Company No: 200501027372 (709506-V)

AFFIN Islamic Bank Berhad
(Incorporated in Malaysia)

BASEL II
PILLAR 3 DISCLOSURES
As at 31 December 2023

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BASEL II Pillar 3 Disclosures

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1. Introduction

1.1 Background

The Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued by Bank Negara Malaysia ('BNM'), which is the equivalent of the Basel II framework issued by the Basel Committee of Banking Supervision and the Islamic Financial Services Board is structured around three fundamental pillars:

- Pillar 1 defines the minimum capital requirement to ensure that financial institutions hold sufficient capital to cover their exposure to credit, market and operational risks.
- Pillar 2 requires financial institutions to have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.
- Pillar 3 requires financial institutions to establish and implement an appropriate disclosure policy that promotes transparency regarding their risk management practices and capital adequacy positions.
- Pillar 3 disclosure is required under the BNM Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3).
- Affin Islamic Bank Berhad ('the Bank') adopts the following approaches under Pillar 1 requirements:
  - Standardised Approach for Credit Risk
  - Standardised Approach for Market Risk
  - Basic Indicator Approach for Operational Risk

1.2 Scope of Application

This document contains the disclosure requirements under Pillar 3 for the Bank for the year ended 31 December 2023. The disclosures are made in line with the Pillar 3 disclosure requirements under the Basel II framework as laid out by BNM.

The disclosures should be read in conjunction with the Bank’s Financial Statements for the year ended 31 December 2023.

The capital requirements of the Bank are generally based on the principles of consolidation adopted in the preparation of its financial statements.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Bank.

There were no capital deficiencies in the Bank as at the financial year end.

2. Risk Governance Structure

2.1 Overview

The Board of Directors ('the Board') of the Bank are ultimately responsible for the overall performance of the Bank. The Board's responsibilities are congruent with the framework of BNM Guidelines. The Board also exercises great care to ensure that high ethical standards are upheld and that the interests of stakeholders are not compromised. These include responsibility for determining the Bank's general policies and strategies for the short, medium and long term, approving business plans, including targets and budgets, and approving major strategic decisions.

The Board has overall responsibility for maintaining the proper management and protection of the Bank's interests by ensuring effective implementation of the risk management policy and process, as well as adherence to a sound system of internal controls. The Board also recognises that risks cannot be eliminated completely. As such, the inherent system of internal controls is designed to provide a reasonable though not absolute assurance against the risk of material errors, fraud or losses occurring. The system of internal controls encompasses controls relating to financial, operational, risk management and compliance with applicable laws, regulations, policies and guidelines.

The terms of reference of the Board Committees as disclosed in the Annual Report provide an outline of their respective roles and functions. In carrying out its functions, the Board has delegated specific responsibilities to other Board Committees, which operate under approved terms of reference, to assist the Board in discharging their duties. The Chairmen of the various Committees report on the outcome of their Committee meetings to the Board and any further deliberation is made at Board level, if required. These reports and deliberations are incorporated into the Minutes of the Board meetings. The Board meets on a monthly basis.

2.2 Board Committee

<u>Group Board Nomination and Remuneration Committee ('GBNRC')</u>

The GBNRC is responsible for providing a formal and transparent procedure for the appointment of Directors, Chief Executive Officer and Senior Management. The GBNRC develops the remuneration policy for Directors, Chief Executive Officer, Senior Management and other material risk takers, whereby, it assesses the effectiveness of individual Director, the Board as a whole and the performance of the Chief Executive Officer as well as Senior Management.

The Committee obtains advice from experts in compensation and benefits, both internally and externally.

2. Risk Governance Structure (continued)

2.2 Board Committee (continued)

Group Board Compliance Committee ('GBCC')

The GBCC is responsible for overseeing, assessing and examining the adequacy of bank compliance management frameworks including the policies, procedures and processes of the Bank. The Committee assists the Board in overseeing the management of the Bank's compliance risk by ensuring compliance process is in place and functioning in line with the expectations of the regulators namely BNM, Securities Commission and Bursa Malaysia. It reviews and recommends compliance risk management philosophy and strategy for Board's approval, also ensuring clear and independent reporting lines and responsibilities for the overall business activities and compliance functions and recommending organizational alignments, where necessary, to the Board.

Group Board Risk Management Committee ('GBRMC')

The GBRMC is responsible for overseeing management activities in managing credit, market, liquidity, operational, legal, reputational and other material risks as well as ensuring that the risk management process is in place and functioning effectively.

It is responsible for setting the overall tone of the Bank's risk strategy and ensuring effective communication and integration of risk appetite within the business strategy, operations and culture.

The Committee also assists the Board in oversight responsibilities on internal controls, and risk management strategies, policies, processes, frameworks and other risk related matters. It has the responsibility of reviewing and/or approving risk management policies, guidelines and reports.

Group Board Credit Review and Recovery Committee ('GBCRRC')

The GBCRRC is responsible for providing critical review of financing and other credit facilities with high risk implications and vetoing financing applications that have been approved by the Group Management Credit Committee ('GMCC') as appropriate.

2. Risk Governance Structure (continued)

2.2 Board Committee (continued)

Group Board Audit Committee ('GBAC')

The GBAC is responsible for providing oversight and reviewing the adequacy and integrity of the internal control systems as well as oversees the work of the internal and external auditors.

Reliance is placed on the results of independent audits performed primarily by internal auditors, the outcome of statutory audits on financial statements conducted by external auditors and on representations by Management based on their control self-assessment of all areas of their responsibility.

Minutes of GBAC meetings, which provide a summary of the proceedings, are circulated to Board members for notation and discussion. The Bank has an established Group Internal Audit Division ('GIA') which reports functionally to the GBAC and administratively to the President & Group Chief Executive Officer ('PGCEO') of the Group.

Group Board Information Technology Committee ('GBITC')

The GBITC is responsible to oversee overall development, risk management, integration and alignment of Information Technology (IT) strategy plan with the Group's business strategy. Leveraging on technology for new business models, changing business practices, driving competitive advantage and empowering next level thinking. GBITC also provides oversight on the overall Group strategic transformation programme, ensure alignment with business strategic objectives and goals, as well as ensure strategic initiatives are being implemented effectively and in a timely manner.

Shariah Committee ('SC')

The SC is formed as legislated under the Islamic Financial Services Act 2013 and as per the Shariah Governance Framework for Islamic Financial Institutions.

The roles and responsibilities of the SC include advising the Board on Shariah matters to ensure that the business operations of the Bank comply with Shariah principles at all times. SC is also responsible for endorsing and validating relevant documentations of the Bank's products to ensure that the products comply with Shariah principles and advising the Bank on matters to be referred to the Shariah Advisory Council.

Group Board Sustainability Committee ('GBSC')

The GBSC is responsible for supervising the development and execution of the Group Sustainability matters. This includes the Value-based Intermediation Financing & Investment Impact Assessment Framework ('VBIAF'). The committee assist the Board by providing advice and direction in the formulation, execution, and monitoring of strategies,

2. Risk Governance Structure (continued)

2.2 Board Committee (continued)

Group Board Sustainability Committee ('GBSC') (continued)

frameworks, and policies related to Sustainability, VBIAF, climate change and ensuring compliance with regulatory requirements namely Bursa Malaysia, Bank Negara, etc. with regards to sustainability matters.

The GBSC conducts reviews and makes recommendations to the Board regarding the appropriateness of the Group's strategies related to climate, VBIAF, and sustainability. These strategies include position statements, frameworks, ambitions, metrics, and targets. The committee's recommendations are based on thorough assessments and are aimed at ensuring that the Group's strategies align with its sustainability goals and commitments to addressing climate change.

2.3 Group Management Committee

Group Management Committee ('GMC')

The GMC comprises the senior management team chaired by PGCEO of Affin Bank Berhad. GMC is responsible for assisting the Board in managing the day-to-day operations, formulating tactical plans and business strategies while monitoring the banking entities' overall performance, and ensuring all business activities conducted are in accordance with the Bank's corporate objectives, strategies, policies as well as Annual Business Plan and Budget.

The GMC is supported by the following sub-committees:

- Islamic
- Capital Management
- Governance, Risk and Compliance
- Branch Performance
- IT, Operations, Digital and Customer Experience

Group Management Credit Committee ('GMCC')

The GMCC is established within senior management to approve complex and large financings and workout/recovery proposals beyond the delegated authority of the individual approvers.

Group Asset and Liability Management Committee ('GALCO')

The GALCO comprising the senior management team chaired by the PGCEO, manages the Bank's asset and liability position by identifying, managing and controlling balance

2. Risk Governance Structure (continued)

2.3 Group Management Committee (continued)

<u>Group Management Committee ('GMC') (continued)</u>

sheet risks and capital management in the execution of the business strategy, while implementing asset liability strategy and policy for the balance sheet of the respective subsidiary.

<u>Group Management Committee – Governance, Risk and Compliance ('GMC-GRC')</u>

The GMC-GRC is a senior management committee chaired by the PGCEO, established to oversee the governance, risk management, compliance and audit activities, issues and control lapses while supporting GBRMC in its review and monitoring of risk management. It is also responsible for reviewing and ensuring that the risk management programme, process and framework are implemented in accordance with regulatory requirement and manage loss incidents to an acceptable level.

<u>Group Early Alert Committee ('GEAC')</u>

The GEAC is a senior management committee, established to monitor credit quality through monthly reviews of the Early Control (MFRS 9 Stage 1) and Underperforming (MFRS 9 Stage 2) accounts as well as to review the actions taken to address the emerging risks and issues in these accounts.

2.4 Group Risk Management Function

Group Risk Management ('GRM'), headed by the Group Chief Risk Officer ('GCRO') is segregated from the lines of business, with direct reporting line to the GBRMC to preserve the independence of the risk management function.

The independence of the risk management function is critical towards controlling and managing the risk-taking activities of the Bank to achieve an optimum balance of risk and return in line with the subsidiaries' risk appetite while taking into the differences in each subsidiary's business model.

Committees namely GBCRRC, SC, GMC, GMCC, GALCO, GBITC, GMC-GRC and GEAC assist GBRMC in managing credit, market, liquidity, operational and other material risks in the Bank. The responsibilities of these Committees include risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring and reporting.

2. Risk Governance Structure (continued)

2.5 Internal Audit and Internal Control Activities

The scope of internal auditing encompasses the objective examination and evaluation of the adequacy and effectiveness of the Bank's governance, risk management, and internal controls. The reviews by GIA focused on areas of significant risks and effectiveness of internal controls in accordance with the audit plan approved by the GBAC.

Based on GIA's review, identification and assessment of risk, testing, and evaluation of controls, GIA will provide an opinion on the effectiveness and efficiency of the internal controls established by the Management in addressing the applicable policies, plans, procedures, laws and regulations including Shariah related matters and BNM's directive and instructions. The risks highlighted on the respective auditable areas as well as a recommendation made by the GIA are addressed at GBAC and Management meetings. The GBAC also conducts annual reviews on the adequacy of the internal audit function, scope of work, resources, and budget of GIA.

3. Capital Management

3.1 Internal Capital Adequacy Assessment Process ('ICAAP')

In line with the BNM guideline on Risk-Weighted Capital Adequacy Framework - Internal Capital Adequacy Assessment Process (ICAAP) (Pillar 2), the Bank has instituted the ICAAP Framework ("Framework") to assess the overall capital adequacy in relation to the nature, size and complexity of the Bank that impact the institutional risk profile. The Framework aims to ensure that the Bank is able to maintain healthy capital levels to support strategic business priorities and forward-looking risk assessment in order to ensure that capital demand and supply is considered for both business as-usual and stressed conditions.

The Bank's capital management approach is anchored in the integration of risk management and capital planning process. The Bank operate within a Board approved Risk Appetite that ensures that business growth is done in a responsible and sustainable manner.

A key aspect of the risk management process on an enterprise-wide basis is the annual comprehensive risk assessment is undertaken by the Group and the Bank to identify and measure the following risks:

- Risks captured under Pillar 1 (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 (e.g. model risk); and
- Risk types not covered by Pillar 1 (e.g. credit concentration risk, profit rate risk/rate of return on banking book, reputation risk, business and strategic risk, amongst others).

3. Capital Management (continued)

3.1 Internal Capital Adequacy Assessment Process ('ICAAP') (continued)

Material Risk Assessment ('MRA') is conducted as part of the ICAAP to identify material risks of the Bank spanning across retail, commercial, investment banking and business operations. The identification of material risks is aimed to ensure that the Bank is aware of the potential downside impact that are associated with the day-to-day running of the business. The identification of risks allows for robust management of the potential impact in the event the material risks crystalize. For each material risk identified, the Bank will ensure appropriate risk mitigation is in place and conduct regular risk monitoring to manage the risk. The management of risk across the Bank is facilitated by the Risk Management Process and it is embedded through various risk policies and frameworks across the entities.

The Bank's stress testing process is guided by the Group's Stress Testing Policy. Stress testing is an essential risk management tool to assess a banking institution's potential vulnerabilities to stressed business conditions. It involves identifying possible events or future changes in the financial and macroeconomic conditions that potentially have unfavorable effects on the Bank's exposure and ability to withstand such changes usually in relation to the resilience of its capital, earnings sustainability and liquidity strength.

It forms an integral part of the ICAAP and risk management process, enabling the Bank to assess the impact on its capital adequacy in line with supervisory expectations and requirements.

The Group's stress testing has the following objectives:

- to identify and quantify vulnerabilities of the portfolio under stressed conditions;
- to develop appropriate strategies for mitigating and actively managing such risks under stressed conditions, e.g. setting of risk appetite, restructuring positions and contingency plans;
- to evaluate the capacity to withstand stressed situations in terms of solvency;
- to produce stress test results as an input in determining the internal capital threshold; and
- to ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management and the relevant committees prior to the execution of the stress test exercise.

3. Capital Management (continued)

3.2 Capital Structure

The total capital and capital adequacy ratios of the Bank is computed in accordance with BNM's CAFIB (Capital Components).

The Bank is currently adopting the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the BNM CAFIB (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio ('CET 1') and Tier 1 Capital Ratio are 7.000% (2022: 7.000%) and 8.500% (2022: 8.500%) respectively for year 2023. The minimum regulatory capital adequacy requirement is 10.500% (2022: 10.500%) for total capital ratio.

The following table sets forth further details on the capital resources and capital adequacy ratios for the Bank as at 31 December 2023.

	Economic Entity		**The Bank**	
	2023	2022	**2023**	2022
	RM'000	RM'000	**RM'000**	RM'000
Paid-up share capital	**1,210,000**	1,210,000	**1,210,000**	1,210,000
Retained profits	**1,375,320**	1,140,844	**1,375,320**	1,140,844
Unrealised gains on FVOCI instruments	**11,452**	-	**11,452**	-
Other Reserves	**214**	-	**214**	-
	2,596,986	2,350,844	**2,596,986**	2,350,844
Less: Regulatory adjustment				
Goodwill and other intangibles	**(863)**	(133)	**(863)**	(133)
Deferred tax assets	**(39,040)**	(45,332)	**(39,040)**	(45,332)
55% cumulative unrealised gain on FVOCI instruments	**(6,298)**	-	**(6,298)**	-
Other CET1 transitional adjustment	**138,827**	224,719	**138,827**	224,719
CET1 capital	**2,689,612**	2,530,098	**2,689,612**	2,530,098
Additional Tier 1 Capital	**500,000**	300,000	**500,000**	300,000
Total Tier 1 Capital	**3,189,612**	2,830,098	**3,189,612**	2,830,098

3. Capital Management (continued)

3.2 Capital Structure (continued)

	Economic Entity		The Bank	
	2023	2022	**2023**	2022
	RM'000	RM'000	**RM'000**	RM'000
Subordinated term financing and medium term notes (MTNs)	**500,000**	800,000	**500,000**	800,000
Expected loss provision #	**212,507**	148,587	**212,507**	148,587
Tier II capital	**712,507**	948,587	**712,507**	948,587
Total capital	**3,902,119**	3,778,685	**3,902,119**	3,778,685
Risk weighted assets for:				
Credit risk	**19,846,357**	18,492,670	**19,846,357**	18,492,670
Market risk	**123,659**	28,624	**123,659**	28,624
Operational risk	**1,152,829**	993,564	**1,152,829**	993,564
Total risk weighted assets	**21,122,845**	19,514,858	**21,122,845**	19,514,858
With transitional arrangements*				
CET 1 capital ratio	**12.733%**	12.965%	**12.733%**	12.965%
Tier 1 capital ratio	**15.100%**	14.502%	**15.100%**	14.502%
Total capital ratio	**18.473%**	19.363%	**18.473%**	19.363%
Without transitional arrangements				
CET 1 capital ratio	**12.076%**	11.813%	**12.076%**	11.813%
Tier 1 capital ratio	**14.443%**	13.351%	**14.443%**	13.351%
Total capital ratio	**17.985%**	18.635%	**17.985%**	18.635%

Qualifying loss provisions are restricted to allowances on the unimpaired portion of the financing, advances and other financing.

* The Bank has elected to apply BNM's transitional arrangement for four financial years beginning on 1 January 2020. Under the transitional arrangements, a financial institution is allowed to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime expected credit losses to the extent they are ascribed to non-credit-impaired exposures (which is Stage 1 and Stage 2 provisions), to CET1 capital.

In accordance with BNM's Guidelines on Investment Account, the credit and market risk weighted on the assets funded by the RIA are excluded in calculation of capital adequacy for the Bank. As at 31 December 2023, RIA assets excluded in the Total Capital Ratio calculation amounted to RM3,572.1 million (2022: RM2,723.1 million).

3. Capital Management (continued)

3.2 Capital Structure (continued)

The Bank has issued capital instruments which qualify as components of regulatory capital under the BNM CAFIB (Capital Components), as summarised in the following table:

	RM500 million 5.10% Non-Convertible Perpetual Additional Tier 1 Sukuk Wakalah	**RM500 million 4.66% Non-Convertible Tier 2 Sukuk Murabahah 10 Years Non-Callable 5 Years**
Issuer	Affin Islamic Bank Berhad	Affin Islamic Bank Berhad
Governing laws	Laws of Malaysia	Laws of Malaysia
Instrument Type	Additional Tier 1	Tier 2
Programme size	RM5 billion	RM5 billion
Par value of instrument	RM500 million	RM500 million
Original date of issuance	10-Oct-23	13-Oct-23
Perpetual or dated	Perpetual	Dated
Original maturity date	No Maturity	13-Oct-33
Issuer call subject to prior supervisory approval	Yes	Yes
First call date	10-Oct-28	13-Oct-28
Fixed or floating dividend/coupon	Fixed	Fixed
Coupon rate	5.10%	4.66%
Convertibility of Issuance	Non-Convertible	Non-Convertible
Details of security/ collateral pledged	Unsecured	Unsecured
Position in subordination hierarchy in liquidation	Immediately subordinated to Tier 2 capital instruments	Immediately subordinated to senior creditors

3.3 Capital Adequacy

The Bank has in place an internal limit for its CET1 capital ratio, Tier I capital ratio and Total capital ratio, which is guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses. The capital management process is monitored by senior management through periodic reviews.

Refer to Appendix I.

4. Risk Management Objectives and Policies

The Bank is principally engaged in all aspects of Islamic banking and related financial services. There have been no significant changes in these principal activities during the financial year.

The Bank's business activities involve the analysis, measurement, management and acceptance of risks. The Bank's business activities are operated within well-defined risk acceptance criteria covering customer segments, industries and products. The Bank does not enter into transactions where the risks arising from the same cannot be administered, quantified, monitored or valued. The Bank does not deal with persons of questionable integrity.

The Bank's risk management policies are established to identify, assess, measure, control and mitigate all key risks as well as manage and monitor the risk positions. The risk measurement tools employed are commonly used in market practices and commensurate with the size and complexity of the Bank's business operations.

The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best practice in risk management processes. The Bank's aim is to achieve an appropriate balance between risk and return as well as minimise any potential adverse effects.

5. Credit Risk

5.1 Credit Risk Management Objectives and Policies

Credit risk is the risk that a counterparty will fail to meet its contractual obligations which could result in a financial loss to the Bank. The Bank's exposure to credit risks arises primarily from financing and other financing, financing commitments arising from such financing activities, corporate/inter-bank financing activities, bonds investment, foreign exchange trading as well as equity and debt underwriting and from participation in securities settlements and payment transactions.

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall financing objectives are in compliance with the internal and regulatory requirements. The risk management policies are subject to review by the GBRMC, a sub-committee of the Board that reviews the adequacy of the Bank's risk policies and framework. The Bank's credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises the GMCC and the GBCRRC.

5. Credit Risk (continued)

5.1 Credit Risk Management Objectives and Policies (continued)

The GMCC represents the approving authority for credit and underwriting proposals, whilst the GBCRRC is the committee that reviews proposals that exceed specified limits and criteria, as well as to consider whether to reject the proposal or modify the terms of the proposal.

The Bank recognises that learning is a continuous journey and is committed to enhancing the knowledge and skills set of its staff. It places strong emphasis on creating and enhancing risk awareness in the organisation.

The Bank are supportive of credit officers in pursuing credit certification programmes offered by the Asian Institute of Chartered Bankers ('AICB'). Upon attaining the Chartered Banker certification, credit officers are expected to demonstrate sound understanding of credit process and competence to undertake credit roles and responsibilities.

5.2 Application of Standardised Approach for Credit Risk

The Bank uses the following External Credit Assessment Institutions ('ECAIs') to determine the risk weights for the rated credit exposures: -

- RAM Rating Services Berhad
- Malaysian Rating Corporation Berhad
- Standard & Poor's Rating Services
- Moody's Investors Service
- Fitch Ratings

The external ratings of the ECAIs are used to determine the risk weights of the following types of exposure: sovereigns, banks, public sector entities and corporates.

The mapping of the rating categories of different ECAIs to the risk weights is in accordance with BNM guidelines. In cases where there is no issuer or issue rating, the exposures are treated as unrated and accorded a risk weight appropriate for unrated exposure in the respective category.

The following is a summary of the prescribed rules governing the Standardised Approach for rated and unrated exposures.

5. Credit Risk (continued)

5.2 Application of Standardised Approach for Credit Risk (continued)

Long Term Credit Rating Category by ECAIs under Standardised Approach :

Rating Category	External Credit Assessment Institutions (ECAIs)				
	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 B-	Ba1 to B3	BB+ to B-	BB1 to B3	BB+ to B-
5	CCC+ to D	Caa1 to C	CCC+ to D	C1 to D	C+ to D
Unrated	Unrated				

Long term Credit Rating Risk Weight Category by ECAIs under Standardised Approach for Banking Institution, Corporate and Sovereign & Central Bank :

Rating Category	Risk weights based on Credit Ratings of the Counterparty Exposure Class		
	Corporate	Banking Institutions	Sovereign & Central Bank
1	20%	20%	0%
2	50%	50%	20%
3	100%	50%	50%
4	150%	100%	100%
5	150%	150%	150%
Unrated	100%	50%	100%

Short term Credit Rating Category by ECAIs under Standardised Approach :

Rating Category	External Credit Assessment Institutions (ECAIs)				
	S&P	Moody's	Fitch	RAM	MARC
1	A-1	P-1	F1+. F1	P-1	MARC-1
2	A-2	P-2	F2	P-2	MARC-2
3	A-3	P-3	F3	P-3	MARC-3
4	Others	Others	B to D	NP	MARC-4

Short term Credit Rating Risk Weight Category by ECAIs under Standardised Approach for Banking Institution and Corporate :

5. Credit Risk (continued)

5.2 Application of Standardised Approach for Credit Risk (continued)

Rating Category	Risk weights based on Credit Ratings of the Counterparty Exposure Class	
	Corporate	Banking Institutions
1	20%	20%
2	50%	50%
3	100%	100%
4	150%	150%

Refer to Appendix II and III.

5.3 Credit Risk Evaluation

Credit evaluation is the process of analysing the creditworthiness of a prospective counterparty against the Bank's underwriting criteria and the ability of the Bank to make a return commensurate to the level of risk undertaken. Apart from conducting a holistic risk assessment on the prospective counterparty, a critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision-making process. A number of relevant qualitative and quantitative factors are taken into consideration in the identification and analysis of a counterparty's credit risk. Each counterparty is assigned a credit rating which considers factors such as competitive position, operating performance, cash flow financial strength and management strength. The Bank have developed internal rating models to support the assessment and quantification of credit risk.

A number of relevant qualitative and quantitative factors are taken into consideration in the identification and analysis of a counterparty's credit risk. Each counterparty is assigned a credit rating which considers factors such as competitive position, operating performance, cash flow strength and management strength.

All corporate financing, underwritings and corporate sukuk are independently evaluated by the Bank's credit management function and approved by the relevant approving authorities based on the Authority Matrix approved by the Board.

For consumer mass market products, statistically developed application scorecards are used to assess the risks associated with the credit application as a decision support tool at financing and other financing origination.

5. Credit Risk (continued)

5.4 Risk Limit Control and Mitigation Policies

The Bank employs various policies and practices to control and mitigate credit risk.

Financing limits

The Bank establishes internal limits and related financing guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties, geographical and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivatives due to potential exposure arising from market movements and financing books are managed on an aggregated basis as part of the overall financing limits with customers.

Collateral

Credits are established against customer's capacity to pay rather than to rely solely on collateral. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and ascribed value by the Bank are:

- Mortgages over residential real estate;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business properties, equipment and fixed deposits;
- Charges over financial instruments such as marketable securities; and
- Debentures, personal guarantees and corporate guarantees.

Where relevant, the Bank undertake a valuation of the collateral obtained as part of the financing origination process. This assessment is reviewed periodically.

Term financing to corporate entities are generally secured; while revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than financing and other financing depends on the nature of the instrument. Sukuk, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

5. Credit Risk (continued)

5.4 Risk Limit Control and Mitigation Policies (continued)

Guarantee

A guarantee is a legally binding contractual commitment made to the Bank that ensures that the guarantor is legally responsible to meet the obligations of a borrower in the event the borrower fails to pay.

The Bank may substitute its exposure to the direct counterparty with an exposure to the guarantor or protection provided that the guarantor or protection provider is of a better rating than the direct counterparty, and that the guarantee or the protection is irrevocable and unconditional. However, where the direct counterparty and the guarantor or protection provider are connected, the exposure shall be treated as a single group exposure.

In case of guarantees being provided (for HP and ASB Loans/ATTF-i (ASB/ASB2) only), the combined DSR of both customer/ borrower/ counterparty and guarantor shall be taken. For this purpose, acceptable guarantors shall be restricted to immediate family members (spouse/ parents/sibling/child) regardless of cohabitation. Guarantors not defined as immediate family members shall not be included in DSR computation.

Offsetting financial instruments

The Bank also uses legal agreements to reduce credit risk, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of financing, guarantees or letters of credit. Unutilised credits give rise to potential or contingent credit lossess to the Bank in an amount equal to the total unutilised commitments. The Bank manages and mitigates the amount of potential and contingent losses arising from unutilised credit lines by imposing minimum specific credit standards on counterparties.

The Bank monitors the term to maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Refer to Appendix IV (a) to (b).

5.5 Credit Risk Measurement

Credit risk grades

The Bank allocates a credit risk grade to each exposure. Credit risk grades are indicative of the risk of default and are generated using qualitative and quantitative factors which are supplemented by experienced credit judgement. These inputs vary depending on the nature of the exposure and the type of customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime Probability of Default ('PD') is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators that it considers are indicative of such and which effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

5. Credit Risk (continued)

5.5 Credit Risk Measurement (continued)

Determining whether credit risk has increased significantly (continued)

As a backstop, the Bank consider that a significant increase in credit risk is presumed if a customer is more than 30 days or 1 month past due. Days or months past due are determined by the number of days or month since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the customer.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Measurement of ECL

The Bank uses three categories for financial instruments at fair value through other comprehensive income ('FVOCI') and amortised cost for recognising ECL.

Category	Definition	Basis for recognising
Performing accounts (Stage 1)	▪ Financial assets that do not have significant increase in credit risk since initial recognition of the asset and therefore, less likely to default; ▪ Performing accounts with credit grade 13 or better; ▪ Accounts past due less than or equal to 30 days; or ▪ For early control accounts where on that has risk or potential weakness which if left unchecked, may result in significant deterioration of payment prospect and transfer to underperforming status (Stage 2) or worse.	12 months ECL

5. Credit Risk (continued)

5.5 Credit Risk Measurement (continued)

<u>Measurement of ECL (continued)</u>

Category	Definition	Basis for recognising
Underperforming accounts (Stage 2)	▪ Accounts with significant increase in credit risk since initial recognition and if left uncorrected, may result in impairment of the accounts within the next 12 months; ▪ Accounts past due more than 30 days or 1 month but up to 90 days or 3 months; ▪ Account demonstrates critical level of risk and therefore, credit grade 14 and placed under Watchlist; or ▪ Restructuring and rescheduling ('R&R') due to significant increase in credit risk.	Lifetime ECL - not credit impaired
Impaired accounts (Stage 3)	▪ Impaired credit; ▪ Credit grade 15 or worse; ▪ Accounts past due more than 90 days or 3 months; or ▪ R&R which warrants a reclassification to Stage 3.	Lifetime ECL - credit impaired
Write-off	▪ Evidence indicating that there is no reasonable expectation of recovery based on unavailability of customer's sources of income; or ▪ Assets unable to generate sufficient future cash flows to pay the amount.	Asset is written off

The Bank has not used the low credit risk exemption for any financial instrument for the year ended 31 December 2023.

<u>Term structure of ECL variables</u>

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ('PD');
- loss given default ('LGD'); and
- exposure at default ('EAD').

5. Credit Risk (continued)

5.5 Credit Risk Measurement (continued)

<u>Term structure of ECL variables (continued)</u>

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD is the likelihood of a counterparty defaulting on its contractual obligations over a given time horizon and are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Bank collects performance and default information relating to its credit risk exposures which are analysed by type of product and customer as well as by credit risk grading. For some portfolios, information from external credit assessment institutions are also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change with time.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile is used to determine how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financing. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

LGD is the magnitude of loss in an event of a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

5. Credit Risk (continued)

5.5 Credit Risk Measurement (continued)

Term structure of ECL variables (continued)

EAD represents the exposure outstanding in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The 12-month and lifetime Exposures of Default ('EADs') are determined based on the expected payment profile, which varies by product type.

ECL is determined by projecting the PD, LGD and EAD at each future point on a yearly basis on individual exposures, or collective segments, and discounting these monthly expected losses back to the reporting date. The discount rate used in the ECL calculation is the original profit rate or an approximation thereof.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any customer's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a financing commitment or guarantee.

Forward looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics which include:

- product/instrument type;
- past due status;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity.

5. Credit Risk (continued)

5.5 Credit Risk Measurement (continued)

Term structure of ECL variables (continued)

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period that have material impact to ECL.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios are formulated.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes. Periodically, the Bank carries out stress testing which involves more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 years.

5. Credit Risk (continued)

5.6 Credit Risk Monitoring

Corporate credits and large individual accounts are subject to ongoing monitoring. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Appropriate remedial action is taken where evidence of deterioration exists.

The credit monitoring process is also to identify significant increase in credit risk as a means to pro-actively report and manage potentially deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with appropriate corrective measures employed to prevent further credit deterioration into non-performing status. Watchlist accounts are either managed up or managed out within a period of twelve months.

The Bank has established MFRS 9 - Stage Transfer Policy to provide guidance in determining significant increases in credit risk of financial assets. There are 3 stages to differentiate the credit risk of financial assets in conjunction with MFRS 9 standards: Performing Accounts (Stage 1), Underperforming Accounts (Stage 2) and Impaired Accounts (Stage 3).

Active portfolio monitoring as well as exceptions reporting are in place to identify, analyze and managed the overall risk profile to mitigate adverse trends or specific areas of risk concerns.

The Bank conducts post-mortem reviews on newly impaired financing to determine the key reason(s) and/or driver(s) leading to the account being classified as impaired. The findings are communicated at both management and Board levels as lessons learned which are used to assist in formulating appropriate remedial actions or measures to minimize potential or future credit loss from similar or repeat events.

In addition, post-approval independent credit review is undertaken by the Bank to ensure that credit decision-making is consistent with the overall credit risk appetite and strategy.

5.7 Credit Quality of Financial Assets

Total financing and other financing - credit quality

All financing and other financing are categorised into 'neither past due nor impaired', 'past due but not impaired' and 'impaired'.

Past due financing refers to financing and other financing that are overdue by one day or more.

5. Credit Risk (continued)

5.7 Credit Quality of Financial Assets (continued)

Total financing and other financing - credit quality (continued)

Financing and other financing are classified as impaired when they fulfill any of the following criteria:

i. the principal or profit or both is past due more than 3 months from the first day of default;
ii. where the account is in arrears for less than 3 months, there is evidence of impairment to indicate that the customer is 'unlikely to meet' its credit obligations; or;
iii. the financing is classified as rescheduled and restructured in the Central Credit Reference Information System ('CCRIS').

Analysed by economic sectors

	Past Due But Not Credit-impaired		Impaired	
Economic Entity and The Bank	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
31.12.2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	**8,178**	**1,290**	**174**	**9,642**
Mining and quarrying	**104**	**1,136**	**19,817**	**21,057**
Manufacturing	**8,970**	**45,829**	**6,726**	**61,525**
Electricity, gas and water supply	**1,245**	**149**	**3**	**1,397**
Construction	**120,322**	**58,117**	**11,526**	**189,965**
Real estate	**1,971**	**51,181**	**12,428**	**65,580**
Wholesale & retail trade and restaurants & hotels	**81,609**	**43,417**	**19,618**	**144,644**
Transport, storage and communication	**18,408**	**19,613**	**2,627**	**40,648**
Finance, takaful and business services	**24,317**	**27,154**	**10,594**	**62,065**
Education, health and others	**8,619**	**3,469**	**1,011**	**13,099**
Household	**1,147,605**	**980,327**	**136,454**	**2,264,386**
	1,421,348	**1,231,682**	**220,978**	**2,874,008**

5. Credit Risk (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

	Past Due But Not Credit-impaired		Impaired	
Economic Entity and The Bank	Stage 1	Stage 2	Stage 3	Total
31.12.2022	RM'000	RM'000	RM'000	RM'000
Primary agriculture	961	912	299	2,172
Mining and quarrying	84	1,704	18,497	20,285
Manufacturing	4,886	7,244	4,124	16,254
Electricity, gas and water supply	10	30	-	40
Construction	17,773	63,900	9,349	91,022
Real estate	10,887	53,559	46,710	111,156
Wholesale & retail trade and restaurants & hotels	39,245	42,839	6,075	88,159
Transport, storage and communication	9,329	11,851	158,951	180,131
Finance, takaful and business services	24,090	23,451	3,520	51,061
Education, health and others	74,716	2,871	827	78,414
Household	927,638	712,021	109,070	1,748,729
	1,109,619	920,382	357,422	2,387,423

Expected credit losses

Economic Entity and The Bank		**Lifetime ECL**	**Lifetime ECL**	
31.12.2023	**12-month ECL**	**Not credit impaired**	**credit impaired**	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Primary agriculture	**876**	**68**	**175**	**1,119**
Mining and quarrying	**953**	**13,264**	**8,913**	**23,130**
Manufacturing	**1,164**	**185,707**	**479**	**187,350**
Electricity, gas and water supply	**684**	**8**	**3**	**695**
Construction	**1,194**	**911**	**6,232**	**8,337**
Real estate	**35,917**	**40,345**	**40,975**	**117,237**
Wholesale & retail trade and restaurants & hotels	**2,580**	**26,660**	**3,440**	**32,680**
Transport, storage and communication	**40**	**(86)**	**1,664**	**1,618**
Finance, takaful and business services	**1,050**	**15,282**	**7,309**	**23,641**
Education, health and others	**595**	**(20,763)**	**1,481**	**(18,687)**
Household	**7,610**	**33,044**	**11,604**	**52,258**
Government	**-**	**-**	**-**	**-**
	52,663	**294,440**	**82,275**	**429,378**

5. Credit Risk (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by economic sectors (continued)

Expected credit losses (continued)

Economic Entity and The Bank 31.12.2022	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Primary agriculture	1,345	9	230	1,584
Mining and quarrying	35	81	-	116
Manufacturing	4,119	11,619	2,038	17,776
Electricity, gas and water supply	297	1	-	298
Construction	1,879	9,469	7,441	18,789
Real estate	3,720	26,969	18,655	49,344
Wholesale & retail trade and restaurants & hotels	6,035	17,679	3,943	27,657
Transport, storage and communication	791	1,876	5,918	8,585
Finance, takaful and business services	1,592	7,807	1,837	11,236
Education, health and others	1,746	179,543	389	181,678
Household	43,659	47,399	46,994	138,052
Government	-	-	-	-
	65,218	302,452	87,445	455,115

Expected credit losses written-off

Economic Entity and The Bank

	31.12.2023 Lifetime ECL credit impaired Stage 3 RM'000	31.12.2022 Lifetime ECL credit impaired Stage 3 RM'000
Primary agriculture	**198**	98
Mining and quarrying	**-**	-
Manufacturing	**85**	217
Electricity, gas and water supply	**-**	-
Construction	**39**	4,373
Real estate	**-**	15
Wholesale & retail trade and restaurants & hotels	**415**	1,734
Transport, storage and communication	**201**	94
Finance, takaful and business services	**63**	224
Education, health and others	**29**	2
Household	**42,066**	24,933
	43,096	31,690

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5. Credit Risk (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area

	Past Due But Not Credit-impaired		Impaired	
Economic Entity and The Bank	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
31.12.2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Perlis	**3,107**	**2,148**	**3,816**	**9,071**
Kedah	**78,675**	**111,966**	**15,553**	**206,194**
Pulau Pinang	**62,050**	**54,658**	**9,434**	**126,142**
Perak	**49,726**	**45,452**	**6,657**	**101,835**
Selangor	**585,425**	**449,410**	**87,108**	**1,121,943**
Wilayah Persekutuan	**223,041**	**181,819**	**34,736**	**439,596**
Negeri Sembilan	**91,705**	**107,056**	**15,206**	**213,967**
Melaka	**32,561**	**34,007**	**8,934**	**75,502**
Johor	**155,469**	**131,014**	**23,972**	**310,455**
Pahang	**42,379**	**37,948**	**3,313**	**83,640**
Terengganu	**41,272**	**31,378**	**2,939**	**75,589**
Kelantan	**30,373**	**26,360**	**6,488**	**63,221**
Sarawak	**9,952**	**7,682**	**245**	**17,879**
Sabah	**15,563**	**10,614**	**2,577**	**28,754**
Labuan	**-**	**119**	**-**	**119**
Outside Malaysia	**50**	**51**	**-**	**101**
	1,421,348	**1,231,682**	**220,978**	**2,874,008**

Economic Entity and The Bank				
	Stage 1	Stage 2	Stage 3	Total
31.12.2022	RM'000	RM'000	RM'000	RM'000
Perlis	2,177	1,760	3,491	7,428
Kedah	52,942	118,163	11,454	182,559
Pulau Pinang	47,847	80,705	9,721	138,273
Perak	36,862	33,905	5,082	75,849
Selangor	399,462	302,567	64,297	766,326
Wilayah Persekutuan	218,358	113,760	28,241	360,359
Negeri Sembilan	78,272	67,155	8,293	153,720
Melaka	26,375	19,754	18,410	64,539
Johor	114,878	105,022	54,539	274,439
Pahang	39,061	27,149	2,031	68,241
Terengganu	37,598	23,780	147,768	209,146
Kelantan	28,028	17,810	2,378	48,216
Sarawak	14,154	3,429	414	17,997
Sabah	13,605	5,423	1,303	20,331
Labuan	-	-	-	-
	1,109,619	920,382	357,422	2,387,423

5. Credit Risk (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses

Economic Entity and The Bank 31.12.2023	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Perlis	107	148	2,480	2,735
Kedah	2,531	18,598	6,988	28,117
Pulau Pinang	3,481	16,344	3,021	22,846
Perak	2,127	2,033	2,533	6,693
Selangor	16,050	194,495	26,752	237,297
Wilayah Persekutuan	9,138	27,051	12,453	48,642
Negeri Sembilan	2,843	8,477	5,182	16,502
Melaka	1,065	2,988	6,960	11,013
Johor	6,321	9,415	8,642	24,378
Pahang	1,876	2,842	1,743	6,461
Terengganu	1,314	2,567	1,759	5,640
Kelantan	1,776	3,386	2,815	7,977
Sarawak	1,891	5,464	120	7,475
Sabah	2,129	493	827	3,449
Labuan	5	135	-	140
Outside Malaysia	9	4	-	13
	52,663	294,440	82,275	429,378

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5. Credit Risk (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses (continued)

Economic Entity and The Bank 31.12.2022	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
Perlis	197	45	2,279	2,521
Kedah	2,814	10,594	6,043	19,451
Pulau Pinang	4,624	16,458	3,697	24,779
Perak	2,130	1,353	3,113	6,596
Selangor	27,062	210,790	19,467	257,319
Wilayah Persekutuan	5,542	39,781	13,769	59,092
Negeri Sembilan	3,819	6,818	3,528	14,165
Melaka	1,105	784	11,338	13,227
Johor	8,660	8,496	20,986	38,142
Pahang	2,828	986	730	4,544
Terengganu	1,774	1,335	1,166	4,275
Kelantan	1,612	748	846	3,206
Sarawak	1,076	3,224	100	4,400
Sabah	1,971	606	383	2,960
Labuan	4	434	-	438
	65,218	302,452	87,445	455,115

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5. Credit Risk (continued)

5.7 Credit Quality of Financial Assets (continued)

Analysed by geographical area (continued)

Expected credit losses (continued)

Movement in expected credit loss for financing

Economic Entity and The Bank **31.12.2023**	**12-month ECL Stage 1 RM'000**	**Lifetime ECL Not credit impaired Stage 2 RM'000**	**Lifetime ECL credit impaired Stage 3 RM'000**	**Total RM'000**
At beginning of the financial period	**65,218**	**302,452**	**87,445**	**455,115**
Total transfer between stages due to change in credit risk:	**(168,533)**	**204,749**	**(36,216)**	**-**
- Transfer to 12-month ECL (Stage 1)	**21,720**	**(19,994)**	**(1,726)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(190,123)**	**244,851**	**(54,728)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(130)**	**(20,108)**	**20,238**	**-**
Financing derecognised (other than write-off)	**(22,024)**	**(13,709)**	**(2,189)**	**(37,922)**
New financing originated or purchased	**216,912**	**-**	**-**	**216,912**
Changes due to change in credit risk	**(38,912)**	**(199,052)**	**66,833**	**(171,131)**
Write-off	**-**	**-**	**(43,096)**	**(43,096)**
Other adjustments	**2**	**-**	**9,498**	**9,500**
At end of the financial period	**52,663**	**294,440**	**82,275**	**429,378**

Economic Entity and The Bank 31.12.2022	12-month ECL Stage 1 RM'000	Lifetime ECL Not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total RM'000
At beginning of the financial period	72,928	76,859	53,915	203,702
Total transfer between stages due to change in credit risk:	18,847	17,588	(36,435)	-
- Transfer to 12-month ECL (Stage 1)	38,579	(33,206)	(5,373)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(19,690)	55,256	(35,566)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(42)	(4,462)	4,504	-
Financing derecognised (other than write-off)	(34,265)	(12,981)	(3,580)	(50,826)
New financing originated or purchased	54,564	-	-	54,564
Changes due to change in credit risk	(46,861)	220,986	90,668	264,793
Write-off	-	-	(31,690)	(31,690)
Other adjustments	5	-	14,567	14,572
At end of the financial period	65,218	302,452	87,445	455,115

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5. Credit Risk (continued)

5.8 Distribution of Credit Exposure

(i) The following table depicts The Bank's Gross Credit Exposure by Geographical Distribution based on the geographical location where the credit risk resides.

Economic Entity and The Bank	**31.12.2023**			31.12.2022		
Exposure class	**Malaysia**	**Other countries**	**Total**	Malaysia	Other countries	Total
On Balance Sheet Exposures						
Corporates	**6,532,496**	**-**	**6,532,496**	8,543,339	-	8,543,339
Regulatory Retail	**10,123,273**	**1,202**	**10,124,475**	6,350,362	9	6,350,371
Other Assets	**1,063,404**	**-**	**1,063,404**	946,483	-	946,483
Sovereigns/Central Banks	**7,231,779**	**-**	**7,231,779**	6,491,436	-	6,491,436
Banks, Development Financial Institutions & MDBs	**1,493,634**	**-**	**1,493,634**	899,230	-	899,230
Takaful Companies, Securities Firms & Fund Managers	**307**	**-**	**307**	405	-	405
Residential Mortgages	**9,726,068**	**-**	**9,726,068**	9,127,231	-	9,127,231
Higher Risk Assets	**10,540**	**-**	**10,540**	7,773	-	7,773
Defaulted Exposures	**140,766**	**-**	**140,766**	114,547	-	114,547
Total for On-Balance Sheet Exposures	**36,322,267**	**1,202**	**36,323,469**	32,480,806	9	32,480,815
Off Balance Sheet Exposures						
Over-the-counter ("OTC") derivatives	**65,542**	**-**	**65,542**	31,750	-	31,750
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	**2,358,466**	**617**	**2,359,083**	1,258,596	71	1,258,667
Defaulted Exposures	**2,034**	**-**	**2,034**	550	-	550
Total for Off-Balance Sheet Exposures	**2,426,042**	**617**	**2,426,659**	1,290,896	71	1,290,967
Total for On and Off-Balance Sheet Exposures	**38,748,309**	**1,819**	**38,750,128**	33,771,702	80	33,771,782

BASEL II Pillar 3 Disclosures

5. Credit Risk (continued)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts The Bank's Gross Credit Exposure by Sectorial Analysis or Industry Distribution.

31.12.2023	**Economy Entity and The Bank**												
Exposure class	**Primary agriculture**	**Mining and quarrying**	**Manufacturing**	**Electricity, gas and water supply**	**Constru-ction**	**Real estate**	**Wholesale & retail trade and restaurants & hotels**	**Transport, storage and communication**	**Finance, takaful and business services**	**Education, health and others**	**Household**	**Others**	**Total**
On Balance Sheet Exposures													
Corporates	**345,946**	**19,673**	**967,480**	**110,829**	**503,133**	**631,688**	**1,080,211**	**334,121**	**510,018**	**471,597**	**1,290,939**	**266,861**	**6,532,496**
Regulatory Retail	**16,904**	**4,546**	**109,527**	**4,796**	**125,324**	**29,648**	**308,342**	**90,060**	**163,654**	**55,035**	**9,216,639**	**-**	**10,124,475**
Other Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,063,404**	**1,063,404**
Sovereigns/Central Banks	**-**	**-**	**-**	**27,215**	**191,272**	**-**	**-**	**307,894**	**6,041,159**	**511,537**	**-**	**152,702**	**7,231,779**
Banks, Development Financial Institutions & MDBs	**-**	**-**	**-**	**-**	**-**	**-**	**403**	**-**	**1,491,413**	**1,818**	**-**	**-**	**1,493,634**
Takaful Companies, Securities Firms & Fund Managers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**307**	**-**	**-**	**-**	**307**
Residential Mortgages	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,726,068**	**-**	**9,726,068**
Higher Risk Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,540**	**-**	**10,540**
Defaulted Exposures	**-**	**18,317**	**3,205**	**-**	**2,511**	**4,948**	**8,883**	**1,210**	**6,462**	**830**	**94,400**	**-**	**140,766**
Total for On-Balance Sheet Exposures	**362,850**	**42,536**	**1,080,212**	**142,840**	**822,240**	**666,284**	**1,397,839**	**733,285**	**8,213,013**	**1,040,817**	**20,338,586**	**1,482,967**	**36,323,469**
Off Balance Sheet Exposures													
Over-the-counter (“OTC”) derivatives	**-**	**-**	**1,199**	**2,849**	**-**	**-**	**5,281**	**59**	**56,154**	**-**	**-**	**-**	**65,542**
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	**74,342**	**71,122**	**204,980**	**107,561**	**211,175**	**52,444**	**137,656**	**62,707**	**30,050**	**1,063,998**	**343,048**	**-**	**2,359,083**
Defaulted Exposures	**-**	**-**	**-**	**-**	**259**	**-**	**-**	**-**	**223**	**-**	**1,552**	**-**	**2,034**
Total for Off-Balance Sheet Exposures	**74,342**	**71,122**	**206,179**	**110,410**	**211,434**	**52,444**	**142,937**	**62,766**	**86,427**	**1,063,998**	**344,600**	**-**	**2,426,659**
Total for On and Off-Balance Sheet Exposures	**437,192**	**113,658**	**1,286,391**	**253,250**	**1,033,674**	**718,728**	**1,540,776**	**796,051**	**8,299,440**	**2,104,815**	**20,683,186**	**1,482,967**	**38,750,128**

BASEL II Pillar 3 Disclosures

5. Credit Risk (continued)

5.8 Distribution of Credit Exposure (continued)

(ii) The following table depicts The Bank's Gross Credit Exposure by Sectorial Analysis or Industry Distribution. (continued)

31.12.2022	Economy Entity and The Bank												
Exposure class	Primary agriculture	Mining and quarrying	Manufacturing	Electricity, gas and water supply	Constru-ction	Real estate	Wholesale & retail trade and restaurants & hotels	Transport, storage and communication	Finance, takaful and business services	Education, health and others	Household	Others	Total
On Balance Sheet Exposures													
Corporates	386,068	21,662	1,123,875	306,071	417,815	968,002	1,127,816	216,105	463,200	559,680	2,923,045	30,000	8,543,339
Regulatory Retail	16,854	1,675	93,572	5,353	108,694	28,246	235,125	82,141	141,601	44,879	5,592,231	-	6,350,371
Other Assets	-	-	-	-	-	-	-	-	-	-	-	946,483	946,483
Sovereigns/Central Banks	-	-	-	27,644	70,000	-	-	121,448	5,861,695	410,649	-	-	6,491,436
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	3	-	897,114	2,113	-	-	899,230
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	405	-	-	-	405
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	9,127,231	-	9,127,231
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	7,773	-	7,773
Defaulted Exposures	71	18,497	1,540	-	1,041	21,762	2,613	7,161	2,211	332	59,317	2	114,547
Total for On-Balance Sheet Exposures	402,993	41,834	1,218,987	339,068	597,550	1,018,010	1,365,557	426,855	7,366,226	1,017,653	17,709,597	976,485	32,480,815
Off Balance Sheet Exposures													
Over-the-counter (“OTC”) derivatives	-	-	12,090	-	-	-	6,023	-	13,637	-	-	-	31,750
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	56,236	64,596	128,580	61,036	226,976	24,510	131,237	42,860	26,289	82,977	358,764	54,606	1,258,667
Defaulted Exposures	-	-	-	-	-	-	-	-	-	-	550	-	550
Total for Off-Balance Sheet Exposures	56,236	64,596	140,670	61,036	226,976	24,510	137,260	42,860	39,926	82,977	359,314	54,606	1,290,967
Total for On and Off-Balance Sheet Exposures	459,229	106,430	1,359,657	400,104	824,526	1,042,520	1,502,817	469,715	7,406,152	1,100,630	18,068,911	1,031,091	33,771,782

BASEL II Pillar 3 Disclosures

5. Credit Risk (continued)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts The Bank's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity.

31.12.2023	**Economic Entity and The Bank**				
Exposure class	**< 1 year**	**>1-5 years**	**> 5 years**	**No specific maturity**	**Total**
On Balance Sheet Exposures					
Corporates	**1,582,142**	**1,138,593**	**3,072,671**	**739,090**	**6,532,496**
Regulatory Retail	**72,627**	**1,719,446**	**8,113,768**	**218,634**	**10,124,475**
Other Assets	**-**	**-**	**-**	**1,063,404**	**1,063,404**
Sovereigns/Central Banks	**2,761,617**	**1,732,929**	**2,737,233**	**-**	**7,231,779**
Banks, Development Financial Institutions & MDBs	**1,165,369**	**274,993**	**53,261**	**11**	**1,493,634**
Takaful Companies, Securities Firms & Fund Managers	**-**	**307**	**-**	**-**	**307**
Residential Mortgages	**344**	**19,357**	**9,705,394**	**973**	**9,726,068**
Higher Risk Assets	**-**	**3,514**	**7,026**	**-**	**10,540**
Defaulted Exposures	**5,465**	**36,293**	**97,887**	**1,121**	**140,766**
Total for On-Balance Sheet Exposures	**5,587,564**	**4,925,432**	**23,787,240**	**2,023,233**	**36,323,469**
Off Balance Sheet Exposures					
Over-the-counter (“OTC”) derivatives	**20,235**	**38,273**	**7,034**	**-**	**65,542**
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	**872,778**	**119,667**	**1,008,800**	**357,838**	**2,359,083**
Defaulted Exposures	**428**	**70**	**-**	**1,536**	**2,034**
Total for Off-Balance Sheet Exposures	**893,441**	**158,010**	**1,015,834**	**359,374**	**2,426,659**
Total for On and Off-Balance Sheet Exposures	**6,481,005**	**5,083,442**	**24,803,074**	**2,382,607**	**38,750,128**

BASEL II Pillar 3 Disclosures

5. Credit Risk (continued)

5.8 Distribution of Credit Exposure (continued)

(iii) The following table depicts The Bank's Gross Credit Exposure analysed into relevant maturity tenures by residual contractual maturity. (continued)

31.12.2022	Economic Entity and The Bank				
Exposure class	< 1 year	>1-5 years	> 5 years	No specific maturity	Total
On Balance Sheet Exposures					
Corporates	2,067,991	1,130,266	4,723,513	621,569	8,543,339
Regulatory Retail	63,026	1,499,610	4,657,579	130,156	6,350,371
Other Assets	-	-	-	946,483	946,483
Sovereigns/Central Banks	2,958,133	983,878	2,549,425	-	6,491,436
Banks, Development Financial Institutions & MDBs	800,026	57,605	41,560	39	899,230
Takaful Companies, Securities Firms & Fund Managers	-	405	-	-	405
Residential Mortgages	268	17,301	9,108,674	988	9,127,231
Higher Risk Assets	-	-	7,773	-	7,773
Defaulted Exposures	1,447	12,492	99,126	1,482	114,547
Total for On-Balance Sheet Exposures	5,890,891	3,701,557	21,187,650	1,700,717	32,480,815
Off Balance Sheet Exposures					
Over-the-counter (“OTC”) derivatives	31,750	-	-	-	31,750
Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	662,815	138,835	93,981	363,036	1,258,667
Defaulted Exposures	10	15	-	525	550
Total for Off-Balance Sheet Exposures	694,575	138,850	93,981	363,561	1,290,967
Total for On and Off-Balance Sheet Exposures	6,585,466	3,840,407	21,281,631	2,064,278	33,771,782

6. Securitisation

The Bank currently does not have any securitization activities.

7. Market Risk

7.1 Market Risk Management Objectives and Policies

Market risk defined as changes in the market value of financial instrument position arising from movements in market factors such as profit rate, foreign exchange rates and implied volatility rates. The Bank's exposure to market risk results largely from profit rate and foreign exchange rate risks.

Market risk may arise from proprietary trading position and investment activities (including those for liquidity requirement purposes) in the Trading and Investment Book respectively.

The Market Risk Management Framework governs the market risk activities of the Bank which is supported by a set of approved market risk management policies, guidelines and procedures.

Risk parameters are established based on risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These parameters are reviewed at least annually.

The Bank use derivative instruments such as profit rate swap, cross currency profit rate swap and currency swap to manage exposures to profit rates, foreign currency and credit.

All hedging strategies are approved by GALCO and hedge documentation are reviewed by Finance Division before tabling to GALCO for notification and/or approval.

Hedging relationship is subject to periodic monitoring to assess that it remains stable throughout the life of the accounting hedge for the hedge to be effective.

Hedge ineffectiveness will lead to derecognition of the hedge.

7.2 Application of Standardised Approach for Market Risk Capital Charge Computation

The Bank adopts the Standardised Approach for the purpose of calculating the capital requirement for market risk.

Refer Appendix I.

7.3 Market Risk Measurement, Control and Monitoring

Market risk arising from the Trading Book is primarily controlled through the imposition of Stop-loss, Value-at-Risk ('VaR') and sensitivity limits.

Periodic stress tests are conducted to quantify market risk arising from probability of abnormal market movements.

7. Market Risk (continued)

7.3 Market Risk Measurement, Control and Monitoring (continued)

Value-at-Risk ('VaR')

VaR estimates the potential loss of a Trading portfolio from adverse market price movements which may occur over a specified holding period of the Trading portfolio.

It measures the risk of losses arising from potential adverse movements in profit rates, implied volatility rates and foreign exchange rates that could affect values of financial instruments.

Backtesting of the VaR results is conducted to validate and reassess the accuracy of the risk measurement systems.

Other risk measures include the following:

i. Mark-to-market valuation tracks the current market value of the outstanding financial instruments.
ii. Stress tests are conducted to attempt to quantify market risk arising from abnormal market movements. Stress tests measure the changes in values arising from extreme movements in profit rates and foreign exchange rates based on Macro Economic Variables ('MEV') provided by in-house research team.

The GALCO and GBRMC are regularly kept informed of the Bank's risk profile and positions.

7.4 Foreign Exchange Risk

The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The risk of fluctuations in foreign currency exchange rates is managed via setting of thresholds on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

8. Liquidity Risk

8.1 Liquidity Risk Management Objectives and Policies

Liquidity risk is the risk of inability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

8. Liquidity Risk (continued)

8.1 Liquidity Risk Management Objectives and Policies (continued)

The Liquidity Risk Management Framework governs the liquidity risk management activities of the Bank. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Bank's liquidity management process involves establishing liquidity risk management policies and prudential thresholds, liquidity risk threshold monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions and regulatory landscape.

8.2 Liquidity Risk Measurement, Control and Monitoring

The Bank's short term liquidity risk management is premised on BNM's Liquidity Coverage Ratio ('LCR') standards. The LCR is a quantitative requirement which seeks to ensure that the Bank holds sufficient high-quality liquid assets ('HQLA') to withstand a significant liquidity stress scenario over a 30-day horizon.

Long term liquidity risk profile is assessed via the Net Stable Funding Ratio ('NSFR') which promotes resilience over a longer time horizon for the Bank to fund its activities with more stable sources of funding on an ongoing basis.

The Bank also employs a set of liquidity risk indicators as an early alert of any structural change for liquidity risk management. The liquidity risk indicators include internal and external qualitative as well as quantitative indicators.

Liquidity stress tests are conducted periodically and on ad-hoc basis to gauge the Bank's resilience in the event of a liquidity disruption.

The Contingency Funding Plan provides a systematic approach in handling liquidity disruption. The document encompasses strategies, decision-making authorities, and courses of action to be taken in the event of liquidity crisis and emergencies, enabling the Bank to respond to an unexpected liquidity disruption in an effective and efficient manner.

GBRMC endorses all policies and changes relating to liquidity risk management prior to the Board's approval. The strategic management of liquidity has been delegated to the GALCO. GBRMC is informed regularly on the liquidity position of the Bank.

BASEL II Pillar 3 Disclosures

9. Operational Risk

9.1 Operational Risk Management Objectives and Policies

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk, and exposure to litigation from all aspects of the Bank’s activities, but excludes strategic and reputational risks. Management of operational risk also encompasses outsourcing.

The Group Operational Risk Management ('GORM') Policy governs the management of operational risk across the Bank. GBRMC endorses all policies changes relating to operational risk prior to Board's approval. GMC-GRC supports GBRMC in the review and monitoring of operational risk and establishes a forum to discuss and manage all aspects of operational risk, including control lapses.

The GORM function within GRM that operates in an independent capacity to facilitate Business and/or Support Units in managing the risks in activities associated with the operational function of the Bank.

9.2 Application of Basic Indicator Approach for Operational Risk

The Bank adopts the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the average annual gross income over the previous three years.

Refer Appendix I.

9.3 Operational Risk Measurement, Control and Monitoring

Operational risks are managed daily through established systems and processes to ensure compliance with policies, guidelines and control procedures.

The Bank employ the following operational risk tools for risk and control identification and assessment:

- Risk Control Self-Assessment ('RCSA')
- Control Self Testing (‘CST’)

Note: Refers to a process of assisting Business and/or Support Units to identify and assess their key operational risks and controls, inherent risk rating, control effectiveness and residual risk rating.

- Key Risk Indicator ('KRI')

Note: Refers to a process of monitoring and managing key operational risk exposures over time and measured against a set of threshold levels (Red, Amber & Green).

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9. Operational Risk (continued)

9.3 Operational Risk Measurement, Control and Monitoring (continued)

- Operational Risk Event Reporting ('ORER')

Note: Refers to a process of evaluating, reporting and monitoring operational risk event resulting from inadequate or failed internal processes, people and systems, or from external events.

- Scenario Analysis ('ScAn')

Note: Refers to a process to develop plausible operational risk scenarios under which the identified major operational risks could materialize, evaluate the control effectiveness and estimate the probability of occurrence as well as severity of the impact, and readiness of the Bank in response to the scenario.

Introduction of new or enhanced products or services are evaluated to assess, potential operational risks, mitigating controls and the operational readiness.

The Bank adopts the Three Lines of Defence ('3-LOD') model to ensure segregation of key roles and responsibilities between Business and/or Support Units and GORM as the independent oversight function in managing operational risk. As part of the first Line of Defence, Business Risk and Compliance Manager ('BRCM') is appointed as champions of Operational Risk Management (“ORM”) activities within their respective Business and/or Support Units. BRCM is responsible for the reporting of ORM activities and acts as a point of liaison with GORM on all operational lapses and results.

10. Technology Risk

10.1 Technology Risk Objectives and Policies

Technology risk refers to any risks emanating from technology failures and cyber threats that may disrupt the Bank’s business such as failures of information technology ('IT') systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external network or Internet, which could result in financial loss, financial services disruption or the operations of the Bank. Failures or errors in any of the elements above could also lead to adverse reputational impact to the Bank.

GBITC represents the Board committee to oversee and review the formulation of IT and digital strategies, costs and planning, including the financial, tactical and strategic benefits of proposed major IT and operational related initiatives. This includes oversight, guidance and endorsement in the formulation of Technology Risk Management / Cyber Resilience Framework, risk appetite, KRIs, other associated IT/cyber security policies, major IT initiatives, technology architecture decisions, IT expenditure and IT priorities as well as overall IT performance for the Bank.

10. Technology Risk (continued)

10.1 Technology Risk Objectives and Policies (continued)

The Group Technology Risk Management Framework and Cyber Resilience Framework governs the management of technology risk across the Bank.

The technology risk management function within GRM manages the risks associated with technology risk of the Bank. GMC supports GBRMC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. GBRMC is responsible to provide oversight of overall technology related matters of the Bank.

10.2 Technology Risk Measurement, Control and Monitoring

The Bank uses risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT system throughout its System Development Life Cycle ('SDLC'). The output of this process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process.

Technology risk controls encompass the use of technical and nontechnical methods. Technical controls are safeguards that are incorporated into computer hardware, software, or firmware (e.g., access control mechanisms, identification and authentication mechanisms, encryption methods, intrusion detection software). Nontechnical controls are management and operational controls, such as security policies; operational procedures; and personnel, physical, and environmental security.

Technology Risk Management reports are produced periodically for the respective stakeholders and committees.

11. Shariah Non-Compliance Risk

11.1 Shariah Non-Compliance Risk Objectives and Policies

Shariah non-compliance ("SNC") is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia ("SAC"), standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act, or decisions or advice of the Shariah Committee.

11. Shariah Non-Compliance Risk (continued)

11.1 Shariah Non-Compliance Risk Objectives and Policies (continued)

BNM's policy document on Shariah governance together with the Bank's internal Shariah Governance Policy and Shariah Risk Management Policy are the main references for the Shariah risk management process within the Bank.

The Bank's Shariah Committee is established to provide objective and sound advice to the management to ensure that the aims and operations, business, affairs and activities are in compliance with Shariah.

Shariah Risk Management is part of an integrated risk management that systematically identify, measure, monitor and report Shariah non-compliance risks in the operations, business, affairs and activities of the Bank.

For Shariah governance disclosure, please refer to Affin Bank Berhad's Annual Report under section "Shariah Supervision and Compliance Framework".

11.2 Shariah Non-Compliance Risk Measurement, Control and Monitoring

SNC risk is proactively managed via the following risk tools:

i. SNC Loss Event Reporting ('LER') ensure effective and timely SNC internal reporting process;
ii. SNC Risk and Control Self-Assessment ('RCSA') assists business/support unit within the Bank to identify and assess key SNC risks and controls;
iii. SNC Key Risk Indicator ('KRI') facilitates business/support unit within the Bank to measure and monitor a residual risk from the Risk and Control Self-Assessment; and
iv. SNC Key Control Self-Assessment ('KCSA') facilitates business/support unit within the Bank to assess the effectiveness of control measures.

11.3 Shariah Non-Compliance Income During The Year

	Economic Entity and The Bank	
	2023	2022
	RM'000	RM'000
Shariah Non-Compliance Income	**-**	-

12. Business Continuity Risk

12.1 Business Continuity Risk Objectives and Policies

Business continuity risk is the risk of losses in assets, revenue, reputation and stakeholder/customer confidence due to the discontinuation of services in both business and technology operations.

The Group Business Continuity Management Policy governs the management of business continuity issues, in line with BNM, PayNet, Bursa Malaysia and Securities Commission Malaysia Guidelines on Business Continuity Management ('BCM').

GBRMC endorses all policies and changes relating to business continuity management prior to the Board's approval. It also reviews, monitors and discusses business continuity management reports tabled at its meetings. Group Business Continuity Management Committee ('GBCMC') supports GBRMC in the review and monitoring of Business Continuity Risk and provides the forum to discuss and manage all aspects of operational risk including control lapses.

The BCM function is responsible overseeing the management of the overall business continuity risk including facilitation of the crisis management.

12.2 Business Continuity Risk Measurement, Control and Monitoring

Annual Risk Assessment and Business Impact Analysis are made compulsory for each business and support unit in the Bank to undertake. The outcome of this assessment will translate into a risks listing that require business and support units to derive action plans to address the risks.

Risk control is established through adherence with established BCM guidelines and standards throughout the implementation of BCM programs. Rigorous testing on business continuity and disaster recovery plans are diligently performed to ensure effective and smooth execution of the plan for resumption and recovery of disrupted business.

Policies and processes are in place to support the monitoring and reporting of business continuity risks.

BASEL II Pillar 3 Disclosures

The Bank has adopted Basel II - Risk Weighted Assets computation under the BNM's Risk-Weighted Capital Adequacy Framework with effect from 1 January 2008. The Bank has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operation risk computation.

The following information concerning the Economic Entity and the Bank's risk exposures are disclosed as accompanying information to the annual report and does not form part of the audited accounts.

Disclosure on Capital Adequacy (RM'000)
Economic Entity and The Bank
31.12.2023

	Exposure Class	Gross Exposures /EAD before CRM	Net Exposures /EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	**CREDIT RISK**					
	On Balance Sheet Exposures					
	Corporates	**6,532,496**	**6,360,110**	**5,477,414**	**5,477,414**	**438,194**
	Regulatory Retail	**10,124,475**	**9,069,608**	**6,744,173**	**6,744,173**	**539,534**
	Other Assets	**1,063,404**	**1,063,404**	**246,047**	**246,047**	**19,684**
	Sovereigns/Central Banks	**7,231,779**	**7,231,779**	**59,754**	**59,754**	**4,780**
	Banks, Development Financial Institutions & MDBs	**1,493,634**	**1,490,900**	**317,882**	**317,882**	**25,431**
	Takaful Companies, Securities Firms & Fund Managers	**307**	**307**	**307**	**307**	**25**
	Residential Mortgages	**9,726,068**	**9,716,851**	**5,537,756**	**5,537,756**	**443,020**
	Higher Risk Assets	**10,540**	**10,540**	**15,810**	**15,810**	**1,265**
	Defaulted Exposures	**140,766**	**140,535**	**146,868**	**146,869**	**11,749**
	Total for On-Balance Sheet Exposures	**36,323,469**	**35,084,034**	**18,546,011**	**18,546,012**	**1,483,682**

Disclosure on Capital Adequacy (RM'000) (continued)
Economic Entity and The Bank
31.12.2023

	Exposure Class	Gross Exposures /EAD before CRM		Net Exposures /EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	**<u>CREDIT RISK (continued)</u>**						
	<u>Off Balance Sheet Exposures</u>						
	Over-the-counter ("OTC") derivatives	**65,542**		**65,541**	**35,640**	**35,640**	**2,851**
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	**2,359,083**		**2,321,933**	**1,262,301**	**1,262,301**	**100,984**
	Defaulted Exposures	**2,034**		**2,033**	**2,405**	**2,405**	**192**
	Total for Off-Balance Sheet Exposures	**2,426,659**		**2,389,507**	**1,300,346**	**1,300,346**	**104,027**
	Total for On and Off-Balance Sheet Exposures	**38,750,128**		**37,473,542**	**19,846,357**	**19,846,358**	**1,587,709**
2	**<u>MARKET RISK</u>**	**Long Position**	**Short Position**				
	Profit Rate Risk	**595,326**	**594,123**	**1,203**	**112,648**	**112,648**	**9,012**
	Foreign Currency Risk	**1,837**	**11,011**	**(9,175)**	**11,011**	**11,011**	**881**
3	**<u>OPERATIONAL RISK</u>** -						
	Operational Risk				**1,152,829**		**92,226**
	Total RWA and Capital Requirements				**21,122,845**	**19,970,017**	**1,689,827**

PSIA "Profit Sharing Investment Account"

Company No: 200501027372 (709506-V)
AFFIN Islamic Bank Berhad
(Incorporated in Malaysia) **Appendix I**

BASEL II Pillar 3 Disclosures

Disclosure on Capital Adequacy (RM'000) (continued)
Economic Entity and The Bank
2022

	Exposure Class	Gross Exposures /EAD before CRM	Net Exposures /EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	CREDIT RISK					
	On Balance Sheet Exposures					
	Corporates	8,543,339	8,284,014	7,528,157	7,528,157	602,253
	Regulatory Retail	6,350,371	5,445,982	4,061,603	4,061,603	324,928
	Other Assets	946,483	946,483	209,310	209,310	16,745
	Sovereigns/Central Banks	6,491,436	6,491,436	-	-	-
	Banks, Development Financial Institutions & MDBs	899,230	896,567	193,283	193,283	15,463
	Takaful Companies, Securities Firms & Fund Managers	405	405	405	405	32
	Residential Mortgages	9,127,231	9,116,935	5,379,761	5,379,761	430,381
	Higher Risk Assets	7,773	7,773	11,659	11,659	933
	Defaulted Exposures	114,547	114,506	107,310	107,310	8,585
	Total for On-Balance Sheet Exposures	32,480,815	31,304,101	17,491,488	17,491,488	1,399,320

Company No: 200501027372 (709506-V)
AFFIN Islamic Bank Berhad
(Incorporated in Malaysia) **Appendix I**

BASEL II Pillar 3 Disclosures

Disclosure on Capital Adequacy (RM'000) (continued)

Economic Entity and The Bank
2022

	Exposure Class	Gross Exposures /EAD before CRM		Net Exposures /EAD after CRM	Risk Weighted Assets	Total Risk Weighted Assets after Effects of PSIA	Minimum Capital Requirements at 8%
1	**CREDIT RISK (continued)**						
	Off Balance Sheet Exposures						
	Over-the-counter ("OTC") derivatives	31,750		31,750	21,018	21,018	1,682
	Off Balance Sheet Exposures other than OTC derivatives or credit derivatives	1,258,667		1,227,982	979,862	979,862	78,389
	Defaulted Exposures	550		550	302	302	24
	Total for Off-Balance Sheet Exposures	1,290,967		1,260,282	1,001,182	1,001,182	80,095
	Total for On and Off-Balance Sheet Exposures	33,771,782		32,564,383	18,492,670	18,492,670	1,479,415
2	**MARKET RISK**	**Long Position**	**Short Position**				
	Profit Rate Risk	489,227	481,246	7,980	17,606	17,606	1,409
	Foreign Currency Risk	2,305	11,018	(8,713)	11,018	11,018	881
3	**OPERATIONAL RISK** -						
	Operational Risk				993,564		79,557
	Total RWA and Capital Requirements				19,514,858	18,521,294	1,561,262

PSIA "Profit Sharing Investment Account"

BASEL II Pillar 3 Disclosures

Disclosure on Capital Adequacy (RM'000) (continued)

Market risk is defined as changes in the market value of a trading position arising from movements in market factors such as profit rate, foreign exchange rates and implied volatility rates. The Bank's Value-at-Risk ('VaR') is defined as the amount of the Bank's capital that is exposed to the risk of unexpected losses arising particularly from movements in profit and foreign exchange rates. Management Action Trigger ('MAT') and Limit are established for VaR in Risk Appetite Statement ('RAS') to ensure that the Bank's capital adequacy is not impinged upon in the event of adverse market movements. The Bank currently adopt BNM's Standardised Approach for the computation of market risk capital charges. The market risk capital charge addresses among others, capital requirement for market risk which includes the profit rate risk in the Bank's Trading Book as well as foreign exchange risk in the Trading and Banking Books.

The computation of market risk capital charge covers the following financial instruments.

a) Foreign Exchange ('FX')
b) Profit Rate Swap ('IPRS')
c) Cross Currency Swap ('CCS')
d) Fixed Income Instruments (i.e. Corporate Sukuk and Government Securities)
e) FX Options

Company No: 200501027372 (709506-V)
AFFIN Islamic Bank Berhad
(Incorporated in Malaysia) **Appendix II**

BASEL II Pillar 3 Disclosures

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000)
Economic Entity and The Bank
31.12.2023

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Takaful Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securi-tisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	7,235,095	-	-	-	-	-	-	-	542,785	-	-	-	7,777,880	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	922,043	-	1,431,309	-	1,148,886	106,225	-	-	343,214	-	-	-	3,951,677	790,336
35%	-	-	-	-	-	-	4,660,411	-	-	-	-	-	4,660,411	1,631,144
50%	108,523	-	116,345	307	49,174	9,478	2,557,897	0	-	-	-	-	2,841,724	1,420,708
75%	-	-	-	-	-	9,044,217	2,146	-	-	-	-	-	9,046,363	6,784,773
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	6,185,870	25,054	2,759,951	-	177,405	-	-	-	9,148,280	9,148,586
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	31,402	1,157	-	14,647	-	-	-	-	47,206	70,810
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	53%
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	8,265,661	-	1,547,654	307	7,415,332	9,186,131	9,980,405	14,647	1,063,404	-	-	-	37,473,541	19,846,357

PSE “Public Sector Entities”
MDB “Multilateral Development Bank”
DFI “Development Financial Institution”

Company No: 200501027372 (709506-V)
AFFIN Islamic Bank Berhad
(Incorporated in Malaysia) **Appendix II**

BASEL II Pillar 3 Disclosures

Disclosure on Credit Risk: Disclosures on Risk Weights under the Standardised Approach (RM'000) (continued)
Economic Entity and The Bank
2022

Risk Weights	Exposures after Netting and Credit Risk Mitigation													
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Takaful Companies, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securi-tisation	Equity	Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	6,500,734	-	-	-	-	-	-	-	478,148	-	-	-	6,978,882	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	55,051	-	865,416	-	930,589	41,607	-	-	323,781	-	-	-	2,216,444	443,289
35%	-	-	-	-	-	-	4,355,315	-	-	-	-	-	4,355,315	1,524,360
50%	-	-	46,567	-	67,354	1,669	2,167,875	-	-	-	-	-	2,283,465	1,141,732
75%	-	-	-	-	-	5,461,989	5,461	-	-	-	-	-	5,467,450	4,100,588
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	405	8,172,852	27,733	2,877,535	-	144,554	-	-	-	11,223,079	11,223,079
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	28,503	451	-	10,794	-	-	-	-	39,748	59,622
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Average Risk Weight											-		-	**57%**
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	6,555,785	-	911,983	405	9,199,298	5,533,449	9,406,186	10,794	946,483	-	-	-	32,564,383	18,492,670

PSE “Public Sector Entities”
MDB “Multilateral Development Bank”
DFI “Development Financial Institution”

Company No: 200501027372 (709506-V)
AFFIN Islamic Bank Berhad
(Incorporated in Malaysia) **Appendix III**

BASEL II Pillar 3 Disclosures

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)

Economic Entity and The Bank
31.12.2023

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B1 to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	Fitch	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
	RAM	**AAA to AA3**	**A to A3**	**BBB1 to BB3**	**B to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Takaful Companies, Securities Firms & Fund Managers		-	-	-	-	307
Corporates		872,735	10,006	-	-	6,737,540
Total		872,735	10,006	-	-	6,737,847

BASEL II Pillar 3 Disclosures

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Economic Entity and The Bank
2022

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-
Takaful Companies, Securities Firms & Fund Managers		-	-	-	-	405
Corporates		272,477	-	-	-	9,212,553
Total		272,477	-	-	-	9,212,958

BASEL II Pillar 3 Disclosures

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Economic Entity and The Bank
31.12.2023

Exposure Class	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
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	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 Exposures							
Sovereigns and Central Banks		**5,544,300**	**27,462**	**108,523**	**-**	**-**	**2,585,376**
Total		**5,544,300**	**27,462**	**108,523**	**-**	**-**	**2,585,376**

Exposure Class	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
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	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 Exposures							
Banks, MDBs and DFIs		**370,758**	**32,814**	**-**	**-**	**-**	**1,146,815**
Total		**370,758**	**32,814**	**-**	**-**	**-**	**1,146,815**

BASEL II Pillar 3 Disclosures

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (continued)

Economic Entity and The Bank
2022

Exposure Class	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
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	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 Exposures							
Sovereigns and Central Banks		5,056,345	541,104	-	-	-	958,336
Total		5,056,345	541,104	-	-	-	958,336

Exposure Class	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
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	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 Exposures							
Banks, MDBs and DFIs		302,586	-	-	-	-	612,060
Total		302,586	-	-	-	-	612,060

BASEL II Pillar 3 Disclosures

a) Disclosures on Credit Risk Mitigation (RM'000)

Economic Entity and The Bank
31.12.2023

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	7,231,779	-	-	-
Banks, Development Financial Institutions & MDBs	1,493,634	-	2,733	-
Takaful Companies, Securities Firms & Fund Managers	307	-	-	-
Corporates	6,532,496	189,148	172,388	-
Regulatory Retail	10,124,475	105,515	1,054,866	-
Residential Mortgages	9,726,068	-	9,217	-
Higher Risk Assets	10,540	-	-	-
Other Assets	1,063,404	-	-	-
Defaulted Exposures	140,766	970	231	-
Total for On-Balance Sheet Exposures	36,323,469	295,633	1,239,435	-
Off-Balance Sheet Exposures				
Over-the-counter (“OTC”) derivatives	65,542	-	-	
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	2,359,083	21,161	37,152	-
Defaulted Exposures	2,034	-	-	-
Total for Off-Balance Sheet Exposures	2,426,659	21,161	37,152	-
Total On and Off-Balance Sheet Exposures	38,750,128	316,794	1,276,587	-

BASEL II Pillar 3 Disclosures

a) Disclosures on Credit Risk Mitigation (RM'000) (continued)

Economic Entity and The Bank
2022

Exposure Class	**Exposures before CRM**	**Exposures Covered by Guarantees /Credit Derivatives**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	6,491,436	-	-	-
Banks, Development Financial Institutions & MDBs	899,230	-	2,663	-
Takaful Companies, Securities Firms & Fund Managers	405	-	-	-
Corporates	8,543,339	243,592	259,325	-
Regulatory Retail	6,350,371	41,608	904,389	-
Residential Mortgages	9,127,231	-	10,296	-
Higher Risk Assets	7,773	-	-	-
Other Assets	946,483	-	-	-
Defaulted Exposures	114,547	598	41	-
Total for On-Balance Sheet Exposures	32,480,815	285,798	1,176,714	-
<u>Off-Balance Sheet Exposures</u>				
Over-the-counter (“OTC”) derivatives	31,750	-	-	
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	1,258,667	13,366	30,685	-
Defaulted Exposures	550	-	-	-
Total for Off-Balance Sheet Exposures	1,290,967	13,366	30,685	-
Total On and Off-Balance Sheet Exposures	33,771,782	299,164	1,207,399	-

BASEL II Pillar 3 Disclosures

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000)

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cashflows. An economic loss could occur if the transactions with the counterparty has a positive economic value for the Bank at the time of default.

In contrast to the exposure to credit risk through a financing, where the exposure to credit risk is unilateral and only the financing bank faces the risk of loss, Counterparty Credit Risk creates a bilateral risk of loss where the market value for many types of transactions can be positive or negative to either counterparty.

In respect of off-balance sheet items, the credit risk inherent in each off-balance sheet instrument is translated into an on balance sheet exposure equivalent (credit equivalent) by multiplying the nominal principal amount with a credit conversion factor ('CCF') as prescribed by the Standardised Approach under the Risk Weighted Capital Adequacy Framework. The resulting amount is then weighted against the risk weight of the counterparty. In addition, counterparty risk weights for over-the-counter ('OTC') derivative transactions will be determined based on the external rating of the counterparty and will not be subject to any specific ceiling.

BASEL II Pillar 3 Disclosures

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000)

Economic Entity and The Bank
31.12.2023

Description	Total Principal Amount	Positive Fair Value of Derivative Contracts	Total Credit Equivalent Amount	Total Risk Weighted Amount
Direct Credit Substitutes	158,092		158,092	155,729
Transaction related contingent Items	480,714		240,357	237,174
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	855,076		426,696	282,665
Short Term Self Liquidating trade related contingencies	4,520,054		904,011	188,252
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	2,876,523		575,304	358,347
Unutilised credit card lines	283,292		56,658	42,539
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	-		-	-
Foreign exchange related contracts				
-One year or less	1,009,326	6,244	20,235	11,563
Profit rate related contracts				
-One year to less than five years	1,096,670	11,039	38,273	20,561
-five years and above	117,225	1,624	7,034	3,517
Total	11,396,972	18,907	2,426,660	1,300,347

BASEL II Pillar 3 Disclosures

b) Disclosure on Off-Balance Sheet and Counterparty Credit Risk (RM'000) (continued)

Economic Entity and The Bank
2022

Description	Total Principal Amount	Positive Fair Value of Derivative Contracts	Total Credit Equivalent Amount	Total Risk Weighted Amount
Direct Credit Substitutes	119,067		119,067	118,967
Transaction related contingent Items	412,540		206,270	205,334
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	975,622		487,078	320,670
Short Term Self Liquidating trade related contingencies	300,962		60,192	15,765
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,708,544		341,709	285,752
Unutilised credit card lines	224,504		44,901	33,676
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	-		-	-
Foreign exchange related contracts				
-One year or less	1,328,501	14,985	31,750	21,018
Total	5,069,740	14,985	1,290,967	1,001,182

BASEL II Pillar 3 Disclosures

c) Disclosure on Market Risk – Profit Rate/ Rate of Return Risk in the Banking Book

Profit rate/ rate of return risk is the risk to earnings and capital arising from exposure to adverse movements in profit rates mainly due to mismatches in timing repricing of assets and liabilities. These mismatches are actively managed from an earnings and economic value perspective.

The objective of profit rate/ rate of return risk management is to achieve a stable and sustainable net profit income from the following perspectives:

1) Next 12 months' Earnings - Profit rate/ rate of return risk from the earnings perspective is the impact based on changes to the net profit income ('NPI') over the next 12 months. This risk is measured through sensitivity analysis including the application of an instantaneous 100 basis point parallel shock in profit rates across the yield curve.

2) Economic Value - Measuring the change in the economic value of equity ('EVE') is an assessment of the long-term impact to the Bank's capital. This is assessed through the application of relevant duration factors to capture the net economic value impact over the long term or total life of all balance sheet assets and liabilities to adverse changes in profit rates.

Profit rate/ rate of return risk thresholds are established in line with the Bank's strategy and risk appetite. These thresholds are reviewed regularly to ensure relevance in the context of prevailing market conditions.

When measuring the Profit Rate/Rate of Return Risk in the Banking Book as at 31 December 2023, behavioral models are employed specifically for portfolios or products exhibiting behavioral optionalities. The objective is to incorporate and analyze the behavioral patterns of customers or products concerning changes in profit rates, contributing to a comprehensive understanding of the profit rate risk profile within the banking book."

BASEL II Pillar 3 Disclosures

d) Disclosure on Market Risk – Profit Rate/ Rate of Return Risk in the Banking Book (continued)

The reported numbers are generated based on assumptions used in IRRBB / RORBB BNM template.

Economic Entity and The Bank Type of Currency (RM million)	**31.12.2023**		**31.12.2023**	
	Impact on Positions (+100 basis points) Parallel Shift		**Impact on Positions (-100 basis points) Parallel Shift**	
	Increase / (Decline) in Earnings	**Increase / (Decline) in Economic Value**	**Increase / (Decline) in Earnings**	**Increase / (Decline) in Economic Value**
Ringgit Malaysia	**81.4**	**(95.2)**	**(81.4)**	**95.2**
US Dollar	**(2.0)**	**(2.5)**	**2.0**	**2.5**
Others (*)	**0.0**	**0.1**	**(0.0)**	**(0.1)**
Total	**79.4**	**(97.6)**	**(79.4)**	**97.6**

*Others comprise of SGD, EUR, AUD, JPY, HKD and GBP currencies where the amount of each currency is relatively small.

Economic Entity and The Bank Type of Currency (RM million)	31.12.2022		31.12.2022	
	Impact on Positions (+100 basis points) Parallel Shift		Impact on Positions (-100 basis points) Parallel Shift	
	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value	Increase/(Decline) in Earnings	Increase/(Decline) in Economic Value
Ringgit Malaysia	47.8	(287.3)	(47.8)	287.3
US Dollar	(1.6)	2.1	1.6	(2.1)
Others (*)	0.0	0.0	(0.0)	(0.0)
Total	46.3	(285.2)	(46.3)	285.2

*Others comprise of SGD, EUR, AUD, and GBP currencies where the amount of each currency is relatively small.