



**BANK MUAMALAT MALAYSIA BERHAD**

Company No. 196501000376 (6175-W)  
(Incorporated in Malaysia)

**BASEL II PILLAR 3 DISCLOSURES  
31 DECEMBER 2022**

**Bank Muamalat Malaysia Berhad**  
**Basel II Pillar 3 Disclosure**

**Statement by Chief Executive Officer**

**In the name of Allah, The Most Beneficent, The Most Merciful**

In accordance with the requirement of BNM's Guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation on the Pillar 3 disclosures of the Group and the Bank for year ended 31 December 2022.

**Khairul Kamarudin**  
President / Chief Executive Officer

**Bank Muamalat Malaysia Berhad**  
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**Pillar 3 Disclosure Content**

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**Bank Muamalat Malaysia Berhad**  
**Basel II Pillar 3 Disclosure**

**BASEL II**

**PILLAR 3 DISCLOSURE**

**Abbreviations**

ALCO	Asset-Liability Management Committee
ALM	Asset and Liability Management
BCM	Business Continuity Management
BCP	Business Continuity Plan
BIA	Business Impact Analysis
BOD	Board of Director
BNM	Bank Negara Malaysia
BRMC	Board Risk Management Committee
BU	Business Unit
CAFIB	Capital Adequacy Framework for Islamic Banks
CBs	Corporate Bonds
CC	Credit Committee
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CPs	Commercial Papers
CR	Credit Risk
CRP	Credit Risk Policy
CRM	Credit Risk Mitigation
CSRD	Credit Supervision and Recovery Department
EAR	Earning At Risk
ECAI	External Credit Assessment Institutions
ERMC	Executive Risk Management Committee
EVE	Economic Value Perspective
FDI	Foreign Direct Investments
GCRP	Guidelines to Credit Risk Policies
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFIs	Islamic Financial Institutions
IFSB	Islamic Financial Services Board
IPRS	Islamic Profit Rate Swap
IRB Approach	Internal Ratings Based Approach
MFRS 9	Malaysian Financial Reporting Standards
MARC	Malaysian Rating Corporation Berhad
MDB	Multilateral Development Bank
MISB	Muamalat Invest Sdn Bhd
MR	Market Risk
OR	Operational Risk
ORM	Operational Risk Management
ORMC	Operational Risk Management Committee
PDS	Private Debt Securities
PSEs	Non- Federal Government Public Sector Entities
RA	Risk Assessment
R&I	Rating and Investment Information, Inc
RAM	RAM Rating Services Berhad
RORBB	Rate of Return Risk in Banking Book

**Bank Muamalat Malaysia Berhad**  
**Basel II Pillar 3 Disclosure**

**Abbreviations (cont'd.)**

RMD	Risk Management Department
RWA	Risk Weighted Assets
RWCAF	Risk Weighted Capital Adequacy Framework
TBPS	Trading Book Policy Statement
S&P	Standard and Poor's
SC	Shariah Committee
SNCI	Shariah Non-Compliance Income
SRP	Shariah Review Program
SU	Support Unit
VaR	Value at Risk

## **Basel II - Pillar 3 Disclosure**

### **Overview**

The Pillar 3 Disclosure is a regulatory requirement aimed at enhancing market transparency and discipline. It is prepared in accordance to the Bank Negara Malaysia's ("BNM's") guidelines "Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements ("Pillar 3")" and contains qualitative and quantitative information on Bank Muamalat Malaysia Berhad's ("BMMB") risk exposures and capital adequacy levels as well as on its capital and risk management practices.

In assessing its capital position, BMMB applies the prescribed Standardised Approach to measure its credit and market risk exposures and the Basic Indicator Approach for operational risk, as outlined under the BNM's CAFIB guidelines.

This Pillar 3 disclosure is published for the financial year ended 31 December 2022 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 December 2022.

## **Basel II - Pillar 3 Disclosure**

### **1.0 Scope of Application**

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on BMMB and its subsidiaries (hereinafter referred as “the Group and the Bank”). Information on subsidiaries is available in Note 11 to the financial statements.

The basis of consolidation for financial accounting purposes is described in Notes 2.2 to the financial statements, and differs from that used for regulatory capital purposes. The investment in subsidiary companies is deducted from regulatory capital at entity level and consolidated at group level.

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

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

All information in the ensuing paragraphs is based on the Group’s position. Certain information on capital adequacy relating to the Group and the Bank is presented on a voluntary basis to provide additional information to users. The capital-related information of the Group and the Bank, which is presented on a global basis, includes its offshore banking activities in Labuan as determined under the CAFIB.

This document discloses the Group's and the Bank's quantitative disclosures in accordance with the disclosure requirements as outlined in the CAFIB – Disclosure Requirements (“Pillar 3”) issued by BNM.

These disclosures have been reviewed and verified by internal auditors and approved by the Board and Directors of the Group.

### ***Scope of disclosure***

The detailed scope of published disclosure is subject to the following classification of information:

- Insignificant, i.e. its exclusion or distortion cannot influence the assessment or decision of a person using such information to make economic decisions, or influence such an assessment or decision,
- Reserved, i.e. its public distribution might adversely influence the position of the Group and the Bank on the market according to regulations on competition and consumer protection,
- Subject to law-protected confidentiality, such information is not published. In case of not publishing reserved information or the one which is subject to law-protected confidentiality, the Group and the Bank disclose information which is less detailed.

## **Basel II - Pillar 3 Disclosure**

### **2.0 Capital Management**

BMMB's capital management framework was designed to protect the interests of its key stakeholders and maximize shareholder value through optimum use of its capital resources. The primary capital management objective is to ensure efficient capital utilization while in pursuit of strategic and business objectives. It is also aimed at ensuring sufficient level of capital is maintained at all times to support the business growth targets while keeping it in line with the Bank's risk appetite as well as asregulatory requirements.

To determine the appropriate level and composition of capital to be held, the Bank uses the risk and capital adequacy assessment approaches as outlined under the Internal Capital Adequacy Assessment Process ("ICAAP"). The capital levels are assessed based on the Bank's strategic and business targets, taking into account current and forecasted economic and market conditions as well as the regulatory capital standards.

The Bank prepares its strategic, business and capital plans on an annual basis. Guided by the Board-approved risk appetite statement, the plans cover a minimum of three-year planning horizon and these are subjected to a stress test covering several possible stressed scenarios. Based on the ICAAP and stress test analysis, internal capital targets are set for key capital ratios to facilitate capital management and monitoring.

Arising from the strategic planning and capital assessment process, an annual capital plan is drawn up to ensure that sufficient capital is held to meet business growth targets as well as to maintain adequate buffer under foreseeable adverse economic scenarios. The capital plan also addresses any capital issuance requirements,optimal capital instrument composition and maturity profile, and capital contingency planning.

### **2.1 Internal Capital Adequacy Assessment Process ("ICAAP")**

BMMB's approach towards assessing the adequacy of its internal capital levels in relation to its risk profile is addressed in the Internal Capital Adequacy Assessment Process ("ICAAP"). This is in line with BNM's requirement as stipulated under the guideline, "Capital Adequacy Framework for Islamic Banks ("CAFIB") - Internal Capital Adequacy Assessment Process ("Pillar 2)".

The ICAAP covers an assessment of all risk exposures, particularly on those deemed as material risks, and the effectiveness of related risk controls and mitigations. The risk and capital assessment also looks at the adequacy of capital in relation to other discretionary and non-discretionary risk and where required, additional capital and buffers are allocated for risk exposures that are deemed inadequately covered under the Pillar 1 capital.

The ICAAP further addresses the current and future capital levels to be considered or maintained to ensure its adequacy to support the Bank's business operations on a going-concern basis. In terms of its capital mix, the Bank's capital consists primarily of Tier 1 capital and common equity, which enhances the Bank's ability to absorb potential losses under unforeseeable circumstances.



## Basel II - Pillar 3 Disclosure

### 2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

#### ***Stress Test***

Stress testing is an important tool used in assessing and determining appropriateness of capital levels to ensure its ability to absorb stress events in order to protect the depositors and other stakeholders.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact the Bank's risk profile. Stress testing is also used to determine the level of capital buffers that are considered adequate to ensure that the Bank does not breach the minimum regulatory ratios under stress scenarios and to formulate appropriate management actions.

The Bank employs two stress test approaches, namely sensitivity and scenario analyses. The stress testing supports management and decision making in the following areas:

- i. Assessment of the Bank's material risk profile under stress events and estimate the potential impact and implications to the Bank;
- ii. Assessment of capital adequacy in relation to the Bank's risk profile, which is integral to the ICAAP;
- iii. Facilitate capital and liquidity contingency planning across a range of stressed conditions and aiding in the development and formulation of appropriate strategies for maintaining required level of capital and management of identified risks; and
- iv. Embedded as an integral part of the strategic planning and management process.

The tables below present the capital adequacy ratios of the Group and the Bank.

**Table 1: Capital adequacy ratios**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Core Capital Ratio	<b>12.529%</b>	13.582%	<b>12.415%</b>	13.463%
Risk-weighted capital ratio	<b>17.572%</b>	17.222%	<b>17.471%</b>	17.110%

The following table represents the Group's and Bank's capital position as at 31 December 2022. Details on capital instruments, including share capital and reserves are found in Notes 25 to 26 of the financial statements.

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Pillar 3 Disclosure**

**2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)**

**Table 2: Capital structure**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>RM'000</b>	<b>RM'000 Restated</b>	<b>RM'000</b>	<b>RM'000 Restated</b>
<b>Tier-I capital</b>				
Share capital	<b>1,195,000</b>	1,195,000	<b>1,195,000</b>	1,195,000
Retained profits	<b>1,595,641</b>	1,485,685	<b>1,577,800</b>	1,471,184
<b>Other Reserves</b>				
Regulatory reserve	<b>94,239</b>	28,079	<b>94,239</b>	28,079
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	<b>(1,342)</b>	43,374	<b>(1,342)</b>	43,374
Foreign exchange translation reserve	<b>3,066</b>	649	<b>3,067</b>	650
<b>Regulatory Adjustment</b>				
Less: Regulatory reserve	<b>(94,239)</b>	(28,079)	<b>(94,239)</b>	(28,079)
FVOCI reserve	-	(23,856)	-	(23,856)
Less: Investment property gain	<b>(8,171)</b>	(8,171)	<b>(8,171)</b>	(8,171)
Less: Deferred tax assets	<b>(52,920)</b>	(58,170)	<b>(52,920)</b>	(58,170)
Less: Investment in subsidiaries	-	-	<b>(13,159)</b>	(13,159)
Less: Cumulative gains of financing measured at FVTPL	<b>(21,455)</b>	(19,354)	<b>(21,455)</b>	(19,354)
Less: Intangible Asset (net of deferred tax liabilities)	<b>(94,363)</b>	(61,002)	<b>(94,013)</b>	(60,701)
<b>Total Tier-I Capital</b>	<b>2,615,456</b>	2,554,155	<b>2,584,807</b>	2,526,797
<b>Tier-II capital</b>				
Subordinated sukuk	<b>800,000</b>	500,000	<b>800,000</b>	500,000
Collective assessment allowance for non-impaired financing and regulatory reserve	<b>248,955</b>	180,990	<b>248,955</b>	180,990
Add: Investment property gain	<b>3,677</b>	3,677	<b>3,677</b>	3,677
<b>Total Tier-II Capital</b>	<b>1,052,632</b>	684,667	<b>1,052,632</b>	684,667
<b>Total Capital</b>	<b>3,668,088</b>	3,238,822	<b>3,637,439</b>	3,211,464

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 9 December 2020 and 3 May 2019, respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA, respectively, for the current period (December 2021: 4.5%, 6.0% and 8.0% of total RWA).

## Basel II - Pillar 3 Disclosure

### 2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

The following tables present the minimum regulatory capital requirement to support the Group's and the Bank's risk-weighted assets:

**Table 3: Minimum capital requirement and risk-weighted assets**

	31 December 2022		31 December 2021	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>Group</b>				
Credit Risk	19,525,603	1,562,048	17,566,888	1,405,351
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	135,099	-	98,453	-
Market Risk	23,153	1,852	16,225	1,298
Operational Risk	1,460,879	116,870	1,321,435	105,715
<b>Total</b>	<b>20,874,536</b>	<b>1,680,770</b>	<b>18,806,095</b>	<b>1,512,364</b>
	31 December 2022		31 December 2021	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>Bank</b>				
Credit Risk	19,506,523	1,560,522	17,549,202	1,403,936
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	135,099	-	98,453	-
Market Risk	23,153	1,852	16,225	1,298
Operational Risk	1,424,839	113,987	1,302,128	104,170
<b>Total</b>	<b>20,819,416</b>	<b>1,676,361</b>	<b>18,769,102</b>	<b>1,509,404</b>

The Group and the Bank do not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

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2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows:

Table 4: Minimum capital requirement and risk-weighted assets by exposures

Group	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>31 December 2022</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	6,290,759	6,290,759	-	-
Public Sector Entities	961,974	961,974	192,387	15,391
Banks, Development Financial Institution & MDBs	120,802	120,802	24,160	1,933
Takaful Cos, Securities Firms & Fund Managers	95,291	95,291	19,058	1,525
Corporates	6,564,174	6,564,174	5,825,586	466,047
Regulator Retail	11,886,732	11,886,732	9,603,929	768,314
Residential Real Estate	5,196,032	5,196,032	2,327,438	186,195
Higher Risk Assets	68,931	68,931	103,384	8,271
Other Assets	245,603	245,603	105,460	8,435
Defaulted Exposures	98,935	98,935	89,092	7,127
	<b>31,529,233</b>	<b>31,529,233</b>	<b>18,290,494</b>	<b>1,463,238</b>
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,414,607	1,414,607	1,221,345	97,708
Islamic derivative financial instruments	25,347	25,347	13,764	1,101
	<b>1,439,954</b>	<b>1,439,954</b>	<b>1,235,109</b>	<b>98,809</b>
<b>Total Credit Exposures</b>	<b>32,969,187</b>	<b>32,969,187</b>	<b>19,525,603</b>	<b>1,562,047</b>
<b>(c) Credit Risk Absorb by PSIA</b>	<b>301,290</b>	<b>301,290</b>	<b>135,099</b>	<b>-</b>
<b>(ii) Market Risk (Standardised Approach)</b>	<b>Long Position</b>	<b>Short Position</b>	<b>Risk Weighted Assets</b>	<b>Capital Requirement</b>
Benchmark Rate Risk	844	(841)	19,346	1,548
Foreign Currency Risk	3,806	(1,253)	3,806	305
			<b>23,152</b>	<b>1,853</b>
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			<b>1,460,880</b>	<b>116,870</b>
<b>(iv) Total RWA and Capital Requirements</b>			<b>20,874,536</b>	<b>1,680,770</b>

\* After netting and credit risk mitigation

\*\* Credit Risk of off balance sheet items

**Basel II -  
Pillar 3 Disclosure**

**2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)**

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

**Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)**

Group	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>31 December 2021</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	5,576,883	5,576,883	-	-
Public Sector Entities	944,437	944,417	188,883	15,111
Banks, Development Financial Institution & MDBs	154,038	154,038	59,067	4,725
Takaful Cos, Securities Firms & Fund Managers	52,758	52,758	10,552	844
Corporates	6,331,648	6,179,355	5,519,176	441,534
Regulator Retail	9,475,555	9,468,994	8,489,137	679,131
Residential Real Estate	4,610,191	4,610,191	1,901,060	152,085
Higher Risk Assets	75,444	75,444	113,166	9,053
Other Assets	269,709	269,710	132,882	10,630
Defaulted Exposures	95,860	95,860	87,171	6,974
	27,586,523	27,427,650	16,501,094	1,320,087
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,160,991	1,160,991	1,042,399	83,392
Islamic derivative financial instruments	72,443	72,443	23,395	1,872
	1,233,434	1,233,434	1,065,794	85,264
<b>Total Credit Exposures</b>	28,819,957	28,661,084	17,566,888	1,405,351
<b>(c) Credit Risk Absorb by PSIA</b>	98,453	98,453	98,453	-
<b>(ii) Market Risk (Standardised Approach)</b>				
Benchmark Rate Risk	1,319	1,384	4,977	398
Foreign Currency Risk	7,011	19,928	11,248	900
			16,225	1,298
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			1,321,435	105,715
<b>(iv) Total RWA and Capital Requirements</b>			18,806,095	1,512,364

\* After netting and credit risk mitigation

\*\* Credit Risk of off balance sheet items

**Basel II -  
Pillar 3 Disclosure**

**2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)**

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

**Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)**

<b>Bank</b>	<b>Gross Exposures RM'000</b>	<b>*Net Exposures RM'000</b>	<b>Risk Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>
<b>31 December 2022</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	6,290,759	6,290,759	-	-
Public Sector Entities	961,974	961,974	192,387	15,391
Banks, Development Financial Institution & MDBs	120,802	120,802	24,160	1,933
Takaful Cos, Securities Firms & Fund Managers	95,291	95,291	19,058	1,525
Corporates	6,550,421	6,550,421	5,807,061	464,565
Regulator Retail	11,886,732	11,886,732	9,603,929	768,314
Residential Real Estate	5,196,032	5,196,032	2,327,438	186,195
Higher Risk Assets	68,931	68,931	103,384	8,271
Other Assets	245,603	245,603	104,906	8,393
Defaulted Exposures	98,935	98,935	89,091	7,127
	<b>31,515,480</b>	<b>31,515,480</b>	<b>18,271,414</b>	<b>1,461,714</b>
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,414,607	1,414,607	1,221,345	97,708
Islamic derivative financial instruments	25,347	25,347	13,764	1,101
	<b>1,439,954</b>	<b>1,439,954</b>	<b>1,235,109</b>	<b>98,809</b>
<b>Total Credit Exposures</b>	<b>32,955,434</b>	<b>32,955,434</b>	<b>19,506,523</b>	<b>1,560,523</b>
<b>(c) Credit Risk Absorb by PSIA</b>	<b>301,290</b>	<b>301,290</b>	<b>135,099</b>	<b>-</b>
<b>(ii) Market Risk (Standardised Approach)</b>				
Benchmark Rate Risk	844	(841)	19,346	1,548
Foreign Currency Risk	3,806	(1,253)	3,806	305
			<b>23,152</b>	<b>1,853</b>
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			<b>1,424,840</b>	<b>113,985</b>
<b>(iv) Total RWA and Capital Requirements</b>			<b>20,819,416</b>	<b>1,676,361</b>
<i>* After netting and credit risk mitigation</i>				
<i>** Credit Risk of off balance sheet items</i>				

**Basel II -  
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**2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)**

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

**Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)**

		Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>Bank</b>					
<b>31 December 2021</b>					
<b>(i) Credit Risk (Standardised Approach)</b>					
<b>(a) On Balance Sheet Exposures</b>					
	Sovereign/Central Banks	5,576,883	5,576,883	-	-
	Public Sector Entities	944,437	944,417	188,883	15,111
	Banks, Development Financial Institution & MDBs	154,038	154,038	59,067	4,725
	Takaful Cos, Securities Firms & Fund Managers	52,758	52,758	10,552	844
	Corporates	6,319,455	6,167,162	5,502,138	440,173
	Regulator Retail	9,475,555	9,468,994	8,489,137	679,131
	Residential Real Estate	4,610,191	4,610,191	1,901,060	152,085
	Higher Risk Assets	75,444	75,444	113,166	9,053
	Other Assets	269,060	269,061	132,234	10,577
	Defaulted Exposures	95,860	95,860	87,171	6,974
		27,573,681	27,414,808	16,483,408	1,318,673
<b>(b) Off-Balance Sheet Exposures**</b>					
	Credit-related off-balance sheet exposure	1,160,991	1,160,991	1,042,399	83,392
	Islamic derivative financial instruments	72,443	72,443	23,395	1,872
		1,233,434	1,233,434	1,065,795	85,264
<b>Total Credit Exposures</b>		28,807,115	28,648,242	17,549,202	1,403,937
<b>(c) Credit Risk Absorb by PSIA</b>					
		98,453	98,453	98,453	-
<b>(ii) Market Risk (Standardised Approach)</b>					
	Benchmark Rate Risk	1,319	1,384	4,977	398
	Foreign Currency Risk	7,011	19,928	11,248	900
				16,225	1,298
				1,302,128	104,169
				18,769,102	1,509,404
<b>(iii) Operational Risk (Basic Indicators Approach)</b>					
<b>(iv) Total RWA and Capital Requirements</b>					

\* After netting and credit risk mitigation

\*\* Credit Risk of off balance sheet items

\*\* Credit Risk of off balance sheet items

## Basel II - Pillar 3 Disclosure

### 3.0 Risk Management

#### Overview

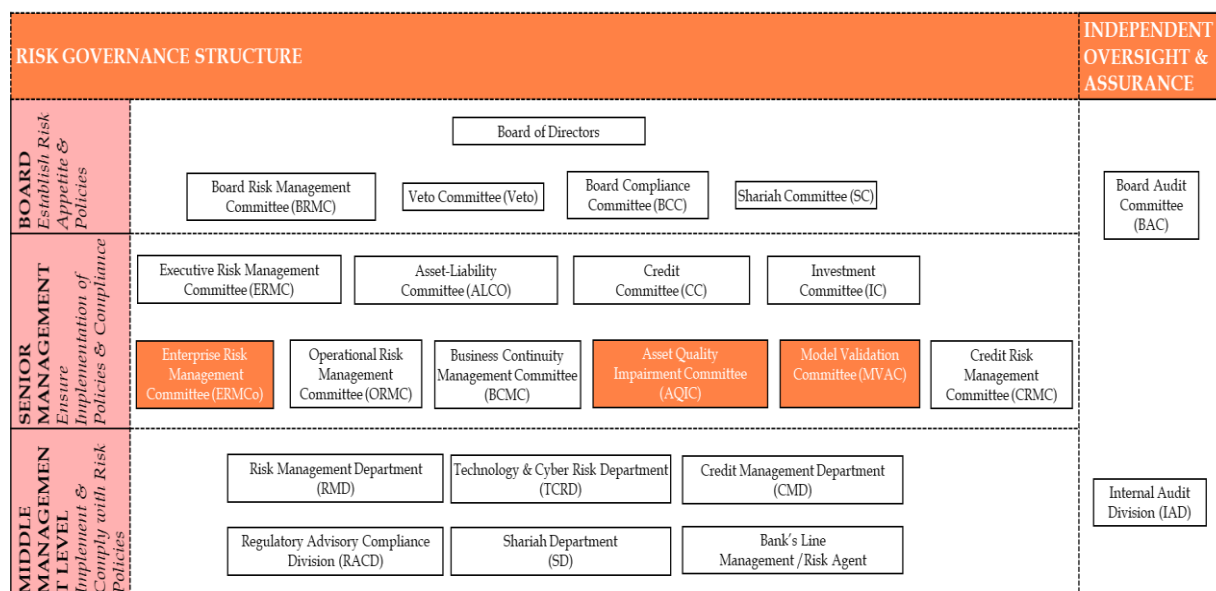
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance processes that outline responsibilities for risk management activities, as well as the governance and oversight of these activities.

An integral part of this approach is the systematic process of risk identification and measurement. Appropriate risk management strategies are then developed in line with the Bank's business plans and objectives, which include the ongoing monitoring and control of the identified risk exposures. The management and control over the principal risk areas of credit, market, asset and liability management, operational and Shariah are integrated to optimize and secure the Bank's strategic and competitive advantage.

#### Risk Governance

The Board of Directors holds the ultimate responsibility for the overall risk governance and oversight. This includes determining the appropriate risk strategies, setting the Bank's risk appetite and ensuring that the risks are monitored and controlled effectively. The Board oversees the risk management of the Bank through a clearly defined governance structure, which include board and management level committees with distinct roles and responsibilities.

**Table 5: Risk Governance Structure**





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### 3.0 Risk Management (cont'd)

#### *Risk Governance (cont'd)*

The Board's primary oversight role is to understand the risks undertaken by the Bank and ensure that these risks are properly managed. While the Board is ultimately responsible for the Bank's management of risks, it has entrusted the Board Risk Management Committee ("BRMC") to carry out specific risk management oversight functions on its behalf.

BRMC, which is chaired by an independent director of the Board, is a board-level committee that oversees the overall management of risks and deliberates on risk-related issues and resolutions. The BRMC, acting on behalf of the Board, also ensures that the appropriate processes, resources, policies and guidelines are in place to manage the Bank's risks.

In addition, the Board is also supported by the Shariah Committee ("SC"), which was set up as an independent external body to decide on Shariah issues and to simultaneously assist towards risk mitigation and compliance with the Shariah principles.

The execution of the board-approved risk strategies and policies is the responsibility of the Bank's management and these functions are also exercised under a committee structure. Heading the management-level risk committees is the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The ERMC focuses on the overall business strategies and the Bank's day-to-day operations in respect of risk management.

Other management-level risk committees are set up to oversee specific risk areas and its related control functions as described below:

**Table 6: Risk Committees & Functions**

Committee	Objective
Asset & Liability Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by the BRMC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's financing exposures (business and consumer). These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decide on new and/or additional investment in securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

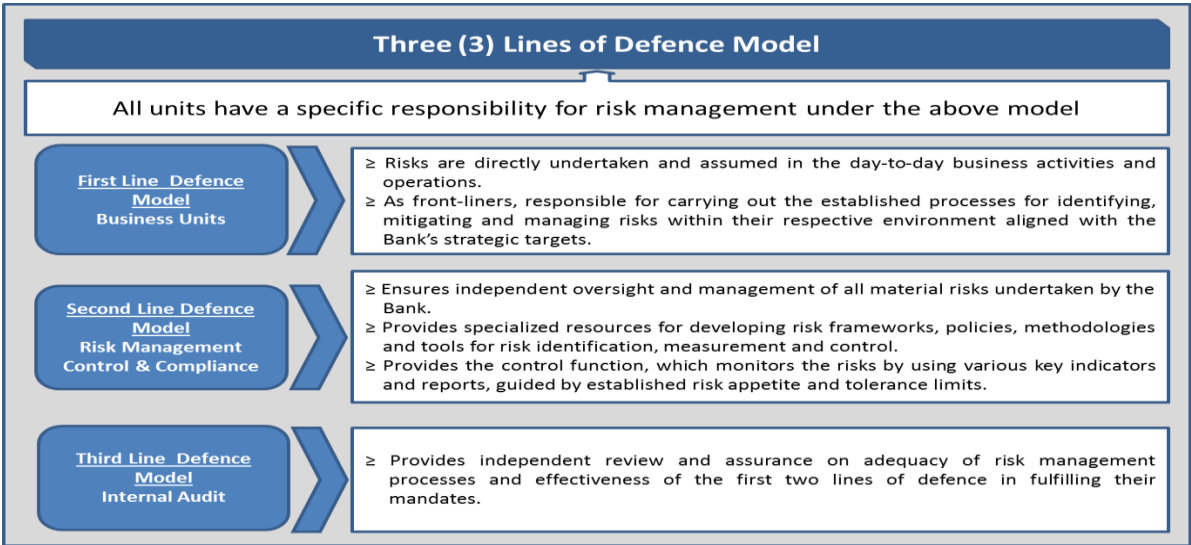
A dedicated and independent Risk Management Department ("RMD") supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the Management's and the Board's decision-making.

3.0 Risk Management (cont'd)

The Bank’s risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in their undertaken business activities. The line managers are therefore responsible for the identification, measurement and management of risks within their respective areas of responsibility.

The risk governance framework is implemented under a “distributed function” approach where risk is being managed based on the three lines of defense model. The components and their respective roles are as described below:

Table 7: Risk Management Model



**Risk Appetite**

Central to the Bank’s risk management framework is the risk appetite. The risk appetite is defined as the level of risk that the Bank is willing to accept in fulfilling its business objectives. The Board, BRMC and senior management is responsible for determining the Bank’s risk appetite and risk management strategy. The risk appetite is reviewed by the Board on an annual basis, in alignment with the annual strategic and business planning process.

The risk appetite framework is embedded within the Bank’s key decision-making processes and supports the implementation of its strategy. It sets out the principles and policies that guide the Bank’s behavior and decision-making for all risk taking activities towards achieving an optimal balance between risk and return. It also provides a clear reference point to monitor risk taking, to trigger appropriate action as the boundaries are approached or breached, and to minimize the likelihood of ‘surprises’ when adverse risk events occur.

As outlined in the risk appetite framework, a set of risk appetite statements has been developed to define the related risk capacity, appetite, tolerance and limits/targets of the Bank. The risk appetite statements, together with the risk tolerance limits and thresholds, are formulated to cover several key strategic and business risk levels or metrics such as capital ratios, liquidity, earnings volatility, asset portfolio composition and asset quality. The risk appetite, which is expressed in quantitative and qualitative forms, also incorporates the Bank’s key performance indicators and states its stance towards reputational and Shariah non-compliance.

#### **4.0 Credit Risk (General Disclosure)**

Credit risk is defined as the potential financial loss caused by a retail customer or a wholesale counterparty failing to meet their obligations to the Bank as they become due. This covers all credit exposures, including guarantees and irrevocable undrawn facilities.

Risk arising from changes in credit quality is a central feature of the Bank's business, where uncertainty over the recoverability of financing and other amounts due from counterparties are inherent across most of the Bank's activities.

Adverse changes in the credit quality of a customer/counterparty or a general deterioration in the economic condition could affect the value of the Bank's assets and its overall financial performance. To a lesser degree, the Bank is also exposed to other forms of credit risk, such as settlement and pre-settlement risks, arising mainly from activities involving foreign exchange, investment securities, equities, commodities and derivatives transactions.

The BRMC and ERM are the key board and management-level oversight committees responsible for the overall credit risk management activities. These include approving and review of risk strategies and policies, resolving any policy-related issues, and monitoring of the Bank's asset portfolios and risk profile.

Credit risk is managed under an established framework of policies, processes and procedures, which forms part of the overall risk governance framework. The risk management processes include assessing, measuring, mitigating and managing credit risk and maintaining it within the Bank's risk appetite.

Key components of the framework are the Credit Risk Policy ("CRP") and Guidelines to Credit Risk Policies ("GCRP"), which contain credit-related policies and procedures for the management of credit risk. These policies and procedures cover risk policies, controls and prudential limits; risk rating methodologies and application; financing underwriting standards and pricing; delegated credit approving authority; credit review and management of distressed assets; and rehabilitation, restructuring and provisioning for impaired financing. The policies are periodically reviewed and updated to ensure its efficacy and continued relevance.

An important element of credit risk management involves the allocation of the Bank's financing exposures into risk rating categories. This approach provides for sufficient level of granularity and detail of the financing assets to facilitate the identification, monitoring and management of the overall credit risk profile on a regular basis. These rating categories are also linked credit pricing and defined in relation to profit spread.

Credit approvals are performed under a formal delegated approving structure comprising a hierarchy of approving authorities with clearly defined scope and limits. The Credit Committee ("CC") is the main management-level committee involved in the approval of credit proposals (for amounts exceeding that of the lower individual authority limits) and the monitoring and management of distressed financing assets.

The Bank conducts regular review of its credit exposures based on portfolio segments and concentrations to ensure that these exposures are kept within the Board-approved risk appetite and risk tolerance levels. These review and analysis reports also provide the basis for ongoing risk management strategy and policy formulation.

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### 4.0 Credit Risk (General Disclosure) (cont'd)

#### Credit Risk Exposures and Credit Risk Concentration

Table 8: Credit risk exposures and credit risk concentration by sector analysis

Group	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Transport, storage and communication	Household	Others	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On balance sheet exposures</b>								
Cash and short-term funds	-	1,235,453	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	29,491	182,089
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,736	2,070,410	1,581,653	189,534	16,877,576	710,269	24,017,067
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other assets	-	-	-	-	-	-	18,489	18,489
	6,241,568	3,069,027	2,264,573	1,581,653	189,534	16,877,576	997,492	31,221,423
<b>Commitments and contingencies</b>								
Contingent liabilities	87,057	98,387	163,217	507,580	109,689	4,312	84,687	1,054,929
Commitments	64,936	194,474	344,235	115,846	18,005	609,323	441,233	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	1,121	5,772	39,446	150	75,968	29,775	152,232
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	151,993	1,293,089	1,300,547	662,872	127,844	689,603	555,695	4,781,643
<b>Total credit exposures</b>	<b>6,393,561</b>	<b>4,362,116</b>	<b>3,565,120</b>	<b>2,244,525</b>	<b>317,378</b>	<b>17,567,179</b>	<b>1,553,187</b>	<b>36,003,066</b>

## Basel II - Pillar 3 Disclosure

### 4.0 Credit Risk (General Disclosure) (cont'd)

#### Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Group 31 December 2021 Restated	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
<b>On balance sheet exposures</b>								
Cash and short-term funds	-	1,142,291	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	31,184	-	-	-	-	-	31,184
Financial investments at fair value through profit and loss	152,891	-	-	-	-	-	-	152,891
Financial investments at fair value through other comprehensive income	4,354,427	214,431	53,080	5,118	-	-	408,099	5,035,155
Financial assets at amortised cost	-	-	107,109	-	-	-	-	107,109
Islamic derivative financial assets	-	5,437	-	-	-	-	-	5,437
Financing of customers	992,353	1,361,404	1,980,056	1,698,795	66,666	13,890,033	681,999	20,671,306
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	130,148
Other assets	-	-	-	-	-	-	10,923	10,923
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,101,021	27,286,444
<b>Commitments and contingencies</b>								
Contingent liabilities	38,285	165,515	134,003	374,182	11,957	5,518	92,810	822,270
Commitments	18,210	265,013	326,423	149,305	15,070	335,323	503,798	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	-	240	1,669	21,518	855	1,357	134	25,773
Islamic derivative financial instruments	-	2,051,516	779,081	-	-	-	-	2,830,597
	56,495	2,482,284	1,241,176	545,005	27,882	342,198	596,742	5,291,782
<b>Total credit exposures</b>	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,697,763	32,578,226

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### 4.0 Credit Risk (General Disclosure) (cont'd)

#### Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 December 2022	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
<b>On balance sheet exposures</b>								
Cash and short-term funds	-	1,235,453	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	26,946	179,544
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,735	2,070,410	1,581,653	189,534	16,877,576	699,616	24,006,413
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other assets	-	-	-	-	-	-	18,045	18,045
	<b>6,241,568</b>	<b>3,069,026</b>	<b>2,264,573</b>	<b>1,581,653</b>	<b>189,534</b>	<b>16,877,576</b>	<b>983,850</b>	<b>31,207,780</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	87,057	98,387	163,217	507,580	109,689	4,312	84,687	1,054,929
Commitments	64,936	194,474	344,235	115,846	18,005	609,323	441,233	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	1,121	5,772	39,446	150	75,968	29,775	152,232
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	<b>151,993</b>	<b>1,293,089</b>	<b>1,300,547</b>	<b>662,872</b>	<b>127,844</b>	<b>689,603</b>	<b>555,695</b>	<b>4,781,643</b>
<b>Total credit exposures</b>	<b>6,393,561</b>	<b>4,362,115</b>	<b>3,565,120</b>	<b>2,244,525</b>	<b>317,378</b>	<b>17,567,179</b>	<b>1,539,545</b>	<b>35,989,423</b>

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### 4.0 Credit Risk (General Disclosure) (cont'd)

#### Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 December 2021 Restated	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
<b>On balance sheet exposures</b>								
Cash and short-term funds	-	1,142,291	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	31,184	-	-	-	-	-	31,184
Financial investments at fair value through profit and loss	152,891	-	-	-	-	-	-	152,891
Financial investments at fair value through other comprehensive income	4,354,427	214,431	53,080	5,118	-	-	405,593	5,032,649
Financial assets at amortised cost	-	-	107,109	-	-	-	-	107,109
Islamic derivative financial assets	-	5,437	-	-	-	-	-	5,437
Financing of customers	992,353	1,361,404	1,980,056	1,698,795	66,666	13,890,033	672,311	20,661,618
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	130,148
Other assets	-	-	-	-	-	-	10,375	10,375
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,088,279	27,273,702
<b>Commitments and contingencies</b>								
Contingent liabilities	38,285	165,515	134,003	374,182	11,957	5,518	92,810	822,270
Commitments	18,210	265,013	326,423	149,305	15,070	335,323	503,798	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	-	240	1,669	21,518	855	1,357	134	25,773
Islamic derivative financial instruments	-	2,051,516	779,081	-	-	-	-	2,830,597
	56,495	2,482,284	1,241,176	545,005	27,882	342,198	596,742	5,291,782
<b>Total credit exposures</b>	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,685,021	32,565,484

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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Risk Exposures and Credit Risk Concentration (cont'd)**

**Table 9: Credit risk exposures and credit risk concentration by geographical analysis**

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>Domestic</b>	<b>Labuan</b>	<b>Domestic</b>	<b>Labuan</b>
<b>31 December 2022</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On Balance Sheet</b>				
<b>Exposures</b>				
Cash and short-term funds	1,155,842	79,611	1,155,842	79,611
Cash and placements with financial institutions	21,747	-	21,747	-
Financial investment at fair value through profit and loss	182,089	-	179,544	-
Financial investments at fair value through other comprehensive income	5,065,879	145,772	5,065,879	145,772
Financial investments amortised cost	113,589	-	113,589	-
Islamic derivative financial assets	4,247	-	4,247	-
Financing of customers	24,017,067	-	24,006,413	-
Statutory deposits with Bank Negara Malaysia	417,091	-	417,091	-
Other assets	18,486	3	18,042	3
	<b>30,996,037</b>	<b>225,386</b>	<b>30,982,394</b>	<b>225,386</b>
<b>Commitments and contingencies</b>				
Contingent liabilities	1,054,929	-	1,054,929	-
Commitments	1,788,052	-	1,788,052	-
Other Miscellaneous Commitment and Contingent Liabilities	152,232	-	152,232	-
Islamic derivative financial instruments	1,786,430	-	1,786,430	-
	<b>4,781,643</b>	<b>-</b>	<b>4,781,643</b>	<b>-</b>
<b>Total credit exposures</b>	<b>35,777,680</b>	<b>225,386</b>	<b>35,764,037</b>	<b>225,386</b>



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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Risk Exposures and Credit Risk Concentration (cont'd)**

**Table 9: Credit risk exposures and credit risk concentration by geographical analysis (cont'd)**

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

31 December 2021	Group		Bank	
	Domestic RM'000	Labuan RM'000 Restated	Domestic RM'000	Labuan RM'000 Restated
<b>On Balance Sheet</b>				
<b>Exposures</b>				
Cash and short-term funds	1,088,191	54,100	1,088,191	54,100
Cash and placements with financial institutions	31,184	-	31,184	-
Financial investment at fair value through profit and loss	152,891	-	152,891	-
Financial investments at fair value through other comprehensive income	4,866,770	168,385	4,864,264	168,385
Financial investments amortised cost	107,109	-	107,109	-
Islamic derivative financial assets	5,437	-	5,437	-
Financing of customers	20,671,306	-	20,661,618	-
Statutory deposits with Bank Negara Malaysia	130,148	-	130,148	-
Other assets	10,921	3	10,372	3
	<u>27,063,956</u>	<u>222,488</u>	<u>27,051,214</u>	<u>222,488</u>
<b>Commitments and contingencies</b>				
Contingent liabilities	822,270	-	822,270	-
Commitments	1,613,142	-	1,613,142	-
Other Miscellaneous Commitment and Contingent Liabilities	25,773	-	25,773	-
Islamic derivative financial instruments	2,830,597	-	2,830,597	-
	<u>5,291,782</u>	<u>-</u>	<u>5,291,782</u>	<u>-</u>
<b>Total credit exposures</b>	<u>32,355,738</u>	<u>222,488</u>	<u>32,342,996</u>	<u>222,488</u>

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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Risk Exposures of Financial Assets by Maturity Distribution**

**Table 10: Credit risk exposures of financial assets by remaining contractual maturity**

<b>Group</b>	<b>Up to 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>31 December 2022</b>					
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	1,235,453	-	-	-	1,235,453
Cash and placements with financial institutions	21,747	-	-	-	21,747
Financial investments at fair value through profit and loss	147,485	-	34,604	-	182,089
Financial investments at fair value through other comprehensive income	391,996	1,108,279	3,130,310	581,066	5,211,651
Financial investments amortised cost	-	-	-	113,589	113,589
Islamic derivative financial assets	4,247	-	-	-	4,247
Financing of customers	3,585,775	2,161,825	8,060,199	10,209,268	24,017,067
Statutory deposits with Bank Negara Malaysia	-	-	-	417,091	417,091
Other assets	(19)	18,008	500	-	18,489
<b>Total On-Balance Sheet Exposures</b>	<b>5,386,684</b>	<b>3,288,112</b>	<b>11,225,613</b>	<b>11,321,014</b>	<b>31,221,423</b>
<b>Group</b>	<b>Up to 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>31 December 2021</b>					
<b>Restated</b>					
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	1,142,291	-	-	-	1,142,291
Cash and placements with financial institutions	31,184	-	-	-	31,184
Financial investments at fair value through profit and loss	5,052	-	147,839	-	152,891
Financial investments at fair value through other comprehensive income	502,428	838,270	3,587,562	106,895	5,035,155
Financial investments amortised cost	-	-	-	107,109	107,109
Islamic derivative financial assets	5,437	-	-	-	5,437
Financing of customers	3,529,987	2,005,708	6,809,225	8,326,386	20,671,306
Statutory deposits with Bank Negara Malaysia	-	-	-	130,148	130,148
Other assets	400	10,023	500	-	10,923
<b>Total On-Balance Sheet Exposures</b>	<b>5,216,779</b>	<b>2,854,001</b>	<b>10,545,126</b>	<b>8,670,538</b>	<b>27,286,444</b>

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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Risk Exposures of Financial Assets by Maturity Distribution (cont'd)**

**Table 10: Credit Risk Exposures of financial assets by remaining contractual maturity (cont'd)**

<b>Bank</b>	<b>Up to 6</b>	<b>&gt; 6 - 12</b>	<b>&gt; 1 - 5</b>	<b>Over 5</b>	<b>Total</b>
<b>31 December 2022</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	1,235,453	-	-	-	1,235,453
Cash and placements with financial institutions	21,747	-	-	-	21,747
Financial investments at fair value through profit and loss	147,485	-	32,059	-	179,544
Financial investments at fair value through other comprehensive income	391,996	1,108,279	3,130,310	581,066	5,211,651
Financial investments amortised cost	-	-	-	113,589	113,589
Islamic derivative financial assets	4,247	-	-	-	4,247
Financing of customers	3,585,775	2,161,825	8,060,199	10,198,614	24,006,413
Statutory deposits with Bank Negara Malaysia	-	-	-	417,091	417,091
Other assets	(29)	17,573	500	-	18,044
<b>Total On-Balance Sheet Exposures</b>	<b>5,386,674</b>	<b>3,287,677</b>	<b>11,223,068</b>	<b>11,310,360</b>	<b>31,207,779</b>
<b>Bank</b>	<b>Up to 6</b>	<b>&gt; 6 - 12</b>	<b>&gt; 1 - 5</b>	<b>Over 5</b>	<b>Total</b>
<b>31 December 2021</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>Total</b>
<b>Restated</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	1,142,291	-	-	-	1,142,291
Cash and placements with financial institutions	31,184	-	-	-	31,184
Financial investments at fair value through profit and loss	5,052	-	147,839	-	152,891
Financial investments at fair value through other comprehensive income	502,428	838,270	3,585,057	106,894	5,032,649
Financial investments amortised cost	-	-	-	107,109	107,109
Islamic derivative financial assets	5,437	-	-	-	5,437
Financing of customers	3,529,987	2,005,708	6,809,225	8,316,698	20,661,618
Statutory deposits with Bank Negara Malaysia	-	-	-	130,148	130,148
Other assets	395	9,480	500	-	10,375
<b>Total On-Balance Sheet Exposures</b>	<b>5,216,774</b>	<b>2,853,458</b>	<b>10,542,621</b>	<b>8,660,849</b>	<b>27,273,702</b>

#### **4.0 Credit Risk (General Disclosure) (cont'd)**

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

Credit risk is inherent in all credit-related activities such as in the granting of financing facilities and participation in treasury and investment banking activities.

Credit risk exposures are controlled and managed at every stage of the credit process through various methods and techniques. At the point of origination, the credit exposure is assessed with well-defined financing granting criteria, which include the identification of a clear and adequate source of payment or income generation from the customer, structuring of an effective financing package and incorporation of appropriate risk mitigants.

The Bank's credit-origination and granting activities are segregated by business lines based on customer types/business segments. Specifically, these are Business Banking for corporate, commercial and retail SME customers, Consumer Banking for retail/individual customers and Investment Banking for syndications and capital market instruments. These departments are responsible for marketing, developing and managing the Bank's financing and investment assets as well as ensuring the quality and timely delivery of its products and services.

The Bank has an established structure to facilitate the credit approval process which defines the appropriate level of approving authority and limits. These approving authority and limits are duly sanctioned by the Board and are subject to periodic reviews to assess its effectiveness as well as compliance. To enhance the risk identification process, the financing proposals by the origination departments are subjected to independent credit reviews and risk assessments by the relevant credit assessment departments prior to submission to the approving authority for decision.

Credit portfolios are managed and monitored against stipulated portfolio exposure limits with the objective to avoid credit concentration and excessive build-up of exposures and to preserve the credit portfolios' quality through timely and appropriate corrective actions.

The Credit Risk report is produced and deliberated at the management and board level committees on a monthly basis to monitor the overall exposures and limits. Risk Profiling Analysis on selected asset portfolios is conducted on a regular basis to analyze the asset quality for possible deterioration or concentration build-up and potential weaknesses or threats arising from internal and external factors.

Stress Test on credit exposures is used as a tool to identify possible events or future changes in the financial and economic conditions that could have an unfavorable impact on the Bank's exposures. It is also used to assess the Bank's ability to withstand such changes in relation to the capacity of capital and earnings to absorb potentially significant losses.

The monitoring and recovery of delinquent and problematic financing accounts are undertaken by two departments; namely the Consumer Financing Supervision and Recovery Department ("CFSRD") and the Business Financing Supervision and Recovery Department ("BFSRD"). Within the BFSRD, the Early Care and Remedial Management units have been tasked to monitor and undertake pre-emptive measures on business financing with early warning signs to prevent further deterioration and/or initiate rehabilitation actions such as rescheduling and restructuring of the affected accounts.

#### **4.0 Credit Risk (General Disclosure) (cont'd)**

##### **Credit Risk Management Approach (cont'd.)**

Classification and loss provisioning of the Bank's impaired financing and investment assets is performed upon determination of impairment evidence and by categorization into individual and collective assessment. The process and approach is defined in the GCRP and other related policies and SOPs as prescribed under the MFRS 9 and BNM guidelines.

The Bank implemented a new risk rating approach for its business and consumer financing portfolios, introduced gradually from year 2011. Credit scorecards using statistical and heuristic-based methodologies were developed and applied to assess the customers' risk levels and assist in the Bank's credit decision. The credit risk grades are also used in portfolio monitoring and limit setting and in building a more robust estimation of credit losses in the future as prescribed under the Internal Rating Based ("IRB") approach.

Aside from the credit risk rating, the Bank is also enhancing its portfolio management capability through the development of a data mart and acquisition of more analytical and risk management systems.

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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Quality Financing of Customers**

**Table 11: Credit quality of financing of customers**

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

<b>Group</b>	<b>Neither past due nor impaired</b>		<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
<b>31 December 2022</b>	<b>Good</b>	<b>Satisfactory</b>	<b>but not</b>	<b>financing</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>impaired</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,173,389	114,700	104,998	103,040	11,496,127
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	<b>23,324,785</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,275,548</b>
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(25,667)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	-	(103,918)
<b>Total net financing</b>	<b>23,324,785</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,017,067</b>

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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Quality Financing of Customers (cont'd)**

**Table 11: Credit quality of financing of customers (cont'd)**

Financing of customers are analysed as follows:

<b>Group</b>	<b>Neither past due nor impaired</b>		<b>Past due but not impaired</b>	<b>Impaired financing</b>	<b>Total</b>
<b>31 December 2021</b>	<b>Good RM'000</b>	<b>Satisfactory RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	5,579,616	132,386	18,714	68,345	5,799,061
- Syndicated financing	561,017	-	-	-	561,017
- Hire purchase receivables	636,718	8,013	4,360	1,384	650,475
- Other term financing	9,660,937	101,443	16,301	60,821	9,839,502
Other financing	3,975,628	30,669	379	41,523	4,048,199
	20,413,916	272,511	39,754	172,073	20,898,254
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(116,768)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(34,046)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(76,134)	(76,134)
Total net financing	20,413,916	272,511	39,754	95,939	20,671,306

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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Quality Financing of Customers (cont'd)**

**Table 11: Credit quality of financing of customers (cont'd)**

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

<b>Bank</b>	<b>Neither past due nor impaired</b>		<b>Past due but not impaired</b>	<b>Impaired financing</b>	<b>Total</b>
<b>31 December 2022</b>	<b>Good</b>	<b>Satisfactory</b>	<b>impaired</b>		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,162,735	114,700	104,998	103,040	11,485,473
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	<b>23,314,131</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,264,894</b>
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(25,667)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	-	(103,918)
<b>Total net financing</b>	<b>23,314,131</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,006,413</b>



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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Quality Financing of Customers (cont'd)**

**Table 11: Credit quality of financing of customers (cont'd)**

Financing of customers are analysed as follows:

<b>Bank</b>	<b>Neither past due nor impaired</b>		<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
<b>31 December 2021</b>	<b>Good</b>	<b>Satisfactory</b>	<b>but not</b>	<b>financing</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>impaired</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	5,579,616	132,386	18,714	68,345	5,799,061
- Syndicated financing	561,017	-	-	-	561,017
- Hire purchase receivables	636,718	8,013	4,360	1,384	650,475
- Other term financing	9,651,249	101,443	16,301	60,821	9,829,814
Other financing	3,975,628	30,669	379	41,523	4,048,199
	20,404,228	272,511	39,754	172,073	20,888,566
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(116,768)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(34,046)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(76,134)	(76,134)
Total net financing	20,404,228	272,511	39,754	95,939	20,661,618

#### 4.0 Credit Risk (General Disclosure) (cont'd)

##### Credit Quality Financing of Customers (cont'd)

Financing of customers are analysed as follows: (cont'd.)

##### (i) Neither past due nor impaired

Gross financing and advances which are neither past due nor impaired:

- "Good Grade" refers to financing and advances which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory Grade" refers to financing and advances which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

##### (ii) Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make a principal or profit payment after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

**Table 12: Past due but not impaired**

<b>Group and Bank</b>	<b>Less than</b>	<b>1 - 2</b>	<b>&gt;2 - 3</b>	<b>Total</b>
<b>31 December 2022</b>	<b>1 month</b>	<b>months</b>	<b>months</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Term financing				
- Home financing	-	172,040	273	172,313
- Hire purchase receivables	-	7,009	143	7,152
- Other term financing	-	103,091	1,907	104,998
Other financing	-	978	118	1,096
<b>Total</b>	<b>-</b>	<b>283,118</b>	<b>2,441</b>	<b>285,559</b>

#### 4.0 Credit Risk (General Disclosure) (cont'd)

##### Credit Quality Financing of Customers (cont'd)

Financing of customers are analysed as follows: (cont'd.)

##### (ii) Past due but not impaired (cont'd)

**Table 12: Past due but not impaired (cont'd)**

<b>Group and Bank 31 December 2021</b>	<b>Less than 1 month RM'000</b>	<b>1 - 2 months RM'000</b>	<b>&gt;2 - 3 months RM'000</b>	<b>Total RM'000</b>
Term financing				
- Home financing	-	14,430	4,284	18,714
- Hire purchase receivables	-	2,807	1,553	4,360
- Other term financing	-	9,309	6,992	16,301
Other financing	-	160	219	379
<b>Total</b>	<b>-</b>	<b>26,706</b>	<b>13,048</b>	<b>39,754</b>

The following tables present an analysis of the past due but not impaired financing by economic purpose.

<b>Group and Bank</b>	<b>31 December 2022 RM'000</b>	<b>31 December 2021 RM'000</b>
Purchase of transport vehicles	7,163	4,360
Purchase of landed properties of which:		
– residential	161,851	18,498
– non-residential	10,357	515
Personal use	91,564	14,890
Construction	285	1,092
Working capital	13,047	160
Other purpose	1,292	239
	<b>285,559</b>	<b>39,754</b>

The following table presents an analysis of the past due but not impaired financing by geographical area:

<b>Group and Bank</b>	<b>31 December 2022 RM'000</b>	<b>31 December 2021 RM'000</b>
Domestic	<b>285,559</b>	<b>39,754</b>

#### **4.0 Credit Risk (General Disclosure) (cont'd)**

##### **Credit Quality Financing of Customers (cont'd)**

##### **(iii) Impaired financing**

A financing of customer is considered past due when any payment (whether principal and/or profit) due under the contractual terms are received late or missed.

Financing and advances are classified as credit-impaired when they fulfil any of the following criteria:

- (a) principal or profit or both are past due for ninety (90) days or more; or
- (b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or
- (c) where a financing is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the financing exhibits indications of significant credit weaknesses; or
- (d) where a financing has been classified as rescheduled and restructured ("R&R"), the financing will be classified as credit-impaired until payments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months; or
- (e) for payments scheduled on intervals of ninety (90) days or more, as soon as default occurs.

In addition, financing that is considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a financing is credit-impaired.

The financial effects of the adoption of MFRS 9 in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.4.

#### 4.0 Credit Risk (General Disclosure) (cont'd)

##### Credit Quality Financing of Customers (cont'd)

##### Impaired financing (cont'd)

**Table 13: Impaired financing by economic purpose**

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 December 2022						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	49	-	-	-	-	112	112
Purchase of transport vehicles	1,548	23	138	34	127	1,511	1,638
Purchase of landed properties of which:							
– residential	55,675	13,096	5,571	7,329	11,338	42,202	53,540
– non-residential	21,636	1,454	1,382	-	2,836	2,346	5,182
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	1,106	1,106
Personal use	81,303	402	1,058	-	1,460	118,415	119,875
Construction	-	-	-	-	-	1,539	1,539
Working capital	40,434	18,771	20,900	8,634	31,039	26,513	57,552
Other purpose	5,312	-	7,286	3,336	3,949	13,988	17,937
	205,957	33,746	36,335	19,333	50,749	207,732	258,481

#### 4.0 Credit Risk (General Disclosure) (cont'd)

##### Credit Quality Financing of Customers (cont'd)

##### Impaired financing (cont'd)

**Table 13: Impaired financing by economic purpose (cont'd)**

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 December 2021						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	4	-	-	-	-	145	145
Purchase of transport vehicles	1,384	-	23	-	23	1,673	1,696
Purchase of landed properties of which:							
– residential	67,385	8,450	4,646	-	13,096	55,707	68,803
– non-residential	22,955	1,511	(58)	-	1,454	1,989	3,443
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	1,090	1,090
Personal use	38,085	671	(269)	-	402	75,956	76,358
Construction	-	-	-	-	-	1,879	1,879
Working capital	41,797	19,586	(820)	-	18,771	40,042	58,813
Other purpose	463	-	-	-	-	14,721	14,721
	172,073	30,218	3,522	-	33,746	193,202	226,948

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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Quality Financing of Customers (cont'd)**

**Impaired financing (cont'd)**

**Table 13: Impaired financing by economic purpose (cont'd)**

The following tables present an analysis of the impaired financing by economic purpose.

	31 December 2022						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment 31 December RM'000	Total Impairment Allowances for Financing RM'000
<b>Bank</b>							
Purchase of securities	49	-	-	-	-	112	112
Purchase of transport vehicles	1,548	23	138	34	127	1,511	1,638
Purchase of landed properties of which:							
– residential	55,675	13,096	5,571	7,329	11,338	42,202	53,540
– non-residential	21,636	1,454	1,382	-	2,836	2,346	5,182
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	1,106	1,106
Personal use	81,303	402	1,058	-	1,460	118,415	119,875
Construction	-	-	-	-	-	1,539	1,539
Working capital	40,434	18,771	20,900	8,634	31,039	26,513	57,552
Other purpose	5,312	-	7,286	3,336	3,949	13,988	17,937
	<b>205,957</b>	<b>33,746</b>	<b>36,335</b>	<b>19,333</b>	<b>50,749</b>	<b>207,732</b>	<b>258,481</b>

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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Quality Financing of Customers (cont'd)**

**Impaired financing (cont'd)**

**Table 13: Impaired financing by economic purpose (cont'd)**

The following tables present an analysis of the impaired financing by economic purpose.

	31 December 2021						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment 31 December RM'000	Total Impairment Allowances for Financing RM'000
<b>Bank</b>							
Purchase of securities	4	-	-	-	-	145	145
Purchase of transport vehicles	1,384	-	23	-	23	1,673	1,696
Purchase of landed properties of which:							
– residential	67,385	8,450	4,646	-	13,096	55,707	68,803
– non-residential	22,955	1,511	(58)	-	1,454	1,989	3,443
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	1,090	1,090
Personal use	38,085	671	(269)	-	402	75,956	76,358
Construction	-	-	-	-	-	1,879	1,879
Working capital	41,797	19,586	(820)	-	18,771	40,042	58,813
Other purpose	463	-	-	-	-	14,721	14,721
	<b>172,073</b>	<b>30,218</b>	<b>3,522</b>	<b>-</b>	<b>33,746</b>	<b>193,202</b>	<b>226,948</b>



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**4.0 Credit Risk (General Disclosure) (cont'd)**

**Credit Quality Financing of Customers (cont'd)**

**Table 14: Impaired financing by geographical distribution**

The following tables present an analysis of the impaired financing by geographical distribution.

Group	31 December 2022						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
	205,958	33,746	36,331	19,333	50,748	207,733	258,481
Domestic							

Group	31 December 2021						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
	172,073	30,218	3,522	-	33,746	193,202	226,948
Domestic							

#### 4.0 Credit Risk (General Disclosure) (cont'd)

##### Credit Quality Financing of Customers (cont'd)

**Table 14: Impaired financing by geographical distribution (cont'd)**

The following tables present an analysis of the impaired financing by geographical distribution.

	31 December 2022						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
	Bank						
Domestic	205,958	33,746	36,331	19,333	50,748	207,733	258,481

	31 December 2021						
	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
	Bank						
Domestic	172,073	30,218	3,522	-	33,746	193,202	226,948

#### **4.0 Credit Risk (General Disclosure) (cont'd)**

##### **Credit Quality Financing of Customers (cont'd)**

##### **(iv) Impaired financing (cont'd)**

###### **Collateral and other credit enhancements**

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For vehicle financing - charges over the vehicles financed;
- For share margin financing - pledges over securities from listed exchange;
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at **79.02 and 79.05%** respectively as at 31 December 2022 (The Group and the Bank are at 82.4% and 82.5% respectively as at 31 December 2021). The financial effect of collateral held for other financial assets is not significant.

As at 31 December 2022, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM29,911,219 as compared against 31 December 2021 total amount of RM55,757,689. The collateral consists of cash, securities, letters of guarantee, and properties.

##### **(v) Repossessed Collateral**

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or pay the outstanding balance of financing and securities. Collateral's repossessed by the Bank are subject to disposal as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank do not occupy repossessed properties for its own business use.

## 5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach)

The Group and the Bank use the external rating agencies such as MARC, RAM, Moody's, Standard & Poors, Fitch and R&I for rating of commercial papers (CPs) and corporate bonds (CBs) or participation of syndication or underwriting of PDS issuance.

Each ECAI is used based on the types of exposures as described per Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's and the Bank's credit exposures that are presently not mapped to the ECAI ratings are depicted below as unrated. Rating for financing exposure based on the obligor rating and treasury exposure based on issue rating of the exposure.

**Table 15: Rating distribution on credit exposures**

### Group

31 December 2022

31 December 2022

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000			
<b><u>On and Off Balance-Sheet Exposures</u></b>											
<b><u>Credit Exposures - Standardised Approach</u></b>											
Sovereigns/Central Banks	6,340,638	-	-	-	-	-	-	-	-	-	6,340,638
Public Sector Entities	-	-	-	-	-	-	-	-	968,689	-	968,689
Banks, Development Financial Institutions & MDBs	5,073	-	-	-	-	-	-	14,434	115,729	45	135,281
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	95,291	-	95,291
Corporates	114,216	40,248	26,638	15,414	-	-	204,671	66,281	6,789,358	331,484	7,588,310
Regulatory Retail	-	-	-	-	-	-	-	-	12,307,644	-	12,307,644
Residential Mortgages	-	-	-	-	-	-	-	-	5,216,715	-	5,216,715
Higher Risk Assets	-	-	-	-	-	-	-	-	71,017	-	71,017
Other Assets	-	-	-	-	-	-	-	-	245,602	-	245,602
<b>Total</b>	<b>6,459,927</b>	<b>40,248</b>	<b>26,638</b>	<b>15,414</b>	<b>-</b>	<b>-</b>	<b>204,671</b>	<b>80,715</b>	<b>25,810,045</b>	<b>331,529</b>	<b>32,969,187</b>

### Group

31 December 2021

31 December 2021

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000			
<b><u>On and Off Balance-Sheet Exposures</u></b>											
<b><u>Credit Exposures - Standardised Approach</u></b>											
Sovereigns/Central Banks	5,592,032	-	-	-	-	-	-	-	-	-	5,592,032
Public Sector Entities	-	-	-	-	-	-	-	-	948,552	-	948,552
Banks, Development Financial Institutions & MDBs	29,992	-	22,200	-	94,199	-	-	14,311	54,647	-	215,349
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	52,758	-	52,758
Corporates	382,643	15,260	73,191	24,377	159,278	107,109	-	53,106	6,224,725	280,859	7,320,548
Regulatory Retail	-	-	-	-	-	-	-	-	9,711,064	-	9,711,064
Residential Mortgages	-	-	-	-	-	-	-	-	4,634,870	-	4,634,870
Higher Risk Assets	-	-	-	-	-	-	-	-	75,722	-	75,722
Other Assets	-	-	-	-	-	-	-	-	269,062	-	269,062
<b>Total</b>	<b>6,004,667</b>	<b>15,260</b>	<b>95,391</b>	<b>24,377</b>	<b>253,477</b>	<b>107,109</b>	<b>-</b>	<b>67,417</b>	<b>21,971,400</b>	<b>280,859</b>	<b>28,819,957</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 15: Rating distribution on credit exposures (cont'd)

Bank

31 December 2022

31 December 2022

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000			
<u>On and Off Balance-Sheet Exposures</u>											
<u>Credit Exposures - Standardised Approach</u>											
Sovereigns/Central Banks	6,340,638	-	-	-	-	-	-	-	-	-	6,340,638
Public Sector Entities	-	-	-	-	-	-	-	-	968,689	-	968,689
Banks, Development Financial Institutions & MDBs	5,073	-	-	-	-	-	-	14,434	115,729	45	135,281
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	95,291	-	95,291
Corporates	114,216	40,248	26,638	15,414	-	-	204,671	66,281	6,775,605	331,484	7,574,557
Regulatory Retail	-	-	-	-	-	-	-	-	12,307,644	-	12,307,644
Residential Mortgages	-	-	-	-	-	-	-	-	5,216,715	-	5,216,715
Higher Risk Assets	-	-	-	-	-	-	-	-	71,017	-	71,017
Other Assets	-	-	-	-	-	-	-	-	245,602	-	245,602
<b>Total</b>	<b>6,459,927</b>	<b>40,248</b>	<b>26,638</b>	<b>15,414</b>	<b>-</b>	<b>-</b>	<b>204,671</b>	<b>80,715</b>	<b>25,796,292</b>	<b>331,529</b>	<b>32,955,434</b>

Bank

31 December 2021

31 December 2021

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA	AA+	AA	AA-	A	BBB	BB+ TO BB-	P1/MARC1			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
<u>On and Off Balance-Sheet Exposures</u>											
<u>Credit Exposures - Standardised Approach</u>											
Sovereigns/Central Banks	5,592,032	-	-	-	-	-	-	-	-	-	5,592,032
Public Sector Entities	-	-	-	-	-	-	-	-	948,552	-	948,552
Banks, Development Financial Institutions & MDBs	29,992	-	22,200	-	94,199	-	-	14,311	54,647	-	215,349
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	52,758	-	52,758
Corporates	382,643	15,260	73,191	24,377	159,278	107,109	-	53,106	6,211,884	280,859	7,307,707
Regulatory Retail	-	-	-	-	-	-	-	-	9,711,064	-	9,711,064
Residential Mortgages	-	-	-	-	-	-	-	-	4,634,870	-	4,634,870
Higher Risk Assets	-	-	-	-	-	-	-	-	75,723	-	75,723
Other Assets	-	-	-	-	-	-	-	-	269,060	-	269,060
<b>Total</b>	<b>6,004,667</b>	<b>15,260</b>	<b>95,391</b>	<b>24,377</b>	<b>253,477</b>	<b>107,109</b>	<b>-</b>	<b>67,417</b>	<b>21,958,558</b>	<b>280,859</b>	<b>28,807,115</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC RII Inc RM'000	AAA to AA- AAA to AA- RM'000	A+ to A- A+ to A- RM'000	BBB+ to BB- BBB+ to BB- RM'000	B+ to D B+ to D RM'000	Unrated Unrated RM'000

**On and Off Balance-Sheet Exposures**  
**Credit Exposures (Using Corporate Risk Weights)**

**Group and Bank**  
**31 December 2022**

Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	968,689
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	196,516	-	102,994	101,676	7,107,089
<b>Total</b>	<b>196,516</b>	<b>-</b>	<b>102,994</b>	<b>101,676</b>	<b>8,075,778</b>

**Group and Bank**  
**31 December 2021**

Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	948,552
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	495,471	159,278	107,109	-	6,492,743
<b>Total</b>	<b>495,471</b>	<b>159,278</b>	<b>107,109</b>	<b>-</b>	<b>7,441,295</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	2	3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rll Inc	a-1+,a-1 RM'000	a-2 RM'000	a-3 RM'000	b,c RM'000	Unrated RM'000
<b>On and Off Balance-Sheet Exposures</b>						
<b>Group and Bank</b>						
<b>31 December 2022</b>						
Banks, MDBs and FDIs		14,434	-	-	-	-
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Corporates		66,281				
<b>Total</b>		<b>80,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Group and Bank</b>						
<b>31 December 2021</b>						
Banks, MDBs and FDIs		14,311	-	-	-	-
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Corporates		53,106				
<b>Total</b>		<b>67,417</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 15: Rating distribution on credit exposures (cont'd)

Group and Bank  
31 December 2022

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII Inc	AAA to AA- RM'000	A+ to A- RM'000	BBB+ to BBB- RM'000	BB+ to B- RM'000	CCC+ to C RM'000	Unrated RM'000
<b>On and Off Balance-Sheet Exposures</b>							
Sovereigns and Central Banks		6,340,638	-	-	-	-	-
<b>Total</b>		<b>6,340,638</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Group and Bank  
31 December 2021

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII Inc	AAA to AA- RM'000	A+ to A- RM'000	BBB+ to BBB- RM'000	BB+ to B- RM'000	CCC+ to C RM'000	Unrated RM'000
<b>On and Off Balance-Sheet Exposures</b>							
Sovereigns and Central Banks		5,592,032	-	-	-	-	-
<b>Total</b>		<b>5,592,032</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>							
<b>Group and Bank</b>							
<b>31 December 2022</b>							
Banks, MDBs and FDIs		5,073	-	-	-	-	115,774
<b>Total</b>		<b>5,073</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,774</b>
<b>Group and Bank</b>							
<b>31 December 2021</b>							
Banks, MDBs and FDIs		52,192	94,199	-	-	-	54,647
<b>Total</b>		<b>52,192</b>	<b>94,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,647</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows:

Table 16: Credit risk disclosure by risk weights

31 December 2022

Group	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Fund Managers Exposures RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
Risk-Weights												
0%	6,340,638	40	-	313,660	65,862	4,715	-	-	8	140,696	6,865,619	-
20%	-	968,649	135,281	281,127	1,932,380	1,199,407	95,291	-	-	-	4,612,135	922,426
35%	-	-	-	-	-	2,410,334	-	-	-	-	2,410,334	843,617
50%	-	-	-	541,600	15,349	614,148	-	-	-	-	1,171,097	585,548
75%	-	-	-	-	3,174,659	154,398	-	-	-	-	3,329,057	2,496,793
100%	-	-	-	6,337,720	7,111,713	833,503	-	-	-	105,461	14,388,397	14,388,398
150%	-	-	-	113,648	7,681	210	-	-	71,009	-	192,548	288,821
<b>Total</b>	<b>6,340,638</b>	<b>968,689</b>	<b>135,281</b>	<b>7,587,755</b>	<b>12,307,644</b>	<b>5,216,715</b>	<b>95,291</b>	<b>-</b>	<b>71,017</b>	<b>246,157</b>	<b>32,969,187</b>	<b>19,525,603</b>

## 5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

**Table 16: Credit risk disclosure by risk weights (cont'd)**

**31 December 2021**

Group	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
<b>Risk-Weights</b>												
0%	5,592,032	-	-	134,609	-	-	-	-	-	136,827	5,863,468	-
20%	-	948,532	121,150	426,384	230,239	706,388	52,758	-	-	-	2,485,451	497,089
35%	-	-	-	-	-	2,787,359	-	-	-	-	2,787,359	975,576
50%	-	-	94,199	442,424	1,974	631,847	-	-	-	-	1,170,444	585,222
75%	-	-	-	-	3,456,207	108,487	-	-	-	-	3,564,694	2,673,520
100%	-	-	-	6,154,503	6,010,010	400,650	-	-	-	132,882	12,698,045	12,698,046
150%	-	-	-	9,688	6,074	139	-	-	75,722	-	91,623	137,435
<b>Total</b>	<b>5,592,032</b>	<b>948,532</b>	<b>215,349</b>	<b>7,167,608</b>	<b>9,704,504</b>	<b>4,634,870</b>	<b>52,758</b>	<b>-</b>	<b>75,722</b>	<b>269,709</b>	<b>28,661,084</b>	<b>17,566,888</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 16: Credit risk disclosure by risk weights (cont'd)

31 December 2022

Bank	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Fund Managers Exposures RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
Risk-Weights												
0%	6,340,638	40	-	313,660	65,862	4,715	-	-	8	140,696	6,865,619	-
20%	-	968,649	135,281	281,127	1,932,380	1,199,407	95,291	-	-	-	4,612,135	922,427
35%	-	-	-	-	-	2,410,334	-	-	-	-	2,410,334	843,617
50%	-	-	-	541,600	15,349	614,148	-	-	-	-	1,171,097	585,548
75%	-	-	-	-	3,174,659	154,398	-	-	-	-	3,329,057	2,496,793
100%	-	-	-	6,335,175	7,111,713	833,503	-	-	-	104,907	14,385,298	14,385,298
150%	-	-	-	102,994	7,681	210	-	-	71,009	-	181,894	272,840
<b>Total</b>	<b>6,340,638</b>	<b>968,689</b>	<b>135,281</b>	<b>7,574,556</b>	<b>12,307,644</b>	<b>5,216,715</b>	<b>95,291</b>	<b>-</b>	<b>71,017</b>	<b>245,603</b>	<b>32,955,434</b>	<b>19,506,523</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 16: Credit risk disclosure by risk weights (cont'd)

31 December 2021

	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Fund Managers Exposures RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
<b>Risk-Weights</b>												
0%	5,592,032	-	-	134,609	-	-	-	-	-	136,827	5,863,468	-
20%	-	948,532	121,150	426,384	230,239	706,388	52,758	-	-	-	2,485,451	497,090
35%	-	-	-	-	-	2,787,359	-	-	-	-	2,787,359	975,576
50%	-	-	94,199	442,424	1,974	631,847	-	-	-	-	1,170,444	585,222
75%	-	-	-	-	3,456,207	108,487	-	-	-	-	3,564,694	2,673,520
100%	-	-	-	6,151,997	6,010,010	400,650	-	-	-	132,234	12,694,891	12,694,891
150%	-	-	-	-	6,074	139	-	-	75,722	-	81,935	122,903
<b>Total</b>	<b>5,592,032</b>	<b>948,532</b>	<b>215,349</b>	<b>7,155,414</b>	<b>9,704,504</b>	<b>4,634,870</b>	<b>52,758</b>	<b>-</b>	<b>75,722</b>	<b>269,061</b>	<b>28,648,242</b>	<b>17,549,202</b>

## 6.0 Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach

Upon assessment of a customer's credit standing and payment capacity and identification of the proposed financing's source of payment, the Bank may provide a financing facility on a secured, partially secured or unsecured basis. In mitigating its credit exposure, the Group and the Bank may employ Credit Risk Mitigants in the form of collaterals and other supports. Examples of these CRMs include charges over residential and commercial properties being financed; pledge over shares and marketable securities, ownership claims over vehicles being financed, and supports in the form of debentures, assignments and guarantees.

The Bank utilise specific techniques to identify eligible collaterals and securities and ascertain their value, and subsequently, implement adequate monitoring process to ensure continued coverage and enforceability.

Credit documentation, administration and disbursement are carried out under clear guidelines and procedures to ensure protection and enforceability of collaterals and other credit risk mitigants. Valuation updates of collaterals are concurrently done during the periodic review of the financing facilities to reflect current market value and ensure adequacy and continued coverage.

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group and the Bank do not have any credit exposure, which is reduced through the application of other eligible collateral.

**Table 17: Credit risk mitigation on credit exposures**

	Total Exposures Covered by Eligible Financial Collateral		
	Gross Exposures	*Net Exposures	
	RM'000	RM'000	RM'000
<b>Group</b>			
<b>31 December 2022</b>			
<b>Credit Risk</b>			
<b>(a) On Balance sheet exposures</b>			
Sovereign/Central banks	6,290,759	-	6,290,759
Public sector entities	961,974	-	961,974
Banks, Development Financial Institution & MDBs	120,802	-	120,802
Takaful Cos, Securities Firms & Fund Managers	95,291	-	95,291
Corporates	6,564,174	-	6,564,174
Regulatory retail	11,886,732	-	11,886,732
Residential real estate	5,196,032	-	5,196,032
Higher risk assets	68,931	-	68,931
Other assets	245,602	-	245,602
Defaulted exposure	98,936	-	98,936
	<b>31,529,233</b>	<b>-</b>	<b>31,529,233</b>
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related off-balance sheet exposure	1,414,607	-	1,414,607
Islamic derivative financial instruments	25,347	-	25,347
	<b>1,439,954</b>	<b>-</b>	<b>1,439,954</b>
<b>Total Credit Exposures</b>	<b>32,969,187</b>	<b>-</b>	<b>32,969,187</b>

Note:

\* After netting and credit risk mitigation

6.0 Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (cont'd)

Table 17: Credit risk mitigation on credit exposures (cont'd)

Group	Total Exposures Covered by Eligible Financial Collateral		
	Gross Exposures	*Net Exposures	
31 December 2021	RM'000	RM'000	RM'000
<b>Credit Risk</b>			
<b>(a) On Balance sheet exposures</b>			
Sovereign/Central banks	5,576,883	-	5,576,883
Public sector entities	944,437	20	944,417
Banks, Development Financial Institution & MDBs	154,038	-	154,038
Takaful Cos, Securities Firms & Fund Managers	52,758	-	52,758
Corporates	6,331,648	152,293	6,179,355
Regulatory retail	9,475,555	6,560	9,468,995
Residential real estate	4,610,191	-	4,610,191
Higher risk assets	75,444	-	75,444
Other assets	269,709	-	269,709
Defaulted exposure	95,860	-	95,860
	27,586,523	158,873	27,427,650
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related off-balance sheet exposure	1,160,991	-	1,160,991
Islamic derivative financial instruments	72,443	-	72,443
	1,233,434	-	1,233,434
<b>Total Credit Exposures</b>	28,819,957	158,873	28,661,084

Note:

\* After netting and credit risk mitigation

6.0 Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (cont'd)

Table 17: Credit risk mitigation on credit exposures (cont'd)

Bank	Total Exposures Covered by Eligible		
	Gross Exposures RM'000	Financial Collateral RM'000	*Net Exposures RM'000
<b>31 December 2022</b>			
<b>Credit Risk</b>			
<b>(a) On Balance Sheet Exposures</b>			
Sovereign/Central Banks	6,290,759	-	6,290,759
Public Sector Entities	961,974	-	961,974
Banks, Development Financial Institution & MDBs	95,291	-	95,291
Takaful Cos, Securities Firms & Fund Managers	120,802	-	120,802
Corporates	6,550,421	-	6,550,421
Regulatory Retail	11,886,732	-	11,886,732
Residential Real Estate	5,196,032	-	5,196,032
Higher Risk Assets	68,931	-	68,931
Other Assets	245,602	-	245,602
Defaulted Exposures	98,936	-	98,936
	<b>31,515,480</b>	<b>-</b>	<b>31,515,480</b>
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related Off-Balance Sheet Exposure	1,414,607	-	1,414,607
Islamic derivative financial instruments	25,347	-	25,347
	<b>1,439,954</b>	<b>-</b>	<b>1,439,954</b>
<b>Total Credit Exposures</b>	<b>32,955,434</b>	<b>-</b>	<b>32,955,434</b>

Note:

\* After netting and credit risk mitigation



6.0 Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (cont'd)

Table 17: Credit risk mitigation on credit exposures (cont'd)

Bank	Total Exposures Covered by Eligible		
	Gross Exposures RM'000	Financial Collateral RM'000	*Net Exposures RM'000
<b>31 December 2021</b>			
<b>Credit Risk</b>			
<b>(a) On Balance Sheet Exposures</b>			
Sovereign/Central Banks	5,576,883	-	5,576,883
Public Sector Entities	944,437	20	944,417
Banks, Development Financial Institution & MDBs	52,758	-	52,758
Takaful Cos, Securities Firms & Fund Managers	154,038	-	154,038
Corporates	6,319,455	152,293	6,167,162
Regulatory Retail	9,475,555	6,560	9,468,995
Residential Real Estate	4,610,191	-	4,610,191
Higher Risk Assets	75,444	-	75,444
Other Assets	269,060	-	269,060
Defaulted Exposures	95,860	-	95,860
	<b>27,573,681</b>	<b>158,873</b>	<b>27,414,808</b>
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related Off-Balance Sheet Exposure	1,160,991	-	1,160,991
Islamic derivative financial instruments	72,443	-	72,443
	<b>1,233,434</b>	<b>-</b>	<b>1,233,434</b>
<b>Total Credit Exposures</b>	<b>28,807,115</b>	<b>158,873</b>	<b>28,648,242</b>

Note:

\* After netting and credit risk mitigation

## 7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk ("CCR")

### Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers.

Notwithstanding the above, the Bank establishes specific limits to manage its exposure to off-balance sheet and counterparty risks, which are derived based on, amongst others, the respective counterparty's financial strength and credit rating, sector limits, SCEL limits, connected party, domicile country's risk rating, existing relationship with the Bank and utilization trend of allocated limits. These limits are monitored and reviewed on a regular basis. No material losses are anticipated as a result of these transactions. Risk weighted exposures of commitments and contingencies are as follows:

**Table 18: Commitments and contingencies**

	Group and Bank					
	31 December 2022			31 December 2021		
	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
The commitments and contingencies constitute the following :						
<b>Contingent liabilities</b>						
Direct credit substitutes	400,079	400,079	382,342	292,802	292,802	268,848
Trade-related contingencies	99,507	19,901	2,421	41,953	8,391	712
Transaction related contingencies	555,343	277,672	267,420	487,515	243,758	233,215
<b>Commitments</b>						
Credit extension commitment:						
- Maturity within one year	636,084	127,217	135,215	635,148	127,029	125,609
- Maturity exceeding one year	1,151,968	575,984	423,632	977,994	488,997	414,004
Other miscellaneous commitments & contingencies	152,232	13,754	10,316	25,773	14	11
<b>Islamic derivative financial instruments</b>						
Foreign exchange related contracts	1,786,430	25,347	13,764	1,630,597	25,443	13,995
- Maturity within one year	1,786,430	25,347	13,764	1,630,597	25,443	13,995
- Maturity exceeding one year	-	-	-	-	-	-
Profit rate related contract	-	-	-	1,200,000	47,000	9,400
- Maturity within one year	-	-	-	-	-	-
- Maturity exceeding one year	-	-	-	1,200,000	47,000	9,400
<b>Total off-balance sheet exposures</b>	<b>4,781,643</b>	<b>1,439,954</b>	<b>1,235,110</b>	<b>5,291,782</b>	<b>1,233,434</b>	<b>1,065,794</b>

**Basel II -  
Pillar 3 Disclosure**

**7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk ("CCR") (cont'd)**

**Islamic derivative financial assets/(liabilities)**

The table below shows the fair values of Islamic derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

**Table 19: Islamic derivative financial assets/(liabilities)**

Group and Bank	31 December 2022			31 December 2021		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading derivatives:</b>						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	787,210	936	(20,833)	778,535	1,362	(3,463)
- Currency swaps						
Less than one year	986,752	3,264	(2,251)	841,155	4,074	(697)
- Currency spot						
Less than one year	12,468	48	(27)	10,907	1	(7)
	<u>1,786,430</u>	<u>4,248</u>	<u>(23,111)</u>	<u>1,630,597</u>	<u>5,437</u>	<u>(4,167)</u>
Islamic profit rate swap ("IPRS")						
Hedged IPRS	-	-	-	1,200,000	-	(57,376)
Total	<u>1,786,430</u>	<u>4,248</u>	<u>(23,111)</u>	<u>2,830,597</u>	<u>5,437</u>	<u>(61,543)</u>

**Basel II -  
Pillar 3 Disclosure**

**7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk ("CCR") (cont'd)**

**Islamic derivative financial assets/(liabilities) (cont'd.)**

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair value of derivative where hedge accounting is applied by the Group and Bank are as follows:

**Table 19: Islamic derivative financial assets/(liabilities)**

	31 December 2022			31 December 2021		
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Liabilities RM'000
IPRS	-	-	-	1,200,000	-	(57,376)

**Fair Value hedges**

Fair value hedges are used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers and investment securities.

For the year ended 31 December 2022, the Group and the Bank:

(i) recognised a net gain of RM37,532,403 (2021: net gain of RM50,139,069) on the hedging instrument. The total net loss on the hedged items attributable to the hedged risk amounted to RM37,939,833 (2021: net gain of RM57,692,261); and

(ii) the hedge instrument, IPRS, has been terminated in May 2022. With the discontinuation of the fair value hedge, the unamortised fair value are amortised to profit or loss over the remaining term to maturity of the hedged item.

## **8.0 Market Risk and Assets-Liability Management ("ALM")**

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Asset-Liability Management ("ALM") refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile that is consistent with the Bank's strategic, business plan and risk appetite.

The Bank's market risk management and ALM objectives are to:

- Ensure the implementation of an effective market risk management system in the Bank;
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximize the return to shareholders' funds;
- Ensure prudent management of the Bank's resources to support the growth of the Bank's economic value; and
- Proactively manage the Bank's balance sheet in order to maximize earnings and attain its strategic goal within the overall risk/return preferences.

The Bank has an independent market risk control function that is responsible for measuring and managing market risk exposures in accordance with the Board-approved policies and guidelines. The unit reports to the ALCO Committee on a monthly basis, where issues on balance sheet and capital management are proactively discussed and any recommendation and decision reached are then escalated to the ERM, BRMC and Board respectively.

The Bank has formulated several strategies to effectively manage and ensure a sound balance sheet profile that complements both regulatory and business requirements. Among the strategies implemented for FYE 31 December 2022 were:

- On-going enhancement of Fund Transfer Pricing ("FTP") as a mechanism for distributing revenue between profit centres and to improve profitability through improved pricing;
- Concentrate more on sourcing for stable deposits from retail and small businesses segments, longer term deposits, and deposits from transactional and operational accounts; and
- Offering of investment account products as risk absorbent.

The Bank's market risk management and ALM processes, which include risk identification, measurement, mitigation, monitoring and reporting are guided by the Market Risk Management Framework ("MRMF") and the Trading Book and Banking Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the TBPS. The policy covers the definition of trading and banking book for financial instruments, classification, performance, limit monitoring, position valuation and hedging requirements.

## **8.0 Market Risk and Assets-Liability Management ("ALM") (cont'd)**

### ***Market Risk Measurement***

#### **1. Value at Risk**

Value at Risk which includes the historical simulation is widely used by the Bank as a tool to measure the risk of loss on a specific portfolio of financial assets, limit setting activities and market forecasting.

#### **2. Sensitivity Analysis**

The Bank uses various methodologies in assessing the sensitivity of the Bank's portfolio against changes in the market variables.

#### **3. Stress Testing and Scenario Analyses**

Stress testing and scenario analyses are used as market risk and ALM tools for evaluation of potential impact on the Bank's performance under plausible extreme adverse conditions. The stress testing include the assessment on the funding and market liquidity, rate of return risk, displaced commercial risk and currency volatility.

### **Valuation Policy**

The Group and the Bank adhere to the minimum prudent valuation practices as stipulated in the CAFIB and MFRS 9 guidelines. Based on these prudential requirements, broad internal guidelines have been drawn out as summarized below:

#### **• Systems and Controls**

The Group and the Bank have established and maintained adequate systems and controls to give the management and supervisors the confidence that the valuation estimates are prudent and reliable.

#### **• Valuation Methodologies**

There are three levels of fair value hierarchy applied to reflect the level of judgment involved in estimating fair values. The hierarchy is as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 8.1 Market Risk (Disclosures for Portfolios under the Standardised Approach)

The Group and the Bank use the standardized approach in computing the market risk weighted assets of the trading book position of the Group and the Bank. The following is the minimum regulatory requirement for market risk.

**Table 20: Minimum regulatory requirement for market risk**

**Group and Bank**  
**31 December 2022**

	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	844	(841)	19,346	1,548
Foreign Currency Risk	3,806	(1,253)	3,806	305
<b>Total</b>	<b>4,650</b>	<b>(2,094)</b>	<b>23,152</b>	<b>1,853</b>

**Group and Bank**  
**31 December 2021**

	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	1,319	1,384	4,977	398
Foreign Currency Risk	7,011	19,928	11,248	900
<b>Total</b>	<b>8,330</b>	<b>21,312</b>	<b>16,225</b>	<b>1,298</b>

## **8.2 Disclosure for Equities**

The classification of equity investments must be made at the point of transaction. Equities are classified under the banking book when they are acquired and held for yield or capital growth purposes.

The Bank also engages in direct acquisition of newly-listed quoted shares. As stipulated under the TBPS, these investments are considered under the trading position with the exception of investments in subsidiaries and associates which would require BNM's prior approval. Equities held under the trading book position are subject to market risk capital charge as specified in the CAFIB.

The oversight and supervision of investments in equities and equity funds resides within the Investment Committee's ("IC") authority. This covers decisions on purchase and sale of stocks and ongoing review and monitoring of performance.

**Table 21: Equity exposures**

**Group and Bank  
31 December 2022**

	<b>Gross Credit Exposure RM'000</b>	<b>Risk Weighted Assets RM'000</b>	<b>Unrealised Gain/(Losses) RM'000</b>
<b>Publicly Traded</b>			
Investment in Quoted Shares	113,558	113,558	(16,536)
<b>Total</b>	<b>113,558</b>	<b>113,558</b>	<b>(16,536)</b>

Cumulative realised gains arising from  
sales and liquidations in the reporting period (46,662)

**31 December 2021**

	<b>Gross Credit Exposure RM'000</b>	<b>Risk Weighted Assets RM'000</b>	<b>Unrealised Gain/(Losses) RM'000</b>
<b>Publicly Traded</b>			
Investment in Quoted Shares	107,103	107,103	(53,077)
<b>Total</b>	<b>107,103</b>	<b>107,103</b>	<b>(53,077)</b>

Cumulative realised gains arising from  
sales and liquidations in the reporting period (287)



### 8.3 Disclosure for Rate of Return Risk in Banking Book ("RORBB")

#### Rate of Return Risk ("RoR") Management

Rate of return risk refers to the variability of the Bank's assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

**Table 22: Rate of return risks**

Risk	Definition
Repricing Risk	Timing differences in the maturity and repricing of the Bank's assets and liabilities
Yield Curve Risk	Unanticipated yield curve shifts that has adverse impact on the Bank's income and economic values
Basis Risk	Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics
Optionality/ Embedded Option Risk	The risk arising from options embedded in the Bank's assets, liabilities and off-balance sheet portfolio

#### Rate of Return Risk Measurement

The Bank measures various parallel rate shocks scenarios (up to 200 basis points as per Basel II recommendations) and its impact on earnings and equities by assessing key assumptions which incorporates the Bank's balance sheet profile, business strategies, economic outlook and behavioural analysis of non-maturity deposits. Among the various analyses that are carried out are:

##### 1. Earning at Risk ("EaR")

The focus of this analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Bank by undermining its capital adequacy and reducing market confidence.

##### 2. Economic Value of Equity ("EVE")

Economic value of a bank can be viewed as the present value of the Bank's expected net repricing balance weighted by duration, which can be defined as the expected repricing balance on assets minus the expected repricing balance on liabilities plus the expected net repricing balance on off-balance-sheet position. The sensitivity of a bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

##### 3. Value at Risk ("VaR")

VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

### 8.3 Disclosure for Rate of Return Risk in Banking Book ("RORBB") (cont'd)

#### Rate of Return Risk Measurement (cont'd)

#### 4. Repricing Gap Analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

#### 5. Other Risk Assessment

Simulation analysis is used to evaluate the impact of possible decisions that includes assessment on product pricing, new product introduction, derivatives and hedging strategies, changes in the asset-liability mix and short term funding decisions.

**Table 23: Sensitivity analysis of rate of return risk**

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

	Group		Bank	
	-50 Basis Points	+50 Basis Points	-50 Basis Points	+50 Basis Points
	RM'000	RM'000	RM'000	RM'000
Increase/(decrease) in basis points				
<b>Impact on Earnings:</b>				
<b>31 December 2022</b>				
MYR	(19,643)	19,643	(18,098)	18,098
USD	174	(174)	174	(174)
Others*	261	(261)	261	(261)
<b>31 December 2021</b>				
MYR	(22,711)	22,711	(22,657)	22,657
USD	560	(560)	560	(560)
Others*	9	(9)	9	(9)
<b>Impact on Equity:</b>				
<b>31 December 2022</b>				
MYR	66,145	(66,145)	66,067	(66,067)
USD	(126)	126	(126)	126
Others*	(14)	14	(14)	14
<b>31 December 2021</b>				
MYR	35,896	(35,896)	35,893	(35,893)
USD	(66)	66	(66)	66
Others*	(2)	2	(2)	2

\* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

## **8.4 Liquidity Risk**

### **Liquidity and Funding Risk**

Liquidity risk is best described as the inability to fund any obligation on time as they fall due, whether due to increase in assets or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to create liquidity and this has serious implication on its reputation and continued existence.

In view of this, it is the Bank's priority to manage and maintain a stable source of financial resources towards fulfilling the above expectation. The Bank, through active balance sheet management, ensures that sufficient cash and liquid assets availability are in place to meet the short and long term obligations as they fall due.

Generally, liquidity risk can be divided into two types, which are:

#### **• Funding Liquidity Risk**

Refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost.

#### **• Market Liquidity Risk**

Refers to the Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

**Table 24: Liquidity risk indicators**

<b>Magnitude</b>	<b>Indicators</b>
<b>Low</b>	Earnings and capital exposure from the liquidity risk profile is negligible.
<b>Moderate</b>	Earnings or capital exposure from the liquidity risk profile is manageable.
<b>High</b>	Funding sources and liability structure suggest current or potential difficulty in maintaining long-term and cost-effective liquidity.

The Bank liquidity management is carried out in accordance to the regulatory requirements and internal limits as approved by ALCO, ERM and/or BRMC. The limits are continuously reviewed to incorporate the depth and latest development of liquidity in local market.

The Bank monitors the maturity profile of its assets and liabilities so that adequate liquidity is maintained at all times. The Bank's ability to maintain a stable liquidity profile relies primarily on its ability to grow and retain its customer deposit base. The Bank's marketing strategy is therefore focused on ensuring a balanced mix of deposits, hence, reducing concentration or over-reliance on a specific source of deposit or funding.

Stability of the deposit base minimizes the Bank's dependency on volatile short-term deposits. Considering the effective maturities of deposits based on retention history (behavioral method/ analysis) and availability of high liquid financial assets, the Bank is able to ensure sufficient liquidity.

The ALCO meets on a monthly basis to review the Bank's liquidity profile and deliberates on appropriate strategies to manage and mitigate the risk exposure. In addition, liquidity stress test is periodically conducted to address strategic issues concerning liquidity risk.

#### 8.4 Liquidity Risk (cont'd)

##### Liquidity and Funding Risk (cont'd)

To effectively manage its liquidity, the Bank has the following policies and strategies in place:

- Management under normal condition:

Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.

The Bank monitors its liquidity positions through liquidity controls such as maximum cumulative outflows, deposits concentration, financing to total available funds ("FTAF") and financing to deposits ratio ("FDR")

- Management under crisis condition:

Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due. The crisis can be classified into three levels as follows:

Contingency Level	Trigger / Status
Level 1	Abnormal event that interrupts normal business operations at a minimal level.
Level 2	Disruption event tantamount or escalate to a crisis e.g. massive or continuous withdrawal of deposits in a particular branch or area, difficulties in borrowing from interbank market.
Level 3	Critically threatens the operations, staff, shareholders value, stakeholders, brand, reputation of which a crisis management is necessary to be put in place

The Bank's Liquidity Crisis Management is guided by Liquidity Crisis Contingency Plan ("LCCP") Policy.

#### 8.4 Liquidity Risk (cont'd)

##### Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Cash and short-term funds	1,184,485	50,968	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	-	21,747	-	-	-	-	21,747
Financial investments at fair value through profit and loss	-	-	-	147,485	-	34,604	-	182,089
Financial investments at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,130,310	581,066	5,211,651
Financial investments at amortised cost	-	-	-	-	-	-	113,589	113,589
Islamic derivative financial assets	398	2,118	1,266	465	-	-	-	4,247
Financing of customers	92,625	810,048	1,369,715	1,313,387	2,161,825	8,060,199	10,209,268	24,017,067
Other assets	-	(19)	-	-	44,216	72,010	632,167	748,374
<b>TOTAL ASSETS</b>	<b>1,277,508</b>	<b>863,675</b>	<b>1,397,412</b>	<b>1,848,089</b>	<b>3,314,320</b>	<b>11,297,123</b>	<b>11,536,090</b>	<b>31,534,217</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	10,761,361	5,070,645	6,253,122	2,533,620	712,312	896,137	93,412	26,320,609
Investment accounts of customers	301,158	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	52,602	248,786	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	-	23,111
Other liabilities	-	19,778	918	1,695	84,658	32,310	-	139,359
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	733,174	-	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	-	806,596
<b>Total Liabilities</b>	<b>11,068,075</b>	<b>5,096,605</b>	<b>6,285,527</b>	<b>2,544,339</b>	<b>798,270</b>	<b>2,512,599</b>	<b>342,198</b>	<b>28,647,613</b>
Equity attributable to shareholders of the Bank							2,886,604	2,886,604
<b>NET MATURITY MISMATCH</b>	<b>(9,790,567)</b>	<b>(4,232,930)</b>	<b>(4,888,115)</b>	<b>(696,250)</b>	<b>2,516,050</b>	<b>8,784,524</b>	<b>8,307,288</b>	<b>-</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	-	716	5,402	6,631	29,820	660,454	351,906	1,054,929
Commitments	192,230	2,152	164,529	72,039	6,537	231,905	1,118,660	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	-	-	-	-	141,984	10,248	152,232
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,652	15,137	-	-	1,786,430
<b>Total commitments and contingencies</b>	<b>336,818</b>	<b>6,072</b>	<b>743,780</b>	<b>1,128,322</b>	<b>51,494</b>	<b>1,034,343</b>	<b>1,480,814</b>	<b>4,781,643</b>

#### 8.4 Liquidity Risk (cont'd)

##### Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Group 31 December 2021 Restated	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
<b>ASSETS</b>								
Cash and short-term funds	1,119,053	23,238	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	-	31,184	-	-	-	-	31,184
Financial investments at fair value through profit and loss	-	-	-	5,052	-	147,839	-	152,891
Financial investments at fair value through other comprehensive income	-	-	215,530	286,898	838,270	3,587,562	106,895	5,035,155
Financial investments at amortised cost	-	-	-	-	-	-	107,109	107,109
Islamic derivative financial assets	424	1,375	2,523	1,115	-	-	-	5,437
Financing of customers	79,347	772,577	1,375,858	1,302,205	2,005,708	6,809,225	8,326,386	20,671,306
Other assets	-	404	-	-	32,796	72,427	315,391	421,018
<b>TOTAL ASSETS</b>	<b>1,198,824</b>	<b>797,594</b>	<b>1,625,095</b>	<b>1,595,270</b>	<b>2,876,774</b>	<b>10,617,053</b>	<b>8,855,781</b>	<b>27,566,391</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	10,347,655	3,685,222	3,241,319	3,741,358	875,146	1,141,056	81,410	23,113,166
Investment accounts of customers	216,978	-	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	50,753	240,816	291,866
Bills and acceptances payable	-	-	7,755	-	-	-	-	7,755
Islamic derivative financial liabilities	426	451	2,399	891	-	12,563	44,813	61,543
Other liabilities	-	75,855	876	1,844	91,943	24,436	-	194,954
Recourse obligation on financing sold to Cagamas	-	-	-	427,466	-	-	-	427,466
Subordinated sukuk	-	-	-	1,051	-	498,825	-	499,876
<b>Total Liabilities</b>	<b>10,565,059</b>	<b>3,761,574</b>	<b>3,252,403</b>	<b>4,172,694</b>	<b>967,202</b>	<b>1,727,633</b>	<b>367,039</b>	<b>24,813,604</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,752,787	2,752,787
<b>NET MATURITY MISMATCH</b>	<b>(9,366,235)</b>	<b>(2,963,980)</b>	<b>(1,627,308)</b>	<b>(2,577,424)</b>	<b>1,909,572</b>	<b>8,889,420</b>	<b>5,735,955</b>	<b>-</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	-	-	2,404	6,492	25,406	676,724	111,244	822,270
Commitments	156,323	916	143,837	121,514	11,459	269,774	909,319	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	72	-	-	-	-	24,096	1,605	25,773
Islamic derivative financial instruments	52,567	13,233	198,705	381,249	984,843	500,000	700,000	2,830,597
<b>Total commitments and contingencies</b>	<b>208,962</b>	<b>14,149</b>	<b>344,946</b>	<b>509,255</b>	<b>1,021,708</b>	<b>1,470,594</b>	<b>1,722,168</b>	<b>5,291,782</b>

#### 8.4 Liquidity Risk (cont'd)

##### Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2022	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
<b>ASSETS</b>								
Cash and short-term funds	1,184,486	50,967	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	-	21,747	-	-	-	-	21,747
Financial investments designated at fair value through profit and loss	-	-	-	147,485	-	32,059	-	179,544
Financial investments at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,130,310	581,066	5,211,651
Financial investments at amortised cost	-	-	-	-	-	-	113,589	113,589
Islamic derivative financial assets	398	2,120	1,264	465	-	-	-	4,247
Financing of customers	92,625	810,048	1,369,715	1,313,387	2,161,825	8,060,199	10,198,614	24,006,413
Other assets	-	(29)	-	-	43,722	72,010	644,928	760,631
<b>TOTAL ASSETS</b>	<b>1,277,509</b>	<b>863,666</b>	<b>1,397,410</b>	<b>1,848,089</b>	<b>3,313,826</b>	<b>11,294,578</b>	<b>11,538,197</b>	<b>31,533,275</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	10,773,324	5,078,482	6,253,097	2,533,605	712,306	896,127	93,412	26,340,353
Investment accounts of customers	301,158	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	52,602	248,786	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	-	23,111
Other liabilities	-	18,103	918	1,695	83,484	32,313	-	136,513
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	733,174	-	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	-	806,596
<b>Total Liabilities</b>	<b>11,080,038</b>	<b>5,102,767</b>	<b>6,285,502</b>	<b>2,544,324</b>	<b>797,090</b>	<b>2,512,592</b>	<b>342,198</b>	<b>28,664,511</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,868,764	2,868,764
<b>NET MATURITY MISMATCH</b>	<b>(9,802,529)</b>	<b>(4,239,101)</b>	<b>(4,888,092)</b>	<b>(696,235)</b>	<b>2,516,736</b>	<b>8,781,986</b>	<b>8,327,235</b>	<b>-</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	-	716	5,402	6,631	29,820	660,454	351,906	1,054,929
Commitments	192,230	2,152	164,529	72,039	6,537	231,905	1,118,660	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	-	-	-	-	141,984	10,248	152,232
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,652	15,137	-	-	1,786,430
<b>Total commitments and contingencies</b>	<b>336,818</b>	<b>6,072</b>	<b>743,780</b>	<b>1,128,322</b>	<b>51,494</b>	<b>1,034,343</b>	<b>1,480,814</b>	<b>4,781,643</b>

#### 8.4 Liquidity Risk (cont'd)

##### Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2021	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
<b>ASSETS</b>								
Cash and short-term funds	1,119,053	23,238	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	-	31,184	-	-	-	-	31,184
Financial investments designated at fair value through profit and loss	-	-	-	5,052	-	147,839	-	152,891
Financial investments at fair value through other comprehensive income	-	-	215,530	286,898	838,270	3,585,057	106,894	5,032,649
Financial investments at amortised cost	-	-	-	-	-	-	107,109	107,109
Islamic derivative financial assets	424	1,375	2,523	1,115	-	-	-	5,437
Financing of customers	79,347	772,577	1,375,858	1,302,205	2,005,708	6,809,225	8,316,698	20,661,618
Other assets	-	395	-	-	32,207	72,427	328,199	433,228
<b>TOTAL ASSETS</b>	<b>1,198,824</b>	<b>797,585</b>	<b>1,625,095</b>	<b>1,595,270</b>	<b>2,876,185</b>	<b>10,614,548</b>	<b>8,858,900</b>	<b>27,566,407</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	10,355,435	3,693,089	3,241,297	3,741,324	875,129	1,141,034	81,409	23,128,717
Investment accounts of customers	216,978	-	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	50,753	240,816	291,866
Bills and acceptances payable	-	-	7,755	-	-	-	-	7,755
Islamic derivative financial liabilities	426	451	2,399	891	-	12,563	44,813	61,543
Other liabilities	-	75,581	876	1,844	91,182	24,436	-	193,919
Recourse obligation on financing sold to Cagamas	-	-	-	427,466	-	-	-	427,466
Subordinated sukuk	-	-	-	1,051	-	498,825	-	499,876
<b>Total Liabilities</b>	<b>10,572,839</b>	<b>3,769,167</b>	<b>3,252,381</b>	<b>4,172,660</b>	<b>966,424</b>	<b>1,727,611</b>	<b>367,038</b>	<b>24,828,120</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,738,287	2,738,287
<b>NET MATURITY MISMATCH</b>	<b>(9,374,015)</b>	<b>(2,971,582)</b>	<b>(1,627,286)</b>	<b>(2,577,390)</b>	<b>1,909,761</b>	<b>8,886,937</b>	<b>5,753,575</b>	<b>-</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	-	-	2,404	6,492	25,406	676,724	111,244	822,270
Commitments	156,323	916	143,837	121,514	11,459	269,774	909,319	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	72	-	-	-	-	24,096	1,605	25,773
Islamic derivative financial instruments	52,567	13,233	198,705	381,249	984,843	500,000	700,000	2,830,597
<b>Total commitments and contingencies</b>	<b>208,962</b>	<b>14,149</b>	<b>344,946</b>	<b>509,255</b>	<b>1,021,708</b>	<b>1,470,594</b>	<b>1,722,168</b>	<b>5,291,782</b>



## **9.0 Operational Risk Management ("ORM") Disclosures**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which includes wide spectrum of risks such as fraud, physical damage, business disruption, transaction failures, legal, regulatory breaches including fiduciary breaches and Shariah non-compliance as well as employee health and safety hazards.

The objective of operational risk management is to effectively manage these risks in order to avoid or reduce any possible financial or non-financial losses arising from operational lapses.

In relation to operational risk management, the Operational and Shariah Risk Management Section ("OSRMS"), Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, as well as the business and support units play a significant role in the overall integrated risk management framework.

The management of operational risks is targeted at preventing and managing loss events and potential risks by using operational risk tools, namely, Risk and Control Self Assessment ("RCSA"), Key Risk Indicator (KRI), Incident Management and Data Collection ("IMDC"), Scenario Analysis ("SA"), Control Self Test ("CST") and Stress Test ("ST").

The risk management processes and controls are established in line with the Bank's operational risk management framework, internal policies, regulatory requirements and standard operating procedures as guidance.

### **The Muamalat Operational Risk Solution ("MORiS")**

The MORiS is a web-based application that is used as a tool in risk identification and assessment. It also acts as a centralized loss incidents database by capturing and storing loss-related data and is used to track risk exposures against established key risk indicators ("KRI") overtime.

Its key objective is to improve monitoring and reporting of risk activities in branches and the head office through the Risk & Control Self-Assessment ("RCSA"), Incident Management Data Collection ("IMDC"), and Key Risk Indicator ("KRI").

### **Business Continuity Management ("BCM")**

The Bank adopts the BNM's Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that would enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

#### **BCM Methodology**

The Bank develops the Business Continuity Plan ("BCP") by way of completing the Risk Assessment ("RA") and Business Impact Analysis ("BIA"). RA is a tool used to identify potential threats for all business functions. A BIA will be carried out to identify critical business functions' recovery time objective ("RTO") and maximum tolerable downtime ("MTD") taking into account the Bank's resources and infrastructures. The RA and BIA sessions are conducted annually with the business units.

**Basel II -  
Pillar 3 Disclosure**

**9.0 Operational Risk Management ("ORM") Disclosures (cont'd.)**

**ORM Minimum Capital Requirement**

The Group and the Bank adopt the Basic Indicator Approach ("BIA") to determine the minimum capital requirement for its operational risk. Under this approach, the Group and the Bank set aside a fixed percentage ( $\alpha$  or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group's and the Bank's minimum capital is presented in table below:

**Table 26: ORM minimum capital requirement**

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>Risk Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>	<b>Risk Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>
Group	<b>1,460,879</b>	<b>116,870</b>	1,321,435	105,715
Bank	<b>1,424,839</b>	<b>113,987</b>	1,302,128	104,170

## **10.0 Shariah Governance Disclosures**

### **Overview**

BMMB's shariah governance structure is governed by BNM's Shariah Governance Policy Document ("SGPD"), the Islamic Financial Services Act 2013 ("IFSA"), and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

Shariah governance system as defined by the Islamic Financial Services Board's ("IFSB") Guiding Principles on Shariah Governance System on Institutions Offering Islamic Financial Services ("IFSB-10") refers to a set of institutional and organizational arrangements to oversee Shariah compliance aspects in Islamic financial institutions ("IFI").

The SGPD defines "Shariah non-compliance risk" as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which an IFI may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA, or decisions or advice of the Bank's Shariah Committee ("SC").

Shariah risk management and governance in BMMB are in accordance with the Shariah Governance Policy ("Policy"), which was endorsed by the Shariah Committee and approved by the Board. The policy is drawn up in accordance to the SGPD issued by BNM on 20 September 2019.

In ensuring the operations and business activities of the Bank remain consistent with Shariah principles and regulatory requirements, the Bank has established its own internal Shariah Committee and internal Shariah Organs, which consist of Shariah Department, Shariah Audit, Shariah Review and Shariah Risk Management.

### **Shariah Governance Structure**

#### **Internal Shariah Control**

Shariah compliance management is driven top down from the Board through the Shariah Committee ("SC") who has the responsibility of understanding Shariah-related matters in the activities assumed by the Group and the Bank.

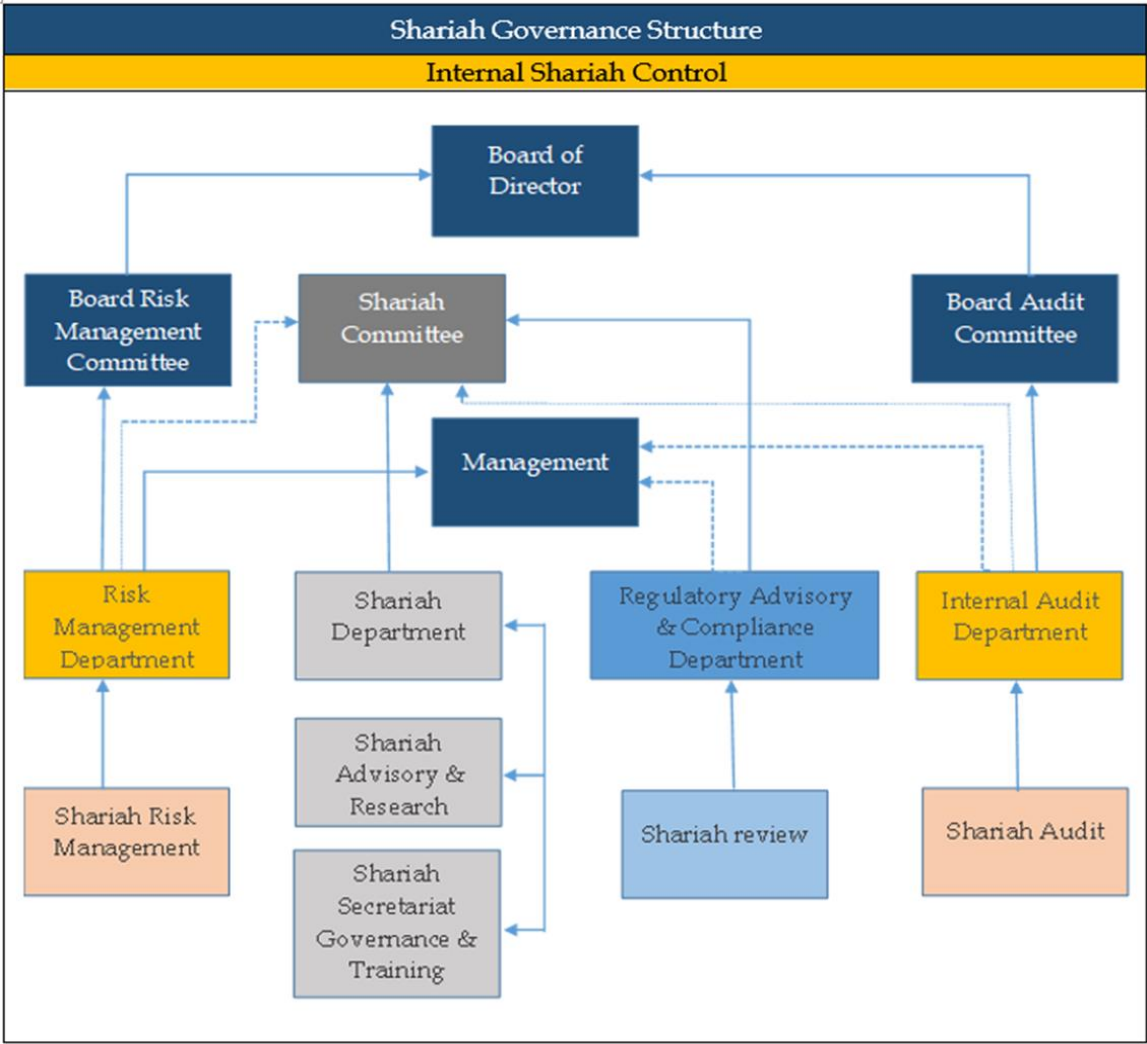
The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the integration of compliance management.

In ensuring that the compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions are segregated to the business operating units.

10.0 Shariah Governance Disclosures (cont'd)

Shariah Governance Structure (cont'd)

Table 27: Shariah governance structure



## 10.0 Shariah Governance Disclosures (cont'd)

### Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

#### Earning Prohibited by Shariah

The Bank defines the principles for managing Shariah Non-Compliance Income ("SNCI") in its Policy on Shariah Risk Management while the operational practices and procedures to be applied in managing SNCI are outlined in the Guidelines on Shariah Risk Management.

SNCI is an income generated from any transaction(s) that breaches the governing Shariah principles and requirements as determined by the Bank's SC and/or other Shariah Authorities (SA).

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

The amount of SNCI and events decided by SC is as follows:

31 December 2022	31 December 2021
Event - 1 SNCI - nil	Event - 6 SNCI - RM4

The SNC event together with the rectification plans were presented and deliberated at the SC and Board of Directors meetings and reported to BNM in accordance with the SNC reporting requirement prescribed by BNM.

Any financial amount reported as SNCI will be utilised to fund approved charitable activities as guided by SC of the Bank.

#### Unidentified fund / Shubhah and other earning prohibited by Shariah

During the Group's and the Bank's daily operations, there are certain funds received by the Group and the Bank where the source is not clear or uncertain, and/or prohibited by Shariah. These funds are therefore not recognised as income and are retained in the Maslahah Ammah account. The utilisation of the funds follow the similar procedures set for the SNCI funds.

Examples of unidentified funds are cash excess discovered at branch counter and automated teller machines ("ATM"), and unidentified credit balances, whilst earning prohibited by Shariah were interest income derived from Nostro accounts.

The total earnings prohibited by Shariah and the unidentified funds during the financial year were recorded at RM 70,356 (31 December 2021: RM4).