

**BANK MUAMALAT MALAYSIA BERHAD**

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

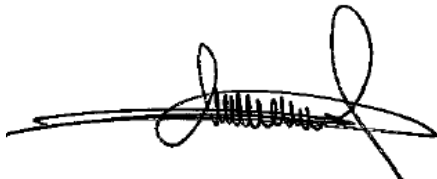
**BASEL II PILLAR 3 DISCLOSURES  
31 DECEMBER 2023**

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

**Statement by President & Chief Executive Officer**

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

In accordance with the requirement of BNM's Policy Document 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 2023.

A handwritten signature in black ink, featuring a series of loops and a long horizontal stroke at the bottom.

**Khairul Kamarudin**  
President & Chief Executive Officer

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

**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
BRCC	Board Risk & Compliance 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 2023 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 December 2023.

## **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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Core Capital ratio	<b>11.401%</b>	12.551%	<b>11.319%</b>	12.437%
Tier 1 Capital ratio	<b>12.848%</b>	12.551%	<b>12.767%</b>	12.437%
Risk-weighted capital ratio	<b>17.343%</b>	17.577%	<b>17.269%</b>	17.476%

The following table represents the Group's and Bank's capital position as at 31 December 2023. Details on capital instruments, including share capital and reserves are found in Notes 25 and 27 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>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</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>1,742,374</b>	1,595,641	<b>1,730,764</b>	1,577,800
<b>Other Reserves</b>				
Regulatory reserve	<b>155,747</b>	94,239	<b>155,747</b>	94,239
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	<b>(6,966)</b>	(1,342)	<b>(6,966)</b>	(1,342)
Foreign exchange translation reserve	<b>1,591</b>	3,066	<b>1,592</b>	3,066
<b>Regulatory Adjustment</b>				
Less: Regulatory reserve	<b>(155,747)</b>	(94,239)	<b>(155,747)</b>	(94,239)
Less: Investment property gain	<b>(8,363)</b>	(8,171)	<b>(8,363)</b>	(8,171)
Less: Deferred tax assets	<b>(42,929)</b>	(52,920)	<b>(42,389)</b>	(52,920)
Less: Investment in subsidiaries	-	-	<b>(13,159)</b>	(13,159)
Less: Cumulative gains of financing measured at FVTPL	<b>(17,084)</b>	(21,455)	<b>(17,084)</b>	(21,455)
Less: Intangible Asset (net of deferred tax liabilities)	<b>(104,651)</b>	(94,363)	<b>(104,365)</b>	(94,013)
<b>Total Tier-I Capital</b>	<b>2,758,972</b>	2,615,456	<b>2,735,030</b>	2,584,806
<b>Tier-1 capital</b>				
Perpetual Sukuk	<b>350,000</b>	-	<b>350,000</b>	-
<b>Total Tier-1</b>	<b>3,108,972</b>	2,615,456	<b>3,085,030</b>	2,584,806
<b>Tier-II capital</b>				
Subordinated sukuk	<b>800,000</b>	800,000	<b>800,000</b>	800,000
Collective assessment allowance for non-impaired financing and regulatory reserve	<b>284,124</b>	243,658	<b>284,124</b>	243,658
Add: Investment property gain	<b>3,763</b>	3,677	<b>3,763</b>	3,677
<b>Total Tier-II Capital</b>	<b>1,087,887</b>	1,047,335	<b>1,087,887</b>	1,047,335
<b>Total Capital</b>	<b>4,196,859</b>	3,662,791	<b>4,172,917</b>	3,632,141

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 2022: 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 2023		31 December 2022	
	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	22,739,787	1,819,183	19,511,734	1,560,939
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	126,607	-	159,800	-
Market Risk	77,388	6,191	23,153	1,852
Operational Risk	1,508,264	120,661	1,463,122	117,050
<b>Total</b>	<b>24,198,832</b>	<b>1,946,035</b>	<b>20,838,209</b>	<b>1,679,841</b>
	31 December 2023		31 December 2022	
	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	22,729,923	1,818,394	19,492,654	1,559,412
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	126,607	-	159,800	-
Market Risk	77,388	6,191	23,153	1,852
Operational Risk	1,483,198	118,656	1,427,083	114,167
<b>Total</b>	<b>24,163,902</b>	<b>1,943,241</b>	<b>20,783,090</b>	<b>1,675,431</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 2023</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	8,147,144	8,147,144	-	-
Public Sector Entities	1,111,507	1,111,507	46,784	3,743
Banks, Development Financial Institution & MDBs	111,200	111,200	22,240	1,779
Takaful Cos, Securities Firms & Fund Managers	78,217	78,217	15,643	1,251
Corporates	8,693,162	8,693,162	6,446,338	515,707
Regulator Retail	12,046,770	12,046,770	10,338,458	827,077
Residential Real Estate	8,280,790	8,280,790	4,154,159	332,333
Higher Risk Assets	55,816	55,816	83,716	6,698
Other Assets	359,102	359,102	243,939	19,515
Defaulted Exposures	159,840	159,840	154,492	12,359
	<b>39,043,548</b>	<b>39,043,548</b>	<b>21,505,769</b>	<b>1,720,462</b>
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,569,924	1,569,924	1,214,663	97,173
Islamic derivative financial instruments	38,933	38,933	19,355	1,548
	<b>1,608,857</b>	<b>1,608,857</b>	<b>1,234,018</b>	<b>98,721</b>
<b>Total Credit Exposures</b>	<b>40,652,405</b>	<b>40,652,405</b>	<b>22,739,787</b>	<b>1,819,183</b>
<b>(c) Credit Risk Absorb by PSIA</b>	<b>247,721</b>	<b>247,721</b>	<b>126,607</b>	<b>-</b>
<b>(ii) Market Risk (Standardised Approach)</b>				
Benchmark Rate Risk	1,018	(1,244)	61,063	4,885
Foreign Currency Risk	13,022	(16,325)	16,325	1,305
			<b>77,388</b>	<b>6,190</b>
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			<b>1,508,264</b>	<b>120,662</b>
<b>(iv) Total RWA and Capital Requirements</b>			<b>24,198,832</b>	<b>1,946,035</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 2022</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	6,300,523	6,300,523	-	-
Public Sector Entities	997,787	997,787	46,289	3,703
Banks, Development Financial Institution & MDBs	115,729	115,729	23,146	1,852
Takaful Cos, Securities Firms & Fund Managers	95,291	95,291	19,058	1,525
Corporates	6,514,094	6,514,094	5,725,403	458,032
Regulator Retail	11,130,958	11,130,958	9,115,237	729,219
Residential Real Estate	5,949,810	5,949,810	3,026,177	242,094
Higher Risk Assets	68,931	68,931	103,376	8,270
Other Assets	245,602	245,602	105,460	8,437
Defaulted Exposures	110,507	110,507	89,952	7,196
	31,529,232	31,529,232	18,254,098	1,460,328
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,436,497	1,436,497	1,243,873	99,510
Islamic derivative financial instruments	25,347	25,347	13,764	1,101
	1,461,845	1,461,845	1,257,637	100,611
<b>Total Credit Exposures</b>	32,991,077	32,991,077	19,511,735	1,560,939
<b>(c) Credit Risk Absorb by PSIA</b>	301,199	301,199	159,800	-
<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
			23,152	1,853
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			1,463,122	117,050
<b>(iv) Total RWA and Capital Requirements</b>			20,838,210	1,679,842

\* 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</b>	<b>*Net Exposures</b>	<b>Risk Weighted Assets</b>	<b>Minimum Capital Requirement</b>
<b>31 December 2023</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>at 8% RM'000</b>
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	8,147,144	8,147,144	-	-
Public Sector Entities	1,111,507	1,111,507	46,784	3,743
Banks, Development Financial Institution & MDBs	111,200	111,200	22,240	1,779
Takaful Cos, Securities Firms & Fund Managers	78,217	78,217	15,643	1,251
Corporates	8,685,423	8,685,423	6,437,349	514,988
Regulator Retail	12,046,770	12,046,770	10,338,458	827,077
Residential Real Estate	8,280,790	8,280,790	4,154,159	332,333
Higher Risk Assets	55,815	55,816	83,716	6,697
Other Assets	359,102	359,102	243,063	19,445
Defaulted Exposures	159,840	159,840	154,493	12,359
	<b>39,035,808</b>	<b>39,035,809</b>	<b>21,495,905</b>	<b>1,719,672</b>
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,569,924	1,569,924	1,214,663	97,173
Islamic derivative financial instruments	38,933	38,933	19,355	1,548
	<b>1,608,857</b>	<b>1,608,857</b>	<b>1,234,018</b>	<b>98,721</b>
<b>Total Credit Exposures</b>	<b>40,644,665</b>	<b>40,644,666</b>	<b>22,729,923</b>	<b>1,818,393</b>
<b>(c) Credit Risk Absorb by PSIA</b>	<b>247,721</b>	<b>247,721</b>	<b>126,607</b>	<b>-</b>
<b>(ii) Market Risk (Standardised Approach)</b>				
Benchmark Rate Risk	1,018	(1,244)	61,063	4,885
Foreign Currency Risk	13,022	(16,325)	16,325	1,305
			<b>77,388</b>	<b>6,190</b>
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			<b>1,483,198</b>	<b>118,658</b>
<b>(iv) Total RWA and Capital Requirements</b>			<b>24,163,902</b>	<b>1,943,241</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)**

		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 2022</b>					
<b>(i) Credit Risk (Standardised Approach)</b>					
<b>(a) On Balance Sheet Exposures</b>					
	Sovereign/Central Banks	6,300,523	6,300,523	-	-
	Public Sector Entities	997,787	997,787	46,289	3,703
	Banks, Development Financial Institution & MDBs	115,729	115,729	23,146	1,852
	Takaful Cos, Securities Firms & Fund Managers	95,291	95,291	19,058	1,525
	Corporates	6,500,342	6,500,342	5,706,877	456,550
	Regulator Retail	11,130,958	11,130,958	9,115,237	729,219
	Residential Real Estate	5,949,810	5,949,810	3,026,177	242,094
	Higher Risk Assets	68,931	68,931	103,376	8,270
	Other Assets	245,602	245,602	104,906	8,393
	Defaulted Exposures	110,507	110,507	89,952	7,196
		31,515,479	31,515,479	18,235,018	1,458,801
<b>(b) Off-Balance Sheet Exposures**</b>					
	Credit-related off-balance sheet exposure	1,436,497	1,436,497	1,243,873	99,510
	Islamic derivative financial instruments	25,347	25,347	13,764	1,101
		1,461,845	1,461,845	1,257,638	100,611
<b>Total Credit Exposures</b>		32,977,324	32,977,324	19,492,655	1,559,412
<b>(c) Credit Risk Absorb by PSIA</b>		301,199	301,199	159,800	-
<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
				23,153	1,852
<b>(iii) Operational Risk (Basic Indicators Approach)</b>				1,427,083	114,167
<b>(iv) Total RWA and Capital Requirements</b>				20,783,091	1,675,431
* After netting and credit risk mitigation					
** Credit Risk of off balance sheet items					
** Credit Risk of off balance sheet items					

### 3.0 Risk Management

#### Overview

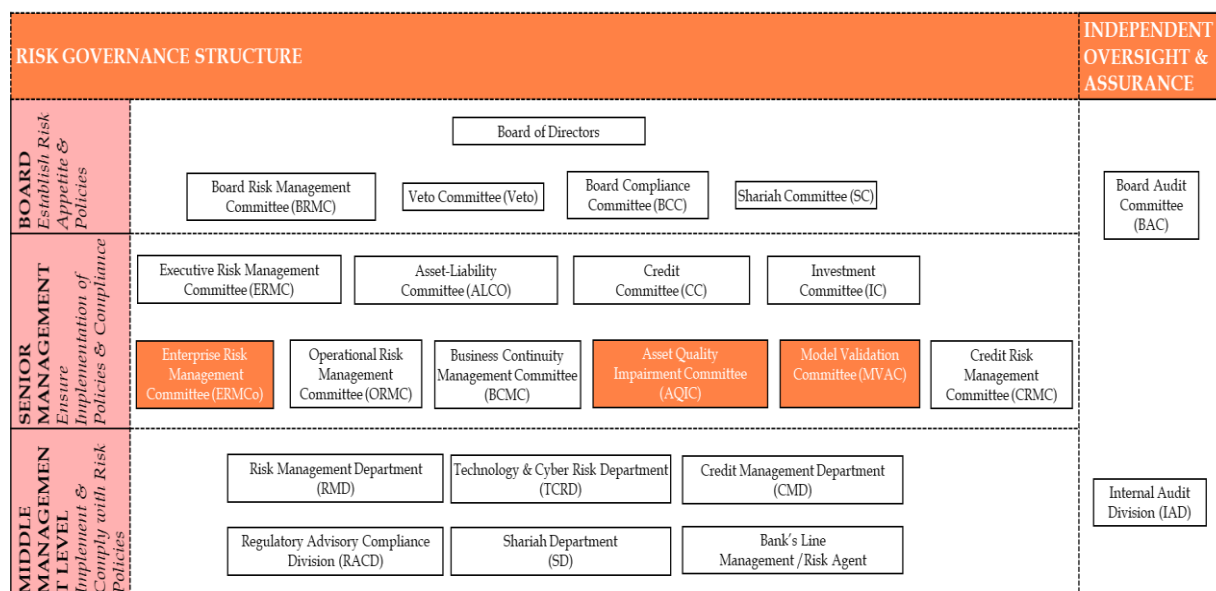
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance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





### **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 & Compliance Committee ("BRCC") to carry out specific risk management and compliance oversight functions on its behalf.

BRCC, which is chaired by an independent director of the Board, is a board-level committee that oversees the overall management of risks and compliances and deliberates on risk and compliance related issues and resolutions. The BRCC, 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 and compliances.

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:

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

**Table 6: Risk Committees & Functions**

<b>Committee</b>	<b>Objective</b>
Asset & Liability Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by the BRCC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's business exposures. 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.
Enterprise Risk Management Committee ("ERMC")	To manage threats / risk and strategic opportunities that arise from both internal and external factors and have an impact on the Bank's strategic objectives/goals.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.
Business Continuity Management Committee ("BCMC")	To ensure effective implementation of BCM's policy.
Asset Quality Impairment Committee ("AQIC")	To deliberate the conduct of Corporate, Commercial and SME account and to assess the account's financial health, adequacy of provision and accuracy of accounts classification (Early Care, High Risk or Impaired). The outcome will be presented to "CC" for approval.
Model Validation Committee (MVAC)	To challenge the model development and model validation in compliance with credit risk models, whether internally or externally developed and validated. The outcome of MVAC will be presented to ERMC and BRCC for approval.
Credit Risk Management Committee (CRMC)	To ensure financing activities are in line with the Bank's credit risk appetite and policies and to deliberate on the effectiveness of the credit risk mitigation.

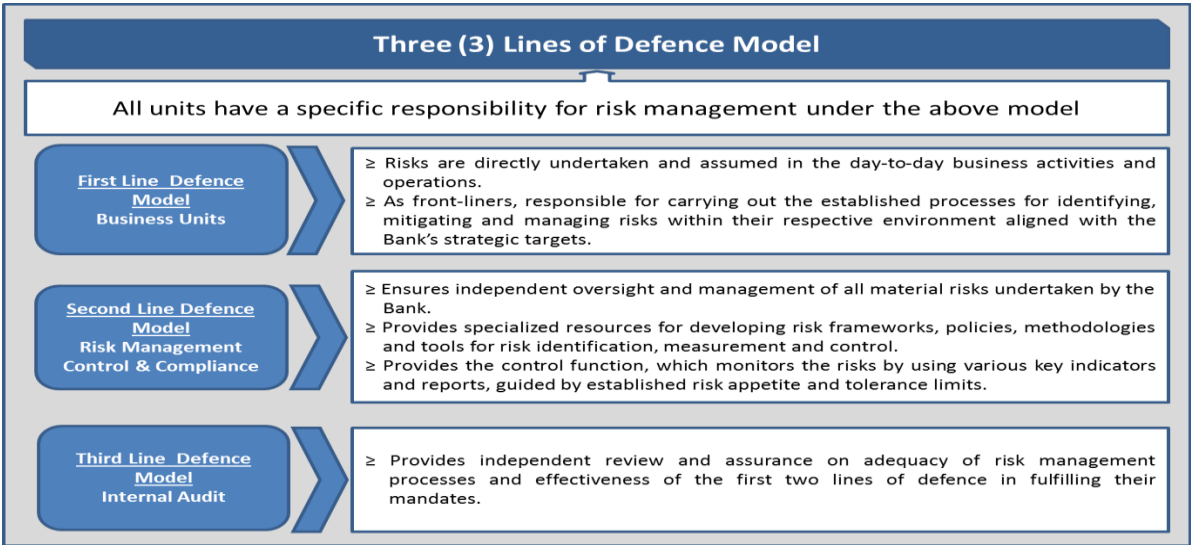
A dedicated and independent Risk Management Department ("RMD") supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the Management's and the Board's decision-making.

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, BRCC 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 BRCC and ERM C 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.

## Basel II - Pillar 3 Disclosure

### 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 2023	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	-	3,039,191	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	-	-	-	-	28,595	33,707
Financial investments at fair value through other comprehensive income	4,635,767	700,591	595,821	61,400	-	-	511,887	6,505,466
Financial assets at amortised cost	-	-	116,871	-	-	-	-	116,871
Islamic derivative financial assets	-	12,819	-	-	-	-	-	12,819
Financing of customers	932,836	2,175,152	2,282,361	2,060,395	174,721	20,158,899	563,280	28,347,644
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	583,809
Other financial assets *	-	-	-	-	-	-	115,359	115,359
	<b>6,152,412</b>	<b>5,932,865</b>	<b>2,995,053</b>	<b>2,121,795</b>	<b>174,721</b>	<b>20,158,899</b>	<b>1,219,121</b>	<b>38,754,866</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	86,689	63,660	171,419	424,536	172,983	3,988	78,168	1,001,443
Commitments	65,303	141,698	296,178	278,498	36,416	845,440	638,479	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	-	753	2,632	22,678	150	4,767	29,060	60,040
Islamic derivative financial instruments	-	1,350,626	936,737	-	-	-	-	2,287,363
	<b>151,992</b>	<b>1,556,737</b>	<b>1,406,966</b>	<b>725,712</b>	<b>209,549</b>	<b>854,195</b>	<b>745,707</b>	<b>5,650,858</b>
<b>Total credit exposures</b>	<b>6,304,404</b>	<b>7,489,602</b>	<b>4,402,019</b>	<b>2,847,507</b>	<b>384,270</b>	<b>21,013,094</b>	<b>1,219,121</b>	<b>44,405,724</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 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 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	-	1,235,454	-	-	-	-	-	1,235,454
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 financial assets *	-	-	-	-	-	-	17,989	17,989
	6,241,568	3,069,028	2,264,573	1,581,653	189,534	16,877,576	996,992	31,220,924
<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>	6,393,561	4,362,117	3,565,120	2,244,525	317,378	17,567,179	1,552,687	36,002,567

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 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)

Bank 31 December 2023	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	-	3,039,191	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	-	-	-	-	25,984	31,096
Financial investments at fair value through other comprehensive income	4,635,767	700,591	595,821	61,400	-	-	511,887	6,505,466
Financial assets at amortised cost	-	-	116,871	-	-	-	-	116,871
Islamic derivative financial assets	-	12,819	-	-	-	-	-	12,819
Financing of customers	932,836	2,175,154	2,282,361	2,060,395	174,721	20,158,899	559,026	28,343,392
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	583,809
Other financial assets *	-	-	-	-	-	-	114,754	114,754
	<b>6,152,412</b>	<b>5,932,867</b>	<b>2,995,053</b>	<b>2,121,795</b>	<b>174,721</b>	<b>20,158,899</b>	<b>1,211,651</b>	<b>38,747,398</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	86,689	63,660	171,419	424,536	172,983	3,988	78,168	1,001,443
Commitments	65,303	141,698	296,178	278,498	36,416	845,440	638,479	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	-	753	2,632	22,678	150	4,767	29,060	60,040
Islamic derivative financial instruments	-	1,350,626	936,737	-	-	-	-	2,287,363
	<b>151,992</b>	<b>1,556,737</b>	<b>1,406,966</b>	<b>725,712</b>	<b>209,549</b>	<b>854,195</b>	<b>745,707</b>	<b>5,650,858</b>
<b>Total credit exposures</b>	<b>6,304,404</b>	<b>7,489,604</b>	<b>4,402,019</b>	<b>2,847,507</b>	<b>384,270</b>	<b>21,013,094</b>	<b>1,957,358</b>	<b>44,398,256</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 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)

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	-	1,235,454	-	-	-	-	-	1,235,454
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 financial assets *	-	-	-	-	-	-	17,544	17,544
	6,241,568	3,069,027	2,264,573	1,581,653	189,534	16,877,576	983,349	31,207,280
<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>	6,393,561	4,362,116	3,565,120	2,244,525	317,378	17,567,179	1,539,044	35,988,923

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.



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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 2023</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	<b>3,038,783</b>	<b>408</b>	<b>3,038,783</b>	<b>408</b>
Financial investment at fair value through profit and loss	<b>28,595</b>	<b>5,112</b>	<b>25,984</b>	<b>5,112</b>
Financial investments at fair value through other comprehensive income	<b>6,402,212</b>	<b>103,254</b>	<b>6,402,212</b>	<b>103,254</b>
Financial investments amortised cost	<b>116,871</b>	<b>-</b>	<b>116,871</b>	<b>-</b>
Islamic derivative financial assets	<b>12,819</b>	<b>-</b>	<b>12,819</b>	<b>-</b>
Financing of customers	<b>28,347,644</b>	<b>-</b>	<b>28,343,392</b>	<b>-</b>
Statutory deposits with Bank Negara Malaysia	<b>583,809</b>	<b>-</b>	<b>583,809</b>	<b>-</b>
Other financial assets *	<b>115,356</b>	<b>3</b>	<b>114,751</b>	<b>3</b>
	<b>38,646,089</b>	<b>108,777</b>	<b>38,638,621</b>	<b>108,777</b>
<b>Commitments and contingencies</b>				
Contingent liabilities	<b>1,001,443</b>	<b>-</b>	<b>1,001,443</b>	<b>-</b>
Commitments	<b>2,302,012</b>	<b>-</b>	<b>2,302,012</b>	<b>-</b>
Other Miscellaneous Commitment and Contingent Liabilities	<b>60,040</b>	<b>-</b>	<b>60,040</b>	<b>-</b>
Islamic derivative financial instruments	<b>2,287,363</b>	<b>-</b>	<b>2,287,363</b>	<b>-</b>
	<b>5,650,858</b>	<b>-</b>	<b>5,650,858</b>	<b>-</b>
<b>Total credit exposures</b>	<b>44,296,947</b>	<b>108,777</b>	<b>44,289,479</b>	<b>108,777</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

#### 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 2022	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
<b>On Balance Sheet</b>				
<b>Exposures</b>				
Cash and short-term funds	1,155,843	79,611	1,155,843	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 financial assets *	17,986	3	17,541	3
	<b>30,995,538</b>	<b>225,386</b>	<b>30,981,894</b>	<b>225,386</b>
<b>Commitments and contingencies</b>				
Contingent liabilities	1,074,559	-	1,074,559	-
Commitments	1,861,344	-	1,861,344	-
Other Miscellaneous Commitment and Contingent Liabilities	59,310	-	59,310	-
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>35,777,181</b>	<b>225,386</b>	<b>35,763,537</b>	<b>225,386</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

#### 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

Group	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>31 December 2023</b>					
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	3,039,191	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	28,595	-	33,707
Financial investments at fair value through other comprehensive income	508,079	925,973	4,116,255	955,159	6,505,466
Financial investments amortised cost	-	-	-	116,871	116,871
Islamic derivative financial assets	12,786	33	-	-	12,819
Financing of customers	3,993,980	2,476,305	21,877,359	-	28,347,644
Statutory deposits with Bank Negara Malaysia	-	-	-	583,809	583,809
Other financial assets *	80,749	34,610	-	-	115,359
<b>Total On-Balance Sheet Exposures</b>	<b>7,634,785</b>	<b>3,442,033</b>	<b>26,022,209</b>	<b>1,655,839</b>	<b>38,754,866</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 2022</b>					
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	1,235,454	-	-	-	1,235,454
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 financial assets *	-	17,989	-	-	17,989
<b>Total On-Balance Sheet Exposures</b>	<b>5,386,704</b>	<b>3,288,093</b>	<b>11,225,113</b>	<b>11,321,014</b>	<b>31,220,924</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

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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 2023</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	3,039,191	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	25,984	-	31,096
Financial investments at fair value through other comprehensive income	508,080	925,973	4,116,255	955,158	6,505,466
Financial investments amortised cost	-	-	-	116,871	116,871
Islamic derivative financial assets	12,787	32	-	-	12,819
Financing of customers	3,993,980	2,476,305	10,194,203	11,678,904	28,343,392
Statutory deposits with Bank Negara Malaysia	-	-	-	583,809	583,809
Other financial assets *	80,749	34,005	-	-	114,754
<b>Total On-Balance Sheet Exposures</b>	<b>7,634,787</b>	<b>3,441,427</b>	<b>14,336,442</b>	<b>13,334,742</b>	<b>38,747,398</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 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	1,235,454	-	-	-	1,235,454
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 financial assets *	-	17,544	-	-	17,544
<b>Total On-Balance Sheet Exposures</b>	<b>5,386,704</b>	<b>3,287,648</b>	<b>11,222,568</b>	<b>11,310,360</b>	<b>31,207,280</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

#### **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 credit risk rating approaches for its business and consumer financing portfolios i.e. application and behavioral scorecards. The credit scorecards using statistical and heuristic-based methodologies were developed and applied to assess the customers' risk levels and work as a tool to assist in the Bank's credit decision. The credit risk ratings are also used in portfolio monitoring and limit setting and in building a more robust estimation of credit losses in the future as required by regulatory requirements.

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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 2023</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	8,691,993	273,525	256,585	107,181	9,329,284
- Syndicated financing	546,137	-	-	-	546,137
- Hire purchase receivables	1,523,090	6,555	11,477	1,969	1,543,091
- Other term financing	12,174,092	146,614	164,357	125,271	12,610,334
Other financing	4,495,049	4,757	9,704	31,808	4,541,318
	<b>27,430,361</b>	<b>431,451</b>	<b>442,123</b>	<b>266,229</b>	<b>28,570,164</b>
Less:					
-Stage 1 - 12 Months ECL	(119,065)	(1,173)	-	-	(120,238)
-Stage 2 - Lifetime ECL not credit impaired	-	(12,545)	(10,713)	-	(23,258)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(79,024)	(79,024)
<b>Total net financing</b>	<b>27,311,296</b>	<b>417,733</b>	<b>431,410</b>	<b>187,205</b>	<b>28,347,644</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 2022</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	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
	<u>23,324,785</u>	<u>459,247</u>	<u>285,559</u>	<u>205,957</u>	<u>24,275,548</u>
Less:					
-Stage 1 - 12 Months ECL	(125,580)	(3,316)	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	-	(15,387)	(10,280)	-	(25,667)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(103,918)	(103,918)
Total net financing	<u>23,199,205</u>	<u>440,544</u>	<u>275,279</u>	<u>102,039</u>	<u>24,017,067</u>



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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 2023</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	8,691,993	273,525	256,585	107,181	9,329,284
- Syndicated financing	546,137	-	-	-	546,137
- Hire purchase receivables	1,523,090	6,555	11,477	1,969	1,543,091
- Other term financing	12,169,840	146,614	164,357	125,271	12,606,082
Other financing	4,495,049	4,757	9,704	31,808	4,541,318
	<b>27,426,109</b>	<b>431,451</b>	<b>442,123</b>	<b>266,229</b>	<b>28,565,912</b>
Less:					
-Stage 1 - 12 Months ECL	(119,065)	(1,173)	-	-	(120,238)
-Stage 2 - Lifetime ECL not credit impaired	-	(12,547)	(10,711)	-	(23,258)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(79,024)	(79,024)
<b>Total net financing</b>	<b>27,307,044</b>	<b>417,731</b>	<b>431,412</b>	<b>187,205</b>	<b>28,343,392</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 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	11,162,735	114,700	104,998	103,040	11,485,473
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	<u>23,314,131</u>	<u>459,247</u>	<u>285,559</u>	<u>205,957</u>	<u>24,264,894</u>
Less:					
-Stage 1 - 12 Months ECL	(125,580)	(3,316)	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	-	(15,387)	(10,280)	-	(25,667)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(103,918)	(103,918)
Total net financing	<u>23,188,551</u>	<u>440,544</u>	<u>275,279</u>	<u>102,039</u>	<u>24,006,413</u>

#### 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 2023</b>	<b>1 month</b>	<b>months</b>	<b>months</b>	<b></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing				
- Home financing	-	256,314	271	256,585
- Hire purchase receivables	-	11,318	159	11,477
- Other term financing	-	161,301	3,056	164,357
Other financing	-	9,656	48	9,704
<b>Total</b>	<b>-</b>	<b>438,589</b>	<b>3,534</b>	<b>442,123</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 2022</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	-	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>

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 2023 RM'000</b>	<b>31 December 2022 RM'000</b>
Purchase of transport vehicles	11,477	7,163
Purchase of landed properties of which:		
– residential	238,530	161,851
– non-residential	12,596	10,357
Personal use	151,997	91,564
Construction	649	285
Working capital	23,055	13,047
Other purpose	3,819	1,292
	<b>442,123</b>	<b>285,559</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 2023 RM'000</b>	<b>31 December 2022 RM'000</b>
Domestic	442,123	285,559

#### **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 2023						
	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	75	-	-	-	-	137	137
Purchase of transport vehicles	1,969	127	26	150	3	6,637	6,640
Purchase of landed properties of which:							
– residential	98,630	11,338	(1,198)	-	10,140	54,636	64,776
– non-residential	16,775	2,836	(84)	1,047	1,705	1,303	3,008
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	7,823	7,823
Personal use	88,204	1,460	135	-	1,595	104,596	106,191
Construction	-	-	-	-	-	3,100	3,100
Working capital	56,044	31,039	(710)	24,060	6,267	19,885	26,152
Other purpose	4,531	3,948	(3,597)	-	352	4,341	4,693
	266,228	50,748	(5,428)	25,257	20,062	202,458	222,520

#### 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 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

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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 2023						
	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	75	-	-	-	-	137	137
Purchase of transport vehicles	1,969	127	26	150	3	6,637	6,640
Purchase of landed properties of which:							
– residential	98,630	11,338	(1,198)	-	10,140	54,636	64,776
– non-residential	16,775	2,836	(84)	1,047	1,705	1,303	3,008
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	7,823	7,823
Personal use	88,204	1,460	135	-	1,595	104,596	106,191
Construction	-	-	-	-	-	3,100	3,100
Working capital	56,044	31,039	(710)	24,060	6,267	19,885	26,152
Other purpose	4,530	3,949	(3,597)	-	352	4,341	4,693
	266,227	50,749	(5,428)	25,257	20,062	202,458	222,520



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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
	205,957	33,746	36,335	19,333	50,749	207,732	258,481

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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 2023						
	Impaired Financing	Individual Assessment Allowance at 1 January	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 December	Collective Assessment Allowance at 31 December	Total Impairment Allowances for Financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Domestic	266,228	50,748	(5,433)	25,257	20,062	202,458	222,520

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

#### 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 2023						
	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	266,229	50,748	(5,434)	25,257	20,062	202,458	222,520

	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

#### **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 **45.47 and 45.48%** respectively as at 31 December 2023 (The Group and the Bank are at 39.72% and 39.74% respectively as at 31 December 2022). The financial effect of collateral held for other financial assets is not significant.

As at 31 December 2023, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM51,677,000 as compared against 31 December 2022 total amount of RM18,227,000. 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 2023

31 December 2020

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	8,197,133	-	-	-	-	-	-	-	-	-	8,197,133
Public Sector Entities	-	-	-	34,700	-	-	-	-	1,081,374	-	1,116,074
Banks, Development Financial Institutions & MDBs	13,676	-	10,797	-	-	-	-	-	111,200	-	135,673
Takaful Cos, Securities Firms & Fund Managers	-	-	-	5,168	-	-	-	-	73,049	-	78,217
Corporates	667,026	115,539	33,682	15,801	-	-	-	-	8,988,198	-	9,820,246
Regulatory Retail	-	-	-	-	-	-	-	-	12,531,434	-	12,531,434
Residential Mortgages	-	-	-	-	-	-	-	-	8,356,520	-	8,356,520
Higher Risk Assets	-	-	-	-	-	-	-	-	58,005	-	58,005
Other Assets	-	-	-	-	-	-	-	-	359,102	-	359,102
<b>Total</b>	<b>8,877,835</b>	<b>115,539</b>	<b>44,479</b>	<b>55,669</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,558,882</b>	<b>-</b>	<b>40,652,405</b>

### Group

31 December 2022

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			
<b><u>On and Off Balance-Sheet Exposures</u></b>											
<b><u>Credit Exposures - Standardised Approach</u></b>											
Sovereigns/Central Banks	6,350,402	-	-	-	-	-	-	-	-	-	6,350,402
Public Sector Entities	-	-	-	-	-	-	-	-	1,004,504	-	1,004,504
Banks, Development Financial Institutions & MDBs	5,073	-	-	-	-	-	-	14,434	110,655	45	130,207
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	95,291	-	95,291
Corporates	114,216	40,248	26,638	15,414	-	-	204,671	66,281	6,767,460	331,484	7,566,412
Regulatory Retail	-	-	-	-	-	-	-	-	11,545,730	-	11,545,730
Residential Mortgages	-	-	-	-	-	-	-	-	5,981,702	-	5,981,702
Higher Risk Assets	-	-	-	-	-	-	-	-	71,227	-	71,227
Other Assets	-	-	-	-	-	-	-	-	245,602	-	245,602
<b>Total</b>	<b>6,469,691</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>25,822,171</b>	<b>331,529</b>	<b>32,991,077</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 2023

31 December 2020

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	8,197,133	-	-	-	-	-	-	-	-	-	8,197,133
Public Sector Entities	-	-	-	34,700	-	-	-	-	1,081,374	-	1,116,074
Banks, Development Financial Institutions & MDBs	13,676	-	10,797	-	-	-	-	-	111,200	-	135,673
Takaful Cos, Securities Firms & Fund Managers	-	-	-	5,168	-	-	-	-	73,049	-	78,217
Corporates	667,026	115,539	33,682	15,801	-	-	-	-	8,980,459	-	9,812,507
Regulatory Retail	-	-	-	-	-	-	-	-	12,531,434	-	12,531,434
Residential Mortgages	-	-	-	-	-	-	-	-	8,356,520	-	8,356,520
Higher Risk Assets	-	-	-	-	-	-	-	-	58,005	-	58,005
Other Assets	-	-	-	-	-	-	-	-	359,101	-	359,101
<b>Total</b>	<b>8,877,835</b>	<b>115,539</b>	<b>44,479</b>	<b>55,669</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,551,142</b>	<b>-</b>	<b>40,644,665</b>

Bank

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>On and Off Balance-Sheet Exposures</b>											
<b>Credit Exposures - Standardised Approach</b>											
Sovereigns/Central Banks	6,350,402	-	-	-	-	-	-	-	-	-	6,350,402
Public Sector Entities	-	-	-	-	-	-	-	-	1,004,504	-	1,004,504
Banks, Development Financial Institutions & MDBs	5,073	-	-	-	-	-	-	14,434	110,655	45	130,207
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	95,291	-	95,291
Corporates	114,216	40,248	26,638	15,414	-	-	204,671	66,281	6,753,707	331,484	7,552,659
Regulatory Retail	-	-	-	-	-	-	-	-	11,545,730	-	11,545,730
Residential Mortgages	-	-	-	-	-	-	-	-	5,981,702	-	5,981,702
Higher Risk Assets	-	-	-	-	-	-	-	-	71,227	-	71,227
Other Assets	-	-	-	-	-	-	-	-	245,602	-	245,602
<b>Total</b>	<b>6,469,691</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>25,808,418</b>	<b>331,529</b>	<b>32,977,325</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 2023

Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	1,081,374
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	832,048	-	-	-	8,980,460
<b>Total</b>	<b>832,048</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,061,834</b>

Group and Bank  
31 December 2022

Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	1,004,504
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	196,516	-	204,671	66,281	7,085,191
<b>Total</b>	<b>196,516</b>	<b>-</b>	<b>204,671</b>	<b>66,281</b>	<b>8,089,695</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 ECAIs					
	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 2023</b>						
Banks, MDBs and FDIs		-	-	-	-	-
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Corporates		-	-	-	-	-
<b>Total</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>		80,715	-	-	-	-



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 2023

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		8,197,133	-	-	-	-	-
<b>Total</b>		<b>8,197,133</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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		6,350,402	-	-	-	-	-
<b>Total</b>		<b>6,350,402</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 2023</b>							
Banks, MDBs and FDIs		24,472	-	-	-	-	111,200
<b>Total</b>		<b>24,472</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111,200</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>

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 2023

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%	8,197,133	877,585	-	1,366,141	455,910	1,032,198	-	-	6	116,039	12,045,011	-
20%	-	238,488	135,672	1,179,136	783,108	-	78,217	-	-	-	2,414,621	482,923
35%	-	-	-	-	-	3,749,471	-	-	-	-	3,749,471	1,312,315
50%	-	-	-	129,320	22,147	1,087,820	-	-	-	-	1,239,287	619,644
75%	-	-	-	-	3,163,650	543,020	-	-	-	-	3,706,670	2,780,003
100%	-	-	-	7,140,521	8,073,751	1,944,012	-	-	-	243,941	17,402,225	17,402,223
150%	-	-	-	4,252	32,868	-	-	-	58,000	-	95,120	142,679
<b>Total</b>	<b>8,197,133</b>	<b>1,116,073</b>	<b>135,672</b>	<b>9,819,370</b>	<b>12,531,434</b>	<b>8,356,521</b>	<b>78,217</b>	<b>-</b>	<b>58,006</b>	<b>359,980</b>	<b>40,652,405</b>	<b>22,739,787</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

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
<b>Risk-Weights</b>												
0%	6,350,402	766,344	-	584,258	233,638	302,400	-	-	14	140,696	8,377,752	-
20%	-	238,160	130,208	309,238	1,414,055	-	95,291	-	-	-	2,186,952	437,390
35%	-	-	-	-	-	3,282,515	-	-	-	-	3,282,515	1,148,880
50%	-	-	-	76,193	15,208	804,003	-	-	-	-	895,404	447,702
75%	-	-	-	-	3,060,215	406,324	-	-	-	-	3,466,540	2,599,905
100%	-	-	-	6,482,519	6,815,589	1,186,460	-	-	-	105,460	14,590,029	14,590,029
150%	-	-	-	113,648	7,024	-	-	-	71,213	-	191,885	287,828
<b>Total</b>	<b>6,350,402</b>	<b>1,004,504</b>	<b>130,208</b>	<b>7,565,857</b>	<b>11,545,730</b>	<b>5,981,702</b>	<b>95,291</b>	<b>-</b>	<b>71,227</b>	<b>246,156</b>	<b>32,991,077</b>	<b>19,511,735</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 2023

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%	8,197,133	877,585	-	1,366,141	455,910	1,032,198	-	-	6	116,039	12,045,011	-
20%	-	238,488	135,672	1,179,136	783,108	-	78,217	-	-	-	2,414,621	482,924
35%	-	-	-	-	-	3,749,471	-	-	-	-	3,749,471	1,312,315
50%	-	-	-	129,320	22,147	1,087,820	-	-	-	-	1,239,287	619,644
75%	-	-	-	-	3,163,650	543,020	-	-	-	-	3,706,670	2,780,003
100%	-	-	-	7,137,910	8,073,751	1,944,012	-	-	-	243,064	17,398,737	17,398,736
150%	-	-	-	-	32,868	-	-	-	58,000	-	90,868	136,301
<b>Total</b>	<b>8,197,133</b>	<b>1,116,073</b>	<b>135,672</b>	<b>9,812,507</b>	<b>12,531,434</b>	<b>8,356,521</b>	<b>78,217</b>	<b>-</b>	<b>58,006</b>	<b>359,103</b>	<b>40,644,666</b>	<b>22,729,923</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
<b>Risk-Weights</b>												
0%	6,350,402	766,344	-	584,258	233,638	302,400	-	-	14	140,696	8,377,752	-
20%	-	238,160	130,208	309,238	1,414,055	-	95,291	-	-	-	2,186,952	437,390
35%	-	-	-	-	-	3,282,515	-	-	-	-	3,282,515	1,148,880
50%	-	-	-	76,193	15,208	804,003	-	-	-	-	895,404	447,702
75%	-	-	-	-	3,060,215	406,324	-	-	-	-	3,466,540	2,599,905
100%	-	-	-	6,479,975	6,815,589	1,186,460	-	-	-	104,906	14,586,930	14,586,930
150%	-	-	-	102,994	7,024	-	-	-	71,213	-	181,231	271,847
<b>Total</b>	<b>6,350,402</b>	<b>1,004,504</b>	<b>130,208</b>	<b>7,552,658</b>	<b>11,545,730</b>	<b>5,981,702</b>	<b>95,291</b>	<b>-</b>	<b>71,227</b>	<b>245,602</b>	<b>32,977,324</b>	<b>19,492,655</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 2023</b>			
<b>Credit Risk</b>			
<b>(a) On Balance sheet exposures</b>			
Sovereign/Central banks	8,147,144	-	8,147,144
Public sector entities	1,111,507	-	1,111,507
Banks, Development Financial Institution & MDBs	111,200	-	111,200
Takaful Cos, Securities Firms & Fund Managers	78,217	-	78,217
Corporates	8,693,162	-	8,693,162
Regulatory retail	12,046,770	-	12,046,770
Residential real estate	8,280,790	-	8,280,790
Higher risk assets	55,816	-	55,816
Other assets	359,101	-	359,101
Defaulted exposure	159,840	-	159,840
	<b>39,043,547</b>	<b>-</b>	<b>39,043,547</b>
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related off-balance sheet exposure	1,569,924	-	1,569,924
Islamic derivative financial instruments	38,934	-	38,934
	<b>1,608,858</b>	<b>-</b>	<b>1,608,858</b>
<b>Total Credit Exposures</b>	<b>40,652,405</b>	<b>-</b>	<b>40,652,405</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 2022	RM'000	RM'000	RM'000
<b>Credit Risk</b>			
<b>(a) On Balance sheet exposures</b>			
Sovereign/Central banks	6,300,523	-	6,300,523
Public sector entities	997,787	-	997,787
Banks, Development Financial Institution & MDBs	115,729	-	115,729
Takaful Cos, Securities Firms & Fund Managers	95,291	-	95,291
Corporates	6,514,094	-	6,514,094
Regulatory retail	11,130,958	-	11,130,958
Residential real estate	5,949,810	-	5,949,810
Higher risk assets	68,931	-	68,931
Other assets	245,602	-	245,602
Defaulted exposure	110,507	-	110,507
	31,529,232	-	31,529,232
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related off-balance sheet exposure	1,436,497	-	1,436,497
Islamic derivative financial instruments	25,347	-	25,347
	1,461,845	-	1,461,845
<b>Total Credit Exposures</b>	<b>32,991,077</b>	<b>-</b>	<b>32,991,077</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 Financial Collateral		
	Gross Exposures RM'000	Financial Collateral RM'000	*Net Exposures RM'000
<b>31 December 2023</b>			
<b>Credit Risk</b>			
<b>(a) On Balance Sheet Exposures</b>			
Sovereign/Central Banks	8,147,144	-	8,147,144
Public Sector Entities	1,111,507	-	1,111,507
Banks, Development Financial Institution & MDBs	78,217	-	78,217
Takaful Cos, Securities Firms & Fund Managers	111,200	-	111,200
Corporates	8,685,423	-	8,685,423
Regulatory Retail	12,046,770	-	12,046,770
Residential Real Estate	8,280,790	-	8,280,790
Higher Risk Assets	55,816	-	55,816
Other Assets	359,101	-	359,101
Defaulted Exposures	159,840	-	159,840
	<b>39,035,808</b>	<b>-</b>	<b>39,035,808</b>
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related Off-Balance Sheet Exposure	1,569,924	-	1,569,924
Islamic derivative financial instruments	38,934	-	38,934
	<b>1,608,858</b>	<b>-</b>	<b>1,608,858</b>
<b>Total Credit Exposures</b>	<b>40,644,666</b>	<b>-</b>	<b>40,644,666</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 Financial Collateral		
	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	6,300,523	-	6,300,523
Public Sector Entities	997,787	-	997,787
Banks, Development Financial Institution & MDBs	95,291	-	95,291
Takaful Cos, Securities Firms & Fund Managers	115,729	-	115,729
Corporates	6,500,342	-	6,500,342
Regulatory Retail	11,130,958	-	11,130,958
Residential Real Estate	5,949,810	-	5,949,810
Higher Risk Assets	68,931	-	68,931
Other Assets	245,602	-	245,602
Defaulted Exposures	110,507	-	110,507
	<b>31,515,479</b>	<b>-</b>	<b>31,515,479</b>
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related Off-Balance Sheet Exposure	1,436,497	-	1,436,497
Islamic derivative financial instruments	25,347	-	25,347
	<b>1,461,845</b>	<b>-</b>	<b>1,461,845</b>
<b>Total Credit Exposures</b>	<b>32,977,324</b>	<b>-</b>	<b>32,977,324</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 2023			31 December 2022		
	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	491,244	491,244	480,156	419,708	419,708	410,518
Trade-related contingencies	96,919	19,384	1,527	99,507	19,901	2,351
Transaction related contingencies	413,280	206,640	195,471	555,343	277,672	266,746
<b>Commitments</b>						
Credit extension commitment:						
- Maturity within one year	994,500	198,900	142,547	704,853	140,971	131,252
- Maturity exceeding one year	1,307,511	653,756	394,962	1,156,491	578,246	433,006
Other miscellaneous commitments & contingencies	60,040	-	-	59,310	-	-
<b>Islamic derivative financial instruments</b>						
Foreign exchange related contracts	2,287,364	38,933	19,355	1,786,430	25,347	13,764
- Maturity within one year	2,287,364	38,933	19,355	1,786,430	25,347	13,764
<b>Total off-balance sheet exposures</b>	<b>5,650,858</b>	<b>1,608,857</b>	<b>1,234,018</b>	<b>4,781,643</b>	<b>1,461,845</b>	<b>1,257,637</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 2023			31 December 2022		
	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	931,445	362	(16,555)	787,210	936	(20,833)
- Currency swaps						
Less than one year	1,317,642	12,452	(4,671)	986,752	3,264	(2,251)
- Currency spot						
Less than one year	38,276	6	(293)	12,468	48	(27)
<b>Total</b>	<b>2,287,363</b>	<b>12,820</b>	<b>(21,519)</b>	<b>1,786,430</b>	<b>4,248</b>	<b>(23,111)</b>

## **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, BRCC 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 2023 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 2023**

	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	1,018	(1,244)	61,063	4,885
Foreign Currency Risk	13,022	(16,325)	16,325	1,305
<b>Total</b>	<b>14,040</b>	<b>(17,569)</b>	<b>77,388</b>	<b>6,190</b>

**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>

**Basel II -  
Pillar 3 Disclosure**

**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 2023**

	<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	116,853	116,853	153,268
<b>Total</b>	<b>116,853</b>	<b>116,853</b>	<b>153,268</b>

Cumulative realised gains arising from  
sales and liquidations in the reporting period (3,574)

**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)



### 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
Increase/(decrease) in basis points	RM'000	RM'000	RM'000	RM'000
<b>Impact on Earnings:</b>				
<b>31 December 2023</b>				
MYR	(34,610)	34,610	(34,545)	34,545
USD	1,828	(1,828)	1,828	(1,828)
Others*	(1)	1	(1)	1
<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>Impact on Equity:</b>				
<b>31 December 2023</b>				
MYR	70,741	(70,741)	70,737	(70,737)
USD	(152)	152	(152)	152
Others*	0	(0)	0	(0)
<b>31 December 2022</b>				
MYR	66,145	(66,145)	66,067	(66,067)
USD	(126)	126	(126)	126
Others*	(14)	14	(14)	14

\* 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 BRR. 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:

<b>Contingency Level</b>	<b>Trigger / Status</b>
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 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Cash and short-term funds	3,011,876	27,315	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	-	-	-	5,112	28,595	-	33,707
Financial investments at fair value through other comprehensive income	13	210,083	10,151	287,832	925,973	4,116,255	955,159	6,505,466
Financial investments at amortised cost	-	-	-	-	-	-	116,871	116,871
Islamic derivative financial assets	2,217	9,632	479	458	33	-	-	12,819
Financing of customers	75,598	928,629	1,547,564	1,442,189	2,476,305	21,877,359	-	28,347,644
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	583,809	583,809
Other financial assets *	-	80,749	-	-	34,610	-	-	115,359
<b>TOTAL ASSETS</b>	<b>3,089,704</b>	<b>1,256,408</b>	<b>1,558,194</b>	<b>1,730,479</b>	<b>3,442,033</b>	<b>26,022,209</b>	<b>1,655,839</b>	<b>38,754,866</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	12,839,712	4,970,632	6,165,904	5,080,239	2,662,939	956,787	119,523	32,795,736
Investment accounts of customers	247,689	-	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	-	184,018	-	200	-	296,143	49,273	529,634
Bills and acceptances payable	-	-	13,773	-	-	-	-	13,773
Islamic derivative financial liabilities	70	4,697	9,470	7,282	-	-	-	21,519
Other financial liabilities	-	22,867	-	-	77,773	-	-	100,640
Leases liabilities	-	893	1,730	2,578	5,189	28,079	-	38,469
Recourse obligation on financing sold to Cagamas	-	-	-	201,783	-	856,962	-	1,058,745
Subordinated sukuk	-	7,092	-	1,034	-	798,798	-	806,924
<b>Total Liabilities</b>	<b>13,087,471</b>	<b>5,190,199</b>	<b>6,190,877</b>	<b>5,293,116</b>	<b>2,745,901</b>	<b>2,936,769</b>	<b>168,796</b>	<b>35,613,129</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	3,792	16,048	20,572	159,329	125,479	643,068	33,155	1,001,443
Commitments	213,553	112,655	117,712	58,297	48,590	722,859	1,028,346	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	55,321	-	124	-	1	1,735	2,859	60,040
Islamic derivative financial instruments	25,668	333,188	892,179	824,010	212,318	-	-	2,287,363
<b>Total commitments and contingencies</b>	<b>298,334</b>	<b>461,891</b>	<b>1,030,587</b>	<b>1,041,636</b>	<b>386,388</b>	<b>1,367,662</b>	<b>1,064,360</b>	<b>5,650,858</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

#### 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	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>31 December 2022</b>								
<b>ASSETS</b>								
Cash and short-term funds	1,184,486	50,968	-	-	-	-	-	1,235,454
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
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	417,091	417,091
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 financial assets *	-	-	-	-	17,989	-	-	17,989
<b>TOTAL ASSETS</b>	<b>1,277,509</b>	<b>863,694</b>	<b>1,397,412</b>	<b>1,848,089</b>	<b>3,288,093</b>	<b>11,225,113</b>	<b>11,321,014</b>	<b>31,220,924</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	-	-	76,345	-	-	96,123
Leases liabilities	-	-	918	1,695	2,509	32,311	-	37,433
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>792,466</b>	<b>2,512,600</b>	<b>342,198</b>	<b>28,641,810</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	15,227	43,465	222,914	34,291	95,978	639,774	22,909	1,074,558
Commitments	245,169	104,145	139,389	28,806	65,829	281,760	996,248	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	56,428	3	-	1	-	1,357	1,520	59,309
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,651	15,138	-	-	1,786,430
<b>Total commitments and contingencies</b>	<b>461,412</b>	<b>150,817</b>	<b>936,152</b>	<b>1,112,749</b>	<b>176,945</b>	<b>922,890</b>	<b>1,020,678</b>	<b>4,781,643</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

#### 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	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>31 December 2023</b>								
<b>ASSETS</b>								
Cash and short-term funds	3,011,876	27,315	-	-	-	-	-	3,039,191
Financial investments designated at fair value through profit and loss	-	-	-	-	5,112	25,984	-	31,096
Financial investments at fair value through other comprehensive income	13	210,083	10,151	287,833	925,973	4,116,255	955,158	6,505,466
Financial investments at amortised cost	-	-	-	-	-	-	116,871	116,871
Islamic derivative financial assets	2,217	9,634	479	457	32	-	-	12,819
Financing of customers	75,598	928,629	1,547,564	1,442,189	2,476,305	10,194,203	11,678,904	28,343,392
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	583,809	583,809
Other financial assets *	-	80,749	-	-	34,005	-	-	114,754
<b>TOTAL ASSETS</b>	<b>3,089,704</b>	<b>1,256,410</b>	<b>1,558,194</b>	<b>1,730,479</b>	<b>3,441,427</b>	<b>14,336,442</b>	<b>13,334,742</b>	<b>38,747,398</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	12,845,478	4,975,932	6,167,904	5,083,239	2,662,939	956,787	119,523	32,811,802
Investment accounts of customers	247,689	-	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	-	184,018	-	200	-	296,143	49,273	529,634
Bills and acceptances payable	-	-	13,773	-	-	-	-	13,773
Islamic derivative financial liabilities	70	4,697	9,470	7,282	-	-	-	21,519
Other financial liabilities	-	23,374	-	-	77,731	-	-	101,105
Leases liabilities	-	893	1,730	2,578	5,189	28,079	-	38,469
Recourse obligation on financing sold to Cagamas	-	-	-	201,783	-	856,962	-	1,058,745
Subordinated sukuk	-	7,092	-	1,034	-	798,798	-	806,924
<b>Total Liabilities</b>	<b>13,093,237</b>	<b>5,196,006</b>	<b>6,192,877</b>	<b>5,296,116</b>	<b>2,745,859</b>	<b>2,936,769</b>	<b>168,796</b>	<b>35,629,660</b>
<b>NET MATURITY MISMATCH</b>	<b>(10,003,533)</b>	<b>(3,939,596)</b>	<b>(4,634,683)</b>	<b>(3,565,637)</b>	<b>695,568</b>	<b>11,399,673</b>	<b>13,165,946</b>	<b>3,117,738</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	3,792	16,048	20,572	159,329	125,479	643,068	33,155	1,001,443
Commitments	213,553	112,655	117,712	58,297	48,590	722,859	1,028,346	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	55,321	-	124	-	1	1,735	2,858	60,040
Islamic derivative financial instruments	25,668	333,188	892,179	824,010	212,318	-	-	2,287,363
<b>Total commitments and contingencies</b>	<b>298,334</b>	<b>461,891</b>	<b>1,030,587</b>	<b>1,041,636</b>	<b>386,388</b>	<b>1,367,662</b>	<b>1,064,360</b>	<b>5,650,858</b>

\* These balances exclude balances which are not within the scope of MFRS 9, Financial Instruments.

#### 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	50,968	-	-	-	-	-	1,235,454
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
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	417,091	417,091
Other financial assets *	-	-	-	-	17,544	-	-	17,544
<b>TOTAL ASSETS</b>	<b>1,277,509</b>	<b>863,696</b>	<b>1,397,410</b>	<b>1,848,089</b>	<b>3,287,648</b>	<b>11,222,568</b>	<b>11,310,360</b>	<b>31,207,280</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	-	18,105	-	-	76,320	-	-	94,425
Leases liabilities	-	-	918	1,695	2,509	32,311	-	37,433
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>5,102,769</b>	<b>6,285,502</b>	<b>2,544,324</b>	<b>792,435</b>	<b>2,512,590</b>	<b>342,198</b>	<b>28,659,856</b>
<b>NET MATURITY MISMATCH</b>	<b>(9,802,529)</b>	<b>(4,239,073)</b>	<b>(4,888,092)</b>	<b>(696,235)</b>	<b>2,495,213</b>	<b>8,709,978</b>	<b>10,968,162</b>	<b>2,547,424</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	15,227	43,465	222,914	34,291	95,978	639,774	22,909	1,074,558
Commitments	245,169	104,145	139,389	28,806	65,829	281,760	996,248	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	56,428	3	-	1	-	1,356	1,521	59,309
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,651	15,138	-	-	1,786,430
<b>Total commitments and contingencies</b>	<b>461,412</b>	<b>150,817</b>	<b>936,152</b>	<b>1,112,749</b>	<b>176,945</b>	<b>922,889</b>	<b>1,020,679</b>	<b>4,781,643</b>

\* These balances exclude balances which are not within the scope of MFRS 9, Financial Instruments.



## **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 2023</b>		<b>31 December 2022</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>1,508,264</b>	<b>120,661</b>	1,463,122	117,050
Bank	<b>1,483,198</b>	<b>118,656</b>	1,427,083	114,167

## **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.

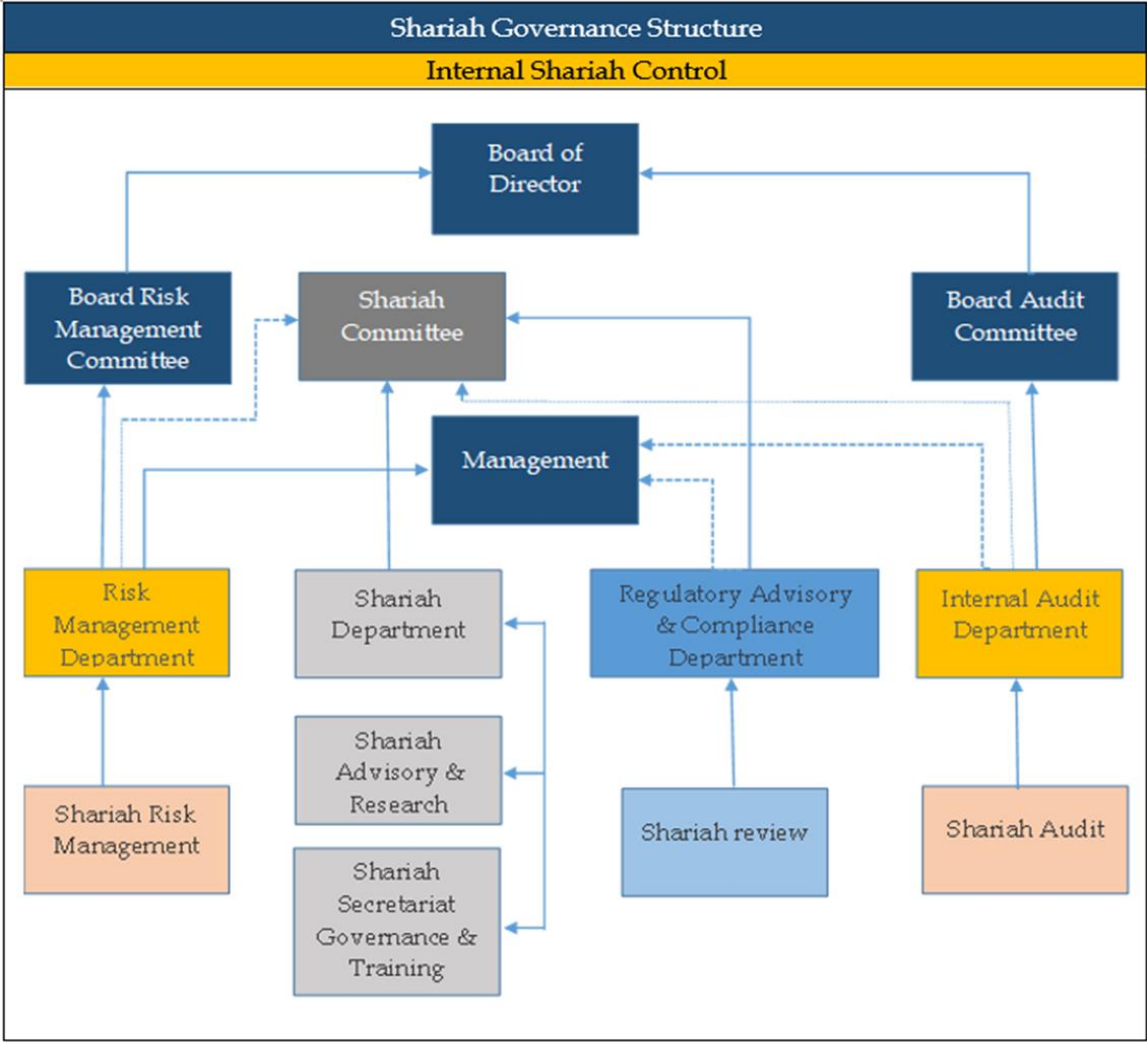
The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the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

<b>31 December 2023</b>	<b>31 December 2022</b>
Event - 2 SNCI - RM150	Event - 1 SNCI - nil

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 RM173 (31 December 2022: RM70,356).