



**ALLIANCE BANK**

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

**BASEL II PILLAR 3 REPORT**

**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2025**

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**BASEL II PILLAR 3 REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025**

**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 2025 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 BNM's standard computation method 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 Governance & 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 2025. 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 2025 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 2024.

**BASEL II PILLAR 3 REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2025**

**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 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 ("AISB").

There were no significant events occurred within the reporting period as at 31 March 2025.

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 the end of 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:

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

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

### **2.1 Capital Adequacy Ratios**

BNM's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions which took effect on 9 December 2020 has ended on 31 March 2024.

Effective from 1 April 2024, the capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy framework. The framework sets out the approach for computing regulatory ratios as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirement set forth under Basel III. The risk-weighted assets of the Group and the Bank are computed using the Standardised Approach for credit risk and market risk, and BNM's standard computation method for operational risk.

(a) The Group and the Bank have sufficient capital as follows:

	<b><u>GROUP</u></b>		<b><u>BANK</u></b>	
	2025	2024	2025	2024
(i) With Transitional Arrangements				
<u>Before Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.465%	13.268%	12.321%	13.443%
Tier I Capital Ratio	13.654%	13.979%	13.620%	14.111%
Total Capital Ratio	16.995%	17.559%	17.048%	18.100%
<u>After Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.184%	12.907%	11.959%	12.970%
Tier I Capital Ratio	13.374%	13.619%	13.258%	13.637%
Total Capital Ratio	16.714%	17.199%	16.686%	17.627%
(ii) Without Transitional Arrangements				
<u>Before Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.465%	12.890%	12.321%	13.152%
Tier I Capital Ratio	13.654%	13.602%	13.620%	13.820%
Total Capital Ratio	16.995%	17.182%	17.048%	17.809%
<u>After Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.184%	12.530%	11.959%	12.679%
Tier I Capital Ratio	13.374%	13.242%	13.258%	13.346%
Total Capital Ratio	16.714%	16.822%	16.686%	17.336%

**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 2025	2024	Transitional Arrangements 2025	2024
<u>Before Deducting Proposed Dividends</u>				
CET I Capital Ratio	13.334%	12.938%	13.334%	12.287%
Tier I Capital Ratio	14.146%	13.785%	14.146%	13.134%
Total Capital Ratio	17.195%	16.049%	17.195%	15.398%
<u>After Deducting Proposed Dividends</u>				
CET I Capital Ratio	12.889%	12.930%	12.889%	12.279%
Tier I Capital Ratio	13.701%	13.778%	13.701%	13.127%
Total Capital Ratio	16.750%	16.042%	16.750%	15.391%

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 Tier 1 (CET1), a component of Tier 1 capital, has the highest Loss-Absorption capability which consists of ordinary share capital, retained profit 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>	
	2025 RM'000	2024 RM'000	2025 RM'000	2024 RM'000
<b><u>CET I Capital/Tier 1 Capital</u></b>				
Paid-Up Share Capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained Profits	6,014,117	5,549,407	5,092,252	4,724,987
Regulatory Reserves (Note 1)	117,173	155,485	117,173	155,485
Financial Investments at Fair Value Through Other Comprehensive Income ("FVOCI") Reserves	(22,102)	(88,924)	(21,738)	(83,848)
Capital Reserves	10,018	10,018	-	-
	<u>7,667,312</u>	<u>7,174,092</u>	<u>6,735,793</u>	<u>6,344,730</u>
(Less)/Add: Regulatory Adjustments				
- Goodwill and Other Intangibles	(517,038)	(462,372)	(515,385)	(460,219)
- Deferred Tax Assets	(219,086)	(217,253)	(152,643)	(153,468)
- Regulatory Reserves (Note 1)	(117,173)	(155,485)	(117,173)	(155,485)
- Investment in Subsidiaries, Associate and Joint Venture	(1,182)	(1,135)	(732,316)	(647,750)
- Transitional Arrangements	-	185,468	-	109,029
Total CET I Capital	<u>6,812,833</u>	<u>6,523,315</u>	<u>5,218,276</u>	<u>5,036,837</u>
Additional Tier I Capital Securities	650,000	350,000	550,000	250,000
Total Additional Tier I Capital	<u>650,000</u>	<u>350,000</u>	<u>550,000</u>	<u>250,000</u>
Total Tier I Capital	<u>7,462,833</u>	<u>6,873,315</u>	<u>5,768,276</u>	<u>5,286,837</u>
<b><u>Tier II Capital</u></b>				
Subordinated Obligations	1,199,871	1,199,662	1,199,799	1,199,470
Expected Credit Losses and Regulatory Reserves (Note 1 & Note 2)	625,926	560,485	482,166	425,185
Less: Regulatory Adjustments				
- Investment in Tier II Capital Instruments	-	-	(230,000)	(130,000)
Total Tier II Capital	<u>1,825,797</u>	<u>1,760,147</u>	<u>1,451,965</u>	<u>1,494,655</u>
<b>Total Capital</b>	<u>9,288,630</u>	<u>8,633,462</u>	<u>7,220,241</u>	<u>6,781,492</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 2025 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>
<b>(a) Credit Risk</b>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	11,977,081	11,977,081	-	-
Public Sector Entities	812,550	812,550	43,364	3,469
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	3,938,202	3,938,202	801,923	64,154
Insurance Companies, Securities Firms and Fund Managers	270,010	269,440	268,031	21,443
Corporates	30,168,273	27,871,846	22,541,381	1,803,311
Regulatory Retail	16,429,642	15,327,750	11,266,613	901,329
Residential Mortgages	19,083,993	19,071,852	8,198,923	655,914
Higher Risk Assets	4,595	4,595	6,893	551
Other Assets	1,507,547	1,507,547	1,238,255	99,060
Defaulted Exposures	637,070	634,800	603,365	48,269
<b>Total On-Balance Sheet Exposures</b>	<b>84,828,963</b>	<b>81,415,663</b>	<b>44,968,748</b>	<b>3,597,500</b>
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures	6,546,524	5,789,668	4,695,459	375,637
Derivative Financial Instruments	1,492,233	1,492,233	407,505	32,600
Defaulted Exposures	1,737	1,736	2,384	191
<b>Total Off-Balance Sheet Exposures</b>	<b>8,040,494</b>	<b>7,283,637</b>	<b>5,105,348</b>	<b>408,428</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>92,869,457</b>	<b>88,699,300</b>	<b>50,074,096</b>	<b>4,005,928</b>
<b>(b) Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	44,160,852	(44,165,786)	694,076	55,526
Foreign Exchange Risk	22,889	(267,498)	267,498	21,400
	44,183,741	(44,433,284)		
Option Risk			11,550	924
<b>Total</b>			<b>973,124</b>	<b>77,850</b>
<b>(c) Operational Risk</b>				
	-	-	3,609,152	288,732
<b>Total</b>	<b>92,869,457</b>	<b>88,699,300</b>	<b>54,656,372</b>	<b>4,372,510</b>



**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>BANK 2025 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>
<b>(a) Credit Risk</b>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	9,412,699	9,412,699	-	-
Public Sector Entities	445,483	445,483	11,106	888
Banks, DFIs and Multilateral Development Banks	3,195,634	3,195,634	724,861	57,989
Insurance Companies, Securities Firms and Fund Managers	245,871	245,301	243,892	19,511
Corporates	23,585,154	21,460,793	17,358,371	1,388,669
Regulatory Retail	12,199,312	11,200,851	7,915,084	633,207
Residential Mortgages	14,672,374	14,661,088	6,389,359	511,149
Higher Risk Assets	3,708	3,708	5,562	445
Other Assets	1,485,121	1,485,120	1,215,828	97,266
Defaulted Exposures	450,416	448,217	432,477	34,599
Total On-Balance Sheet Exposures	<u>65,695,772</u>	<u>62,558,894</u>	<u>34,296,540</u>	<u>2,743,723</u>
Off-Balance Sheet Exposures:				
Credit-Related Off-Balance Sheet Exposures	5,516,887	4,842,984	3,867,458	309,397
Derivative Financial Instruments	1,492,233	1,492,233	407,505	32,600
Defaulted Exposures	1,314	1,314	1,820	146
Total Off-Balance Sheet Exposures	<u>7,010,434</u>	<u>6,336,531</u>	<u>4,276,783</u>	<u>342,143</u>
Total On and Off-Balance Sheet Exposures	<u>72,706,206</u>	<u>68,895,425</u>	<u>38,573,323</u>	<u>3,085,866</u>
<b>(b) Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	44,160,852	(44,165,786)	694,076	55,526
Foreign Exchange Risk	22,889	(267,197)	267,198	21,376
	<u>44,183,741</u>	<u>(44,432,983)</u>		
Option Risk			-	-
Total			<u>961,274</u>	<u>76,902</u>
<b>(c) Operational Risk</b>				
	-	-	2,817,142	225,371
Total	<u>72,706,206</u>	<u>68,895,425</u>	<u>42,351,739</u>	<u>3,388,139</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 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>
<b>(a) Credit Risk</b>				
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>(b) Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
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>
<b>(c) Operational Risk</b>				
	-	-	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>BANK 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>
<b>(a) Credit Risk</b>				
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
<b>Total On-Balance Sheet Exposures</b>	<b>58,893,267</b>	<b>56,136,464</b>	<b>29,851,823</b>	<b>2,388,146</b>
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
<b>Total Off-Balance Sheet Exposures</b>	<b>6,659,040</b>	<b>6,055,237</b>	<b>4,162,947</b>	<b>333,036</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>65,552,307</b>	<b>62,191,701</b>	<b>34,014,770</b>	<b>2,721,182</b>
<b>(b) Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	36,481,488	(36,437,694)	432,687	34,615
Foreign Exchange Risk	22,660	(127,106)	127,113	10,168
	<b>36,504,148</b>	<b>(36,564,800)</b>		
Option Risk			-	-
<b>Total</b>			<b>559,800</b>	<b>44,783</b>
<b>(c) Operational Risk</b>				
	-	-	2,892,670	231,414
<b>Total</b>	<b>65,552,307</b>	<b>62,191,701</b>	<b>37,467,240</b>	<b>2,997,379</b>

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 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) 1st 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.

#### **3.5 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 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 analysis 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.

##### ***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.

<u>GROUP</u> 2025	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	-	11,977,081	-	-	-	-	11,977,081
Public Sector Entities	-	662,287	-	150,263	-	-	812,550
Banks, DFIs and Multilateral Development Banks	-	3,728,288	-	30,036	4,008	175,870	3,938,202
Insurance Companies, Securities Firms and Fund Managers	10	269,907	-	62	31	-	270,010
Corporates	3,291,464	21,381,944	2,755,930	1,907,144	831,791	-	30,168,273
Regulatory Retail	1,643,227	10,941,214	2,083,779	1,174,838	586,584	-	16,429,642
Residential Mortgages	694,190	15,349,160	2,060,738	793,103	186,802	-	19,083,993
Higher Risk Assets	-	1,245	2,266	-	1,084	-	4,595
Other Assets	-	1,507,547	-	-	-	-	1,507,547
Defaulted Exposures	61,007	500,376	49,354	21,656	4,677	-	637,070
<b>Total On-Balance Sheet Exposures</b>	<b>5,689,898</b>	<b>66,319,049</b>	<b>6,952,067</b>	<b>4,077,102</b>	<b>1,614,977</b>	<b>175,870</b>	<b>84,828,963</b>
<b>Credit-Related Off-Balance Sheet Exposures</b>	<b>595,198</b>	<b>4,627,747</b>	<b>806,953</b>	<b>323,933</b>	<b>192,693</b>	<b>-</b>	<b>6,546,524</b>
Derivative Financial Instruments	-	1,492,233	-	-	-	-	1,492,233
Defaulted Exposures	391	949	4	31	362	-	1,737
<b>Total Off-Balance Sheet Exposures</b>	<b>595,589</b>	<b>6,120,929</b>	<b>806,957</b>	<b>323,964</b>	<b>193,055</b>	<b>-</b>	<b>8,040,494</b>
<b>Total Credit Exposures</b>	<b>6,285,487</b>	<b>72,439,978</b>	<b>7,759,024</b>	<b>4,401,066</b>	<b>1,808,032</b>	<b>175,870</b>	<b>92,869,457</b>

<u>BANK</u> 2025	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	-	9,412,699	-	-	-	-	9,412,699
Public Sector Entities	-	445,450	-	33	-	-	445,483
Banks, DFIs and Multilateral Development Banks	-	2,989,728	-	30,036	-	175,870	3,195,634
Insurance Companies, Securities Firms and Fund Managers	10	245,768	-	62	31	-	245,871
Corporates	2,140,634	17,327,937	2,262,879	1,239,044	614,660	-	23,585,154
Regulatory Retail	1,012,640	8,242,991	1,608,536	858,326	476,819	-	12,199,312
Residential Mortgages	567,691	11,714,673	1,690,427	542,107	157,476	-	14,672,374
Higher Risk Assets	-	454	2,170	-	1,084	-	3,708
Other Assets	-	1,485,121	-	-	-	-	1,485,121
Defaulted Exposures	41,084	357,167	38,000	10,251	3,914	-	450,416
<b>Total On-Balance Sheet Exposures</b>	<b>3,762,059</b>	<b>52,221,988</b>	<b>5,602,012</b>	<b>2,679,859</b>	<b>1,253,984</b>	<b>175,870</b>	<b>65,695,772</b>
<b>Credit-Related Off-Balance Sheet Exposures</b>	<b>398,819</b>	<b>4,031,984</b>	<b>700,437</b>	<b>257,561</b>	<b>128,086</b>	<b>-</b>	<b>5,516,887</b>
Derivative Financial Instruments	-	1,492,233	-	-	-	-	1,492,233
Defaulted Exposures	371	565	3	13	362	-	1,314
<b>Total Off-Balance Sheet Exposures</b>	<b>399,190</b>	<b>5,524,782</b>	<b>700,440</b>	<b>257,574</b>	<b>128,448</b>	<b>-</b>	<b>7,010,434</b>
<b>Total Credit Exposures</b>	<b>4,161,249</b>	<b>57,746,770</b>	<b>6,302,452</b>	<b>2,937,433</b>	<b>1,382,432</b>	<b>175,870</b>	<b>72,706,206</b>

4.0 Credit Risk (cont'd.)

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.).

GROUP 2024	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	-	10,777,276	-	-	-	-	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>
<b>Credit-Related Off-Balance Sheet Exposures</b>	<b>522,654</b>	<b>4,676,705</b>	<b>684,485</b>	<b>350,458</b>	<b>195,776</b>	<b>-</b>	<b>6,430,078</b>
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>

BANK 2024	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	-	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>
<b>Credit-Related Off-Balance Sheet Exposures</b>	<b>331,407</b>	<b>4,086,168</b>	<b>586,454</b>	<b>255,556</b>	<b>130,424</b>	<b>-</b>	<b>5,390,009</b>
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>

#### 4.0 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.

	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>GROUP</b>								
<b>2025</b>								
<b>Exposure Class</b>								
Sovereigns/Central Banks	11,969,174	7,907	-	-	-	-	-	11,977,081
Public Sector Entities	-	812,549	-	-	-	-	1	812,550
Banks, DFIs and Multilateral Development Banks	-	3,938,202	-	-	-	-	-	3,938,202
Insurance Companies, Securities Firms and Fund Managers	-	270,010	-	-	-	-	-	270,010
Corporates	-	10,429,557	1,928,169	13,604,726	1,985,898	1,736,576	483,347	30,168,273
Regulatory Retail	-	1,350,383	186,549	5,377,058	423,377	8,916,474	175,801	16,429,642
Residential Mortgages	-	-	-	-	-	19,083,993	-	19,083,993
Higher Risk Assets	-	-	-	-	-	4,595	-	4,595
Other Assets	-	303,811	-	-	-	-	1,203,736	1,507,547
Defaulted Exposures	-	24,737	3,475	134,297	95,268	365,477	13,816	637,070
<b>Total On-Balance Sheet Exposures</b>	<b>11,969,174</b>	<b>17,137,156</b>	<b>2,118,193</b>	<b>19,116,081</b>	<b>2,504,543</b>	<b>30,107,115</b>	<b>1,876,701</b>	<b>84,828,963</b>
Credit-Related Off-Balance Sheet Exposures	44,119	902,020	121,746	2,054,307	568,537	2,755,254	100,541	6,546,524
Derivative Financial Instruments	7,691	1,358,149	-	-	-	-	126,393	1,492,233
Defaulted Exposures	-	72	-	970	219	476	-	1,737
<b>Total Off-Balance Sheet Exposures</b>	<b>51,810</b>	<b>2,260,241</b>	<b>121,746</b>	<b>2,055,277</b>	<b>568,756</b>	<b>2,755,730</b>	<b>226,934</b>	<b>8,040,494</b>
<b>Total Credit Exposures</b>	<b>12,020,984</b>	<b>19,397,397</b>	<b>2,239,939</b>	<b>21,171,358</b>	<b>3,073,299</b>	<b>32,862,845</b>	<b>2,103,635</b>	<b>92,869,457</b>
<b>BANK</b>								
<b>2025</b>								
<b>Exposure Class</b>								
Sovereigns/Central Banks	9,412,699	-	-	-	-	-	-	9,412,699
Public Sector Entities	-	445,482	-	-	-	-	1	445,483
Banks, DFIs and Multilateral Development Banks	-	3,195,634	-	-	-	-	-	3,195,634
Insurance Companies, Securities Firms and Fund Managers	-	245,871	-	-	-	-	-	245,871
Corporates	-	8,583,299	1,373,482	9,989,105	1,533,829	1,736,517	368,922	23,585,154
Regulatory Retail	-	1,011,835	145,583	3,955,694	283,285	6,652,459	150,456	12,199,312
Residential Mortgages	-	-	-	-	-	14,672,374	-	14,672,374
Higher Risk Assets	-	-	-	-	-	3,708	-	3,708
Other Assets	-	303,811	-	-	-	-	1,181,310	1,485,121
Defaulted Exposures	-	24,086	2,992	111,004	93,322	208,479	10,533	450,416
<b>Total On-Balance Sheet Exposures</b>	<b>9,412,699</b>	<b>13,810,018</b>	<b>1,522,057</b>	<b>14,055,803</b>	<b>1,910,436</b>	<b>23,273,537</b>	<b>1,711,222</b>	<b>65,695,772</b>
Credit-Related Off-Balance Sheet Exposures	44,119	776,265	83,580	1,490,831	455,207	2,576,747	90,138	5,516,887
Derivative Financial Instruments	7,691	1,358,149	-	-	-	-	126,393	1,492,233
Defaulted Exposures	-	72	-	798	219	225	-	1,314
<b>Total Off-Balance Sheet Exposures</b>	<b>51,810</b>	<b>2,134,486</b>	<b>83,580</b>	<b>1,491,629</b>	<b>455,426</b>	<b>2,576,972</b>	<b>216,531</b>	<b>7,010,434</b>
<b>Total Credit Exposures</b>	<b>9,464,509</b>	<b>15,944,504</b>	<b>1,605,637</b>	<b>15,547,432</b>	<b>2,365,862</b>	<b>25,850,509</b>	<b>1,927,753</b>	<b>72,706,206</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).

	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>GROUP</b>								
<b>2024</b>								
<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>								
<b>2024</b>								
<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.)

(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>2025</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	1,700,468	-	182,192	545,236	9,549,185	11,977,081
Public Sector Entities	150,263	-	39,493	5,777	617,017	812,550
Banks, DFIs and Multilateral Development Banks	2,788,170	656,754	12,346	-	480,932	3,938,202
Insurance Companies, Securities Firms and Fund Managers	151,604	-	-	-	118,406	270,010
Corporates	6,170,904	2,428,459	873,149	500,980	20,194,781	30,168,273
Regulatory Retail	2,714,330	421,564	190,395	174,814	12,928,539	16,429,642
Residential Mortgages	556,397	351	1,053	3,785	18,522,407	19,083,993
Higher Risk Assets	-	-	-	22	4,573	4,595
Other Assets	278,098	10,277	11,601	7,794	1,199,777	1,507,547
Defaulted Exposures	137,256	349	6,581	13,205	479,679	637,070
<b>Total On-Balance Sheet Exposures</b>	<b>14,647,490</b>	<b>3,517,754</b>	<b>1,316,810</b>	<b>1,251,613</b>	<b>64,095,296</b>	<b>84,828,963</b>

**BANK**  
**2025**

<b>Exposure Class</b>						
Sovereigns/Central Banks	1,029,047	-	172,077	504,098	7,707,477	9,412,699
Public Sector Entities	33	-	39,493	-	405,957	445,483
Banks, DFIs and Multilateral Development Banks	2,211,545	301,896	12,346	-	669,847	3,195,634
Insurance Companies, Securities Firms and Fund Managers	131,594	-	-	-	114,277	245,871
Corporates	5,045,739	1,863,336	672,208	405,503	15,598,368	23,585,154
Regulatory Retail	2,227,363	291,638	130,147	146,267	9,403,897	12,199,312
Residential Mortgages	231,514	319	920	3,340	14,436,281	14,672,374
Higher Risk Assets	-	-	-	22	3,686	3,708
Other Assets	363,474	9,734	10,786	6,502	1,094,625	1,485,121
Defaulted Exposures	120,044	64	6,529	11,351	312,428	450,416
<b>Total On-Balance Sheet Exposures</b>	<b>11,360,353</b>	<b>2,466,987</b>	<b>1,044,506</b>	<b>1,077,083</b>	<b>49,746,843</b>	<b>65,695,772</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 exposure for on-balance sheet financial assets of the Group and the Bank (cont'd).

<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>

**BANK**  
**2024**

<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.)**

**4.2 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**

<b>GROUP</b>	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>2025</b>							
Financial, Insurance & Business Services and Real Estate	52,824	101,088	19,407	18,481	28,482	12,351	(13,092)
Transport, Storage & Communication	9,158	2,534	3,888	2,617	5,918	701	(112)
Agriculture, Manufacturing, Wholesale & Retail Trade	272,716	234,315	76,575	99,063	142,024	29,587	(29,263)
Construction	257,900	9,440	6,504	13,405	163,587	31,858	(121)
Household	534,260	1,279,374	146,597	316,400	168,518	143,563	(197,355)
Others	18,172	5,529	1,769	2,921	4,562	2,050	(2,044)
<b>Total</b>	<b>1,145,030</b>	<b>1,632,280</b>	<b>254,740</b>	<b>452,887</b>	<b>513,091</b>	<b>220,110</b>	<b>(241,987)</b>

**BANK**  
**2025**

Financial, Insurance & Business Services and Real Estate	50,899	72,762	16,075	12,327	27,159	12,089	(13,092)
Transport, Storage & Communication	8,231	2,534	3,151	1,606	5,468	560	(52)
Agriculture, Manufacturing, Wholesale & Retail Trade	234,334	211,537	54,566	77,373	126,313	26,729	(22,885)
Construction	245,996	7,476	4,006	8,769	153,619	31,651	(121)
Household	305,088	838,727	79,932	164,263	96,486	68,069	(109,692)
Others	13,080	4,524	1,307	1,795	2,595	1,722	(1,580)
<b>Total</b>	<b>857,628</b>	<b>1,137,560</b>	<b>159,037</b>	<b>266,133</b>	<b>411,640</b>	<b>140,820</b>	<b>(147,422)</b>

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**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 <u>Financing</u>	Past Due <u>Loan</u>	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><u>GROUP</u></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>
<b><u>BANK</u></b> <b>2024</b>							
Financial, Insurance & Business Services and Real Estate	52,235	46,524	10,705	20,969	28,237	(690)	(5,702)
Transport, Storage & Communication	7,040	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	196,470	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>

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**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**

<b>GROUP</b>	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>2025</b>							
Northern Region	107,547	106,074	27,964	38,548	47,665	18,946	(17,020)
Central Region	903,382	1,250,039	185,310	349,685	405,707	184,891	(190,249)
Southern Region	88,426	144,180	22,544	30,796	39,935	9,300	(18,468)
Sabah Region	34,792	115,150	12,334	25,582	13,348	3,550	(13,757)
Sarawak Region	10,883	16,837	6,588	8,276	6,436	3,423	(2,493)
<b>Total</b>	<b>1,145,030</b>	<b>1,632,280</b>	<b>254,740</b>	<b>452,887</b>	<b>513,091</b>	<b>220,110</b>	<b>(241,987)</b>

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Northern Region	69,133	81,765	16,205	22,142	29,118	11,653	(9,202)
Central Region	689,628	846,085	114,503	203,423	334,602	113,478	(111,247)
Southern Region	72,143	108,059	15,997	17,651	35,015	9,229	(11,093)
Sabah Region	17,004	87,471	7,471	18,627	6,969	3,046	(13,434)
Sarawak Region	9,720	14,180	4,861	4,290	5,936	3,414	(2,446)
<b>Total</b>	<b>857,628</b>	<b>1,137,560</b>	<b>159,037</b>	<b>266,133</b>	<b>411,640</b>	<b>140,820</b>	<b>(147,422)</b>

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**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.)**

<b>GROUP</b>	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>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>

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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.)

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 2024	223,351	426,406	534,968	1,184,725
Transfer to Stage 1	138,821	(364,749)	(2,268)	(228,196)
Transfer to Stage 2	(140,015)	663,390	(193,859)	329,516
Transfer to Stage 3	(226)	(311,159)	382,537	71,152
New financial assets originated or purchased	133,337	100,806	4,463	238,606
Financial assets derecognised other than write-off	(79,211)	(112,061)	(21,868)	(213,140)
Changes due to change in credit risk	(21,415)	54,403	2,963	35,951
Other adjustment	112	(45)	-	67
	31,403	30,585	171,968	233,956
Unwinding of discount	-	-	48,142	48,142
Total charge to/(write-back from) income statement	31,403	30,585	220,110	282,098
Write-off	(14)	(4,104)	(241,987)	(246,105)
At 31 March 2025	254,740	452,887	513,091	1,220,718
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

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 2024	133,745	260,560	418,242	812,547
Transfer to Stage 1	75,037	(212,218)	(1,352)	(138,533)
Transfer to Stage 2	(78,332)	384,365	(120,503)	185,530
Transfer to Stage 3	(208)	(190,632)	234,299	43,459
New financial assets originated or purchased	88,001	71,981	1,346	161,328
Financial assets derecognised other than write-off	(53,439)	(77,504)	(9,650)	(140,593)
Changes due to change in credit risk	(5,874)	31,952	253	26,331
Other adjustment	111	(45)	-	66
	25,296	7,899	104,393	137,588
Unwinding of discount	-	-	36,427	36,427
Total charge to/(write-back from) income statement	25,296	7,899	140,820	174,015
Write-off	(4)	(2,326)	(147,422)	(149,752)
At 31 March 2025	159,037	266,133	411,640	836,810
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

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 2025 Risk- Weights	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	Total			
	/Central	Sector	DFIs and	Companies,								
	<u>Banks</u>	<u>Entities</u>	<u>Development</u>	<u>Firms and</u>								
	RM'000	RM'000	<u>Banks</u>	<u>Managers</u>	<u>Corporates</u>	<u>Retail</u>	<u>Mortgages</u>	<u>Assets</u>	<u>Assets</u>	<u>RM'000</u>		
0%	12,021,199	595,731	5,045	1,144	2,545,806	727,627	-	-	269,179	16,165,731	-	
20%	7,691	311,278	5,043,613	413	3,552,033	784,373	5,572	-	142	9,705,115	1,941,023	
35%	-	-	-	-	-	-	14,314,720	-	-	14,314,720	5,010,152	
50%	-	-	339,218	262	58,413	47,415	3,426,525	-	-	3,871,833	1,935,917	
75%	-	-	-	-	-	14,078,406	3,501	-	-	14,081,907	10,561,430	
100%	-	-	11	300,221	24,133,476	2,964,286	1,792,614	-	1,238,226	30,428,834	30,428,834	
150%	-	-	-	-	107,875	15,466	1,762	6,057	-	131,160	196,740	
Total Exposures	12,028,890	907,009	5,387,887	302,040	30,397,603	18,617,573	19,544,694	6,057	1,507,547	88,699,300	50,074,096	
Risk-Weighted assets by Exposures	1,538	62,256	1,178,343	300,435	25,034,902	13,726,871	8,522,411	9,086	1,238,254	50,074,096		
Average Risk-Weight	0%	7%	22%	99%	82%	74%	44%	150%	82%	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.):

BANK 2025 Risk- Weights	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	Total			
	/Central	Sector	DFIs and	Companies,								
	Banks	Entities	Multilateral	Securities								
	RM'000	RM'000	Banks	Fund	Managers	Corporates	Retail	Mortgages	Assets	Assets		
0%	9,456,818	389,953	-	1,144	1,821,200	574,169	-	-	269,179	12,512,463	-	
20%	7,691	145,995	4,071,283	413	2,894,983	689,338	4,019	-	142	7,813,864	1,562,773	
35%	-	-	-	-	-	-	10,779,071	-	-	10,779,071	3,772,675	
50%	-	-	572,825	262	53,173	34,796	2,754,112	-	-	3,415,168	1,707,584	
75%	-	-	-	-	-	11,614,536	3,156	-	-	11,617,692	8,713,269	
100%	-	-	11	266,482	18,460,545	1,268,502	1,426,115	-	1,215,800	22,637,455	22,637,454	
150%	-	-	-	-	101,410	12,681	779	4,842	-	119,712	179,568	
Total Exposures	9,464,509	535,948	4,644,119	268,301	23,331,311	14,194,022	14,967,252	4,842	1,485,121	68,895,425	38,573,323	
Risk-Weighted Assets by Exposures	1,538	29,199	1,100,680	266,696	19,218,243	10,153,691	6,580,185	7,263	1,215,828	38,573,323		
Average Risk-Weight	0%	5%	24%	99%	82%	72%	44%	150%	82%	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.):

GROUP 2024 Risk- Weights	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	Total			
	/Central	Sector	DFIs and	Companies,								
	Banks	Entities	Multilateral	Firms and								
	RM'000	RM'000	Banks	Managers	Corporates	Retail	Mortgages	Assets	Assets	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										
<u>BANK</u> <u>2024</u> <u>Risk-</u> <u>Weights</u>	Sovereigns	Public	Banks, DFIs and Multilateral Development	Insurance Companies, Securities Firms and Fund		Regulatory	Residential	Higher Risk	Other	Total Exposures after Netting and Credit Risk	Total Risk-
	<u>Banks</u>	<u>Entities</u>	<u>Banks</u>	<u>Managers</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.)

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" [Refer to 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") or as prescribed under the RWCAF:

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	F2+, F2	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.						

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

#### GROUP 2025

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</b>						
Central Banks rating						
Public Sector Entities	-	595,731	-	-	-	595,731
Sovereigns and Central Banks (Refer to Note 2)	-	12,028,890	-	-	-	12,028,890
Corporates	-	1,541,686	-	-	-	1,541,686
Banks, DFIs and Multilateral Development Banks	-	5,045	-	-	-	5,045
<b>Total</b>	-	14,171,352	-	-	-	14,171,352
<b>(ii) Exposures risk-weighted using Banking</b>						
Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	3,461,974	1,122,167	3,567	-	740,554	5,328,262
Exposures risk-weighted using Banking						
Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	54,580	-	-	-	-	54,580
<b>Total</b>	3,516,554	1,122,167	3,567	-	740,554	5,382,842
<b>(iii) Exposures risk-weighted using Corporate long-term</b>						
rating						
Public Sector Entities	21,125	-	-	-	250,661	271,786
Corporates	3,350,232	8,901	1	-	28,124,702	31,483,836
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	302,845	302,845
Exposures risk-weighted using Corporate short-term						
rating						
Public Sector Entities	39,493	-	-	-	-	39,493
Corporates	19,840	-	-	-	-	19,840
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
<b>Total</b>	3,430,690	8,901	1	-	28,678,208	32,117,800

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 ECAs or as prescribed under the RWCAF (cont'd.):

**Bank**  
**2025**

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>						
<b>(i) Exposures risk-weighted using Sovereigns and Central Banks rating</b>						
Public Sector Entities	-	389,953	-	-	-	389,953
Sovereigns and Central Banks (Refer to Note 2)	-	9,464,509	-	-	-	9,464,509
Corporates	-	1,096,768	-	-	-	1,096,768
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
<b>Total</b>	-	10,951,230	-	-	-	10,951,230
<b>(ii) Exposures risk-weighted using Banking Institutions long-term rating</b>						
Banks, DFIs and Multilateral Development Banks	2,543,761	1,356,974	3,567	-	685,237	4,589,539
<b>Exposures risk-weighted using Banking Institutions short-term rating</b>						
Banks, DFIs and Multilateral Development Banks	54,580	-	-	-	-	54,580
<b>Total</b>	2,598,341	1,356,974	3,567	-	685,237	4,644,119
<b>(iii) Exposures risk-weighted using Corporate long-term rating</b>						
Public Sector Entities	15,844	-	-	-	90,659	106,503
Corporates	2,730,025	8,901	1	-	21,880,543	24,619,470
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	269,107	269,107
<b>Exposures risk-weighted using Corporate short-term rating</b>						
Public Sector Entities	39,493	-	-	-	-	39,493
Corporates	19,840	-	-	-	-	19,840
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
<b>Total</b>	2,805,202	8,901	1	-	22,240,309	25,054,413

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 ECAs or as prescribed under the RWCAF (cont'd.):

**Group**  
**2024**

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	-	576,783	-	-	-	576,783
Sovereigns and Central Banks (Refer to 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 or as prescribed under the RWCAF (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>						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	407,275	-	-	-	407,275
Sovereigns and Central Banks (Refer to 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
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	1,692,439	2,307,336	1,671	-	830,946	4,832,392
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
<b>Total</b>	1,692,439	2,307,336	1,671	-	830,946	4,832,392
(iii) Exposures risk-weighted using Corporate long-term rating						
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
Exposures risk-weighted using Corporate short-term rating						
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.

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 before CRM</b>	<b>Exposures covered by guarantees/ credit derivatives (Note 1)</b>	<b>Exposures covered by eligible financial collateral</b>	<b>Exposures covered by other eligible collateral</b>
<b>2025</b>	<b>RM'000</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	11,977,081	-	-	-
Public Sector Entities	812,550	-	-	-
Banks, DFIs and Multilateral				
Development Banks	3,938,202	-	-	-
Insurance Companies, Securities				
Firms and Fund Managers	270,010	1,491	570	-
Corporates	30,168,273	1,133,751	2,296,428	-
Regulatory Retail	16,429,642	1,476,180	1,101,892	-
Residential Mortgages	19,083,993	5,572	12,141	-
Higher Risk Assets	4,595	-	-	-
Other Assets	1,507,547	-	-	-
Defaulted Exposures	637,070	27,095	2,270	-
Total On-Balance Sheet Exposures	<u>84,828,963</u>	<u>2,644,089</u>	<u>3,413,301</u>	<u>-</u>
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures other than Over				
The Counter ("OTC") Derivatives or Credit				
Derivatives	8,038,757	61,119	756,856	-
Defaulted Exposures	1,737	1	-	-
Total Off-Balance Sheet Exposures	<u>8,040,494</u>	<u>61,120</u>	<u>756,856</u>	<u>-</u>
Total On and Off-Balance Sheet				
Exposures	<u>92,869,457</u>	<u>2,705,209</u>	<u>4,170,157</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.)

<b>BANK 2025</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees/ credit derivatives (Note 1) RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b>Credit Risk</b>				
<b>Exposure Class</b>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	9,412,699	-	-	-
Public Sector Entities	445,483	-	-	-
Banks, DFIs and Multilateral Development Banks	3,195,634	-	-	-
Insurance Companies, Securities Firms and Fund Managers	245,871	1,491	570	-
Corporates	23,585,154	839,451	2,124,361	-
Regulatory Retail	12,199,312	1,236,270	998,461	-
Residential Mortgages	14,672,374	4,019	11,287	-
Higher Risk Assets	3,708	-	-	-
Other Assets	1,485,121	-	-	-
Defaulted Exposures	450,416	23,251	2,199	-
Total On-Balance Sheet Exposures	65,695,772	2,104,482	3,136,878	-
Off-Balance Sheet Exposures:				
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	7,009,120	34,153	673,903	-
Defaulted Exposures	1,314	-	-	-
Total Off-Balance Sheet Exposures	7,010,434	34,153	673,903	-
Total On and Off-Balance Sheet Exposures	72,706,206	2,138,635	3,810,781	-

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>GROUP</b> <b>2024</b>	<b>Exposures</b> <b>before CRM</b> <b>RM'000</b>	<b>Exposures</b> <b>covered by</b> <b>guarantees/</b> <b>credit</b> <b>derivatives</b> <b>(Note 1)</b> <b>RM'000</b>	<b>Exposures</b> <b>covered by</b> <b>eligible</b> <b>financial</b> <b>collateral</b> <b>RM'000</b>	<b>Exposures</b> <b>covered by</b> <b>other eligible</b> <b>collateral</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				
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.)

<b>BANK 2024</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees/ credit derivatives (Note 1) RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b>Credit Risk</b>				
<b>Exposure Class</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	58,893,267	1,747,530	2,756,803	-
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	6,659,040	27,897	603,803	-
Total On and Off-Balance Sheet Exposures	65,552,307	1,775,427	3,360,606	-

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 is 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.

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

<b>GROUP 2025</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>
<b><u>Credit-Related Exposures</u></b>				
Direct Credit Substitutes	536,155	-	536,155	407,873
Transaction-Related Contingent Items	714,231	-	352,638	207,065
Short-Term Self-Liquidating Trade- Related Contingencies	118,673	-	23,735	18,336
Forward Asset Purchase	-	-	-	-
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.)	1,689,046	-	104,059	11,988
Irrevocable Commitments to Extend Credit:				
- Maturity exceeding one year	5,051,678	-	2,524,478	1,922,647
- Maturity not exceeding one year	12,923,384	-	2,584,093	1,808,673
Unutilised Credit Card Lines	2,115,549	-	423,103	321,261
	<u>23,148,716</u>	<u>-</u>	<u>6,548,261</u>	<u>4,697,843</u>
<b><u>Derivative Financial Instruments</u></b>				
Foreign Exchange Related Contracts:				
- One year or less	14,982,172	68,906	257,351	75,368
- Over one year to three years	400,299	3,945	26,542	14,985
- Over three years	8,862	-	709	709
Interest Rate Related Contracts:				
- One year or less	4,118,349	5,609	74,671	18,241
- Over one year to three years	8,601,276	20,050	249,034	67,970
- Over three years	14,298,218	52,660	856,512	223,224
Equity Related Contracts:				
- One year or less	316,353	91	19,451	4,884
- Over one year to three years	98,607	-	7,963	2,124
	<u>42,824,136</u>	<u>151,261</u>	<u>1,492,233</u>	<u>407,505</u>
	<u>65,972,852</u>	<u>151,261</u>	<u>8,040,494</u>	<u>5,105,348</u>

4.0 Credit Risk (cont'd.)

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

<b>BANK 2025</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	448,167	-	448,167	338,065
Transaction-Related Contingent Items	579,231	-	285,138	175,234
Short-Term Self-Liquidating Trade- Related Contingencies	103,660	-	20,732	16,634
Forward Asset Purchase	-	-	-	-
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.)	1,689,046	-	104,059	11,988
Irrevocable Commitments to Extend Credit:				
- Maturity exceeding one year	4,466,785	-	2,232,317	1,691,954
- Maturity not exceeding one year	10,023,710	-	2,004,685	1,314,479
Unutilised Credit Card Lines	2,115,549	-	423,103	320,924
	<u>19,426,148</u>	<u>-</u>	<u>5,518,201</u>	<u>3,869,278</u>
<u>Derivative Financial Instruments</u>				
Foreign Exchange Related Contracts:				
- One year or less	14,982,172	68,906	257,351	75,368
- Over one year to three years	400,299	3,945	26,542	14,985
- Over three years	8,862	-	709	709
Interest Rate Related Contracts:				
- One year or less	4,118,349	5,609	74,671	18,241
- Over one year to three years	8,601,276	20,050	249,034	67,970
- Over three years	14,298,218	52,660	856,512	223,224
Equity Related Contracts:				
- One year or less	316,353	91	19,451	4,884
- Over one year to three years	98,607	-	7,963	2,124
	<u>42,824,136</u>	<u>151,261</u>	<u>1,492,233</u>	<u>407,505</u>
	<u>62,250,284</u>	<u>151,261</u>	<u>7,010,434</u>	<u>4,276,783</u>

4.0 Credit Risk (cont'd.)

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

<b>GROUP 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	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>

## **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.

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 analysis. 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.

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

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

***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 change 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.

***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><u>GROUP</u></b>		<b><u>BANK</u></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>2025</b>				
Interest Rate Risk				
- General Interest Rate Risk	693,746	55,500	693,746	55,500
- Specific Interest Rate Risk	330	26	330	26
	<u>694,076</u>	<u>55,526</u>	<u>694,076</u>	<u>55,526</u>
Foreign Exchange Risk	267,498	21,400	267,198	21,376
Option Risk	11,550	924	-	-
	<u>973,124</u>	<u>77,850</u>	<u>961,274</u>	<u>76,902</u>
<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>

## 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.

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 measures 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.

**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.)**

The following tables present the Group's and the Bank's projected sensitivity shock based on standard scenario as outlined in BNM's Reporting Requirements for Interest Rate/ Rate of Return Risk in the Banking Book Policy Document issued on 30 June 2020 across all maturities applied on the Group's and the Bank's interest sensitivity gap as at reporting date.

	MYR RM000	USD RM000	SGD RM000	Other Foreign Currencies ("FCY") RM000	Total RM000
<b>GROUP</b>					
<b>2025</b>					
<b>Impact on Net Interest Income ("NII")</b>					
Parallel 200 bps up	249,918	14,334	(11,629)	(25,221)	227,402
Parallel 200 bps down	(249,918)	(14,334)	11,629	25,221	(227,402)
<b>Impact on Economic Value ("EV")</b>					
Parallel 200 bps up	(280,568)	633	2,886	3,580	(273,469)
Parallel 200 bps down	280,568	(633)	(2,886)	(3,580)	273,469
Steepener	(376,208)	(331)	(1,576)	(2,975)	(381,090)
Flattener	337,830	474	2,009	3,780	344,093
Short Rate Up	(17,169)	690	2,613	4,901	(8,965)
Short Rate Down	17,169	(690)	(2,613)	(4,901)	8,965
<b>BANK</b>					
<b>2025</b>					
<b>Impact on NII</b>					
Parallel 200 bps up	199,257	14,334	(11,629)	(25,221)	176,741
Parallel 200 bps down	(199,257)	(14,334)	11,629	25,221	(176,741)
<b>Impact on EV</b>					
Parallel 200 bps up	(193,964)	633	2,886	3,580	(186,865)
Parallel 200 bps down	193,964	(633)	(2,886)	(3,580)	186,865
Steepener	(270,280)	(331)	(1,576)	(2,975)	(275,162)
Flattener	248,270	474	2,009	3,780	254,533
Short Rate Up	(6,255)	690	2,613	4,901	1,949
Short Rate Down	6,255	(690)	(2,613)	(4,901)	(1,949)
	MYR RM000	USD RM000	SGD RM000	Other FCY RM000	Total RM000
<b>GROUP</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>BANK</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

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.

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

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

**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 2024 to March 2025.

The following tables show the LCR and NSFR positions and are presented on average basis. The average position is calculated as the simple average of past 12 monthly observations in that financial period.

	<b>GROUP</b>		<b>BANK</b>	
	2025	2024	2025	2024
In RM'000				
Average HQLA	12,668,160	12,519,204	9,138,512	9,337,237
Average Cash Outflow	11,040,494	10,749,106	8,644,740	8,180,346
Average Cash Inflow	3,069,141	2,928,569	2,576,254	2,306,818
Average Net Cash Outflow	7,971,353	7,820,538	6,068,486	5,873,528
Average LCR Ratio %	158.92%	160.08%	150.59%	158.97%
In RM'000				
Average Available Stable Funding (ASF)	56,883,432	50,396,801		
Average Required Stable Funding (RSF)	49,397,016	43,706,681		
Average NSFR Ratio %	115.16%	115.31%		

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

**5.4 Equity Exposures in 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 banking book:

	<b>GROUP</b>		<b>BANK</b>	
	<b>Gross credit exposures RM'000</b>	<b>Risk-weighted assets RM'000</b>	<b>Gross credit exposures RM'000</b>	<b>Risk-weighted assets RM'000</b>
<b>2025</b>				
<b>Publicly Traded</b>				
Holding of Equity Investments	14	14	14	14
<b>Privately Held</b>				
For Socio-Economic Purposes	303,798	303,798	303,798	303,798
Not for Socio-Economic Purposes	-	-	-	-
	<u>303,812</u>	<u>303,812</u>	<u>303,812</u>	<u>303,812</u>
<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>

**Gains and Losses on Equity Exposures in the Banking Book**

The table below presents the gains and losses on equity exposures in banking book:

	<b>GROUP</b>		<b>BANK</b>	
	<b>2025 RM'000</b>	<b>2024 RM'000</b>	<b>2025 RM'000</b>	<b>2024 RM'000</b>
<b>Publicly Traded</b>				
Unrealised gains/(losses) recognised in revaluation reserve	(2)	2	(2)	2
	<u>(2)</u>	<u>2</u>	<u>(2)</u>	<u>2</u>
<b>Privately Held</b>				
<b>For Socio-Economic Purposes</b>				
- Acquisition during the year	200	-	200	-
- Disposal during the year	-	-	-	-
- Unrealised gains recognised in the statement of comprehensive income	25,625	20,767	25,625	20,767
	<u>25,825</u>	<u>20,767</u>	<u>25,825</u>	<u>20,767</u>
- Realised gains recognised in the statement of comprehensive income	-	-	-	-
<b>Not for Socio-Economic Purposes</b>				
- Write off during the year	-	-	-	-

## 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, 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 the 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>- Setting 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

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 highlight 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.

For operational risk capital charge, the Group applies BNM's standard computation as per the Capital Adequacy Framework (Operational Risk) policy document.



## **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 actual Shariah Non-Compliance Events ("SNCE") as follows:

- i. **Non-Performance of Commodity Murabahah ("CM") Trading for CM Home Financing Facility-i ("CMHF-i")**  
The SNCE was due to operational challenges during Shariah contract transition from Bai' Bithaman Ajil ("BBA") for Home Financing-i and system enhancement to block disbursement prior to CM trading was still in progress. The Bank had taken appropriate actions by performing a look back on similar accounts, enhancing the system and refunding the profit amounting to RM7,973 to the affected customers.
- ii. **Telegraphic Transfer for Purchase of Praying Materials**  
The SNCE was due to oversight by the designated team members and dual control weakness in operations. The commission amounting to RM2 has been channelled to charity.

In addition to the above SNCE, there was an SNCE which materialised in FY2024 pertaining to AIS house financing product based on BBA for properties under construction that breached BNM's Murabahah Policy Document and Circular on Implementation of Shariah Advisory Council's Resolution on Bai' Inah. The remediation and purification actions are currently in progress. As of 31 March 2025, the Bank had successfully remediated 84% of affected active accounts and had purified RM1,080,600 of the Shariah non-compliant income generated from closed accounts to charitable or religious bodies. A total of RM16,025,835 of profit had been provisioned for contingencies related to the remediation action.