



**ALLIANCE BANK**

**Alliance Bank Malaysia Berhad** 198201008390 (88103-W)

**BASEL II PILLAR 3 REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

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**BASEL II PILLAR 3 REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**1.0 Overview**

Bank Negara Malaysia ("BNM")'s Capital Adequacy Frameworks require Alliance Bank Malaysia Berhad ("Bank") and its subsidiaries ("Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's Capital Adequacy Frameworks cover three main aspects:

- (a) Pillar 1 - covers the calculation of risk-weighted assets for credit risk, market risk and operational risk;
- (b) Pillar 2 - involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes the adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques; and
- (c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

The Pillar 3 Disclosure for the financial year ended 31 March 2024 for the Bank and the Group is in accordance with BNM's Risk-Weighted Capital Adequacy Framework ("RWCAF") – Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosures Requirements (Pillar 3).

The Group has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk in determining the capital requirements of Pillar 1.

**1.1 Medium and Location of Disclosure**

The Pillar 3 Disclosure will be made available under the Investor Relations section of the Group's website at <http://www.alliancebank.com.my/home.aspx> and as a separate report in the annual and half-yearly financial reports.

**1.2 Basis of Disclosure**

The Group's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure Policy. This policy outlines the minimum disclosure standards, the approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process. Pillar 3 Disclosure is to be read in conjunction with the Group's and Bank's financial statements for the financial year ended 31 March 2024. Whilst this document discloses the Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the financial statements for the financial year ended 31 March 2024 published by the Group.

These disclosures have been reviewed and verified by an independent internal party and approved by the Board of Directors ("Board") of the Group.

**1.3 Comparative Information**

The corresponding Pillar 3 Disclosure in the preceding reporting period would be as at 31 March 2023.

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**1.0 Overview (cont'd.)**

**1.4 Scope of Application**

The Pillar 3 Disclosure was prepared on a consolidated basis comprising information on Alliance Bank Malaysia Berhad ("Bank"), its subsidiaries, associate companies and joint ventures. The Group offers Conventional and Islamic banking services. The latter includes accepting deposits and providing financing under Shariah principles via the Bank's wholly-owned subsidiary, Alliance Islamic Bank Berhad ("AIBS").

The quantitative information as at 31 March 2024 also reflects the following events which occurred within the reporting period:

- (a) The Bank had on 2 March 2023 entered into an assets transfer agreement ("business transfer") with AIBB Berhad ("AIBB") (formerly known as Alliance Investment Bank Berhad), a wholly-owned subsidiary of the Bank to transfer the remaining assets and liabilities of AIBB (excluding certain excluded assets and liabilities) to the Bank. On 1 April 2023, the remaining assets and liabilities in AIBB were transferred to the Bank for a consideration based on an amount equal to the net asset value of the total assets and total liabilities.
- (b) The Bank and its wholly-owned subsidiaries namely, AIBB, Alliance Direct Marketing Sdn. Bhd., AllianceGroup Nominees (Tempatan) Sdn. Bhd. and AllianceGroup Nominees (Asing) Sdn. Bhd. (collectively "vendors") had on 31 May 2023 completed the disposal of the vendors' entire 100% equity shareholding in Alliance Trustee Berhad to Areca Capital Sdn. Bhd. and its related corporations, namely Areca Capital International Limited, Areca Private Equity Sdn. Bhd., Areca Frontier Sdn. Bhd. and Areca Eco Sdn. Bhd.
- (c) The Bank had on 28 June 2023 subscribed for 25,890,575 ordinary shares at an issue price of RM1.4484 per share amounting to RM37,500,000 via rights issue in its wholly-owned subsidiary Alliance Islamic Bank Berhad.
- (d) The Bank had entered into a Bancassurance Partnership Agreement with Manulife Insurance Berhad in Malaysia on 28 July 2023, to extend the Bank's exclusive Life bancassurance partnership for a further 15 years.
- (e) The Bank had on 16 August 2023 acquired AIBB's entire equity stake of 51% in AllianceDBS Research Sdn Bhd.
- (f) The Bank had on 9 October 2023 entered into a conditional Sale and Purchase Agreement with Oxley Rising Sdn Bhd ("ORSB") for the acquisition of 24 floors of office suites together with 4 adjoining retail lots on the 2-storey retail podium, all to be stratified and located at Tower 3 (Menara C) ("Properties"), which forms part of the ongoing mixed commercial cum residential development by ORSB located along Jalan Ampang, Kuala Lumpur City Centre, for a total purchase price of RM405,839,320.

The Properties are intended to be the new Corporate Office of ABMB Group and expected to be completed by end of November 2024.

- (g) AIBB had on 13 December 2023 surrendered its Investment Banking License to Bank Negara Malaysia pursuant to Section 22(1) of the Financial Services Act 2013.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes. Investments in subsidiaries, associate companies and joint ventures are deducted from regulatory capital.

The Bank did not experience any significant restrictions or other major impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group as at financial year end.

## 2.0 Capital

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

The Group's Internal Capital Adequacy Assessment Process ("ICAAP") covers the following:

- Assesses inherent risks in the business against risk captured under Pillar 1, and risks not sufficiently or not captured under Pillar 1;
- Estimates the potential impact of extreme but plausible events on the Group's earnings, balance sheet and capital via stress testing;
- Sets internal capital targets which include buffers to cushion potential stress losses and contingency plan(s) where warranted; and
- Regularly monitors and reports portfolio risk profiles, required capital and available capital.

ICAAP results are regularly reported to Group Risk Management Committee ("GRMC") and the Board to facilitate proactive capital management.

## 2.1 Capital Adequacy Ratios

BNM's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions took effect on 9 December 2020. This allows the Group and the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an "add-back factor", to the Common Equity Tier I ("CET I") capital from Financial Year 2021 to Financial Year 2024. The Group and the Bank have sufficient capital under both conditions with or without the Transitional Arrangement.

- The capital adequacy ratios with and without Transitional Arrangements of the Group and the Bank are as follows:

	<b>GROUP</b>		<b>BANK</b>	
	2024	2023	2024	2023
(i) With Transitional Arrangements				
<u>Before Deducting Proposed Dividends</u>				
CET I Capital Ratio	13.268%	14.868%	13.443%	14.608%
Tier I Capital Ratio	13.979%	15.714%	14.111%	15.410%
Total Capital Ratio	17.559%	19.748%	18.100%	19.970%
<u>After Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.907%	14.494%	12.970%	14.111%
Tier I Capital Ratio	13.619%	15.340%	13.637%	14.913%
Total Capital Ratio	17.199%	19.374%	17.627%	19.473%
(ii) Without Transitional Arrangements				
<u>Before Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.890%	14.145%	13.152%	14.082%
Tier I Capital Ratio	13.602%	14.991%	13.820%	14.885%
Total Capital Ratio	17.182%	19.025%	17.809%	19.445%
<u>After Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.530%	13.771%	12.679%	13.586%
Tier I Capital Ratio	13.242%	14.617%	13.346%	14.388%
Total Capital Ratio	16.822%	18.651%	17.336%	18.948%

**2.0 Capital (cont'd.)**

**2.1 Capital Adequacy Ratios (cont'd.)**

(b) The capital adequacy ratios of the banking subsidiaries are as follows:

	<b><u>Alliance Islamic Bank Berhad</u></b>			
	With		Without	
	Transitional Arrangements		Transitional Arrangements	
	2024	2023	2024	2023
<u>Before Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.938%	13.717%	12.287%	12.401%
Tier I Capital Ratio	13.785%	14.694%	13.134%	13.377%
Total Capital Ratio	16.049%	17.122%	15.398%	15.806%
<u>After Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.930%	13.715%	12.279%	12.399%
Tier I Capital Ratio	13.778%	14.692%	13.127%	13.375%
Total Capital Ratio	16.042%	17.120%	15.391%	15.804%

The Group's and the Bank's capital ratios comply with the prescribed capital adequacy ratios under BNM's Capital Adequacy Framework.

## 2.0 Capital (cont'd.)

### 2.2 Capital Structure

The total regulatory capital of the Bank consists of eligible Tier 1 and Tier 2 capital satisfying the requirements laid out in BNM's Guideline on Capital Adequacy Framework (Capital Components).

Common Equity capital (CET1), a component of Tier 1 capital, has the highest loss absorption capability and consists of ordinary share capital, retained profits and reserves, net of regulatory adjustments.

Other forms of regulatory capital maintained by the Bank (in addition to CET1) include additional Tier 1 capital instruments and Tier 2 capital such as subordinated obligations, surplus eligible provisions over expected losses and general provisions.

The following tables present the components of CET I, Tier I and Tier II capital.

	<b>GROUP</b>		<b>BANK</b>	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
<b><u>CET I Capital/Tier I Capital</u></b>				
Paid-Up Share Capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained Profits	5,549,407	4,989,825	4,724,987	4,324,216
Regulatory Reserves (Note 1)	155,485	257,241	155,485	231,857
Financial Investments at Fair Value through Other Comprehensive Income ("FVOCI")				
Reserves	(88,924)	(149,271)	(83,848)	(136,059)
Capital Reserves	10,018	100,150	-	15,515
	<u>7,174,092</u>	<u>6,746,051</u>	<u>6,344,730</u>	<u>5,983,635</u>
(Less)/Add: Regulatory Adjustments				
- Goodwill and Other Intangibles	(462,372)	(440,438)	(460,219)	(338,321)
- Deferred Tax Assets	(217,253)	(198,920)	(153,468)	(141,327)
- 55% of FVOCI Reserves	-	-	-	-
- Regulatory Reserves (Note 1)	(155,485)	(257,241)	(155,485)	(231,857)
- Investment in Subsidiaries, Associate and Joint Venture	(1,135)	(1,094)	(647,750)	(883,013)
- Transitional Arrangements	185,468	298,945	109,029	163,695
Total CET I Capital	<u>6,523,315</u>	<u>6,147,303</u>	<u>5,036,837</u>	<u>4,552,812</u>
Additional Tier I Capital Securities	350,000	349,895	250,000	250,000
Total Additional Tier I Capital	<u>350,000</u>	<u>349,895</u>	<u>250,000</u>	<u>250,000</u>
Total Tier I Capital	<u>6,873,315</u>	<u>6,497,198</u>	<u>5,286,837</u>	<u>4,802,812</u>
<b><u>Tier II Capital</u></b>				
Subordinated Obligations	1,199,662	1,199,459	1,199,470	1,199,153
Expected Credit Losses and Regulatory Reserves (Note 1 & Note 2)	560,485	468,411	425,185	352,172
Less: Regulatory Adjustments				
- Investment in Tier II Capital Instruments	-	-	(130,000)	(130,000)
Total Tier II Capital	<u>1,760,147</u>	<u>1,667,870</u>	<u>1,494,655</u>	<u>1,421,325</u>
<b>Total Capital</b>	<u>8,633,462</u>	<u>8,165,068</u>	<u>6,781,492</u>	<u>6,224,137</u>

Note 1: The Bank maintained its prudent stand in relation to maintaining the regulatory reserves to preserve the potential deterioration of credit quality.

Note 2: Expected Credit Losses ("ECL") for S1 and S2 only.

**2.0 Capital (cont'd.)**

**2.3 Risk-Weighted Assets ("RWA") and Capital Requirements**

**Regulatory Capital Requirements**

The following tables present the minimum regulatory capital requirements of the Group and the Bank:

<b>GROUP 2024 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
(a) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	10,777,276	10,777,276	-	-
Public Sector Entities	657,296	657,296	18,003	1,440
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	4,070,429	4,070,429	846,960	67,757
Insurance Companies, Securities Firms and Fund Managers	154,161	113,276	109,494	8,760
Corporates	26,112,896	24,169,315	19,912,257	1,592,981
Regulatory Retail	14,808,899	13,775,414	10,096,526	807,722
Residential Mortgages	17,322,898	17,312,876	7,225,276	578,022
Higher Risk Assets	4,677	4,677	7,016	561
Other Assets	1,939,496	1,939,496	1,053,058	84,245
Defaulted Exposures	644,645	644,032	587,243	46,979
Total On-Balance Sheet Exposures	<u>76,492,673</u>	<u>73,464,087</u>	<u>39,855,833</u>	<u>3,188,467</u>
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures	6,430,078	5,760,968	4,582,439	366,595
Derivative Financial Instruments	1,267,844	1,267,844	398,676	31,894
Defaulted Exposures	1,443	1,442	1,879	150
Total Off-Balance Sheet Exposures	<u>7,699,365</u>	<u>7,030,254</u>	<u>4,982,994</u>	<u>398,639</u>
Total On and Off-Balance Sheet Exposures	<u>84,192,038</u>	<u>80,494,341</u>	<u>44,838,827</u>	<u>3,587,106</u>
(b) <u>Market Risk (Section 5.0)</u>				
	Long Position	Short Position		
Interest Rate Risk	36,481,488	(36,437,694)	432,687	34,615
Foreign Exchange Risk	22,660	(127,348)	127,354	10,187
	<u>36,504,148</u>	<u>(36,565,042)</u>		
Option Risk			-	-
Total			<u>560,041</u>	<u>44,802</u>
(c) <u>Operational Risk</u>	-	-	3,768,311	301,465
Total	<u>84,192,038</u>	<u>80,494,341</u>	<u>49,167,179</u>	<u>3,933,373</u>

**2.0 Capital (cont'd.)**

**2.3 RWA and Capital Requirements (cont'd.)**

**Regulatory Capital Requirements (cont'd.)**

The following tables present the minimum regulatory capital requirements of the Group and the Bank (cont'd.):

<b><u>BANK</u></b> <b>2024</b> <b>Exposure Class</b>	<b>Gross</b> <b>Exposures</b> <b>RM'000</b>	<b>Net</b> <b>Exposures</b> <b>RM'000</b>	<b>Risk-</b> <b>Weighted</b> <b>Assets</b> <b>RM'000</b>	<b>Capital</b> <b>Requirements</b> <b>RM'000</b>
(a) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	8,547,759	8,547,759	-	-
Public Sector Entities	466,599	466,598	11,865	949
Banks, DFIs and Multilateral				
Development Banks	3,615,773	3,615,773	827,336	66,187
Insurance Companies, Securities				
Firms and Fund Managers	76,476	35,591	33,367	2,669
Corporates	20,070,833	18,303,122	15,145,200	1,211,616
Regulatory Retail	10,833,654	9,895,192	6,959,127	556,730
Residential Mortgages	12,921,969	12,912,446	5,431,129	434,490
Higher Risk Assets	3,717	3,717	5,576	446
Other Assets	1,911,440	1,911,440	1,025,002	82,000
Defaulted Exposures	445,047	444,826	413,221	33,059
Total On-Balance Sheet Exposures	<u>58,893,267</u>	<u>56,136,464</u>	<u>29,851,823</u>	<u>2,388,146</u>
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance				
Sheet Exposures	5,390,009	4,786,206	3,762,710	301,017
Derivative Financial Instruments	1,267,844	1,267,844	398,676	31,894
Defaulted Exposures	1,187	1,187	1,561	125
Total Off-Balance Sheet Exposures	<u>6,659,040</u>	<u>6,055,237</u>	<u>4,162,947</u>	<u>333,036</u>
Total On and Off-Balance				
Sheet Exposures	<u>65,552,307</u>	<u>62,191,701</u>	<u>34,014,770</u>	<u>2,721,182</u>
(b) <u>Market Risk (Section 5.0)</u>				
	Long Position	Short Position		
Interest Rate Risk	36,481,488	(36,437,694)	432,687	34,615
Foreign Exchange Risk	22,660	(127,106)	127,113	10,168
	<u>36,504,148</u>	<u>(36,564,800)</u>		
Option Risk			-	-
Total			<u>559,800</u>	<u>44,783</u>
(c) <u>Operational Risk</u>	-	-	2,892,670	231,414
Total	<u>65,552,307</u>	<u>62,191,701</u>	<u>37,467,240</u>	<u>2,997,379</u>

**2.0 Capital (cont'd.)**

**2.3 RWA and Capital Requirements (cont'd.)**

**Regulatory Capital Requirements (cont'd.)**

The following tables present the minimum regulatory capital requirements of the Group and the Bank (cont'd.):

<b>GROUP 2023 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
(a) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	10,033,638	10,033,638	-	-
Public Sector Entities	640,350	640,350	17,650	1,412
Banks, DFIs and Multilateral Development Banks	1,869,210	1,869,210	398,539	31,883
Insurance Companies, Securities Firms and Fund Managers	87,632	87,057	82,669	6,614
Corporates	22,246,629	20,926,235	16,651,212	1,332,097
Regulatory Retail	13,001,176	11,959,910	8,723,717	697,897
Residential Mortgages	16,227,654	16,217,909	6,472,427	517,794
Higher Risk Assets	4,740	4,740	7,110	569
Other Assets	1,201,152	1,201,152	679,406	54,352
Defaulted Exposures	661,334	658,233	563,583	45,087
Total On-Balance Sheet Exposures	<u>65,973,515</u>	<u>63,598,434</u>	<u>33,596,313</u>	<u>2,687,705</u>
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures	5,128,643	4,521,260	3,589,739	287,179
Derivative Financial Instruments	922,950	922,950	275,237	22,019
Defaulted Exposures	7,800	7,795	11,565	925
Total Off-Balance Sheet Exposures	<u>6,059,393</u>	<u>5,452,005</u>	<u>3,876,541</u>	<u>310,123</u>
Total On and Off-Balance Sheet Exposures	<u>72,032,908</u>	<u>69,050,439</u>	<u>37,472,854</u>	<u>2,997,828</u>
(b) <u>Market Risk (Section 5.0)</u>				
	Long Position	Short Position		
Interest Rate Risk	27,565,310	(27,555,042)	266,101	21,288
Foreign Exchange Risk	36,639	(48,882)	48,884	3,911
	<u>27,601,949</u>	<u>(27,603,924)</u>		
Option Risk			1,663	133
Total			<u>316,648</u>	<u>25,332</u>
(c) <u>Operational Risk</u>	-	-	3,556,380	284,510
Total	<u>72,032,908</u>	<u>69,050,439</u>	<u>41,345,882</u>	<u>3,307,670</u>

**2.0 Capital (cont'd.)**

**2.3 RWA and Capital Requirements (cont'd.)**

**Regulatory Capital Requirements (cont'd.)**

The following tables present the minimum regulatory capital requirements of the Group and the Bank (cont'd.):

<b><u>BANK</u></b> <b>2023</b> <b>Exposure Class</b>	<b>Gross</b> <b>Exposures</b> <b>RM'000</b>	<b>Net</b> <b>Exposures</b> <b>RM'000</b>	<b>Risk-</b> <b>Weighted</b> <b>Assets</b> <b>RM'000</b>	<b>Capital</b> <b>Requirements</b> <b>RM'000</b>
(a) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,077,581	7,077,581	-	-
Public Sector Entities	361,324	361,324	11,817	945
Banks, DFIs and Multilateral				
Development Banks	2,515,766	2,515,766	598,952	47,916
Insurance Companies, Securities				
Firms and Fund Managers	56,699	56,124	53,671	4,294
Corporates	16,550,663	15,364,654	12,453,126	996,250
Regulatory Retail	9,570,461	8,621,370	6,068,793	485,503
Residential Mortgages	11,864,766	11,855,530	4,724,529	377,962
Higher Risk Assets	3,846	3,846	5,769	462
Other Assets	1,195,492	1,195,492	673,746	53,900
Defaulted Exposures	439,174	436,073	384,423	30,754
Total On-Balance Sheet Exposures	<u>49,635,772</u>	<u>47,487,760</u>	<u>24,974,826</u>	<u>1,997,986</u>
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance				
Sheet Exposures	4,241,140	3,697,434	2,904,996	232,400
Derivative Financial Instruments	937,367	937,367	282,445	22,595
Defaulted Exposures	7,732	7,727	11,496	920
Total Off-Balance Sheet Exposures	<u>5,186,239</u>	<u>4,642,528</u>	<u>3,198,937</u>	<u>255,915</u>
Total On and Off-Balance				
Sheet Exposures	<u>54,822,011</u>	<u>52,130,288</u>	<u>28,173,763</u>	<u>2,253,901</u>
(b) <u>Market Risk (Section 5.0)</u>				
	Long Position	Short Position		
Interest Rate Risk	27,565,310	(27,555,042)	266,101	21,288
Foreign Exchange Risk	36,722	(48,759)	48,761	3,901
	<u>27,602,032</u>	<u>(27,603,801)</u>		
Option Risk			1,663	133
Total			<u>316,525</u>	<u>25,322</u>
(c) <u>Operational Risk</u>	-	-	2,677,121	214,170
Total	<u>54,822,011</u>	<u>52,130,288</u>	<u>31,167,409</u>	<u>2,493,393</u>

Note: Under Islamic banking, the Group does not use Profit-sharing Investment Account ("PSIA") as a risk absorbent mechanism.

The Group and the Bank do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

### **3.0 Risk Management**

The Board and the Management of Alliance Bank Malaysia Berhad are committed to ensure that the Bank's corporate objectives are supported by a sound risk strategy with an effective risk management framework that is appropriate to the nature, scale and complexity of the Bank's activities.

#### **3.1 Risk Management Framework**

The Bank's risk management framework recognises the diversity of the organisation's activities by balancing the Board's strong supervision with well-defined independent risk management functions within each business area. The Bank's risk management framework is embedded in our respective business activities in order to integrate risk-taking and decision-making with prudent risk management principles. It provides a structured approach for the Bank to form a consolidated and aggregated view of all risks identified at entity, business segment and product levels; and to manage these risks in a holistic manner alongside business objectives and compliance requirements.

#### **3.2 Risk Governance and Organisation**

The Bank adopts the Three Lines of Defence model in managing risks collectively. The Three Lines of Defence comprises the following:

- (a) 1<sup>st</sup> Line of Defence, whereby the risk taking role is played by Business Units and aided by Business Support functions;
- (b) 2<sup>nd</sup> Line of Defence, whereby the independent risk control role is played by Group Risk Management and Group Compliance (inclusive of the Shariah Review Team); and
- (c) 3<sup>rd</sup> Line of Defence, whereby the independent risk assurance role is played by Group Internal Audit.

The governance structure adopted within the Group provides a transparent and effective system that promotes active involvement from the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Group.

The Board established the GRMC to assist the Board to oversee risk-related and compliance-related frameworks, strategies, policies and methodologies.

The Executive Risk Management Committee ("ERMC") and other Management Committees oversee and advise the Management on risk-related matters including risk policies, to support the sustainability of the Bank.

#### **3.3 Risk Strategy**

The Bank establishes appropriate risk governance, processes and controls in order to pursue its strategic business objectives with confidence, to protect its balance sheet and stakeholders' interest, and to deliver sustainable profitability. While it may not be possible or feasible to eliminate all inherent risks within the Bank, a set of risk mitigation techniques has been established to reduce the impact of these risks.

#### **3.4 Risk Appetite**

Risk Appetite describes the high-level risk parameters and thresholds the Bank is willing to assume in pursuit of its strategic business objectives. These high-level thresholds are then cascaded, where appropriate, into more granular limits and targets across the various portfolios and business units.

### **3.0 Risk Management (cont'd.)**

#### **3.5 Risk Culture**

Our Board members, Senior Management and staff are all ambassadors of the Bank's risk culture. Hence, the Bank employs the key elements of leadership, supervision, guidance, counselling and communication to shape and cultivate a desirable risk culture.

#### **3.6 Risk Management Process**

The Bank's risk management process embeds the Bank's culture and practices. It starts with risk identification, followed by risk assessment, risk mitigation and control, risk monitoring, risk reporting, escalation and disclosure. The risk management processes of different types of risk are explained in the following sections.

### **4.0 Credit Risk**

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or to settle financial commitments.

#### ***Credit Risk Management***

The Board, via the GRMC, established a Credit Risk Management Framework ("CRMF") which outlines the broad principles for managing credit risk of the Group.

Credit approval is under the purview of the Executive Committee, Group Management Credit Committee and Credit Underwriters, depending on the size and complexity of the loans.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. The Portfolio Review Committee for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality, and formulates action plans to manage identified risks. The process also ensures alignment of business strategy with the Bank's risk appetite.

Potential problem loans or issues related to portfolios are identified through our Early Warning Framework and thematic reviews, where applicable. Impaired loans are recovered internally or through authorised agents.

In the aspect of credit risk measurement, quantitative tools such as application and behavioural scorecards (for retail loans) and credit rating model (for corporate loans) play an integral role in supporting risk informed pricing, underwriting and portfolio management strategies. In order to manage model risk and ensure that the models remain fit-for-purpose, periodic model validations of all credit models are carried out by an independent validation team within Group Risk Management. The broad principles and framework governing the validation of credit models are set out in the Independent Model Validation Framework. Validation covers both quantitative and qualitative aspects of the model, such as back-testing to assess model performance and accuracy, as well as qualitative evaluation of rating system operations, model design, governance and data quality.

Entity-level Risk Dashboards are escalated to the ERM (Senior Management Level), GRMC (Board Level) and the Board for deliberation and strategic direction.

Group Risk Management is responsible for assessing the adequacy and effectiveness of the risk management framework, policies and guidelines. Embedded risk units are responsible for monitoring business activities and ensuring that they are carried out within the approved policies and business models.

Group Risk Management also performs periodic post approval credit reviews on a sampling basis covering the Consumer, small and medium enterprises ("SMEs"), Corporate and Commercial portfolios to independently assess the quality of credit practices across the Group. The review reports are presented to the GRMC and Group Audit Committee for their notation. Status of all outstanding issues are tracked until closure.

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and assess the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and to formulate effective mitigation actions when required. Sensitivity analyses are conducted to assess the potential effect of individual risk factors.

Group Internal Audit reviews the Bank's credit processes regularly and recommends corrective measures or enhancements. These reviews provide Senior Management with the assurance that the policies, processes and guidelines are adhered to.

**4.0 Credit Risk (cont'd.)**

***Impaired Loans and Provisions***

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the mandatory impairment thresholds are exceeded or judgmentally impaired when there are reasonable grounds to believe that the borrower may not be able to repay the entire loan amount.

Provisions for expected credit losses are carried out based on the MFRS 9 approach, loans with defined risk characteristics are transferred to Stage 2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 under MFRS 9. Loans that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on the probability of default over the next 12 months.

Please refer to Note 2(j)(i) of the audited financial statements for accounting policies on impairment of financial assets.

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

<b>GROUP</b> <b>2024</b>	<b>Geographical Region</b>						<b>Total</b> <b>RM'000</b>
	<b>Northern</b> <b>RM'000</b>	<b>Central</b> <b>RM'000</b>	<b>Southern</b> <b>RM'000</b>	<b>Sabah</b> <b>RM'000</b>	<b>Sarawak</b> <b>RM'000</b>	<b>Outside</b> <b>Malaysia</b> <b>RM'000</b>	
<b>Exposure Class</b>							
Sovereigns/Central Banks	-	10,777,276	-	-	-	-	10,777,276
Public Sector Entities	-	637,188	-	20,108	-	-	657,296
Banks, DFIs and Multilateral							
Development Banks	-	3,787,767	-	80,152	5,011	197,499	4,070,429
Insurance Companies, Securities							
Firms and Fund Managers	7,684	145,621	-	81	775	-	154,161
Corporates	2,474,803	19,130,146	2,149,028	1,624,011	734,908	-	26,112,896
Regulatory Retail	1,484,909	9,835,344	1,834,160	1,132,313	522,173	-	14,808,899
Residential Mortgages	665,351	13,779,042	2,013,051	730,660	134,794	-	17,322,898
Higher Risk Assets	-	1,205	2,353	-	1,119	-	4,677
Other Assets	-	1,939,496	-	-	-	-	1,939,496
Defaulted Exposures	58,233	497,449	64,878	20,284	3,801	-	644,645
<b>Total On-Balance Sheet Exposures</b>	<b>4,690,980</b>	<b>60,530,534</b>	<b>6,063,470</b>	<b>3,607,609</b>	<b>1,402,581</b>	<b>197,499</b>	<b>76,492,673</b>
Credit-Related Off-Balance							
Sheet Exposures	522,654	4,676,705	684,485	350,458	195,776	-	6,430,078
Derivative Financial Instruments	-	1,267,844	-	-	-	-	1,267,844
Defaulted Exposures	320	727	3	385	8	-	1,443
<b>Total Off-Balance Sheet Exposures</b>	<b>522,974</b>	<b>5,945,276</b>	<b>684,488</b>	<b>350,843</b>	<b>195,784</b>	<b>-</b>	<b>7,699,365</b>
<b>Total Credit Exposures</b>	<b>5,213,954</b>	<b>66,475,810</b>	<b>6,747,958</b>	<b>3,958,452</b>	<b>1,598,365</b>	<b>197,499</b>	<b>84,192,038</b>

<b>BANK</b> <b>2024</b>	<b>Geographical Region</b>						<b>Total</b> <b>RM'000</b>
	<b>Northern</b> <b>RM'000</b>	<b>Central</b> <b>RM'000</b>	<b>Southern</b> <b>RM'000</b>	<b>Sabah</b> <b>RM'000</b>	<b>Sarawak</b> <b>RM'000</b>	<b>Outside</b> <b>Malaysia</b> <b>RM'000</b>	
<b>Exposure Class</b>							
Sovereigns/Central Banks	-	8,547,759	-	-	-	-	8,547,759
Public Sector Entities	-	466,545	-	54	-	-	466,599
Banks, DFIs and Multilateral							
Development Banks	-	3,338,122	-	80,152	-	197,499	3,615,773
Insurance Companies, Securities							
Firms and Fund Managers	12	75,608	-	81	775	-	76,476
Corporates	1,489,477	15,315,403	1,663,561	1,042,825	559,567	-	20,070,833
Regulatory Retail	904,841	7,355,065	1,371,894	786,327	415,527	-	10,833,654
Residential Mortgages	529,786	10,193,025	1,622,445	471,702	105,011	-	12,921,969
Higher Risk Assets	-	372	2,226	-	1,119	-	3,717
Other Assets	-	1,911,440	-	-	-	-	1,911,440
Defaulted Exposures	36,560	350,853	46,821	7,711	3,102	-	445,047
<b>Total On-Balance Sheet Exposures</b>	<b>2,960,676</b>	<b>47,554,192</b>	<b>4,706,947</b>	<b>2,388,852</b>	<b>1,085,101</b>	<b>197,499</b>	<b>58,893,267</b>
Credit-Related Off-Balance							
Sheet Exposures	331,407	4,086,168	586,454	255,556	130,424	-	5,390,009
Derivative Financial Instruments	-	1,267,844	-	-	-	-	1,267,844
Defaulted Exposures	320	494	-	365	8	-	1,187
<b>Total Off-Balance Sheet Exposures</b>	<b>331,727</b>	<b>5,354,506</b>	<b>586,454</b>	<b>255,921</b>	<b>130,432</b>	<b>-</b>	<b>6,659,040</b>
<b>Total Credit Exposures</b>	<b>3,292,403</b>	<b>52,908,698</b>	<b>5,293,401</b>	<b>2,644,773</b>	<b>1,215,533</b>	<b>197,499</b>	<b>65,552,307</b>

4.1 Distribution of Credit Exposures (cont'd.)

(a) Geographical Distribution (cont'd.)

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account any collateral held or other credit enhancements and after allowance for impairment, where appropriate (cont'd.).

<u>GROUP</u> 2023	Geographical Region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
<b>Exposure Class</b>							
Sovereigns/Central Banks	-	10,033,638	-	-	-	-	10,033,638
Public Sector Entities	-	630,310	-	10,040	-	-	640,350
Banks, DFIs and Multilateral Development Banks	-	1,746,398	-	80,158	5,014	37,640	1,869,210
Insurance Companies, Securities Firms and Fund Managers	9,028	77,091	1,402	98	13	-	87,632
Corporates	1,809,721	16,605,900	1,692,335	1,434,337	704,336	-	22,246,629
Regulatory Retail	1,364,525	8,526,976	1,635,543	1,044,381	429,751	-	13,001,176
Residential Mortgages	639,282	12,726,294	2,012,818	726,136	123,124	-	16,227,654
Higher Risk Assets	163	908	2,515	-	1,154	-	4,740
Other Assets	-	1,201,152	-	-	-	-	1,201,152
Defaulted Exposures	43,389	492,034	100,529	22,252	3,130	-	661,334
<b>Total On-Balance Sheet Exposures</b>	<b>3,866,108</b>	<b>52,040,701</b>	<b>5,445,142</b>	<b>3,317,402</b>	<b>1,266,522</b>	<b>37,640</b>	<b>65,973,515</b>
Credit-Related Off-Balance Sheet Exposures	430,555	3,809,067	429,609	301,725	157,687	-	5,128,643
Derivative Financial Instruments	-	922,950	-	-	-	-	922,950
Defaulted Exposures	322	5,490	1,612	366	10	-	7,800
<b>Total Off-Balance Sheet Exposures</b>	<b>430,877</b>	<b>4,737,507</b>	<b>431,221</b>	<b>302,091</b>	<b>157,697</b>	<b>-</b>	<b>6,059,393</b>
<b>Total Credit Exposures</b>	<b>4,296,985</b>	<b>56,778,208</b>	<b>5,876,363</b>	<b>3,619,493</b>	<b>1,424,219</b>	<b>37,640</b>	<b>72,032,908</b>

<u>BANK</u> 2023	Geographical Region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
<b>Exposure Class</b>							
Sovereigns/Central Banks	-	7,077,581	-	-	-	-	7,077,581
Public Sector Entities	-	361,310	-	14	-	-	361,324
Banks, DFIs and Multilateral Development Banks	-	2,397,968	-	80,158	-	37,640	2,515,766
Insurance Companies, Securities Firms and Fund Managers	20	55,166	1,402	98	13	-	56,699
Corporates	1,078,850	12,765,814	1,266,372	925,108	514,519	-	16,550,663
Regulatory Retail	817,635	6,474,727	1,183,749	751,754	342,596	-	9,570,461
Residential Mortgages	497,526	9,213,033	1,600,626	464,462	89,119	-	11,864,766
Higher Risk Assets	-	356	2,336	-	1,154	-	3,846
Other Assets	-	1,195,492	-	-	-	-	1,195,492
Defaulted Exposures	26,212	324,676	75,154	10,352	2,780	-	439,174
<b>Total On-Balance Sheet Exposures</b>	<b>2,420,243</b>	<b>39,866,123</b>	<b>4,129,639</b>	<b>2,231,946</b>	<b>950,181</b>	<b>37,640</b>	<b>49,635,772</b>
Credit-Related Off-Balance Sheet Exposures	290,790	3,301,496	337,800	202,007	109,047	-	4,241,140
Derivative Financial Instruments	-	937,367	-	-	-	-	937,367
Defaulted Exposures	321	5,423	1,612	366	10	-	7,732
<b>Total Off-Balance Sheet Exposures</b>	<b>291,111</b>	<b>4,244,286</b>	<b>339,412</b>	<b>202,373</b>	<b>109,057</b>	<b>-</b>	<b>5,186,239</b>
<b>Total Credit Exposures</b>	<b>2,711,354</b>	<b>44,110,409</b>	<b>4,469,051</b>	<b>2,434,319</b>	<b>1,059,238</b>	<b>37,640</b>	<b>54,822,011</b>

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(b) Industry Distribution

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

<u>GROUP</u> 2024	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
<b>Exposure Class</b>								
Sovereigns/Central Banks	10,777,276	-	-	-	-	-	-	10,777,276
Public Sector Entities	-	618,200	-	48	-	-	39,048	657,296
Banks, DFIs and Multilateral Development Banks	-	4,070,429	-	-	-	-	-	4,070,429
Insurance Companies, Securities Firms and Fund Managers	-	154,161	-	-	-	-	-	154,161
Corporates	-	9,048,748	1,842,466	11,752,604	1,613,340	1,420,725	435,013	26,112,896
Regulatory Retail	-	1,277,533	186,931	5,277,599	383,467	7,501,599	181,770	14,808,899
Residential Mortgages	-	-	-	-	-	17,322,898	-	17,322,898
Higher Risk Assets	-	-	-	-	-	4,677	-	4,677
Other Assets	-	277,989	-	-	-	-	1,661,507	1,939,496
Defaulted Exposures	-	24,595	2,717	117,539	75,893	411,119	12,782	644,645
<b>Total On-Balance Sheet Exposures</b>	<b>10,777,276</b>	<b>15,471,655</b>	<b>2,032,114</b>	<b>17,147,790</b>	<b>2,072,700</b>	<b>26,661,018</b>	<b>2,330,120</b>	<b>76,492,673</b>
Credit-Related Off-Balance Sheet Exposures	91,165	1,123,643	104,894	1,989,850	545,074	2,473,053	102,399	6,430,078
Derivative Financial Instruments	29,433	1,057,591	-	-	-	-	180,820	1,267,844
Defaulted Exposures	-	557	47	602	1	236	-	1,443
<b>Total Off-Balance Sheet Exposures</b>	<b>120,598</b>	<b>2,181,791</b>	<b>104,941</b>	<b>1,990,452</b>	<b>545,075</b>	<b>2,473,289</b>	<b>283,219</b>	<b>7,699,365</b>
<b>Total Credit Exposures</b>	<b>10,897,874</b>	<b>17,653,446</b>	<b>2,137,055</b>	<b>19,138,242</b>	<b>2,617,775</b>	<b>29,134,307</b>	<b>2,613,339</b>	<b>84,192,038</b>
<b>BANK</b> 2024								
<b>Exposure Class</b>								
Sovereigns/Central Banks	8,547,759	-	-	-	-	-	-	8,547,759
Public Sector Entities	-	427,503	-	48	-	-	39,048	466,599
Banks, DFIs and Multilateral Development Banks	-	3,615,773	-	-	-	-	-	3,615,773
Insurance Companies, Securities Firms and Fund Managers	-	76,476	-	-	-	-	-	76,476
Corporates	-	7,320,304	1,317,636	8,510,188	1,176,001	1,413,736	332,968	20,070,833
Regulatory Retail	-	957,736	150,437	3,892,401	252,474	5,427,318	153,288	10,833,654
Residential Mortgages	-	-	-	-	-	12,921,969	-	12,921,969
Higher Risk Assets	-	-	-	-	-	3,717	-	3,717
Other Assets	-	277,989	-	-	-	-	1,633,451	1,911,440
Defaulted Exposures	-	24,064	2,104	93,661	74,580	241,121	9,517	445,047
<b>Total On-Balance Sheet Exposures</b>	<b>8,547,759</b>	<b>12,699,845</b>	<b>1,470,177</b>	<b>12,496,298</b>	<b>1,503,055</b>	<b>20,007,861</b>	<b>2,168,272</b>	<b>58,893,267</b>
Credit-Related Off-Balance Sheet Exposures	91,165	972,317	75,430	1,433,507	455,739	2,268,686	93,165	5,390,009
Derivative Financial Instruments	29,432	1,057,592	-	-	-	-	180,820	1,267,844
Defaulted Exposures	-	515	48	471	1	152	-	1,187
<b>Total Off-Balance Sheet Exposures</b>	<b>120,597</b>	<b>2,030,424</b>	<b>75,478</b>	<b>1,433,978</b>	<b>455,740</b>	<b>2,268,838</b>	<b>273,985</b>	<b>6,659,040</b>
<b>Total Credit Exposures</b>	<b>8,668,356</b>	<b>14,730,269</b>	<b>1,545,655</b>	<b>13,930,276</b>	<b>1,958,795</b>	<b>22,276,699</b>	<b>2,442,257</b>	<b>65,552,307</b>

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(b) Industry Distribution (cont'd.)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged. (cont'd.)

<b>GROUP</b>	<b>Government &amp; Central Bank</b>	<b>Financial, Insurance, Business Services &amp; Real Estate</b>	<b>Transport, Storage &amp; Communication</b>	<b>Agriculture, Manufacturing, Wholesale &amp; Retail Trade</b>	<b>Construction</b>	<b>Household</b>	<b>Others</b>	<b>Total</b>
<b>2023</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Exposure Class</b>								
Sovereigns/Central Banks	10,033,638	-	-	-	-	-	-	10,033,638
Public Sector Entities	-	582,943	-	-	-	-	57,407	640,350
Banks, DFIs and Multilateral Development Banks	-	1,869,210	-	-	-	-	-	1,869,210
Insurance Companies, Securities Firms and Fund Managers	-	82,292	-	5,340	-	-	-	87,632
Corporates	-	7,427,077	1,950,692	10,377,826	1,447,453	745,589	297,992	22,246,629
Regulatory Retail	-	1,164,447	156,911	4,893,974	377,007	6,258,252	150,585	13,001,176
Residential Mortgages	-	-	-	-	-	16,227,654	-	16,227,654
Higher Risk Assets	-	-	-	-	-	4,740	-	4,740
Other Assets	-	257,220	-	-	-	-	943,932	1,201,152
Defaulted Exposures	-	44,262	1,746	107,030	17,564	487,318	3,414	661,334
<b>Total On-Balance Sheet Exposures</b>	<b>10,033,638</b>	<b>11,427,451</b>	<b>2,109,349</b>	<b>15,384,170</b>	<b>1,842,024</b>	<b>23,723,553</b>	<b>1,453,330</b>	<b>65,973,515</b>
Credit-Related Off-Balance Sheet Exposures	-	894,418	85,131	1,759,133	547,586	1,753,586	88,789	5,128,643
Derivative Financial Instruments	65,534	727,287	-	-	-	-	130,129	922,950
Defaulted Exposures	-	365	35	2,347	4,834	219	-	7,800
<b>Total Off-Balance Sheet Exposures</b>	<b>65,534</b>	<b>1,622,070</b>	<b>85,166</b>	<b>1,761,480</b>	<b>552,420</b>	<b>1,753,805</b>	<b>218,918</b>	<b>6,059,393</b>
<b>Total Credit Exposures</b>	<b>10,099,172</b>	<b>13,049,521</b>	<b>2,194,515</b>	<b>17,145,650</b>	<b>2,394,444</b>	<b>25,477,358</b>	<b>1,672,248</b>	<b>72,032,908</b>

  

<b>BANK</b>								
<b>2023</b>								
<b>Exposure Class</b>								
Sovereigns/Central Banks	7,077,581	-	-	-	-	-	-	7,077,581
Public Sector Entities	-	303,917	-	-	-	-	57,407	361,324
Banks, DFIs and Multilateral Development Banks	-	2,515,766	-	-	-	-	-	2,515,766
Insurance Companies, Securities Firms and Fund Managers	-	56,699	-	-	-	-	-	56,699
Corporates	-	5,601,596	1,341,512	7,593,058	1,054,449	739,334	220,714	16,550,663
Regulatory Retail	-	897,740	126,805	3,626,914	248,478	4,551,530	118,994	9,570,461
Residential Mortgages	-	-	-	-	-	11,864,766	-	11,864,766
Higher Risk Assets	-	-	-	-	-	3,846	-	3,846
Other Assets	-	257,219	-	-	-	-	938,273	1,195,492
Defaulted Exposures	-	44,178	1,295	93,633	16,337	283,549	182	439,174
<b>Total On-Balance Sheet Exposures</b>	<b>7,077,581</b>	<b>9,677,115</b>	<b>1,469,612</b>	<b>11,313,605</b>	<b>1,319,264</b>	<b>17,443,025</b>	<b>1,335,570</b>	<b>49,635,772</b>
Credit-Related Off-Balance Sheet Exposures	-	765,060	66,678	1,280,440	474,918	1,574,366	79,678	4,241,140
Derivative Financial Instruments	65,534	741,704	-	-	-	-	130,129	937,367
Defaulted Exposures	-	365	35	2,347	4,834	151	-	7,732
<b>Total Off-Balance Sheet Exposures</b>	<b>65,534</b>	<b>1,507,129</b>	<b>66,713</b>	<b>1,282,787</b>	<b>479,752</b>	<b>1,574,517</b>	<b>209,807</b>	<b>5,186,239</b>
<b>Total Credit Exposures</b>	<b>7,143,115</b>	<b>11,184,244</b>	<b>1,536,325</b>	<b>12,596,392</b>	<b>1,799,016</b>	<b>19,017,542</b>	<b>1,545,377</b>	<b>54,822,011</b>

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank.

<b>GROUP</b> <b>2024</b>	<b>Up to 1 month</b> <b>RM'000</b>	<b>&gt;1-3 months</b> <b>RM'000</b>	<b>&gt;3-6 months</b> <b>RM'000</b>	<b>&gt;6-12 months</b> <b>RM'000</b>	<b>&gt;1 year</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Exposure Class</b>						
Sovereigns/Central Banks	927,535	192,089	161,915	359,315	9,136,422	10,777,276
Public Sector Entities	20,108	-	-	10,639	626,549	657,296
Banks, DFIs and Multilateral Development Banks	3,611,333	-	-	10,055	449,041	4,070,429
Insurance Companies, Securities Firms and Fund Managers	141,579	2,729	263	87	9,503	154,161
Corporates	5,332,496	2,347,410	828,224	355,736	17,249,030	26,112,896
Regulatory Retail	2,568,608	395,375	163,058	96,620	11,585,238	14,808,899
Residential Mortgages	678,590	655	1,635	3,439	16,638,579	17,322,898
Higher Risk Assets	-	-	-	-	4,677	4,677
Other Assets	1,016,857	12,127	11,813	10,508	888,191	1,939,496
Defaulted Exposures	99,472	17,601	205	7,423	519,944	644,645
<b>Total On-Balance Sheet Exposures</b>	<b>14,396,578</b>	<b>2,967,986</b>	<b>1,167,113</b>	<b>853,822</b>	<b>57,107,174</b>	<b>76,492,673</b>

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<b>Exposure Class</b>						
Sovereigns/Central Banks	329,578	192,089	161,915	308,161	7,556,016	8,547,759
Public Sector Entities	54	-	-	-	466,545	466,599
Banks, DFIs and Multilateral Development Banks	2,972,685	-	-	10,055	633,033	3,615,773
Insurance Companies, Securities Firms and Fund Managers	70,929	-	-	87	5,460	76,476
Corporates	4,260,941	1,815,927	635,154	264,394	13,094,417	20,070,833
Regulatory Retail	2,102,551	284,986	119,287	75,375	8,251,455	10,833,654
Residential Mortgages	281,201	621	1,558	3,171	12,635,418	12,921,969
Higher Risk Assets	-	-	-	-	3,717	3,717
Other Assets	1,087,639	11,327	10,614	8,661	793,199	1,911,440
Defaulted Exposures	85,689	17,508	50	7,268	334,532	445,047
<b>Total On-Balance Sheet Exposures</b>	<b>11,191,267</b>	<b>2,322,458</b>	<b>928,578</b>	<b>677,172</b>	<b>43,773,792</b>	<b>58,893,267</b>

#### 4.0 Credit Risk (cont'd.)

##### 4.1 Distribution of Credit Exposures (cont'd.)

##### (c) Residual Contractual Maturity (cont'd.)

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet financial assets of the Group and the Bank (cont'd).

<b>GROUP</b>	<b>Up to 1 month</b>	<b>&gt;1-3 months</b>	<b>&gt;3-6 months</b>	<b>&gt;6-12 months</b>	<b>&gt;1 year</b>	<b>Total</b>
<b>2023</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Exposure Class</b>						
Sovereigns/Central Banks	1,974,311	111,393	20,292	338,600	7,589,042	10,033,638
Public Sector Entities	10,040	-	100,709	20,712	508,889	640,350
Banks, DFIs and Multilateral Development Banks	1,591,505	108,488	789	10,113	158,315	1,869,210
Insurance Companies, Securities Firms and Fund Managers	75,134	3,800	-	-	8,698	87,632
Corporates	4,466,867	1,958,095	915,769	408,119	14,497,779	22,246,629
Regulatory Retail	2,404,495	340,048	149,588	80,449	10,026,596	13,001,176
Residential Mortgages	812,148	426	535	3,541	15,411,004	16,227,654
Higher Risk Assets	-	-	-	22	4,718	4,740
Other Assets	643,798	9,091	9,997	9,207	529,059	1,201,152
Defaulted Exposures	78,346	1,724	295	1,035	579,934	661,334
<b>Total On-Balance Sheet Exposures</b>	<b>12,056,644</b>	<b>2,533,065</b>	<b>1,197,974</b>	<b>871,798</b>	<b>49,314,034</b>	<b>65,973,515</b>

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<b>Exposure Class</b>						
Sovereigns/Central Banks	499,565	81,010	-	318,185	6,178,821	7,077,581
Public Sector Entities	14	-	-	1,574	359,736	361,324
Banks, DFIs and Multilateral Development Banks	2,029,474	108,488	-	5,049	372,755	2,515,766
Insurance Companies, Securities Firms and Fund Managers	52,636	-	-	-	4,063	56,699
Corporates	3,379,691	1,498,643	701,889	379,474	10,590,966	16,550,663
Regulatory Retail	1,984,740	257,324	109,601	56,648	7,162,148	9,570,461
Residential Mortgages	334,850	417	479	3,267	11,525,753	11,864,766
Higher Risk Assets	-	-	-	22	3,824	3,846
Other Assets	650,051	7,587	8,164	6,745	522,945	1,195,492
Defaulted Exposures	63,822	1,660	214	403	373,075	439,174
<b>Total On-Balance Sheet Exposures</b>	<b>8,994,843</b>	<b>1,955,129</b>	<b>820,347</b>	<b>771,367</b>	<b>37,094,086</b>	<b>49,635,772</b>

#### 4.0 Credit Risk (cont'd.)

##### 4.2 Impaired Loans, Advances and Financing and Allowance for ECL Analysis

Impaired loans, advances and financing are exposures where the customers have failed to make a principal and/or interest payment for more than three months. In addition, where customers are deemed incapable of continuing repayment obligations, the exposures will be judgmentally impaired. Where exposures are restructured or rescheduled due to increase in credit risk, the exposures are also classified as impaired.

##### Past Due but Not Impaired Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but not more than three months. Under MFRS 9, exposures more than 30 days past due are transferred to Stage 2. For loans that are structured to pay principal and/or interest at quarterly intervals or longer, a default of payment will trigger an impairment.

##### Impaired and Past Due Loans, Advances and Financing and Allowance for ECL - Industry Analysis

	Impaired Loans, Advances and Financing	Past Due Loan	12 months ECL (Stage 1)	Lifetime ECL Not-credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Stage 3 ECL charged/ (write-back) (net)	Stage 3 write-off (net)
<b>GROUP</b>							
<b>2024</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial, Insurance & Business Services and Real Estate	53,938	73,423	14,011	24,119	29,408	(264)	(5,702)
Transport, Storage & Communication	8,016	4,749	3,893	4,336	5,329	2,197	(860)
Agriculture, Manufacturing, Wholesale & Retail Trade	259,570	126,729	70,664	69,913	142,371	46,505	(60,938)
Construction	207,535	28,259	5,072	21,141	131,814	9,827	(14,585)
Household	632,474	948,018	126,489	303,989	222,311	133,760	(148,279)
Others	16,494	1,755	3,222	2,908	3,735	1,978	(461)
<b>Total</b>	<b>1,178,027</b>	<b>1,182,933</b>	<b>223,351</b>	<b>426,406</b>	<b>534,968</b>	<b>194,003</b>	<b>(230,825)</b>

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Financial, Insurance & Business Services and Real Estate	52,235	46,524	10,705	20,969	28,237	(690)	(5,702)
Transport, Storage & Communication	7,039	4,649	3,036	3,906	4,960	2,150	(515)
Agriculture, Manufacturing, Wholesale & Retail Trade	216,097	114,366	50,695	59,631	122,770	39,337	(47,495)
Construction	196,471	21,180	3,127	14,301	122,054	10,736	(13,252)
Household	379,121	608,250	63,831	160,311	138,108	74,740	(83,297)
Others	11,607	1,431	2,351	1,442	2,113	1,704	(461)
<b>Total</b>	<b>862,570</b>	<b>796,400</b>	<b>133,745</b>	<b>260,560</b>	<b>418,242</b>	<b>127,977</b>	<b>(150,722)</b>

4.0 Credit Risk (cont'd.)

4.2 Impaired Loans, Advances and Financing and Allowance for ECL Analysis (cont'd.)

Impaired and Past Due Loans, Advances and Financing and Allowance for ECL - Industry Analysis (cont'd.)

	Impaired Loans, Advances and Financing	Past Due Loan	12 months ECL (Stage 1)	Lifetime ECL Not-credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Stage 3 ECL charged/ (write-back) (net)	Stage 3 write-off (net)
<b>GROUP</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2023</b>							
Financial, Insurance & Business Services and Real Estate	79,605	81,580	8,131	14,637	35,374	28,969	(1,129)
Transport, Storage & Communication	5,749	15,604	1,174	5,394	3,991	1,979	(0)
Agriculture, Manufacturing, Wholesale & Retail Trade	263,650	421,625	22,454	69,682	156,806	86,931	(22,305)
Construction	154,119	138,795	2,099	36,681	136,572	111,161	(41,058)
Household	724,006	1,293,244	137,451	391,736	236,830	164,665	(84,760)
Others	5,644	19,772	523	5,722	2,217	1,342	(1,033)
<b>Total</b>	<b>1,232,773</b>	<b>1,970,620</b>	<b>171,832</b>	<b>523,852</b>	<b>571,790</b>	<b>395,047</b>	<b>(150,285)</b>

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Financial, Insurance & Business Services and Real Estate	78,776	71,659	6,174	11,975	34,628	28,660	(1,129)
Transport, Storage & Communication	4,610	12,742	933	5,050	3,326	1,614	(0)
Agriculture, Manufacturing, Wholesale & Retail Trade	224,387	348,136	16,902	56,383	130,929	76,382	(18,198)
Construction	140,890	99,710	1,612	22,020	124,569	110,028	(581)
Household	430,002	847,468	79,714	204,975	146,665	87,573	(47,238)
Others	1,052	14,161	447	2,456	870	603	(1,033)
<b>Total</b>	<b>879,717</b>	<b>1,393,876</b>	<b>105,782</b>	<b>302,859</b>	<b>440,987</b>	<b>304,860</b>	<b>(68,179)</b>

4.0 Credit Risk (cont'd.)

4.2 Impaired Loans, Advances and Financing and Allowance for ECL Analysis (cont'd.)

Impaired and Past Due Loans, Advances and Financing and Allowance for ECL - Geographical

	Impaired Loans, Advances and Financing RM'000	Past Due Loan RM'000	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Stage 3 ECL charged/ (write-back) (net) RM'000	Stage 3 write-off (net) RM'000
<b>GROUP</b>							
<b>2024</b>							
Northern Region	103,907	79,523	23,718	33,773	45,738	16,864	(21,909)
Central Region	907,287	902,834	161,371	335,771	411,066	166,257	(176,707)
Southern Region	113,765	128,785	20,623	35,046	49,102	6,000	(28,989)
Sabah Region	43,833	57,610	11,748	14,411	23,556	2,398	(2,327)
Sarawak Region	9,235	14,181	5,891	7,405	5,506	2,484	(893)
<b>Total</b>	<b>1,178,027</b>	<b>1,182,933</b>	<b>223,351</b>	<b>426,406</b>	<b>534,968</b>	<b>194,003</b>	<b>(230,825)</b>
<b>BANK</b>							
<b>2024</b>							
Northern Region	63,187	57,516	12,656	21,629	26,666	10,272	(17,201)
Central Region	682,833	591,537	96,527	200,184	332,372	110,725	(117,536)
Southern Region	83,492	96,817	13,847	23,896	36,880	3,490	(13,242)
Sabah Region	25,060	39,358	6,559	9,130	17,356	1,354	(1,902)
Sarawak Region	7,998	11,172	4,156	5,721	4,968	2,136	(841)
<b>Total</b>	<b>862,570</b>	<b>796,400</b>	<b>133,745</b>	<b>260,560</b>	<b>418,242</b>	<b>127,977</b>	<b>(150,722)</b>

4.0 Credit Risk (cont'd.)

4.2 Impaired Loans, Advances and Financing and Allowance for ECL Analysis (cont'd.)

Impaired and Past Due Loans, Advances and Financing and Allowance for ECL - Geographical (cont'd.)

	Impaired Loans, Advances and Financing RM'000	Past Due Loan RM'000	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Stage 3 ECL charged/ (write-back) (net) RM'000	Stage 3 write-off (net) RM'000
<b>GROUP</b>							
<b>2023</b>							
Northern Region	94,117	158,014	13,326	32,327	50,782	25,262	(9,817)
Central Region	913,411	1,472,801	129,489	420,027	421,517	317,672	(121,577)
Southern Region	172,504	182,047	19,427	44,744	72,091	31,871	(15,677)
Sabah Region	45,698	113,223	7,334	20,771	23,485	19,200	(2,895)
Sarawak Region	7,043	44,535	2,256	5,983	3,915	1,042	(319)
<b>Total</b>	<b>1,232,773</b>	<b>1,970,620</b>	<b>171,832</b>	<b>523,852</b>	<b>571,790</b>	<b>395,047</b>	<b>(150,285)</b>

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Northern Region	59,742	106,462	8,024	18,684	33,596	17,930	(7,431)
Central Region	663,572	1,040,810	77,736	237,554	339,182	244,676	(48,120)
Southern Region	121,736	121,442	13,612	27,936	46,631	25,546	(11,659)
Sabah Region	28,216	87,095	4,726	14,141	17,905	15,583	(799)
Sarawak Region	6,451	38,067	1,684	4,544	3,673	1,125	(170)
<b>Total</b>	<b>879,717</b>	<b>1,393,876</b>	<b>105,782</b>	<b>302,859</b>	<b>440,987</b>	<b>304,860</b>	<b>(68,179)</b>

#### 4.0 Credit Risk (cont'd.)

##### 4.2 Impaired Loans, Advances and Financing and Allowance for ECL Analysis (cont'd)

Movements in the allowance for ECL on loans, advances and financing are as follows:

	12 months 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
<b>GROUP</b>				
At 1 April 2023	171,832	523,852	571,790	1,267,474
Transfer to Stage 1	137,220	(331,584)	(1,926)	(196,290)
Transfer to Stage 2	(118,337)	542,981	(194,146)	230,498
Transfer to Stage 3	(933)	(275,270)	362,341	86,138
New financial assets originated or purchased	112,549	104,043	8,394	224,986
Financial assets derecognised other than write-off	(40,643)	(131,613)	(29,954)	(202,210)
Changes due to change in credit risk	(38,351)	(2,063)	20,158	(20,256)
Other adjustment	14	49	-	63
	51,519	(93,457)	164,867	122,929
Unwinding of discount	-	29	29,136	29,165
Total charge to/(write-back from) income statement	51,519	(93,428)	194,003	152,094
Write-off	-	(4,018)	(230,825)	(234,843)
At 31 March 2024	223,351	426,406	534,968	1,184,725
At 1 April 2022	270,674	557,650	331,518	1,159,842
Transfer to Stage 1	174,114	(305,106)	(19,728)	(150,720)
Transfer to Stage 2	(201,111)	498,496	(120,772)	176,613
Transfer to Stage 3	(1,896)	(366,161)	425,096	57,039
New financial assets originated or purchased	75,545	179,430	9,938	264,913
Financial assets derecognised other than write-off	(52,387)	(196,042)	(17,372)	(265,801)
Changes due to change in credit risk	(93,136)	158,320	17,373	82,557
Other adjustments	29	55	-	84
	(98,842)	(31,008)	294,535	164,685
Unwinding of discount	-	-	(4,490)	(4,490)
Total charge to income statement	(98,842)	(31,008)	290,045	160,195
Other movements	-	-	100,512	100,512
Write-off	-	(2,790)	(150,285)	(153,075)
At 31 March 2023	171,832	523,852	571,790	1,267,474

Note: The transfers between stages are inclusive of net remeasurement of allowances.

4.0 Credit Risk (cont'd.)

4.2 Impaired Loans, Advances and Financing and Allowance for ECL Analysis (cont'd)

Movements in the allowance for ECL on loans, advances and financing are as follows (cont'd):

	12 months 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
<b>BANK</b>				
At 1 April 2023	105,782	302,859	440,987	849,628
Effect of business transfer	5	1,373	57	1,435
Transfer to Stage 1	81,383	(202,069)	(1,905)	(122,591)
Transfer to Stage 2	(69,675)	329,596	(113,567)	146,354
Transfer to Stage 3	(104)	(155,493)	225,551	69,954
New financial assets originated or purchased	70,950	78,108	4,453	153,511
Financial assets derecognised other than write-off	(27,214)	(90,134)	(18,807)	(136,155)
Changes due to change in credit risk	(27,396)	(1,409)	11,385	(17,420)
Other adjustment	14	49	-	63
	27,958	(41,352)	107,110	93,716
Unwinding of discount	-	29	20,810	20,839
Total charge to/(write-back from) income statement	27,958	(41,323)	127,920	114,555
Write-off	-	(2,349)	(150,722)	(153,071)
At 31 March 2024	133,745	260,560	418,242	812,547
At 1 April 2022	174,486	368,542	207,412	750,440
Transfer to Stage 1	103,292	(191,727)	(19,584)	(108,019)
Transfer to Stage 2	(110,870)	286,433	(73,557)	102,006
Transfer to Stage 3	(686)	(258,945)	305,969	46,338
New financial assets originated or purchased	52,352	155,973	5,126	213,451
Financial assets derecognised other than write-off	(36,206)	(169,757)	(10,068)	(216,031)
Changes due to change in credit risk	(76,615)	113,432	19,977	56,794
Other adjustments	29	55	-	84
	(68,704)	(64,536)	227,863	94,623
Unwinding of discount	-	-	(3,106)	(3,106)
Total charge to income statement	(68,704)	(64,536)	224,757	91,517
Other movements	-	-	76,997	76,997
Write-off	-	(1,147)	(68,179)	(69,326)
At 31 March 2023	105,782	302,859	440,987	849,628

Note: The transfers between stages are inclusive of net remeasurement of allowances.

#### 4.0 Credit Risk (cont'd.)

##### 4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach

The following tables represent the credit exposures by risk-weights and after credit risk mitigation:

GROUP	Exposures after netting and credit risk mitigation										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns	Public	Banks,	Insurance			Regulatory	Residential	Higher	Other		
	/Central	Sector	DFIs and	Companies,	Firms and	Corporates	Retail	Mortgages	Risk	Assets		
	<u>Banks</u>	<u>Entities</u>	<u>Banks</u>	<u>Securities</u>	<u>Fund</u>				<u>Assets</u>	<u>Assets</u>		
<u>Risk-Weights</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	10,868,441	576,783	5,037	3,660	1,731,779	528,624	-	-	-	297,523	14,011,847	-
20%	29,432	221,167	4,934,722	237	3,205,168	926,428	5,958	-	-	736,144	10,059,256	2,011,851
35%	-	-	-	-	-	-	13,916,615	-	-	-	13,916,615	4,870,816
50%	-	-	348,276	-	61,039	48,319	2,502,162	-	-	-	2,959,796	1,479,898
75%	-	-	-	-	-	12,491,056	7,920	-	-	-	12,498,976	9,374,232
100%	-	-	13	114,626	21,770,642	2,686,470	1,461,906	-	-	905,829	26,939,486	26,939,484
150%	-	-	-	-	83,900	18,306	-	6,159	-	-	108,365	162,546
Total Exposures	10,897,873	797,950	5,288,048	118,523	26,852,528	16,699,203	17,894,561	6,159	1,939,496	80,494,341	44,838,827	
Risk-Weighted Assets by Exposures	5,886	44,233	1,161,095	114,673	22,568,045	12,291,665	7,590,934	9,238	1,053,058	44,838,827		
Average Risk-Weight	0%	6%	22%	97%	84%	74%	42%	150%	54%	56%		
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

#### 4.0 Credit Risk (cont'd.)

##### 4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation (cont'd.):

	Exposures after netting and credit risk mitigation										
<b>BANK</b>				Insurance						Total	
<b>2024</b>	Sovereigns	Public	Banks,	Companies,						Exposures	Total
<u>Risk-Weights</u>	/Central	Sector	DFIs and	Securities		Regulatory	Residential	Higher	Other	Netting and	Risk-
	<u>Banks</u>	<u>Entities</u>	<u>Development</u>	<u>Fund</u>	<u>Corporates</u>	<u>Retail</u>	<u>Mortgages</u>	<u>Assets</u>	<u>Assets</u>	<u>Mitigation</u>	<u>Weighted</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Assets
0%	8,638,924	407,275	-	2,103	1,244,506	421,496	-	-	297,522	11,011,826	-
20%	29,432	160,475	4,250,772	237	2,420,949	783,799	4,144	-	736,143	8,385,951	1,677,190
35%	-	-	-	-	-	-	10,367,765	-	-	10,367,765	3,628,718
50%	-	-	581,608	-	56,170	34,169	1,794,456	-	-	2,466,403	1,233,202
75%	-	-	-	-	-	10,125,520	6,160	-	-	10,131,680	7,598,760
100%	-	-	13	38,043	16,554,176	1,136,198	1,124,221	-	877,774	19,730,425	19,730,424
150%	-	-	-	-	78,437	14,342	-	4,872	-	97,651	146,476
Total Exposures	8,668,356	567,750	4,832,393	40,383	20,354,238	12,515,524	13,296,746	4,872	1,911,439	62,191,701	34,014,770
Risk-Weighted Assets by Exposures	5,886	32,095	1,140,971	38,091	17,184,105	8,925,695	5,655,616	7,308	1,025,003	34,014,770	
Average Risk-Weight	0%	6%	24%	94%	84%	71%	43%	150%	54%	55%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

#### 4.0 Credit Risk (cont'd.)

##### 4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation (cont'd.):

GROUP 2023 Risk- Weights	Exposures after netting and credit risk mitigation										Total Risk- Weighted Assets RM'000
	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	
0%	10,033,638	552,100	4,989	4,133	2,139,572	314,535	-	-	299,592	13,348,559	-
20%	65,533	202,049	2,602,639	340	2,731,341	988,699	3,248	-	277,693	6,871,542	1,374,308
35%	-	-	-	-	-	-	13,758,050	-	-	13,758,050	4,815,318
50%	-	-	233,014	-	39,454	63,633	2,009,343	-	-	2,345,444	1,172,722
75%	-	-	-	-	-	10,610,320	6,982	-	-	10,617,302	7,962,977
100%	-	-	25	110,995	18,114,055	2,166,287	1,018,339	-	623,867	22,033,568	22,033,568
150%	-	-	-	-	52,682	17,302	-	5,990	-	75,974	113,961
Total Exposures	10,099,171	754,149	2,840,667	115,468	23,077,104	14,160,776	16,795,962	5,990	1,201,152	69,050,439	37,472,854
Risk-Weighted Assets by Exposures	13,107	40,410	637,060	111,063	18,759,073	10,379,536	6,844,214	8,985	679,406	37,472,854	
Average Risk-Weight	0%	5%	22%	96%	81%	73%	41%	150%	57%	54%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

#### 4.0 Credit Risk (cont'd.)

##### 4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation (cont'd.):

	Exposures after netting and credit risk mitigation										
<b>BANK</b>				Insurance						Total	Total
<b>2023</b>	Sovereigns	Public	Banks, DFIs and	Companies, Securities						Exposures	Risk-
<u>Risk-Weights</u>	/Central Banks	Sector Entities	Multilateral Development Banks	Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Netting and Credit Risk Mitigation	Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	7,077,581	302,238	-	2,199	1,480,216	261,430	-	-	299,592	9,423,256	-
20%	65,533	140,885	3,020,506	340	1,829,204	802,612	2,180	-	277,693	6,138,953	1,227,791
35%	-	-	-	-	-	-	10,265,911	-	-	10,265,911	3,593,069
50%	-	-	480,198	-	33,974	43,140	1,179,972	-	-	1,737,284	868,642
75%	-	-	-	-	-	8,461,629	5,753	-	-	8,467,382	6,350,537
100%	-	-	25	72,098	13,603,164	978,565	752,998	-	618,208	16,025,058	16,025,058
150%	-	-	-	-	52,593	14,846	-	5,005	-	72,444	108,666
Total Exposures	7,143,114	443,123	3,500,729	74,637	16,999,151	10,562,222	12,206,814	5,005	1,195,493	52,130,288	28,173,763
Risk-Weighted Assets by Exposures	13,107	28,177	844,225	72,166	14,064,881	7,529,148	4,940,804	7,508	673,747	28,173,763	
Average Risk-Weight	0%	6%	24%	97%	83%	71%	40%	150%	56%	54%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

#### 4.0 Credit Risk (cont'd.)

##### 4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), Standard and Poor's ("S&P"), Moody's, Fitch Ratings, and Rating and Investment Information, Inc. ("R&I" [See Note 1]). In the context of the Group's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM's Capital Adequacy Framework to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated credit exposures according to ratings by approved External Credit Assessment Institutions ("ECAIs"):

##### Long-Term Rating

Rating Category	S&P	Moody's	Fitch	RAM	MARC	R&I *
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A3	A+ to A-	A+ to A-
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1+ to BB3	BBB+ to BB-	BBB+ to BB-
4	B+ to D	B1 to C	B+ to D	B to D	B+ to D	B+ to D
5	Unrated					

##### Short-Term Rating

Rating Category	S&P	Moody's	Fitch	RAM	MARC	R&I *
1	A-1	P-1	F1+, F1	P-1	MARC-1	a-1+, a-1
2	A-2	P-2	A-2	P-2	MARC-2	a-2
3	A-3	P-3	F3	P-3	MARC-3	a-3
4	Others	Others	B to D	NP	MARC-4	b, c
5	Unrated					

\* Note 1: R&I rating is not recognised for Islamic debt securities.

#### **GROUP** **2024**

Exposure Class	Rating Categories					Total
	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	576,783	-	-	-	576,783
Sovereigns and Central Banks (See Note 2)	-	10,897,873	-	-	-	10,897,873
Corporates	-	1,172,419	-	-	-	1,172,419
Banks, DFIs and Multilateral Development Banks	-	5,037	-	-	-	5,037
<b>Total</b>	-	12,652,112	-	-	-	12,652,112
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	2,455,915	1,988,467	1,671	-	836,957	5,283,010
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
<b>Total</b>	2,455,915	1,988,467	1,671	-	836,957	5,283,010
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	20,081	-	-	-	201,086	221,167
Corporates	2,992,817	8,818	-	-	24,906,983	27,908,618
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	161,368	161,368
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
<b>Total</b>	3,012,898	8,818	-	-	25,269,437	28,291,153

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

#### 4.0 Credit Risk (cont'd.)

##### 4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following tables show the rated credit exposures according to ratings by approved ECAIs (cont'd.):

#### **Bank** **2024**

Exposure Class	Rating Categories					Total
	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>						
<b>(i) Exposures risk-weighted using Sovereigns and Central Banks rating</b>						
Public Sector Entities	-	407,275	-	-	-	407,275
Sovereigns and Central Banks (See Note 2)	-	8,668,356	-	-	-	8,668,356
Corporates	-	845,953	-	-	-	845,953
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
<b>Total</b>	-	9,921,584	-	-	-	9,921,584
<b>(ii) Exposures risk-weighted using Banking Institutions long-term rating</b>						
Banks, DFIs and Multilateral Development Banks	1,692,439	2,307,336	1,671	-	830,946	4,832,392
<b>Exposures risk-weighted using Banking Institutions short-term rating</b>						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
<b>Total</b>	1,692,439	2,307,336	1,671	-	830,946	4,832,392
<b>(iii) Exposures risk-weighted using Corporate long-term rating</b>						
Public Sector Entities	20,081	-	-	-	140,394	160,475
Corporates	2,255,854	8,818	-	-	19,242,940	21,507,612
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	83,228	83,228
<b>Exposures risk-weighted using Corporate short-term rating</b>						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
<b>Total</b>	2,275,935	8,818	-	-	19,466,562	21,751,315

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

#### 4.0 Credit Risk (cont'd.)

##### 4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following tables show the rated credit exposures according to ratings by approved ECAIs (cont'd.):

**Group**  
**2023**

Exposure Class	Rating Categories					Total
	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On and Off-Balance Sheet Exposures</b>						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	552,100	-	-	-	552,100
Sovereigns and Central Banks (See Note 2)	-	10,099,172	-	-	-	10,099,172
Corporates	-	1,719,660	-	-	-	1,719,660
Banks, DFIs and Multilateral Development Banks	-	4,990	-	-	-	4,990
<b>Total</b>	-	12,375,922	-	-	-	12,375,922
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	1,601,135	494,507	705	-	739,330	2,835,677
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
<b>Total</b>	1,601,135	494,507	705	-	739,330	2,835,677
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	-	-	-	-	202,049	202,049
Corporates	2,507,980	-	-	-	20,444,716	22,952,696
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	116,055	116,055
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
<b>Total</b>	2,507,980	-	-	-	20,762,820	23,270,800

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

#### 4.0 Credit Risk (cont'd.)

#### 4.3 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd.)

The following tables show the rated credit exposures according to ratings by approved ECAIs (cont'd.):

##### **Bank** **2023**

Exposure Class	Rating Categories					Total
	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On and Off-Balance Sheet Exposures</b>						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	302,238	-	-	-	302,238
Sovereigns and Central Banks (See Note 2)	-	7,143,114	-	-	-	7,143,114
Corporates	-	1,155,040	-	-	-	1,155,040
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
<b>Total</b>	-	8,600,392	-	-	-	8,600,392
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	1,580,849	1,185,858	705	-	733,317	3,500,729
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
<b>Total</b>	1,580,849	1,185,858	705	-	733,317	3,500,729
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	-	-	-	-	140,885	140,885
Corporates	1,664,943	-	-	-	15,585,960	17,250,903
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	75,224	75,224
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
<b>Total</b>	1,664,943	-	-	-	15,802,069	17,467,012

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

There is no outstanding securitisation contract in the Bank that requires disclosure of ratings and short-term rating of securitisation by approved ECAIs.

#### **4.0 Credit Risk (cont'd.)**

##### **4.4 Credit Risk Mitigation ("CRM")**

The Group generally does not extend credit solely based on collateral. Instead, credit facilities are granted based on borrowers' creditworthiness. Collaterals that are eligible for credit risk mitigation will be accepted only after their marketability, liquidity, legal enforceability, transferability and stability of values are accessed in accordance with the Group's policy on collateral valuation. The policy also prescribes the frequency of valuation for different collateral/security types, based on liquidity and volatility of the collateral value and the underlying product or risk exposures

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. The main types of collateral acceptable to the Group include cash, guarantees, commercial and residential real estate, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, the BNM's Capital Adequacy Framework applies more restrictive rules on collaterals that qualify as credit risk mitigants. As a result, not all of the collaterals accepted by the Group can be used to reduce our capital adequacy requirement.

The following tables represent the Group's/Bank's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework.

<b>GROUP</b>	<b>Exposures</b>	<b>Exposures</b>	<b>Exposures</b>	<b>Exposures</b>
<b>2024</b>	<b>before CRM</b>	<b>covered by</b>	<b>covered by</b>	<b>covered by</b>
	<b>RM'000</b>	<b>guarantees/</b>	<b>eligible</b>	<b>other eligible</b>
		<b>credit</b>	<b>financial</b>	<b>collateral</b>
		<b>derivatives</b>	<b>collateral</b>	<b>collateral</b>
		<b>(Note 1)</b>		
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Credit Risk</b>				
<b>Exposure Class</b>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	10,777,276	-	-	-
Public Sector Entities	657,296	-	-	-
Banks, DFIs and Multilateral				
Development Banks	4,070,429	-	-	-
Insurance Companies, Securities				
Firms and Fund Managers	154,161	3,829	40,885	-
Corporates	26,112,896	730,383	1,943,582	-
Regulatory Retail	14,808,899	1,430,655	1,033,485	-
Residential Mortgages	17,322,898	5,958	10,022	-
Higher Risk Assets	4,677	-	-	-
Other Assets	1,939,496	-	-	-
Defaulted Exposures	644,645	17,807	612	-
Total On-Balance Sheet Exposures	76,492,673	2,188,632	3,028,586	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures other than Over				
The Counter ("OTC") Derivatives or Credit				
Derivatives	7,697,922	47,970	669,110	-
Defaulted Exposures	1,443	16	1	-
Total Off-Balance Sheet Exposures	7,699,365	47,986	669,111	-
Total On and Off-Balance Sheet				
Exposures	84,192,038	2,236,618	3,697,697	-

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM") (cont'd.)

<u>BANK</u> 2024	<u>Exposures</u> <u>before CRM</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>guarantees/</u> <u>credit</u> <u>derivatives</u> <u>(Note 1)</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>eligible</u> <u>financial</u> <u>collateral</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>other eligible</u> <u>collateral</u> RM'000
<b><u>Credit Risk</u></b>				
<b><u>Exposure Class</u></b>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	8,547,759	-	-	-
Public Sector Entities	466,599	-	-	-
Banks, DFIs and Multilateral Development Banks	3,615,773	-	-	-
Insurance Companies, Securities Firms and Fund Managers	76,476	2,272	40,885	-
Corporates	20,070,833	537,833	1,767,712	-
Regulatory Retail	10,833,654	1,187,742	938,462	-
Residential Mortgages	12,921,969	4,144	9,523	-
Higher Risk Assets	3,717	-	-	-
Other Assets	1,911,440	-	-	-
Defaulted Exposures	445,047	15,539	221	-
Total On-Balance Sheet Exposures	<u>58,893,267</u>	<u>1,747,530</u>	<u>2,756,803</u>	<u>-</u>
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	6,657,853	27,897	603,803	-
Defaulted Exposures	1,187	-	-	-
Total Off-Balance Sheet Exposures	<u>6,659,040</u>	<u>27,897</u>	<u>603,803</u>	<u>-</u>
Total On and Off-Balance Sheet Exposures	<u>65,552,307</u>	<u>1,775,427</u>	<u>3,360,606</u>	<u>-</u>

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM") (cont'd.)

<u>GROUP</u> 2023	<u>Exposures</u> <u>before CRM</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>guarantees/</u> <u>credit</u> <u>derivatives</u> <u>(Note 1)</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>eligible</u> <u>financial</u> <u>collateral</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>other eligible</u> <u>collateral</u> RM'000
<b><u>Credit Risk</u></b>				
<b><u>Exposure Class</u></b>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	10,033,638	-	-	-
Public Sector Entities	640,350	-	-	-
Banks, DFIs and Multilateral Development Banks	1,869,210	-	-	-
Insurance Companies, Securities Firms and Fund Managers	87,632	4,456	575	-
Corporates	22,246,629	623,508	1,320,394	-
Regulatory Retail	13,001,176	1,284,883	1,041,266	-
Residential Mortgages	16,227,654	3,248	9,745	-
Higher Risk Assets	4,740	-	-	-
Other Assets	1,201,152	-	-	-
Defaulted Exposures	661,334	12,959	3,101	-
Total On-Balance Sheet Exposures	65,973,515	1,929,054	2,375,081	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures other than				
OTC Derivatives or Credit Derivatives	6,051,593	25,174	607,383	-
Defaulted Exposures	7,800	-	5	-
Total Off-Balance Sheet Exposures	6,059,393	25,174	607,388	-
Total On and Off-Balance Sheet Exposures	72,032,908	1,954,228	2,982,469	-

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM") (cont'd.)

<b><u>BANK</u></b> <b>2023</b>	<b><u>Exposures</u></b> <b><u>before CRM</u></b> <b>RM'000</b>	<b><u>Exposures</u></b> <b><u>covered by</u></b> <b><u>guarantees/</u></b> <b><u>credit</u></b> <b><u>derivatives</u></b> <b><u>(Note 1)</u></b> <b>RM'000</b>	<b><u>Exposures</u></b> <b><u>covered by</u></b> <b><u>eligible</u></b> <b><u>financial</u></b> <b><u>collateral</u></b> <b>RM'000</b>	<b><u>Exposures</u></b> <b><u>covered by</u></b> <b><u>other eligible</u></b> <b><u>collateral</u></b> <b>RM'000</b>
<b><u>Credit Risk</u></b>				
<b><u>Exposure Class</u></b>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,077,581	-	-	-
Public Sector Entities	361,324	-	-	-
Banks, DFIs and Multilateral Development Banks	2,515,766	-	-	-
Insurance Companies, Securities Firms and Fund Managers	56,699	2,521	575	-
Corporates	16,550,663	475,243	1,186,009	-
Regulatory Retail	9,570,461	1,049,569	949,091	-
Residential Mortgages	11,864,766	2,180	9,236	-
Higher Risk Assets	3,846	-	-	-
Other Assets	1,195,492	-	-	-
Defaulted Exposures	439,174	12,439	3,101	-
Total On-Balance Sheet Exposures	<u>49,635,772</u>	<u>1,541,952</u>	<u>2,148,012</u>	<u>-</u>
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures other than				
OTC Derivatives or Credit Derivatives	5,178,507	16,246	543,706	-
Defaulted Exposures	7,732	-	5	-
Total Off-Balance Sheet Exposures	<u>5,186,239</u>	<u>16,246</u>	<u>543,711</u>	<u>-</u>
Total On and Off-Balance Sheet Exposures	<u>54,822,011</u>	<u>1,558,198</u>	<u>2,691,723</u>	<u>-</u>

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

#### **4.0 Credit Risk (cont'd.)**

##### **4.5 Off-Balance Sheet Exposures and Counterparty Credit Risk**

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives could default before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral, i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, *inter alia*, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR arising from the derivatives is managed via counterparty limits, which are set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by this agreement should either party default or other such predetermined credit events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the positive mark-to-market exposure plus the potential future exposure which is equivalent to an add-on factor multiplied by the notional amount. The add-on factors are as stipulated by BNM.

#### 4.0 Credit Risk (cont'd.)

##### 4.5 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd.)

The off-balance sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

<b>GROUP</b>	<b>Principal</b>	<b>Positive</b>	<b>Credit</b>	<b>Risk-</b>
<b>2024</b>	<b>Amount</b>	<b>Fair Value</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>of Derivative</b>	<b>Amount</b>	<b>Assets</b>
		<b>Contracts</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<u>Credit-Related Exposures</u>				
Direct Credit Substitutes	504,102	-	504,077	374,665
Transaction-Related Contingent Items	716,707	-	358,353	228,050
Short-Term Self-Liquidating Trade-Related Contingencies	242,230	-	48,446	43,016
Forward Asset Purchase	90,285	-	90,285	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	2,117,331	-	143,137	26,551
Irrevocable Commitments to Extend Credit:				
- Maturity exceeding one year	5,165,112	-	2,581,238	1,987,472
- Maturity not exceeding one year	11,640,352	-	2,328,011	1,637,242
Unutilised Credit Card Lines	1,889,873	-	377,974	287,322
	<u>22,365,992</u>	<u>-</u>	<u>6,431,521</u>	<u>4,584,318</u>
<u>Derivative Financial Instruments</u>				
Foreign Exchange Related Contracts:				
- One year or less	16,304,813	97,429	287,820	100,145
- Over one year to three years	987,439	14,458	72,322	47,994
- Over three years	120,483	1,038	10,771	7,897
Interest Rate Related Contracts:				
- One year or less	1,633,954	10,781	35,457	7,473
- Over one year to three years	6,177,524	31,759	284,683	78,153
- Over three years	10,316,175	26,581	545,526	148,975
Equity Related Contracts:				
- One year or less	311,349	910	19,822	5,403
- Over one year to three years	142,040	79	11,443	2,636
	<u>35,993,777</u>	<u>183,035</u>	<u>1,267,844</u>	<u>398,676</u>
	<u>58,359,769</u>	<u>183,035</u>	<u>7,699,365</u>	<u>4,982,994</u>

4.0 Credit Risk (cont'd.)

4.5 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd.)

<b>BANK 2024</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Credit-Related Exposures</u>				
Direct Credit Substitutes	415,371	-	415,346	304,885
Transaction-Related Contingent Items	624,324	-	312,162	197,787
Short-Term Self-Liquidating Trade- Related Contingencies	225,444	-	45,089	40,628
Forward Asset Purchase	80,783	-	80,783	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	2,117,331	-	143,137	26,551
Irrevocable Commitments to Extend Credit:				
- Maturity exceeding one year	4,472,982	-	2,235,460	1,715,001
- Maturity not exceeding one year	8,906,524	-	1,781,245	1,192,412
Unutilised Credit Card Lines	1,889,873	-	377,974	287,007
	<u>18,732,632</u>	<u>-</u>	<u>5,391,196</u>	<u>3,764,271</u>
<u>Derivative Financial Instruments</u>				
Foreign Exchange Related Contracts:				
- One year or less	16,304,813	97,429	287,820	100,145
- Over one year to three years	987,439	14,458	72,322	47,994
- Over three years	120,483	1,038	10,771	7,897
Interest Rate Related Contracts:				
- One year or less	1,633,954	10,781	35,457	7,473
- Over one year to three years	6,177,524	31,759	284,683	78,153
- Over three years	10,316,175	26,581	545,526	148,975
Equity Related Contracts:				
- One year or less	311,349	910	19,822	5,403
- Over one year to three years	142,040	79	11,443	2,636
	<u>35,993,777</u>	<u>183,035</u>	<u>1,267,844</u>	<u>398,676</u>
	<u>54,726,409</u>	<u>183,035</u>	<u>6,659,040</u>	<u>4,162,947</u>

4.0 Credit Risk (cont'd.)

4.5 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd.)

<b>GROUP</b>	<b>Principal</b>	<b>Positive</b>	<b>Credit</b>	<b>Risk-</b>
<b>2023</b>	<b>Amount</b>	<b>Fair Value</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>of Derivative</b>	<b>Amount</b>	<b>Assets</b>
		<b>Contracts</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<u>Credit-Related Exposures</u>				
Direct Credit Substitutes	488,308	-	488,025	380,393
Transaction-Related Contingent Items	666,236	-	333,118	200,333
Short-Term Self-Liquidating Trade-Related Contingencies	138,542	-	27,708	24,599
Forward Asset Purchase	241,237	-	241,237	48,247
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	-	-	-	-
Irrevocable Commitments to Extend Credit:				
- Maturity exceeding one year	3,162,549	-	1,580,210	1,166,734
- Maturity not exceeding one year	10,812,148	-	2,162,402	1,549,268
Unutilised Credit Card Lines	1,518,716	-	303,743	231,730
	<u>17,027,736</u>	<u>-</u>	<u>5,136,443</u>	<u>3,601,304</u>
<u>Derivative Financial Instruments</u>				
Foreign Exchange Related Contracts:				
- One year or less	15,710,254	116,939	286,328	77,469
- Over one year to three years	951,319	2,578	62,508	34,771
- Over three years	381,600	6,032	38,950	20,994
Interest Rate Related Contracts:				
- One year or less	2,312,715	11,340	20,497	5,004
- Over one year to three years	2,532,107	55,819	130,573	30,422
- Over three years	6,849,073	27,828	353,382	98,452
Equity Related Contracts:				
- One year or less	340,226	178	20,790	5,628
- Over one year to three years	118,690	427	9,922	2,497
	<u>29,195,984</u>	<u>221,141</u>	<u>922,950</u>	<u>275,237</u>
	<u>46,223,720</u>	<u>221,141</u>	<u>6,059,393</u>	<u>3,876,541</u>

4.0 Credit Risk (cont'd.)

4.5 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd.)

<b><u>BANK</u></b> <b>2023</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Credit-Related Exposures</u>				
Direct Credit Substitutes	406,699	-	406,416	313,376
Transaction-Related Contingent Items	592,687	-	296,343	176,806
Short-Term Self-Liquidating Trade- Related Contingencies	120,783	-	24,157	21,661
Forward Asset Purchase	226,237	-	226,237	45,247
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	-	-	-	-
Irrevocable Commitments to Extend Credit:				
- Maturity exceeding one year	2,665,690	-	1,332,000	976,847
- Maturity not exceeding one year	8,300,015	-	1,659,977	1,150,998
Unutilised Credit Card Lines	1,518,716	-	303,743	231,557
	<u>13,830,827</u>	<u>-</u>	<u>4,248,873</u>	<u>2,916,492</u>
<u>Derivative Financial Instruments</u>				
Foreign Exchange Related Contracts:				
- One year or less	15,710,254	116,939	286,328	77,469
- Over one year to three years	951,319	2,578	62,508	34,771
- Over three years	381,600	6,032	38,950	20,994
Interest Rate Related Contracts:				
- One year or less	2,312,715	11,340	20,497	5,004
- Over one year to three years	2,532,107	55,819	130,573	30,422
- Over three years	7,147,073	30,324	367,798	105,660
Equity Related Contracts:				
- One year or less	340,226	178	20,790	5,628
- Over one year to three years	118,690	427	9,922	2,497
	<u>29,493,984</u>	<u>223,637</u>	<u>937,366</u>	<u>282,445</u>
	<u>43,324,811</u>	<u>223,637</u>	<u>5,186,239</u>	<u>3,198,937</u>

## **5.0 Market Risk**

Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices such as interest rate/profit rates, foreign exchange rates and equity prices.

### **5.1 Market Risk Management**

The Board, via the GRMC provides oversight on market risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place.

At Senior Management level, the Group Assets and Liabilities Management Committee ("GALCO") manages the Group's market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Group Financial Markets, as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic review by Group Internal Audit.

### **5.2 Traded Market Risk**

For the Group, market risk is managed using an integrated approach which involves the following processes:

- (a) Identification of market risk in new products and changes in risk profiles of existing exposure;
- (b) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken;
- (c) Adoption of various market risk measurement tools and techniques to quantify market risk exposure; and
- (d) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in fixed income securities, foreign exchange and financial derivatives, which are transacted primarily by Group Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

## **5.0 Market Risk (cont'd.)**

### **5.2 Traded Market Risk (cont'd.)**

These exposures are governed by approved policies, risk limits and parameters which are set in relation to the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Market risk limits, exposures as well as any limit breaches or exceptions are reported to GALCO, ERM and GRMC. The risk measures are outlined below:

- (a) Value-at-Risk ("VaR"): The Group has adopted the historical simulation approach where historical scenarios are generated based on actual past market movements. A snapshot of the end-of-day's positions is taken and full revaluation of the treasury positions is performed for each day's historical scenario versus the previous day's position. The VaR estimate is derived from the value of the 99th percentile of the loss distribution curve level and computed on a one-day holding period, i.e. the model is attempting to estimate the potential loss over the next 24 hours, based on historical market volatility. The Group currently adopts the hypothetical profit and loss ("P&L") approach for back testing purposes. Hypothetical P&L for back testing purposes refers to the simulated P&L that is generated by applying the day's price movements to the previous day's end-of-day portfolio.
- (b) Price Value of a Basis Point ("PV01") Limit: PV01 measures the sensitivity of the portfolio to adverse movements in interest rates. This limit is expressed in terms of potential losses to the entire portfolio for an adverse one basis point movement in interest rates.
- (c) The Total Net Open Position ("NOP"): The NOP limits represent the maximum permissible amount of net open position that the FX Spot & Swap Trading Desk dealers can maintain at any point in time.
- (d) Gamma and Vega Limits for FX and Interest Options: Gamma value parameter of an option is a risk parameter that measures the changes of the portfolio Delta due to changes in the underlying Spot value. Vega risk of an option measures and computes the changes in portfolio value due to parallel shift in volatility surface.
- (e) Others: Other limits include Stop Loss Limits, Tenure Limits and Transaction Limits. These limits provide additional control on the trading portfolio. In addition, stress testing is conducted to gauge and identify potential vulnerability risk areas of a bank's portfolio in accordance with a range of stressed scenarios or sensitivity analyses. It provides a forward looking assessment of risk exposures under stressed conditions which enables the Bank to assess potential worst case scenarios and develop appropriate management actions and contingency plans.

#### ***Hedging Policies and Strategies***

The Group had established a policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies in the trading and banking book are approved by the GALCO and monitored independently by Group Market Risk Management. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness, if any, are monitored and reported monthly to Senior Management.

The following actions describe the financial hedges that may be entered into to mitigate the interest rate risk exposures of the Group and Bank.

- (a) Fair value hedge  
The Group and the Bank use interest rate swaps to hedge its exposure to changes in the fair value of bonds.
- (b) Cash flow hedge  
The Group and the Bank use foreign currency swaps (hedging instrument) to hedge the foreign exchange risks (USD) arising from the foreign currency interbank borrowing (hedged item) denominated in USD.

## 5.0 Market Risk (cont'd.)

### 5.2 Traded Market Risk (cont'd.)

#### *Market Risk Capital Charge*

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the fixed income securities, foreign exchange and financial derivatives portfolios, if any.

#### **Regulatory Capital Requirements**

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	<b>GROUP</b>		<b>BANK</b>	
	<b>Risk-Weighted Assets</b>	<b>Capital Requirements</b>	<b>Risk-Weighted Assets</b>	<b>Capital Requirements</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2024</b>				
Interest Rate Risk				
- General Interest Rate Risk	432,287	34,583	432,287	34,583
- Specific Interest Rate Risk	400	32	400	32
	<u>432,687</u>	<u>34,615</u>	<u>432,687</u>	<u>34,615</u>
Foreign Exchange Risk	127,354	10,187	127,113	10,168
Option Risk	-	-	-	-
	<u>560,041</u>	<u>44,802</u>	<u>559,800</u>	<u>44,783</u>
<b>2023</b>				
Interest Rate Risk				
- General Interest Rate Risk	265,538	21,243	265,538	21,243
- Specific Interest Rate Risk	563	45	563	45
	<u>266,101</u>	<u>21,288</u>	<u>266,101</u>	<u>21,288</u>
Foreign Exchange Risk	48,884	3,911	48,761	3,901
Option Risk	1,663	133	1,663	133
	<u>316,648</u>	<u>25,332</u>	<u>316,525</u>	<u>25,322</u>

## **5.0 Market Risk (cont'd.)**

### **5.3 Non-Traded Market Risk**

Non-traded market risk is the inherent risks arising from banking book activities. The primary risk factors in the banking book include interest rate risk/rate of return risk in the banking book.

#### **5.3.1 Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")**

Interest rate risk/rate of return risk in the banking book ("IRR/RORBB") is the risk that occurs when movements in interest rates affect a banking organisation's earnings or economic value. Interest rate/profit rate changes affect the Group's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income ("NII"). It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows changes when there are changes in the interest rate/profit rate.

##### ***Risk Governance***

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of these parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the strategies as approved by GALCO to manage the assets/liabilities as well as the funding and liquidity needs of the Bank/Group where the Group and its entities have operated above the minimum regulatory requirements for Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). Group Finance and Group Risk Management provides support in respect of risk monitoring and reporting of the banking book exposures and ensuring regulatory as well as accounting requirements are met.

##### ***IRR/RORBB Management***

The guiding principles in managing IRR/RORBB include:

- (a) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies, and complemented by regular monitoring and reporting;
- (b) Checking to ensure that IRR/RORBB is accurately measured and any mismatches identified, reviewed and reported monthly to GALCO;
- (c) Setting of proper gapping limits and the limits monitored closely; and
- (d) Practising comprehensive IRR/RORBB reporting and review process, with aggregated information and supporting details to facilitate the assessment of the Group's sensitivity to changes in market conditions.

**5.0 Market Risk (cont'd.)**

**5.3 Non-Traded Market Risk (cont'd.)**

**5.3.1 Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (cont'd.)**

***IRR/RORBB Management (cont'd.)***

The Bank uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (a) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective, i.e. impact of interest rate/profit rate changes to earnings in the short-term;
- (b) Net interest income/profit income simulations to assess the impact of interest rate/profit rate changes on short term earnings volatility;
- (c) Economic value ("EV") simulations that measure the asset-liability impact of adverse interest rate/profit rate movements on the economic value of the Bank's capital; and
- (d) Product behavioural testing is applied regularly to ensure the risk assessment is able to withstand any market interest rate changes within the risk tolerance of the Bank.

The measures rely on key assumptions such as the behaviour of interest rates, the re-pricing characteristics and stability of indeterminate or non-maturity deposits and loans as well as changes in loan and deposit product balances influenced by various behavioural characteristics under different interest rate scenarios.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to Senior Management, GRMC and the Board. The risk dashboards provide a gauge on the IRR/RORBB of the Group.

The Group is guided by BNM's guidelines and Basel standards on management of IRR/RORBB.

	MYR RM'000	USD RM'000	SGD RM'000	Other Foreign Currencies ("FCY") RM'000	Total RM'000
<b><u>GROUP</u></b>					
<b>2024</b>					
<b>Impact on NII</b>					
Parallel 200 bps up	227,252	38,410	(6,822)	(11,092)	247,748
Parallel 200 bps down	(227,252)	(38,410)	6,822	11,092	(247,748)
<b>Impact on EV</b>					
Parallel 200 bps up	(739,402)	18,006	4,428	8,345	(708,623)
Parallel 200 bps down	739,402	(18,006)	(4,428)	(8,345)	708,623
Steepener	(744,435)	(8,430)	(1,891)	(4,440)	(759,196)
Flattener	607,800	12,481	2,555	6,317	629,153
Short Rate Up	(186,056)	18,713	3,530	9,157	(154,656)
Short Rate Down	186,056	(18,713)	(3,530)	(9,157)	154,656
<b><u>BANK</u></b>					
<b>2024</b>					
<b>Impact on NII</b>					
Parallel 200 bps up	175,106	38,410	(6,822)	(11,092)	195,602
Parallel 200 bps down	(175,106)	(38,410)	6,822	11,092	(195,602)
<b>Impact on EV</b>					
Parallel 200 bps up	(577,596)	18,006	4,428	8,345	(546,817)
Parallel 200 bps down	577,596	(18,006)	(4,428)	(8,345)	546,817
Steepener	(567,545)	(8,430)	(1,891)	(4,440)	(582,306)
Flattener	464,067	12,482	2,555	6,317	485,421
Short Rate Up	(150,541)	18,713	3,530	9,157	(119,141)
Short Rate Down	150,541	(18,713)	(3,530)	(9,157)	119,141

## 5.0 Market Risk (cont'd.)

### 5.3 Non-Traded Market Risk (cont'd.)

#### 5.3.1 Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (cont'd.)

	MYR RM'000	USD RM'000	SGD RM'000	Other FCY RM'000	Total RM'000
<b><u>GROUP</u></b>					
<b>2023</b>					
<b>Impact on NII</b>					
Parallel 200 bps up	268,477	29,755	(4,136)	(8,075)	286,021
Parallel 200 bps down	(268,477)	(29,755)	4,136	8,075	(286,021)
<b>Impact on EV</b>					
Parallel 200 bps up	(360,381)	11,343	2,812	9,971	(336,255)
Parallel 200 bps down	360,381	(11,343)	(2,812)	(9,971)	336,255
Steeper	(528,035)	(4,995)	(1,143)	(4,954)	(539,127)
Flattener	456,269	7,548	1,564	7,197	472,578
Short Rate Up	(13,482)	11,502	2,189	10,622	10,831
Short Rate Down	13,482	(11,502)	(2,189)	(10,622)	(10,831)
<b><u>BANK</u></b>					
<b>2023</b>					
<b>Impact on NII</b>					
Parallel 200 bps up	210,984	29,755	(4,136)	(8,075)	228,528
Parallel 200 bps down	(210,984)	(29,755)	4,136	8,075	(228,528)
<b>Impact on EV</b>					
Parallel 200 bps up	(234,571)	11,343	2,812	9,970	(210,446)
Parallel 200 bps down	234,571	(11,343)	(2,812)	(9,970)	210,446
Steeper	(380,484)	(4,995)	(1,143)	(4,954)	(391,576)
Flattener	332,877	7,548	1,564	7,198	349,187
Short Rate Up	8,773	11,502	2,189	10,622	33,086
Short Rate Down	(8,773)	(11,502)	(2,189)	(10,622)	(33,086)

The reported amounts do not capture the impact of business growth or of management actions as the impact is based on the balance sheet as at reporting date. In reality, GALCO seeks to proactively change the profit attributable to interest rate risk to minimise losses and maximise revenue.

Actual dates may differ from contractual dates for both financing and deposit owing to prepayments/premature withdrawals. When possible and material, financing prepayments and deposit premature withdrawals are generally estimated based on past statistics and trends. The impact on NII and EV are measured on a monthly basis for the Bank and quarterly for the Group, both of which are reported to GALCO and the Group Risk Management Committee.

#### 5.3.2 BNM Liquidity Coverage Ratio ("LCR")

Liquidity risk can be defined as the risk where an entity is unable to fund increases in assets and meet financial obligations as they come due without incurring unacceptable losses. Liquidity risk measures are usually expressed in the form of various liquidity risk measurement ratios and triggers.

It is essential to adopt a conservative and prudent approach in the measurement of liquidity risk. This is achieved by the establishment of robust liquidity risk management policies, measures and strategies that are complemented by regular monitoring and reporting process.

The liquidity risk management references BNM's LCR to gauge its liquidity exposure, complemented with BNM's Net Stable Funding Ratio ("NSFR") which requires the Group to maintain sufficient liquidity, including a cushion of unencumbered, High Quality Liquid Assets ("HQLA") to withstand a range of stress events.

The Group is in compliance with the minimum regulatory requirements ratio to LCR and NSFR within the period from April 2023 to March 2024.

**5.0 Market Risk (cont'd.)**

**5.4 Equity Exposures in the Banking Book**

The Group and the Bank hold equity positions in the banking book as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

Any gains and losses arising from the returns and changes in fair value of these equities holdings are reflected in the revaluation reserve and statement of income accordingly.

The following table shows the equity exposures in the banking book:

	<b>GROUP</b>		<b>BANK</b>	
	<b>Gross Credit Exposures</b>	<b>Risk-Weighted Assets</b>	<b>Gross Credit Exposures</b>	<b>Risk-Weighted Assets</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2024</b>				
<b>Publicly Traded</b>				
Holding of Equity Investments	16	16	16	16
<b>Privately Held</b>				
For Socio-Economic Purposes	277,973	277,973	277,973	277,973
Not for Socio-Economic Purposes	-	-	-	-
	<u>277,989</u>	<u>277,989</u>	<u>277,989</u>	<u>277,989</u>
<b>2023</b>				
<b>Publicly Traded</b>				
Holding of Equity Investments	14	14	14	14
<b>Privately Held</b>				
For Socio-Economic Purposes	257,206	257,206	257,206	257,206
Not for Socio-Economic Purposes	-	-	-	-
	<u>257,220</u>	<u>257,220</u>	<u>257,220</u>	<u>257,220</u>

The table below presents the movements on equity exposures in the banking book:

	<b>GROUP</b>		<b>BANK</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Publicly Traded</b>				
- Unrealised gains/(losses) recognised in revaluation reserve	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>
<b>Privately Held</b>				
<b>For Socio-Economic Purposes</b>				
- Acquisition during the year	-	-	-	71,034
- Disposal during the year	-	(3,319)	-	-
- Unrealised gains recognised in the statement of comprehensive income	<u>20,767</u>	<u>14,686</u>	<u>20,767</u>	<u>14,686</u>
	<u>20,767</u>	<u>11,367</u>	<u>20,767</u>	<u>85,720</u>
- Realised gains recognised in the statement of comprehensive income	<u>-</u>	<u>3,604</u>	<u>-</u>	<u>-</u>
<b>Not for Socio-Economic Purposes</b>				
- Write off during the year	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>

## **6.0 Operational Risk**

Operational risk is the risk of direct or indirect financial loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes strategic and reputational risks.

### ***Operational Risk Management***

Management, escalation and reporting of operational risks are instituted through the Group Operational and Technology Risk Management Committee ("GOTRC"), ERM, and GRMC as well as the Board.

The Board, via GRMC provides oversight on operational risk management activities.

At Senior Management level, GOTRC manages the day-to-day operational risk exposures. The roles and responsibilities of GOTRC include:

- (a) Providing strategic guidance on operational issues and monitoring the implementation of Operational Risk Management ("ORM") Framework;
- (b) Reviewing and monitoring operational risk issues, reports and action plans;
- (c) Evaluating and agreeing on initiatives to strengthen operational processes or infrastructure; and
- (d) Promoting risk awareness and operational risk management culture.

The Group practises operational risk management as outlined in the ORM Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group's operational risk management process is depicted in the table below:

<b>Identification</b>	Identify the various risks inherent to each product, process and activity, as well as adverse trends of risk parameters
<b>Assessment</b>	<ul style="list-style-type: none"> <li>- Risk Control Self-Assessment ("RCSA")</li> <li>- Control Testing ("CT")</li> <li>- Key Risk Indicators ("KRI")</li> <li>- Loss Event Data ("LED")</li> <li>- Scenario Analysis ("SA")</li> </ul>
<b>Mitigation &amp; Control</b>	<ul style="list-style-type: none"> <li>- Set risk mitigation measures and controls</li> <li>- Insurance / takaful</li> <li>- Outsourcing</li> <li>- Business Continuity Management</li> </ul>
<b>Reporting</b>	<ul style="list-style-type: none"> <li>- Escalate and highlight regular operational risk reports to Senior Management and the Board</li> <li>- Highlight new/emerging risk areas and the controls in place</li> </ul>
<b>Disclosure</b>	Provide regular risk disclosure to regulators through the Pillar 3 disclosure report and regulatory reports on operational risk, e.g. Operational Risk Reporting ("ORR") reporting.

## **6.0 Operational Risk (cont'd.)**

### ***Operational Risk Management (cont'd.)***

The customary tools employed by the Group for the management of operational risk are:

- (a) **RCSA** - An operational risk tool that is used to identify and assess risks inherent in the Group's operations and to evaluate the overall effectiveness of the internal controls in mitigating the identified risks;
- (b) **CT** - Complements the RCSA process by validating the effectiveness of the controls measures identified and highlighting control lapses;
- (c) **KRI** - A quantitative and statistical parameter, often financial in nature and focuses on business processes and activities to identify emerging risks and potential changes in operational risk profiles;
- (d) **LED** - The process of collecting, evaluating, monitoring and reporting operational risk events, loss amount and irregularities; and
- (e) **SA** - Assessment made to identify potential operational risk events and potential outcomes including identifying potential significant operational risks and the need for additional risk management, controls or mitigation solutions.

The Group adopts the Basic Indicator Approach for computation of operational Risk-Weighted Assets ("RWA").

## **7.0 Shariah Governance Disclosures**

Shariah Non-Compliance Risk is the risk of loss that arises from failure to comply with Shariah rules and principles as determined by the Shariah Advisory Council of BNM and the Bank's Shariah Committee. To manage the risks, the Bank has adopted the following guiding principles:

- (a) A sound Shariah Compliance Framework which governs the operations of the Bank and outlines the roles of key functionalities within the Bank, including but not limited to the Shariah risk management process. This is in line with the Shariah governance policy document issued by BNM;
- (b) The Board of Directors, assisted by the Shariah Committee and Senior Management, provides oversight on Shariah compliance aspects of the Bank's overall operations. This, amongst others, includes:
  - Oversight and implementation of the Shariah Compliance Framework;
  - Regular review of Shariah non-compliant income and issues;
  - Addressing Shariah non-compliance findings; and
  - Ensuring compliance with regulatory and internal requirements including disclosures.
- (c) Appointment of a qualified Shariah Committee member who also serves as AIS Board member; serving as a 'bridge' between the Board and the Shariah Committee;
- (d) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:
  - Regular assessment on Shariah compliance in the activities and operations of the Bank. The findings of the review are reported to the Shariah Committee for deliberation and decision;
  - Performing research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties; and
  - Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.
- (e) Escalation and reporting processes of Shariah non-compliant income and issues governed through designated escalation channels, which include the Board and the Shariah Committee; and
- (f) Periodic engagement between the Board and the Shariah Committee to discuss Shariah research, Shariah compliance and the views of scholars on Islamic banking activities.

### ***Shariah Non-Compliant Income and Events***

During the period under review, there were two Shariah non-compliance events ("SNCE") as follows:

- (i) Commodity Murabahah ("CM") Trading for a Cashline-i facility was delayed. The SNCE was due to oversight by the designated team members and dual control weakness in operations. The Bank had taken appropriate actions by performing a look back on similar accounts, enhancing the system and refunding the profit amounting to RM4,859.45 to the affected customer.
- (ii) AIS House Financing Product based on Bai' Bithaman Ajil ("BBA") for Properties under Construction breached BNM Murabahah Policy Document and Circular on Implementation of SAC's Resolution on Bai 'Inah. The Bank has identified the root cause and remediation plans are in place to address the SNCE. The remediation plans are currently in progress.