UNITED OVERSEAS BANK (MALAYSIA) BHD
(Company No. 271809 K)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

PILLAR 3 DISCLOSURE
31 DECEMBER 2023

Domiciled in Malaysia
Registered Office:
Level 22, UOB Plaza 1 KL,
Jalan Raja Laut,
50350 Kuala Lumpur.

United Overseas Bank (Malaysia) Bhd

Risk Management
Level 28, UOB Plaza 1 Kuala Lumpur
No. 7 Jalan Raja Laut
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Co Reg. No. 199301017069 (271809-K)

Attestation by Chief Executive Officer pursuant to BASEL II – Pillar 3 Disclosures for the financial year ended 31 December 2023

I hereby confirm that the Pillar 3 disclosures for the financial year ended 31 December 2023 have been prepared in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3). The Pillar 3 disclosures are consistent with the manner that the risks are assessed and managed, and are not misleading in any particular way.

Ng Wei Wei
Chief Executive Officer

Date: 10 May 2024

1. INTRODUCTION

Pillar 3 Disclosure

This Pillar 3 Disclosure document is prepared in accordance with the requirements under Bank Negara Malaysia Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3). The disclosures are to facilitate the understanding of United Overseas Bank (Malaysia) Bhd (UOBM)'s risk profile and assessment of the Bank's capital adequacy. This is to be read in conjunction with the Bank's financial statements.

Effective July 2016, UOBM started to offer Islamic financial services under its Islamic Banking Window.

Scope of Application

In accordance with the accounting standards for financial reporting, all subsidiaries of the Bank are fully consolidated from the date the Bank obtains control until the date such control ceases. The Bank's investment in an associate is accounted for using the equity method from the date the Bank obtains significant influence over the associate until the date such significant influence ceases. For the purpose of computing capital adequacy requirements at the Bank level, investment in subsidiaries and associates are deducted from regulatory capital in compliance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

The transfer of funds or regulatory capital within the UOBM Group is generally subject to regulatory approval.

2. CAPITAL ADEQUACY

Our approach to capital management is to ensure that the UOBM Group maintains strong capital levels to support our businesses and growth, meet regulatory capital requirements at all times and maintain a good credit rating.

We achieve these objectives through the UOBM Group's Internal Capital Adequacy Assessment Process (ICAAP) whereby we actively monitor and manage the Group's capital position over a medium-term horizon, involving the following:

- setting capital targets for the Bank. As part of this, we take into account future regulatory changes and stakeholder expectations;
- forecasting capital demand for material risks based on the Bank's risk appetite. This is evaluated across all business segments and includes the UOBM Group's capital position before and after mitigation actions under adverse but plausible stressed conditions; and
- determining the availability and composition of different capital components.

Two committees oversee our capital planning and assessment process. The Risk Management Committee assists the Board with the management of risks arising from the business of the UOBM Group while the Risk and Capital Committee manages the UOBM Group's ICAAP, overall risk profile and capital requirements. The UOBM Group's capital position, capital management plan, contingency capital plan, as well as any capital management actions, are submitted to the Management and/or to the Board for approval.

2. CAPITAL ADEQUACY (Cont'd.)

The aggregate breakdown of Risk-Weighted Assets (RWA) of the Bank by exposures in each risk category as at 31 December 2023:

Item	Exposure class 2023	Exposures pre Credit Risk Mitigation (CRM)	Exposures post Credit Risk Mitigation (CRM)	RWA	Minimum capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000
1.0	**Credit Risk**				
1.1	**Exempted exposures under the Standardised Approach (SA)**				
	On-balance sheet exposures				
	Sovereigns/Central Banks	32,026,905	32,026,905	-	-
	Public Sector Entities	319,727	319,727	-	-
	Insurance Cos, Securities Firms and Fund Managers	81	81	81	7
	Corporates	304,841	302,684	301,198	24,096
	Regulatory Retail	6,182,007	6,181,663	4,635,409	370,832
	Residential Mortgages	5,634,647	5,634,647	2,126,131	170,090
	Higher Risk Assets	400	400	600	48
	Other Assets	2,744,461	2,744,461	2,100,161	168,013
	Securitisation Exposure	120,052	120,052	24,010	1,921
	Equity Exposure	217,253	217,253	217,253	17,380
	Defaulted exposures	225,909	225,909	223,687	17,895
	Total on-balance sheet exposures	47,776,283	47,773,782	9,628,530	770,282
	Off-balance sheet exposures				
	OTC derivatives	321,033	321,033	100,687	8,055
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,099,275	4,097,254	3,095,007	247,601
	Defaulted exposures	56	56	79	6
	Total off-balance sheet exposures	4,420,364	4,418,343	3,195,773	255,662
	Total on and off-balance sheet exposures (SA)	**52,196,647**	**52,192,125**	**12,824,303**	**1,025,944**
1.2	**Exposures under the Foundation IRB Approach (FIRB)**				
	On-balance sheet exposures				
	Banks, Development Financial Institutions and MDBs	4,822,080	4,822,080	452,730	36,218
	Insurance Cos, Securities Firms and Fund Managers	874,085	864,048	174,713	13,977
	Corporates	40,672,475	35,941,659	36,887,948	2,951,036
	Equity (Simple Risk Weight)	941	941	2,823	226
	Defaulted exposures	1,229,940	1,165,059	12,851	1,028
	Total on-balance sheet exposures	47,599,521	42,793,787	37,531,065	3,002,485
	Off-balance sheet exposures				
	OTC derivatives	4,020,890	4,018,203	879,005	70,320
	Credit Derivatives	601	601	81	7
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,346,698	9,148,741	7,709,053	616,724
	Defaulted exposures	39,440	36,935	-	-
	Total off-balance sheet exposures	14,407,629	13,204,480	8,588,139	687,051
	Total on and off-balance sheet exposures (FIRB)	**62,007,150**	**55,998,267**	**46,119,204**	**3,689,536**

2. CAPITAL ADEQUACY (Cont'd.)

Item	Exposure class 2023	Exposures pre CRM	Exposures post CRM	RWA	Min. capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000
1.3	**Exposures under the Advanced IRB Approach (AIRB)**				
	On-balance sheet exposures				
	Residential Mortgages	36,332,345	36,332,345	4,369,097	349,528
	Qualifying Revolving Retail	2,937,111	2,937,111	1,019,250	81,540
	Other Retail	14,753,194	14,753,194	2,618,067	209,445
	Defaulted exposures	1,284,600	1,284,600	612,493	48,999
	Total on-balance sheet exposures	55,307,250	55,307,250	8,618,907	689,512
	Off-balance sheet exposures				
	OTC derivatives	777	777	205	16
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,824,231	8,824,231	1,245,201	99,616
	Defaulted exposures	360	360	-	-
	Total off-balance sheet exposures	**8,825,368**	**8,825,368**	**1,245,406**	**99,632**
	Total on and off-balance sheet exposures (AIRB)	**64,132,618**	**64,132,618**	**9,864,313**	**789,144**
	Total exposures under IRB Approach	**126,139,768**	**120,130,885**	**55,983,517**	**4,478,680**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**72,166,831**	**5,773,346**
2.0	**Large exposures risk requirement**	-	-	-	-
3.0	**Market Risk**	**Long position**	**Short position**		
	Interest Rate Risk	176,118	150,971	820,632	65,651
	Foreign Currency Risk	22,006	20,567	24,253	1,940
	Equity Risk			-	-
	Commodity Risk			-	-
	Options Risk			205,160	16,413
4.0	**Operational Risk (Basic Indicator Approach)**			7,253,444	580,275
5.0	**Total RWA and capital requirements**			80,470,320	6,437,625

2. CAPITAL ADEQUACY (Cont'd.)

The aggregate breakdown of Risk-Weighted Assets (RWA) of the Bank by exposures in each risk category as at 31 December 2022:

Item	Exposure class 2022	Exposures pre Credit Risk Mitigation (CRM)	Exposures post Credit Risk Mitigation (CRM)	RWA	Minimum capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000
1.0	**Credit Risk**				
1.1	**Exempted exposures under the Standardised Approach (SA)**				
	On-balance sheet exposures				
	Sovereigns/Central Banks	27,260,129	27,260,129	-	-
	Public Sector Entities	658,203	658,203	-	-
	Bank, Development Financial Institutions & MDBs	869	869	174	14
	Insurance Cos, Securities Firms and Fund Managers	154	154	154	12
	Corporates	335,624	334,390	377,124	30,170
	Regulatory Retail	6,572,095	6,572,095	4,984,360	398,748
	Residential Mortgages	6,512,010	6,512,010	2,372,582	189,807
	Higher Risk Assets	4,683	4,683	7,024	562
	Other Assets	2,111,802	2,111,802	1,309,111	104,729
	Securitisation Exposure	120,026	120,026	24,005	1,920
	Equity Exposure	152,757	152,757	152,757	12,221
	Defaulted exposures	249,995	249,995	256,371	20,510
	Total on-balance sheet exposures	43,978,347	43,977,113	9,483,662	758,693
	Off-balance sheet exposures				
	OTC derivatives	175,117	175,117	64,801	5,184
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,155,747	4,153,931	2,846,525	227,722
	Defaulted Exposures	6,610	6,610	8,260	661
	Total off-balance sheet exposures	4,337,474	4,335,658	2,919,586	233,567
	Total on and off-balance sheet exposures (SA)	**48,315,821**	**48,312,771**	**12,403,248**	**992,260**
1.2	**Exposures under the Foundation IRB Approach (FIRB)**				
	On-balance sheet exposures				
	Banks, Development Financial Institutions and MDBs	5,377,106	5,377,106	510,725	40,858
	Insurance Cos, Securities Firms and Fund Managers	1,100,389	1,073,233	168,827	13,506
	Corporates	39,349,076	34,586,216	34,247,480	2,739,798
	Equity (Simple Risk Weight)	924	924	2,773	222
	Defaulted exposures	1,367,408	1,313,216	-	-
	Total on-balance sheet exposures	47,194,903	42,350,695	34,929,805	2,794,384
	Off-balance sheet exposures				
	OTC derivatives	4,077,000	4,074,018	874,897	69,992
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,639,841	8,511,088	7,147,827	571,826
	Defaulted exposures	46,760	43,864	-	-
	Total off-balance sheet exposures	13,763,601	12,628,970	8,022,724	641,818
	Total on and off-balance sheet exposures (FIRB)	**60,958,504**	**54,979,665**	**42,952,529**	**3,436,202**

2. CAPITAL ADEQUACY (Cont'd.)

Item	Exposure class 2022	Exposures pre CRM	Exposures post CRM	RWA	Min. capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000
1.3	**Exposures under the Advanced IRB Approach (AIRB)**				
	On-balance sheet exposures				
	Corporates	-	-	-	-
	Residential Mortgages	35,963,617	35,963,617	4,140,112	331,210
	Qualifying Revolving Retail	2,560,579	2,560,579	909,524	72,762
	Other Retail	14,761,751	14,761,751	2,487,330	198,986
	Defaulted exposures	1,181,349	1,181,349	564,130	45,130
	Total on-balance sheet exposures	54,467,296	54,467,296	8,101,096	648,088
	Off-balance sheet exposures				
	OTC derivatives	895	895	216	17
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,537,360	9,537,360	1,356,689	108,535
	Defaulted exposures	-	-	-	-
	Total off-balance sheet exposures	**9,538,255**	**9,538,255**	**1,356,905**	**108,552**
	Total on and off-balance sheet exposures (AIRB)	**64,005,551**	**64,005,551**	**9,458,001**	**756,640**
	Total exposures under IRB Approach	**124,964,055**	**118,985,216**	**52,410,530**	**4,192,842**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**67,958,409**	**5,436,673**
2.0	**Large exposures risk requirement**	-	-	-	-
3.0	**Market Risk**	**Long position**	**Short position**		
	Interest Rate Risk	161,049	154,584	649,643	51,971
	Foreign Currency Risk	57,767	31,896	57,767	4,621
	Equity Risk			-	-
	Commodity Risk			-	-
	Options Risk			194,509	15,560
4.0	**Operational Risk (Basic Indicator Approach)**			6,356,550	508,524
5.0	**Total RWA and capital requirements**			75,216,879	6,017,350

2. CAPITAL ADEQUACY (Cont'd.)

The aggregate breakdown of RWA under the Islamic Banking Window by exposures in each risk category as at 31 December 2023:

Item	Exposure class 2023	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	Min. capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1.0	**Credit Risk**						
1.1	**Exempted exposures under the Standardised Approach (SA)**						
	On-balance sheet exposures						
	Sovereigns/Central Banks	2,738,005	2,738,005	-	-	-	-
	Corporates	1,261	364	364	-	364	29
	Regulatory Retail	59	59	44	-	44	4
	Residential Mortgages	73,843	73,843	25,845	-	25,845	2,067
	Other Assets	13,520	13,520	13,520	-	13,520	1,082
	Defaulted Exposures	5,951	5,951	5,951	-	5,951	476
	Total on-balance sheet exposures	2,832,639	2,831,742	45,724	-	45,724	3,658
	Off-balance sheet exposures						
	OTC derivatives	20,398	20,398	8,722	-	8,722	698
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-	-	-
	Total off-balance sheet exposures	**20,398**	**20,398**	**8,722**	**-**	**8,722**	**698**
	Total on and off-balance sheet exposures (SA)	**2,853,037**	**2,852,140**	**54,446**	**-**	**54,446**	**4,356**
1.2	**Exposures under the FIRB Approach**						
	On-balance sheet exposures						
	Banks, Development Financial Institutions and MDBs	764,100	764,100	75,874	-	75,874	6,070
	Insurance/Takaful Cos, Securities Firms & Fund Managers	701,594	701,594	70,416	70,416	-	-
	Corporates	3,639,962	3,218,795	3,639,148	1,744,556	1,894,592	151,567
	Defaulted exposures	30,356	15,252	-	-	-	-
	Total on-balance sheet exposures	**5,136,012**	**4,699,741**	**3,785,438**	**1,814,972**	**1,970,466**	**157,637**
	Off-balance sheet exposures						
	OTC derivatives	14,642	14,642	3,902	-	3,902	312
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	609,698	597,334	677,365	567,682	109,683	8,775
	Total off-balance sheet exposures	**624,340**	**611,976**	**681,267**	**567,682**	**113,585**	**9,087**
	Total on and off-balance sheet exposures (FIRB)	**5,760,352**	**5,311,717**	**4,466,705**	**2,382,654**	**2,084,051**	**166,724**

2. CAPITAL ADEQUACY (Cont'd.)

Item	Exposure class 2023	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	Min. capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1.3	**Exposures under the AIRB Approach**						
	On-balance sheet exposures						
	Corporates	-	-	-	-	-	-
	Residential Mortgages	3,566,620	3,566,620	670,296	-	670,296	53,624
	Other Retail	1,293,632	1,293,632	324,267	-	324,267	25,941
	Defaulted exposures	171,351	171,351	101,393	-	101,393	8,111
	Total on-balance sheet exposures	**5,031,603**	**5,031,603**	**1,095,956**	**-**	**1,095,956**	**87,676**
	Off-balance sheet exposures						
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	337,241	337,241	55,718	-	55,718	4,457
	Defaulted Exposures	230	230	-	-	-	-
	Total off-balance sheet exposures	**337,471**	**337,471**	**55,718**	**-**	**55,718**	**4,457**
	Total on and off-balance sheet exposures (AIRB)	**5,369,074**	**5,369,074**	**1,151,674**	**-**	**1,151,674**	**92,133**
	Total exposures under IRB Approach	**11,129,426**	**10,680,791**	**5,618,379**	**2,382,654**	**3,235,725**	**258,857**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**6,009,928**	**2,525,613**	**3,484,315**	**278,745**
2.0	**Large exposures risk requirement**	-	-	-	-	-	-
3.0	**Market Risk**	**Long position**	**Short position**				
	Interest Rate Risk	1,926	1,919	1,943	-	1,943	155
	Foreign Currency Risk	3,033	-	3,033	-	3,033	243
	Equity Risk			-	-	-	-
	Commodity Risk			-	-	-	-
	Options Risk			-	-	-	-
4.0	**Operational Risk (Basic Indicator Approach)**			286,865	-	286,865	22,949
5.0	**Total RWA and capital requirements**			6,301,769	2,525,613	3,776,156	302,092

2. CAPITAL ADEQUACY (Cont'd.)

The aggregate breakdown of RWA under the Islamic Banking Window by exposures in each risk category as at 31 December 2022:

Item	Exposure class 2022	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	Min. capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1.0	**Credit Risk**						
1.1	**Exempted exposures under the Standardised Approach (SA)**						
	On-balance sheet						
	Sovereigns/Central Banks	4,194,758	4,194,758	-	-	-	-
	Corporates	-	-	-	-	-	-
	Residential Mortgages	89,775	89,775	31,432	-	31,432	2,514
	Other Assets	22,273	22,273	20,107	-	20,107	1,609
	Defaulted exposures	3,167	3,167	3,107	-	3,107	249
	Total on-balance sheet exposures	4,309,973	4,309,973	54,646	-	54,646	4,372
	Off-balance sheet exposures						
	OTC derivatives	11,290	11,290	8,381	-	8,381	670
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	3	3	1	-	1	-
	Total off-balance sheet exposures	**11,293**	**11,293**	**8,382**	**-**	**8,382**	**670**
	Total on and off-balance sheet exposures (SA)	**4,321,266**	**4,321,266**	**63,028**	**-**	**63,028**	**5,042**
1.2	**Exposures under the FIRB Approach**						
	On-balance sheet exposures						
	Banks, Development Financial Institutions and MDBs	215,891	215,891	22,165	-	22,165	1,773
	Insurance/Takaful Cos, Securities Firms & Fund Managers	1,002,226	1,002,226	146,454	146,454	-	-
	Corporates	2,791,385	2,663,122	3,006,432	1,271,724	1,734,709	138,777
	Defaulted exposures	113,093	98,780	-	-	-	-
	Total on-balance sheet exposures	**4,122,595**	**3,980,019**	**3,175,051**	**1,418,178**	**1,756,874**	**140,550**
	Off-balance sheet exposures						
	OTC derivatives	3,770	3,770	2,485	-	2,485	199
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	455,184	443,970	639,000	509,187	129,813	10,385
	Total off-balance sheet exposures	**458,954**	**447,740**	**641,485**	**509,187**	**132,298**	**10,584**
	Total on and off-balance sheet exposures (FIRB)	**4,581,549**	**4,427,759**	**3,816,536**	**1,927,365**	**1,889,172**	**151,134**

2. CAPITAL ADEQUACY (Cont'd.)

Item	Exposure class 2022	Exposures pre CRM	Exposures post CRM	RWA	RWA absorbed by RSIA	Total RWA after effects of RSIA	Min. capital requirement at 8%
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1.3	**Exposures under the AIRB Approach**						
	On-balance sheet exposures						
	Corporates	-	-	-	-	-	-
	Residential mortgages	3,296,372	3,296,372	580,667	-	580,667	46,454
	Other Retail	1,296,036	1,296,036	330,070	-	330,070	26,406
	Defaulted exposures	127,346	127,346	71,980	-	71,980	5,758
	Total on-balance sheet exposures	**4,719,754**	**4,719,754**	**982,717**	**-**	**982,717**	**78,618**
	Off-balance sheet exposures						
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	433,201	433,201	71,818	-	71,818	5,745
	Total off-balance sheet exposures	**433,201**	**433,201**	**71,818**	**-**	**71,818**	**5,745**
	Total on and off-balance sheet exposures (AIRB)	**5,152,955**	**5,152,955**	**1,054,535**	**-**	**1,054,535**	**84,363**
	Total exposures under IRB Approach	**9,734,504**	**9,580,714**	**4,871,071**	**1,927,365**	**2,943,707**	**235,497**
	Total (exempted exposures and exposures under the IRB Approach) after scaling factor			**5,226,363**	**2,043,007**	**3,183,356**	**254,669**
2.0	**Large exposures risk requirement**	-	-	-	-	-	-
3.0	**Market Risk**	**Long position**	**Short position**				
	Interest Rate Risk	173	167	3,098	-	3,098	248
	Foreign Currency Risk	1,749	322	1,749	-	1,749	140
	Equity Risk			-	-	-	-
	Commodity Risk			-	-	-	-
	Options Risk			-	-	-	-
4.0	**Operational Risk (Basic Indicator Approach)**			224,198	-	224,198	17,936
5.0	**Total RWA and capital requirements**			5,455,409	2,043,007	3,412,402	272,992

3. CAPITAL STRUCTURE

As at 31 December 2023, the Bank had issued the following subordinated notes under the RM8 billion Medium Term Notes and/or Senior Medium Term Notes Programme :
(1) On 3 August 2020, the Bank issued RM750 million subordinated notes at 3.00% p.a. maturing on 2 August 2030;
(2) On 27 October 2022, the Bank issued RM1 billion subordinated notes at 4.91% p.a. maturing on 27 October 2032;
The subordinated notes are for working capital, general funding and corporate funding purposes.

For the main features of the subordinated notes, please refer to Note 22 in the financial statements.

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II – Risk-Weighted Assets).

The capital structure of the Group and the Bank:

	Group		Bank	
	31-Dec-23 RM'000	**31-Dec-22 RM'000**	**31-Dec-23 RM'000**	**31-Dec-22 RM'000**
<u>Common Equity Tier 1 (CET1)/ Tier 1 Capital</u>				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	12,996,815	11,447,521	13,159,032	11,616,857
Other reserves	312,870	66,934	72,490	(173,464)
Regulatory adjustments applied in the calculation of CET1 Capital	(1,194,967)	(1,140,963)	(1,328,553)	(1,492,626)
Total CET1/Tier 1 Capital	12,907,273	11,166,047	12,695,524	10,743,322
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	1,750,000	2,350,000	1,750,000	2,350,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	339,176	320,555	340,901	321,073
- General provisions	169,764	164,706	160,304	155,041
Regulatory adjustments applied in the calculation of Tier 2 Capital	105,065	105,073	-	-
Total Tier 2 Capital	2,364,005	2,940,334	2,251,205	2,826,114
Total Capital	15,271,278	14,106,381	14,946,729	13,569,436

3. CAPITAL STRUCTURE (Cont'd.)

The capital adequacy ratios of the Group and the Bank:

	Group		Bank	
	31-Dec-23	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
CET1/Tier 1 Capital	15.945%	14.711%	15.777%	14.283%
Total Capital	18.865%	18.585%	18.574%	18.040%
CET1/Tier 1 Capital (net of proposed dividends)	14.992%	14.711%	14.818%	14.283%
Total Capital (net of proposed dividends)	17.913%	18.585%	17.616%	18.040%

The capital adequacy ratios of Islamic Banking Window are computed in accordance with BNM Capital Adequacy Framework for Islamic Banking (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets).

The capital structure of the Islamic Banking Window:

	31-Dec-23 RM'000	**31-Dec-22 RM'000**
Common Equity Tier 1 (CET1)/ Tier 1 Capital		
Capital fund	450,000	450,000
Retained profits	160,434	86,744
Other reserves	1,316	(3,318)
Regulatory adjustments applied in the calculation of CET1 Capital	(13,220)	(14,025)
Total CET1/Tier 1 Capital	598,530	519,401
Tier 2 Capital		
Financing loss provision		
- Surplus eligible provisions over expected losses	935	18,722
- General provisions	680	788
Total Tier 2 Capital	1,615	19,510
Total Capital	600,145	538,911

The capital adequacy ratios of the Islamic Banking Window:

	31-Dec-23	**31-Dec-22**
Before the effects of RSIA		
CET1/Tier 1 Capital	9.498%	9.521%
Total Capital	9.532%	10.101%
After the effects of RSIA		
CET1/Tier 1 Capital	15.850%	15.221%
Total Capital	15.893%	15.793%

In accordance with BNM's Guidelines on the Investment Account, the credit and market risk weighted assets funded by the RSIA which qualify as risk absorbent are excluded from the calculation of capital adequacy ratio. As at 31 December 2023, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM2,525,612,204 (2022: RM2,043,006,700).

4. RISK MANAGEMENT

Risk Management Overview

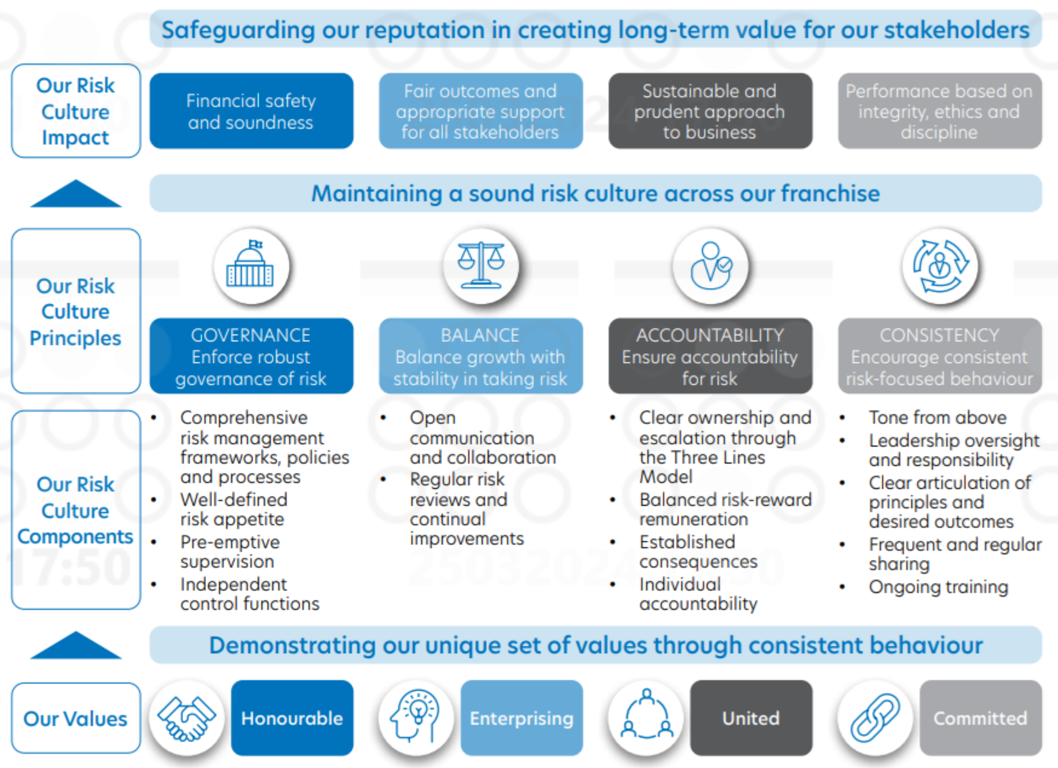
Managing risk is an integral part of our business strategy. Our risk management approach focuses on ensuring continued financial soundness and safeguarding the interests of our stakeholders, while remaining nimble to seize value-creating business opportunities in a fast-changing environment. We are committed to upholding high standards of corporate governance, sound risk management principles and robust business practices to achieve sustainable, long-term growth. We continually strengthen our risk management practices in support of our strategic objectives.

Maintaning A Sound Risk Culture

A strong risk culture is vital to the long-term sustainability of the Bank's business franchise. Specifically, risk culture refers to the norms, attitudes and behaviours related to risk awareness, risk-taking and risk management, and controls that shape decisions on risks. Our risk culture is based on our values. A strong risk culture ensures that our decisions and actions are considered and focused on our stakeholders, and that we are not distracted by short-term gains.

UOBM's Risk Culture Statement
Managing risk is integral to how we create long-term value for our customers and other stakeholders. Our risk culture is built on four principles: enforcing robust risk governance; balancing growth with stability; ensuring accountability for all the risk-based decisions and actions; and encouraging awareness, engagement and consistent behaviour in every employee.

Each of these principles is based on our distinctive set of values that guides every action we take. In entrenching our risk culture further across our franchise, we uphold the commitment to financial safety and soundness; fair outcomes and appropriate support for our stakeholders; sustainable and prudent business approach; and performance based on integrity, ethics and discipline.



4. RISK MANAGEMENT (Cont'd.)

Our risk culture is embedded in our risk management strategy across the Bank, so as to facilitate ongoing effective discovery, management and mitigation of risks arising from external factors and our business activities, and use capital efficiently to address these risks. Risks are managed within levels established by senior management committees and approved by the Board and its committees. We have put in place frameworks, policies, methodologies, tools and processes that help us to identify, measure, monitor and manage the material risks faced by the Bank. These enable us to focus on the fundamentals of banking and create long-term value for all our stakeholders.

Risk Governance

Our risk frameworks, policies and appetite provide the principles and guidance for the Bank's risk management activities. They guide our key decisions for capital management, strategic planning and budgeting, and performance management to ensure that risk dimension is appropriately and adequately considered. Risk reports are submitted regularly to senior management committees and the Board to keep them apprised of the Bank's risk profile.

Responsibility for risk management starts with Board oversight of the Bank's governance structure, which ensures that the Bank's business activities are:

- conducted in a safe and sound manner and in line with the highest standards of professionalism;
- consistent with the Bank's overall business strategy and risk appetite; and
- subject to adequate risk management and internal controls.

The Board is assisted primarily by the Risk Management Committee (RMC), which reviews the overall risk appetite and level of risk capital to be maintained for the Bank.

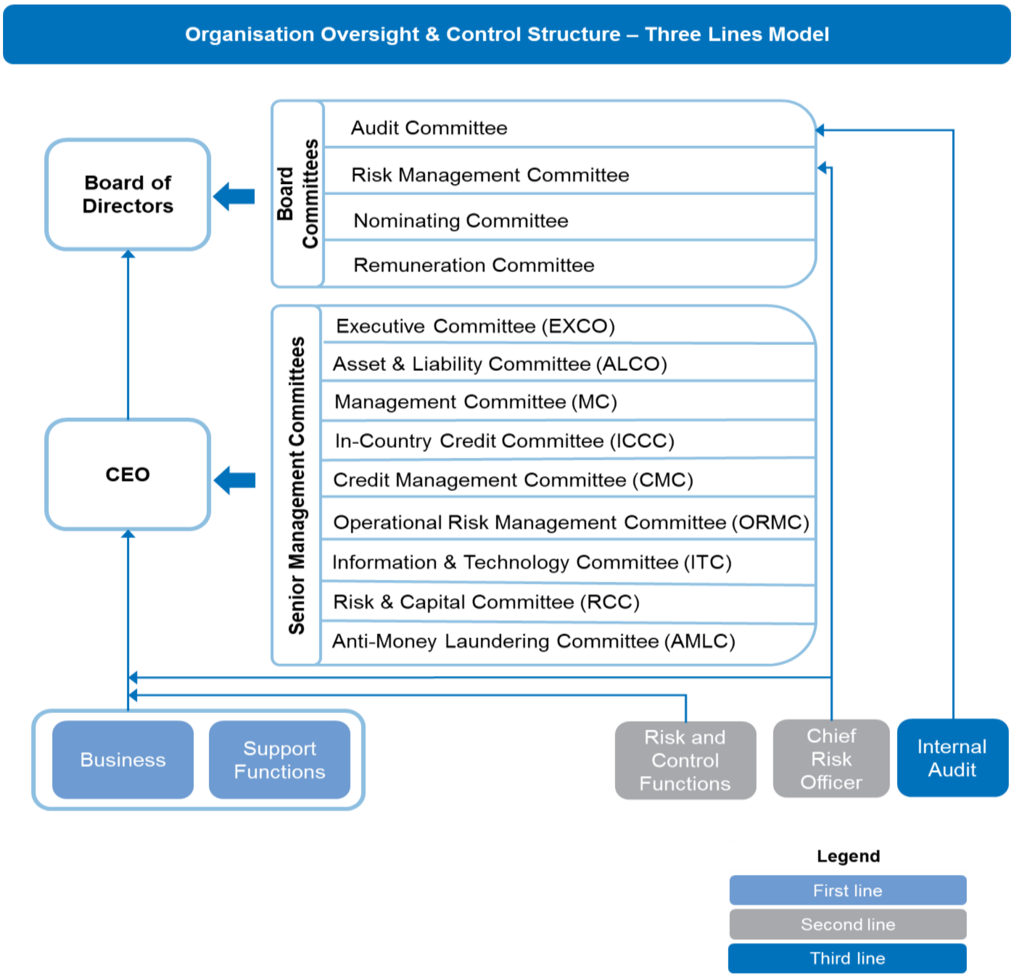
Our Chief Executive Officer (CEO) has established senior management committees to assist her in making business decisions with due consideration for risks and returns. The main senior management committees involved are the Executive Committee (EXCO), Management Committee (MC), Asset and Liability Committee (ALCO), In-Country Credit Committee (ICCC), Credit Management Committee (CMC), Information & Technology Committee (ITC), Operational Risk Management Committee (ORMC), Risk and Capital Committee (RCC) and Anti-Money Laundering Committee (AMLC). These committees also assist the Board committees in specific risk areas.

Management and the senior management committees are authorised to delegate risk appetite limits by location, business units and/or broad product lines.

Risk management is the responsibility of every employee in the Bank. We strive to instill awareness of the risks created by their actions and the accountability for the consequences of those actions in our employees. We have established frameworks to ensure appropriate oversight, accountability and management of all risk types encountered in the course of our business. The Bank adopts and adapts the parent bank's governance structure, frameworks and policies to comply with local regulatory requirements. This ensures that the approach across the regional UOB franchise is consistent and sufficiently adaptable to suit local operating environments.

4. RISK MANAGEMENT (Cont'd.)

Our organisational control structure is based on the Three Lines Model as follows:



First Line - The Risk Owner

The business and support units own and have primary responsibility for implementing and executing effective controls to manage the risks arising from their business activities. This includes establishing adequate managerial and supervisory controls to ensure compliance with risk policies, appetite, limits and controls and highlight control breakdowns, inadequacy of processes and unexpected risk events.

Second Line - Risk Oversight

The risk and control oversight functions (i.e., Risk Management and Compliance) and Chief Risk Officer as the Second Line, support the Bank's strategy of balancing growth with stability by establishing risk frameworks, policies, appetite and limits which the business functions must adhere to and comply with in their operations. They are also responsible for the independent review and monitoring of the Bank's risk profile and for highlighting any significant vulnerabilities and risk issues to the respective senior management committees.

The independence of risk and control oversight functions from business functions ensures that the necessary checks and balances are in place.

4. RISK MANAGEMENT (Cont'd.)

Third Line - Independent Audit
Internal auditors conduct risk-based audits covering all aspects of the First and Second Lines to provide independent assurance to the CEO, the Audit Committee (AC) and the Board on the adequacy and effectiveness of our system of risk management and internal controls. The internal auditor's overall opinion of the internal controls and risk management system is provided to the AC and the Board annually.

Risk Appetite

Our risk appetite framework defines the amount of risk we are able and willing to take in the pursuit of our business objectives. It ensures that the Bank’s risk profile remains within well-defined and tolerable boundaries. The framework has been formulated based on the following key criteria:

- Alignment to the Bank's key business strategy;
- Relevance to the respective stakeholders, with appropriate levels of granularity;
- Practical, consistent and comprehensible metrics for communication and implementation; and
- Analytically-substantiated and measurable metrics.

Our risk appetite defines suitable thresholds and limits across the key risk areas including credit risk, country risk, market risk, liquidity risk, operational risk, technology risk, reputation risk, and conduct risk. Our risk-taking approach is focused on businesses which we understand and whose risks we are well-equipped to manage. This approach helps us to minimise earnings volatility and ensures that our high credit ratings, strong capital and stable funding base remain intact. This enables us to remain a steadfast partner to our customers through changing economic conditions and cycles.

Our risk appetite framework and risk appetite are reviewed and approved annually by the Board. Management monitors and reports the risk profiles and compliance with the Bank's risk appetite to the Board on a regular basis.

Basel Framework

The Bank has adopted the Basel Framework and observed the Bank Negara Malaysia (BNM) Risk Weighted Capital Adequacy Framework (Basel II) for banks incorporated in Malaysia. The Bank takes a prudent and proactive approach in navigating the evolving regulatory landscape, with emphasis on sound risk management principles in delivering sustainable returns.

The Bank has adopted the Foundation Internal Ratings-Based (FIRB) Approach for its non-retail exposures and the Advanced Internal Ratings-Based (AIRB) Approach for its retail exposures*. For market risk, the Bank has adopted the Standardised Approach (SA). For operational risk, the Bank has adopted the Basic Indicator Approach (BIA).

The Bank has also adopted the Internal Capital Adequacy Assessment Process (ICAAP) to assess, on an ongoing basis, the amount of capital necessary to support its activities. The ICAAP is reviewed periodically to ensure that the Bank remains well-capitalised, taking into account all material risks. Stress-testing is conducted to determine capital adequacy under stressed conditions.

Note:

i) The Shariah Committee (“SC”) is a committee of Shariah members appointed by the shareholder of the Bank through the Board of Directors (Board) to advise the Board and Management on Shariah related matters in order for the Bank to comply with the Shariah requirements and Shariah regulatory governance of the Islamic Banking business.

ii) * The acquired consumer banking portfolio from Citibank Bhd is reported under Standardised Approach.

5. CREDIT RISK

Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when they are due. It is the single largest risk that the Bank faces in the core business as a commercial bank, arising primarily from loans/ financing and other lending-related commitments to retail, corporate and institutional borrowers. Treasury and capital market operations and investments also expose the Bank to counterparty and issuer credit risks.

The Bank adopts a holistic approach towards assessing credit risk and ensures that managing credit risk is part of an integrated approach to enterprise risk management. Integral to the management of credit risk is a framework that clearly defines policies and processes relating to the identification, measurement and management of credit risk. The Bank continually monitors the operating environment to identify emerging risks and formulate appropriate mitigating measures.

Credit Risk Governance and Organisation

The CMC supports the CEO and RMC in managing the Bank's overall credit risk exposures and serves as an executive forum for discussions on all credit-related matters. The CMC also reviews and assesses the Bank's credit portfolios and credit risk profiles.

The Credit Risk Management under Risk Management develops bank-wide credit policies and guidelines and facilitates business development within a framework that results in prudent, consistent and efficient credit risk management. It is responsible for the analysis, management and reporting of credit risk to the CMC, RMC and Board. The comprehensive credit risk reports cover business segments at the overall portfolio level by various dimensions including industry, product and country.

Credit Risk Policies and Processes

The Bank has established credit policies and processes to manage credit risk in the following key areas:

Credit approval process

Credit origination and approval functions are segregated to maintain the independence and integrity of the credit approval process. Credit approval authority is delegated to officers based on their experience, seniority and track record. All credit approval officers are guided by credit policies and credit acceptance guidelines that are reviewed periodically to ensure their continued relevance to the Bank's business strategy and the business environment.

5. CREDIT RISK (Cont'd.)

Credit concentration risk

Credit concentration risk may arise from a single large exposure or from multiple exposures that are closely correlated. We manage such risks by setting exposure limits on borrowers, obligor groups, portfolios, industries and countries, generally expressed as a percentage of the Bank's eligible capital base.

We manage our credit risk exposures through a robust credit underwriting, structuring and monitoring process. For example, our country risk exposures are managed within an established framework that involves setting country limits. Such limits are based on the country's risk rating, economic potential measured by its gross domestic product and the Bank's business strategy. We perform regular assessments of emerging risks and in-depth reviews on industry trends to provide a forward-looking view on developments that could impact the Bank's portfolio. The Bank also conducts frequent stress-testing to assess the resilience of our portfolio in the event of a marked deterioration in operating conditions.

Credit stress test

Credit stress-testing is a core component of the Bank's credit portfolio management process. The objectives are:

- to assess the profit and loss as well as balance sheet impact of business strategies;
- to quantify the sensitivity of performance drivers under various macroeconomic and business planning scenarios; and
- to evaluate the impact of Management's decisions on capital, funding and leverage.

We conduct stress tests to assess if the Bank's capital can withstand credit portfolio losses resulting from stress scenarios, and their impact on our profitability and balance sheet quality. Stress tests also help us to identify the vulnerability of various business units and enable us to formulate appropriate mitigating measures.

The Bank's stress test scenarios consider potential and plausible macroeconomic and geopolitical events in varying degrees of likelihood and severity. These are developed in consultation with relevant business units and approved by senior management committees.

Credit monitoring and remedial management

The Bank regularly monitors credit exposures, portfolio performance and emerging risks that may impact its credit risk profile. The Board and senior management committees are updated on credit trends through internal risk reports so that the necessary mitigating measures can be implemented promptly.

Delinquency monitoring

The Bank closely monitors the delinquency of borrowing accounts, which is a key indicator of credit quality. An account is considered delinquent when payment has not been received by the payment due date. All delinquent accounts, including revolving credit facilities (such as an overdraft) with limit excesses, are closely tracked and managed through a disciplined process by officers from the business units and the risk management function. Where appropriate, such accounts are also subject to more frequent credit reviews.

5. CREDIT RISK (Cont'd.)

Classification and loan/ financing loss impairment

The Bank classifies its credit portfolios according to the borrowers' ability to repay the credit facilities from their normal source of income.

All borrowing accounts are categorised as 'Pass', 'Special Mention' or 'Non-Performing'. 'Non-Performing' or impaired accounts are further sub-divided into 'Substandard', 'Doubtful' or 'Loss' in accordance with the Bank's policy. Any account that is delinquent or past due (or in excess of the approval limit for a revolving credit facility such as an overdraft) for more than 90 days will automatically be categorised as 'Non-Performing'. In addition, any account that exhibits weaknesses which are likely to affect repayment on existing terms adversely may be categorised as 'Non-Performing'. The accounting definition of impaired and the regulatory definition of default are generally aligned.

Upgrading and de-classification of a 'Non-Performing' account to 'Pass' or 'Special Mention' must be supported by a credit assessment of the repayment capability, cash flows and financial position of the borrower. The Bank must also be satisfied that the account has exhibited a sustained trend of improvement.

A credit facility is rescheduled or restructured when a bank grants concessions (usually non-commercial) to a borrower because of a deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule.

A rescheduled or restructured account shall be categorised as 'Non-Performing' when the account exhibits signs of increase in credit risk. The rescheduled or restructured account is to be placed on the appropriate classified grade based on the Bank's assessment of the financial condition of the borrower and the ability of the borrower to repay under the rescheduled or restructured terms. A rescheduled or restructured account must comply fully with the rescheduled or restructured terms before it can be de-classified.

The Bank provides for impairment based on local regulatory requirements including Bank Negara Malaysia (BNM) guidelines and MFRS9 for local reporting purposes. Where necessary, additional impairment is provided to comply with the Bank's impairment policy and the BNM's requirements.

Special Asset Management

Special Asset Management (SAM) is an independent division that manages the restructuring, workout and recovery of the Bank's non-performing portfolios. Its primary objectives are (i) to restructure/nurse the non-performing accounts back to financial health, whenever possible, for transfer back to the business units for management and (ii) to maximise recovery of the non-performing accounts that the Bank intends to exit.

Write-Off Policy

A non-performing account is written off when the prospect of recovery is considered poor or when all feasible avenues of recovery have been exhausted.

5. CREDIT RISK (Cont'd.)

(i) The credit exposures of the Bank by sectors as at 31 December 2023:

Bank	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation Exposure RM'000	Equity Exposure RM'000	Grand Total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,362,974	19,648	-	-	-	-	-	1,382,622
Mining and quarrying	-	-	-	-	236,778	8,200	-	-	-	-	-	244,978
Manufacturing	-	-	18,901	-	10,143,690	1,334,387	-	-	-	-	9	11,496,987
Electricity, gas and water	-	-	-	-	1,784,070	43,376	-	-	-	-	-	1,827,446
Construction	-	-	-	-	12,901,882	520,802	-	-	-	-	-	13,422,684
Wholesale, retail trade, restaurant and hotels	-	-	14,601	-	9,830,343	4,595,689	-	-	-	-	-	14,440,633
Transport, storage and communication	-	-	1,654	-	7,780,939	486,607	-	-	-	-	-	8,269,200
Finance, insurance and business services	-	-	8,853,362	997,786	3,082,390	919,457	-	-	-	-	-	13,852,995
Real estate	-	-	-	-	4,458,660	1,278,901	42,237,575	2,130	-	120,052	932	48,098,250
Community, social and personal services	32,181,906	440,160	-	-	912,990	142,778	-	-	-	-	217,253	33,895,087
Households	-	-	-	-	-	25,242,830	3,344,504	240	-	-	-	28,587,574
Others	-	-	-	-	28,599	-	-	-	2,789,360	-	-	2,817,959
	32,181,906	440,160	8,888,518	997,786	52,523,315	34,592,675	45,582,079	2,370	2,789,360	120,052	218,194	178,336,415

Note: The credit exposures in the tables (i) to (iv) and table (viii) are based on exposures as defined under BNM's Capital Adequacy Framework for Standardised Approach and IRB Approach respectively.

5. CREDIT RISK (Cont'd.)

The credit exposures of the Bank by sectors as at 31 December 2022:

Bank	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation Exposure RM'000	Equity Exposure RM'000	Grand Total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-	1,694,119	20,393	-	-	-	-	-	1,714,512
Mining and quarrying	-	-		-	382,691	9,295	-	-	-	-	-	391,986
Manufacturing	-	-	32,984	-	9,276,341	1,286,016	-	-	-	-	43	10,595,384
Electricity, gas and water	-	-	-	-	1,432,484	46,064	-	-	-	-	-	1,478,548
Construction	-	-	-	-	11,365,969	484,465	-	-	-	-	-	11,850,434
Wholesale, retail trade, restaurant and hotels	-	-	23,335	-	10,416,668	4,332,428	-	-	-	-	-	14,772,431
Transport, storage and communication	-	-	828	-	6,817,933	437,705	-	-	-	-	-	7,256,466
Finance, insurance and business services			9,235,241	1,244,204	2,974,883	863,877	-	-	-	-	-	14,318,205
Real estate	-	-	-	-	4,416,611	1,236,489	42,864,434	10,958	-	120,026	881	48,649,399
Community, social and personal services	27,734,359	703,523	-	-	2,104,660	127,663	-	-	-	-	152,757	30,822,962
Households	-	-	-	-	-	25,953,180	3,351,056	-	-	-	-	29,304,236
Others	-	-	-	-	-	-	-	-	2,125,314	-	-	2,125,314
	27,734,359	703,523	9,292,388	1,244,204	50,882,359	34,797,575	46,215,490	10,958	2,125,314	120,026	153,681	173,279,877

5. CREDIT RISK (Cont'd.)

(ii) The credit exposures under the Islamic Banking Window by sectors as at 31 December 2023:

Islamic Banking Window	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance/ Takaful Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	Equity Exposure RM'000	Grand Total RM'000
Agriculture, hunting, forestry & fishing	-	-	-	-	336,028	1,365	-	-	-	337,393
Mining and Quarrying	-	-	-	-	22,905		-	-	-	22,905
Manufacturing	-	-	-	-	863,049	174,607	-	-	-	1,037,656
Electricity, gas and water	-	-	-	-	733,301	5,982	-	-	-	739,283
Construction	-	-	-	-	822,251	54,525	-	-	-	876,776
Wholesale, retail trade,	-	-	-	-	378,344	517,592	-	-	-	895,936
restaurant and hotels										-
Transport, storage and	-	-	-	-	469,350	66,498	-	-	-	535,848
communication										-
Finance, insurance and	-	-	770,277	707,397	321,803	157,516	-	-	-	1,956,993
business services										-
Real estate	-	-	-	-	290,510	182,958	3,958,676	-	-	4,432,144
Community, social and	2,738,005	14,595	-	-	52,200	35,283	-	-	-	2,840,083
personal services										-
Households	-	-	-	-	-	226,451	67,474	-	-	293,925
Others	-	-	-	-	-	-	-	13,520	-	13,520
	2,738,005	14,595	770,277	707,397	4,289,741	1,422,777	4,026,150	13,520	-	13,982,462

5. CREDIT RISK (Cont'd.)

The credit exposures under the Islamic Banking Window by sectors as at 31 December 2022:

Islamic Banking Window	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance/ Takaful Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	Equity Exposure RM'000	Grand Total RM'000
Agriculture, hunting, forestry & fishing	-	-	-	-	276,974	388	-	-	-	277,362
Mining and Quarrying	-	-	-	-	90,422	-	-	-	-	90,422
Manufacturing	-	-	-	-	882,637	174,030	-	-	-	1,056,667
Electricity, gas and water	-	-	-	-	558,672	6,732	-	-	-	565,404
Construction	-	-	-	-	484,221	64,136	-	-	-	548,357
Wholesale, retail trade,	-	-	-	-	219,927	506,147	-	-	-	726,074
restaurant and hotels										-
Transport, storage and	-	-	-	-	495,684	70,584	-	-	-	566,268
communication										-
Finance, insurance and	-	-	215,891	1,009,880	90,512	157,760	-	-	-	1,474,043
business services										-
Real estate	-	-	-	-	212,338	202,294	3,744,911	-	-	4,159,543
Community, social and	4,194,758	3,637	-	-	52,045	35,977	-	-	-	4,286,417
personal services										-
Households	-	-	-	-	-	224,776	58,164	-	-	282,940
Others	-	-	-	-	-	-	-	22,273	-	22,273
	4,194,758	3,637	215,891	1,009,880	3,363,432	1,442,824	3,803,075	22,273	-	14,055,770

5. CREDIT RISK (Cont'd.)

(iii) The credit exposures of the Bank by remaining contractual maturities as at 31 December 2023:

Bank	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Fund Managers	Corporates (including Specialised Lending and SMEs)	Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposure	Equity Exposure	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
< 3 months	2,623,036	73,419	4,605,471	204,670	17,477,024	995,109	6,630	75	-	-	-	25,985,434
3 - 6 months	2,019,213	68,872	448,407	33,401	3,911,391	250,575	6,460	15	-	-	-	6,738,334
6 - 12 months	2,960,509	44,017	1,904,587	16,852	6,207,027	18,255,029	1,543,941	163	2,789,360	-	218,194	33,939,679
1 - 3 years	5,390,597	-	883,757	704,092	9,026,708	790,913	175,287	294	-	-	-	16,971,648
3 - 5 years	4,631,065	25,573	943,961	-	8,124,265	1,170,616	420,957	218	-	10,004	-	15,326,659
> 5 years	14,557,486	228,279	102,335	38,771	7,776,900	13,130,433	43,428,804	1,605	-	110,048	-	79,374,661
	32,181,906	440,160	8,888,518	997,786	52,523,315	34,592,675	45,582,079	2,370	2,789,360	120,052	218,194	178,336,415

The credit exposures of the Bank by remaining contractual maturities as at 31 December 2022:

Bank	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Fund Managers	Corporates (including Specialised Lending and SMEs)	Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposure	Equity Exposure	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
< 3 months	4,547,881	33,504	4,582,178	144,740	16,141,808	924,912	2,167	-	-	-	-	26,377,190
3 - 6 months	595,079	11,817	386,120	20,589	4,469,482	219,732	5,542	-	-	-	-	5,708,361
6 - 12 months	372,215	290,064	552,774	13,697	3,891,240	7,078,645	1,441,227	-	415,969	-	-	14,055,831
1 - 3 years	7,888,607	65,993	2,950,560	1,017,920	9,601,049	12,856,249	6,856,766	10,958	1,709,345	-	153,681	43,111,128
3 - 5 years	4,295,282	25,079	740,745	-	9,191,643	819,014	269,337	-	-	-	-	15,341,100
> 5 years	10,035,295	277,066	80,011	47,258	7,587,137	12,899,022	37,640,451	-	-	120,026	-	68,686,266
	27,734,359	703,523	9,292,388	1,244,204	50,882,359	34,797,574	46,215,490	10,958	2,125,314	120,026	153,681	173,279,876

5. CREDIT RISK (Cont'd.)

(iv) The credit exposures under the Islamic Banking Window by remaining contractual maturities as at 31 December 2023:

Islamic Banking Window	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance/ Takaful Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	Equity Exposure RM'000	Grand Total RM'000
< 3 months	390,064	9,086	6,177	5,230	1,075,344	8,099	22	-	-	1,494,022
3 - 6 months	532,720	5,509	-	573	394,294	2,415	23	-	-	935,534
6 - 12 months	443,529	-	21,334	-	22,869	13,197	147	13,520	-	514,596
1 - 3 years	580,961	-	742,766	701,594	1,110,316	1,552	1,470	-	-	3,138,659
3 - 5 years	406,008	-	-	-	671,629	4,933	6,602	-	-	1,089,172
> 5 years	384,723	-	-	-	1,015,289	1,392,581	4,017,887	-	-	6,810,480
	2,738,005	14,595	770,277	707,397	4,289,741	1,422,777	4,026,151	13,520	-	13,982,463

The credit exposures under the Islamic Banking Window by remaining contractual maturities as at 31 December 2022:

Islamic Banking Window	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance/ Takaful Cos, Securities Firms and Fund Managers RM'000	Corporates (including Specialised Lending and SMEs) RM'000	Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	Equity Exposure RM'000	Grand Total RM'000
< 3 months	2,579,529	3,637	-	6,516	592,696	7,803	-	-	-	3,190,181
3 - 6 months	251,078	-	-	1,137	34,478	1,115	-	-	-	287,808
6 - 12 months	-	-	-	-	22,621	157	-	-	-	22,778
1 - 3 years	1,364,151	-	215,891	1,002,227	163,453	13,754	93,366	22,273	-	2,875,115
3 - 5 years	-	-	-	-	1,559,453	4,067	394	-	-	1,563,914
> 5 years	-	-	-	-	990,731	1,415,928	3,709,315	-	-	6,115,974
	4,194,758	3,637	215,891	1,009,880	3,363,432	1,442,824	3,803,075	22,273	-	14,055,770

5. CREDIT RISK (Cont'd.)

(v) Past due and credit-impaired loans, advances and financing of the Bank analysed by economic sectors:

Bank	2023 Past due but not impaired RM'000	2023 Impaired loans RM'000	2022 Past due but not impaired RM'000	2022 Impaired loans RM'000
Agriculture, hunting, forestry and fishing	-	-	37,940	-
Mining and quarrying	-	568	4,198	82,966
Manufacturing	135,999	120,231	157,724	190,171
Electricity, gas and water	99,169	38	-	-
Construction	186,543	696,605	387,863	658,515
Wholesale, retail trade, restaurant and hotels	199,341	326,426	277,917	340,269
Transport, storage and communication	15,960	42,475	12,717	42,748
Finance, insurance and business services	49,221	32,998	48,995	37,790
Real estate	99,517	224,104	94,564	197,546
Community, social and personal services	9,808	6,478	9,007	8,482
Households:				
- purchase of residential properties	1,754,429	1,023,314	1,904,161	972,294
- purchase of non residential properties	239,521	163,853	264,531	158,602
- others	392,695	194,701	390,344	143,797
	3,182,203	2,831,791	3,589,961	2,833,180

5. CREDIT RISK (Cont'd.)

Past due and credit-impaired financing, advances and others under the Islamic Banking Window analysed by economic sectors:

Islamic Banking Window	2023 Past due but not impaired RM'000	2023 Credit-impaired financing, advances and others RM'000	2022 Past due but not impaired RM'000	2022 Credit-impaired financing, advances and others RM'000
Agriculture, hunting, forestry and fishing	-	-	-	-
Mining and quarrying	-	-	-	81,862
Manufacturing	28,958	6,659	1,552	7,814
Construction	1,113	28,788	2,708	31,598
Wholesale, retail trade, restaurant and hotels	9,188	16,842	41,077	15,759
Transport, storage and communication	3,000	5,558	2,052	3,317
Finance, insurance and business services	10,093	2,544	3,709	2,411
Real estate	-	-	-	-
Community, social and personal services	6,146	4,067	5,553	4,954
Households:				
- purchase of residential properties	246,062	142,734	207,935	99,293
- purchase of non residential properties	6,482	6,820	4,823	4,114
- others	2,851	1,399	2,615	221
	313,893	215,411	272,024	251,343

5. CREDIT RISK (Cont'd.)

(vi) Allowances for Expected Credit Loss (ECL) 1,2 and 3 of the Bank analysed by economic sectors:

	2023		2022	
Bank	**ECL 3 RM'000**	**ECL 1 and ECL 2 RM'000**	**ECL 3 RM'000**	**ECL 1 and ECL 2 RM'000**
Agriculture, hunting, forestry and fishing	-	14,842	-	53,006
Mining and quarrying	568	6,224	81,999	7,134
Manufacturing	48,481	177,598	98,153	142,160
Electricity, gas and water	38	23,282	-	51,798
Construction	136,681	272,743	130,326	252,468
Wholesale, retail trade, restaurant and hotels	165,974	471,472	150,775	355,090
Transport, storage and communication	4,695	21,468	4,943	31,382
Finance, insurance and business services	11,250	62,570	15,186	114,738
Real estate	73,416	95,491	65,065	200,908
Community, social and personal services	649	2,891	1,046	3,074
Households:				
- purchase of residential properties	201,316	253,605	209,001	204,187
- purchase of non residential properties	37,076	13,640	27,316	9,789
- others	74,592	347,047	59,394	301,471
	754,736	1,762,873	843,204	1,727,205

Note: Expected Credit Loss (ECL) measurement approaches can be found in Financial Statement Note 40.1 (b).

5. CREDIT RISK (Cont'd.)

Allowances for Expected Credit Loss (ECL) 1,2 and 3 under the Islamic Banking Window analysed by economic sectors:

	2023		2022	
Islamic Banking Window	**ECL 3 RM'000**	**ECL 1 and ECL 2 RM'000**	**ECL 3 RM'000**	**ECL 1 and ECL 2 RM'000**
Agriculture, hunting, forestry and fishing	-	498	-	139
Mining and quarrying	-	41	81,862	2
Manufacturing	1,778	16,097	4,133	1,124
Electricity, gas and water	-	4,977	-	9,988
Construction	14,917	2,658	16,324	1,554
Wholesale, retail trade, restaurant and hotels	3,066	24,080	5,937	9,915
Transport, storage and communication	620	409	-	573
Finance, insurance and business services	386	1,489	704	973
Real estate	-	2,234	-	1,940
Community, social and personal services	2	526	166	545
Households:				
- purchase of residential properties	29,631	16,888	22,786	13,498
- purchase of non residential properties	1,670	339	772	214
- others	61	157	22	73
	52,131	70,393	132,706	40,538

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5. CREDIT RISK (Cont'd.)

(vii) Allowances for Expected Credit Loss 3 (ECL 3) of the Bank analysed by economic sectors:

Bank	2023 Allowances for ECL 3 made during the year RM'000	2023 Write-offs during the year RM'000	2022 Allowances for ECL 3 made during the year RM'000	2022 Write-offs during the year RM'000
Agriculture, hunting, forestry and fishing	-	-	57	60
Mining and quarrying	641	81,935	251	-
Manufacturing	13,409	49,505	9,296	5,991
Electricity, gas and water	48	-	-	-
Construction	19,709	3,917	87,526	4,775
Wholesale, retail trade, restaurant and hotels	99,712	64,780	45,251	26,681
Transport, storage and communication	1,228	265	1,569	44,845
Finance, insurance and business services	2,385	3,626	9,258	6,828
Real estate	8,404	-	9,130	-
Community, social and personal services	277	501	1,046	-
Households:				
- purchase of residential properties	133,602	58,099	115,310	64,065
- purchase of non residential properties	20,936	7,563	14,858	11,950
- others	290,017	213,557	81,217	62,147
	590,368	483,748	374,769	227,341

5. CREDIT RISK (Cont'd.)

Allowances for ECL 3 under the Islamic Banking Window analysed by economic sectors:

Islamic Banking Window	2023 Allowances for ECL 3 made during the year RM'000	2023 Write-offs during the year RM'000	2022 Allowances for ECL 3 made during the year RM'000	2022 Write-offs during the year RM'000
Agriculture, hunting, forestry and fishing	-		-	-
Mining and quarrying	73	81,935	112	-
Manufacturing	982	3,338	2,869	-
Electricity, gas and water	-	-	-	-
Construction	194	1,601	15,647	102
Wholesale, retail trade, restaurant and hotels	2,752	4,574	2,303	1,252
Transport, storage and communication	620	-	-	-
Finance, insurance and business services	-	-	583	-
Real estate	-	-	-	-
Community, social and personal services	2	-	166	-
Households:				
- purchase of residential properties	19,110	6,806	14,261	4,609
- purchase of non residential properties	1,255	279	757	-
- others	61	-	22	-
	25,049	98,533	36,720	5,963

Impaired loans/financing and impairment provision by geographical area

Past due loans/financing, impaired loans/financing and impairment provision were from customers residing in Malaysia.

5. CREDIT RISK (Cont'd.)

(viii) Credit exposures of the Bank analysed by geography:

Bank **As at 31 December 2023**	**In Malaysia** **RM'000**	**Outside Malaysia** **RM'000**	**Total** **RM'000**
Exempted exposures under Standardised Approach			
Sovereigns/Central Banks	32,181,906	-	32,181,906
Public Sector Entities	440,160	-	440,160
Banks, Development Financial Institutions & MDBs	-	-	-
Insurance Cos, Securities Firms & Fund Managers	44,559	-	44,559
Corporates	358,851	-	358,851
Regulatory Retail	10,237,268	-	10,237,268
Residential Mortgages	5,804,868	-	5,804,868
Higher Risk Assets	2,370	-	2,370
Other Assets	2,789,360	-	2,789,360
Securitisation Exposure	120,052	-	120,052
Equity Exposure	217,253	-	217,253
Total Exempted Exposures	52,196,647	-	52,196,647
Exposures under IRB Approach			
Banks, Development Financial Institutions & MDBs	6,980,721	1,907,797	8,888,518
Insurance Cos, Securities Firms & Fund Managers	857,392	95,835	953,227
Corporates	50,745,764	1,418,700	52,164,464
Residential Mortgages	36,302,618	3,474,594	39,777,212
Qualifying Revolving Retail Exposures	6,352,514	12,541	6,365,055
Other Retail Exposures	16,797,168	1,193,183	17,990,351
Equity Exposure	941	-	941
Total IRB Approach	118,037,118	8,102,650	126,139,768
Total credit risk exposures	170,233,765	8,102,650	178,336,415

Note: Exposures outside of Malaysia are mainly loans extended to non-residents.

Bank **As at 31 December 2022**	**In Malaysia** **RM'000**	**Outside Malaysia** **RM'000**	**Total** **RM'000**
Exempted exposures under Standardised Approach			
Sovereigns/Central Banks	27,734,359	-	27,734,359
Public Sector Entities	703,523	-	703,523
Banks, Development Financial Institutions & MDBs	869	-	869
Insurance Cos, Securities Firms & Fund Managers	35,962	-	35,962
Corporates	424,540	-	424,540
Regulatory Retail	10,258,482	-	10,258,482
Residential Mortgages	6,749,031	-	6,749,031
Higher Risk Assets	10,958	-	10,958
Other Assets	2,125,314	-	2,125,314
Securitisation Exposure	120,026	-	120,026
Equity Exposure	152,757	-	152,757
Total Exempted Exposures	48,315,821	-	48,315,821
Exposures under IRB Approach			
Banks, Development Financial Institutions & MDBs	7,168,234	2,123,284	9,291,518
Insurance Cos, Securities Firms & Fund Managers	1,146,778	61,463	1,208,241
Corporates	48,174,468	2,283,352	50,457,820
Residential Mortgages	35,822,283	3,644,177	39,466,460
Qualifying Revolving Retail Exposures	6,696,458	12,096	6,708,554
Other Retail Exposures	16,633,440	1,197,098	17,830,538
Equity Exposure	924	-	924
Total IRB Approach	115,642,585	9,321,470	124,964,055
Total credit risk exposures	163,958,406	9,321,470	173,279,876

Note: Exposures outside of Malaysia are mainly loans extended to non-residents.

5. CREDIT RISK (Cont'd.)

Credit Exposures under Basel II

Under Basel II, credit risk for the various asset classes may be computed using a combination of:
i. Standardised Approach (SA);
ii. Foundation Internal Ratings-Based (FIRB) Approach; and
iii. Advanced Internal Ratings-Based (AIRB) Approach.

The table below summarises the approaches adopted by the Bank for credit risk computation.

The Bank has adopted the FIRB Approach for its non-retail exposures and the AIRB Approach for its retail exposures.

	Standardised* RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	52,192	55,998	64,133

Note*:
- Amount under Standardised Approach refers to credit exposures where IRB Approach is not applicable.
- On 1 November 2022, the Bank had acquired Citibank Bhd's consumer banking portfolio which is reported under Standardised Approach.

The Bank had on 7 January 2010 received approval from BNM to migrate directly to the Internal Ratings Based Approach for credit risk beginning January 2010 as per the Risk Weighted Capital Adequacy Framework.

For exposures subject to the SA, approved External Credit Assessment Institutions (ECAI) ratings and prescribed risk weights based on asset class are used in the computation of regulatory capital.

The ECAI used by the Bank are Rating Agency Malaysia (RAM), Fitch Ratings, Moody's Investors Service, Malaysian Rating Corporation Berhad (MARC) and Standard & Poor's (S&P). ECAI ratings are mapped to a common credit quality grade prescribed by BNM.

5. CREDIT RISK (Cont'd.)

The aggregate breakdown of credit risk exposures of the Bank by risk weights under the Standardised Approach as at 31 December 2023:

	Bank												
Risk weights	**Sovereigns/ Central Banks**	**Public Sector Entities**	**Banks, DFIs and MDBs**	**Insurance Cos, Securities Firms and Fund Managers**	**Corporates**	**Regulatory Retail**	**Residential Mortgages**	**Higher Risk Assets**	**Other Assets**	**Securitisation Exposure**	**Equity Exposure**	**Total exposures after netting and CRM**	**Total RWA**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	32,026,906	319,727	-	-	2,946	2,239	-	-	644,300	-	-	32,996,118	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	155,000	120,433	-	-	-	-	-	-	-	120,052	-	395,485	79,097
35%	-	-	-	-	-	-	5,149,752	-	-	-	-	5,149,752	1,802,413
50%	-	-	-	-	266	14,446	231,903	-	-	-	-	246,615	123,307
75%	-	-	-	-	-	10,184,984	185,733	-	-	-	-	10,370,717	7,778,038
90%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	44,559	347,710	25,358	237,480	-	2,145,060	-	217,253	3,017,420	3,017,421
110%	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	3,761	9,887	-	2,370	-	-	-	16,018	24,027
270%	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**32,181,906**	**440,160**	**-**	**44,559**	**354,683**	**10,236,914**	**5,804,868**	**2,370**	**2,789,360**	**120,052**	**217,253**	**52,192,125**	**12,824,303**

5. CREDIT RISK (Cont'd.)

The aggregate breakdown of credit risk exposures of the Bank by risk weights under the Standardised Approach as at 31 December 2022:

Risk weights	Bank												
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Cos, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposure	Equity Exposure	Total exposures after netting and CRM	Total RWA
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	27,641,784	658,203	-	-	1,583	-	-	-	758,791	-	-	29,060,361	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	92,575	45,320	869	-	-	-	-	-	-	120,026	-	258,790	51,758
35%	-	-	-	-	-	-	6,140,620	-	-	-	-	6,140,620	2,149,217
50%	-	-	-	-	-	9,171	328,639	-	-	-	-	337,810	168,905
75%	-	-	-	-	-	10,002,717	113	-	-	-	-	10,002,830	7,502,123
90%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	35,962	414,917	227,804	276,625	-	1,366,523	-	152,757	2,474,588	2,474,588
110%	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	4,990	18,790	3,034	10,958	-	-	-	37,772	56,657
270%	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**27,734,359**	**703,523**	**869**	**35,962**	**421,490**	**10,258,482**	**6,749,031**	**10,958**	**2,125,314**	**120,026**	**152,757**	**48,312,771**	**12,403,248**

5. CREDIT RISK (Cont'd.)

Credit Exposures under Basel II (cont'd.)

The table below summarises the approaches adopted under the Islamic Banking Window for credit risk computation.

The Bank has adopted the FIRB Approach for its non-retail exposures and the AIRB Approach for its retail exposures under its Islamic Banking Window:

	Standardised* RM'million	FIRB RM'million	AIRB RM'million
Total Credit Exposures	2,852	5,312	5,369

Note*:
- Amount under Standardised Approach refers to credit exposures where IRB Approach is not applicable.
- The Islamic Banking consumer portfolio acquired from Citibank Bhd is reported under Standardised Approach.

5. CREDIT RISK (Cont'd.)

The aggregate breakdown of credit risk exposures under Islamic Banking Window by risk weights under the Standardised Approach as at 31 December 2023:

	Islamic Banking Window									
Risk weights	**Sovereigns/ Central Banks**	**Public Sector Entities**	**Banks, DFIs and MDBs**	**Insurance/Takaful Cos, Securities Firms & Fund Managers**	**Corporates**	**Regulatory Retail**	**Residential Mortgages**	**Other Assets**	**Total exposures after netting and CRM**	**Total RWA**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	2,738,005	-	-	-	-	-	-	-	2,738,005	-
10%	-	-	-	-	-	-	-	-	-	-
20%	-	14,595	-	-	-	-	-	-	14,595	2,919
35%	-	-	-	-	-	-	73,843	-	73,843	25,845
50%	-	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	59	-	-	59	44
90%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	5,803	364	-	5,951	13,520	25,638	25,638
110%	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-
Total	**2,738,005**	**14,595**	**-**	**5,803**	**364**	**59**	**79,794**	**13,520**	**2,852,140**	**54,446**

5. CREDIT RISK (Cont'd.)

The aggregate breakdown of credit risk exposures under Islamic Banking Window by risk weights under the Standardised Approach as at 31 December 2022:

	Islamic Banking Window								
Risk weights	**Sovereigns/ Central Banks**	**Public Sector Entities**	**Banks, DFIs and MDBs**	**Insurance/Takaful Cos, Securities Firms & Fund Managers**	**Corporates**	**Residential Mortgages**	**Other Assets**	**Total exposures after netting and CRM**	**Total RWA**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	4,194,758	-	-	-	-	-	2,166	4,196,924	-
10%	-	-	-	-	-	-	-	-	-
20%	-	3,637	-	-	-	-	-	3,637	727
35%	-	-	-	-	-	89,711	-	89,711	31,399
50%	-	-	-	-	-	186	-	186	93
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	-	7,653	-	3,048	20,107	30,808	30,809
110%	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-
Total	**4,194,758**	**3,637**	**-**	**7,653**	**-**	**92,945**	**22,273**	**4,321,266**	**63,028**

5. CREDIT RISK (Cont'd.)

Rated Exposures of the Bank by ECAI ratings as at 31 December 2023:

RM'000

Exposure class	Ratings of Corporates by Approved ECAIs					
	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	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and off-balance sheet exposures						
Credit exposures (using corporate risk weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	440,160
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	44,559
Corporates		-	-	-	-	354,683
Total		**-**	**-**	**-**	**-**	**839,402**

RM'000

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
On and off-balance sheet exposures							
Banks, DFIs and MDBs		-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**-**

5. CREDIT RISK (Cont'd.)

RM'000

Exposure class							
	Ratings of Sovereigns and Central Banks 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
On and off-balance sheet exposures							
Sovereigns/ Central Banks		-	16,256,911	15,904,459	-	-	20,536
Total		**-**	**16,256,911**	**15,904,459**	**-**	**-**	**20,536**

Rated Exposures of the Bank by ECAI ratings as at 31 December 2022:

RM'000

Exposure class						
	Ratings of Corporates by Approved ECAIs					
	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	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and off-balance sheet exposures						
Credit exposures (using corporate risk weights)						
Public Sector Eentities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	703,523
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	35,962
Corporates		-	-	-	-	421,490
Total		**-**	**-**	**-**	**-**	**1,160,975**

5. CREDIT RISK (Cont'd.)

RM'000

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
On and off-balance sheet exposures							
Banks, DFIs and MDBs		869	-	-	-	-	-
Total		**869**	**-**	**-**	**-**	**-**	**-**

RM'000

Exposure class	Ratings of Sovereigns and Central Banks 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
On and off-balance sheet exposures							
Sovereigns/ Central Banks		-	21,512,979	6,200,961	-	-	20,419
Total		**-**	**21,512,979**	**6,200,961**	**-**	**-**	**20,419**

5. CREDIT RISK (Cont'd.)

Rated Exposures of the Islamic Banking Window by ECAI ratings as at 31 December 2023:

RM'000

Exposure class	**Ratings of Corporates by Approved ECAIs**					
	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	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and off-balance sheet exposures						
Credit exposures (using corporate risk weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	14,595
Insurance/Takaful Cos, Securities Firms & Fund Managers		-	-	-	-	5,803
Corporates		-	-	-	-	364
Total		**-**	**-**	**-**	**-**	**20,762**

RM'000

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
On and off-balance sheet exposures							
Banks, DFIs and MDBs		-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**-**

5. CREDIT RISK (Cont'd.)

RM'000

Exposure class	Ratings of Sovereigns and Central Banks 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
On and off-balance sheet exposures							
Sovereigns/ Central Banks		-	853,368	1,884,637	-	-	-
Total		**-**	**853,368**	**1,884,637**	**-**	**-**	**-**

Rated Exposures of the Islamic Banking Window by ECAI ratings as at 31 December 2022:

RM'000

Exposure class	Ratings of Corporates by Approved ECAIs					
	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	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and off-balance sheet exposures						
Credit exposures (using corporate risk weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	3,637
Insurance/Takaful Cos, Securities Firms & Fund Managers		-	-	-	-	7,653
Corporates		-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**11,290**

5. CREDIT RISK (Cont'd.)

RM'000

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
On and off-balance sheet exposures							
Banks, DFIs and MDBs		-	-	-	-	-	-
Total		-	-	-	-	-	-

RM'000

Exposure class	Ratings of Sovereigns and Central Banks 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
On and off-balance sheet exposures							
Sovereigns/ Central Banks		-	4,194,758	-	-	-	-
Total		**-**	**4,194,758**	**-**	**-**	**-**	**-**

5. CREDIT RISK (Cont'd.)

Internal Credit Rating System

The Bank employs internal rating models to support the assessment of credit risk and the assignment of exposures to rating grades or pools. Internal ratings are used pervasively by the Bank in the areas of credit approval, credit review and monitoring, credit stress-testing, limits setting, pricing and collections.

The Bank has defined the roles and responsibilities of the various stakeholders in the credit rating process, including model development and review, model performance monitoring, annual model validation and independent reviews by Internal Audit in order to ensure the reliable and consistent performance of the Bank's rating systems.

Credit risk models are validated independently before they are implemented to ensure that they are fit for purpose. We monitor the robustness of these rating models on an ongoing basis and all models are subject to annual reviews by model owners to ascertain that the chosen risk factors and assumptions continue to remain relevant for the respective portfolios. All new models, model changes and annual reviews are approved by the EXCO or Board, depending on the materiality of the portfolio.

Non-Retail Exposures

The Bank has adopted the FIRB Approach for its non-retail exposures. Under this approach, the internal models estimate a probability of default (PD) or supervisory slot for each borrower. These models employ qualitative and quantitative factors to provide an assessment of the borrower's ability to meet its financial obligations. The models are calibrated to provide an estimate of the likelihood of default over a one-year time horizon. A default is considered to have occurred if:

- the obligor is unlikely to pay its credit obligations in full to the Bank, without recourse by the Bank to actions such as realising the security; or
- the obligor is past due for more than 90 days on any credit obligation to the Bank.

Supervisory loss given default (LGD) and exposure at default (EAD) parameters prescribed by the BNM are used together with the internal credit ratings to calculate risk weights and regulatory capital requirements.

While the Bank's internal risk rating grades may show some correlation with the rating grades of External Credit Assessment Institutions (ECAIs), they are not directly comparable with or equivalent to the ECAIs ratings.

5. CREDIT RISK (Cont'd.)

Corporate Portfolio

The Bank has developed models to rate Non-bank Financial Institution (NBFI), Large Corporate (LC) and SME portfolios. Credit risk factors used to derive a borrower's risk rating include the borrower's financial strength, quality of management, business risks, and the industry in which it operates. The borrower risk-rating process is augmented by facility risk ratings, which take into account the type and structure of the facility, availability and type of collateral and seniority of the exposure.

The Bank's internal rating grade structure for the NBFI, LC and SME models consists of 16 pass grades. The models are mapped to the rating scale by calibration that takes into account the respective portfolio's long-term average default rate.

Specialised Lending Portfolio

The Bank has also developed models for three Specialised Lending portfolios, namely: Income Producing Real Estate (IPRE), Commodities Finance (CF) and Project Finance (PF). These models produce internal risk grades that are derived based on a comprehensive assessment of financial and non-financial risk factors.

The rating grade structure for IPRE portfolio, like our Corporate models, has 16 pass grades. Risk grades derived for the CF and PF portfolios are mapped to four prescribed supervisory slotting categories, which determine the risk weights to be applied to such exposures.

Bank Portfolio

Exposures in our Bank portfolio are rated by our internal Bank model, which takes into account asset quality, capital adequacy, liquidity, management, regulatory environment and robustness of the overall banking system. The model has an internal rating grade structure consisting of 15 pass grades.

Equity Portfolio

The Bank adopts the following approaches for its equity investments:

i. Simple Risk Weight (SRW) method for its equity investment portfolio; and
ii. PD/LGD method for its investments in Tier-1 and Tier-2 perpetual securities issued by banks.

Investment exposures adopting the SRW method are subject to the supervisory risk weights, while investment exposures adopting the PD/LGD method are rated using the Bank's internal model.

5. CREDIT RISK (Cont'd.)

Retail Exposures

The Bank has adopted the Advanced Internal Ratings-Based (AIRB) Approach for its retail exposures, which consist of residential mortgages, qualifying revolving retail exposures and other retail exposures. Exposures within each of these asset classes are not managed individually, but as part of a pool of similar exposures that are segmented based on borrower and transaction characteristics. As the loss characteristics of retail exposures are geography and product specific, bespoke PD, LGD and EAD segmentation models are developed using empirical loss data for the respective exposures across the Bank. Where internal loss data is insufficient to provide robust risk estimates, the segmentation models may incorporate internal and/or external proxies. Where necessary, the model is augmented with appropriate margins of conservatism.

We use the Standardised Approach (SA) to calculate the credit risk-weighted exposure for the portfolios acquired from Citibank Bhd and will migrate to the AIRB upon regulatory approval from the Bank Negara Malaysia.

Retail Probability of Default Models

Retail PD models are based on pools of homogeneous exposures segmented by a combination of application scores, behavioural scores and other risk drivers reflecting borrower, facility and delinquency characteristics. PD pools are calibrated through-the-cycle using at least five years of historical data that covers a full economic cycle. For low default portfolios, internal and/or external proxies that are highly correlated with internal defaults are used to estimate the long-run average PD. A regulatory floor of 0.03 per cent is applied to all PD pools.

In general, the long-run observed default rates are largely lower than the PD estimates due to the model's calibration philosophy and the application of conservative overlays to account for model risk.

Retail Loss Given Default Models

Retail LGD are estimated using historical default data and the recovery experience from such defaulted cases. LGD models are segmented using material pre-default risk drivers such as facility and collateral characteristics.

LGD models are calibrated to reflect a portfolio's economic downturn experience. In addition, for residential mortgages, a LGD floor of 10 per cent is applied at the segment level.

Retail Exposure at Default Models

For revolving products, EAD is computed based on the current outstanding balance and the estimated potential drawdown of undrawn commitments, which is determined based on historical data. For closed-end products, the EAD is equal to the current outstanding balance. EAD models are generally segmented by material pre-default risk drivers such as facility type, limit and utilisation. EAD models are calibrated to reflect the portfolio long-run averages, except for portfolios that exhibit positive correlation between LGD and PD values, in which case, these portfolio's EAD models are calibrated to reflect their economic downturn conditions. The EAD values of such portfolios must be at least equal to the current outstanding balances.

5. CREDIT RISK (Cont'd.)

Credit risk profile

The following tables provide the breakdown of exposures of the Bank using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2023:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	**1-9**	**10-16**	**17-20 (Default)**
	RM'000	**RM'000**	**RM'000**
Non-retail exposures (EAD)			
Large Corporate, SMEs and Specialised Lending (IPRE)	28,758,420	20,803,300	1,269,372
Bank	8,862,261	26,257	-
Insurance Cos, Securities Firm & Fund Managers	952,960	267	-
Total non-retail exposures	38,573,641	20,829,824	1,269,372
Undrawn commitments			
Large Corporate, SMEs and Specialised Lending (IPRE)	1,715,595	586,014	11,661
Bank	-	-	-
Insurance Cos, Securities Firm & Fund Managers	-	-	-
Total undrawn commitments	1,715,595	586,014	11,661
Exposure weighted average LGD (%)			
Large Corporate, SMEs and Specialised Lending (IPRE)	42%	41%	44%
Bank	45%	45%	-
Insurance Cos, Securities Firm & Fund Managers	44%	45%	-
Exposure weighted average risk weight (%)			
Large Corporate, SMEs and Specialised Lending (IPRE)	66%	119%	1%
Bank	12%	52%	-
Insurance Cos, Securities Firm & Fund Managers	23%	235%	-

Specialised Lending exposures under the Supervisory Slotting Criteria

Supervisory Categories / Risk Weights	**Strong/ 50%**	**Strong/ 70%**	**Good/ 70%**	**Good/ 90%**	**Satisfactory/ 115%**	**Weak/ 250%**	**Default/ 0%**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Specialised Lending exposures (EAD)							
Project Finance	-	221,297	574,504	470,162	67,409	-	-
Risk Weighted Assets	-	154,908	402,153	423,146	77,520	-	-

5. CREDIT RISK (Cont'd.)

Exposures under the IRB Approach by PD range

PD range of retail exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	Default
	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)				
Residential Mortgages	34,250,351	781,339	3,875,664	869,858
Qualifying Revolving Retail	3,741,800	691,375	1,887,023	44,857
Other Retail	12,786,552	2,744,482	2,089,071	370,246
Total retail exposures	50,778,703	4,217,196	7,851,758	1,284,961
Undrawn commitments				
Residential Mortgages	2,234,389	228,442	112,180	-
Qualifying Revolving Retail	2,247,035	272,990	863,061	-
Other Retail	2,019,705	643,029	204,176	361
Total undrawn commitments	6,501,129	1,144,461	1,179,417	361
Exposure weighted average LGD (%)				
Residential Mortgages	13.00%	14.23%	13.67%	14.19%
Qualifying Revolving Retail	35.17%	46.75%	42.06%	51.69%
Other Retail	16.18%	22.43%	25.38%	20.43%
Exposure weighted average risk weight (%)				
Residential Mortgages	7.57%	22.04%	48.01%	31.27%
Qualifying Revolving Retail	6.57%	20.49%	62.01%	202.92%
Other Retail	12.10%	25.27%	39.66%	67.39%

The following tables provide the breakdown of exposures of the Bank using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2022:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	1-9	10-16	17-20 (Default)
	RM'000	RM'000	RM'000
Non-retail exposures (EAD)			
Large Corporate, SMEs and Specialised Lending (IPRE)	28,032,806	20,100,253	1,431,677
Bank	9,268,151	23,367	-
Insurance Cos, Securities Firm & Fund Managers	1,208,242	-	-
Total non-retail exposures	38,509,199	20,123,620	1,431,677
Undrawn commitments			
Large Corporate, SMEs and Specialised Lending (IPRE)	1,242,956	677,322	5,909
Bank	-	-	-
Insurance Cos, Securities Firm & Fund Managers	-	-	-
Total undrawn commitments	1,242,956	677,322	5,909
Exposure weighted average LGD (%)			
Large Corporate, SMEs and Specialised Lending (IPRE)	42%	41%	44%
Bank	45%	45%	-
Insurance Cos, Securities Firm & Fund Managers	44%	-	-
Exposure weighted average risk weight (%)			
Large Corporate, SMEs and Specialised Lending (IPRE)	61%	118%	0%
Bank	12%	42%	-
Insurance Cos, Securities Firm & Fund Managers	19%	-	-

5. CREDIT RISK (Cont'd.)

Specialised Lending exposures under the Supervisory Slotting Criteria

Supervisory Categories / Risk Weights	Strong/ 50%	Strong/ 70%	Good/ 70%	Good/ 90%	Satisfactory/ 115%	Weak/ 250%	Default/ 0%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Specialised Lending exposures (EAD)							
Project Finance	22,500	107,930	41,504	640,991	-	80,159	-
Risk Weighted Assets	11,250	75,551	29,053	576,891	-	200,397	-

Exposures under the IRB Approach by PD range

PD range of retail exposures	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	Default
	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)				
Residential Mortgages	34,338,994	932,462	3,408,507	786,497
Qualifying Revolving Retail	3,804,584	769,767	2,093,739	40,464
Other Retail	13,199,428	2,536,107	1,740,486	354,517
Total retail exposures	51,343,006	4,238,336	7,242,732	1,181,478
Undrawn commitments				
Residential Mortgages	2,315,132	304,148	97,065	-
Qualifying Revolving Retail	2,581,048	391,577	1,134,886	-
Other Retail	1,999,101	561,107	154,063	129
Total undrawn commitments	6,895,281	1,256,832	1,386,014	129
Exposure weighted average LGD (%)				
Residential Mortgages	12.94%	14.27%	13.71%	14.01%
Qualifying Revolving Retail	34.18%	44.49%	40.05%	51.61%
Other Retail	15.88%	23.10%	24.32%	21.42%
Exposure weighted average risk weight (%)				
Residential Mortgages	7.52%	22.24%	47.64%	31.24%
Qualifying Revolving Retail	6.43%	19.65%	56.58%	282.23%
Other Retail	11.87%	25.96%	38.75%	57.60%

5. CREDIT RISK (Cont'd.)

The following tables provide the breakdown of exposures of the Islamic Banking Window using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2023:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	**1-9**	**10-16**	**17-20 (Default)**
	RM'000	**RM'000**	**RM'000**
Non-retail exposures (EAD)			
Large Corporate, SMEs and Specialised Lending (IPRE)	1,857,039	1,841,914	30,356
Bank	770,277	-	-
Insurance/Takaful Cos, Securities Firm & Fund Managers	701,594	-	-
Total non-retail exposures	3,328,910	1,841,914	30,356
Undrawn commitments			
Large Corporate, SMEs and Specialised Lending (IPRE)	54,193	174,256	-
Bank	-	-	-
Insurance/Takaful Cos, Securities Firm & Fund Managers	-	-	-
Total undrawn commitments	54,193	174,256	-
Exposure weighted average LGD (%)			
Large Corporate, SMEs and Specialised Lending (IPRE)	44%	37%	23%
Bank	45%	-	-
Insurance/Takaful Cos, Securities Firm & Fund Managers	45%	-	-
Exposure weighted average risk weight (%)			
Large Corporate, SMEs and Specialised Lending (IPRE)	84%	128%	0%
Bank	10%	-	-
Insurance/Takaful Cos, Securities Firm & Fund Managers	10%	-	-

Specialised Lending exposures under the Supervisory Slotting Criteria

Supervisory Categories / Risk Weights	**Strong/ 50%**	**Strong/ 70%**	**Good/ 70%**	**Good/ 90%**	**Satisfactory/ 115%**	**Weak/ 250%**	**Default/ 0%**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Specialised Lending exposures (EAD)							
Project Finance	-	-	514,297	44,874	-	-	-
Risk Weighted Assets	-	-	360,008	40,387	-	-	-

Exposures under the IRB Approach by PD range

PD range of retail exposures	**0.00% to 1.00%**	**1.01% to 2.00%**	**2.01% to 99.99%**	**Default**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Retail exposures (EAD)				
Residential Mortgages	3,202,005	58,785	552,190	133,377
Other Retail	657,072	523,618	203,823	38,204
Total retail exposures	3,859,077	582,403	756,013	171,581
Undrawn commitments				
Residential Mortgages	223,979	16,852	5,529	-
Other Retail	39,789	47,333	3,759	231
Total undrawn commitments	263,768	64,185	9,288	231
Exposure weighted average LGD (%)				
Residential Mortgages	14.65%	14.26%	15.40%	15.37%
Other Retail	20.95%	25.15%	24.61%	27.36%
Exposure weighted average risk weight (%)				
Residential Mortgages	11.69%	22.24%	58.31%	11.36%
Other Retail	17.78%	27.96%	38.12%	225.75%

5. CREDIT RISK (Cont'd.)

The following tables provide the breakdown of exposures of the Islamic Banking Window using the respective internal rating scale for the models applicable to the asset classes as at 31 December 2022:

Exposures under the IRB Approach by Risk Grade

CRR band of non-retail exposures	**1-9**	**10-16**	**17-20 (Default)**
	RM'000	**RM'000**	**RM'000**
Non-retail exposures (EAD)			
Large Corporate, SMEs and Specialised Lending (IPRE)	1,782,826	974,634	113,843
Bank	215,891	-	-
Insurance/Takaful Cos, Securities Firm & Fund Managers	1,002,226	-	-
Total non-retail exposures	3,000,943	974,634	113,843
Undrawn commitments			
Large Corporate, SMEs and Specialised Lending (IPRE)	19,546	44,609	750
Bank	-	-	-
Insurance Cos, Securities Firm & Fund Managers	-	-	-
Total undrawn commitments	19,546	44,609	750
Exposure weighted average LGD (%)			
Large Corporate, SMEs and Specialised Lending (IPRE)	45%	41%	39%
Bank	45%	-	-
Insurance/Takaful Cos, Securities Firm & Fund Managers	45%	-	-
Exposure weighted average risk weight (%)			
Large Corporate, SMEs and Specialised Lending (IPRE)	94%	156%	0%
Bank	10%	-	-
Insurance/Takaful Cos, Securities Firm & Fund Managers	15%	-	-

Specialised Lending exposures under the Supervisory Slotting Criteria

Supervisory Categories / Risk Weights	**Strong/ 50%**	**Strong/ 70%**	**Good/ 70%**	**Good/ 90%**	**Satisfactory/ 115%**	**Weak/ 250%**	**Default/ 0%**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Specialised Lending exposures (EAD)							
Project Finance	-	-	1,942	490,188	-	-	-
Risk Weighted Assets	-	-	1,359	441,169	-	-	-

Exposures under the IRB Approach by PD range

PD range of retail exposures	**0.00% to 1.00%**	**1.01% to 2.00%**	**2.01% to 99.99%**	**Default**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Retail exposures (EAD)				
Residential Mortgages	3,052,122	102,107	464,231	91,671
Other Retail	705,116	565,215	136,819	35,675
Total retail exposures	3,757,238	667,322	601,050	127,346
Undrawn commitments				
Residential Mortgages	279,057	36,143	6,888	-
Other Retail	52,715	56,246	2,153	-
Total undrawn commitments	331,772	92,389	9,041	-
Exposure weighted average LGD (%)				
Residential Mortgages	14.79%	14.71%	15.62%	15.48%
Other Retail	21.47%	27.05%	25.91%	32.67%
Exposure weighted average risk weight (%)				
Residential Mortgages	11.49%	22.49%	55.66%	8.44%
Other Retail	18.17%	29.92%	39.02%	180.07%

5. CREDIT RISK (Cont'd.)

Retail exposures of the Bank under the IRB Approach by expected loss (EL) range as at 31 December 2023:

EL% range of retail exposures	**0.0% to 1.0%**	**1.0% to 5.0%**	**5.0% to 10.0%**	**10.0% to 30.0%**	**30.0% to 100.0%**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Retail exposures (EAD)					
Residential Mortgages	37,848,160	1,136,676	149,553	642,823	-
Qualifying Revolving Retail	4,528,615	1,230,127	219,666	291,664	94,983
Other Retail	16,793,617	739,483	105,020	261,231	91,000
Total retail exposures	59,170,392	3,106,286	474,239	1,195,718	185,983
Undrawn commitments					
Residential Mortgages	2,557,917	15,575	1,519	-	-
Qualifying Revolving Retail	2,629,250	594,488	40,463	113,344	5,541
Other Retail	2,825,972	37,743	1,992	1,333	231
Total undrawn commitments	8,013,139	647,806	43,974	114,677	5,772
Exposure weighted average risk weight (%)					
Residential Mortgages	10.43%	71.45%	92.83%	-	-
Qualifying Revolving Retail	8.53%	46.30%	107.03%	117.10%	122.70%
Other Retail	15.72%	59.23%	78.64%	57.00%	9.17%

Retail exposures of the Bank under the IRB Approach by expected loss (EL) range as at 31 December 2022:

EL% range of retail exposures	**0.0% to 1.0%**	**1.0% to 5.0%**	**5.0% to 10.0%**	**10.0% to 30.0%**	**30.0% to 100.0%**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Retail exposures (EAD)					
Residential Mortgages	37,796,612	967,982	135,366	566,500	-
Qualifying Revolving Retail	4,753,643	1,348,693	210,336	340,558	55,324
Other Retail	16,759,243	658,264	77,328	241,337	94,366
Total retail exposures	59,309,498	2,974,939	423,030	1,148,395	149,690
Undrawn commitments					
Residential Mortgages	2,703,358	11,085	1,902	-	-
Qualifying Revolving Retail	3,164,059	728,578	64,976	141,862	8,036
Other Retail	2,677,184	32,696	3,897	622	1
Total undrawn commitments	8,544,601	772,359	70,775	142,484	8,037
Exposure weighted average risk weight (%)					
Residential Mortgages	10.23%	68.86%	92.30%	-	-
Qualifying Revolving Retail	8.56%	44.88%	106.15%	127.00%	48.29%
Other Retail	15.06%	55.00%	102.01%	54.22%	8.11%

5. CREDIT RISK (Cont'd.)

Retail exposures of the Islamic Banking Window under the IRB Approach by expected loss (EL) range as at 31 December 2023:

EL% range of retail exposures	**0.0% to 1.0%**	**1.0% to 5.0%**	**5.0% to 10.0%**	**10.0% to 30.0%**	**30.0% to 100.0%**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Retail exposures (EAD)					
Residential Mortgages	3,622,447	141,528	61,773	120,609	-
Other Retail	1,310,955	77,994	13,456	18,381	1,931
Total retail exposures	4,933,402	219,522	75,229	138,990	1,931
Undrawn commitments					
Residential Mortgages	244,191	1,758	411	-	-
Other Retail	90,515	116	250	-	231
Total undrawn commitments	334,706	1,874	661	-	231
Exposure weighted average risk weight (%)					
Residential Mortgages	15.38%	77.82%	92.88%	-	-
Other Retail	26.01%	63.39%	137.55%	89.54%	91.37%

Retail exposures of the Islamic Banking Window under the IRB Approach by expected loss (EL) range as at 31 December 2022:

EL% range of retail exposures	**0.0% to 1.0%**	**1.0% to 5.0%**	**5.0% to 10.0%**	**10.0% to 30.0%**	**30.0% to 100.0%**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Retail exposures (EAD)					
Residential Mortgages	3,491,698	98,293	35,623	84,517	-
Other Retail	1,352,788	58,066	9,293	11,984	10,694
Total retail exposures	4,844,486	156,359	44,916	96,501	10,694
Undrawn commitments					
Residential Mortgages	319,989	1,605	494	-	-
Other Retail	110,251	863	-	-	-
Total undrawn commitments	430,240	2,468	494	-	-
Exposure weighted average risk weight (%)					
Residential Mortgages	15.18%	78.25%	91.34%	-	-
Other Retail	24.70%	62.81%	297.17%	113.86%	27.61%

5. CREDIT RISK (Cont'd.)

Actual loss by asset class

Actual loss consists of impairment loss allowance and write-off posted to the Bank's income statement for the financial year ended 31 December 2023.

Comparison of actual loss and expected loss by asset class

Bank

Asset class	Actual loss (FYE 31 December 2023)	Expected loss (as at 31 December 2022)	Actual loss (FYE 31 December 2022)	Expected loss (as at 31 December 2021)
	RM'000	RM'000	RM'000	RM'000
Corporate	64,692	1,264,666	125,512	1,197,492
Bank	-	2,536	-	2,845
Retail	160,351	473,794	142,121	409,712
Total	**225,043**	**1,740,995**	**267,633**	**1,610,050**

The actual loss in 2023 was lower than the expected loss computed as at 31 December 2022. The Bank continues to be proactive in its risk management approach to ensure that actual losses remain within the Bank's expectations.

EL is the estimated credit loss from defaults over a one-year horizon. EL is the product of PD, LGD and EAD. A comparison of actual loss and expected loss provides an indication of the predictive power of the IRB models used by the Bank.

However, they are not directly comparable due to the following reasons:

i. EL as at 31 December 2022 is a measure of expected credit loss based on the credit exposure as at that date. On the other hand, impairment loss allowance and write-offs are accounting entries relating to a fluctuating portfolio over the course of the financial year. Moreover, write-offs may relate to defaults from prior years.

ii. EL is estimated based on non-default exposures only, while impairment loss allowance is an accounting estimate of likely loss from defaulted exposures. Write-offs are recorded on defaulted exposures when no further recovery is possible.

Islamic Banking Window

Asset class	Actual loss (FYE 31 December 2023)	Expected loss (as at 31 December 2022)	Actual loss (FYE 31 December 2022)	Expected loss (as at 31 December 2021)
	RM'000	RM'000	RM'000	RM'000
Corporate	4,693	88,957	14,729	89,998
Bank		16	-	34
Retail	13,943	43,642	15,036	33,163
Total	**18,636**	**132,614**	**29,765**	**123,195**

5. CREDIT RISK (Cont'd.)

Movements in the allowance for ECL and write-off on loans, advances and financing:

Bank 2023	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	553,562	1,173,643	843,204	2,570,409
Transferred to Stage 1	94,797	(63,348)	(31,449)	-
Transferred to Stage 2	(15,771)	69,922	(54,151)	-
Transferred to Stage 3	(1,079)	(27,227)	28,306	-
Net remeasurement of allowance	(82,273)	52,417	412,825	382,969
Allowances made for the financial year	154,136	292,929	149,237	596,302
Maturity/settlement/repayment	(344,993)	(93,488)	(109,631)	(548,112)
Exchange differences	(561)	207	-	(354)
Net total	(195,744)	231,412	395,137	430,805
Amounts written off	-	-	(483,748)	(483,748)
Other movements	-	-	143	143
At 31 December	357,818	1,405,055	754,736	2,517,609

Bank 2022	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL non credit-impaired RM'000	Stage 3 Lifetime ECL credit-impaired RM'000	Total ECL RM'000
At 1 January	312,573	1,298,483	713,309	2,324,365
Transfer from business acquisition	99,966	66,416	62,307	228,689
Transferred to Stage 1	242,991	(223,574)	(19,417)	-
Transferred to Stage 2	(8,413)	20,743	(12,330)	-
Transferred to Stage 3	(2,077)	(23,460)	25,537	-
Net remeasurement of allowance	(180,282)	73,726	249,627	143,071
Allowances made for the financial year	259,612	182,633	99,605	541,850
Maturity/settlement/repayment	(168,144)	(222,779)	(49,810)	(440,733)
Exchange differences	(2,664)	1,455	-	(1,209)
Net total	141,023	(191,256)	293,212	242,979
Amounts written off	-	-	(227,341)	(227,341)
Other movements	-	-	1,717	1,717
At 31 December	553,562	1,173,643	843,204	2,570,409

5. CREDIT RISK (Cont'd.)

Movements in the allowances for ECL and write-off on financing, advances and others for Islamic Banking Window:

Islamic Banking Window 2023	**Stage 1** 12 Months ECL RM'000	**Stage 2** Lifetime ECL not credit impaired RM'000	**Stage 3** Lifetime ECL credit impaired RM'000	**Total ECL RM'000**
At 1 January	17,786	22,752	132,706	173,244
Transferred to Stage 1	8,177	(6,835)	(1,342)	-
Transferred to Stage 2	(614)	1,983	(1,369)	-
Transferred to Stage 3	(88)	(3,873)	3,961	-
Net remeasurement of allowance	(7,045)	(6,608)	13,290	(363)
Allowances made for the financial year	10,129	46,998	7,798	64,925
Maturity/settlement/repayment	(10,689)	(1,680)	(4,380)	(16,749)
Net total	(130)	29,985	17,958	47,813
Amounts written off	-	-	(98,533)	(98,533)
At 31 December	17,656	52,737	52,131	122,524

Islamic Banking Window 2022	**Stage 1** 12 Months ECL RM'000	**Stage 2** Lifetime ECL not credit impaired RM'000	**Stage 3** Lifetime ECL credit impaired RM'000	**Total ECL RM'000**
At 1 January	16,663	38,497	108,844	164,004
Transfer from business acquisition	93	531	660	1,284
Transferred to Stage 1	24,406	(21,418)	(2,988)	-
Transferred to Stage 2	(1,064)	1,914	(850)	-
Transferred to Stage 3	(417)	(2,491)	2,908	-
Net remeasurement of allowance	(17,517)	10,284	24,621	17,388
Allowances made for the financial year	10,044	40	9,191	19,275
Maturity/settlement/repayment	(14,422)	(4,605)	(3,717)	(22,744)
Net total	1,030	(16,276)	29,165	13,919
Amounts written off	-	-	(5,963)	(5,963)
At 31 December	17,786	22,752	132,706	173,244

5. CREDIT RISK (Cont'd.)

Credit Risk Mitigation

Our potential credit losses are mitigated through a variety of instruments such as collaterals, derivatives, guarantees and netting arrangements. The Bank generally does not grant credit facilities solely on the basis of the collateral provided. All requests for credit facilities are assessed based on the credit standing, source of repayment and debt servicing ability of the borrower.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically and the frequency of such valuation depends on the type, liquidity and volatility of the collateral value. The collaterals are mostly in the form of properties, cash and marketable securities. The collateral has to fulfill certain criteria (such as legal certainty across relevant jurisdictions) in order to be eligible for the Internal Ratings-based (IRB) Approach purposes. Policies and processes are in place to monitor collateral concentration. Appropriate haircuts that reflect the underlying nature, quality, volatility and liquidity of the collaterals would be applied to the market value of collaterals as appropriate.

When extending credit facilities to small and medium-sized enterprises (SMEs), the Bank often takes personal guarantees to secure the moral commitment from the principal shareholders and directors. For IRB Approach purposes, the Bank does not recognise personal guarantees as eligible credit risk protection. Corporate guarantees are often obtained when the borrower’s credit worthiness is not sufficient to justify an extension of credit. To recognise the effects of guarantees under the Foundation Internal Ratings-based (FIRB) Approach, the Bank adopts the Probability of Default (PD) substitution approach whereby the PD of an eligible guarantor of an exposure is used for calculating the capital requirement.

Exposures arising from FX, derivatives and securities financing transactions are typically mitigated through agreements such as the International Swaps and Derivatives Association (ISDA) Master Agreements, the Credit Support Annex (CSA) and the Global Master Repurchase Agreements (GMRA). Such agreements help to minimise credit exposure in the event of a default by allowing the Bank to offset what is owed to a counterparty against what is due from that counterparty .

For IRB purpose, the Bank does not recognise ISDA netting. The Current Exposure Method is used to estimate its FX and derivative exposures on a gross basis.

5. CREDIT RISK (Cont'd.)

Credit Risk Mitigation (cont'd.)

The following table presents the total exposures of the Bank which are covered by eligible credit risk mitigants as at 31 December 2023:

Exposure class	**Exposures before CRM**	**Exposures covered by guarantees/ credit derivatives**	**Exposures covered by eligible financial collateral**	**Exposures covered by other eligible collateral**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit risk				
On-balance sheet exposures				
Sovereign/Central Banks	32,026,905	-	-	-
Public Sector Entities	319,727	319,727	-	-
Banks, DFIs and MDBs	4,822,080	-	-	-
Insurances Cos, Securities Firms & Fund Managers	874,166	-	10,037	-
Corporates	40,980,139	2,217,500	1,939,821	2,793,150
Regulatory Retail	23,872,312	1,782	344	-
Residential Mortgages	41,966,992	-	-	-
Higher Risk Assets	400	-	-	-
Other Assets	2,741,636	-	-	-
Specialised Financing / Investment	-	-	-	-
Securitisation Exposure	120,052	120,052	-	-
Equity Exposures	218,194	-	-	-
Defaulted exposures*	2,123,346	8,771	7,638	44,702
Total on-balance sheet exposures	150,065,949	2,667,832	1,957,840	2,837,852
Off-balance sheet exposures				
OTC derivatives	3,488,898	2,416	1,959	728
Credit derivatives	601	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	24,124,007	152,280	3,847,552	268,896
Defaulted exposures*	22,186	26	899	1,607
Total off-balance sheet exposures	27,635,692	154,722	3,850,410	271,231
Total on and off-balance sheet exposures	177,701,641	2,822,554	5,808,250	3,109,083

*Defaulted exposure is net off specific provision.

5. CREDIT RISK (Cont'd.)

Credit Risk Mitigation (cont'd.)

The following table presents the total exposures of the Bank which are covered by eligible credit risk mitigants as at 31 December 2022:

Exposure class	Exposures before CRM	Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
	RM'000	RM'000	RM'000	RM'000
Credit risk				
On-balance sheet exposures				
Sovereign/Central Banks	27,260,129	-	-	-
Public Sector Entities	658,203	658,203	-	-
Banks, DFIs and MDBs	5,377,974	-	-	-
Insurances Cos, Securities Firms & Fund Managers	1,100,543	-	27,156	-
Corporates	39,696,964	3,190,232	2,186,306	2,577,790
Regulatory Retail	23,882,162	-	-	-
Residential Mortgages	42,475,627	-	-	-
Higher Risk Assets	4,683	-	-	-
Other Assets	2,111,802	-	-	-
Securitisation Exposure	120,026	120,026	-	-
Equity Exposures	153,681	-	-	-
Defaulted exposures*	2,095,440	4,577	7,380	37,849
Total on-balance sheet exposures	144,937,234	3,973,038	2,220,842	2,615,639
Off-balance sheet exposures				
OTC derivatives	3,407,295	1,029	2,982	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	24,161,027	259,780	6,415,761	235,618
Defaulted exposures*	32,988	151	982	1,607
Total off-balance sheet exposures	27,601,310	260,960	6,419,725	237,225
Total on and off-balance sheet exposures	172,538,544	4,233,998	8,640,567	2,852,864

*Defaulted exposure is net off specific provision.

5. CREDIT RISK (Cont'd.)

Credit risk mitigation (cont'd.)

The following table presents the total exposures of the Islamic Banking Window which are covered by eligible credit risk mitigants as at 31 December 2023:

Exposure class	Exposures before CRM	Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
	RM'000	RM'000	RM'000	RM'000
Credit risk				
On-balance sheet exposures				
Sovereign/Central Banks	2,738,005	-	-	-
Banks, DFIs and MDBs	764,100	-	-	-
Insurance/Takaful Cos, Securities Firms & Fund Managers	701,594	-	-	-
Corporates	3,641,222	54,861	316,173	105,891
Regulatory Retail	1,293,691	-	-	-
Residential Mortgages	3,640,463	-	-	-
Other Assets	13,520	-	-	-
Specialised Financing / Investment	-	-	-	-
Defaulted exposures*	162,733	-	7,405	-
Total on-balance sheet exposures	12,955,328	54,861	323,578	105,891
Off-balance sheet exposures				
OTC derivatives	35,040	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	946,939	7,979	12,262	102
Defaulted exposures*	230	-	-	-
Total off-balance sheet exposures	982,209	7,979	12,262	102
Total on and off-balance sheet exposures	13,937,537	62,840	335,840	105,993

*Defaulted exposure is net off specific provision.

5. CREDIT RISK (Cont'd.)

Credit risk mitigation (cont'd.)

The following table presents the total exposures of the Islamic Banking Window which are covered by eligible credit risk mitigants as at 31 December 2022:

Exposure class	**Exposures before CRM**	**Exposures covered by guarantees/ credit derivatives**	**Exposures covered by eligible financial collateral**	**Exposures covered by other eligible collateral**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit risk				
On-balance sheet exposures				
Sovereign/Central Banks	4,194,758	-	-	-
Banks, DFIs and MDBs	215,891	-	-	-
Insurance/Takaful Cos, Securities Firms & Fund Managers	1,002,226	-	-	-
Corporates	2,792,136	58,289	83,979	44,284
Regulatory Retail	1,296,036	-	-	-
Residential Mortgages	3,386,147	-	-	-
Other Assets	22,273	-	-	-
Defaulted exposures*	118,260	-	6,893	-
Total on-balance sheet exposures	13,027,727	58,289	90,872	44,284
Off-balance sheet exposures				
OTC derivatives	15,060	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	887,638	2,658	10,848	366
Defaulted exposures*	-	-	-	-
Total off-balance sheet exposures	902,698	2,658	10,848	366
Total on and off-balance sheet exposures	13,930,425	60,947	101,720	44,650

*Defaulted exposure is net off specific provision.

5. CREDIT RISK (Cont'd.)

OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK

Counterparty Credit Risk

Unlike normal lending risk where the notional at risk can be determined with a high degree of certainty during the contractual period, counterparty credit risk exposure fluctuates with market variables. Counterparty credit risk is measured as the sum of current mark-to-market value and an appropriate add-on factor for potential future exposure (PFE). The PFE factor is an estimate of the maximum credit exposure over the remaining life of a foreign exchange (FX)/ derivative transaction and it is used for limit-setting and internal risk management.

The Bank has also established policies and processes to manage wrong-way risk, i.e., where the counterparty credit exposure is positively correlated with its default risk. Transactions that exhibit such characteristics are identified and reported to senior management regularly. Separately, transactions with specific wrong-way risk are rejected at the underwriting stage.

Credit Exposures from Foreign Exchange and Derivatives

Pre-settlement limits for FX and derivative transactions are established using the PFE approach. This approach takes into consideration the transaction currency and tenor to address the credit risk exposures arising from adverse market movements.

5. CREDIT RISK (Cont'd.)

OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (Cont'd.)

Credit Exposures from Foreign Exchange and Derivatives (cont'd.)

The Off-Balance Sheet Exposures and their related counterparty credit risk of the Bank as at 31 December 2023:

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	4,447,896		4,333,183	2,819,021
Transaction related contingent items	7,254,064		3,607,797	2,068,013
Short Term Self Liquidating trade related contingencies	647,859		136,698	80,596
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions.	2,966,026		49,557	2,894
Foreign exchange related contracts				
One year or less	88,836,700	761,067	1,936,509	279,242
Over one year to five years	1,269,706	19,087	109,026	73,156
Over five years	133,133	1,382	15,108	14,072
Interest/Profit rate related contracts				
One year or less	26,089,235	161,474	360,615	54,090
Over one year to five years	46,447,817	369,202	1,698,207	465,553
Over five years	1,831,500	31,404	179,315	83,115
Equity related contracts				
One year or less	68,614	427	2,207	155
Over one year to five years	14,444	553	1,708	171
Over five years	-	-	-	-
Precious Metal Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Commodity contracts				
One year or less	388,564	10,753	40,004	10,343
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	6,010	-	601	81
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	7,212,540		5,006,152	3,065,065
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	25,221,133		1,207,655	298,461
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	17,224,755		4,931,186	680,341
Unutilised credit card lines	20,212,979		4,037,834	3,034,968
Off-balance sheet for securitisation	-		-	-
Total	250,272,975	1,355,349	27,653,362	13,029,337

5. CREDIT RISK (Cont'd.)

OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (Cont'd.)

Credit Exposures from Foreign Exchange and Derivatives (cont'd.)

The Off-Balance Sheet Exposures and their related counterparty credit risk of the Bank as at 31 December 2022:

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	RWA
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	4,444,105		4,325,833	2,603,485
Transaction related contingent items	6,494,369		3,223,817	2,157,317
Short Term Self Liquidating trade related contingencies	494,007		94,954	50,785
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions.	5,919,105		398,295	1,582
Foreign exchange related contracts				
One year or less	79,993,510	885,840	1,982,711	292,423
Over one year to five years	993,533	14,477	79,272	46,275
Over five years	141,067	-	14,768	17,401
Interest/Profit rate related contracts				
One year or less	30,970,334	235,579	465,608	71,312
Over one year to five years	36,907,880	442,306	1,524,240	422,064
Over five years	1,487,906	31,293	158,040	78,114
Equity related contracts				
One year or less	21,343	19	-	-
Over one year to five years	1,000	-	-	-
Over five years	-	-	-	-
Precious Metal Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Commodity contracts				
One year or less	266,506	13,998	28,373	12,325
Over one year to five years	5,169	22	-	-
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	7,161,591		4,809,176	2,685,427
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	22,427,479		1,197,119	319,627
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	16,652,405		5,703,623	810,603
Unutilised credit card lines	18,167,501		3,633,500	2,730,559
Off-balance sheet for securitisation	-		-	-
Total	232,548,810	1,623,534	27,639,329	12,299,299

5. CREDIT RISK (Cont'd.)

OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (Cont'd.)

Credit Exposures from Foreign Exchange and Derivatives (cont'd.)

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window as at 31 December 2023:

Description	**Principal amount**	**Positive fair value of derivative contracts**	**Credit equivalent amount**	**RWA**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Direct credit substitutes	152,922		152,922	154,006
Transaction related contingent items	220,324		110,162	116,737
Short-term self-liquidating trade-related contigencies	4,321		864	747
Foreign exchange related contracts with an original maturity up to one year				
One year or less	3,996,649	33,254	31,594	11,778
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	200,000	666	100	23
Over one year to five years	600,000	346	3,346	823
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	925,188		669,076	456,951
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	758,313		14,145	4,642
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,143,674		-	-
Total	8,001,391	34,266	982,209	745,707

5. CREDIT RISK (Cont'd.)

OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (Cont'd.)

Credit Exposures from Foreign Exchange and Derivatives (cont'd.)

The off-balance sheet exposures and their related counterparty credit risk of the Islamic Banking Window as at 31 December 2022:

Description	Principal amount	Positive fair value of derivative contracts	Credit equivalent amount	RWA
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	137,779		137,779	261,648
Transaction related contingent items	201,412		101,196	163,942
Short-term self-liquidating trade-related contigencies	3,150		2,052	486
Foreign exchange related contracts with an original maturity up to one year				
One year or less	834,445	33,716	12,836	9,746
Over one year to five years	4,757	45	283	198
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	376,500	-	941	659
Over one year to five years	100,000	6,942	1,000	263
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	897,965		635,262	280,510
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	315,820		12,099	4,232
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,098,770		-	-
Total	3,970,598	40,703	903,448	721,684

6. Securitisation Exposure

All securitisation transactions entered into the Bank are subject to independent risk assessment and approval. The special purpose entities involved in these transactions are established and managed by third parties and are not controlled by the Bank. Our securitisation positions are recognised as financial assets.

Risk weights for securitisation exposures in the banking book are computed based on the BNM Capital Adequacy Framework (Basel II – Risk-Weighted Assets).

The table below represents the disclosure on securitisation exposure of the Bank under Standardised Approach (SA) as at 31 December 2023:

RM'000

Exposure class 2023	Exposure Value of Positions Purchased or Retained	Eligible CRM	Exposure after CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk						Risk Weighted Assets
					Rated Securitisation Exposures				Unrated (Look Through)		
					20%	50%	100%	1250%	Average Risk Weight	Exposure Amount	
TRADITIONAL SECURITISATION											
(Banking book)											
Non-Originating Banking Institution											
On-Balance Sheet											
Most Senior	120,000	120,052	120,052	-	120,052	-	-	-	-	-	24,010
Total Exposures	120,000	120,052	120,052	-	120,052	-	-	-	-	-	24,010

The table below represents the disclosure on securitisation exposure of the Bank under Standardised Approach (SA) as at 31 December 2022:

RM'000

Exposure class 2022	Exposure Value of Positions Purchased or Retained	Eligible CRM	Exposure after CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk						Risk Weighted Assets
					Rated Securitisation Exposures				Unrated (Look Through)		
					20%	50%	100%	1250%	Average Risk Weight	Exposure Amount	
TRADITIONAL SECURITISATION											
(Banking book)											
Non-Originating Banking Institution											
On-Balance Sheet											
Most Senior	120,000	120,026	120,026	-	120,026	-	-	-	-	-	24,005
Total Exposures	120,000	120,026	120,026	-	120,026	-	-	-	-	-	24,005

7. MARKET RISK

Market risk refers to the risk of losses to the Bank from movements in the market rates or prices (such as changes in interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads) of the underlying asset.

Market risk is governed by the ALCO, which meets monthly to review and provide direction on market risk matters. The Market Risk Management (MRM) and Balance Sheet Risk Management (BSRM) under Risk Management support the ALCO, RCC, RMC and Board with independent assessment of the market risk profile of the Bank.

The Bank's market risk framework comprises market risk policies, practices and governance structure with appropriate delegation of authority and market risk limits. The Bank employs valuation methodologies that are in line with sound market practices. Valuation and risk models are validated independently. In addition, a Product/Service Programme process is in place to ensure that all risk issues, including market risk issues, are identified and adequately addressed prior to the launch of products and services.

One of the Bank's main objectives in undertaking trading activities is to provide customer-centric products and services to support our customers' business and hedging needs. We continually review and enhance our management of derivatives risks to ensure that the complexities of the Bank's business are appropriately controlled.

Our overall market risk appetite is balanced with targeted revenue at the Bank and business unit levels and takes into account the capital position of the Bank. Market Risk appetite is established for all trading exposures and non-trading FX exposures within the Bank. This ensures that the Bank remains well-capitalised even under stress conditions. The risk appetite is translated into risk limits that are delegated to business units. These risk limits are set based on expected returns that are commensurate with the risks taken.

The Bank currently adopts the Standardised Approach for the calculation of regulatory market risk capital but uses internal models to measure and control trading market risks. The financial products which are warehoused, measured and controlled using internal models include FX and FX option, plain vanilla interest rate contract and interest rate option, cross currency swap, government bond, quasi government bond, corporate bond, equities and equity options, commodity contract and commodity option.

The Bank estimates a daily Expected Shortfall (ES) within a 97.5 percent confidence interval over a one-day holding period, using the historical Value-at-Risk (VaR) simulation method, as a control for market risk. This method assumes observed historical market movements can be used to imply possible changes in market rates. ES is the average of the worse losses in the loss distribution, assuming that the losses exceed the specified percentile.

To complement the ES measure, stress and scenario tests are performed to identify the Bank's vulnerability to event risk. These tests serve to provide early warnings of plausible extreme losses to facilitate proactive management of market risks.

7. MARKET RISK (Cont'd.)

For backtesting purposes, the Bank uses daily VaR within a 99 percent confidence interval over a one-day holding period, based on historical simulation method. VaR uses the same loss distribution as ES. The backtesting process analyses whether the exceptions are due to model deficiencies or market volatility. All backtesting exceptions are tabled to the ALCO with recommended actions and resolutions. Backtesting results were within acceptable tolerance level in the year under review.

The Bank's daily ES as at end of December 2023 was RM5.610 million.

	Year End RM'000	**High RM'000**	**Low RM'000**	**Average RM'000**
2023				
Interest/profit rate	2,623	5,910	1,630	3,163
Foreign exchange	67	3,050	25	572
Commodities	11	325	11	63
Option Volatility	816	844	110	297
Equities	27	323	12	57
Total diversified ES	5,610	10,729	5,447	7,546
2022				
Interest/profit rate	4,327	5,391	1,364	2,454
Foreign exchange	206	13,232	91	502
Commodities	100	520	3	62
Option Volatility	319	356	1	180
Equities	24	151	4	18
Total diversified ES	9,577	10,452	3,464	5,976

8. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (IRRBB/RORRBB)

Interest rate risk/rate of return risk in the banking book (IRRBB/RORRBB) is defined as the risk of potential loss of capital or reduction in earnings due to changes in the interest/profit rate environment.

We strive to meet customers' demands and preferences for products with various interest/profit rate structures and maturities. Mismatches in repricing and other characteristics of assets and liabilities of the Bank give rise to sensitivity to interest/profit rate movements. As interest/profit rates and yield curves change over time, these mismatches may result in a change in the Bank's economic net worth and/or a decline in earnings. The primary objective of managing IRRBB/RORRBB is to protect and to enhance capital or economic net worth through adequate, stable and reliable growth in net interest/finance earnings under a broad range of possible economic conditions.

The ALCO oversees the effectiveness of the interest/profit rate risk management structure including endorsement of policies, limits and controls. Balance Sheet Risk Management under Risk Management supports the ALCO in monitoring the interest/profit rate risk profile of the banking book. IRRBB/RORRBB is mainly managed by shaping the desired risk exposure and tenor profile of the banking book taking into consideration the overall balance sheet position and market outlook. Behavioural models used are independently validated and governed by approved policies. The management and mitigation of IRRBB/RORRBB through hedging instruments and activities are governed by the IRRBB/RORRBB policies which are subject to regular review. Potential risks are controlled with the help of alerts provided by the monitoring of positions against mandates, limits and triggers approved by relevant committees and delegated to relevant business units.

Our banking book interest/profit rate exposure is quantified on a monthly basis using dynamic simulation techniques. We employ a holistic approach towards balance sheet risk management, using an in-house enterprise risk management system to integrate liquidity risk and IRRBB/RORRBB into a single platform to facilitate the Bank's reporting in a timely manner. Interest/profit rate risk varies with different repricing periods, currencies, embedded options and interest/profit rate basis. Embedded options may be in the form of loan prepayment and early withdrawal of time deposit.

In Economic Value of Equity (EVE) sensitivity simulations, we compute the present value for repricing cashflows, with the focus on changes in EVE under different interest/profit rate scenarios. This economic perspective measures interest/profit rate risks across the full maturity profile of the balance sheet, including off-balance sheet items. We estimate the potential effects of interest/profit rate changes on Net Interest/Finance Income (NII/NFI) by simulating the possible future course of interest/profit rates and expected changes in business activities over time. Mismatches in the longer tenor would result in greater change in EVE than similar positions in the shorter tenor while mismatches in the shorter tenor would have greater impact on NII/NFI. Interest/profit rate scenarios used in simulations include the six standard scenarios prescribed by the Basel Committee on Banking Supervision as well as internal scenarios covering changes in the shape of the yield curve, including steepener and flattener, parallel shift, as well as short rate up and down scenarios.

Stress tests are also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/profit rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating the proactive management of interest/profit rate risks in an environment of rapid financial market changes.

The risks arising from the trading book, such as interest/profit rates, foreign exchange rates and equity prices are managed and controlled under the market risk framework.

8. INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (IRRBB/RORRBB) (Cont'd.)

Interest/Profit Rate Sensitivity Analysis - Banking Book

The table below shows the results of 100 and 200 basis points parallel interest/profit rate shocks to EVE and NII/NFI. The repricing profile of loans is generally based on the earliest possible repricing dates. Interest/profit rate flooring effects are taken into consideration. Loan prepayment and time deposit early withdrawal rates are estimated based on past statistics and trends where possible and material. The average repricing maturity of core non-maturity deposits is determined through empirical models.

Economic Value of Equity (EVE)

31-Dec-23	Increase/ (Decrease) in basis points	Sensitivity of EVE	Increase/ (Decrease) in basis points	Sensitivity of EVE
Currency		RM'000		RM'000
Total	**+200/(200)**	**(1,257,807)/ 1,667,502**	**+100/(100)**	**(673,496)/ 775,402**
MYR	+200/(200)	(1,356,668)/ 1,772,862	+100/(100)	(723,714)/ 827,245
USD	+200/(200)	98,861/ (105,360)	+100/(100)	50,218/ (51,843)

31-Dec-22	Increase/ (Decrease) in basis points	Sensitivity of EVE	Increase/ (Decrease) in basis points	Sensitivity of EVE
Currency		RM'000		RM'000
Total	**+200/(200)**	**(944,014)/ 1,314,991**	**+100/(100)**	**(511,752)/ 603,927**
MYR	+200/(200)	(1,021,009)/ 1,396,566	+100/(100)	(550,806)/ 644,125
USD	+200/(200)	76,995/ (81,575)	+100/(100)	39,054/ (40,198)

Net Interest/Finance Income (NII/NFI)

31-Dec-23	Increase/ (Decrease) in basis points	Sensitivity of NII/NPI	Increase/ (Decrease) in basis points	Sensitivity of NII/NPI
Currency		RM'000		RM'000
Total	**+200/(200)**	**273,371/ (390,942)**	**+100/(100)**	**136,699/ (166,651)**
MYR	+200/(200)	343,873/ (461,440)	+100/(100)	171,948/ (201,900)
USD	+200/(200)	(70,502)/ 70,498	+100/(100)	(35,249)/ 35,249

31-Dec-22	Increase/ (Decrease) in basis points	Sensitivity of NII/NPI	Increase/ (Decrease) in basis points	Sensitivity of NII/NPI
Currency		RM'000		RM'000
Total	**+200/(200)**	**303,515/ (435,057)**	**+100/(100)**	**151,757/ (193,502)**
MYR	+200/(200)	335,068/ (465,669)	+100/(100)	167,533/ (209,259)
USD	+200/(200)	(31,553)/ 30,612	+100/(100)	(15,776)/ 15,757

9. LIQUIDITY RISK

Liquidity risk is the risk that arises from the Bank’s inability to meet its obligations, or to fund increases in assets as they fall due. The Bank maintains sufficient liquidity to fund its day-to-day operations, to meet deposit withdrawals and loan/financing disbursements, to participate in new investments, and to repay borrowings. Hence, liquidity is managed in a manner to address known as well as unanticipated cash funding needs.

Liquidity risk is managed in accordance with a framework of policies, controls and limits approved by the Board. These policies, controls and limits enable the Bank to monitor and manage liquidity risk to ensure that sufficient sources of funds are available over a range of market conditions. This is done by minimising excessive funding concentrations by diversifying the sources and terms of funding and maintaining a portfolio of high quality and marketable debt securities.

The Bank takes a conservative stance on its liquidity management by continuing to gather core deposits, ensuring that liquidity limits are strictly adhered to and that there are adequate liquid assets to meet potential cash shortfall.

The distribution of deposits is actively managed to ensure a balance between cost effectiveness, continued accessibility to funds, and diversification of funding sources. Important factors in ensuring liquidity are competitive pricing, proactive management of the Bank’s core deposits and the maintenance of customer confidence.

Our liquidity risk management is aligned with the regulatory liquidity risk management framework and is measured and managed on a projected cash flow basis. The Bank’s liquidity risk is monitored under business-as-usual and stress scenarios. Cash flow mismatch limits are established to limit the Bank’s liquidity exposure. The Bank also employs liquidity early warning indicators and trigger points to signal possible contingency situations.

The Bank's liquidity ratios, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), are above the regulatory requirement.

Contingency funding plans are in place to identify potential liquidity crisis using a series of warning indicators. Crisis management processes and various strategies including funding and communication plans have been developed to minimise the impact of any liquidity crunch.

The policy of the Bank is to be self-sufficient in its funding capabilities, notwithstanding that it has the support of parent bank in Singapore.

The table in Note 42 to the financial statements provides the maturity mismatch analysis of the Bank’s near and long-term time bands relating to the cash inflows and outflows based on contractual maturity arising from the Bank’s activities.

10. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes banking operations risk, technology risk, fraud risk (including bribery & corruption risk), legal risk, regulatory compliance risk (including Shariah non-compliance risk), reputational risk, outsourcing risk, third party non-outsourcing risk and conduct risk.

The Bank's primary objective is to foster a sound reputation and operating environment. Operational risk is managed through a framework of policies and procedures to help business and support units properly identify, assess, monitor, mitigate and report their risks. The ORMC meets monthly to provide oversight of operational risk matters across the Bank.

The Operational Risk Governance structure adopts the Three Lines Model. The business and support units, as the First Line, are responsible for establishing a robust control environment as part of their day-to-day operations. Each business and support unit is responsible for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities.

The Operational Risk Management (ORM) under Risk Management, as part of the Second Line, provides overarching governance of operational risk through relevant frameworks, policies, programmes and systems. It also monitors operational risk incidents, key risk and control self-assessment results, outsourcing and third party non-outsourcing matters, key operational risk indicator breaches, product and service programme matters and operational risks self-identified by the First Line. Any material risks are then reported to the ORMC and the Board to ensure they are promptly escalated and addressed.

Internal Audit, as the Third Line, provides an independent and objective assessment on the overall effectiveness of the risk governance framework and internal controls through periodic audit reviews.

The Bank has an established business continuity and crisis management programme which ensures prompt recovery of critical business and support units should there be unforeseen events or business disruptions. An annual attestation is provided to the Board on the state of business continuity readiness of the Bank.

Our Insurance programme covers crime and civil liability, cyber liability, property damage, terrorism, public liability, as well as directors' and officers' liability. The programme reduces operational losses through adequate insurance coverage.

The Bank adopts the Basic Indicator Approach for the calculation of operational risk capital.

The subject-specific key risks that we focus on include but not limited to the risks discussed below.

Banking Operations Risk

Any potential adverse impact, arising from inadequate or failed internal processes, people and systems or from external events, on the proper fulfillment of the Bank's services and obligations to customers as well as proper recording of information including financial transactions.

Technology Risk

Technology risk is defined as any potential adverse outcome, damage, loss, violation, failure or disruption arising from the use of or reliance on information and communication technologies. The governance of technology risk rests with the ORMC, which facilitates a holistic oversight of operational risk matters across the Bank. Our Technology Risk Management Framework ensures that technology and cyber risks are managed in a systematic and consistent manner. The scope of technology risk management covers many aspects, including technology asset management, technology resiliency and the service continuity aspects of business continuity management, cybersecurity management and information security management.

10. OPERATIONAL RISK (Cont'd.)

A dedicated Technology Risk Management (TRM) function within ORM, as part of the Second Line, drives the governance and oversight for technology risk management across the Bank. TRM works closely with business and support units, including the technology and information security teams, to oversee, review and strengthen their practices in technology risk management. We adopt a risk-based approach in assessing and managing technology and cyber risks. The ORMC, RMC and Board are briefed regularly on technology risk appetite and technology risk matters.

Regulatory Compliance Risk (including Shariah non-compliance risk)

Regulatory compliance risk refers to the risk of financial loss, damage to reputation or franchise value of the Bank when it fails to comply with laws, regulations, rules, standards or industry codes of conduct applicable to the Bank’s business activities and operations. A change in laws and regulations can also increase the cost of operations and the cost of capital for the Bank, thereby impacting the Bank’s earnings or returns. This risk is identified, monitored and managed through a structured governance framework of compliance policies, procedures and guidelines. The framework also manages the risk of regulatory breaches relating to sanctions, anti-money laundering and countering the financing of terrorism. Regulatory Compliance Risk includes Shariah non-compliance risk and it is the risk that arises from the Bank’s failure to comply with the Shariah rules and principles determined by the Shariah Committee of the Bank or Shariah Advisory Council of Bank Negara Malaysia.

Legal Risk

Legal risk arises from unenforceable, unfavourable, defective or unintended contracts or transactions, lawsuits or claims, developments in laws and regulations, or non-compliance with applicable laws and regulations. Business and support units work with both internal and external legal counsels to ensure that legal risks are effectively managed.

Reputational Risk

Reputational risk is the risk of adverse impact on earnings, liquidity or capital arising from negative stakeholder perception or opinion of the Bank’s business practices, activities and financial condition. The Bank recognises the impact of reputational risk and has established a policy which sets the guiding principles for risk identification, monitoring, reporting and mitigation of risk exposure and communication with our stakeholders. There are also policies relating to media communication and social media to protect the Bank’s reputation.

Outsourcing Risk

Outsourcing risk is the risk of adverse financial, operational, reputational, legal and compliance impact arising from the failure of a service provider to provide the outsourced service, or to comply with legal and regulatory requirements or breaches of security by a service provider. The Bank manages this risk through an outsourcing framework, policy, procedures and guidelines.

Third Party Non-Outsourcing Risk

Third party non-outsourcing risk arises from arrangements where a third party provides a product or service to the Bank or our customers. This risk could result in adverse financial, operational, reputational, legal and compliance impact arising from the failure of a third party to provide the product or service, or the third party’s breaches of security including data leakages. The Bank manages this risk through its Third Party Non-Outsourcing Risk Management Policy and Guidelines.

10. OPERATIONAL RISK (Cont'd.)

Fraud Risk (including bribery & corruption risk)

Fraud is defined as any intentional act or attempt to misrepresent, deceive, or conceal, by an individual or by a group for a personal or business gain, or to avoid a disadvantage. Fraud is not restricted to monetary or material benefits.

The Bank manages fraud risks actively. The governance oversight of fraud risk is provided by the Audit Committee (AC) and the RMC at the Board level and primarily by the ORMC at the senior management level. The Integrated Fraud Management (IFM) under Risk Management, as part of the Second Line, drives the strategy and governance and oversees the framework and policy of fraud risk management across the Bank.

The Bank's fraud hotline managed by IFM provides a safe channel to report suspected frauds. IFM conducts independent fraud investigations and works closely with business and support units to strengthen its practices across the six pillars of prevention, detection, response, resolution, remediation and reporting.

Also, the Bank adopts a zero tolerance policy against any form of bribery and corruption, and all other illegal or unethical dealings. All employees are required to comply fully with laws and regulations governing bribery and corruption which include the Malaysian Anti-Corruption Commission Act 2009 (MACC Act) and the UK Bribery Act 2010 amongst others. The Bank's contracts with customers, service providers, agents and business associates contain provisions prohibiting bribery and corruption practices. Procedures and controls are put in place to identify and manage the risks of bribery and corruption across our business. All employees are also educated via the UOB Code of Conduct and mandatory online training on what would constitute corrupt practices as well as related legal and regulatory requirements on bribery and corruption.

Conduct risk

Conduct risk is the risk of improper employee behaviour or action that results in unfair stakeholder outcomes, negative impact on market integrity and other issues that damage the reputation of the Bank. This includes the failure of supervising managers to reasonably manage a conduct issue or report the misconduct on a timely basis. Conduct risk is managed through a multi-faceted approach leveraging the frameworks, policies and procedures on operational risk management, fraud risk management, whistle blowing, trade surveillance, employee discipline, code of conduct, remuneration, fair dealing and anti-money laundering. The corporate governance oversight of conduct risk is provided by the ORMC, RMC and Board.

11. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK

Environmental, Social and Governance (ESG) risk includes both financial risks (i.e., credit risk, market risk and liquidity risk) and non-financial risks (e.g., operational risk and reputation damage) arising from ESG issues, including climate change. While a key component of ESG risk arises indirectly from the financial services we provide to our customers, it can also result directly from our own operations. Our Group Sustainability Committee identifies and reviews ESG factors material to the UOB Group, and ensures that sustainability factors are considered in all aspects of our operations (including day-to-day decision-making processes). The specific risk associated with each factor is monitored and managed in accordance with the respective frameworks, policies or guidelines.

Responsible Financing Policy

The Bank has established, since 2016, a Responsible Financing Policy which is approved by the Board. The policy is embedded within our Corporate Credit Policy so that ESG considerations are integrated into our credit evaluation and approval processes. The Credit Approval function is responsible for ensuring that ESG risks are adequately addressed and, where necessary, customers or projects with elevated ESG risks are escalated for further review prior to approval. Consistent with our overall risk management approach, ESG risks are managed through the Bank's Three Lines Model control structure.

Our Responsible Financing Policy applies to all borrowing customers of Wholesale Banking and to the Bank's capital market underwriting activities. Account officers are required to conduct due diligence on all new and existing borrowers during the onboarding process and annual credit review. Under the policy, customers are assessed for material ESG risks, including alignment with the Bank's responsible financing exclusion list, as well as their capacity for, commitment to and track record in ESG risk management.

We have implemented sector-specific Credit Acceptance Guidelines and have responsible financing checklists in place to help our account officers identify, assess and review ESG risks. Borrowers that fall within the following eight ESG-sensitive industries are subject to enhanced due diligence in accordance with sector-specific guidelines developed by the Bank.

• Agriculture • Metals and Mining • Chemical • Infrastructure	• Forestry • Defence • Energy • Waste Management

As part of our ESG risk classification approach, borrowers are classified as either 'high', 'medium' or 'low' ESG risk. This is based on the level of ESG risk inherent in their business operations and the residual ESG risk after taking into consideration their mitigation measures, as well as their ESG risk management capacity.

We notify our customers of their need to adhere to our Responsible Financing Policy and seek their representations and warranties to ensure compliance, including with the host country's ESG regulations. We also encourage them to follow established industry standards, to obtain relevant certifications and to adopt best practices pertaining to, for example, proper water and waste management, greenhouse gas emissions mitigation and occupational health and safety management. The policy references international standards and conventions such as the Roundtable on Sustainable Palm Oil, Forest Stewardship Council, World Heritage Convention, and best industry practices provided by the World Bank and the International Finance Corporation.

11. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK (Cont'd.)

Our Responsible Financing Policy prohibits our financing of companies:

- where their operations or projects threaten the outstanding universal value or special characteristics of UNESCO World Heritage Sites, Ramsar Wetlands, forests of high conservation value (HCV), or would impact critical natural habitats significantly;
- involved in animal cruelty and the trade of endangered species as defined by the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora;
- without measures in place to manage or to mitigate the risk of air, soil and water pollution which may negatively impact terrestrial or marine ecosystems;
- involved in the exploitation of labour, including forced labour and child labour, taking reference from the International Labour Organisation (ILO) standards;
- in violation of the rights of local or indigenous communities; and
- involved in open burning for land clearance.

These financing prohibitions are cross-cutting commitments applicable to all new and existing customers and help to bolster our efforts in fostering sustainable development through responsible financing.

Equator Principles

To strengthen our processes and practices on environmental and social risk management further, UOB Group formally adopted the Equator Principles (EP) in 2021. The EP is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risks in projects and is primarily intended to provide a minimum standard for due diligence and monitoring.

EP requirements have been incorporated into our Responsible Financing Policy for bank-wide implementation. Dedicated EP Implementation Guidelines and toolkits have been developed to provide detailed guidance for transaction screening, categorisation, as well as environmental and social risk assessment. The In-country Credit Committee is required to review and approve high-risk projects, i.e. Category A projects, as well as appropriate Category B projects under the definition of EP.

In addition, dedicated training programmes in the form of online webinars and e-learning courses have been rolled out to relevant employees to strengthen the Bank’s capabilities in EP.

Monitoring

We engage our borrowing customers proactively and continually work with them to improve their ESG practices and performance. In addition, we monitor our borrowers on an ongoing basis for any adverse ESG-related news. Borrowers with any known material ESG-related incidents will trigger an immediate review to ensure ESG risks will be addressed and managed promptly and appropriately. We require our borrowers to rectify any breaches of our policy within a reasonable timeframe with account officers responsible for monitoring their progress. However, if we deem our borrowers unable or unwilling to commit to adequately managing the potential adverse impact from ESG issues on their operations, we are prepared to review and to reassess the relationship, or to reject the transaction.

11. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK (Cont'd.)

Training and Capacity Building

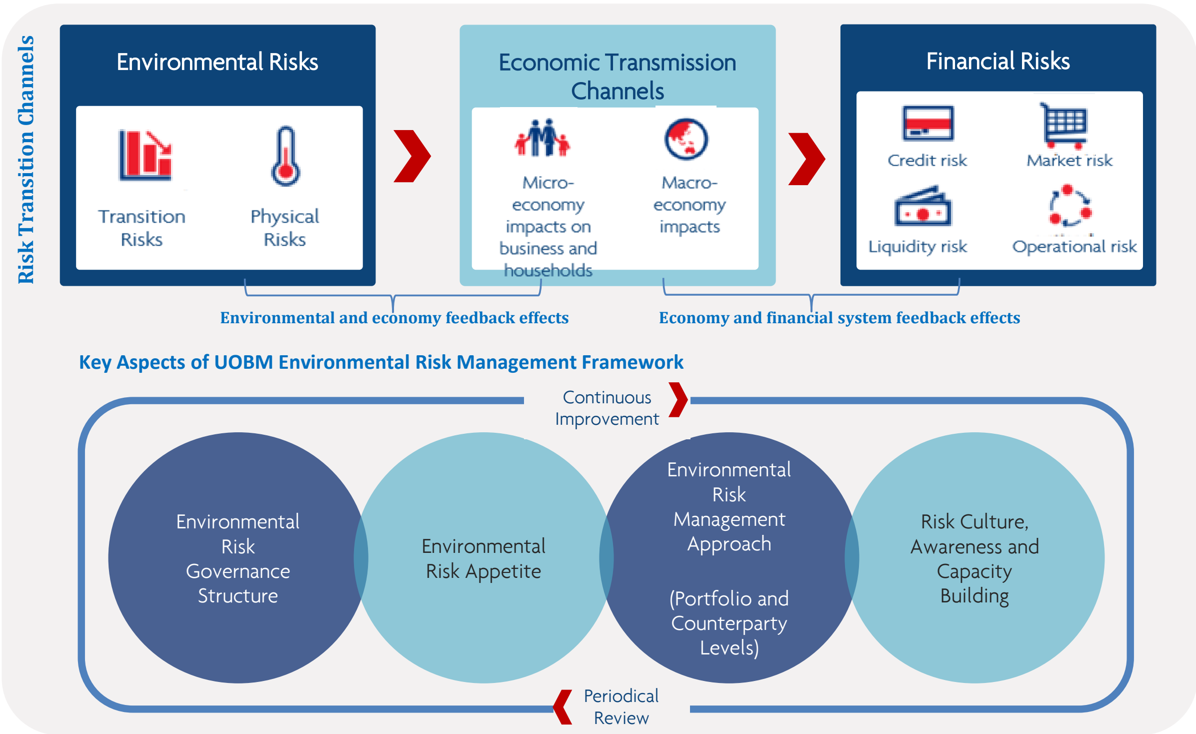
Strengthening our internal capacity on ESG risk management remains a key focus as ESG risk becomes increasingly mainstream. All our employees in relevant roles are trained on our Responsible Financing Policy and processes.

Climate Risks

Climate change is one of the most complex and defining issues of our time and there is a critical need for the world to reach 'net zero' by 2050 in alignment with the Paris Agreement and the 1.5°C trajectory outlined by the Intergovernmental Panel on Climate Change. As a leading financial institution in Malaysia, we are committed to strengthening our portfolio resilience and to be a positive force in the fight against climate change.

Environmental Risk Management Framework

In line with our Group, UOBM has established an Environmental Risk Management Framework, approved by the Board. This framework, with a key focus on climate risk management, covers governance, policy and control processes in relation to the management of environmental risk at both portfolio and counterparty levels in the Bank's lending and capital market underwriting activities.
The framework is also aligned with the principles set out in the BNM Climate Risk Management and Scenario Analysis Policy.



11. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK (Cont'd.)

The Board provides oversight of environmental risk including climate change-related issues with the support from the RMC. The roles and responsibilities of the Board under the governance structure include:

- review and approval of risk management frameworks and policies;
- review and approval of risk appetite statement; and
- review and determine climate related issues that need to be addressed through the Bank's strategies and business plans.

The EXCO supports the Board in the management of matters related to environmental risk. The EXCO reviews climate change-related issues and provides strategic direction including the allocation of resources for the management of the Bank's climate-related issues.

The RCC, MC and CMC support the EXCO in the review of sustainability related matters, frameworks, policies, risk appetite statement, stress tests and scenario analysis for the management of climate risk. The Country Sustainability Committee (CSC) identifies and review environmental related risks and opportunities that have the potential to affect or influence the Bank's operations.

The Bank will continue to step up our efforts and capabilities in the areas of risk management, scenario analysis, stress testing and disclosure requirements. This will also include reviewing our business strategies, taking into consideration our parent bank's net zero commitment and promote a just orderly transition that continues to support economic growth of the country.

Climate Risk Management

Climate risks are complex and transverse in nature, and may potentially translate into known risk types for banks including credit risk, market risk, liquidity risk and operational risk.

Climate risk is identified, assessed, managed and monitored through our Environmental Risk Management Framework, which is approved by the Board. UOBM Business Continuity Management (BCM) Policy and Guidelines further integrate BCM into day-to-day operations and risk management, including coverage of climate-related risks.

12. EQUITIES (Disclosures for Banking Book position)

The following table presents the equity exposures in the banking book.

These exposures were classified under available-for-sale (AFS) securities and were measured at fair value.

Type of Equities	Bank			
	31-Dec-23		31-Dec-22	
	Exposures	RWA	Exposures	RWA
	RM'000	RM'000	RM'000	RM'000
Publicly traded equity exposures * mainly acquired via loan restructuring activities	941	2,823	924	2,773
All other equity exposures *unquoted shares which are non-traded in the stock exchange	217,253	217,253	152,757	152,757
Total	218,194	220,076	153,681	155,530

	Bank	
	31-Dec-23	31-Dec-22
	RM'000	RM'000
Realised (loss)/gains arising from sales and liquidation	-	250
Unrealised gains included in fair value reserve	206,113	141,600

As at 31 December 2023 and 31 December 2022, there were no equity exposure under Islamic Banking Window.

13. RESTRICTED SPECIFIC INVESTMENT ACCOUNT AND SHARIAH GOVERNANCE

Restricted Specific Investment Account (RSIA)

United Overseas Bank (Malaysia) Bhd's Islamic Banking Window did not have any RSIA arrangement with third party as at 31 December 2023.

Shariah Governance

This is disclosed in United Overseas Bank (Malaysia) Bhd's Annual Report, under the section "Corporate Governance".

No actual Shariah non-compliance event had been detected for the financial year ended 31 December 2023. As such, no Shariah non-compliant income had been recorded for the year.