BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 31 DECEMBER 2023

Overview

The Pillar 3 Disclosure for financial year ended 31 December 2023 for Bank Islam Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") describes the risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements governed by Bank Negara Malaysia's ("BNM") "Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3")".

The Group adopts the following approaches in determining the capital requirements of Pillar 1 in accordance with BNM's Guidelines on CAFIB (Basel II – Risk Weighted Assets ("RWA")) since January 2008:

- Credit and Market Risk – the Standardised Approach ("SA"); and
- Operational Risk – the Basic Indicator Approach ("BIA").

Under the Standardised Approach, standard risk weights are used to assess the capital requirements whilst under the Basic Indicator Approach, the capital requirements are computed based on a fixed percentage over the Group's average gross income for a fixed number of quarterly periods.

As required under Pillar 2, the Group has also developed an Internal Capital Adequacy Assessment Process ("ICAAP") framework which closely integrates the risk and capital assessment processes and ensures that adequate levels of capital are maintained to support the Group's current and projected demand for capital under expected and stressed conditions. The ICAAP was adopted in 2012 and has been fully implemented since 2013. The ICAAP is updated and approved on an annual basis by the Management Committee, Board Risk Committee ("BRC") and Board of Directors ("Board").

Basis of Disclosure

The Pillar 3 Disclosure is prepared in accordance with BNM's Pillar 3 Disclosure Guidelines issued in July 2010 and the Group's internal policy on Pillar 3 Disclosure, which aims to enhance transparency on the risk management practices and capital adequacy of the Bank and the Group. The disclosures include both qualitative and quantitative disclosures with respect to capital adequacy, credit risk, market risk, liquidity risk, operational risk, shariah governance, climate risk and management of Investment Account (IA).

Whilst this document discloses the Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the Full-Year Financial Statements 2023 published by the Group.

These disclosures have been reviewed and verified by the Group Internal Auditor and attested by the Group Chief Executive Officer.

Medium and Location of Disclosure

The Group's Pillar 3 Disclosure is made available at **www.bankislam.com.**

Minimum Regulatory Capital Requirements

The Group's main activity is Islamic banking business which focuses on retail banking and financing operations. The following tables show the minimum regulatory capital requirement to support the Group's and the Bank's risk weighted assets.

	31.12.2023		31.12.2022	
GROUP	**RISK-WEIGHTED ASSETS RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8% RM'000**	**RISK-WEIGHTED ASSETS RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8% RM'000**
Credit Risk	56,803,773	4,544,302	53,650,821	4,292,066
Less: Credit Risk absorbed by IA	(11,803,750)	(944,300)	(10,620,157)	(849,613)
Market Risk	392,042	31,363	84,876	6,790
Operational Risk	4,225,384	338,031	3,971,313	317,705
Total	**49,617,449**	**3,969,396**	**47,086,853**	**3,766,948**

	31.12.2023		31.12.2022	
BANK	**RISK-WEIGHTED ASSETS RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8% RM'000**	**RISK-WEIGHTED ASSETS RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8% RM'000**
Credit Risk	56,390,695	4,511,256	53,513,221	4,281,058
Less: Credit Risk absorbed by IA	(11,817,298)	(945,384)	(10,705,652)	(856,452)
Market Risk	392,042	31,363	84,876	6,790
Operational Risk	4,150,406	332,032	3,909,361	312,749
Total	**49,115,845**	**3,929,267**	**46,801,806**	**3,744,145**

The Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's CAFIB (Risk-Weighted Assets) Guideline.

1. Scope of Application

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank (including the offshore banking operations in the Federal Territory of Labuan) and its subsidiaries.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

2. Capital Adequacy

2.1 Capital Management

The Group's primary objectives when managing capital are to maintain a strong capital position to support business growth and to maintain investors, depositors, customers, and market confidence. In line with this, the Group manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Group, are above the regulatory minimum requirement.

To ensure that the Group has sufficient capital to support all its business and risk-taking activities, the Group has implemented a sound capital management process in its management systems and processes. A comprehensive capital management framework has been adopted by the Group as a key enabler for value creation which is important to the long-term survival of the Group. This comprehensive capital management process includes thorough risk assessment and risk management techniques that are embedded within the Group's risk governance.

The assessment is based on the approved business plan, its estimation of current risks inherent in the Group and the impact of capital stress tests on the Group's capital plan. The Group aims to achieve the following capital management objectives:

- Meeting regulatory capital requirements;
- Optimising returns to shareholders;
- Maintaining adequate levels and an optimum mix of different sources of capital to support the underlying risks of its business;
- Ensuring adequate capital to withstand shocks and stress;
- Ensuring sufficient capital to expand its business ventures and inorganic growth; and
- Allocating an appropriate amount of capital to business units to optimise return on capital.

2. Capital Adequacy (continued)

2.1 Capital Management (continued)

The Group's capital management is guided by the Capital Management Plan, approved by the Board, to ensure the management of capital is consistent and aligned with the Group's Risk Appetite Statement and ICAAP Document Policy.

The Group's capital management processes comprise:

- Capital Structuring – ensuring that the amount of regulatory and statutory capital available is consistent with the Group's growth plan, risk appetite, and desired level of capital adequacy. Capital structuring focuses on selecting appropriate, most cost-effective mix of capital instruments;
- Capital Allocation – ensuring that the capital is employed efficiently across the Group based on risk-adjusted return on capital; and
- Capital Optimisation – seeking an optimal level of capital by facilitating the optimisation of the risk profile of the balance sheet. This will be done through:
  - reshaping of the balance sheet;
  - capital planning, allocation and optimisation; and
  - a sound management of the capital buffer.

As such, the four fundamental components of a sound capital planning process include:

- Internal control and governance;
- Capital policy and risk capture;
- Forward-looking view; and
- Management framework for preserving capital.

The Group's Capital Management Plan is updated annually and approved by the Board for implementation at the beginning of each financial year. The capital plan is drawn up to cover at least a three-year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, capital benchmarking against the industry, available supply of capital and capital raising options, performance of business sectors based on a Risk Adjusted Return on Capital ("RAROC") approach, as well as ICAAP and stress testing results.

2. Capital Adequacy (continued)

2.1 Capital Management (continued)

The Group has fully issued Subordinated Sukuk Murabahah under its Subordinated Sukuk Murabahah Programme of up to RM1.0 billion in nominal value ("Subordinated Sukuk Murabahah Programme") which was approved by the Securities Commission Malaysia ("SC") on 7 October 2014. On 6 September 2018, the Group successfully lodged with SC under Lodge and Launch Framework, a Sukuk Murabahah Programme of up to RM10.0 billion in nominal value, which allows issuances of Subordinated Sukuk Murabahah and Senior Sukuk Murabahah. The purpose of the Subordinated Sukuk Murabahah issuance under both programmes is to enhance the capital adequacy of the Group, in line with the requirements under the Basel III capital framework. Both programmes are qualified as Tier 2 regulatory capital of the Bank and the Group in accordance with BNM's CAFIB (Capital Components) Guideline.

Additionally, on 27 June 2022, the Group successfully lodged with SC under Lodge and Launch Framework, a Sukuk Wakalah Programme of up to RM5.0 Billion in nominal value, for the issuances of Additional Tier-1 Capital Sukuk Wakalah. Subsequently, on 24 August 2022, the Group issued RM500mil Additional Tier 1 Sukuk Wakalah under the RM5.0billion Sukuk Wakalah Programme. This shall qualify as Tier 1 regulatory capital of the Bank and the Group.

For 2023, the Group had on 17 October 2023 issued RM400mil Additional Tier 2 Subordinated Sukuk Murabahah under the RM10.0billion Sukuk Murabahah Programme. This shall qualify as Tier 2 regulatory capital of the Bank and the Group in accordance with BNM's CAFIB (Capital Components) Guideline.

Table below depicts a summary of the Subordinated Sukuk Murabahah and Sukuk Wakalah Programme of the Group:

<table>
<tr><th>Capital Instrument</th><th>Capital Component</th><th>Main Features</th></tr>
<tr><td colspan="2">1) <u>Subordinated Sukuk Murabahah Programme of up to RM1.0 billion (Programme 1)</u></td><td rowspan="4">• The tenure of both programmes are as follows:
i. Programme 1 – up to thirty (30) years from the date of the first issue under the Subordinated Sukuk Murabahah Programme.
ii. Programme 2 – perpetual.
• The tenure of each issuance of the Subordinated Sukuk Murabahah under both programmes are as follows:
i. Programme 1 – shall be not less than five (5) years and up to thirty (30) years from the issue date and provided that the Subordinated Sukuk Murabahah matures on or prior to the expiry of the tenure of the Subordinated Sukuk Murabahah Programme.
ii. Programme 2 – shall be not less than five (5) years from the issue date.
• Each of the Subordinated Sukuk Murabahah may have a call option to allow the Bank to redeem the relevant tranche of the Subordinated Sukuk Murabahah (in whole or in part) on any periodic profit payment date after a minimum period of five (5) years from the issue date of that tranche, subject to the relevant early redemption conditions being satisfied.
• Unsecured.</td></tr>
<tr><td>a) <u>Tranche 1: RM300million at 5.75%</u>
▪ Issued on 22 April 2015
▪ Mature on 22 April 2025

Note: Tranche 1 was called on 22 April 2020</td><td rowspan="3">Tier 2 Capital</td></tr>
<tr><td>b) <u>Tranche 2: RM400million at 5.50%</u>
▪ Issued on 15 December 2015
▪ Mature on 15 December 2025

Note: Tranche 2 was called on 15 December 2020</td></tr>
<tr><td>c) <u>Tranche 3: RM300million at 5.08%</u>
▪ Issued on 13 November 2017
▪ Mature on 12 November 2027

Note: Tranche 3 was called on 14 November 2022</td></tr>
</table>

2. Capital Adequacy (continued)

2.1 Capital Management (continued)

<table>
<tr><th>Capital Instrument</th><th>Capital Component</th><th>Main Features</th></tr>
<tr><td colspan="2">2) <u>Sukuk Murabahah Programme of up to RM10.0 billion (Programme 2)</u></td><td rowspan="6">Subordinated Sukuk Murabahah shall be utilised to finance the Group's Islamic banking activities, working capital requirements and other corporate purposes and/ or, if required, to redeem any outstanding Sukuk Murabahah issued under both programmes. All utilisations shall be Shariah Compliant.
Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah, to be written off.
No Conversion into Equity.</td></tr>
<tr><td>a) <u>Tranche 1: RM300million at 5.15%</u>
▪ Type: Subordinated Sukuk Murabahah
▪ Issued on 7 November 2018
Mature on 7 November 2028

Note: Tranche 1 was called on 7 November 2023</td><td rowspan="5">Tier 2 Capital</td></tr>
<tr><td>b) <u>Tranche 2: RM400million at 3.75%</u>
▪ <u>Type: Subordinated Sukuk Murabahah</u>
▪ <u>Issued on 26 March 2020</u>
▪ <u>Mature on 26 March 2030</u></td></tr>
<tr><td>c) <u>Tranche 3: RM700million at 3.60%</u>
▪ <u>Type: Subordinated Sukuk Murabahah</u>
▪ <u>Issued on 21 October 2020</u>
▪ <u>Mature on 21 October 2030</u></td></tr>
<tr><td>d) <u>Tranche 4: RM300million at 4.10%</u>
▪ <u>Type: Subordinated Sukuk Murabahah</u>
▪ <u>Issued on 12 November 2021</u>
▪ <u>Mature on 12 November 2031</u></td></tr>
<tr><td>e) <u>Tranche 5: RM400million at 4.70%</u>
▪ <u>Type: Subordinated Sukuk Murabahah</u>
▪ <u>Issued on 17 October 2023</u>
▪ <u>Mature on 17 October 2033</u></td></tr>
<tr><td colspan="2">2) <u>Additional Tier 1 Capital Sukuk Wakalah Programme of up to RM5.0 billion</u></td><td rowspan="2">Tenure of the Sukuk Wakalah is perpetual, subject to the Call Option (where applicable).
Each Series of the Sukuk Wakalah issued under the Sukuk Wakalah Programme may have a call option (to be determined prior to the relevant issue date) to allow the Issuer, at its option, to redeem (in whole or in part) that Series of the Sukuk Wakalah on any Periodic Distribution Date on or after the fifth (5th) anniversary of the issue date of that Series of the Sukuk Wakalah at the Dissolution Distribution Amount.
Unsecured.
The proceeds from the Sukuk Wakalah Programme shall be utilised by the Issuer as to finance its general banking working capital requirements and/ or other general corporate</td></tr>
<tr><td><u>RM500million at 5.16%</u>

▪ <u>Issued on 24 August 2022</u>
▪ <u>Mature on 22 August 2121 (perpetual)</u></td><td>Tier 1 Capital</td></tr>
</table>

		purposes and to defray fees and expenses related to the Sukuk Wakalah Programme. It may also be utilised to refinance/ for redemption of any earlier issuance of Sukuk Wakalah under the Sukuk Wakalah Programme. All utilisations shall be Shariah Compliant. • Upon the occurrence of a Non-Viability Event, the Issuer shall irrevocably, without the need for the consent of the Sukuk Trustee or the Sukukholders, write-off the Sukuk Wakalah (in whole or in part) if so required by BNM and/ or PIDM at their full discretion. • No Conversion into Equity. • Non-Convertible and non-Exchangeable

2. Capital Adequacy (continued)

2.1 Capital Management (continued)

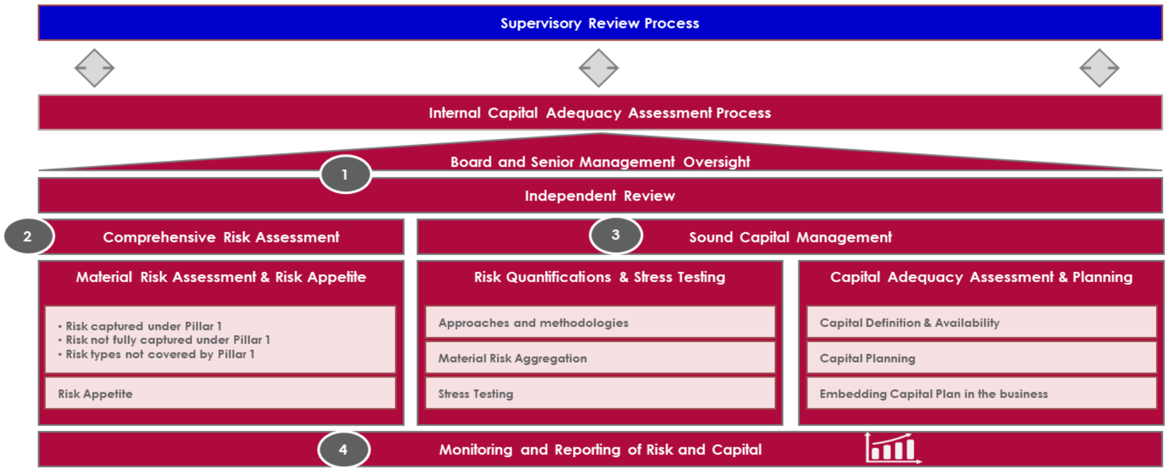
Total outstanding Subordinated Sukuk Murabahah and Sukuk Wakalah issued under all programmes which are qualified as Tier 1 and Tier 2 regulatory capital of the Bank and the Group as of 31 December 2023 is RM2.3 billion.

2.2 Internal Capital Adequacy Assessment Process ("ICAAP")

The Group has carried out the internal assessment process on capital as prescribed in BNM's CAFIB - ICAAP ("Pillar 2") to complement its current capital management practices. The first ICAAP Document Policy was formalised and approved by the Board in March 2013 and is being reviewed on an annual basis. The Group's ICAAP process evaluates and sets the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process on its portfolio risk exposures, its risk management practices towards its material risks and potential capital planning buffer required in the event of stress.

The Group has adopted a 4M's Approach for its Material Risk Assessment under ICAAP. The 4M's approach includes assessing the materiality of the risks, how the risks are being managed, measured and mitigated. The materiality of the identified risks is analysed using a quantitative and/ or qualitative approach. The Group ensures that there is appropriate management and mitigation practices set in place for all its material risks.

Overall ICAAP framework for the Group summarised as below:



Under ICAAP, the following risk types are identified and measured:

- Risks captured under Pillar 1 (i.e., Credit Risk, Market Risk, and Operational Risk);
- Risk not fully captured under Pillar 1 (e.g., Migration and Residual Risk); and
- Risk not covered under Pillar 1 (e.g., Credit Concentration Risk, Rate of Return in the Banking Book, Shariah Non-Compliance Risk, Regulatory/ Compliance Risk, Contagion Risk, and IT Risk (including Cybersecurity Risk) amongst others).

2. Capital Adequacy (continued)

2.3 Stress Testing

Regular stress testing (including reverse stress testing) is performed to assess the Group's ability to maintain adequate capital under both normal business cycle and unfavourable economic conditions. The stress testing is embedded within the risk and capital management process of the Group and is a key function of capital planning and business planning processes. Stress Testing also plays an important role in:

- Identifying the possible events or future changes in the financial and economic conditions of the country and globally that could potentially have unfavourable effects on the Group's exposures;
- Identifying the different portfolios response to changes in key economic variables (profit rate, foreign exchange rate, GDP, etc);
- Evaluating the Group's ability to withstand such changes, i.e., its capacity in terms of its capital and earnings, to absorb potentially significant losses; and
- Analysing the Group's ability to meet the minimum regulatory capital requirement at all times throughout a reasonably severe economic crisis.

The Group has put in place a stress testing programme (including reverse stress testing) which has taken into account all risks deemed material to the Group, namely credit risk, market risk, liquidity risk and operational risk including Shariah non-compliance risk, regulatory compliance risk, contagion risk and IT risk.

In line with the Group's Stress Testing Policy, the Group has taken into consideration the current economic environment and potential customer's credit deterioration due to adverse economic scenario by reviewing the potential affected financing retail customers. Whilst the treatment for non-retail additional stressed areas has been carried out as part of watchlist assessment. Ad-hoc stress testing has also been conducted to assess the impact of deterioration on specific risk areas, in line with stressed macroeconomic variables. These impacts have been assessed to ensure the Group's ability to maintain adequate capital under stressed condition.

2.4 Capital Adequacy Ratios

The Group is required to comply with the Common Equity Tier 1 ("CET 1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio ("TCR") as prescribed by BNM. The Group has been in compliance with all prescribed capital adequacy ratios throughout the period.

Total capital and capital adequacy ratios of the Group have been computed based on the updated BNM's CAFIB - Capital Components Guideline issued on 15 December 2023 and BNM's CAFIB – RWA Guideline issued on 18 December 2023. The minimum regulatory capital adequacy ratios requirement for CET 1 capital ratio, Tier 1 capital ratio and TCR including capital buffers i.e., Capital Conservation Buffers ("CCB") are 7.0%, 8.5% and 10.5% respectively.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

The CCB is intended to encourage the build-up of capital buffers by individual Islamic banking institutions during normal times that can be drawn down during stress periods.

The table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2023, determined by the requirements of the CAFIB. The capital adequacy ratios of the Group and Bank are set as per below:

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

	GROUP		BANK	
Before effect of IA	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Before deducting proposed dividends				
CET 1 Capital Ratio	**11.41%**	**11.08%**	**10.91%**	**10.77%**
Tier 1 Capital Ratio	**12.22%**	**11.95%**	**11.73%**	**11.64%**
Total Capital Ratio	**16.12%**	**16.05%**	**15.66%**	**15.76%**
After deducting proposed dividends				
CET 1 Capital Ratio	**11.00%**	**10.73%**	**10.49%**	**10.41%**
Tier 1 Capital Ratio	**11.81%**	**11.60%**	**11.31%**	**11.28%**
Total Capital Ratio	**15.71%**	**15.70%**	**15.24%**	**15.40%**

	GROUP		BANK	
After effect of IA	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Before deducting proposed dividends				
CET 1 Capital Ratio	**14.12%**	**13.58%**	**13.53%**	**13.23%**
Tier 1 Capital Ratio	**15.13%**	**14.64%**	**14.55%**	**14.30%**
Total Capital Ratio	**19.89%**	**19.39%**	**19.35%**	**19.07%**
After deducting proposed dividends				
CET 1 Capital Ratio	**13.61%**	**13.15%**	**13.01%**	**12.80%**
Tier 1 Capital Ratio	**14.62%**	**14.21%**	**14.03%**	**13.86%**
Total Capital Ratio	**19.38%**	**18.96%**	**18.83%**	**18.64%**

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(b) CET I, Tier I and Tier II capital components of the Group and of the Bank (continued):

	31.12.2023	
	GROUP	**BANK**
	RM'000	**RM'000**
Tier I Capital		
Paid-up share capital	3,888,725	3,888,725
Share Premium	-	-
Retained earnings	3,257,009	3,348,297
Other reserves	254,478	143,590
Less: Deferred tax assets	(174,728)	(173,756)
Less: 55% of fair value	-	-
Less: Regulatory reserve attributable to financing	(167,000)	(167,000)
Less: Investment in subsidiaries	-	(344,049)
Less: Intangible Assets	(50,354)	(50,354)
Total Common Equity Tier I Capital	**7,008,130**	**6,645,454**
Total Additional Tier I Capital	**500,000**	**500,000**
Total Tier I Capital	**7,508,130**	**7,145,454**
Subordinated Sukuk	1,800,000	1,800,000
Collective assessment allowance ^	562,500	557,167
Total Tier II Capital	**2,362,500**	**2,357,167**
Total Capital	**9,870,630**	**9,502,621**

^ Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(b) CET 1, Tier I and Tier II capital components of the Group and of the Bank (continued):

	31.12.2022	
	GROUP	BANK
	RM'000	RM'000
Tier I Capital		
Paid-up share capital	3,645,043	3,645,043
Share Premium	-	-
Retained earnings	3,096,604	3,105,912
Other reserves	54,596	(56,368)
Less: Deferred tax assets	(212,349)	(211,377)
Less: 55% of fair value	-	-
Less: Regulatory reserve attributable to financing	(136,000)	(136,000)
Less: Investment in subsidiaries	-	(100,905)
Less: Intangible Assets	(54,578)	(54,578)
Total Common Equity Tier I Capital	**6,393,316**	**6,191,727**
Total Additional Tier I Capital	**500,000**	**500,000**
Total Tier I Capital	**6,893,316**	**6,691,727**
Subordinated Sukuk	1,700,000	1,700,000
Collective assessment allowance ^	537,883	535,095
Total Tier II Capital	2,237,883	2,235,095
Total Capital	**9,131,199**	**8,926,822**

^ Collective assessment allowance on non-impaired financing and regulatory reserve subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

(i) Group

31 DECEMBER 2023 EXPOSURE CLASS		GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK-WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk					
On-Balance Sheet Exposures					
Sovereign/ Central Banks		10,662,724	10,662,724	-	-
Public Sector Entities		1,286,319	1,247,035	547,207	43,777
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		844,978	844,978	168,996	13,520
Corporate		20,599,807	20,228,826	9,578,504	766,280
Regulatory Retail		26,648,442	26,356,218	24,835,348	1,986,828
Residential Mortgages		24,350,408	24,345,473	16,036,355	1,282,908
Higher Risk Assets		-	-	-	-
Other Assets		3,491,891	3,491,891	1,619,133	129,531
Defaulted Exposures		2,494,124	2,400,261	2,172,267	173,781
Total for On-Balance Sheet Exposures		90,378,693	89,577,407	54,957,809	4,396,625
Off-Balance Sheet Exposures					
Credit-related Exposures		1,479,473	1,476,622	1,374,593	109,967
Derivative Financial Instruments		177,278	177,278	82,100	6,568
Defaulted Exposures		264,260	264,162	389,271	31,142
Total for Off-Balance Sheet Exposures		1,921,011	1,918,062	1,845,965	147,677
Total On and Off-Balance Sheet Exposures		**92,299,705**	**91,495,469**	**56,803,773**	**4,544,302**
Less: Credit Risk absorbed by IA				(11,803,750)	(944,300)
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	9,558,749	(8,651,515)	907,234	258,683	20,695
Foreign Exchange Risk	133,359	(471)	132,888	133,359	10,669
Inventory Risk					
Total Market Risk	9,692,108	(8,651,986)	1,040,122	392,042	31,363
Operational Risk				4,225,384	338,031
Total RWA and Capital Requirements				**49,617,449**	**3,969,396**

Note: As at 31 December 2023, the Group did not have any exposures under securitisation.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(i) Group (continued)

31 DECEMBER 2022 EXPOSURE CLASS		GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK-WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk					
On-Balance Sheet Exposures					
Sovereign/ Central Banks		12,113,373	12,113,373	-	-
Public Sector Entities		2,958,245	2,936,320	591,451	47,316
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		1,694,857	1,694,857	338,972	27,118
Corporate		19,498,516	19,032,779	9,608,732	768,699
Regulatory Retail		22,618,237	22,581,227	21,781,936	1,742,555
Residential Mortgages		25,971,590	25,965,665	16,961,580	1,356,926
Higher Risk Assets		2,538	2,538	3,807	305
Other Assets		2,947,702	2,947,702	1,248,192	99,855
Defaulted Exposures		1,601,818	1,541,551	1,319,732	105,579
Total for On-Balance Sheet Exposures		89,406,876	88,816,012	51,854,402	4,148,352
Off-Balance Sheet Exposures					
Credit-related Exposures		1,646,533	1,645,018	1,484,364	118,749
Derivative Financial Instruments		213,080	213,080	78,989	6,319
Defaulted Exposures		157,484	157,343	233,066	18,645
Total for Off-Balance Sheet Exposures		2,017,097	2,015,441	1,796,419	143,714
Total On and Off-Balance Sheet Exposures		**91,423,973**	**90,831,453**	**53,650,821**	**4,292,066**
Less: Credit Risk absorbed by IA				(10,620,157)	(849,613)
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	7,768,278	(7,713,549)	54,729	55,377	4,430
Foreign Exchange Risk	29,500	(272)	29,228	29,500	2,360
Inventory Risk	-	-	-	-	-
Total Market Risk	7,797,778	(7,713,821)	83,957	84,877	6,790
Operational Risk				3,971,313	317,705
Total RWA and Capital Requirements				**47,086,854**	**3,766,948**

Note: As at 31 December 2022, the Group did not have any exposures under securitisation.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(ii) Bank

31 DECEMBER 2023 **EXPOSURE CLASS**	**GROSS EXPOSURE RM'000**	**NET EXPOSURE RM'000**	**RISK-WEIGHTED ASSET RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8% RM'000**
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/ Central Banks	10,662,724	10,662,724	-	-
Public Sector Entities	1,286,319	1,247,035	547,207	43,777
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	808,755	808,755	161,751	12,940
Corporate	20,599,807	20,228,826	9,578,504	766,280
Regulatory Retail	26,648,442	26,356,218	24,835,348	1,986,828
Residential Mortgages	24,350,408	24,345,473	16,036,355	1,282,908
Higher Risk Assets	-	-	-	-
Other Assets	3,087,415	3,087,415	1,213,299	97,064
Defaulted Exposures	2,494,124	2,400,261	2,172,267	173,781
Total for On-Balance Sheet Exposures	89,937,994	89,136,708	54,544,730	4,363,578
Off-Balance Sheet Exposures				
Credit-related Exposures	1,479,473	1,476,622	1,374,593	109,967
Derivative Financial Instruments	177,278	177,278	82,100	6,568
Defaulted Exposures	264,260	264,162	389,271	31,142
Total for Off-Balance Sheet Exposures	1,921,011	1,918,062	1,845,965	147,677
Total On and Off-Balance Sheet Exposures	**91,859,006**	**91,054,770**	**56,390,695**	**4,511,256**
Less: Credit Risk absorbed by IA			(11,817,298)	(945,384)

	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	9,558,749	(8,651,515)	907,234	258,683	20,695
Foreign Exchange Risk	133,359	(471)	132,888	133,359	10,669
Inventory Risk					
Total Market Risk	9,692,108	(8,651,986)	1,040,122	392,042	31,363
Operational Risk				4,150,406	332,032
Total RWA and Capital Requirements				**49,115,844**	**3,929,268**

Note: As at 31 December 2023, the Bank did not have any exposures under securitisation.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(ii) Bank (continued)

31 DECEMBER 2022 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK-WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/ Central Banks	12,113,373	12,113,373	-	-
Public Sector Entities	2,958,245	2,936,320	591,451	47,316
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,677,905	1,677,905	335,581	26,846
Corporate	19,498,516	19,032,779	9,608,732	768,699
Regulatory Retail	22,618,237	22,581,227	21,781,936	1,742,555
Residential Mortgages	25,971,590	25,965,665	16,961,580	1,356,926
Higher Risk Assets	2,538	2,538	3,807	305
Other Assets	2,819,804	2,819,804	1,113,983	89,119
Defaulted Exposures	1,601,818	1,541,551	1,319,732	105,579
Total for On-Balance Sheet Exposures	89,262,025	88,671,160	51,716,802	4,137,344
Off-Balance Sheet Exposures				
Credit-related Exposures	1,646,533	1,645,018	1,484,364	118,749
Derivative Financial Instruments	213,080	213,080	78,989	6,319
Defaulted Exposures	157,484	157,343	233,066	18,645
Total for Off-Balance Sheet Exposures	2,017,097	2,015,441	1,796,419	143,714
Total On and Off-Balance Sheet Exposures	**91,279,122**	**90,686,601**	**53,513,221**	4,281,058
Less: Credit Risk absorbed by IA			(10,705,652)	(856,452)

	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	7,768,278	(7,713,549)	54,729	55,377	4,430
Foreign Exchange Risk	29,500	(272)	29,228	29,500	2,360
Inventory Risk	-	-	-	-	-
Total Market Risk	7,797,778	(7,713,821)	83,957	84,877	6,790
Operational Risk				3,909,361	312,749
Total RWA and Capital Requirements				**46,801,807**	**3,744,144**

Note: As at 31 December 2022, the Bank did not have any exposures under securitisation.

3. Risk Management

3.1 Overview

The Group's mission, with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

In that regard, the specific objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Group;
- Establish a standard approach and methodology in managing risks namely credit, market, liquidity, operational, IT & cyber risk, compliance risks and contagion risk across the Group;
- Clarify functional structures including objectives, roles and responsibilities;
- Implement and use a risk management information system that meets the international standards on confidentiality, integrity and its availability;
- Develop and use tools, such as economic capital, value at risk, and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets; and
- Ensure that the Group's capital can support current and planned business needs in terms of risk exposures.

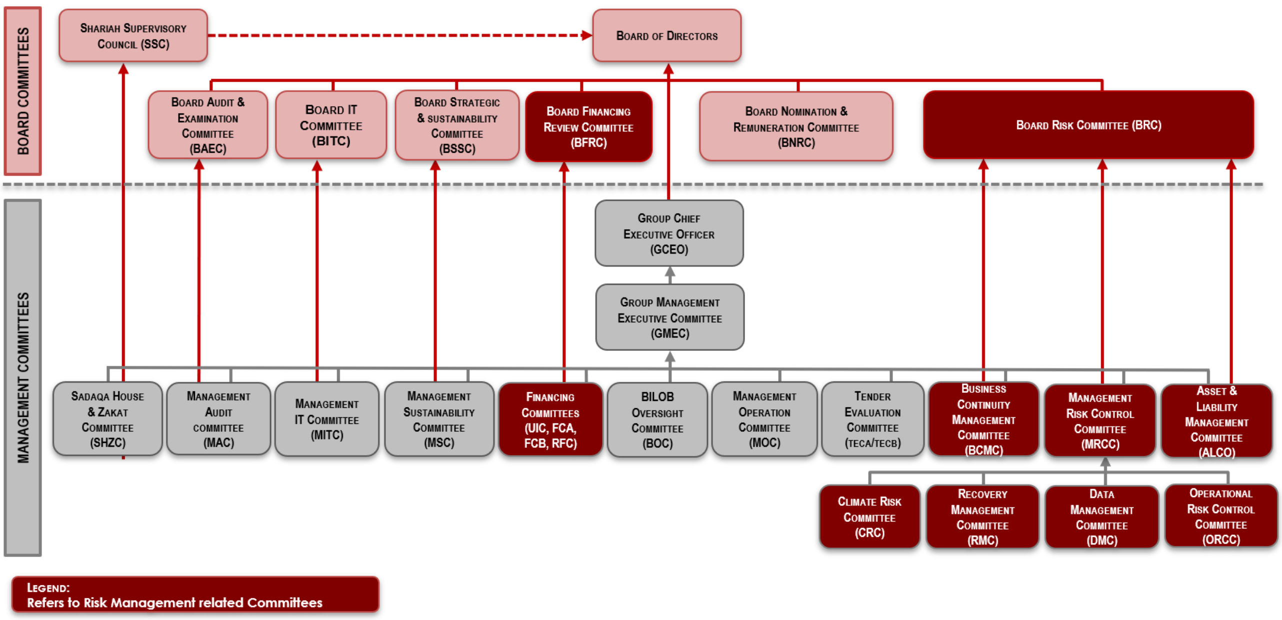
3.2 Risk Management Functional and Governance Structure

The Group has aligned its organisational responsibilities with the objective of ensuring a common view of risks across the Group. As a matter of prudence and good governance, the Group's core risk management functions, which report to the Board Risk Committee ("BRC"), are independent and segregated from the business divisions and centralized at head office.

3. Risk Management (continued)

3.2 Risk Management Functional and Governance Structure (continued)

The following illustrates the Group's governance structure:



The Group recognises the fact that the essence of banking and financial services is centred on risk taking activities. The Group therefore:

- Recognises that it has to manage risks effectively to achieve its business targets;
- Reaches an optimum level of risk-return in order to maximise stakeholders' value; and
- Ensures effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Group within its risk appetite and tolerance.

The Group has established the Group Risk Appetite Statement Policy that forms an integral part of the Group's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Group is prepared to accept in support of a stated strategy, impacting all businesses from a credit, market and operational risk viewpoint.

4. Credit Risk

4.1 Overview

Credit risk is the risk of potential losses to the Group arising from inability of our customers to fulfil or repay their obligations under facilities granted by the Bank. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor (collectively referred to as counterparties). The types of credit risks that the Group considers to be material include: Default Risk, Counterparty Risk, Credit Concentration Risk, Residual/ Credit Mitigation Risk and Migration Risk.

4.2 Credit Risk Governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the Management Risk Control Committee ("MRCC") and/ or BRC, guided by the Boards' approved Group Risk Appetite Statement Policy.

The Group has several levels of Financing Committees, which assess and approve credits at their specified authority levels.

MRCC is responsible under the authority delegated by BRC for managing credit risk at strategic level. MRCC reviews the Group's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Group's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

4.3 Management of Credit Risk

The management of credit risk is being performed by the Group Credit Management Division ("CMD") and Group Risk Management Division ("RMD") and one other unit outside of CMD and RMD domain i.e., Credit Administration Department. The combined objectives are, amongst others:

- To build a high quality credit portfolio which is in line with the Group's overall strategy and risk appetite;
- To ensure that the Group is compensated for the risk taken, balancing/ optimising the risk/ return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

4. Credit Risk (continued)

4.3 Management of Credit Risk (continued)

The Group monitors its credit exposures either on a portfolio basis or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (a certain part of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration on a single customer, sector, product, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparty limits and permissible acquisition of private entities' instruments, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

4.4 Capital Treatment for Credit Risk

The Group adopts the Standardized Approach to compute the credit risk capital requirement under BNM's CAFIB.

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances

The table below presents the Group's and the Bank's gross financing and advances analysed by credit quality:

	GROUP AND BANK	
	31.12.2023	**31.12.2022**
	RM'000	**RM'000**
Neither past due nor impaired	66,278,057	64,437,823
Past due but not impaired	710,766	668,802
Impaired	635,967	835,232
	67,624,790	**65,941,857**
Gross Impaired Financing as a percentage of Gross Financing and Advances	**0.94%**	**1.27%**

(a) Neither Past Due nor Impaired

Financings classified as neither past due nor impaired are financings of which the customers have not missed contractual payments (profit or principal) when contractually due and are not impaired as there is no objective evidence of impairment.

The credit quality of gross financing and advances which are neither past due nor impaired is as follows:

	GROUP AND BANK	
	31.12.2023	**31.12.2022**
	RM'000	**RM'000**
Excellent to Good	59,771,489	57,611,552
Satisfactory	6,110,850	6,486,313
Fair	395,718	339,958
	66,278,057	**64,437,823**

Internal rating definition:

- **Excellent to Good**: Sound financial position with no difficulty in meeting its obligations.
- **Satisfactory**: Adequate safety of meeting its current obligations but more time is required to meet the entire obligations in full.
- **Fair**: High risks on payment obligations. Financial performance may continue to deteriorate.

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances (continued)

(b) Past Due but Not Impaired

Financings classified as past due but not impaired are financings of which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/ or the stage of collection amounts owed to the Group and the Bank.

Analysis of the past due but not impaired financing and advances by ageing:

	GROUP AND BANK	
	31.12.2023	**31.12.2022**
By ageing	**RM'000**	**RM'000**
Month-in-arrears 1	481,274	452,425
Month-in-arrears 2	229,492	216,377
	710,766	**668,802**

Analysis of the past due but not impaired financing and advances by sector:

	GROUP AND BANK	
	31.12.2023	**31.12.2022**
	RM'000	**RM'000**
Primary agriculture	-	139
Mining and quarrying	-	-
Manufacturing (including agro-based)	1,718	4,229
Electricity, gas and water	105	-
Wholesale & retail trade, and hotels & restaurants	11,819	5,033
Construction	9,159	8,880
Real estate	529	19
Transport, storage and communications	2,081	1,102
Finance, insurance and business activities	3,797	798
Education, health and others	6,725	922
Household sectors	674,833	647,681
Other sectors	-	-
	710,766	**668,802**

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances

A financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The financing or group of financings is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financing (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financing or group of financings that can be reliably estimated.

The Group and the Bank first assess individually whether the objective evidence of impairment exists individually for financings which are individually significant, and collectively for financings which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financings with similar credit risk characteristic and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

Impaired financing by assessment type:

	GROUP AND BANK	
	31.12.2023 RM'000	**31.12.2022 RM'000**
Individually Assessed	**241,247**	516,711
of which:		
Month-in-Arrears 0	*29,165*	*64,818*
Month-in-Arrears 1	*16,803*	*5,544*
Month-in-Arrears 2	*2,943*	*3,701*
Month-in-Arrears 3 and above	*192,336*	*442,648*
Collectively Assessed	**394,720**	318,521
	635,967	**835,232**

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 DECEMBER 2023 RM '000	IMPAIRED FINANCING AT 31.12.2023	INDIVIDUAL ASSESSMENT ALLOWANCE: INDIVIDUAL ASSESSMENT AS AT 01.01.2023	INDIVIDUAL ASSESSMENT ALLOWANCE: NET CHARGE FOR THE FINANCIAL YEAR	INDIVIDUAL ASSESSMENT ALLOWANCE: AMOUNTS WRITTEN OFF/ OTHER MOVEMENTS	INDIVIDUAL ASSESSMENT ALLOWANCE: INDIVIDUAL ASSESSMENT AS AT 31.12.2023	COLLECTIVE ASSESSMENT ALLOWANCE AT 31.12.2023	TOTAL IMPAIRMENT ALLOWANCES FOR FINANCING AT 31.12.2023
Primary Agriculture	815	-	(1,724)	1,724	-	10,981	10,981
Mining and Quarrying	106	256,996	(518,021)	261,025	-	3,541	3,541
Manufacturing (including Agro-based)	36,476	3,728	(987)	731	3,472	12,551	16,023
Electricity, Gas and Water	2,415	-	1,414	-	1,414	42,327	43,741
Wholesale & Retail Trade and Restaurants & Hotels	88,659	2,018	(1,185)	430	1,263	52,774	54,037
Construction	34,675	3,903	(1,487)	3,913	6,328	44,159	50,487
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	7,286	6,352	(7,573)	1,407	186	21,508	21,694
Finance, Insurance and Business Services	52,967	1,021	11,518	-	12,539	71,704	84,243
Education, Health and Others	7,633	-	-	-	-	21,664	21,664
Household Sectors	404,936	28,878	(5,690)	745	23,933	477,331	501,264
Other Sectors	-	-	-	-	-	-	-
Total	**635,967**	**302,896**	**(523,735)**	**269,974**	**49,135**	**758,540**	**807,675**

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 DECEMBER 2022 RM '000	IMPAIRED FINANCING AT 31.12.2022	INDIVIDUAL ASSESSMENT ALLOWANCE INDIVIDUAL ASSESSMENT AS AT 01.01.2022	NET CHARGE FOR THE FINANCIAL YEAR	AMOUNTS WRITTEN OFF/ OTHER MOVEMENTS	INDIVIDUAL ASSESSMENT AS AT 31.12.2022	COLLECTIVE ASSESSMENT ALLOWANCE AT 31.12.2022	TOTAL IMPAIRMENT ALLOWANCES FOR FINANCING AT 31.12.2022
Primary Agriculture	-	-	-	-	-	9,684	9,684
Mining and Quarrying	257,925	185,000	75,830	(3,834)	256,996	4,092	261,088
Manufacturing (including Agro-based)	37,452	1,914	130,568	(128,754)	3,728	16,315	20,043
Electricity, Gas and Water	467	-	-	-	-	46,082	46,082
Wholesale & Retail Trade and Restaurants & Hotels	75,788	6,831	2,016	(6,829)	2,018	47,677	49,695
Construction	32,449	11,344	(3,959)	(3,482)	3,903	49,382	53,285
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	20,222	888	5,464	-	6,352	29,379	35,731
Finance, Insurance and Business Services	37,872	-	1,021	-	1,021	78,201	79,222
Education, Health and Others	2,158	361	(361)	-	-	14,534	14,534
Household Sectors	370,899	14,616	14,262	-	28,878	441,621	470,499
Other Sectors	-	-	-	-	-	-	-
Total	**835,232**	**220,954**	**224,841**	**(142,899)**	**302,896**	**736,967**	**1,039,863**

4. Credit Risk (continued)

(d) Gross Financing and Advances – Exposures by Geographical Areas

31 DECEMBER 2023 RM '000	GROSS FINANCING	OF WHICH: PAST DUE BUT NOT IMPAIRED FINANCING	OF WHICH: IMPAIRED FINANCING	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES
Central Region	31,685,138	342,546	255,845	21,232	446,073
Eastern Region	10,201,039	93,164	123,233	22,830	77,897
Northern Region	9,175,037	97,586	152,661	-	81,501
Southern Region	11,468,449	120,922	73,459	3,625	98,906
East Malaysia Region	5,095,127	56,549	30,769	1,448	54,163
Grand Total	**67,624,790**	**710,766**	**635,967**	**49,135**	**758,540**

31 DECEMBER 2022 RM '000	GROSS FINANCING	OF WHICH: PAST DUE BUT NOT IMPAIRED FINANCING	OF WHICH: IMPAIRED FINANCING	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES
Central Region	30,904,086	306,748	510,998	290,032	422,768
Eastern Region	9,980,174	93,516	95,756	8,580	77,717
Northern Region	8,825,148	90,902	146,491	-	88,023
Southern Region	11,281,525	118,043	55,567	4,005	96,403
East Malaysia Region	4,950,924	59,593	26,420	279	52,056
Grand Total	**65,941,857**	**668,802**	**835,232**	**302,896**	**736,967**

4. Credit Risk (continued)

4.6 Gross Credit Exposures

(a) Geographic Distribution of Credit Exposures

(i) Group

31 DECEMBER 2023 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM '000	TOTAL RM '000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/ Central Banks	10,662,724	-	-	-	-	10,662,724
Public Sector Entities	736,601	103,061	51,956	402,699	22,369	1,316,687
Banks, Developments Financial Institutions and Multilateral Development Banks	844,978	-	-	-	-	844,978
Corporate	19,053,904	941,025	876,003	1,174,168	638,177	22,683,276
Regulatory Retail	10,869,098	4,696,240	4,138,004	4,212,947	3,082,847	26,999,136
Residential Mortgages	8,870,580	4,425,630	4,088,685	5,653,467	1,337,431	24,375,792
Higher Risk Assets	1,667	730	1,218	426	168	4,209
Other Assets	3,243,286	-	-	-	248,605	3,491,891
Total for On-Balance Sheet Exposures	54,282,838	10,166,686	9,155,866	11,443,705	5,329,597	90,378,693
Off-Balance Sheet Exposures						
Credit-related Exposures	331,299	1,367,351	42,569	-	2,448	1,743,667
Derivative Financial Instruments	177,344	-	-	-	-	177,344
Total for Off-Balance Sheet Exposures	508,643	1,367,351	42,569	-	2,448	1,921,011
Total On and Off-Balance Sheet Exposures	**54,791,481**	**11,534,037**	**9,198,435**	**11,443,705**	**5,332,045**	**92,299,705**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(i) Group (continued)

31 DECEMBER 2022 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM '000	TOTAL RM '000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/ Central Banks	12,113,373	-	-	-	-	12,113,373
Public Sector Entities	2,391,846	125,988	55,417	360,841	27,466	2,961,558
Banks, Developments Financial Institutions and Multilateral Development Banks	1,694,858	-	-	-	-	1,694,858
Corporate	16,881,638	1,017,194	795,619	1,445,454	679,693	20,819,598
Regulatory Retail	8,900,694	4,070,123	3,642,169	3,606,221	2,544,262	22,763,469
Residential Mortgages	9,501,123	4,741,727	4,294,956	5,866,906	1,699,066	26,103,778
Higher Risk Assets	942	857	315	321	106	2,541
Other Assets	2,874,903	-	-	-	72,799	2,947,702
Total for On-Balance Sheet Exposures	54,359,377	9,955,889	8,788,476	11,279,743	5,023,392	89,406,877
Off-Balance Sheet Exposures						
Credit-related Exposures	1,389,368	64,284	115,307	84,268	150,789	1,804,016
Derivative Financial Instruments	213,080	-	-	-	-	213,080
Total for Off-Balance Sheet Exposures	1,602,448	64,284	115,307	84,268	150,789	2,017,096
Total On and Off-Balance Sheet Exposures	**55,961,825**	**10,020,173**	**8,903,783**	**11,364,011**	**5,174,181**	**91,423,973**

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4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank

31 DECEMBER 2023 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM '000	TOTAL RM '000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/ Central Banks	10,662,724	-	-	-	-	10,662,724
Public Sector Entities	736,601	103,061	51,956	402,699	22,369	1,316,687
Banks, Developments Financial Institutions and Multilateral Development Banks	808,755	0	-	-	-	808,755
Corporate	19,053,904	941,025	876,003	1,174,168	638,177	22,683,276
Regulatory Retail	10,869,098	4,696,240	4,138,004	4,212,947	3,082,847	26,999,136
Residential Mortgages	8,870,580	4,425,630	4,088,685	5,653,467	1,337,431	24,375,792
Higher Risk Assets	1,667	730	1,218	426	168	4,209
Other Assets	2,838,810	-	-	-	248,605	3,087,415
Total for On-Balance Sheet Exposures	53,842,140	10,166,686	9,155,866	11,443,705	5,329,597	89,937,994
Off-Balance Sheet Exposures						
Credit-related Exposures	331,299	1,367,351	42,569	-	2,448	1,743,667
Derivative Financial Instruments	177,344	-	-	-	-	177,344
Total for Off-Balance Sheet Exposures	508,643	1,367,351	42,569	-	2,448	1,921,011
Total On and Off-Balance Sheet Exposures	**54,350,782**	**11,534,037**	**9,198,435**	**11,443,705**	**5,332,045**	**91,859,006**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank (continued)

31 DECEMBER 2022 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM '000	TOTAL RM '000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/ Central Banks	12,113,373	-	-	-	-	12,113,373
Public Sector Entities	2,391,846	125,987	55,417	360,841	27,466	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	1,677,905	-	-	-	-	1,677,905
Corporate	16,881,638	1,017,194	795,619	1,445,454	679,693	20,819,598
Regulatory Retail	8,900,694	4,070,123	3,642,169	3,606,221	2,544,262	22,763,469
Residential Mortgages	9,501,123	4,741,727	4,294,956	5,866,906	1,699,066	26,103,778
Higher Risk Assets	942	857	315	321	106	2,541
Other Assets	2,747,005	-	-	-	72,799	2,819,804
Total for On-Balance Sheet Exposures	54,214,526	9,955,888	8,788,476	11,279,743	5,023,392	89,262,025
Off-Balance Sheet Exposures						
Credit-related Exposures	1,389,368	64,284	115,307	84,268	150,789	1,804,016
Derivative Financial Instruments	213,080	-	-	-	-	213,080
Total for Off-Balance Sheet Exposures	1,602,448	64,284	115,307	84,268	150,789	2,017,096
Total On and Off-Balance Sheet Exposures	**55,816,974**	**10,020,172**	**8,903,783**	**11,364,011**	**5,174,181**	**91,279,121**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(i) Group

31 DECEMBER 2023 EXPOSURE CLASS	**PRIMARY AGRICULTURE**	**MINING AND QUARRYING**	**MANUFACTURING**	**ELECTRICITY, GAS AND WATER**	**WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS**	**CONSTRUCTION**	**REAL ESTATE**	**TRANSPORT, STORAGE & COMMUNICATION**	**FINANCE, INSURANCE AND BUSINESS SERVICES**	**EDUCATION, HEALTH AND OTHERS**	**HOUSEHOLD SECTOR**	**OTHER SECTORS**	**TOTAL**
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/ Central Banks	-	-	-	-	-	-	-	-	4,237,180	6,425,545	-	-	10,662,724
Public Sector Entities	1,466	-	-	-	-	102,700	27,223	-	238,205	946,932	160	-	1,316,687
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	844,978	-	-	-	844,978
Corporate	852,717	95,815	674,077	2,840,104	931,054	3,152,442	3,020,336	4,017,966	3,929,665	812,598	36,040	2,320,462	22,683,276
Regulatory Retail	10,755	4,872	54,657	2,437	236,187	133,035	14,385	17,761	78,602	42,982	26,205,426	198,038	26,999,136
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	24,375,792	-	24,375,792
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	4,209	-	4,209
Other Assets	-	-	-	-	-	-	-	-	-	-	-	3,491,891	3,491,891
Total for On-Balance Sheet Exposures	**864,939**	**100,686**	**728,733**	**2,842,541**	**1,167,241**	**3,388,177**	**3,061,944**	**4,035,727**	**9,328,630**	**8,228,056**	**50,621,627**	**6,010,392**	**90,378,693**
Off-Balance Sheet Exposures													
Credit-related Exposures	2,457	6,239	81,263	225,694	88,414	352,994	160,079	70,082	109,065	133,230	301,442	212,710	1,743,667
Derivative Financial Instruments	-	-	787	-	64,106	-	-	5	41,646	70,799	-	-	177,344
Total for Off-Balance Sheet Exposures	**2,457**	**6,239**	**82,050**	**225,694**	**152,520**	**352,994**	**160,079**	**70,086**	**150,711**	**204,028**	**301,442**	**212,710**	**1,921,011**
Total On and Off-Balance Sheet Exposures	**867,395**	**106,925**	**810,783**	**3,068,235**	**1,319,761**	**3,741,171**	**3,222,023**	**4,105,813**	**9,479,341**	**8,432,085**	**50,923,069**	**6,223,102**	**92,299,705**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(i) Group (continued)

31 DECEMBER 2022 EXPOSURE CLASS	PRIMARY AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	ELECTRICITY, GAS AND WATER	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS	CONSTRUCTION	REAL ESTATE	TRANSPORT, STORAGE & COMMUNICATION	FINANCE, INSURANCE AND BUSINESS SERVICES	EDUCATION, HEALTH AND OTHERS	HOUSEHOLD SECTOR	OTHER SECTORS	TOTAL
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/ Central Banks	-	-	-	-	-	-	-	-	5,066,974	-	-	7,046,399	12,113,373
Public Sector Entities	1,087	-	-	-	-	68,478	23,260	-	296,354	2,572,172	206	-	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	1,616,853	-	-	78,005	1,694,858
Corporate	950,160	57,811	685,073	2,443,393	836,658	3,272,988	1,878,143	4,084,110	4,100,132	544,740	193,302	1,773,088	20,819,598
Regulatory Retail	5,755	5,193	59,533	2,878	301,287	140,808	43,218	36,356	123,176	65,852	21,973,514	5,899	22,763,469
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	26,103,778	-	26,103,778
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	2,542	-	2,542
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,947,702	2,947,702
Total for On-Balance Sheet Exposures	957,002	63,004	744,606	2,446,271	1,137,945	3,482,274	1,944,621	4,120,466	11,203,489	3,182,764	48,273,342	11,851,093	89,406,877
Off-Balance Sheet Exposures													
													-
Credit-related Exposures	2,098	5,688	165,008	97,426	102,407	433,849	12,300	102,594	141,396	122,381	438,449	180,420	1,804,016
Derivative Financial Instruments	-	-	668	-	105	-	-	9	147,800	44,319	-	20,179	213,080
Total for Off-Balance Sheet Exposures	2,098	5,688	165,676	97,426	102,512	433,849	12,300	102,603	289,196	166,700	438,449	200,599	2,017,096
Total On and Off-Balance Sheet Exposures	**959,100**	**68,692**	**910,282**	**2,543,697**	**1,240,457**	**3,916,123**	**1,956,921**	**4,223,069**	**11,492,685**	**3,349,464**	**48,711,791**	**12,051,692**	**91,423,973**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(ii) Bank

31 DECEMBER 2023 EXPOSURE CLASS	PRIMARY AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	ELECTRICITY, GAS AND WATER	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS	CONSTRUCTION	REAL ESTATE	TRANSPORT, STORAGE & COMMUNICATION	FINANCE, INSURANCE AND BUSINESS SERVICES	EDUCATION, HEALTH AND OTHERS	HOUSEHOLD SECTOR	OTHER SECTORS	TOTAL
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<u>**Credit Risk**</u>													
On-Balance Sheet Exposures													
Sovereign/ Central Banks	-	-	-	-	-	-	-	-	4,237,180	6,425,545	-	-	10,662,724
Public Sector Entities	1,466	-	-	-	-	102,700	27,223	-	238,205	946,932	160	-	1,316,687
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	808,755	-	0	-	808,755
Corporate	852,717	95,815	674,077	2,840,104	931,054	3,152,442	3,020,336	4,017,966	3,929,665	812,598	36,040	2,320,462	22,683,276
Regulatory Retail	10,755	4,872	54,657	2,437	236,187	133,035	14,385	17,761	78,602	42,982	26,205,426	198,038	26,999,136
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	24,375,792	-	24,375,792
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	4,209	-	4,209
Other Assets	-	-	-	-	-	-	-	-	-	-	-	3,087,415	3,087,415
Total for On-Balance Sheet Exposures	**864,939**	**100,686**	**728,733**	**2,842,541**	**1,167,241**	**3,388,177**	**3,061,944**	**4,035,727**	**9,292,407**	**8,228,056**	**50,621,627**	**5,605,916**	**89,937,994**
Off-Balance Sheet Exposures													
Credit-related Exposures	2,457	6,239	81,263	225,694	88,414	352,994	160,079	70,082	109,065	133,230	301,442	212,710	1,743,667
Derivative Financial Instruments	-	-	787	-	64,106	-	-	5	41,646	70,799	-	-	177,344
Total for Off-Balance Sheet Exposures	**2,457**	**6,239**	**82,050**	**225,694**	**152,520**	**352,994**	**160,079**	**70,086**	**150,711**	**204,028**	**301,442**	**212,710**	**1,921,011**
Total On and Off-Balance Sheet Exposures	**867,395**	**106,925**	**810,783**	**3,068,235**	**1,319,761**	**3,741,171**	**3,222,023**	**4,105,813**	**9,443,118**	**8,432,085**	**50,923,069**	**5,818,626**	**91,859,006**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(ii) Bank (continued)

31 DECEMBER 2022 EXPOSURE CLASS	PRIMARY AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	ELECTRICITY, GAS AND WATER	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS	CONSTRUCTION	REAL ESTATE	TRANSPORT, STORAGE & COMMUNICATION	FINANCE, INSURANCE AND BUSINESS SERVICES	EDUCATION, HEALTH AND OTHERS	HOUSEHOLD SECTOR	OTHER SECTORS	TOTAL
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<u>**Credit Risk**</u>													
On-Balance Sheet Exposures													
Sovereign/ Central Banks	-	-	-	-	-	-	-	-	5,066,974	-	-	7,046,399	12,113,373
Public Sector Entities	1,087	-	-	-	-	68,478	23,260	-	296,354	2,572,172	206	-	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	1,616,853	-	-	61,052	1,677,905
Corporate	950,160	57,811	685,073	2,443,393	836,658	3,272,988	1,878,143	4,084,110	4,100,132	544,740	193,302	1,773,088	20,819,598
Regulatory Retail	5,755	5,193	59,533	2,877	301,287	140,808	43,218	36,356	123,176	65,852	21,973,514	5,899	22,763,468
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	26,103,778	-	26,103,778
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	2,542	-	2,542
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,819,804	2,819,804
Total for On-Balance Sheet Exposures	957,002	63,004	744,606	2,446,270	1,137,945	3,482,274	1,944,621	4,120,466	11,203,489	3,182,764	48,273,342	11,706,242	89,262,025
Off-Balance Sheet Exposures													-
Credit-related Exposures	2,098	5,688	165,008	97,426	102,407	433,849	12,300	102,594	141,396	122,381	438,449	180,420	1,804,016
Derivative Financial Instruments	-	-	668	-	105	-	-	9	147,800	44,319	-	20,179	213,080
Total for Off-Balance Sheet Exposures	2,098	5,688	165,676	97,426	102,512	433,849	12,300	102,603	289,196	166,700	438,449	200,599	2,017,096
Total On and Off-Balance Sheet Exposures	**959,100**	**68,692**	**910,282**	**2,543,696**	**1,240,457**	**3,916,123**	**1,956,921**	**4,223,069**	**11,492,685**	**3,349,464**	**48,711,791**	**11,906,841**	**91,279,121**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown

(i) Group

31 DECEMBER 2023 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
<u>**Credit Risk**</u>				
On-Balance Sheet Exposures				
Sovereign/ Central Banks	5,291,458	3,197,730	2,173,537	10,662,724
Public Sector Entities	263,720	330,078	722,888	1,316,687
Banks, Developments Financial Institutions and Multilateral Development Banks	844,978	-	-	844,978
Corporate	7,313,394	6,155,178	9,214,704	22,683,276
Regulatory Retail	494,500	3,633,507	22,871,129	26,999,136
Residential Mortgages	9,808	145,388	24,220,596	24,375,792
Higher Risk Assets	-	201	4,008	4,209
Other Assets	1,748,618	-	1,743,273	3,491,891
Total for On-Balance Sheet Exposures	15,966,475	13,462,082	60,950,136	90,378,693
Off-Balance Sheet Exposures				
Credit-related Exposures	782,689	402,897	558,082	1,743,667
Derivative Financial Instruments	177,344	-	-	177,344
Total for Off-Balance Sheet Exposures	960,032	402,897	558,082	1,921,011
Total On and Off-Balance Sheet Exposures	**16,926,508**	**13,864,978**	**61,508,219**	**92,299,705**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(I) Group (continued)

31 DECEMBER 2022 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
<u>**Credit Risk**</u>				
On-Balance Sheet Exposures				
Sovereign/ Central Banks	6,612,283	2,713,450	2,787,640	12,113,373
Public Sector Entities	843,501	344,240	1,773,816	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	1,494,131	200,727	-	1,694,858
Corporate	5,711,877	7,526,468	7,581,253	20,819,598
Regulatory Retail	103,854	3,201,349	19,458,266	22,763,469
Residential Mortgages	28,135	145,653	25,929,990	26,103,778
Higher Risk Assets	-	188	2,353	2,541
Other Assets	1,424,346	-	1,523,357	2,947,703
Total for On-Balance Sheet Exposures	16,218,127	14,132,075	59,056,675	89,406,877
Off-Balance Sheet Exposures				
Credit-related Exposures	799,082	399,012	605,922	1,804,016
Derivative Financial Instruments	212,579	501	-	213,080
Total for Off-Balance Sheet Exposures	1,011,661	399,513	605,922	2,017,096
Total On and Off-Balance Sheet Exposures	**17,229,788**	**14,531,588**	**59,662,597**	**91,423,973**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(ii) Bank

31 DECEMBER 2023 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
<u>**Credit Risk**</u>				
On-Balance Sheet Exposures				
Sovereign/ Central Banks	5,291,458	3,197,730	2,173,537	10,662,724
Public Sector Entities	263,720	330,078	722,888	1,316,687
Banks, Developments Financial Institutions and Multilateral Development Banks	808,755	-	-	808,755
Corporate	7,313,394	6,155,178	9,214,704	22,683,276
Regulatory Retail	494,500	3,633,507	22,871,129	26,999,136
Residential Mortgages	9,808	145,388	24,220,596	24,375,792
Higher Risk Assets	-	201	4,008	4,209
Other Assets	1,344,142	-	1,743,273	3,087,415
Total for On-Balance Sheet Exposures	15,525,776	13,462,082	60,950,136	89,937,994
Off-Balance Sheet Exposures				
Credit-related Exposures	782,689	402,897	558,082	1,743,667
Derivative Financial Instruments	177,344	-	-	177,344
Total for Off-Balance Sheet Exposures	960,032	402,897	558,082	1,921,011
Total On and Off-Balance Sheet Exposures	**16,485,809**	**13,864,978**	**61,508,219**	**91,859,006**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(ii) Bank (continued)

31 DECEMBER 2022 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
<u>**Credit Risk**</u>				
On-Balance Sheet Exposures				
Sovereign/ Central Banks	6,612,283	2,713,450	2,787,640	12,113,373
Public Sector Entities	843,501	344,240	1,773,816	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	1,477,178	200,727	-	1,677,905
Corporate	5,711,877	7,526,468	7,581,253	20,819,598
Regulatory Retail	103,854	3,201,349	19,458,266	22,763,469
Residential Mortgages	28,135	145,653	25,929,990	26,103,778
Higher Risk Assets	-	188	2,353	2,541
Other Assets	1,296,448	-	1,523,356	2,819,804
Total for On-Balance Sheet Exposures	16,073,276	14,132,075	59,056,674	89,262,025
Off-Balance Sheet Exposures				
Credit-related Exposures	799,082	399,012	605,922	1,804,016
Derivative Financial Instruments	212,579	501	-	213,080
Total for Off-Balance Sheet Exposures	1,011,661	399,513	605,922	2,017,096
Total On and Off-Balance Sheet Exposures	**17,084,937**	**14,531,588**	**59,662,596**	**91,279,121**

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in the calculation of credit risk-weighted assets. The following are the rating agencies or External Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM as per the CAFIB Guideline:

(a) Standard & Poor's ("S&P")
(b) Moody's Investors Services ("MOODY'S")
(c) Fitch Ratings ("FITCH")
(d) Rating Agency Malaysia Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns and central banks
(b) Banking institutions
(c) Corporates

Unrated and Rated Counterparties

As a general rule, the rating specific to the credit exposure is used, i.e., the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor an issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least *pari passu* with the obligation that is rated, as stipulated in the CAFIB Guideline.

Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The below table summarises the rules governing the assignment of risk weights under the Standardised Approach:

Rating Category	S & P	MOODY'S	FITCH	RAM	MARC
1	AAA TO AA-	Aaa to Aa3	AAA to AA-	AAA TO AA3	AAA to AA-
2	A+ TO A-	A1 to A3	A+ to A-	A1 TO A3	A+ to A-
3	BBB+ TO BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ TO BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ TO B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The below table summarises risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class				
	Sovereign and Central Banks	Corporate	Banking Institutions		
			Maturity > 6 month	Maturity <= 6 month	Maturity <= 3month
1	0%	20%	20%	20%	
2	20%	50%	50%	20%	
3	50%	100%	50%	20%	
4	100%	100%	100%	50%	20%
5	100%	150%	100%	50%	
6	150%	150%	150%	150%	
Unrated	100%	100%	50%	20%	

Under CAFIB, exposures to and/ or guaranteed by the Federal Government of Malaysia and Bank Negara Malaysia are accorded a preferential sovereign risk weight of 0%.

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group:

(i) As at 31 December 2023

	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									
RISK WEIGHTS	SOVEREIGNS / CENTRAL BANKS	PUBLIC SECTOR ENTITIES	BANKS, DFIS & MDBS	CORPORATE	REGULATORY RETAIL	RESIDENTIAL MORTGAGES	HIGHER RISK ASSETS	OTHER ASSETS	TOTAL EXPOSURES AFTER NETTING & CRM	TOTAL RISK WEIGHTED ASSET
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	10,662,724	238,205	-	6,022,773	418,804	-	-	1,872,758	19,215,265	-
20%	-	256,303	966,644	4,523,191	28	-	-	-	5,746,165	1,137,224
35%	-	-	-	-	554	8,383,649	-	-	8,384,203	2,934,471
50%	-	524,983	814	3,247,435	428,772	5,643,962	-	-	9,845,967	4,922,983
75%	-	-	-	63,854	4,226,123	180,902	-	-	4,470,879	3,304,721
100%	-	264,709	-	8,741,336	21,825,223	10,160,717	-	1,619,133	42,611,117	42,647,049
150%	-	20,673	-	1,108,438	79,516	894	12,353	-	1,221,873	1,857,325
Total Exposures	**10,662,724**	**1,304,873**	**967,458**	**23,707,026**	**26,979,020**	**24,370,124**	**12,353**	**3,491,891**	**91,495,469**	**56,803,773**
RWA by Exposures	-	609,471	193,736	12,980,238	25,328,674	16,053,992	18,529	1,619,133	56,803,773	
Average Risk Weight	0%	47%	20%	55%	94%	66%	150%	46%	62%	
Deduction from Capital Base										

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group (continued):

(ii) As at 31 December 2022

	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									
RISK WEIGHTS	SOVEREIGNS / CENTRAL BANKS	PUBLIC SECTOR ENTITIES	BANKS, DFIS & MDBS	CORPORATE	REGULATORY RETAIL	RESIDENTIAL MORTGAGES	HIGHER RISK ASSETS	OTHER ASSETS	TOTAL EXPOSURES AFTER NETTING & CRM	TOTAL RISK WEIGHTED ASSET
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	12,113,373	1,890,688	-	5,275,289	373,678	-	-	1,699,510	21,352,538	-
20%	-	252,932	1,863,619	3,544,125	60	-	-	-	5,660,736	1,132,147
35%	-	-	-	-	-	7,367,798	-	-	7,367,798	2,578,729
50%	-	507,004	1,221	3,311,106	366,153	4,907,979	-	-	9,093,464	4,546,732
75%	-	-	-	572,678	1,144,318	7,468,822	-	-	9,185,817	6,889,363
100%	-	354,619	-	8,462,662	20,775,534	6,664,591	-	1,248,192	37,505,598	37,505,598
150%	-	-	-	478,981	67,256	110,597	8,667	-	665,501	998,252
Total Exposures	**12,113,373**	**3,005,243**	**1,864,840**	**21,644,841**	**22,726,999**	**26,519,787**	**8,667**	**2,947,702**	**90,831,452**	**53,650,821**
RWA by Exposures	-	658,707	373,334	11,975,020	21,917,745	17,464,822	13,001	1,248,192	53,650,821	
Average Risk Weight	0.0%	21.9%	20.0%	55.3%	96.4%	65.9%	150.0%	42.3%	59.1%	
Deduction from Capital Base										

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank:

(i) As at 31 December 2023

	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									
RISK WEIGHTS	SOVEREIGNS / CENTRAL BANKS	PUBLIC SECTOR ENTITIES	BANKS, DFIS & MDBS	CORPORATE	REGULATORY RETAIL	RESIDENTIAL MORTGAGES	HIGHER RISK ASSETS	OTHER ASSETS	TOTAL EXPOSURES AFTER NETTING & CRM	TOTAL RISK WEIGHTED ASSET
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	10,662,724	238,205	-	6,022,773	418,804	-	-	1,874,116	19,216,624	-
20%	-	256,303	930,421	4,523,191	28	-	-	-	5,709,942	1,129,979
35%	-	-	-	-	554	8,383,649	-	-	8,384,203	2,934,471
50%	-	524,983	814	3,247,435	428,772	5,643,962	-	-	9,845,967	4,922,983
75%	-	-	-	63,854	4,226,123	180,902	-	-	4,470,879	3,304,721
100%	-	264,709	-	8,741,336	21,825,223	10,160,717	-	1,213,299	42,205,283	42,241,215
150%	-	20,673	-	1,108,438	79,516	894	12,353	-	1,221,873	1,857,325
Total Exposures	**10,662,724**	**1,304,873**	**931,235**	**23,707,026**	**26,979,020**	**24,370,124**	**12,353**	**3,087,415**	**91,054,770**	**56,390,695**
RWA by Exposures	-	609,471	186,491	12,980,238	25,328,674	16,053,992	18,529	1,213,299	56,390,695	
Average Risk Weight	0%	47%	20%	55%	94%	66%	150%	39%	62%	
Deduction from Capital Base										

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank (continued):

(ii) As at 31 December 2022

	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									
RISK WEIGHTS	SOVEREIGNS / CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIS & MDBS RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000	TOTAL EXPOSURES AFTER NETTING & CRM RM'000	TOTAL RISK WEIGHTED ASSET RM'000
0%	12,113,373	1,890,688	-	5,275,289	373,678	-	-	1,705,821	21,358,849	-
20%	-	252,932	1,846,666	3,544,125	60	-	-	-	5,643,783	1,128,757
35%	-	-	-	-	-	7,367,798	-	-	7,367,798	2,578,729
50%	-	507,004	1,221	3,311,106	366,153	4,907,979	-	-	9,093,464	4,546,732
75%	-	-	-	572,678	1,144,318	7,468,822	-	-	9,185,817	6,889,363
100%	-	354,619	-	8,462,662	20,775,534	6,664,591	-	1,113,983	37,371,389	37,371,388
150%	-	-	-	478,981	67,256	110,597	8,667	-	665,501	998,252
Total Exposures	**12,113,373**	**3,005,243**	**1,847,887**	**21,644,841**	**22,726,999**	**26,519,787**	**8,667**	**2,819,804**	**90,686,601**	**53,513,221**
RWA by Exposures	-	658,707	369,944	11,975,020	21,917,745	17,464,822	13,001	1,113,983	53,513,222	
Average Risk Weight	0.0%	21.9%	20.0%	55.3%	96.4%	65.9%	150.0%	39.5%	59.0%	
Deduction from Capital Base										

4. Credit Risk (continued)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI of the Group

a) Ratings of Sovereigns and Central Banks by Approved ECAIs

		RATINGS OF SOVEREIGNS AND CENTRAL BANKS BY APPROVED ECAIs					
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Caa1 to C**	**Unrated**
31 DECEMBER 2023	**S&P**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
Exposure Class	**Fitch**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
On and Off Balance-Sheet Credit Exposures							
Sovereign and Central Banks*		-	10,662,724	-	-	-	-
Total		**-**	**10,662,724**	**-**	**-**	**-**	**-**

		RATINGS OF SOVEREIGNS AND CENTRAL BANKS BY APPROVED ECAIs					
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Caa1 to C**	**Unrated**
31 DECEMBER 2022	**S&P**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
Exposure Class	**Fitch**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
On and Off Balance-Sheet Credit Exposures							
Sovereign and Central Banks*		-	12,113,373	-	-	-	-
Total		**-**	**12,113,373**	**-**	**-**	**-**	**-**

* These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.

b) Ratings of Corporate by Approved ECAIs

		RATINGS OF CORPORATE BY APPROVED ECAIs				
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B+ to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
31 DECEMBER 2023	**Fitch**	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
Exposure Class	**RAMs**	**AAA to AA3**	**A to A3**	**BBB to BB**	**B to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
On and Off Balance-Sheet Credit Exposures						
Public Sector Entities		256,303	-	-	-	1,048,570
Insurance Cos, Securities Firms & Fund Manager						
Corporate		4,531,025	19,968	87,256	24,366	19,044,411
Total		**4,787,328**	**19,968**	**87,256**	**24,366**	**20,092,981**

4. Credit Risk (continued)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI of the Group (continued)

		RATINGS OF CORPORATE BY APPROVED ECAIs				
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
31 DECEMBER 2022	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class	RAMs	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Credit Exposures						
Public Sector Entities		252,932	-	-	-	2,752,311
Insurance Cos, Securities Firms & Fund Manager						
Corporate		3,459,814	51,646	153,258	-	17,980,124
Total		**3,712,746**	**51,646**	**153,258**	**-**	**20,732,435**

c) Ratings of Banking Institutions by Approved ECAIs

		RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
31 DECEMBER 2023	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	RAMs	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		575,328	173,259	-	-	-	218,871
Total		**575,328**	**173,259**	**-**	**-**	**-**	**218,871**

		RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
31 DECEMBER 2022	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	RAMs	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		1,207,092	262,483	-	-	-	395,265
Total		**1,207,092**	**262,483**	**-**	**-**	**-**	**395,265**

Note: There are no exposures under Short-term ratings for the period under review.

4. Credit Risk (continued)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI of the Bank

d) Ratings of Sovereigns and Central Banks by Approved ECAIs

		RATINGS OF SOVEREIGNS AND CENTRAL BANKS BY APPROVED ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
31 DECEMBER 2023	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Sovereign and Central Banks*		-	10,662,724	-	-	-	-
Total		**-**	**10,662,724**	**-**	**-**	**-**	**-**

		RATINGS OF SOVEREIGNS AND CENTRAL BANKS BY APPROVED ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
31 DECEMBER 2022	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Sovereign and Central Banks*		-	12,113,373	-	-	-	-
Total		**-**	**12,113,373**	**-**	**-**	**-**	**-**

* These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.

e) Ratings of Corporate by Approved ECAIs

		RATINGS OF CORPORATE BY APPROVED ECAIs				
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
31 DECEMBER 2023	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class	RAMs	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Credit Exposures						
Public Sector Entities		256,303	-	-	-	1,048,570
Insurance Cos, Securities Firms & Fund Manager						
Corporate		4,531,025	19,968	87,256	24,366	19,044,411
Total		**4,787,328**	**19,968**	**87,256**	**24,366**	**20,092,981**

4. Credit Risk (continued)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI of the Bank (continued)

		RATINGS OF CORPORATE BY APPROVED ECAIs				
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
31 DECEMBER 2022	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class	RAMs	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Credit Exposures						
Public Sector Entities		252,932	-	-	-	2,752,311
Insurance Cos, Securities Firms & Fund Manager						
Corporate		3,459,814	51,646	153,258	-	17,980,124
Total		**3,712,746**	**51,646**	**153,258**	**-**	**20,732,435**

f) Ratings of Banking Institutions by Approved ECAIs

		RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
31 DECEMBER 2023	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	RAMs	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		569,804	142,560	-	-	-	218,871
Total		**569,804**	**142,560**	**-**	**-**	**-**	**218,871**

		RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
31 DECEMBER 2022	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	RAMs	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		1,207,092	262,483	-	-	-	378,312
Total		**1,207,092**	**262,483**	**-**	**-**	**-**	**378,312**

Note: There are no exposures under Short-term ratings for the period under review.

4. Credit Risk (continued)

4.9 Credit Risk Mitigation (CRM)

As a first way out, the assessment of credit when granting a financing facility is based on a particular customer's cash flow as the main source of payment and not on the collateral offered. However, the acceptance of tangible security as collateral would offer a second way out in the event of business failure thereby improving recovery rates.

The types of collaterals accepted by the Group would have an impact on the calculation of the Group's capital adequacy as the quality and the type of collaterals determine whether the Group is able to obtain capital relief and the extent of such relief. Capital relief is defined as the assignment of a lower or zero risk weight to the counterparty exposure by setting off or reducing the counterparty exposure against the collateral value.

The main types of collaterals obtained by the Group to mitigate credit risks are as follows:

(a) Cash on lien
(b) Landed property
(c) Shariah compliant quoted shares and unit trusts
(d) Malaysian Federal Government Securities
(e) Rated/ Unrated Islamic Securities/ Sukuk
(f) Guarantee

The reliance that can be placed on CRM is carefully assessed in light of issues such as compliance with Shariah rules and principles, legal enforceability, market value and counterparty credit risk of the guarantor. The Group has put in place policies and procedures which govern the determination of eligibility of various collaterals to protect the Group's position from the onset of a customer relationship on the CRM, for instance, in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

In order to obtain a fair assessment of collateral securing the financing facility, a valuation is performed periodically ranging from weekly to annually, depending on the type, liquidity and volatility of the collateral value.

In mitigating the counterparty credit risks arising from foreign exchange and derivatives transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between the two parties, creates a greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

4. Credit Risk (continued)

4.9 Credit Risk Mitigation (CRM) (continued)

(i) Group

The Group manages its credit risk concentrations by diversifying its portfolios through several measures. The Group monitors credit risk limits via, among others, sector limits, program limits, deviation limits and Single Counterparty Exposure Limits (SCEL). The following tables disclose the extent to which exposures are covered by eligible credit risk mitigants.

Disclosure of Credit Risk Mitigation (CRM):

31 DECEMBER 2023 EXPOSURE CLASS	EXPOSURES BEFORE CRM RM'000	EXPOSURES COVERED BY GUARANTEES RM'000	EXPOSURES COVERED BY ELIGIBLE FINANCIAL AND NON-FINANCIAL COLLATERAL RM'000
On-Balance Sheet Exposures			
Sovereign/ Central Banks	10,662,724	-	-
Public Sector Entities	1,286,319	-	138,271
Banks, DFIs and MDBs	844,978	-	-
Corporates	20,599,807	2,211,261	1,210,643
Regulatory Retail	26,648,442	374,887	405,553
Residential Mortgages	24,350,408	185	74,062
Higher Risk Assets	-	-	-
Other Assets	3,491,891	-	-
Defaulted Exposures	2,494,124	125,472	245,546
Total for On-Balance Sheet Exposures	90,378,693	2,711,805	2,074,075
Off-Balance Sheet Exposures			
Credit-related Exposures	1,479,473	2,261	27,291
Derivative Financial Instruments	177,278	-	-
Defaulted Exposures	264,260	-	418
Total for Off-Balance Sheet Exposures	1,921,011	2,261	27,708
Total On and Off-Balance Sheet Exposures	**92,299,705**	**2,714,066**	**2,101,784**

Credit Risk (continued)

4.9 Credit Risk Mitigation (CRM) (continued)

(i) Group (continued)

Disclosure of Credit Risk Mitigation (CRM) (continued):

31 DECEMBER 2022 EXPOSURE CLASS	EXPOSURES BEFORE CRM RM'000	EXPOSURES COVERED BY GUARANTEES RM'000	EXPOSURES COVERED BY ELIGIBLE FINANCIAL AND NON-FINANCIAL COLLATERAL RM'000
On-Balance Sheet Exposures			
Sovereign/ Central Banks	12,113,373	-	-
Public Sector Entities	2,958,245	-	92,495
Banks, DFIs and MDBs	1,694,858	-	-
Corporates	19,498,516	2,533,329	1,281,624
Regulatory Retail	22,618,237	355,970	221,676
Residential Mortgages	25,971,590	447	94,862
Higher Risk Assets	2,538	-	-
Other Assets	2,947,702	-	-
Defaulted Exposures	1,601,818	290,778	118,332
Total for On-Balance Sheet Exposures	89,406,877	3,180,524	1,808,989
Off-Balance Sheet Exposures			
Credit-related Exposures	1,646,532	115	31,946
Derivative Financial Instruments	213,080	-	-
Defaulted Exposures	157,484	4,571	418
Total for Off-Balance Sheet Exposures	2,017,096	4,686	32,364
Total On and Off-Balance Sheet Exposures	**91,423,973**	**3,185,210**	**1,841,353**

5. Credit Risk (continued)

4.9 Credit Risk Mitigation (CRM) (continued)

(ii) Bank

Disclosure of Credit Risk Mitigation (CRM):

31 DECEMBER 2023 EXPOSURE CLASS	EXPOSURES BEFORE CRM RM'000	EXPOSURES COVERED BY GUARANTEES RM'000	EXPOSURES COVERED BY ELIGIBLE FINANCIAL AND NON-FINANCIAL COLLATERAL RM'000
On-Balance Sheet Exposures			
Sovereign/ Central Banks	10,662,724	-	-
Public Sector Entities	1,286,319	-	138,271
Banks, DFIs and MDBs	808,755	-	-
Corporates	20,599,807	2,211,261	1,210,643
Regulatory Retail	26,648,442	374,887	405,553
Residential Mortgages	24,350,408	185	74,062
Higher Risk Assets	-	-	-
Other Assets	3,087,415	-	-
Defaulted Exposures	2,494,124	125,472	245,546
Total for On-Balance Sheet Exposures	89,937,994	2,711,805	2,074,075
Off-Balance Sheet Exposures			
Credit-related Exposures	1,479,473	2,261	27,291
Derivative Financial Instruments	177,278	-	-
Defaulted Exposures	264,260	-	418
Total for Off-Balance Sheet Exposures	1,921,011	2,261	27,708
Total On and Off-Balance Sheet Exposures	**91,859,006**	**2,714,066**	**2,101,784**

4. Credit Risk (continued)

4.9 Credit Risk Mitigation (CRM) (continued)

(ii) Bank (continued)

Disclosure of Credit Risk Mitigation (CRM) (continued):

31 DECEMBER 2022 EXPOSURE CLASS	EXPOSURES BEFORE CRM RM'000	EXPOSURES COVERED BY GUARANTEES RM'000	EXPOSURES COVERED BY ELIGIBLE FINANCIAL AND NON-FINANCIAL COLLATERAL RM'000
On-Balance Sheet Exposures			
Sovereign/ Central Banks	12,113,373	-	-
Public Sector Entities	2,958,245	-	92,495
Banks, DFIs and MDBs	1,677,905	-	-
Corporates	19,498,516	2,533,329	1,281,624
Regulatory Retail	22,618,237	355,970	221,676
Residential Mortgages	25,971,590	447	94,862
Higher Risk Assets	2,538	-	-
Other Assets	2,819,804	-	-
Defaulted Exposures	1,601,818	290,778	118,332
Total for On-Balance Sheet Exposures	89,262,026	3,180,524	1,808,989
Off-Balance Sheet Exposures			
Credit-related Exposures	1,646,532	115	31,946
Derivative Financial Instruments	213,080	-	-
Defaulted Exposures	157,484	4,571	418
Total for Off-Balance Sheet Exposures	2,017,096	4,686	32,364
Total On and Off-Balance Sheet Exposures	**91,279,122**	**3,185,210**	**1,841,353**

4. Credit Risk (continued)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank

(i) As at 31 December 2023

NATURE OF ITEM	PRINCIPAL AMOUNT RM'000	POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
Credit related Exposures				
Direct credit substitutes	565,760		565,760	624,984
Assets sold with recourse	-		-	-
Transaction related contingent items	1,155,678	-	577,839	621,457
Short term self-liquidating trade related contingencies	313,275	-	62,655	65,329
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:	-	-	-	-
- not exceeding one year	-	-	-	-
- exceeding one year	1,074,826	-	537,413	451,995
Unutilised credit card lines	-	-	-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	9,717,721	-	-	-
	12,827,260		1,743,667	1,763,765
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	8,651,500	68,402	177,339	82,196
- one year to less than five years	-	-	-	-
- Five years and above	3,343	-	5	3
Profit rate related contracts	-	-	-	-
- less than one year	-		-	-
- one year to less than five years	-	10	-	-
- five years and above	-	-	-	-
Equity related contracts				
- less than one year	-	-	-	-
- one year to less than five years	-	-	-	-
- Five years and above	-	-	-	-
	8,654,843	68,412	177,344	82,199
Total	**21,482,103**	**68,412**	**1,921,011**	**1,845,964**

4. Credit Risk (continued)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank (continued)

(ii) As at 31 December 2022

NATURE OF ITEM	PRINCIPLE AMOUNT RM'000	POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
Credit related Exposures				
Direct credit substitutes	533,884		533,884	578,339
Assets sold with recourse	-		-	-
Transaction related contingent items	985,002		492,501	483,516
Short term self-liquidating trade related contingencies	407,370		81,474	80,143
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	-		-	-
- exceeding one year	1,392,315		696,158	575,432
Unutilised credit card lines	-		-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	7,809,279		-	-
	11,127,850		1,804,017	1,717,430
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	7,713,420	122,827	212,579	78,664
- one year to less than five years				
- Five years and above	-	-	-	-
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	42,286	173	501	325
- five years and above	-	-	-	-
Equity related contracts				
- less than one year	-	-	-	-
- one year to less than five years	-	-	-	-
- Five years and above	-	-	-	-
	7,755,706	123,000	213,080	78,989
Total	**18,883,556**	**123,000**	**2,017,097**	**1,796,419**

5. Market Risk

5.1 Overview

All the Group's financial instruments are subject to the risk that market prices and rates will move, resulting in profit or losses to the Group. The following are the main market risk factors that the Group is exposed to:

- **Profit Rate Risk**: also known as the Rate of Return Risk is the potential impact on the Group's profitability and capital caused by changes in the rate of return, due to general market movements or issuer/ customer specific reasons.
- **Foreign Exchange Risk**: the impact of exchange rate movements on the Group's currency positions.
- **Equity Investment Risk**: the profitability impact on the Group's equity positions or investments caused by changes in equity prices or values.

The Group separates the market risk exposures into either trading book or banking book portfolios. Trading book portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions as per the Board approved Trading Book Policy Statements. Banking book portfolios primarily arise from the Group's profit rate management of the Group's asset & liabilities and investment portfolio mainly for liquidity management.

5.2 Market Risk Governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by Asset & Liability Committee ("ALCO") and/ or BRC, guided by the Board's approved Group Risk Appetite Statement Policy.

ALCO is responsible under the authority delegated by BRC for managing market risk at strategic level.

5.3 Management of Market Risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's approved risk appetite.

All market risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

Market Risk Management Department ("MRMD") is an independent risk control function and is responsible for ensuring effective implementation of market risk management framework. MRMD is also responsible for developing and reviewing the Group's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/ or BRC. In addition, the market risk exposures and limits are regularly reported to ALCO and BRC.

5. Market Risk (continued)

5.3 Management of Market Risk (continued)

Other controls to ensure that market risk exposures remain within tolerable levels include regular stress testing, ad-hoc simulations, and rigorous new product approval procedures. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's profitability, capital adequacy and liquidity. The stress test provides the Management and BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group.

a) Profit rate risk in the banking book portfolio

Profit rate risk in the banking book also known as Rate of Return Risk in the Banking Book ("RORBB") is the current and potential risk to the Group's earnings and economic value arising from movements in profit rates. The profit rate risk in the banking book portfolio is measured and managed using measurement techniques known as Earnings-at-Risk ("EaR") and Economic Value of Equity ("EVE"), to ensure the risk is managed within the Group's risk appetite.

The Group monitors the sensitivity of EaR and EVE under varying profit rate scenarios and also incorporates internal behavioural assumptions. These scenarios assume no management action and hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively manage and strategize to change the profit rate exposure profile to minimise losses and to optimise net revenues. The Bank's hedging and risk mitigation strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the Group's profit rate sensitivity to a 150 basis points parallel shift as at reporting date.

Group	**31 December 2023**		**31 December 2022**	
Impact on EaR	**Increase / (Decline)**		**Increase / (Decline)**	
	+150bps	**-150bps**	**+150bps**	**-150bps**
Currency	**RM million**	**RM million**	**RM million**	**RM million**
MYR	225.6	(225.6)	197.6	(197.6)
USD	(0.8)	0.8	(2.5)	2.5
OTHERS*	(0.5)	0.5	(0.5)	0.5
TOTAL	224.3	(224.3)	194.6	(194.6)

Note:

1. *Inclusive of all other currencies except MYR and USD

5. Market Risk (continued)

5.3 Management of Market Risk (continued)

a) Profit rate risk in the banking book portfolio (continued)

Group Impact on EVE	31 December 2023 Increase / (Decline)		31 December 2022 Increase / (Decline)	
	+150bps	-150bps	+150bps	-150bps
Currency	RM million	RM million	RM million	RM million
MYR	(423.3)	423.3	(392.7)	392.7
USD	2.2	(2.2)	9.4	(9.4)
OTHERS*	1.6	(1.6)	1.6	(1.6)
TOTAL	(419.4)	419.4	(381.7)	381.7

The table below shows the Bank's profit rate sensitivity to a 150 basis points parallel shift as at reporting date.

Bank Impact on EaR	31 December 2023 Increase / (Decline)		31 December 2022 Increase / (Decline)	
	+150bps	-150bps	+150bps	-150bps
Currency	RM million	RM million	RM million	RM million
MYR	224.7	(224.7)	195.4	(195.4)
USD	(0.8)	0.8	(2.5)	2.5
OTHERS*	(0.5)	0.5	(0.5)	0.5
TOTAL	223.4	(223.4)	192.3	(192.3)

Bank Impact on EVE	31 December 2023 Increase / (Decline)		31 December 2022 Increase / (Decline)	
	+150bps	-150bps	+150bps	-150bps
Currency	RM million	RM million	RM million	RM million
MYR	(422.8)	422.8	(391.0)	391.0
USD	2.2	(2.2)	9.4	(9.4)
OTHERS*	1.6	(1.6)	1.6	(1.6)
TOTAL	(418.9)	418.9	(380.0)	380.0

Note:
1. * Inclusive of all other currencies except MYR and USD

Other controls to manage the profit rate risk in the banking book portfolio includes present value of 1 basis point change ("PV01") which measures the banking book fair value to comprehensive income securities ("FVOCI") portfolio's sensitivity to market rates movement.

b) Market Risk in the trading book portfolio

Market risk in the trading book portfolio is monitored and managed using Value-at-Risk ("VaR"). It is a technique that estimates the potential losses that could occur as a result of market rates movements over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on historical simulation which derives plausible future scenarios from the past series of recorded market rates and prices. The historical simulation model used by the Bank incorporates the following features:

- Potential market movements are calculated with reference to data from the past two years;
- Historical market rates are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank's trading book portfolios as at the reporting date is as follows:

	As at 31.12.2023	**1.1.2023 to 31.12.2023**		
		Average	**Maximum**	**Minimum**
Bank	**RM million**	**RM million**	**RM million**	**RM million**
Profit Rate Risk	2.21	2.49	3.88	0.01
Foreign Exchange Risk	0.16	0.36	0.66	0.16
Overall	2.37	2.85	4.30	0.21

	As at 31.12.2022	**1.1.2022 to 31.12.2022**		
Bank	**RM million**	**RM million**	**RM million**	**RM million**
Profit Rate Risk	0.004	0.58	1.66	0.004
Foreign Exchange Risk	0.19	1.58	3.35	0.19
Overall	0.20	2.15	4.49	0.20

5. Market Risk (continued)

5.3 Management of Market Risk (continued)

c) Foreign Exchange Risk

The Bank manages and controls the trading book portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. For the Bank-wide (trading and banking portfolios) foreign exchange risk, the Bank manages and controls by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

The Bank has a sensitivity limit for managing the foreign exchange risk in place. The foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as "Others"):

	31 December 2023		31 December 2022	
	-1% Depreciation	+1% Appreciation	-1% Depreciation	+1% Appreciation
Bank	RM'000	RM'000	RM'000	RM'000
US Dollar	(4,195)	4,195	(4,805)	4,805
Euro	5,122	(5,122)	4,348	(4,348)
Others	(318)	318	(143)	143

5.4 Capital Treatment for Market Risk

The Group adopts the Standardised Approach to compute the market risk capital requirement under BNM's CAFIB.

6. Liquidity Risk

6.1 Overview

Liquidity risk is the risk of adverse impact to the financial condition of the Group, or the soundness of the Group being adversely affected by an inability (or perceived inability) to meet its contractual obligations. This risk can arise from mismatches in the timing of cash flows.

The Group maintains a diversified and stable funding base comprising retail and corporate customer deposits. This is augmented by wholesale funding and highly liquid assets portfolios.

The objectives of the Group's liquidity management are to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

Savings accounts, current accounts, investment accounts (IA) and term deposits form a critical part of the Group's funding profile and the Group places considerable importance on maintaining their stability. The stability depends upon preserving depositors' confidence in the Group and the Group's capital strength and liquidity, and on competitive and transparent pricing.

The Group's liquidity management is primarily carried out in accordance with Bank Negara Malaysia's requirements and the internal limits approved by ALCO and/ or BRC. The limits vary, taking into account the depth and liquidity of the market in which the Group operates. The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities, and commitments to ensure that cash flows are appropriately balanced, and all obligations are met when due.

The Group's liquidity management process includes:

- Daily projection of cash flows and ensuring that the Group has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

6. Liquidity Risk (continued)

6.2 Liquidity Risk Governance

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by ALCO and/ or BRC, guided by the Board's approved Group Risk Appetite Statement Policy. ALCO is responsible under the authority delegated by BRC for managing liquidity risk at strategic level.

6.3 Management of Liquidity Risk

All liquidity risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated on a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

MRMD is an independent risk control function and is responsible for ensuring efficient implementation of liquidity risk framework. It is also responsible for developing the Group's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/ or BRC, with proper authorities to ratify or approve the excess. In addition, the liquidity risk exposures and limits are regularly reported to ALCO and BRC.

Stress testing and scenario analysis are important tools used by the Group to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress-testing provides the Management and BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Group.

Another key control feature of the Group's liquidity risk management is the liquidity contingency management plans. These plans identify the pre-emptive quantitative and qualitative indicators of stress conditions arising from systemic or other crises and provide guidance on actions to be taken in order to minimize the adverse implications to the Group.

7. Operational Risk

7.1 Overview

Operational Risk is defined as the "risk of loss resulting from inadequate or failed internal processes, people, and systems, as well as from external events which may negatively impact the Group's financial performance and reputation".

It is inherent in all banking products, activities, processes and systems and the effective management of operational risk has always been a fundamental element of a bank's risk management programme.

7.2 Operational Risk Governance

The Group's operational risk management ("ORM") is guided by its ORM Policy, Guideline and Group Enterprise-Wide Risk Management Policy, as well as its Group Risk Appetite Statement Policy which are designed to provide a sound and well-controlled operational environment within the Group.

BRC is a committee of Board to oversee the Management's activities in managing risks for the Group, including operational risk. Its roles, with regard to ORM, include reviewing and recommending ORM Policy, strategies and risk appetite for Board's approval.

MRCC, under the authority delegated by BRC is responsible to perform the oversight function and to ensure effective management of issues relating to operational risk at strategic level. Operational Risk Control Committee ("ORCC") which is a sub-committee of MRCC is primarily responsible in ensuring effective implementation and maintenance of policies, processes, and systems for managing operational risk for the Group.

Notwithstanding the above, the various Business & Support Units ("BU/ SU") are responsible for managing operational risk within their respective domains on a day-to-day basis and ensuring that their business & operational activities are carried out within the established ORM policies, guidelines, procedures and limits. To reinforce accountability and ownership of risk & control at BU/ SU level, a Risk Controller ("RC") for each BU/ SU is appointed and Embedded Risk and Compliance Unit ("ERU") is established at selected BU/ SU to assist in driving the risk & control programme for the Group.

Ultimately, all staff of the Group are to ensure they properly discharge their day-to-day responsibilities and are well-equipped with the necessary knowledge including the policies and procedures in executing their job functions. This is in line with our Risk Management Tagline, i.e., "Managing Risk is Everyone's Business".

7. Operational Risk (continued)

7.3 Management of Operational Risk

The Group recognises and emphasises the importance of ORM and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored, and business activities are carried out within the established ORM policies, guidelines, procedures, and limits.

The Group's overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

a) **1st Line of Defence** – The risk owner or risk-taking unit i.e., BU/ SU is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk. To reinforce accountability and ownership of risk and control within 1st Line of Defence, the RC is appointed at each BU/ SU and ERU is established at selected BU/ SU.

2nd Line of Defence – Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM Policy and its supporting guidelines/ manuals, developing methodologies and various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM, assessing operational risk issues from the risk owner and escalating operational risk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group. Shariah Risk Management Unit ("SRMU"), which forms part of ORMD, is responsible for managing the Shariah non-compliance risk ("SNCR") by establishing and maintaining appropriate guidelines on Shariah Risk Management (SRM) by facilitating the process of identifying, assessing, controlling, and monitoring SNCR and promoting SNCR awareness.

Group Compliance Division, which includes Shariah Compliance Department and Group Information Security & Governance Division ("ISGD") complement the role of ORMD as the 2nd Line of Defence.

Group Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk, corruption risk, money laundering and terrorism financing risks through proper classification of risks and developing, reviewing, and enhancing compliance-related training programmes, as well as conducting trainings that promote awareness creation. Shariah Compliance Department under Group Compliance Division is responsible for reviewing and monitoring Shariah compliance of the Group's operations, activities, and services at BU/ SU level.

7. Operational Risk (continued)

7.3 Management of Operational Risk (continued)

ISGD is responsible in managing information technology risk by establishing, maintaining, and enforcing information technology risk policies/ guidelines and it works closely with Group Technology Division in identifying, assessing, mitigating, and monitoring of information technology risk in the Group.

b) **3rd Line of Defence** – Group Internal Audit including Shariah Audit Department provides independent assurance to the Board and senior management on the effectiveness of the ORM and SRM process.

7.4 ORM Tools & Mitigation Strategies

The Group employs ORM tools comprising proactive and reactive tools which are in line with the best practices in managing and mitigating operational risks, namely:

<table>
<tr><th colspan="5">Overview of ORM Tools</th></tr>
<tr><th colspan="4">Proactive Tools</th><th>Reactive Tools</th></tr>
<tr><th>Risk Control Self-Assessment</th><th>Key Risk Indicator</th><th>Operational Risk Review</th><th>New Product Services Approval Process</th><th>Risk Loss Event Management & Reporting</th></tr>
<tr><td>• Self-assessment to identify and assess operational risks by Risk Owners;
• The tool creates ownership and increases operational risk awareness.</td><td>• A forward-looking tool to identify potential risks and to enable counter measures and risk mitigation actions before an incident occurs (early warning system);
• To assist management to focus on high-risk issues.</td><td>• End- to-end review of activities to identify risks and ensure appropriate controls are in place and are effective;
• To ensure controls are aligned with RCSA and able to mitigate the identified risk.</td><td>• To ensure risks are identified and adequate controls are in place prior to launching of new product/ services.</td><td>• Centralised group-wide loss database which provides line of business loss reporting overview, tracks frequency of events and facilitates detailed reviews of the incident and its impact.</td></tr>
<tr><th colspan="5">Risk Analysis & Reporting</th></tr>
<tr><td colspan="5">• Analysis and reporting of qualitative and quantitative results from various ORM tools.</td></tr>
<tr><th colspan="5">Scenario Analysis</th></tr>
<tr><td colspan="5">• A systematic and forward-looking tool of obtaining expert opinions to derive new risks, test the efficiency of existing controls and highlights unexpected risks.</td></tr>
</table>

In addition, a comprehensive Business Continuity Management ("BCM") function has been established within the Group to ensure that in the event of material disruptions from internal or external events, critical business functions can be maintained or restored in a timely manner. This ensures minimal adverse impact on customers, staff and products and services. BCM constitutes an essential component of the Group's risk management process by providing a controlled response to potential operational risk that could have a significant impact on the Group's critical processes and revenue

7. Operational Risk (continued)

7.4 ORM Tools & Mitigation Strategies (continued)

streams. The Group is also continuously reviewing its critical business operations' resilience through regular testing and dependencies assessment on its assets (systems, data, third parties, facilities, processes and people) in order to ensure it has the required capability and resources to effectively prepare for different disruption events.

As part of the risk transfer strategy, the Group obtains a 3rd party Takaful coverage to cover for the Group's high impact loss events.

The Group also ensures that the group-wide Operational Risk awareness programme is conducted on an ongoing basis. This training programme emphasises on inculcating an operational risk culture among staff, effective implementation of ORM tools, fraud awareness, BCM and other aspects of ORM.

7.5 Capital Treatment for Operational Risk

Operational Risk capital charge is calculated using the BIA as per BNM's CAFIB. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).

8. Shariah Governance

8.1 Overview

By virtue of BNM's Shariah Governance Policy Document ("SGPD"), the Group has established a sound and robust Shariah governance framework with the emphasis placed on the roles of its key functionalities, which include having in place an effective and responsible Board and Management and an independent Shariah Supervisory Council ("SSC") that is supported by strong and competent internal Shariah functions.

As part of the robust Shariah governance framework, to date, the Group has put in place the Group Shariah Compliance Policy, Shariah Compliance Guideline, Shariah Compliance Marketing Guideline, Business Zakat Guideline and Charity Fund Management Guideline. These help to ensure the Group's business activities and behaviors are in compliance with Shariah rules and principles, provisions of the Islamic Financial Services Act ("IFSA") 2013, BNM's SGPD and its other rules and regulations, and the resolutions of BNM, Securities Commission ("SC") and Labuan Financial Services Authority ("LFSA")'s Shariah Advisory Council and the SSC.

8.2 Shariah Risk Management

The Group's Shariah risk management as part of operational risk management is guided by Operational Risk Management ("ORM") Policy and Guidelines which set out the high-level framework supporting the Shariah Compliance Policy and detail out the Shariah risk management processes and tools. The policy and guidelines serve to provide a consistent group-wide framework for managing SNCR across the Group.

In addition, the Group Risk Loss Event Management and Reporting (''RLEMR") Guideline provides sound mechanism on Shariah non-compliance ("SNC") management and reporting, in order to ensure the Group strictly complies with Shariah rules and principles, as well as the regulatory requirements. The guideline has been established to be in line with the mechanism set out by BNM Operational Reporting Requirement (ORR) Policy Document (effective 1 November 2023) and to ensure compliance with section 28(3) of the IFSA 2013 which requires any SNC event to be immediately reported to BNM. Pursuant to this guideline, any actual SNC events caused by operational lapses including negligence, breach of policies and lack of due care by staff may be subject to disciplinary action.

Being part of operational risk, Shariah risk management leverages on the same ORM principles, processes, and tools. The responsibility of managing SNCR is spearheaded by the Group's Shariah Risk Management Unit ("SRMU"). In general, all ORM tools are extended to the process of managing SNCR. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SNCR.

8. Shariah Governance (continued)

8.2 Shariah Risk Management (continued)

Extensive and continuous Shariah risk awareness initiatives have been conducted for the Group's staff and Risk Controllers ("RC") to ensure understanding towards Shariah requirements/ rulings, effective identification of SNC risks, establishment of controls to prevent SNC event, and to keep updated on the latest Shariah requirements/ rulings issued by Shariah Division, SSC and regulators, and any occurrence of Shariah non – compliance event. In the year 2023, six (6) Shariah risk awareness sessions were conducted involving Group's staff from HQ and branches. In addition, it is compulsory for all staff to participate in Shariah training via e-Learning as a refresher course.

8.3 Shariah Non-Compliance ("SNC") Events

An SNC event is a result of the Group's failure to comply with the Shariah rules and principles as determined by the Bank's Shariah Supervisory Council, as well as other relevant body or institution such as the Shariah Advisory Council of BNM, Securities Commission and Labuan Financial Services Authority.

Throughout the year 2023, nil incidence confirmed by the SSC as SNC events.

8.4 Shariah Non-Compliant Income

31 December 2023	31 December 2022
RM 38,479.65	RM 39,312.59

The main contributors of the SNC income for 2023 were commissions from SNC merchants of card business (RM22,392.92) and commissions from third party investment product offering (RM7,878.49). The amount was disposed to charitable causes upon SSC's approval.

9. Climate Risk

The Group recognises the clear and present threat of the climate emergency and its potential impact on traditional business models, legal and regulatory concerns, and the physical landscape itself. As such, the Group has begun our ESG and climate risk journey since 2021 in order to address potential sustainability risks to its long-term viability against climate change.

The Group started with the development of ESG and climate risk management framework, with an initial focus on climate-related risks across our financing portfolio. The first two phases (2021 and 2022) involved conducting a gap analysis of the Group's existing risk management systems and policies, assessing ESG and climate risks across its non-retail portfolio, embedding ESG and climate considerations in its risk assessment of financing customers and started to explore scenario analysis and stress testing on its non-retail portfolio.

BNM had on 30th November 2022 issued Climate Risk Management and Scenario Analysis ("CRMSA") Policy Document which outlines the principles and requirements on climate risk management and scenario analysis for financial institutions to strengthen and enhance the resilience against climate-related risks and to facilitate a just and orderly transition to a low-carbon economy. Therefore in 2023, the Group commenced phase 3 of its climate journey to implement the requirements of the CRMSA. For 2023, the Group focused on developing climate-related risk frameworks.

10. Investment Account

10.1 Overview

Islamic Financial Services Act 2013 ("IFSA") distinguishes Investment Account (IA) from Islamic deposits, where Shariah contracts that need to be applied for IA products are non-principal guaranteed, while Shariah contracts for deposit products are principal guaranteed.

In line with the implementation of the IFSA, the Group has developed investment account products based on Mudarabah and Wakalah contracts.

Mudarabah is a contract between a customer as capital provider and the Group as an entrepreneur under which the customer provides capital to be managed by the Group and any profit generated is shared according to a mutually agreed profit-sharing ratio (PSR) whilst financial losses are borne by the customer provided that such losses are not due to the Group's misconduct, negligence or breach of specified terms.

Wakalah refers to a contract where a customer, as the principal, authorizes the Group as his agent to perform a particular task on matters that may be delegated i.e., investment, with or without imposition of a fee. In this context, the Shariah contract applied is Wakalah bi al-Istithmar (Wakalah for the purpose of investment).

In terms of offering, the Group currently has Unrestricted Investment Account:

Unrestricted Investment Account (UA)
Unrestricted Investment Account refers to a type of IA where the customer/ Investment Account Holder (IAH) provides the Group with the mandate to make the ultimate investment decision without specifying any particular restrictions or conditions.

The Group will apply risk management controls over portfolio, legal and operational activities, including asset allocation, liquidity adherence to investment objective and parameters, valuation, monitoring performance, Shariah compliance and others as per guided in the BNM's Investment Account Policy. Notwithstanding the above, in times of adversity in the markets, the Group may manage its asset allocation to safeguard the investment portfolio provided that such investment is within the investment objectives of the fund.

IA product is not capital guaranteed and is not protected by the Perbadanan Insurans Deposit Malaysia (PIDM). Among the risks associated with IA include but not limited to the following:

(a) Risk of Capital Loss - refers to the potential decrease in the value of the original investment amount.

(b) Market Risk - refers to the potential impact of adverse price on the economic value of an asset.

(c) Liquidity Risk - refers to the potential inability of the Group to meet short term withdrawal demands from the IAH.

10. Investment Account

10.1 Overview (continued)

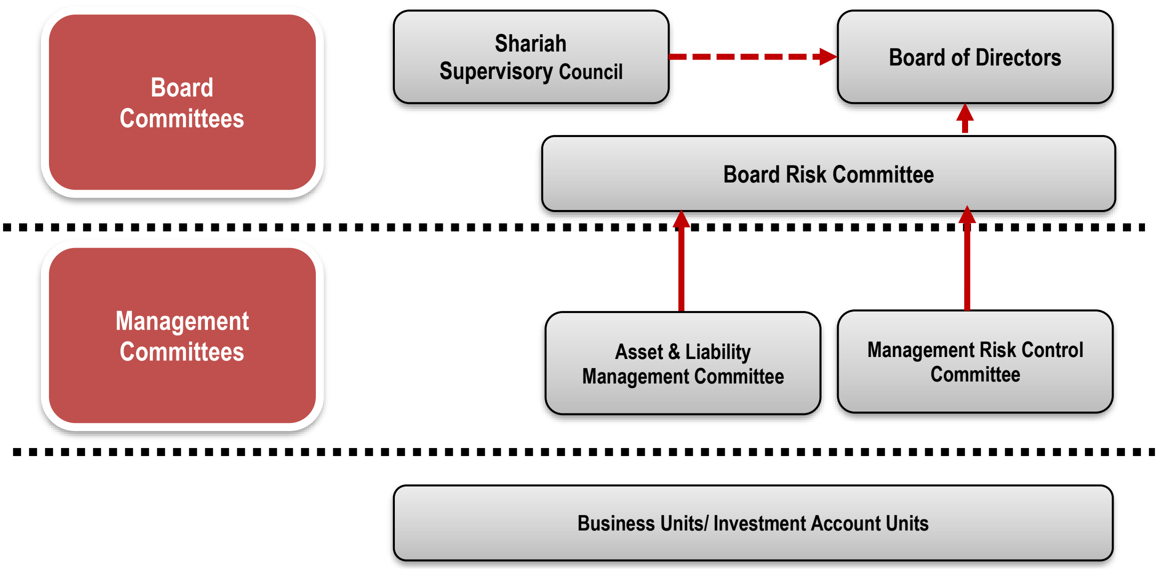
(d) Credit Risk - refers to the potential event that may arise when substantial amount of assets for the fund goes into default.

(e) Legal Risk - IAH should ensure that, in entering into this investment it is not in breach of any laws, regulations, contractual or any other legal limitations that may apply to investors. This investment is issued subject to all applicable laws, regulations and guidelines. In the event of change in such laws, regulations or guidelines, Bank Islam may be obliged to change some or all the terms and conditions of the investment, including the possibility of an early termination.

(f) Shariah Non-Compliance Risk - refers to the possible failures to comply with the rulings of BNM's SAC and standards issued by BNM or decisions or advice of Bank Islam's Shariah Supervisory Council.

10.2 Governance Structure

To safeguard the IAH's interest, the investment mandate, strategies and parameters are carried out in accordance with the Group's governance set-up. The IA governance structure adopted by the Group is as depicted in the following diagram:



10. Investment Account (continued)

10.2 Governance Structure (continued)

The roles and responsibilities of the above respective committees are as follows:

Committee	Responsibility
Board of Directors (Board)	Responsible to establish an effective governance arrangement to facilitate effective monitoring and control of the overall management and conduct of the IA. The adequacy of the governance arrangement shall be commensurate with the nature, scale, complexity, and risk profile associated with the conduct of the IA.
Board Risk Committee (BRC)	Assists the Board in performing independent oversight and provides recommendations in respect of the management, operations, and performance of the IA, as well as to play the role of Board Investment Committee.
Shariah Supervisory Council	Advises and provides clarification on relevant Shariah rulings, decisions, or policies on Shariah matters and endorses the terms and conditions stipulated in IA documentation and ensures that information published is in compliance with Shariah.
Management Risk Control Committee	Assists BRC in performing independent oversight and provides recommendations in respect of the management, operations, and performance of the IA.
Asset & Liability Management Committee	• Responsible to perform the oversight function and to deliberate key issues related to the Bank's asset and liability management and market risk. • Approves and reviews proposals with regard to acquisition, allocation and management of funds to be consistent with the regulatory requirements, liquidity needs and market factors, and also other matters which are market and liquidity risk related and where necessary making recommendations to the Board Risk Committee and/ or the Board.

10. Investment Account (continued)

10.3 IA Performance

	31 December 2023	31 December 2022
	RM'000	RM'000
Gross Exposure: Financing funded by UA	RM17,092,594,284.10	RM14,564,961,537.77

	%	%
Return on Assets ("ROA")	4.72%	4.23%
Average Net Distributable Income	4.62%	4.08%
Average/ Proportion Net Distributable Income Attributable to the IAH	2.27%	1.43%
Average Profit-Sharing Ratio/ Return to the IAH	49.12%	35.16%

	RM'000	RM'000
Impaired assets/ financing funded by UA (Group-wide)	620,174.99	835,231.84
Total allowance for UA	16,038.52	20,993.16

Group Chief Executive Officer Attestation

In accordance with BNM's CAFIB Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Bank Islam Malaysia Berhad's Pillar 3 Disclosure report for the financial year ended 31 December 2023 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.

Dato' Mohd Muazzam Mohamed

Group Chief Executive Officer, Bank Islam Malaysia Berhad