-	13,795
	712,466	-	1,662,826	-
Related party balances of the Bank:				
<u>Assets</u>				
Current deposits	184,613	-	762,907	-
Securities purchased under resale agreements	106,349	-	54,851	-
Derivative assets	358,843	-	239,729	-
Other receivables	62,661	-	605,339	-
	712,466	-	1,662,826	-
<u>Liabilities</u>				
Current deposits	265,347	-	729,805	-
Interbank taking	458,956	-	-	-
Fixed deposits	27,721	-	27,064	-
Securities sold under repurchase agreements	8,471,458	-	4,257,992	-
Derivatives liabilities	320,128	-	248,924	-
Other payables	153,946	-	309,729	-
	9,697,556	-	5,573,514	-

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28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

Interest rates on deposits were at normal commercial rates.

Key management compensation:

	<u>2023</u> RM'000	<u>2022</u> RM'000
Short-term employee benefits	14,195	13,795
	Unit	Unit
Shares, restricted stock units and share options balance of ultimate holding corporation	28,644	21,131

Included in the above is the Executive Directors' compensation which is disclosed in Note 25. The shares, restricted stock units and share options are granted on the same terms and conditions as those offered to other employees of the Bank.

Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per BNM's revised "Guidelines on Credit Transactions and Exposures with Connected Parties", which became effective on 1 January 2008, are as follows:

	<u>2023</u> RM'000	<u>2022</u> RM'000
Outstanding credit exposures with connected parties	773,275	318,790
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	17.23%	7.31%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0%	0%

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29 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Bank has lease commitments in respect of vehicles, which is classified as operating leases. A summary of the non-cancellable long-term commitments representing minimum rentals which the Bank is obliged to pay are as follows:

	<u>2023</u> RM'000	<u>2022</u> RM'000
Not later than one year	9	88

30 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

The capital adequacy ratios of the Bank are as follows:

	<u>2023</u> RM'000	<u>2022</u> RM'000
<u>Tier-I capital</u>		
Paid-up share capital	437,500	437,500
Retained earnings	1,778,922	1,490,242
Fair value reserve through other comprehensive income	62	(256)
Option reserve	11,953	11,953
	<u>2,228,437</u>	<u>1,939,439</u>
Deferred tax assets	(8,178)	(7,440)
Financial assets at fair value through other comprehensive income	(34)	-
Total Tier I capital	<u>2,220,225</u>	<u>1,931,999</u>
<u>Tier-II capital</u>		
Regulatory reserve	-	6,096
ECL not credit-impaired	16,949	15,264
Total Tier II capital	<u>16,949</u>	<u>21,360</u>
Total capital	<u>2,237,174</u>	<u>1,953,359</u>
Common Equity Tier 1 capital ratio	27.283%	21.111%
Tier 1 capital ratio	27.283%	21.111%
Total capital ratio	<u>27.492%</u>	<u>21.345%</u>

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30 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2023:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) <u>Credit Risk</u>				
<i>On-balance sheet exposures</i>				
Sovereigns/central banks	15,552,877	15,397,723	458,945	36,716
Banks	11,273,943	678,905	135,799	10,864
Insurance companies, securities firms and fund managers	1,238,633	1,132,648	375,810	30,065
Corporates	577,513	577,513	575,084	46,007
Regulatory retail	331	331	331	26
Residential mortgages	302	302	127	10
Other assets	32,328	32,328	25,853	2,068
Defaulted exposures	169	169	101	8
	<u>28,676,096</u>	<u>17,819,919</u>	<u>1,572,050</u>	<u>125,764</u>
<i>Off-balance sheet exposures</i>				
Over-the-counter ('OTC') derivatives	3,635,362	3,635,362	1,460,493	116,840
Off balance sheet exposures other than OTC derivatives	282,410	282,410	273,355	21,868
	<u>3,917,772</u>	<u>3,917,772</u>	<u>1,733,848</u>	<u>138,708</u>
Total off-balance sheet exposures	<u>3,917,772</u>	<u>3,917,772</u>	<u>1,733,848</u>	<u>138,708</u>
Total on and off-balance sheet exposures	<u>32,593,868</u>	<u>21,737,691</u>	<u>3,305,898</u>	<u>264,472</u>
		<u>Long position</u>	<u>Short position</u>	
(b) <u>Market risk</u>				
Interest rate risk	152,937,639	149,022,369	3,687,568	295,006
Foreign currency risk	114,824	2	114,825	9,186
Options risk			213,931	17,114
			<u>815,400</u>	<u>65,232</u>
(c) <u>Operational risk</u>				
Total risk weighted assets and capital requirements			<u>8,137,622</u>	<u>651,010</u>

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30 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2022:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) <u>Credit Risk</u>				
<i>On-balance sheet exposures</i>				
Sovereigns/central banks	13,938,923	13,756,334	1,409,121	112,730
Banks	6,544,196	1,565,019	320,624	25,649
Insurance companies, securities firms and fund managers	793,067	740,856	166,163	13,293
Corporates	442,410	442,410	442,410	35,393
Regulatory retail	361	361	361	29
Residential mortgages	397	397	167	13
Higher risk assets	4	4	6	-
Other assets	97,326	97,326	97,995	7,840
Defaulted exposures	142	142	71	6
<b>Total on-balance sheet exposures</b>	<b>21,816,826</b>	<b>16,602,849</b>	<b>2,436,918</b>	<b>194,953</b>
<i>Off-balance sheet exposures</i>				
Over-the-counter ('OTC') derivatives	3,605,300	3,605,300	1,416,495	113,320
Off balance sheet exposures other than OTC derivatives	312,399	312,399	305,653	24,452
<b>Total off-balance sheet exposures</b>	<b>3,917,699</b>	<b>3,917,699</b>	<b>1,722,148</b>	<b>137,772</b>
<b>Total on and off-balance sheet exposures</b>	<b>25,734,525</b>	<b>20,520,548</b>	<b>4,159,066</b>	<b>332,725</b>
		<u>Long position</u>	<u>Short position</u>	
(b) <u>Market risk</u>				
Interest rate risk	133,954,699	131,314,216	3,970,356	317,628
Foreign currency risk	930	43,129	43,129	3,450
Options risk			272,910	21,833
(c) <u>Operational risk</u>			705,970	56,478
<b>Total risk weighted assets and capital requirements</b>			<b>9,151,431</b>	<b>732,114</b>

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30 CAPITAL ADEQUACY (CONTINUED)

Off balance sheet counterparty risk as at 31 December 2023:

	<u>Principal amount</u> RM'000	<u>Credit equivalent amount*</u> RM'000	<u>Risk weighted amount</u> RM'000
Direct credit substitutes	223,888	223,888	219,108
Transaction-related contingent items	50,353	25,176	20,901
Foreign exchange related contracts:			
- less than one year	63,714,605	1,007,983	404,323
- one year to less than five years	1,744,021	174,987	111,513
- more than five years	193,155	39,365	18,031
Interest rate related contracts:			
- less than one year	25,488,551	84,093	36,622
- one year to less than five years	55,087,764	1,765,216	657,328
- more than five years	3,449,158	342,769	166,181
Credit derivative contracts			
- less than one year	22,938	2,666	1,333
- one year to less than five years	348,239	58,039	18,941
Equity related contracts			
- less than one year	1,126,918	153,293	43,922
- one year to less than five years	54,059	6,951	2,299
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	66,692	33,346	33,346
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,634,787	-	-
	<u>153,205,128</u>	<u>3,917,772</u>	<u>1,733,848</u>

\* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

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30 CAPITAL ADEQUACY (CONTINUED)

Off balance sheet counterparty risk as at 31 December 2022:

	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	255,826	255,826	251,109
Transaction-related contingent items	33,858	16,929	14,900
Foreign exchange related contracts:			
- less than one year	50,843,001	1,213,204	495,286
- one year to less than five years	1,791,304	175,510	91,983
- more than five years	185,366	47,391	21,899
Interest rate related contracts:			
- less than one year	24,382,683	95,118	35,344
- one year to less than five years	47,225,165	1,753,163	634,473
- more than five years	1,189,875	116,071	51,504
Credit derivative contracts			
- less than one year	151,784	17,656	8,828
- one year to less than five years	336,823	70,737	22,552
Equity related contracts			
- less than one year	644,289	101,699	47,251
- one year to less than five years	67,803	14,751	7,375
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	79,287	39,644	39,644
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,732,157	-	-
	<u>128,919,221</u>	<u>3,917,699</u>	<u>1,722,148</u>

\* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

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31 FINANCIAL RISK MANAGEMENT

The Bank has developed and implemented comprehensive policies and procedures to identify, mitigate and monitor risk across the entity which are based on the Firm's policies. These practices rely on constant communications, judgement and knowledge of products and markets by the people closest to them, combined with regular oversight by a central risk management group and senior management.

(i) Credit risk

Approach to measuring expected credit losses

The Bank estimates credit impairment through an allowance for expected credit losses ("ECLs"). ECLs are recognised for financial assets that are measured at amortised cost or FVOCI and for specified lending-related commitments, such as loan commitments and financial guarantee contracts. The measurement of ECLs must reflect:

- (a) An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- (b) The time value of money; and
- (c) Reasonable and evidence-based information about past events, current economic conditions, and forecasts of future economic conditions.

The measurement of ECL also reflects how the Bank manages the financial instruments it uses for credit risk purposes such as Traditional Credit Products ("TCP"), debt securities measured at FVOCI, and non-traditional credit products ("Non-TCP"). TCP are wholesale loans and lending-related commitments from extensions of credit to borrowers (including intercompany and affiliated entities); debt securities which are debt instruments such as government bonds; whereas Non-TCP are all other debt financial assets measured at amortised cost which include, but are not limited to, reverse repurchase agreements, margin loans, fee receivables, and inter-company receivables (such as cash and deposits).

The following table sets out the balances of the Bank's financial assets that are measured at amortised cost or FVOCI by the respective TCP, Non-TCP and debt securities categories.

<u>Balance sheet categories</u>	31 December 2023		
	<u>TCP</u> RM'000	<u>Non-TCP</u> RM'000	<u>Debt securities</u> RM'000
<u>Assets</u>			
Cash and short-term funds	-	15,515,001	-
Financial assets at fair value through other comprehensive income ("FVOCI")	-	-	137,604
Loans and advances	555,775		
Amount due from related parties	-	247,274	-
Other assets	-	345,006	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>



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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Expected credit loss measurement (continued)

Approach to measuring expected credit losses (continued)

The following table sets out the balances of the Bank's financial assets that are measured at amortised cost or FVOCI by the respective TCP, Non-TCP and debt securities categories. (continued)

<u>Balance sheet categories</u>	<u>31 December 2022</u>		
	<u>TCP</u> RM'000	<u>Non-TCP</u> RM'000	<u>Debt securities</u> RM'000
<u>Assets</u>			
Cash and short-term funds	-	13,485,341	-
Securities purchased under resale agreements	-	495,226	-
Financial assets at fair value through other comprehensive income ("FVOCI")	-	-	374,354
Loans and advances	428,047	-	-
Amount due from related parties	-	1,368,246	-
Other assets	-	158,582	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>

Off-balance sheet lending-related commitments which are categorised as TCP with an ECL allowance of RM1,565,000 (2022: RM1,338,000) and is reported in other liabilities are not included in the table above.

Impact of staging on measuring expected credit losses

ECLs are measured using a three stage model based on changes in credit quality of the financial instrument since it was initially recognised ("initial recognition"):

- Stage 1 – performing financial instruments that have not had a significant increase in credit risk since initial recognition;
- Stage 2 – performing financial instruments that have experienced a significant increase in credit risk; and
- Stage 3 – non-performing financial instruments that have been determined to be credit-impaired.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Impact of staging on measuring expected credit losses (continued)

*Stage 3 - Default and credit-impairment*

Financial instruments are included in Stage 3 when there is objective evidence of impairment at the reporting date. For Stage 3 instruments, ECL is calculated considering the probability of default over the remaining life of each instrument ("lifetime ECL") on an individual asset basis and interest income is calculated on the net carrying amount (that is, net of the allowance for expected credit losses). All financial assets, regardless of their category as TCP, Non-TCP or debt security, are considered to be credit-impaired and included in Stage 3 when one or more of the following events that has a detrimental impact on the estimated future cash flows of that financial asset has occurred:

- (a) Significant financial difficulty of the issuer or the borrower;
- (b) A default or past due event;
- (c) The Bank has granted a concession to the borrower for economic or contractual reasons relating to the borrower's financial difficulty;
- (d) It has become probable the borrower will enter bankruptcy or other financial reorganisation;
- (e) An active market for that financial asset no longer exists because of the borrower's financial difficulties; or
- (f) A financial asset is purchased or originated at a deep discount that reflects a credit loss has been incurred.

The criteria above are consistent with how the Bank defines 'default' for internal credit risk management purposes.

A financial asset is considered to no longer be in default (i.e. the default has been cured) when the borrower has made payments for a minimum of six months and there is other objective evidence of credit improvement. However, for assets that were considered to be Stage 3 as a result of a restructuring where the borrower experiencing difficulty was granted a financial concession, there is no cure period and the asset will remain in Stage 3.

*Stage 2 - Significant increase in credit risk*

Financial instruments that have experienced a significant increase in credit risk ("SICR") since initial recognition for which there is no objective evidence of impairment are included in Stage 2. For Stage 2 instruments, ECL is calculated considering the probability of default over the remaining life of the instrument ("lifetime ECL") on a collective basis and interest income is calculated on the gross carrying amount of the asset (that is, without deduction for the expected credit loss allowance).

The Bank assesses for evidence of a SICR by considering whether there has been a change in the risk of a default occurring since the financial instrument was initially recognised.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

*Stage 2 - Significant increase in credit risk (continued)*

For TCP, the Bank assesses SICR based on a combination of qualitative and quantitative assessments, as described in more detail below:

- Quantitative criteria

The Bank determines whether the probability of a default ("PD") occurring has changed between a financial instruments initial recognition and the reporting date of a financial instrument. If the change in PD exceeds certain relative and thresholds, the instrument has experienced a SICR. The assessment of the PD takes into account reasonable and supportable information, including information about past events, current and future economic conditions.

- Qualitative criteria

The Bank monitors borrowers that may become impaired by including them on its watch list. Obligors that are on the watch list are considered to have experienced SICR. The Bank also monitors changes in internal credit risk ratings (relative to the credit rating on initial recognition) and delinquency triggers to determine if a borrower has experienced SICR.

The Bank's TCP portfolio is mostly comprised of large, international, wholesale borrowers. For these borrowers, short-term delinquencies alone are not considered to be a meaningful credit quality indicator as the Bank's experience has shown that other internal credit quality indicators generally identifies increases in credit risk well before delinquency. As such, the Bank has determined that using the quantitative and qualitative criteria described above are most appropriate for capturing SICR for TCP.

Financial instruments that are in Stage 2 are moved to Stage 1 in the period that the quantitative and qualitative criteria for a SICR no longer exist.

The approach for determining whether there has been a SICR for Non-TCP portfolios depends on the type of instrument. The Bank presumes on-TCP financial assets that are 30 days past due have experienced a SICR and are included in Stage 2. Non-TCP intercompany assets with material legal entities that are covered by the Firm's resolution and recovery plans are considered to be investment grade and therefore these are included in Stage 1 with no SICR. Finally, the remainder of the Bank's Non-TCP are mostly short-term and generally no SICR has arisen prior to the maturity of that instrument.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

*Stage 1 - Unimpaired and without significant increase in credit risk*

Financial instruments that have not experienced SICR since initial recognition are included in Stage 1. For Stage 1 instruments, ECL is calculated by considering the probability of default within 12 months after the reporting date on a collective basis and interest income is calculated on the gross carrying amount of the asset (that is, without deduction for the expected credit loss allowance).

Sensitivity analysis of ECL due to staging

The following table shows the impact of staging on the Bank's ECL recognised on balance sheet, by comparing the allowance if all performing financial assets were in Stage 1 or if all such assets were in Stage 2 to the actual ECL recorded on these assets as at 31 December 2023:

	<u>Gross loans and advances</u> RM'000	<u>ECL- All performing loans in Stage 1</u> RM'000	Impact of change in staging on the Statement of Comprehensive Income RM'000
Stage 1	506,733	10,654	-
Stage 2	64,258	4,730	-
	<u>Gross loans and advances</u> RM'000	<u>ECL- All performing loans in Stage 2</u> RM'000	Impact of change in staging on the Statement of Comprehensive Income RM'000
Stage 1	506,733	10,697	(43)
Stage 2	64,258	4,730	-

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Sensitivity analysis of ECL due to staging (continued)

The following table shows the impact of staging on the Bank's ECL recognised on balance sheet, by comparing the allowance if all performing financial assets were in Stage 1 or if all such assets were in Stage 2 to the actual ECL recorded on these assets as at 31 December 2022:

	<u>Gross loans and advances</u> RM'000	<u>ECL- All performing loans in Stage 1</u> RM'000	<u>Impact of change in staging on the Statement of Comprehensive Income</u> RM'000
Stage 1	347,944	8,074	-
Stage 2	95,227	7,190	-

	<u>Gross loans and advances</u> RM'000	<u>ECL- All performing loans in Stage 2</u> RM'000	<u>Impact of change in staging on the Statement of Comprehensive Income</u> RM'000
Stage 1	347,944	8,225	(151)
Stage 2	95,227	7,190	-

ECL measurement for TCP Portfolios

*Key Inputs*

ECL for Stage 1 and Stage 2 assets is determined using a collective assessment model that estimates losses expected on the portfolio from possible defaults in the next 12 months or lifetime depending on whether the instrument is included in stage 1 or 2. The 12-month ECL are calculated by multiplying the 12-month Probability of Default, Exposure at Default and Loss Given Default. Lifetime ECL are calculated using the lifetime PD instead. These inputs are collectively known as the modeled estimate and are described in further detail below:

Probability of Default ("PD"): The PD model estimates the probability of a borrower defaulting given certain macroeconomic scenarios and the probability of a borrower moving from one risk rating to another during the reasonable and supportable period. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

ECL measurement for TCP Portfolios (continued)

*Key Inputs (continued)*

Exposure at Default ("EAD"): Exposure at Default represents the gross exposure of the Bank upon the obligor's default and is characterised, as follows:

- Term Loans - EAD is 100% of exposure, net of amortisation.
- Revolving commitments - EAD is a model-based estimate that considers the expectation of future utilisation at the facility level in the case of a default under a given macroeconomic environment. After the Reasonable and Supportable ("R&S") forecast period, a long run EAD is determined based on the facility's risk characteristics.
- All other unfunded committed facilities - EAD is determined judgmentally and where appropriate, empirically, based on the type of credit facility, line of business, underlying risk characteristics, and utilisation.

Loss Given Default ("LGD"): LGD, also known as loss severity, represents the amount of loss, expressed as a percentage, in the event the facility defaults under a given forecasted macroeconomic environment during the reasonable and supportable period. Beyond the reasonable and supportable period long run historical average LGD is used based on the instrument's risk characteristics (e.g., secured type, region, line of business). The modeled estimate is subsequently adjusted for Large Loan Uncertainty ("LLU").

*Forward-looking information*

ECL estimates are derived from Bank's historical experience and future forecasted economic conditions. To incorporate forward-looking information into the ECL calculation, the Bank develops five forecasted economics scenarios (base, relative upside, extreme upside, relative downside and extreme downside) during the year. Each of these scenarios contains a set of Macroeconomic Variables ("MEVs") that reflect forward-looking economic and financial conditions. MEVs include, but are not limited to GDP per country or country block (group of countries that have similar economic circumstances). MEVs for each scenario are projected over a reasonable and supportable forecast period of two years. After the forecast period, the losses revert to historical averages over a one-year transition period.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

*Forward-looking information (continued)*

On a quarterly basis, the five economic scenarios are updated and probability weighted. Judgement is involved to develop the scenarios and assign probability weightings. The most likely economic scenario in management's view is the base case which would generally be expected to be weighted more heavily than the other four scenarios.

The PD, LGD and EAD models are designed to forecast the credit quality and performance of a TCP portfolio based on industry, geography, rating and size of obligors, among other attributes of the portfolio. PD, LGD and EAD models are calibrated based on historical MEVs and use forecasted macroeconomic scenarios for projecting PD, LGD and EAD values.

*ECL calculation*

ECL calculation is based on the forward-looking PD, LGD, and EAD values for each of the scenarios to produce the scenario credit losses ("SCLs"). The modelled ECL estimate is a probability-weighted calculation of the five SCLs discounted using the original effective interest rate or an approximation thereof.

The modelled ECL results are reviewed by management and adjustments ('management overlays') are considered to ensure final results reflect the Bank's best estimate of ECLs on its exposures. Management overlays are only applied if necessary to account for significant idiosyncratic risks which are not yet reflected in underlying risk ratings, LGD, exposure profile or scenario weights used and which are expected to have a high probability of occurrence.

The Bank follows the policies and practices established by the Firm's Credit Risk Policy Group and BNM's Best Practices for the Management of Credit Risk and the Assessment of the Allowance for Credit Losses, to preserve the independence and integrity of the approval and decision-making process.

For Multinational Corporations ("MNC") exposures which are not supported by legally enforceable guarantee, management makes judgement based of local standalone risk grading for ECL measurement.

There have not been any significant changes in estimation techniques or assumptions made during the reporting period.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Stage 3 portfolio estimation techniques

In estimating ECL for Stage 3 assets using an individual discounted cash flow assessment, broad economic conditions affecting a borrower are less relevant as they may not have a direct impact on the specific borrower and its ability to service its debts. Consequently, the Bank believes that borrower specific scenarios are the most relevant in estimating expected credit losses in an individual discounted cash flow assessment. When applying the discounted cash flow methodology, the Bank projects cash flows under three borrower-specific forecast scenarios that are reviewed, adjusted and ultimately blended into one-probability weighted calculation of ECL.

ECL measurement for Non-TCP portfolio

The Bank's approach to measuring ECLs for Non-TCP portfolios depends on the type of instrument.

*Fee receivables*

For fee receivables arising from contracts with customers (e.g. brokerage fee receivables), the Bank applies a provision matrix as a practical expedient for calculating expected credit losses. The matrix provides that in the case of institutional customers, a receivable is considered to have experienced SICR (i.e. Stage 2) if it is 90 days past due and credit-impaired (i.e. Stage 3) if it is 180 days past due at which point an ECL for 100% of the amount owned is recognised. In the case of non-institutional customers, a receivable is considered to have experienced SICR (i.e. Stage 2) if it is 30 days past due and credit-impaired (i.e. Stage 3) if it is 90 days past due at which point an ECL for 100% of the amount owned is recognised. The Bank has not had significant losses on its fee receivable portfolios and the ECL impact is considered to be immaterial.

*Other Non-TCP*

The Bank has determined that ECLs on all other Non-TCP portfolios are immaterial due to: the existence of credit risk mitigants such as the existence of the collateral; the credit quality of the borrower (e.g. investment-grade); and/or the short-term nature of the instrument. Similarly, the Bank has determined that these Non-TCP portfolios are without SICR (i.e. Stage 1) due to the credit quality of the borrower and/or the short-term nature of the instrument.

For inter-company loans and receivables, the Bank evaluates the counterparty based on the consolidated Firm's resolution and recovery plan, tenor of the loan/receivable, and any collateral received. The Bank has not experienced any losses on inter-company loans and receivables.

The Bank continues to monitor its Non-TCP portfolios to ensure the described framework is appropriate and its exposure to credit risk and ECLs on these portfolios is adequately reflected in the allowance for credit losses.



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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

ECL and gross carrying amount reconciliation

The following tables provide an explanation of the change in the loss allowance during the year by respective product classes. The tables also set out how significant changes in the gross carrying amount of financial instruments contributed to the changes in the loss allowance:

(a) Loans and advances to customers at amortised cost

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL non credit- impaired	Lifetime ECL credit- impaired	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>Expected credit losses</u>				
As at 1 January 2023	8,074	7,190	46	15,310
Loans derecognised or repaid	(1,651)	(35)	-	(1,686)
New originated	568	-	-	568
Changes due to change in credit risk	3,663	(2,413)	(4)	1,246
Transfers from Stage 2 to Stage 3	-	(17)	17	-
Transfers from Stage 3 to Stage 2	-	5	(5)	-
As at 31 December 2023	<u>10,654</u>	<u>4,730</u>	<u>54</u>	<u>15,438</u>
<u>Expected credit losses</u>				
As at 1 January 2022	1,171	5,668	46	6,885
Loans derecognised or repaid	(855)	-	(1)	(856)
New originated	4,440	8	-	4,448
Changes due to change in credit risk	3,318	1,499	16	4,833
Transfers from Stage 3 to Stage 2	-	15	(15)	-
As at 31 December 2022	<u>8,074</u>	<u>7,190</u>	<u>46</u>	<u>15,310</u>

The allowance on ECL recognised in the period is impacted by the following judgement criteria:

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

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

ECL and gross carrying amount reconciliation (continued)

(a) Loans and advances to customers at amortised cost (continued)

Increase in ECL in 2023 as compared to 2022 mainly attributed to the increase in credit risk for the existing loans and advances as well as additional ECL for new loans during the year.

(b) Lending related commitments and financial guarantee contracts

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	RM'000	non credit- impaired RM'000	credit- impaired RM'000	Total RM'000
<u>Expected credit losses</u>				
As at 1 January 2023	608	730	-	1,338
Loans derecognised or repaid	(1)	-	-	(1)
New originated	21	-	-	21
Changes due to change in credit risk	65	142	-	207
Transfers from Stage 1 to Stage 2	(1)	1	-	-
As at 31 December 2023	<u>692</u>	<u>873</u>	<u>-</u>	<u>1,565</u>
<u>Expected credit losses</u>				
As at 1 January 2022	1,034	411	-	1,445
Loans derecognised or repaid	(2)	-	-	(2)
New originated	3	-	-	3
Changes due to change in credit risk	(280)	172	-	(108)
Transfers from Stage 1 to Stage 2	(147)	147	-	-
As at 31 December 2022	<u>608</u>	<u>730</u>	<u>-</u>	<u>1,338</u>

Increase in ECL in 2023 as compared to 2022 for lending related commitments and financial guarantee contracts mainly attributable to the increase in credit risk.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

(b) Lending related commitments and financial guarantee contracts (continued)

Debt securities at FVOCI

For the year ended 31 December 2023 and 31 December 2022, debt securities at FVOCI were only Malaysia Government-related securities, in which the ECL is immaterial.

Loan modifications

There were no financial assets and loan commitments that were modified for the year ended 31 December 2023 and 31 December 2022.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position, including derivative financial instruments.

The maximum exposure is shown gross, without taking account of any collateral held or other credit enhancements.

	<u>Note</u>	<u>2023</u> RM'000	<u>2022</u> RM'000
<u>Assets</u>			
Cash and short-term funds	2	15,514,604	13,484,935
Securities purchased under resale agreements	3	10,810,789	5,200,208
Financial assets held at fair value through profit and loss ("FVTPL")	4	1,189,065	1,425,623
Derivative financial instruments	5	1,009,845	1,242,354
Financial assets at fair value through other comprehensive income ("FVOCI")	6	137,604	374,354
Loans and advances#	7	555,775	428,047
Amount due from related parties	8	353,623	1,423,097
Statutory deposits with BNM	9	2	2
Other assets	10	344,111	157,691
Total assets*		<u>29,915,418</u>	<u>23,736,311</u>
Commitments and contingencies		<u>1,975,720</u>	<u>2,101,128</u>

\* Excludes cash in hand, prepayment, deferred tax assets, right-of-use assets, tax recoverable and fixed assets.

# Includes ECL allowance of RM15,438,000 (2022: RM15,310,000).

Where financial instruments are recorded by fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

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31 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

(i) Credit risk (continued)

Concentration risk by geographical sectors

Credit risk exposure analysed by country in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

The country exposure analysis is based on the residency of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

	Short-term funds and placements	Securities purchased under resale agreements	Financial assets held at fair value through profit and loss	Derivative financial instruments	Financial assets held at other comprehensive income	Loans and advances	Amount due from related parties	Other assets*	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	15,385,226	10,810,789	1,189,065	648,068	137,604	560,974	8,140	156,971	28,896,837	2,748,103
United Kingdom	-	-	-	166,885	-	-	244,176	107	411,168	609,613
USA	-	-	-	66,014	-	4,858	37,772	-	108,644	213,840
Hong Kong	-	-	-	44,106	-	-	8,956	-	53,062	109,210
Singapore	5,917	-	-	75,482	-	252	594	186,428	268,673	202,447
Others	123,461	-	-	9,290	-	5,129	53,985	9	191,874	34,559
	<u>15,514,604</u>	<u>10,810,789</u>	<u>1,189,065</u>	<u>1,009,845</u>	<u>137,604</u>	<u>571,213</u>	<u>353,623</u>	<u>343,515</u>	<u>29,930,258</u>	<u>3,917,772</u>
Assets not subject to credit risk	397	-	7,600	-	-	(15,438)	-	23,509	16,068	-
	<u>15,515,001</u>	<u>10,810,789</u>	<u>1,196,665</u>	<u>1,009,845</u>	<u>137,604</u>	<u>555,775</u>	<u>353,623</u>	<u>367,024</u>	<u>29,946,326</u>	<u>3,917,772</u>

\* Other assets include statutory deposits with Bank Negara Malaysia, deferred tax assets, right-of-use assets, fixed assets and other assets. Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 30.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by geographical sectors (continued)

	Short-term funds and placements RM'000	Securities purchased under resale agreements RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets* RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Malaysia	13,453,862	5,200,208	1,425,623	994,243	374,354	421,776	5,578	46,448	21,922,092	3,148,150
United Kingdom	-	-	-	64,059	-	-	80,444	-	144,503	244,899
USA	-	-	-	47,985	-	13,199	1,299,625	-	1,360,809	181,555
Hong Kong	-	-	-	56,871	-	-	3,432	-	60,303	140,090
Singapore	4,785	-	-	65,264	-	937	2,160	50,503	123,649	167,433
Others	26,288	-	-	13,932	-	7,445	31,858	3	79,526	35,572
	13,484,935	5,200,208	1,425,623	1,242,354	374,354	443,357	1,423,097	96,954	23,690,882	3,917,699
Assets not subject to credit risk	406	-	7,048	-	-	(15,310)	-	86,638	78,782	-
	13,485,341	5,200,208	1,432,671	1,242,354	374,354	428,047	1,423,097	183,592	23,769,664	3,917,699

\* Other assets include statutory deposits with Bank Negara Malaysia, deferred tax assets, right-of-use assets, fixed assets and other assets. Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

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**31 FINANCIAL RISK MANAGEMENT (CONTINUED)**

(i) Credit risk (continued)

Concentration risk by industry sectors

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

The industry sector exposure analysis is based on the industry sector of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

	Short-term funds and placements	Securities purchased under resale agreements	Financial assets held at fair value through profit and loss	Derivative financial instruments	Financial assets held at other comprehensive income	Loans and advances	Amount due from related parties	Other assets**	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing	-	-	-	37,391	-	424,560	-	654	462,605	287,213
Wholesale and retail	7,107	-	-	13,963	-	65,286	-	2	86,358	50,029
Finance, insurance and business services	266,267	10,655,241	100,809	915,470	-	45,796	353,623	340,789	12,677,995	3,285,278
Government and Government Agencies	15,241,230	155,548	1,088,256	29,721	137,604	-	-	-	16,652,359	114,569
Electricity, gas and water	-	-	-	1,568	-	-	-	206	1,774	102,373
Mining and Quarrying	-	-	-	6,063	-	2,299	-	-	8,362	43,647
Information and Communication	-	-	-	-	-	4,859	-	-	4,859	-
Accommodation and food service activities	-	-	-	-	-	27,556	-	-	27,556	-

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

	Short-term funds and placements RM'000	Securities purchased under resale agreements RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	On Commitments and contingencies RM'000
Individual/purchase of landed property - residential	-	-	-	-	-	854	-	-	854	21
Others	-	-	-	5,669	-	3	-	1,864	7,536	34,642
	15,514,604	10,810,789	1,189,065	1,009,845	137,604	571,213	353,623	343,515	29,930,258	3,917,772
Assets not subject to credit risk	397	-	7,600	-	-	(15,438)	-	23,509	16,068	-
	15,515,001	10,810,789	1,196,665	1,009,845	137,604	555,775	353,623	367,024	29,946,326	3,917,772

\*\* Other assets include deferred tax assets, right-of-use assets, fixed assets, statutory deposits with Bank Negara Malaysia and other assets. Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 30.

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**31 FINANCIAL RISK MANAGEMENT (CONTINUED)**

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

	31.12.2022									
	Short-term placements RM'000	Securities purchased under resale agreements RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Manufacturing	-	-	-	28,846	-	369,966	-	197	399,009	279,099
Wholesale and retail	-	-	-	14,124	-	4,238	-	-	18,362	33,203
Finance, insurance and business services	224,217	4,943,483	-	1,171,801	-	46,213	1,423,097	87,170	7,895,981	3,274,531
Government and Government Agencies	13,260,718	256,725	1,425,623	4,723	374,354	-	-	6,942	15,329,085	106,238
Electricity, gas and water	-	-	-	1,326	-	14	-	133	1,473	100,357
Mining and Quarrying	-	-	-	3,748	-	8,664	-	-	12,412	-
Information and Communication	-	-	-	-	-	13,199	-	-	13,199	-



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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Concentration risk by industry sectors (continued)

	31.12.2022									
	Short-term funds and placement RM'000	Securities purchased under resale agreements RM'000	Financial assets held at fair value through profit and loss RM'000	Derivative financial instruments RM'000	Financial assets held at other comprehensive income RM'000	Loans and advances RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Individual/purchase of landed property - residential	-	-	-	-	-	1,063	-	-	1,063	21
Others	-	-	-	17,786	-	-	-	2,512	20,298	124,250
	13,484,935	5,200,208	1,425,623	1,242,354	374,354	443,357	1,423,097	96,954	23,690,882	3,917,699
Assets not subject to credit risk	406	-	7,048	-	-	(15,310)	-	86,638	78,782	-
	13,485,341	5,200,208	1,432,671	1,242,354	374,354	428,047	1,423,097	183,592	23,769,664	3,917,699

\*\* Other assets include deferred tax assets, right-of-use assets, fixed assets, statutory deposits with Bank Negara Malaysia and other assets. Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 30.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Analysis of Loans and Advances

(a) The Bank's loans and advances to customers is comprised of wholesale loans and individual loan. The table below presents the Bank's non-impaired and impaired loans.

	<u>Corporates</u> RM'000	<u>Individuals</u> RM'000	<u>Total</u> RM'000
<u>2023</u>			
Gross amount			
- Non credit-impaired	570,359	632	570,991
- Credit-impaired	-	222	222
Provision for expected credit losses	(15,307)	(131)	(15,438)
	<u>555,052</u>	<u>723</u>	<u>555,775</u>
<u>2022</u>			
Gross amount			
- Non credit-impaired	442,294	877	443,171
- Credit-impaired	-	186	186
Provision for expected credit losses	(15,125)	(185)	(15,310)
	<u>427,169</u>	<u>878</u>	<u>428,047</u>

(b) Loans and advances individually impaired

The individual impaired loans and advances to customers before taking into consideration the cash flows from collateral held is RM222,000 (2022: RM186,000).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	<u>Individuals</u> RM'000	<u>Total</u> RM'000
<u>2023</u>		
Gross amount	222	222
Fair value of collateral	1,615	1,615
<u>2022</u>		
Gross amount	186	186
Fair value of collateral	1,455	1,455

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit quality of financial assets

The table below presents the Bank's credit exposure to gross loans and advances, loan commitments and financial guarantee contracts before any allowance for ECL. The credit quality and credit concentration are managed within the JPMorgan Chase's Credit Risk Management function. The ratings scale is based on the JPMorgan Chase's internal risk ratings, which generally correspond to the ratings as defined by S&P and Moody's Investors Service.

Loans and advances

	Stages			MFRS 9
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	2023  Total RM'000
Rating grades				
Investment-grade				
AAA/Aaa to BBB-Baa3	180,559	-	-	180,559
Non-investment-grade				
BB+/Ba1 -> B-/B3	322,714	301	222	323,237
CCC+/Caa1 and below	3,460	63,957	-	67,417
Gross carrying amount	506,733	64,258	222	571,213
Loss allowance	(10,654)	(4,730)	(54)	(15,438)
Net carrying amount	496,079	59,528	168	555,775

Loan commitments and financial guarantees contract

	Stages			MFRS 9
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	2023  Total RM'000
Rating grades				
Investment-grade				
AAA/Aaa to BBB-Baa3	127,937	12,771	-	140,708
Non-investment-grade				
BB+/Ba1 -> B-/B3	79,557	113,735	-	193,292
CCC+/Caa1 and below	-	6,890	-	6,890
Gross carrying amount	207,494	133,396	-	340,890
Loss allowance	(692)	(873)	-	(1,565)
Net carrying amount	206,802	132,523	-	339,325

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit quality of financial assets (continued)

Loans and advances

	Stages			MFRS 9
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	2022  Total RM'000
Rating grades				
Investment-grade				
AAA/Aaa to BBB-Baa3	114,342	2	-	114,344
Non-investment-grade				
BB+/Ba1 -> B-/B3	229,410	515	186	230,111
CCC+/Caa1 and below	4,192	94,710	-	98,902
Gross carrying amount	347,944	95,227	186	443,357
Loss allowance	(8,074)	(7,190)	(46)	(15,310)
Net carrying amount	339,870	88,037	140	428,047

Loan commitments and financial guarantees contract

	Stages			MFRS 9
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	2022  Total RM'000
Rating grades				
Investment-grade				
AAA/Aaa to BBB-Baa3	143,337	2,750	-	146,087
Non-investment-grade				
BB+/Ba1 -> B-/B3	120,363	95,866	-	216,229
CCC+/Caa1 and below	-	6,613	-	6,613
Gross carrying amount	263,700	105,229	-	368,929
Loss allowance	(608)	(730)	-	(1,338)
Net carrying amount	263,092	104,499	-	367,591

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Credit quality of financial assets (continued)

The table below presents an analysis of the credit quality of securities for the Bank by rating:

Fair value through other comprehensive income

	<u>AAA</u> RM'000	<u>Unrated</u> RM'000	<u>Total</u> RM'000
<u>2023</u>			
Malaysia Treasury Bills	137,604	-	137,604
	<u>137,604</u>	<u>-</u>	<u>137,604</u>
<u>2022</u>			
Malaysia Treasury Bills	194,776	-	194,776
Bank Negara Interbank Bills	129,033	-	129,033
Malaysia Government Investment Issuance	50,545	-	50,545
	<u>374,354</u>	<u>-</u>	<u>374,354</u>

Fair value through profit or loss

	<u>AAA</u> RM'000	<u>Unrated</u> RM'000	<u>Total</u> RM'000
<u>2023</u>			
Malaysia Government Securities	859,106	-	859,106
Malaysia Government Investment Issuance	216,918	-	216,918
Malaysia Treasury Bills	12,232	-	12,232
Negotiable Instruments of Deposits	-	100,809	100,809
	<u>1,088,256</u>	<u>100,809</u>	<u>1,189,065</u>
<u>2022</u>			
Malaysia Government Securities	961,622	-	961,622
Malaysia Government Investment Issuance	242,642	-	242,642
Malaysia Treasury Bills	196,882	-	196,882
Malaysia Government Guaranteed Bonds	24,477	-	24,477
	<u>1,425,623</u>	<u>-</u>	<u>1,425,623</u>

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk

*Interbank Offered Rate ("IBOR") Transition*

The Financial Stability Board ("FSB") and the Financial Stability Oversight Council ("FSOC") have observed that the secular decline in interbank short-term funding poses structural risks for unsecured benchmark interest rates such as Interbank Offered Rates ("IBORs"), and therefore regulators and market participants in various jurisdictions identified alternative reference rates that are compliant with the International Organization of Securities Commission's standards for transaction-based benchmarks.

The publication of the remaining principal tenors of U.S. dollar LIBOR (i.e., overnight, one-month, three-month, six-month and 12-month LIBOR) ceased on June 2023 ("LIBOR Cessation"). The one-month, three-month and six-month tenors of U.S. dollar LIBOR, will continue to be published on a "synthetic" basis, which will allow market participants to use such rates for certain legacy LIBOR-linked contracts through September 30, 2024.

As part of the Firm's overall transition efforts which culminated in the second quarter of 2023, the Firm successfully completed the conversion of predominantly all of its remaining cleared derivatives contracts linked to U.S. dollar LIBOR to the Secured Overnight Financing Rate ("SOFR") as part of initiatives by the principal central counterparties ("CCPs") to convert cleared derivatives prior to LIBOR Cessation. Nearly all of the Firm's other U.S. dollar LIBOR-linked products that remained outstanding at LIBOR Cessation have been remediated through contractual fallback provisions or through the framework provided by the Adjustable Interest Rate (LIBOR) Act ("LIBOR Act"). The Firm expects the limited contracts remaining that reference "synthetic" U.S. dollar LIBOR will be remediated by September 30, 2024.

The Firm continues to track cessation of other (non-LIBOR) IBORs and will continue to remediate outstanding contracts proactively ahead of cessation or through contractual fallback provisions. Exposure to other IBORs across the Firm is limited with remediation overseen by impacted businesses within the relevant jurisdictions. Given the non-material exposures the Firm has to other IBORs, quantitative reporting of exposures will cease in 2024.

On 27 August 2020, the International Accounting Standards Board ("IASB") issued guidance that provides practical expedients to contracts and hedge accounting relationships affected by the reference rate reform. These practical expedients are intended to simplify the operational impact of applying existing IFRS requirements to transactions impacted by the reference rate reform, and the Bank applied the practical expedients from 1 January 2021.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

*Interbank Offered Rate ("IBOR") Transition (continued)*

The table below shows the outstanding principal amounts of non-derivative financial instruments, the gross notional values of derivative financial instruments and the contractual amounts of off-balance sheet exposures held by the Bank as at 31 December 2023 and 31 December 2022, respectively, that are subject to IBOR reform that have yet to transition. The table includes financial instruments with a contractual maturity date later than the relevant agreed IBOR cessation date and includes contracts that have been changed to incorporate the new alternative reference rates but which have yet to become effective as at 31 December 2023 and 31 December 2022.

<u>2023</u>	<u>MYR KLIBOR</u> RM'000	<u>USD LIBOR</u> RM'000	<u>Multiple basis</u> RM'000
<i>Non-derivative financial assets</i> <i>(outstanding Principal amount):</i>			
Loan	94,689	-	-
<i>Derivative financial instruments</i> <i>(outstanding Principal amount):</i>			
Interest rate derivatives - OTC	54,264	-	-
<i>Off-balance sheet exposure</i> <i>(contractual amount):</i>			
Loan commitments	-	-	-
<u>2022</u>	<u>MYR KLIBOR</u> RM'000	<u>USD LIBOR</u> RM'000	<u>Multiple basis</u> RM'000
<i>Non-derivative financial assets</i> <i>(outstanding Principal amount):</i>			
Loan	24,142	-	-
<i>Derivative financial instruments</i> <i>(outstanding Principal amount):</i>			
Interest rate derivatives - OTC	55,379	2,543,436	1,207,069
<i>Off-balance sheet exposure</i> <i>(contractual amount):</i>			
Loan commitments	-	-	79,245

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

Market risk is the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.

Market Risk Management monitors market risks throughout the Firm and defines market risk policies, procedures and frameworks. The Market Risk Management function seeks to manage risk, facilitate risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm's market risk profile.

*Risk Governance & Policy Framework*

The Bank's approach to market risk governance mirrors the Firmwide approach and is outlined in the Bank's Market Risk Management Framework ('Framework'), which includes the following:

- Responsibilities of the CRO and Market Risk Officer ("MRO")
- Market Risk measures utilised such as Value-at-Risk ("VaR"), stress and non-statistical measures
- Controls such as the Bank's market risk limit framework (limit levels, limit signatories, limit reviews and escalation)

The Bank's Board of Directors approves substantive changes to the Framework and approves this Framework annually.

*Risk Measurement*

There is no single measure to capture market risk and therefore the Bank uses various metrics both statistical and non-statistical to assess risk. The appropriate set of risk measures utilised for a given business activity is tailored based on business mandate, risk horizon, materiality, market volatility and other factors.



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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

*VaR*

The Bank utilises Value-at-Risk ("VaR"), a statistical risk measure, to estimate the potential loss from adverse market moves in the current market environment.

The VaR framework is employed across the Firm using historical simulation based on data for the previous 12 months.

VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 99% confidence level.

The table below shows the result of the Bank's VaR:

	<u>2023</u> RM'000	<u>2022</u> RM'000
99% VaR	<u>2,794</u>	<u>5,851</u>

The Bank's market risk profile is driven by Credit, Equities, Foreign Exchange, interest rate market related exposures.

*Stress Testing*

Along with VaR, stress testing is an important tool to assess risk. While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behaviour, stress testing reflects the risk of loss from hypothetical changes in the value of market risk sensitive positions applied simultaneously. The Bank runs weekly stress tests on market-related risks across the lines of business using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates or commodity prices.

The Bank uses a number of standard scenarios that capture different risk factors across asset classes including geographical factors, specific idiosyncratic factors and extreme tail events. The stress testing framework calculates multiple magnitudes of potential stress for both market rallies and market sell-offs for each risk factor and combines them in multiple ways to capture different market scenarios. The flexibility of the stress testing framework allows risk managers to construct new, specific scenarios that can be used to form decisions about future possible stress events.

Stress testing complements VaR by allowing risk managers to shock current market prices to more extreme levels relative to those historically realised, and to stress test the relationships between market prices under extreme scenarios.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

*Stress Testing (continued)*

Stress-test results, trends and qualitative explanations based on current market risk positions are reported to the Bank's RALCO to allow them to better understand the sensitivity of positions to certain defined events and to enable them to manage their risks with more transparency. In addition, results are reported to the Board of Directors.

Stress scenarios are defined and reviewed by Market Risk, and significant changes are reviewed by the relevant line of business's risk committees and may be redefined on a periodic basis to reflect current market conditions.

*Non-Statistical Risk Measures*

Measures such as, but not limited to, credit spread sensitivities, option sensitivities, net open positions, basis point values are utilised within specific market context and aggregated across businesses.

*Limits*

Market risk limits are employed as the primary control to align the Bank's market risk with certain quantitative parameters within the Bank's Risk Appetite framework.

Market Risk sets market risk limits and these are subject to the RALCO approval who confirms compliance with local regulatory requirements.

As part of its holistic analysis of the Bank's market risk, Market Risk must review market risk limits for the Bank at least semi-annually. Limit reviews must consider the underlying trading, investing and hedging strategies of the business as well as capital or regulatory requirements where applicable.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Market risk (continued)

*Risk Reporting*

The Firm and the Bank have their own set of regular market risk reports, which include daily notifications of limit utilisations and limit breaches and where applicable, granular market risk metrics which provide transparency into potential risk concentrations.

Models used to measure market risk are inherently imprecise and may be limited in their ability to measure certain risks or to predict losses. This imprecision may be heightened when sudden or severe shifts in market conditions occur.

Market Risk Management periodically reviews the Bank's existing market risk measures to identify opportunities for enhancement, and to the extent appropriate, will calibrate those measures accordingly over time. This is increasingly important in periods of sustained, heightened market volatility.

(iii) Operational risk

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes or systems; human factors; or external events impacting the Firm's and Bank's processes or systems. Operational Risk includes compliance, conduct, legal, and estimations and model risk. Operational risk is inherent in the Bank's activities and can manifest itself in various ways, including fraudulent acts, business disruptions (including those caused by extraordinary events beyond the Firm's and the Bank's control), cyber-attacks, inappropriate employee behavior, failure to comply with applicable laws, rules and regulations or failure of vendors to perform in accordance with their agreements. Operational Risk Management attempts to manage operational risk at appropriate levels in light of the Firm's and the Bank's financial position, the characteristics of its businesses, and the markets and regulatory environment in which it operates.

The Firm's Compliance, Conduct, and Operational Risk ("CCOR") Management Framework is designed to enable the Firm and the Bank to govern, identify, measure, monitor and test, manage and report on the Firm's and the Bank's operational risk.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Operational risk (continued)

*Operational Risk Governance*

The Lines of Business ("LOB") and Corporate are responsible for the management of operational risk. The Control Management Organisation, which consists of control managers within each LOB and Corporate, is responsible for the day-to-day execution of the CCOR Management Framework.

The Bank maintains a system of comprehensive policies and control framework designed to provide a sound and well-controlled operational environment. Primary responsibility for managing operating risk rests with the business managers. These individuals, with the support of their staff, are responsible for establishing and maintaining internal control procedures that are appropriate for their operating environments. To this end, the objectives of each business activities are identified and the risks associated with those objectives are assessed. The business managers institute a series of standards and procedures to manage these risks and to comply with the Bank's operational risk related policies, considering their nature and magnitude.

Internal Audit conducts annual audits and reviews on key operation areas. The focus of the audit is to provide assurance to management on the compliance with statutory requirements, law, corporate policies and internal guidelines.

*Operational Risk Identification*

The Firm, including the Bank utilises a structured risk and control self-assessment process that is executed by the LOBs and Corporate. As part of this process, the LOBs and Corporate evaluate the effectiveness of their respective control environment to assess where controls have failed, and to determine where remediation efforts may be required. The Firm's Operational Risk and Compliance organisation ("Operational Risk and Compliance") provides oversight of and challenge to these evaluations activities and may also perform independent assessments of significant operational risk events and area of concentrated or emerging risk.

*Operational Risk Measurement*

Operational Risk and Compliance performs an independent assessment of the operational risks inherent within the LOBs and Corporate, which includes evaluating the effectiveness of the control environment and reporting the results to senior management.

In addition, Operational Risk and Compliance assesses operational risks through quantitative means, including operational risk-based capital and estimation of operational risk losses under both baseline and stressed conditions.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Operational risk (continued)

*Operational Risk Monitoring and Testing*

The results of risk assessments performed by Operational Risk and Compliance are used in connection with their independent monitoring and testing compliance of the LOBs and Corporate with laws, rules and regulations. Through monitoring and testing, Operational Risk and Compliance independently identify areas of heightened operational risk and tests the effectiveness of controls within the LOBs and Corporate.

*Management of Operational Risk*

The operational risk areas or issues identified through monitoring and testing are escalated to the LOBs and Corporate to be remediated through action plans, as needed, to mitigate operational risk. Operational Risk and Compliance may advise the LOBs and corporate functions in the development and implementation of action plans.

*Operational Risk Reporting*

All employees are expected to escalate risks appropriately. Risks identified by Operational Risk and Compliance are escalated to the appropriate LOB and Corporate Control Committees, as needed. Operational Risk and Compliance has established standards designed to ensure that consistent operational risk reporting and operational risk reports are produced on a Firmwide basis as well as by the LOBs and Corporate. Reporting includes the evaluation of key risk and performance indicators against established thresholds as well as the assessment of different types of operational risk against stated risk appetite. The standards reinforce escalation protocols to senior management and to the Board of Directors.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk

Interest Rate Risk in the Banking Book ("IRRBB") is defined as interest rate risk resulting from the Bank's traditional banking activities as a result of movements in interest rates. IRRBB can occur due to a variety of factors, including but not limited to:

- Differences between the timing of rate changes and the timing of cash flows (repricing risk);
- Changing rate relationships among yield curves that affect bank activities (basis risk);
- Changing rate relationships across the spectrum of maturities (yield curve risk); and
- Interest-rate-related options embedded in banking products (option risk).

Treasury/ Chief Investment Office ("T/CIO") manages IRRBB exposure on behalf of the Bank by identifying, measuring, modelling, and monitoring IRR across the Bank's balance sheet. T/CIO works with the Lines of Businesses in defining methodologies for measuring IRRBB. T/CIO identifies and understands material balance sheet impact of new initiatives and products, and executes market transactions to manage IRRBB.

The Bank's IRRBB exposure originates from the traditional banking activities that include the extension of loans, taking client deposits. T/CIO is managing the exposure through placements/takings, and the purchase of securities under T/CIO investment portfolio. The majority of the Bank's deposits are Non-Maturity Deposits ("NMD") that is modelled as longer dated liabilities by considering deposits run-off profile and analysing deposits' sensitivity to rate changes. Loans, Placements, Term Deposits, Placements, and Investment Securities under T/CIO investment portfolio are assumed to have contractual maturity with fixed or adjustable rate.

IRRBB is evaluated using two primary metrics, impact to the Bank's earnings through Earnings at Risk ("EaR") metric, and impact to the Bank's equity through Economic Value Sensitivity ("EVS") metric:

- EaR measures the extent to which changes in interest rates will affect the Bank's net interest income ("NII") over the following 12 months period under four parallel shift scenarios in interest rate curve.
- EVS determines changes in Economic Value of Equity ("EVE") due to changes in interest rates under two parallel and four non-parallel shift scenarios in interest rate curve.

The IRRBB metrics are regularly monitored, reported on a regular basis and presented in the Bank's RALCO Meeting.

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31 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

(iv) Interest rate risk (continued)

The following table represents the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at balance sheet date.

	Non trading book						Total RM'000
	←	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	
<b>Assets</b>							
Cash and short-term funds	15,314,736	-	-	-	-	-	15,515,001
Securities purchased under resale agreements	-	-	-	-	-	10,750,192	10,810,789
Financial assets held at fair value through profit and loss ("FVTPL")	-	-	-	-	-	1,180,159	1,196,665
Derivative financial instruments	-	-	-	-	-	1,009,845	1,009,845
Financial assets held at fair value through other comprehensive income ("FVOCI")	-	-	137,622	-	-	-	(18)
Loans and advances	323,018	164,540	77,789	60	414	-	(10,214)
- Non credit-impaired	-	-	-	-	-	-	168
- Credit-impaired	47,985	-	-	-	-	105,985	353,623
Amount due from related parties	-	-	-	-	-	-	2
Statutory deposits with BNM	-	-	-	-	-	-	367,022
Other assets <sup>#</sup>	-	-	-	-	-	-	-
<b>Total assets</b>	<b>15,685,739</b>	<b>164,540</b>	<b>215,411</b>	<b>60</b>	<b>414</b>	<b>13,046,181</b>	<b>833,981</b>
							<b>29,946,326</b>

# Includes deferred tax assets, right-of-use assets, fixed assets and other assets.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

	Non trading book						Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	
<u>Liabilities</u>							
Deposits from customers	12,170,660	-	-	-	-	-	14,186,490
Deposits and placements of banks and other financial institutions	1,834,559	-	-	-	-	-	2,271,026
Financial liabilities designated as fair value through profit and loss ("FVTPL")	-	-	-	-	-	248,959	248,959
Obligations on securities sold under repurchase agreements	-	-	-	-	-	228,549	229,925
Derivative financial instruments	-	-	-	-	-	1,139,614	1,139,614
Amount due to related parties	703,615	-	27,362	-	-	8,389,135	9,377,428
Other liabilities <sup>#</sup>	-	-	-	-	-	264,447	264,447
<b>Total liabilities</b>	<b>14,708,834</b>	<b>164,540</b>	<b>27,362</b>	<b>60</b>	<b>414</b>	<b>10,006,257</b>	<b>27,717,889</b>
Interest rate gap	976,905	164,540	188,049	60	414		

# Includes tax payable and other liabilities.



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**31 FINANCIAL RISK MANAGEMENT (CONTINUED)**

(iv) Interest rate risk (continued)

	Non trading book							Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Non- interest sensitive RM'000	
<u>Assets</u>								
Cash and short-term funds	13,389,438	-	-	-	-	-	95,903	13,485,341
Securities purchased under resale agreements	-	495,038	-	-	-	4,677,442	27,728	5,200,208
Financial assets held at fair value through profit and loss ("FVTPL")	-	-	-	-	-	1,417,698	14,973	1,432,671
Derivative financial instruments	-	-	-	-	-	1,242,354	-	1,242,354
Financial assets held at fair value through other comprehensive income ("FVOCI")	-	129,033	245,141	-	-	-	180	374,354
Loans and advances	287,444	91,386	61,483	384	475	-	(13,265)	427,907
- Non credit-impaired	-	-	-	-	-	-	140	140
- Credit-impaired	25,667	-	-	-	-	54,742	1,342,688	1,423,097
Amount due from related parties	-	-	-	-	-	-	2	2
Statutory deposits with BNM	-	-	-	-	-	-	183,590	183,590
Other assets <sup>#</sup>	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>13,702,549</b>	<b>715,457</b>	<b>306,624</b>	<b>384</b>	<b>475</b>	<b>7,392,236</b>	<b>1,651,939</b>	<b>23,769,664</b>

<sup>#</sup> Includes deferred tax assets, right-of-use assets, fixed assets and other assets.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

	Non trading book						Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Trading book RM'000	
<u>Liabilities</u>							
Deposits from customers	12,724,983	-	-	-	-	-	13,093,388
Deposits and placements of banks and other financial institutions	485,520	-	-	-	-	-	1,035,929
Financial liabilities designated as fair value through profit and loss ("FVTPL")	-	-	-	-	-	252,343	252,343
Obligations on securities sold under repurchase agreements	-	-	-	-	-	99,830	1,438
Derivative financial instruments	-	-	-	-	-	1,272,148	-
Amount due to related parties	405,085	-	26,732	-	-	4,232,521	5,324,590
Other liabilities#	-	-	-	-	-	-	744,463
<b>Total liabilities</b>	<b>13,615,588</b>	<b>-</b>	<b>26,732</b>	<b>-</b>	<b>-</b>	<b>5,856,842</b>	<b>21,824,129</b>
<b>Interest rate gap</b>	<b>86,961</b>	<b>715,457</b>	<b>279,892</b>	<b>384</b>	<b>475</b>		

# Includes tax payable and other liabilities.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

The tables below summarises the effective average interest rate by major currencies for each class of financial assets and financial liabilities. The calculation of effective average interest rate excludes non-interest bearing financial assets and financial liabilities.

	2023		2022	
	RM %	USD %	RM %	USD %
<u>Financial assets</u>				
Cash and short-term funds	3.01	5.11	2.75	4.10
Securities purchased under resale agreements	3.46	-	4.11	-
Financial assets held at fair value through profit and loss ("FVTPL")	4.12	-	3.83	-
Financial assets held at fair value through other comprehensive income ("FVOCI")	-	-	4.09	-
Amount due from related parties	-	4.97	-	4.11
Loans and advances	3.77	6.52	3.57	5.01
<u>Financial liabilities</u>				
Deposits from customers	1.53	4.11	1.63	2.82
Deposits and placements of banks and other financial institutions	2.30	2.91	2.65	4.01
Obligations on securities sold under repurchase agreements	4.02	-	3.82	-
Amount due to related parties	1.63	5.39	1.37	4.08

(v) Currency risk

Currency risk is the risk to earnings and value of financial instruments caused by the fluctuations in foreign exchange rates. It is managed in conjunction with market risk.

The table at the following page sets out the Bank's exposure to currency risk. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Currency risk (continued)

	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>GBP</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>2023</u>					
<u>Assets</u>					
Cash and short-term funds	13,019,314	2,366,332	-	129,355	15,515,001
Securities purchased under resale agreements	10,513,978	296,811	-	-	10,810,789
Financial assets held at fair value through profit and loss	1,196,665	-	-	-	1,196,665
Derivative financial instruments	438,431	454,776	38,513	78,125	1,009,845
Financial assets held at fair value through other comprehensive income	137,604	-	-	-	137,604
Loans and advances	195,398	360,377	-	-	555,775
Amount due from related parties	34	203,461	88,575	61,553	353,623
Other assets <sup>#</sup>	363,114	3,901	1	8	367,024
	<u>25,864,538</u>	<u>3,685,658</u>	<u>127,089</u>	<u>269,041</u>	<u>29,946,326</u>
<u>Liabilities</u>					
Deposits from customers	3,866,874	8,839,587	897,499	582,530	14,186,490
Deposits and placements of banks and other financial institutions	623,711	1,641,475	7	5,833	2,271,026
Financial liabilities designated as fair value through profit and loss	248,959	-	-	-	248,959
Obligations on securities sold under repurchase agreements	229,925	-	-	-	229,925
Derivative financial instruments	287,862	814,866	397	36,489	1,139,614
Amount due to related parties	292,364	9,085,059	-	5	9,377,428
Other liabilities <sup>*</sup>	262,860	1,587	-	-	264,447
	<u>5,812,555</u>	<u>20,382,574</u>	<u>897,903</u>	<u>624,857</u>	<u>27,717,889</u>
Currency gap	<u>20,051,983</u>	<u>(16,696,916)</u>	<u>(770,814)</u>	<u>(355,816)</u>	

# Includes statutory deposits with BNM, deferred tax assets, right-of-use assets, fixed assets and other assets.

\* Includes tax payable and other liabilities.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Currency risk (continued)

	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>GBP</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>2022</u>					
<u>Assets</u>					
Cash and short-term funds	6,339,189	7,115,087	-	31,065	13,485,341
Securities purchased under resale agreements	3,719,663	1,480,545	-	-	5,200,208
Financial assets held at fair value through profit and loss	1,432,671	-	-	-	1,432,671
Derivative financial instruments	630,672	543,597	8,652	59,433	1,242,354
Financial assets held at fair value through other comprehensive income	374,354	-	-	-	374,354
Loans and advances	150,640	277,407	-	-	428,047
Amount due from related parties	566,365	824,848	903	30,981	1,423,097
Other assets <sup>#</sup>	64,885	118,702	-	5	183,592
	<u>13,278,439</u>	<u>10,360,186</u>	<u>9,555</u>	<u>121,484</u>	<u>23,769,664</u>
<u>Liabilities</u>					
Deposits from customers	3,069,470	9,264,369	459,873	299,676	13,093,388
Deposits and placements of banks and other financial institutions	780,994	254,890	6	39	1,035,929
Financial liabilities designated as fair value through profit and loss	252,343	-	-	-	252,343
Obligations on securities sold under repurchase agreements	101,268	-	-	-	101,268
Derivative financial instruments	439,565	793,985	5,909	32,689	1,272,148
Amount due to related parties	756,861	4,567,721	-	8	5,324,590
Other liabilities <sup>*</sup>	608,958	135,490	-	15	744,463
	<u>6,009,459</u>	<u>15,016,455</u>	<u>465,788</u>	<u>332,427</u>	<u>21,824,129</u>
Currency gap	<u>7,268,980</u>	<u>(4,656,269)</u>	<u>(456,233)</u>	<u>(210,943)</u>	

<sup>#</sup> Includes statutory deposits with BNM, deferred tax assets, right-of-use assets, fixed assets and other assets.

<sup>\*</sup> Includes tax payable and other liabilities.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk

Liquidity risk is the risk that the Firm will be unable to meet its contractual and contingent financial obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

The Bank has established limits and indicators framework; and runs stress testing to manage liquidity risk.

*Liquidity risk management*

The Liquidity Risk management ("LRM") group is part of CIO Treasury and Corporate ("CTC") Risk, an Independent Risk Management function, reporting to the CTC Chief Risk Officer ("CRO") who also serves as the Firmwide Risk Executive of Liquidity Risk. LRM is responsible for the independent assessment, measuring, monitoring, and control of liquidity risk across the firm. LRM responsibilities include, but are not limited to:

- Defining, monitoring and reporting liquidity risk metrics;
- Independently establishing and monitoring limits and indicators including liquidity risk appetite;
- Developing a process to classify, monitor and report limit breaches;
- Performing an independent review of liquidity risk management processes;
- Monitoring and reporting internal Firmwide and legal entity liquidity stress tests as well as regulatory defined metrics, as well as liquidity positions, balance sheet variances, and funding activities; and
- Approving or escalating for review new or updated liquidity stress assumptions.

*Liquidity management*

Treasury/ Chief Investment Office ("TCIO") are responsible for liquidity management. The primary objectives of Firm's liquidity management are to:

- Ensure that the Firm's core businesses and material legal entities are able to operate in support of client needs and meet contractual and contingent financial obligations through normal economic cycles as well as during stress events, and
- Manage an optimal funding mix, and availability of liquidity sources.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (continued)

*Risk governance and measurement*

The Board of Directors of the Bank has delegated oversight of liquidity risk to Malaysia Risk/ Assets and Liabilities Committee ("RALCO"). Liquidity risk management is governed by Malaysia RALCO, co-chaired by the Senior Country Officer and Legal Entity Risk Manager.

As governed by the Malaysia RALCO Terms of Reference, where required, matters will be escalated from Malaysia RALCO to the Malaysia Location Management Committee, Asia Pacific Risk Committee or the Board of Directors. In addition, the Board Risk Committee reviews and recommends to the Board of Directors, for formal approval, the Bank's liquidity risk tolerances, liquidity strategy, and liquidity policy.

*Contingency funding plan*

The Firm's contingency funding plan ("CFP") is approved by the Firmwide ALCO and the Board risk Committee. The Bank's addendum to the CFP is approved by the Bank's Board of directors. The CFP and the addendum is a compilation of procedures and action plans for managing liquidity through stress events. The CFP and the addendum incorporate the limits and indicators set by the Liquidity Risk Management group. These limits and indicators are reviewed regularly to identify emerging risks or vulnerabilities in the Bank's liquidity position. The CFP identifies the alternative contingent funding and liquidity resources available to the Bank in a period of stress.

*Limits and Indicators*

The Bank has established internal liquidity risk limits and indicators which are monitored on a daily basis.

*Stress Testing*

Liquidity risk stress testing is established to ensure that the Bank has sufficient liquidity under a variety of adverse scenarios. The results of the liquidity stress tests are significant inputs into the formulation of funding and balance sheet planning.

The table at the following page analyses the Bank's non-derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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## 31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (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
<u>2023</u>							
<u>Assets</u>							
Cash and short-term funds#	15,324,240	-	-	-	-	194,060	15,518,300
Financial assets held at fair value through profit and loss	-	1,066,585	-	-	-	7,600	1,074,185
Financial assets held at fair value through other comprehensive income	-	-	140,000	-	-	-	140,000
Loans and advances	326,078	168,961	80,169	135	414	-	575,757
Amount due from related parties	108,088	-	-	-	-	249,686	357,774
Securities purchased under resale agreements	6,296,350	5,282,336	-	-	-	-	11,578,686
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2	2
Other assets#	337,083	-	-	-	-	3,579	340,662
<b>Total financial assets</b>	<b>22,391,839</b>	<b>6,517,882</b>	<b>220,169</b>	<b>135</b>	<b>414</b>	<b>454,927</b>	<b>29,585,366</b>
	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
<u>Liabilities</u>							
Deposits from customers	14,186,521	-	-	-	-	-	14,186,521
Deposits and placements of banks and other financial institutions	2,271,026	-	-	-	-	-	2,271,026
Amount due to related parties	6,818,169	3,380,455	28,051	7,678	-	-	10,234,353
Obligations on securities sold under repurchase agreements	56,306	174,663	-	-	-	-	230,969
Other liabilities	239,562	1,896	4,129	1,909	-	6,164	253,660
<b>Total financial liabilities</b>	<b>23,571,584</b>	<b>3,557,014</b>	<b>32,180</b>	<b>9,587</b>	<b>-</b>	<b>6,164</b>	<b>27,176,529</b>

# Cash and short-term funds exclude cash in hand and other assets exclude prepayments.



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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (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
<u>2022</u>							
<u>Assets</u>							
Cash and short-term funds#	13,397,539	-	-	-	-	91,337	13,488,876
Financial assets held at fair value through profit and loss	-	1,423,304	-	-	-	7,048	1,430,352
Financial assets held at fair value through other comprehensive income	-	130,000	251,024	-	-	-	381,024
Loans and advances	289,468	92,494	63,038	554	491	-	446,045
Amount due from related parties	639,856	-	-	-	-	788,593	1,428,449
Securities purchased under resale agreements	1,862,072	3,018,528	834,299	-	-	-	5,714,899
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2	2
Other assets#	155,157	-	-	-	-	2,773	157,930
<b>Total financial assets</b>	<b>16,344,092</b>	<b>4,664,326</b>	<b>1,148,361</b>	<b>554</b>	<b>491</b>	<b>889,753</b>	<b>23,047,577</b>
	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
<u>Liabilities</u>							
Deposits from customers	13,093,435	-	-	-	-	-	13,093,435
Deposits and placements of banks and other financial institutions	1,035,929	-	-	-	-	-	1,035,929
Amount due to related parties	2,201,592	2,942,500	865,109	7,368	-	-	6,016,569
Obligations on securities sold under repurchase agreements	53,582	46,909	-	-	-	-	100,491
Other liabilities	708,812	2,164	4,053	5,878	-	5,088	725,995
<b>Total financial liabilities</b>	<b>17,093,350</b>	<b>2,991,573</b>	<b>869,162</b>	<b>13,246</b>	<b>-</b>	<b>5,088</b>	<b>20,972,419</b>

# Cash and short-term funds exclude cash in hand and other assets exclude prepayments.

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vi) Liquidity risk (continued)

The table below analyses the Bank's derivative financial instruments based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 <u>month</u> RM'000	1 – 3 <u>months</u> RM'000	3 – 12 <u>months</u> RM'000	1 – 5 <u>years</u> RM'000	Over 5 <u>years</u> RM'000	<u>Total</u> RM'000
<u>2023</u>						
Net-settled derivatives	5,448	19,550	(36,505)	(46,146)	(3,306)	(60,959)
Gross-settled derivatives						
- Receipts	17,636,506	20,252,037	10,205,922	1,812,770	122,674	50,029,909
- Payments	(17,595,696)	(20,239,828)	(10,208,071)	(1,811,885)	(121,824)	(49,977,304)
	<u>46,258</u>	<u>31,759</u>	<u>(38,654)</u>	<u>(45,261)</u>	<u>(2,456)</u>	<u>(8,354)</u>
<u>2022</u>						
Net-settled derivatives	6,709	9,365	(46,964)	(116,175)	3,803	(143,262)
Gross-settled derivatives						
- Receipts	16,285,892	17,628,378	13,626,336	1,973,506	145,099	49,659,211
- Payments	(16,285,875)	(17,609,811)	(13,617,544)	(1,988,109)	(142,251)	(49,643,590)
	<u>6,726</u>	<u>27,932</u>	<u>(38,172)</u>	<u>(130,778)</u>	<u>6,651</u>	<u>(127,641)</u>

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32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments not measured at fair value

(i) Certain financial instruments

For cash and short-term funds, amount due from/to related parties, statutory deposits with BNM, deposits from customers, deposits and placements of banks and other financial institutions with maturities of less than one year, the carrying value is a reasonable estimate of fair value.

For balances relating to the above classes of financial instruments with maturities of more than one year, the carrying value approximates the fair value as these balances are subject to variable interest rate.

(ii) Loans and advances

For non-impaired fixed rate loans, fair values have been estimated by discounting the estimated cash flows using the prevailing market rates of loans and advances with similar credit ratings and maturities. For floating-rate loans, the carrying amount is generally a reasonable estimate of fair value.

The fair value of impaired loans, fixed or floating are based on the carrying value less allowances for ECL, being the expected recoverable amount. In arriving at the fair values for loans on the above bases, the total fair value of the entire loan portfolio has been reduced by RM15,438,000 (2022: RM15,310,000), being the carrying value of the allowance for ECL which covers unidentified losses inherent in the portfolio.

(iii) Credit commitments

The estimated fair values are not readily ascertainable as these financial instruments are generally not traded. In addition, the quantum of fees collected under these arrangements, upon which a fair value could be based, is not material.

(b) Financial instruments measured at fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on quoted market prices or inputs, where available. If listed prices or quotes are not available, fair value is based on valuation models and other valuation techniques that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including yield curves, interest rates, volatilities, prices (such as commodity, equity or debt prices), correlations, foreign exchange rates and credit curves.

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32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

The level of precision in estimating unobservable inputs or other factors can affect the amount of gain or loss recorded for a particular position. Furthermore, while the Bank believes its valuation methods are appropriate and consistent with those of other market participants, the methods and assumptions used reflect management judgement and may vary across the Bank's businesses and portfolios. The use of different methodologies or assumptions to those used by the Bank could result in a different estimate of fair value at the reporting date.

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the balance sheet at fair value. The Firm's valuation control function, which is part of the Firm's Finance function and independent of the risk-taking functions, is responsible for verifying these estimates and determining any fair value adjustments that may be required to ensure that the Bank's positions are recorded at fair value. The valuation control function verifies fair value estimates provided by the risk-taking functions by leveraging independently derived prices, valuation inputs and other market data, where available.

In determining the fair value of a derivative portfolio, valuation adjustments may be appropriate to reflect the credit quality of the counterparty, the credit quality of the Bank, and the funding risk inherent in certain derivatives. The credit and funding risks of the derivative portfolio are generally mitigated by arrangements provided to the Bank by JPMorgan Chase Bank, N.A. and therefore the Bank takes account of these arrangements in estimating the fair value of its derivative portfolio.

*Valuation model review and approval*

If prices or quotes are not available for an instrument or a similar instrument, fair value is generally determined using valuation models that consider relevant transaction terms such as maturity and use as inputs market-based or independently sourced parameters. The Model Risk function is independent of the model owners and reviews and approves valuation models used by the Bank.

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32 **FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

(b) Financial instruments measured at fair value (continued)

*Fair value hierarchy*

The Bank classifies its assets and liabilities according to a valuation hierarchy that reflects the observability of significant market inputs. The three levels are defined as follows:

- (a) Level 1: inputs to the valuation methodology include quoted prices (unadjusted) for identical assets or liabilities in active market;
- (b) Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument;
- (c) Level 3: one or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table represents the Bank's financial assets and liabilities measured at fair value as at financial year ended:

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Securities purchased under resale agreements	-	10,917,138	-	10,917,138
Financial assets held at fair value through profit and loss				
- Securities	-	1,189,065	-	1,189,065
- Unquoted shares	-	-	7,600	7,600
Derivative financial instruments	-	1,009,845	-	1,009,845
Financial assets held at fair value through other comprehensive income	-	137,604	-	137,604
<u>Financial liabilities</u>				
Obligations on securities sold under repurchase agreements	-	8,701,383	-	8,701,383
Derivative financial instruments	-	1,139,614	-	1,139,614
Financial liabilities designated as fair value through profit and loss	-	-	248,959	248,959

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32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

The following table represents the Bank's financial assets and liabilities measured at fair value as at financial year ended: (continued)

<u>2022</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Financial assets</u>				
Securities purchased under resale agreements	-	4,759,833	-	4,759,833
Financial assets held at fair value through profit and loss				
- Securities	-	1,425,623	-	1,425,623
- Unquoted shares	-	-	7,048	7,048
Derivative financial instruments	-	1,242,354	-	1,242,354
Financial assets held at fair value through other comprehensive income	-	374,354	-	374,354
<u>Financial liabilities</u>				
Obligations on securities sold under repurchase agreements	-	4,359,260	-	4,359,260
Derivative financial instruments	-	1,272,148	-	1,272,148
Financial liabilities designated as fair value through profit and loss	-	-	252,343	252,343

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32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, is as below:

	Financial assets held at fair value through <u>profit and loss</u> RM'000	Financial liabilities designated as fair value through <u>profit and loss</u> RM'000
<u>2023</u>		
At 1 January	7,048	252,343
Fair value changes recognised in Statement of Comprehensive Income	552	(3,384)
At 31 December	<u>7,600</u>	<u>248,959</u>
Fair value changes recognised in other operating income in Statement of Comprehensive Income relating to assets held on 31 December 2023	<u>552</u>	<u>(3,384)</u>
<u>2022</u>		
At 1 January	6,555	-
Additional	-	250,000
Fair value changes recognised in Statement of Comprehensive Income	493	2,343
At 31 December	<u>7,048</u>	<u>252,343</u>
Fair value changes recognised in other operating income in Statement of Comprehensive Income relating to assets held on 31 December 2022	<u>493</u>	<u>252,343</u>

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32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

Valuation methodologies

The following table describes the valuation methodologies used by the Bank to measure its more significant products/ instruments at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Product/ instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Equity, debt, and other securities	Quoted market prices	Level 1
	In the absence of quoted market prices, securities are valued based on: <ul style="list-style-type: none"> <li>• Observable market prices for similar securities</li> <li>• Relevant broker quotes</li> <li>• Discounted cash flows</li> </ul>	Level 2 or 3
Derivatives, fully funded OTC instruments, and structured deposits	Exchange-traded derivatives that are actively traded and valued using the exchange price	Level 1
	Derivatives and structured deposits that are valued using models that use observable or unobservable valuation inputs as well as considering the contractual terms.  The key valuation inputs used will depend on the type of derivative and the nature of the underlying instruments and may include equity prices, commodity prices, interest rate yield curves, foreign exchange rates, volatilities, correlations, credit default swaps ("CDS") spreads and recovery rates.	Level 2 or 3

In infrequent circumstances where the valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3. This category includes unquoted shares and structured deposits. The fair values of unquoted shares are based on the net tangible assets of the affected companies or sales price for pending sales transactions, while the fair values of structured deposits are based on Quanto and Volatility element.



**J.P. MORGAN CHASE BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments measured at fair value (continued)

Changes in and ranges of unobservable inputs

The following discussion provides a description of the impact on a fair value measurement of a change in each unobservable input in isolation, and the interrelationship between unobservable inputs, where relevant and significant. The impact of changes in inputs may not be independent as a change in one unobservable input may give rise to a change in another unobservable input; where relationships exist between two unobservable inputs, those relationships are discussed below. Relationships may also exist between observable and unobservable inputs (for example, as observable interest rates rise, unobservable prepayment rates decline); such relationships have not been included in the discussion below. In addition, for each of the individual relationships described below, the inverse relationship would also generally apply.

**Correlation** - Correlation is a measure of the relationship between the movements of two variables. Correlation is a pricing input for a derivative product where the payoff is driven by one or more underlying risks.

Correlation inputs are related to the type of derivative (e.g., interest rate, credit, equity and foreign exchange) due to the nature of the underlying risks. When parameters are positively correlated, an increase in one parameter will result in an increase in the other parameter. When parameters are negatively correlated, an increase in one parameter will result in a decrease in the other parameter. An increase in correlation can result in an increase or a decrease in a fair value measurement. Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measurement.

**Volatility** - Volatility is a measure of the variability in possible returns for an instrument, parameter or market index given how much the particular instrument, parameter or index changes in value over time. Volatility is a pricing input for options, including equity options, commodity options, and interest rate options. Generally, the higher the volatility of the underlying, the riskier the instrument. Given a long position in an option, an increase in volatility, in isolation, would generally result in an increase in a fair value measurement.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

33 EMPLOYEE BENEFITS

*Equity compensation benefits*

The incentive compensation benefits are determined by the ultimate holding corporation, the Firm. The following schemes are applicable to the employees of the Firm:

Long-Term Incentive Plan ("LTIP")

Under the LTIP, common stock-based awards, including stock options, restricted stock, and restricted stock units ("RSU") are granted to certain key employees employed by the Firm and its subsidiaries.

Stock options are granted with an exercise price equal to the Firm's common stock price on the grant date. Generally, options cannot be exercised until at least one year after the grant date and become exercisable over various periods as determined at the time of the grant. These awards generally expire 10 years after grant date.

Restricted stock and RSUs are granted by the Firm at no cost to the recipient. These awards are subject to forfeiture until certain restrictions have lapsed, including continued employment for a specific period. The recipient of a share of restricted stock is entitled to voting rights and dividends on the common stock. An RSU entitles the recipient to receive a share of common stock after the applicable restrictions lapse; the recipient is entitled to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding.

Value Sharing Plan is a broad-based employee stock option plan in which the Firm grants stock options to other employees as recognition of the services rendered.

(a) Restricted Stock and RSUs

Compensation expense for restricted stock and RSUs is measured based upon the number of shares granted multiplied by the stock price at the grant date, and is recognised in the income statement.

	<u>2023</u>		<u>2022</u>	
	Number of	Weighted	Number of	Weighted
	restricted	average fair	restricted	average fair
	stock/RSU	value at	stock/RSU	value at
		grant date		grant date
		USD		USD
Outstanding at 1 January	13,703	145.24	12,655	131.04
Granted during the year	4,965	140.38	5,804	153.16
Vested during the year	(5,113)	(139.25)	(4,756)	(117.13)
Cancelled during the year	(896)	(145.00)	-	-
Transferred during the year	120	145.76	-	-
Outstanding at 31 December	<u>12,779</u>	<u>145.76</u>	<u>13,703</u>	<u>145.24</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

34 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements.

	Gross amount of recognised financial assets	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the Statement of Financial Position	Related amounts not set off in the Statement of Financial Position		Net amount
				Financial instruments	Cash collateral received	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>						
Derivative financial instruments	1,009,845	-	1,009,845	-	275,190	734,655
Securities purchased under resale agreements	10,917,138	-	10,917,138	-	139,416	10,777,722
	<u>11,926,983</u>	<u>-</u>	<u>11,926,983</u>	<u>-</u>	<u>414,606</u>	<u>11,512,377</u>
<u>2022</u>						
Derivative financial instruments	1,242,354	-	1,242,354	-	413,975	828,379
Securities purchased under resale agreements	5,255,059	-	5,255,059	-	287,696	4,967,363
	<u>6,497,413</u>	<u>-</u>	<u>6,497,413</u>	<u>-</u>	<u>701,671</u>	<u>5,795,742</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**34 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

(b) Financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements

	Gross amount of recognised financial assets set off in the Statement of Financial Position	Gross amount of recognised financial liabilities	Net amount of financial liabilities presented in the Statement of Financial Position	Related amounts not set off in the Statement of Financial Position	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2023</b>					
Derivative financial instruments	1,139,614	-	1,139,614	-	964,158
Obligations on securities sold under repurchase agreements	8,701,383	-	8,701,383	-	8,677,628
	<u>9,840,997</u>	<u>-</u>	<u>9,840,997</u>	<u>-</u>	<u>9,641,786</u>
				Financial instruments	
				Cash collateral placed	
<b>2022</b>					
Derivative financial instruments	1,272,148	-	1,272,148	-	1,151,314
Obligations on securities sold under repurchase agreements	4,359,260	-	4,359,260	-	4,261,489
	<u>5,631,408</u>	<u>-</u>	<u>5,631,408</u>	<u>-</u>	<u>5,412,803</u>

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

J.P. MORGAN CHASE BANK BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

35 CHANGE IN COMPARATIVES

- (i) The Bank has adopted a change in accounting policy during the year to present interest income for financial assets measured at fair value through profit or loss separately from 'Other operating income' in the Statement of Comprehensive Income. Presenting interest income for financial assets measured at fair value through profit or loss separately would assist users in understanding the financial performance of the Bank. The affected financial statement line items for the prior periods have been restated in accordance with MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- (ii) Upon adoption of the change in accounting policy indicated in Note 35(i), the Bank has identified and reclassified certain interest income for financial assets measured at fair value through profit or loss that was previously presented as part of the 'interest income\*' in the Statement of Comprehensive Income. The affected financial statement line items for the prior periods have been restated in accordance with MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The above changes in comparatives have no impact to the Statement of Financial Position, profit after taxation, Statement of Cash Flows and Statement of Changes in Equity of the Bank for the financial year ended 31 December 2022.

	Note	As previously reported RM'000	Reclassification RM'000	As restated RM'000
<u>Statement of Comprehensive Income</u>				
Interest income* (Note 20(a))	(ii)	305,988	(101,487)	204,501
Interest income for financial assets at fair value through profit or loss (Note 20(b))	(i), (ii)	-	142,058	142,058
Other operating income (Note 22)	(i)	292,676	(40,571)	252,105

\* Comprises of interest recognised financial assets measured at amortised cost and fair value through other comprehensive income

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 20 March 2024.

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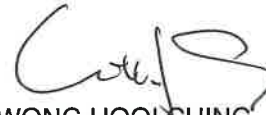
STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Robert Armor Morris and Wong Hooi Ching, being two of the Directors of J.P. Morgan Chase Bank Berhad, state that, in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 107 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2023 and the financial performance of the Bank for the financial year ended 31 December 2023 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, Bank Negara Malaysia Guidelines and the requirements of the Companies Act, 2016 in Malaysia.

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



ROBERT ARMOR MORRIS  
DIRECTOR



WONG HOOI CHING  
DIRECTOR

Kuala Lumpur

**21 MAY 2024**

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

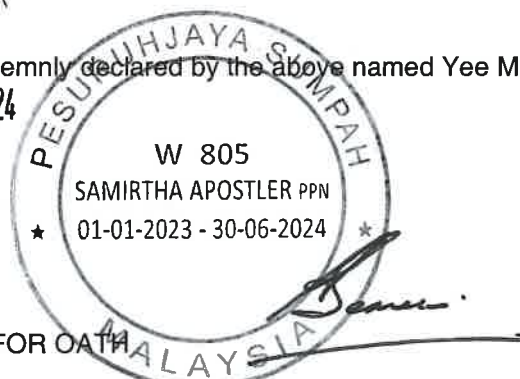
I, Yee Mei Yan, being the Officer primarily responsible for the financial management of J.P. Morgan Chase Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 107 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



YEE MEI YAN

Subscribed and solemnly declared by the above named Yee Mei Yan at Kuala Lumpur in Malaysia  
on **21 MAY 2024**

Before me:



COMMISSIONER FOR OATHS

Tkt 3, Wisma Maran 108  
28, Medan Pasar  
50050 Kuala Lumpur



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF J.P. MORGAN CHASE BANK BERHAD  
(Incorporated in Malaysia)  
Registration No. 199401030666 (316347-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 7 to 107.

Basis for opinion

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

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

*Independence and other ethical responsibilities*

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

Information other than the financial statements and auditors’ report thereon

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



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF J.P. MORGAN CHASE BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
Registration No. 199401030666 (316347-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 the financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the 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 J.P. MORGAN CHASE BANK BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
Registration No. 199401030666 (316347-D)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- (e) 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.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF J.P. MORGAN CHASE BANK BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
Registration No. 199401030666 (316347-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.

*Pricewaterhousecoopers PLT*

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

*Kelvin*

LEE TZE WUN KELVIN  
03482/01/2026 J  
Chartered Accountant

Kuala Lumpur

**21 MAY 2024**