Registration No: 197301000792 (14389-U)

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

PILLAR 3 DISCLOSURES

for the financial year ended 31 December 2023

Affin Hwang Investment Bank Berhad

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PILLAR 3 DISCLOSURES

Glossary

Terms	Descriptions
AHIB	Affin Hwang Investment Bank
AICB	Asian Institute of Chartered Bankers
ALCO	Asset and Liability Committee
Basel II	Basel II Capital Accord
Basel III	Basel III Capital Accord
BNM	Bank Negara Malaysia
Board	Board of Directors
BRMC	Board Risk Management Committee
CET 1	Common Equity Tier 1
CIS	Collective Investment Scheme
CMD	Credit Management Department
CRC	Credit Resolution Committee
CRF	Cyber Resilience Framework
CRM	Credit Risk Mitigation
CROC	Compliance and Risk Oversight Committee
DFIs	Development Financial Institutions
EAD	Exposure At Default
ECAIs	External Credit Assessment Institutions
ECL	Expected Credit Loss
EVE	Economic Value of Equity
Fitch	Fitch Ratings
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
GBCRRC	Group Board Credit Review and Recovery Committee
GCCO	Group Chief Credit Officer
GCM	Group Credit Management
GIA	Group Internal Audit
GMCC	Group Management Credit Committee
GRM	Group Risk Management
ICAAP	Internal Capital Adequacy Assessment Process
IRRBB	Interest Rate Risk in Banking Book
ISDA	International Swap and Derivative Association
IUC	Investment and Underwriting Committee
KRI	Key Risk Indicator
LGD	Loss Given Default
MARC	Malaysian Rating Corporation Berhad
MDBs	Multilateral Development Banks
MFRS	Malaysian Financial Reporting Standards
Moody's	Moody's Investors Service
NII	Net Interest Income
ORMU	Operational Risk Management Unit
OTC	Over-the-Counter
PD	Probability of Default
R&I	Rating and Investment Information, Inc.
R&R	Rescheduling and Restructuring
RAM	RAM Rating Services Berhad
RCSA	Risk and Control Self Assessment
RWA	Risk-Weighted Asset
RWCAF	Risk-Weighted Capital Adequacy Framework
S&P	Standard & Poor's Rating Services
SMC-GRC	Senior Management Committee - Governance, Risk and Compliance
TRMF	Technology Risk Management Framework
TRMU	Technology Risk Management Unit
VaR	Value-at-Risk

PILLAR 3 DISCLOSURES

OVERVIEW

Bank Negara Malaysia ("BNM")'s Risk-Weighted Capital Adequacy Framework ("RWCAF") (Basel II) – Disclosure Requirements (Pillar 3) aims to improve the transparency of financial institution activities and risks, which is a key element of an effectively supervised financial system.

Pillar 3 Disclosures is governed by BNM RWCAF - Pillar 3 and Capital Adequacy Framework (Capital Components) issued by BNM, which spells out the guidelines in determining the contents (including materiality, appropriateness and confidentiality), frequency, medium, location of public disclosures, as well as internal controls over the disclosure verification process.

The following disclosure information is based on 31 December 2023 financial year end data and has been independently reviewed by the Group Internal Audit. However, where the disclosure is reliant upon the disclosure in the Bank's audited financial statements, the disclosure in the audited financial statements has been subjected to the formal review and verification process by the external auditor.

The Pillar 3 Disclosures is published on the Affin Group's corporate website at https://www.affingroup.com

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PILLAR 3 DISCLOSURES

1 SCOPE OF APPLICATION

The Pillar 3 Disclosures attached herewith relates to the Bank and its subsidiaries (“the Group”) and is published for the financial year ended 31 December 2023, with comparative information for both the Bank and the Group for the financial year ended 31 December 2022.

For financial reporting purposes, the basis for consolidation of the Group financial statements is in accordance with the Malaysian Financial Reporting Standards.

The basis for accounting consolidation is disclosed in Summary of significant accounting policies for the financial year ended 31 December 2023: Note B - Consolidation of the financial statements of the Group for the financial year ended 31 December 2023. Further information on the Bank’s consolidated entities can be referenced to Note 12 of the Bank’s and the Group's financial statements.

The principal activities of the Bank are in investment banking, stockbroking activities, dealing in options and futures and related financial services.

The principal activities of the subsidiaries are investment holdings, trustee services and nominee services. There were no significant changes in the nature of these activities during the financial year.

During the financial year, the Group did not encounter any restriction or impediment in the distribution of dividends, transfer of funds or regulatory capital.

There were no capital deficiencies in any of the subsidiaries of the Group as at financial year ended 31 December 2023.

2 CAPITAL MANAGEMENT

2.1 Internal Capital Adequacy Assessment Process ('ICAAP')

In line with the BNM guideline on Risk-Weighted Capital Adequacy Framework - Internal Capital Adequacy Assessment Process (ICAAP) (Pillar 2), the Bank have instituted the ICAAP Framework (“Framework”) to assess the overall capital adequacy in relation to the nature, size and complexity of the Bank that impacts the institutional risk profile. The Framework aims to ensure that the Bank are able to maintain healthy capital levels to support strategic business priorities and forward-looking risk assessment in order to ensure that capital demand and supply is considered for both business as-usual and stressed conditions.

The Bank's capital management approach is anchored in the integration of risk management and capital planning process. The Bank operate within a Board approved Risk Appetite that ensures that business growth is done in a responsible and sustainable manner.

A key aspect of the risk management process on an enterprise-wide basis is the annual comprehensive risk assessment is undertaken by the Bank to identify and measure the following risks:

- Risks captured under Pillar 1 (credit risk, market risk and operational risk);
- Risks not fully captured under Pillar 1 (e.g. model risk); and
- Risk types not covered by Pillar 1 (e.g. credit concentration risk, interest rate risk/rate of return on banking book, reputation risk, business and strategic risk, amongst others).

Material Risk Assessment (MRA) is conducted as part of the ICAAP to identify material risks of the Bank spanning across retail, commercial, investment banking and business operations. The identification of material risks are aimed to ensure that the Bank are aware of the potential downside impact that are associated with the day-to-day running of the business. The identification of risks allows for robust management of the potential impact in the event the material risks crystalize. For each material risk identified, the Bank will ensure appropriate risk mitigation is in place and conduct regular risk monitoring to manage the risk. The management of risk across the Bank is facilitated by the Risk Management Process and it’s embedded through various risk policies and frameworks across the entities.

2.1 Internal Capital Adequacy Assessment Process ('ICAAP') (continued)

The Bank's stress testing process is guided by the Group's Stress Testing Policy. Stress testing is an essential risk management tool to assess a banking institution's potential vulnerabilities to stressed business conditions. It involves identifying possible events or future changes in the financial and macroeconomic conditions that potentially have unfavorable effects on the Group and Bank's exposure and ability to withstand such changes usually in relation to the resilience of its capital, earnings sustainability and liquidity strength.

It forms an integral part of the ICAAP and risk management process, enabling the Bank to assess the impact on its capital adequacy in line with supervisory expectations and requirements.

The Bank's stress testing has the following objectives:

- to identify and quantify vulnerabilities of the portfolio under stressed conditions;
- to develop appropriate strategies for mitigating and actively managing such risks under stressed conditions, e.g. setting of risk appetite, restructuring positions and contingency plans;
- to evaluate the capacity to withstand stressed situations in terms of solvency;
- to produce stress test results as an input in determining the internal capital threshold; and
- to ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management and the relevant committees prior to the execution of the stress test exercise.

2.2 Capital Adequacy Ratios

The capital adequacy ratios of the Group consist of total capital and risk-weighted assets derived from the consolidated financials of the Group. The Bank have adopted the following approaches to assess its regulatory capital requirements under BNM RWCAF Pillar 1:

i) Credit risk (Standardised Approach)
ii) Market risk (Standardised Approach)
iii) Operational risk (Basic Indicator Approach)

The total capital and capital adequacy ratios of the Bank are computed in accordance with BNM Capital Adequacy Framework (Capital Components) Policy updated on 15 December 2023.

As permitted under the Capital Adequacy Framework (Capital Components) Policy updated on 15 December 2023, the Bank have elected to apply transitional arrangement for four financial years beginning on 1 January 2020 and ending on 31 December 2023. Under the transitional arrangement, the amount of loss allowances measured at an amount equal to 12 months ECL and lifetime ECL to the extent they are ascribed to non-credit-impaired exposures (i.e. Stage 1 and Stage 2 provisions), are added back in the calculation of CET1 capital ratio.

In line with the Capital Adequacy Framework (Capital Components) Policy, the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio (''CET 1'') and Tier 1 Capital Ratio are 7.0% (2022: 7.0%) and 8.5% (2022: 8.5%) respectively for the financial year ended 31 December 2023. The minimum regulatory Total Capital Ratio remains at 10.5% (2022: 10.5%).

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The following table depicts the risk-weighted assets (“RWA”) and the corresponding regulatory capital requirements:

Table 1: Risk-Weighted Assets and Capital Requirements

The Group

As at 31 December 2023 **(i) Credit risk**	**Gross exposures RM’000**	**Net exposures RM’000**	**Risk Weighted Assets RM’000**	**Capital requirements RM’000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	3,987,855	3,987,855	-	-
Banks, Development Financial Institutions ("DFIs")	1,031,495	1,031,495	223,473	17,878
Insurance Companies, Securities Firms & Fund Managers	37,218	37,218	21,065	1,685
Corporates	3,058,129	1,932,079	955,744	76,460
Regulatory Retail	302,680	8,216	5,749	460
Other Assets	149,662	149,662	128,481	10,278
Defaulted Exposures	38,965	36,545	36,545	2,924
Total for on-balance sheet exposures	**8,606,004**	**7,183,070**	**1,371,057**	**109,685**
Off-Balance Sheet Exposures				
Over-the-counter (“OTC”) derivatives	399,378	399,378	145,321	11,626
Off-Balance sheet exposures other than OTC derivatives	48,599	31,610	31,884	2,551
Total for off-balance sheet exposures	**447,977**	**430,988**	**177,205**	**14,177**
Total credit risk exposures	**9,053,981**	**7,614,058**	**1,548,262**	**123,862**

(ii) Large exposures risk requirements	-	-	-	-

(iii) Market risk	**Gross exposures RM’000**		**Net exposures RM’000**	**Risk Weighted Assets RM’000**	**Capital requirements RM’000**
	Long Position RM'000	**Short Position RM'000**			
Interest rate risk	14,354,363	14,292,183	62,181	237,297	18,984
Foreign currency risk	2,402,636	2,375,597	27,040	65,546	5,244
Equity risk	89,122	976	88,146	252,365	20,189
Option risk	625	7,687	(7,062)	113	9
Total market risk exposures	**16,846,746**	**16,676,443**	**170,305**	**555,321**	**44,426**

(iv) Operational risk	**Risk Weighted Assets RM’000**	**Capital requirements RM’000**
Operational risk	828,299	66,264
Total risk-weighted assets and capital requirements	**2,931,882**	**234,552**

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Table 1: Risk-Weighted Assets and Capital Requirements (Continued)

The Bank

As at 31 December 2023 **(i) Credit risk**	**Gross exposures RM'000**	**Net exposures RM'000**	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	3,987,855	3,987,855	-	-
Banks, Development Financial Institutions ("DFIs")	1,028,945	1,028,945	222,963	17,837
Insurance Companies, Securities Firms & Fund Managers	37,218	37,218	21,065	1,685
Corporates	3,058,129	1,932,079	955,744	76,460
Regulatory Retail	302,680	8,216	5,749	460
Other Assets	148,796	148,796	127,616	10,209
Defaulted Exposures	38,965	36,545	36,545	2,924
Total for on-balance sheet exposures	**8,602,588**	**7,179,654**	**1,369,682**	**109,575**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	399,378	399,378	145,321	11,626
Off-Balance sheet exposures other than OTC derivatives	48,599	31,610	31,884	2,551
Total for off-balance sheet exposures	**447,977**	**430,988**	**177,205**	**14,177**
Total credit risk exposures	**9,050,565**	**7,610,642**	**1,546,887**	**123,752**
(ii) Large exposures risk requirements	-	-	-	-

(iii) Market risk	**Gross exposures RM'000**		**Net exposures RM'000**	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
	Long Position RM'000	**Short Position RM'000**			
Interest rate risk	14,354,363	14,292,183	62,181	237,297	18,984
Foreign currency risk	2,402,636	2,375,597	27,040	65,546	5,244
Equity risk	89,122	976	88,146	252,365	20,189
Option risk	625	7,687	(7,062)	113	9
Total market risk exposures	**16,846,746**	**16,676,443**	**170,305**	**555,321**	**44,426**

(iv) Operational risk	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
Operational risk	461,829	36,946
Total risk-weighted assets and capital requirements	**2,564,037**	**205,124**

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Table 1: Risk-Weighted Assets and Capital Requirements (Continued)

The Group

As at 31 December 2022 **(i) Credit risk**	**Gross exposures RM'000**	**Net exposures RM'000**	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	3,343,592	3,343,592	-	-
Banks, Development Financial Institutions ("DFIs")	481,310	481,310	114,981	9,198
Insurance Companies, Securities Firms & Fund Managers	36,038	36,038	19,885	1,591
Corporates	2,478,480	1,419,716	699,369	55,950
Regulatory Retail	187,637	1,857	1,195	96
Other Assets	128,689	128,689	128,655	10,292
Defaulted Exposures	41,937	35,605	53,407	4,273
Total for on-balance sheet exposures	**6,697,683**	**5,446,807**	**1,017,492**	**81,400**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	299,224	299,224	142,295	11,384
Off-Balance sheet exposures other than OTC derivatives	35,830	21,186	22,546	1,804
Total for off-balance sheet exposures	**335,054**	**320,410**	**164,841**	**13,188**
Total credit risk exposures	**7,032,737**	**5,767,217**	**1,182,333**	**94,588**

(ii) Large exposures risk requirements	-	-	-	-

(iii) Market risk	**Gross exposures RM'000**		**Net exposures RM'000**	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
	Long Position RM'000	**Short Position RM'000**			
Interest rate risk	8,894,389	8,893,315	1,073	76,359	6,109
Foreign currency risk	2,961,237	2,952,975	8,262	45,984	3,679
Equity risk	34,631	154	34,477	94,190	7,535
Option risk	-	-	-	-	-
Total market risk exposures	**11,890,257**	**11,846,444**	**43,812**	**216,533**	**17,323**

(iv) Operational risk	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
Operational risk	1,092,257	87,381
Total risk-weighted assets and capital requirements	**2,491,123**	**199,292**

Table 1: Risk-Weighted Assets and Capital Requirements (Continued)

The Bank

As at 31 December 2022 **(i) Credit risk**	**Gross exposures RM'000**	**Net exposures RM'000**	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	3,343,592	3,343,592	-	-
Banks, Development Financial Institutions ("DFIs")	478,859	478,859	114,491	9,159
Insurance Companies, Securities Firms & Fund Managers	36,038	36,038	19,885	1,591
Corporates	2,478,480	1,419,716	699,369	55,950
Regulatory Retail	187,637	1,857	1,196	96
Other Assets	127,625	127,625	127,592	10,207
Defaulted Exposures	41,937	35,605	53,407	4,273
Total for on-balance sheet exposures	**6,694,168**	**5,443,292**	**1,015,940**	**81,276**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	299,224	299,224	142,295	11,384
Off-Balance sheet exposures other than OTC derivatives	35,830	21,186	22,546	1,804
Total for off-balance sheet exposures	**335,054**	**320,410**	**164,841**	**13,188**
Total credit risk exposures	**7,029,222**	**5,763,702**	**1,180,781**	**94,464**

(ii) Large exposures risk requirements	-	-	-	-

(iii) Market risk	**Gross exposures RM'000**		**Net exposures RM'000**	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
	Long Position RM'000	**Short Position RM'000**			
Interest rate risk	8,894,389	8,893,315	1,073	76,359	6,109
Foreign currency risk	2,961,237	2,952,975	8,262	45,988	3,679
Equity risk	34,631	154	34,477	94,190	7,535
Option risk	-	-	-	-	-
Total market risk exposures	**11,890,257**	**11,846,444**	**43,812**	**216,537**	**17,323**

(iv) Operational risk	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
Operational risk	524,730	41,978

Total risk-weighted assets and capital requirements	**1,922,048**	**153,765**

2.3 Capital Structure

Regulatory capital is categorised into Common Equity Tier 1 ("CET 1") Capital, Additional Tier 1 Capital and Tier 2 Capital which are further described below:

<u>CET 1 Capital</u>
CET 1 Capital /Tier 1 Capital (Basel III) comprises ordinary paid-up share capital, statutory reserve, audited retained profits, other disclosed reserves, unrealised gains / losses on Fair Value through Other Comprehensive Income ("FVOCI") instruments and net of regulatory adjustments (namely goodwill, intangible assets, 55% of cumulative gains on FVOCI instruments, deferred tax assets, other CET 1 regulatory adjustments specified by BNM, investment in subsidiaries and investment in associates).

Share capital is the issued and fully paid share capital, with no obligation to pay a coupon or dividend to the shareholders. Retained profits and statutory reserve are accumulated reserves reported under Total Equity in the Statement of Financial Position.

<u>Additional Tier 1 Capital</u>
Additional Tier 1 Capital comprises of qualifying non-controlling interest in the Bank's consolidated entities.

<u>Tier 2 Capital</u>
Tier 2 Capital comprises of expected credit losses for financial assets, subject to a maximum of 1.25% of total Credit Risk Risk-Weighted Asset ("RWA").

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Table 2: Constituents of Eligible Capital and Capital Adequacy Ratios

	The Group		The Bank	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Common Equity Tier (CET) 1 Capital :				
Share capital	999,800	999,800	999,800	999,800
Other reserves	20,728	16,709	20,728	16,709
Retained profits	428,718	513,272	428,723	513,268
Unrealised (losses)/gains on FVOCI instruments	(26,516)	(92,555)	(26,516)	(92,555)
	1,422,730	1,437,226	1,422,735	1,437,222
Less : Regulatory adjustments				
Goodwill and other Intangible assets	(307,321)	(307,788)	(307,285)	(307,702)
Investment in associates/subsidiaries	-	-	(2,166)	(3,657)
Regulatory reserves	(20,728)	(16,709)	(20,728)	(16,709)
Deferred tax assets	(27,652)	(63,302)	(27,652)	(63,302)
Other CET1 regulatory adjustments specified by BNM	8,101	19,830	8,113	19,849
Total CET 1 Capital	1,075,130	1,069,257	1,073,017	1,065,701
Additional Tier 1 Capital				
Qualifying non-controlling interests	-	-	-	-
Total Tier 1 Capital	1,075,130	1,069,257	1,073,017	1,065,701
Tier 2 capital				
Qualifying loss provisions	19,353	14,779	19,336	14,760
Total Tier 2 capital	19,353	14,779	19,336	14,760
Total Capital	1,094,483	1,084,036	1,092,353	1,080,461
Proposed dividends	-	-	-	-
Capital Ratio				
With transitional arrangements:				
CET 1 Capital Ratio	36.670%	42.923%	41.849%	55.446%
Tier 1 Capital Ratio	36.670%	42.923%	41.849%	55.446%
Total Capital Ratio	37.330%	43.516%	42.603%	56.214%
Before transitional arrangements:				
CET 1 Capital Ratio	36.394%	42.127%	41.532%	54.413%
Tier 1 Capital Ratio	36.394%	42.127%	41.532%	54.413%
Total Capital Ratio	37.054%	42.720%	42.286%	55.181%
Credit risk	1,548,262	1,182,333	1,546,887	1,180,781
Market risk	555,321	216,533	555,321	216,537
Operational risk	828,299	1,092,257	461,829	524,730
Total RWA	2,931,882	2,491,123	2,564,037	1,922,048

3 RISK MANAGEMENT

As a full-fledged investment bank, the Bank has in place, a robust and comprehensive risk management framework and policies, which are based on best practices, to ensure that the risk elements in the operations of the Bank are adequately managed and mitigated. The Bank's framework for the management of financial risks is congruent with the primary corporate objective of creating and enhancing shareholder's value, guided by a prudent and robust framework of risk management methodologies and policies.

The Bank's risk management framework and policies are reviewed periodically to ensure that they are comprehensive in addressing the multi-faceted risks associated with the investment banking sector.

Group Risk Management ("GRM") is primarily responsible for the development and maintenance of the risk management framework and policies of the Affin Banking Group and supports the functions of the Asset and Liability Committee ("ALCO"), Senior Management Committe - Governance Risk and Compliance ("SMC-GRC") (formerly known as Compliance and Risk Oversight Committee ("CROC")), Board Risk Management Committee ("BRMC") as well as Group Board and Management committees of the Affin Banking Group.

4 CREDIT RISK

Credit risk is the risk that a counterparty will fail to meet its contractual obligations which could result in a financial loss to the Bank. The Bank's exposure to credit risks arises primarily from loans, advances and financing, stockbroking trade receivables, share margin financing, securities borrowing and lending, corporate/inter-bank lending activities, bond/sukuk investments, foreign exchange trading, equity and debt underwriting as well as from participation in securities settlements and payment transactions.

The management of credit risk is governed by a set of approved credit policies, guidelines and procedures to ensure that the overall lending objectives are in compliance with internal and regulatory requirements. The risk management policies are subject to review by BRMC, a sub-committee of the Board that reviews the adequacy of the Bank’s risk policies and framework. The Bank’s credit risk framework is further strengthened through an established process for the approval and review of proposals that comprises of Group Management Credit Committee (“GMCC”) and Group Board Credit Review and Recovery Committee (“GBCRRC”). The GMCC represents the approving authority for credit and underwriting proposals, whilst GBCRRC is the committee that reviews proposals that exceed specified limits and criteria, as well as considers whether to veto the approval by GMCC on the proposal or modify the terms of the proposal.

The Bank recognises that learning is a continuous journey and is committed to enhancing the knowledge and skills set of its staff. It places strong emphasis on creating and enhancing risk awareness in the organisation.

The Bank is supportive of credit officers pursuing credit certification programme Chartered Banker offered by the Asian Institute of Chartered Bankers (“AICB”). Upon attaining the Chartered Banker certification, credit officers are expected to demonstrate a sound understanding of the credit process and competence to undertake credit roles and responsibilities.

Credit Risk Evaluation

Credit evaluation is the process of analysing the creditworthiness of a prospective counterparty against the Bank’s underwriting criteria and the ability of the Bank to make a return commensurate to the level of risk undertaken. Apart from conducting a holistic risk assesment on the prospective counterparty, a critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. The Bank has developed internal rating models to support the assessment and quantification of credit risk.

A number of qualitative and quantitative factors are taken into consideration in the identification and analysis of a counterparty’s credit risk. Each counterparty is assigned a credit rating which considers factors such as competitive position, operating performance, cash flow financial strength and management strength.

All corporate lending, underwritings and corporate debt securities investments are independently evaluated by the Bank’s credit management function and approved by the relevant approving authorities based on the Authority Matrix approved by the Board.

For share margin financing, the credit decisions are guided by an internally developed rating scorecard as well as other terms and conditions stipulated in the Bank’s Margin Financing Policy. The credit risk of share margin financing is largely mitigated by the holding of collateral in the form of marketable securities.

Credit risk limit control and mitigation policies

The Bank employs various policies and practices to control and mitigate credit risk.

Lending limits

The Bank establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single counterparty exposure, connected parties, and industry segments. These risks are monitored regularly and the limits are reviewed annually or sooner depending on the changing market and economic conditions.

The credit risk exposure for derivatives due to potential exposure arising from market movements, and loan books are managed on an aggregated basis as part of the overall lending limits with customers.

Collateral

Credits are established against customer's capacity to pay rather than to rely solely on collateral. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and ascribed value by the Bank are:
- Mortgages over residential real estate;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business properties, equipment and fixed deposits, debentures, personal guarantees and corporate guarantees; and
- Charges over financial instruments such as marketable securities.

Where relevant, the Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

Term loan financing and lending to corporate entities are generally secured whilst, revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans, advances and financing depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank closely monitors collateral held for financial assets that are credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown in Note 44 of the Audited Financial Statements.

Guarantees

A guarantee is a legally binding contractual commitment made to the Bank that ensures that the guarantor is legally responsible to meet the obligations of a borrower in the event the borrower fails to pay.

The Bank may substitute its exposure to the direct counterparty with an exposure to the guarantor or protection provided that the guarantor or protection provider is of a better rating than the direct counterparty, and that the guarantee or the protection is irrevocable and uinconditional. However, where the direct counterparty and the guarantor or protection provider are connected, the exposure shall be treated as a single group exposure.

Offsetting financial instruments

The Bank also uses legal agreements to reduce credit risk, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Derivatives

The Bank mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash.

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans/financing, guarantees or letters of credit. Unutilised credits give rise to potential or contingent credit losses to the Bank in an amount equal to the total unutilised commitments. The Bank manages and mitigates the amount of potential and contingent losses arising from unutilised credit lines by imposing minimum specific credit standards on counterparties.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit Risk Measurement

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates, so for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically takes into consideration a number of relevant factors when identifying and analysing of counterparty credit risk. These factors determines the credit rating under the Credit Risk Grading Policy, which considers factors such as competitive position, operating performance, cash flow strength and management strength. The Bank's leverages on its holding company, Affin Bank Berhad's models for loans, advances and financing and bonds.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk is presumed if a borrower/issuer is more than 30 days past due. Days past due are determined by counting the number of days or month since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Measurement of Expected Credit Loss ("ECL")

The Group and the Bank use three categories for recognising ECL:

Category	Definition	Basis for recognising
Performing accounts (Stage 1)	• Financial assets that do not have significant increase in credit risk since initial recognition of the asset and therefore, less likely to default; • Performing accounts with credit grade 13 or better; • Accounts past due less than or equal to 30 days; or • For early control acounts that have risk or potential weakness which if left unchecked, may result in significant deterioration of repayment prospect and transfer to Underperforming status (Stage 2) or worse.	12 months ECL
Underperforming accounts (Stage 2)	• An account with significant increase in credit risk since initial recognition and if left uncorrected, may result in impairment of the account within the next 12 months; • Accounts past due more than 30 days or 1 month but less than 90 days or 3 months; • Account demonstrating critical level of risk and therefore, credit graded to 14 and place under Watchlist or; • Restructuring and rescheduling ("R&R") with significant increase in credit risk.	Lifetime ECL - not credit impaired
Impaired accounts (Stage 3)	• Impaired credit; • Credit grade 15 or worse; • Accounts past due more than 90 days or 3 months; or. • R&R which has resulted in a reclassification to Stage 3.	Lifetime ECL - credit impaired

The Bank have not used the low credit risk exemption for any financial instrument for the financial year ended 31 December 2023 and 31 December 2022.

Measurement of Expected Credit Loss ("ECL") (Continued)

The key inputs into the measurement of ECL comprise the following variables:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described in the “Incorporation of forward-looking information” section.

PD is the likelihood of a counterparty defaulting on its contractual obligations to a financial institution over a given time horizon and are estimates at a certain date, which are calculated based on statistical models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes or changes in past due status, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

Credit risk grades and past due status are a primary input into the determination of the term structure of PD for exposures. The Bank’s holding company collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies are also used.

The Bank leverages on its holding company's statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

LGD is the magnitude of the likely loss if there is a default. LGD parameters are estimated based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

ECL is determined by projecting the PD, LGD and EAD at each future point on a yearly basis on individual exposure, or collective segment, and discounting these monthly expected losses back to the reporting date. The discount rate used in the ECL calculation is the original interest rate or an approximation thereof.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Measurement of Expected Credit Loss ("ECL") (Continued)

Forward looking economic information is also included in determining the 12-month and lifetime PD, LGD and EAD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- product/instrument type;
- past due status;
- credit risk grading;
- collateral type;
- date of initial recognition; and
- remaining term to maturity.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

There have been no significant changes in estimation technique or significant assumptions made during the reporting period that have material impact to the ECL.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios are formulated.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 3 years and above.

Credit risk monitoring

Corporate credits and large individual accounts are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. This is to ensure that the credit grades remain appropriate and to detect any signs of weaknesses or deterioration in the credit quality. Appropriate remedial action is taken where evidence of deterioration exists.

Significant Increase in Credit Risk process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-performing.

The Bank adopts the Group’s MFRS 9 - Stage Transfer Policy to provide guidance in determining significant increases in credit risk of financial assets. There are 3 stages to differentiate the credit risk of financial assets in conjunction with MFRS 9 standards: Performing Accounts (Stage 1), Underperforming Accounts (Stage 2) and Impaired Accounts (Stage 3).

Credit risk monitoring (Continued)

Active portfolio monitoring as well as exceptions reporting is in place to manage the overall risk profile, identify, analyze and mitigate adverse trends or specific areas of risk concerns. The Affin Banking Group's Early Alert Committee ("GEAC") is a senior management committee, established to monitor credit quality through monthly reviews of the Early Control (Stage 1) and Underperforming (Stage 2) accounts as well as to review the actions taken to address the emerging risks and issues in these accounts.

The Bank conducts post-mortem reviews on newly impaired loans to determine the key reason(s) and/or driver(s) leading to the account being classified as impaired, take appropriate remedial actions or measures and establish lessons learned to minimize potential or future credit loss from similar or repeat events.

In addition, an independent credit review is undertaken by GRM to ensure that credit decision-making is consistent with the Bank's overall credit risk appetite and strategy.

Maximum exposure to credit risk

For financial assets recognised in the statements of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposures to credit risk is the maximum amount that the Group and the Bank would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

All financial assets of the Bank are subject to credit risk except for cash in hand, equity securities held as financial assets at FVTPL or as financial investments at FVOCI, as well as non-financial assets.

Whilst the Bank’s maximum exposure to credit risk is the carrying value of the assets, or in the case of off-balance sheet items, the amount guaranteed, committed or accepted, in most cases the likely exposure is reduced by collateral, credit enhancements and other actions taken to mitigate the credit exposure.

4.1 Distribution of Credit Exposures

(i) The following table depicts the geographical distribution of the Bank’s gross credit exposures, based on the country of incorporation or residence:

Table 3: Gross Credit Exposures by Geographical Distribution

The Group

As at 31 December 2023 Exposure Class	Malaysia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereign / Central Banks	3,987,855	-	**3,987,855**
Banks, DFIs & MDBs	965,225	66,270	**1,031,495**
Insurance Companies, Securities Firms & Fund Managers	37,218	-	**37,218**
Corporates	3,027,715	30,414	**3,058,129**
Regulatory Retail	302,680	-	**302,680**
Other assets	149,662	-	**149,662**
Defaulted Exposures	38,965	-	**38,965**
Total On-Balance Sheet Exposures	**8,509,320**	**96,684**	**8,606,004**
Off-Balance Sheet Exposures			
OTC Derivatives	399,378	-	**399,378**
Off-Balance sheet exposures other than OTC derivatives	48,599	-	**48,599**
Total Off-Balance Sheet Exposures	**447,977**	**-**	**447,977**
Total Gross Credit Exposures	**8,957,297**	**96,684**	**9,053,981**

The Bank

As at 31 December 2023 Exposure Class	Malaysia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereign / Central Banks	3,987,855	-	**3,987,855**
Banks, DFIs & MDBs	962,675	66,270	**1,028,945**
Insurance Companies, Securities Firms & Fund Managers	37,218	-	**37,218**
Corporates	3,027,715	30,414	**3,058,129**
Regulatory Retail	302,680	-	**302,680**
Other assets	148,796	-	**148,796**
Defaulted Exposures	38,965	-	**38,965**
Total On-Balance Sheet Exposures	**8,505,904**	**96,684**	**8,602,588**
Off-Balance Sheet Exposures			
OTC Derivatives	399,378	-	**399,378**
Off-Balance sheet exposures other than OTC derivatives	48,599	-	**48,599**
Total Off-Balance Sheet Exposures	**447,977**	**-**	**447,977**
Total Gross Credit Exposures	**8,953,881**	**96,684**	**9,050,565**

Table 3: Gross Credit Exposures by Geographical Distribution (Continued)

The Group

As at 31 December 2022 **Exposure Class**	**Malaysia** **RM'000**	**Other Countries** **RM'000**	**Total** **RM'000**
On-Balance Sheet Exposures			
Sovereign / Central Banks	3,343,592	-	**3,343,592**
Banks, DFIs & MDBs	466,294	15,016	**481,310**
Insurance Companies, Securities Firms & Fund Managers	36,038	-	**36,038**
Corporates	2,448,063	30,417	**2,478,480**
Regulatory Retail	187,637	-	**187,637**
Other assets	128,459	230	**128,689**
Defaulted Exposures	41,937	-	**41,937**
Total On-Balance Sheet Exposures	**6,652,020**	**45,663**	**6,697,683**
Off-Balance Sheet Exposures			
OTC Derivatives	299,224	-	**299,224**
Off-Balance sheet exposures other than OTC derivatives	35,830	-	**35,830**
Total Off-Balance Sheet Exposures	**335,054**	**-**	**335,054**
Total Gross Credit Exposures	**6,987,074**	**45,663**	**7,032,737**

The Bank

As at 31 December 2022 **Exposure Class**	**Malaysia** **RM'000**	**Other Countries** **RM'000**	**Total** **RM'000**
On-Balance Sheet Exposures			
Sovereign / Central Banks	3,343,592	-	**3,343,592**
Banks, DFIs & MDBs	463,843	15,016	**478,859**
Insurance Companies, Securities Firms & Fund Managers	36,038	-	**36,038**
Corporates	2,448,063	30,417	**2,478,480**
Regulatory Retail	187,637	-	**187,637**
Other assets	127,395	230	**127,625**
Securitisation	-	-	**-**
Defaulted Exposures	41,937	-	**41,937**
Total On-Balance Sheet Exposures	**6,648,505**	**45,663**	**6,694,168**
Off-Balance Sheet Exposures			
OTC Derivatives	299,224	-	**299,224**
Off-Balance sheet exposures other than OTC derivatives	35,830	-	**35,830**
Total Off-Balance Sheet Exposures	**335,054**	**-**	**335,054**
Total Gross Credit Exposures	**6,983,559**	**45,663**	**7,029,222**

(ii) The following table depicts the Bank's gross credit exposures by sector analysis or industrial distribution:

Table 4: Gross Credit Exposures by Sectorial Analysis or Industrial Distribution

The Group **As at 31 December 2023**	**Primary Agriculture**	**Mining and Quarrying**	**Manufacturing (including Agro-based)**	**Electricity, Gas and Water Supply**	**Construction**	**Wholesale, Retail Trade, Restaurants and Hotels**	**Transport, Storage and Communication**	**Finance, Insurance and Business Activities**	**Real Estate**	**Education, Health and Others**	**Household**	**Others**	**Total**
Exposure class	**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**
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	343,679	-	294,564	2,918,490	-	127,048	-	304,074	**3,987,855**
Banks, DFIs & MDBs	-	-	-	-	-	-	-	1,031,495	-	-	-	-	**1,031,495**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	37,218	-	-	-	-	**37,218**
Corporates	73,508	-	114,587	210,105	287,075	107,419	115,300	868,673	225,451	16,335	838,126	201,550	**3,058,129**
Regulatory Retail	-	-	-	-	-	1,273	-	1,006	1,611	-	298,790	-	**302,680**
Other assets	-	-	-	-	-	-	-	24,759	-	-	-	124,903	**149,662**
Defaulted Exposures	-	-	-	-	36,545	-	-	-	2,420	-	-	-	**38,965**
Total On-Balance Sheet Exposures	**73,508**	**-**	**114,587**	**210,105**	**667,299**	**108,692**	**409,864**	**4,881,641**	**229,482**	**143,383**	**1,136,916**	**630,527**	**8,606,004**
Off-Balance Sheet Exposures													
OTC Derivatives	-	-	-	-	-	-	-	399,378	-	-	-	-	**399,378**
Off-Balance sheet exposures other than OTC derivatives	-	-	-	-	31,132	663	1,823	1,207	-	-	13,774	-	**48,599**
Total Off-Balance Sheet Exposures	**-**	**-**	**-**	**-**	**31,132**	**663**	**1,823**	**400,585**	**-**	**-**	**13,774**	**-**	**447,977**
Total Gross Credit Exposures	**73,508**	**-**	**114,587**	**210,105**	**698,431**	**109,355**	**411,687**	**5,282,226**	**229,482**	**143,383**	**1,150,690**	**630,527**	**9,053,981**

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Table 4: Gross Credit Exposures by Sectorial Analysis or Industrial Distribution (Continued)

The Bank **As at 31 December 2023**	**Primary Agriculture**	**Mining and Quarrying**	**Manufacturing (including Agro-based)**	**Electricity, Gas and Water Supply**	**Construction**	**Wholesale, Retail Trade, Restaurants and Hotels**	**Transport, Storage and Communication**	**Finance, Insurance and Business Activities**	**Real Estate**	**Education, Health and Others**	**Household**	**Others**	**Total**
Exposure class	**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**
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	343,679	-	294,564	2,918,490	-	127,048	-	304,074	**3,987,855**
Banks, DFIs & MDBs	-	-	-	-	-	-	-	1,028,945	-	-	-	-	**1,028,945**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	37,218	-	-	-	-	**37,218**
Corporates	73,508	-	114,587	210,105	287,075	107,419	115,300	868,673	225,451	16,335	838,126	201,550	**3,058,129**
Regulatory Retail	-	-	-	-	-	1,273	-	1,006	1,611	-	298,790	-	**302,680**
Other assets	-	-	-	-	-	-	-	24,759	-	-	-	124,037	**148,796**
Defaulted Exposures	-	-	-	-	36,545	-	-	-	2,420	-	-	-	**38,965**
Total On-Balance Sheet Exposures	**73,508**	**-**	**114,587**	**210,105**	**667,299**	**108,692**	**409,864**	**4,879,091**	**229,482**	**143,383**	**1,136,916**	**629,661**	**8,602,588**
Off-Balance Sheet Exposures													
OTC Derivatives	-	-	-	-	-	-	-	399,378	-	-	-	-	**399,378**
Off-Balance sheet exposures other than OTC derivatives	-	-	-	-	31,132	663	1,823	1,207	-	-	13,774	-	**48,599**
Total Off-Balance Sheet Exposures	**-**	**-**	**-**	**-**	**31,132**	**663**	**1,823**	**400,585**	**-**	**-**	**13,774**	**-**	**447,977**
Total Gross Credit Exposures	**73,508**	**-**	**114,587**	**210,105**	**698,431**	**109,355**	**411,687**	**5,279,676**	**229,482**	**143,383**	**1,150,690**	**629,661**	**9,050,565**

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Table 4: Gross Credit Exposures by Sectorial Analysis or Industrial Distribution (Continued)

The Group As at 31 December 2022 Exposure class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing (including Agro-based) RM'000	Electricity, Gas and Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants and Hotels RM'000	Transport, Storage and Communication RM'000	Finance, Insurance and Business Activities RM'000	Real Estate RM'000	Education, Health and Others RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	50,514	361,620	-	293,556	2,262,531	-	150,434	-	224,937	**3,343,592**
Banks, DFIs & MDBs	-	-	-	-	-	-	-	481,310	-	-	-	-	**481,310**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	36,038	-	-	-	-	**36,038**
Corporates	114,724	-	96,520	99,091	276,902	108,343	103,545	684,283	158,750	7,808	678,500	150,014	**2,478,480**
Regulatory Retail	-	-	92	-	53	2,350	-	1,005	-	-	184,137	-	**187,637**
Other assets	-	-	-	-	-	-	-	23,914	-	230	-	104,545	**128,689**
Defaulted Exposures	-	-	-	-	35,605	-	-	-	6,332	-	-	-	**41,937**
Total On-Balance Sheet Exposures	**114,724**	**-**	**96,612**	**149,605**	**674,180**	**110,693**	**397,101**	**3,489,081**	**165,082**	**158,472**	**862,637**	**479,496**	**6,697,683**
Off-Balance Sheet Exposures													
OTC Derivatives	-	-	-	-	-	-	-	299,224	-	-	-	-	**299,224**
Off-Balance sheet exposures other than OTC derivatives	-	-	-	-	21,186	-	1,823	1,077	-	-	11,744	-	**35,830**
Defaulted Exposures	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Total Off-Balance Sheet Exposures	**-**	**-**	**-**	**-**	**21,186**	**-**	**1,823**	**300,301**	**-**	**-**	**11,744**	**-**	**335,054**
Total Gross Credit Exposures	**114,724**	**-**	**96,612**	**149,605**	**695,366**	**110,693**	**398,924**	**3,789,382**	**165,082**	**158,472**	**874,381**	**479,496**	**7,032,737**

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Table 4: Gross Credit Exposures by Sectorial Analysis or Industrial Distribution (Continued)

The Bank As at 31 December 2022	Primary Agriculture	Mining and Quarrying	Manufacturing (including Agro-based)	Electricity, Gas and Water Supply	Construction	Wholesale, Retail Trade, Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance and Business Activities	Real Estate	Education, Health and Others	Household	Others	Total
Exposure class	**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**
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	50,514	361,620	-	293,556	2,262,531	-	150,434	-	224,937	**3,343,592**
Banks, DFIs & MDBs	-	-	-	-	-	-	-	478,859	-	-	-	-	**478,859**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	36,038	-	-	-	-	**36,038**
Corporates	114,724	-	96,520	99,091	276,902	108,343	103,545	684,283	158,750	7,808	678,500	150,014	**2,478,480**
Regulatory Retail	-	-	92	-	53	2,350	-	1,005	-	-	184,137	-	**187,637**
Other assets	-	-	-	-	-	-	-	23,914	-	230	-	103,481	**127,625**
Defaulted Exposures	-	-	-	-	35,605	-	-	-	6,332	-	-	-	**41,937**
Total On-Balance Sheet Exposures	**114,724**	**-**	**96,612**	**149,605**	**674,180**	**110,693**	**397,101**	**3,486,630**	**165,082**	**158,472**	**862,637**	**478,432**	**6,694,168**
Off-Balance Sheet Exposures													
OTC Derivatives	-	-	-	-	-	-	-	299,224	-	-	-	-	**299,224**
Off-Balance sheet exposures other than OTC derivatives	-	-	-	-	21,186	-	1,823	1,077	-	-	11,744	-	**35,830**
Defaulted Exposures	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Total Off-Balance Sheet Exposures	**-**	**-**	**-**	**-**	**21,186**	**-**	**1,823**	**300,301**	**-**	**-**	**11,744**	**-**	**335,054**
Total Gross Credit Exposures	**114,724**	**-**	**96,612**	**149,605**	**695,366**	**110,693**	**398,924**	**3,786,931**	**165,082**	**158,472**	**874,381**	**478,432**	**7,029,222**

(iii) The following table depicts the Bank’s gross credit exposures analysed by residual contractual maturity analysis:

Table 5: Gross Credit Exposures by Residual Contractual Maturity Analysis

The Group

As at 31 December 2023 Exposure class	< 1 year RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
On-Balance Sheet Exposures					
Sovereign/Central Banks	785,224	1,263,017	1,808,971	130,643	**3,987,855**
Banks, DFIs & MDBs	834,757	180,655	16,083	-	**1,031,495**
Insurance Companies, Securities Firms & Fund Managers	12,675	24,543	-	-	**37,218**
Corporates	1,824,319	707,521	510,798	15,491	**3,058,129**
Regulatory Retail	296,686	1,107	4,887	-	**302,680**
Other assets	-	-	-	149,662	**149,662**
Defaulted Exposures	18,032	-	20,933	-	**38,965**
Total On-Balance Sheet Exposures	**3,771,693**	**2,176,843**	**2,361,672**	**295,796**	**8,606,004**
Off-Balance Sheet Exposures					
OTC Derivatives	288,280	111,098	-	-	**399,378**
Off-Balance sheet exposures other than OTC derivatives	48,440	-	159	-	**48,599**
Total Off-Balance Sheet Exposures	**336,720**	**111,098**	**159**	**-**	**447,977**
Total Gross Credit Exposures	**4,108,413**	**2,287,941**	**2,361,831**	**295,796**	**9,053,981**

The Bank

As at 31 December 2023 Exposure class	< 1 year RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
On-Balance Sheet Exposures					
Sovereign/Central Banks	785,224	1,263,017	1,808,971	130,643	**3,987,855**
Banks, DFIs & MDBs	832,207	180,655	16,083	-	**1,028,945**
Insurance Companies, Securities Firms & Fund Managers	12,675	24,543	-	-	**37,218**
Corporates	1,824,319	707,521	510,798	15,491	**3,058,129**
Regulatory Retail	296,686	1,107	4,887	-	**302,680**
Other assets	-	-	-	148,796	**148,796**
Defaulted Exposures	18,032	-	20,933	-	**38,965**
Total On-Balance Sheet Exposures	**3,769,143**	**2,176,843**	**2,361,672**	**294,930**	**8,602,588**
Off-Balance Sheet Exposures					
OTC Derivatives	288,280	111,098	-	-	**399,378**
Off-Balance sheet exposures other than OTC derivatives	48,440	-	159	-	**48,599**
Total Off-Balance Sheet Exposures	**336,720**	**111,098**	**159**	**-**	**447,977**
Total Gross Credit Exposures	**4,105,863**	**2,287,941**	**2,361,831**	**294,930**	**9,050,565**

Table 5: Gross Credit Exposures by Residual Contractual Maturity Analysis (Continued)

The Group

As at 31 December 2022 Exposure class	< 1 year RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
On-Balance Sheet Exposures					
Sovereign/Central Banks	55,729	1,922,881	1,262,901	102,081	**3,343,592**
Banks, DFIs & MDBs	396,730	84,563	17	-	**481,310**
Insurance Companies, Securities Firms & Fund Managers	14,594	21,444	-	-	**36,038**
Corporates	1,444,412	758,462	275,724	(118)	**2,478,480**
Regulatory Retail	186,377	912	348	-	**187,637**
Other assets	-	-	-	128,689	**128,689**
Defaulted Exposures	16,286	-	25,651	-	**41,937**
Total On-Balance Sheet Exposures	**2,114,128**	**2,788,262**	**1,564,641**	**230,652**	**6,697,683**
Off-Balance Sheet Exposures					
OTC Derivatives	160,853	138,371	-	-	**299,224**
Off-Balance sheet exposures other than OTC derivatives	35,830	-	-	-	**35,830**
Total Off-Balance Sheet Exposures	**196,683**	**138,371**	**-**	**-**	**335,054**
Total Gross Credit Exposures	**2,310,811**	**2,926,633**	**1,564,641**	**230,652**	**7,032,737**

The Bank

As at 31 December 2022 Exposure class	< 1 year RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
On-Balance Sheet Exposures					
Sovereign/Central Banks	55,729	1,922,881	1,262,901	102,081	**3,343,592**
Banks, DFIs & MDBs	394,279	84,563	17	-	**478,859**
Insurance Companies, Securities Firms & Fund Managers	14,594	21,444	-	-	**36,038**
Corporates	1,444,294	758,462	275,724	-	**2,478,480**
Regulatory Retail	186,377	912	348	-	**187,637**
Other assets	-	-	-	127,625	**127,625**
Defaulted Exposures	16,286	-	25,651	-	**41,937**
Total On-Balance Sheet Exposures	**2,111,559**	**2,788,262**	**1,564,641**	**229,706**	**6,694,168**
Off-Balance Sheet Exposures					
OTC Derivatives	160,853	138,371	-	-	**299,224**
Off-Balance sheet exposures other than OTC derivatives	35,830	-	-	-	**35,830**
Total Off-Balance Sheet Exposures	**196,683**	**138,371**	**-**	**-**	**335,054**
Total Gross Credit Exposures	**2,308,242**	**2,926,633**	**1,564,641**	**229,706**	**7,029,222**

4.2 Past Due And Impaired Loans, Advances And Financing

All loans and advances are categorised into "neither past due nor impaired", "past due but not impaired" and "impaired".

Past due loans refer to loans and advances that are overdue by one day or more.

Loans and advances are classified impaired when they fulfill any of the following criteria:

i) the principal or interest/profit or both is past due more than 90 days or 3 months from the first day of default; or

ii) where the account is in arrears for less than 90 days or 3 months, there is evidence of impairment to indicate that the borrower/customer is "unlikely to meet" its credit obligations; or

iii) the loan/financing is classified as resheduled and restructured in the Central Credit Reference Information System.

Regulatory reserve requirements

Pursuant to BNM Financial Reporting policy dated 29 April 2022, the Bank shall maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of all credit exposures, net of loss allowance for credit-impaired exposures.

(i) The sectorial analysis of loans, advances and financing and the expected credit loss by sectors are depicted below:

Table 6: Loans, Advances and Financing by Sectorial Analysis

The Group and The Bank	< ------------------------ Gross Carrying Amount	---------------------- >		
	Neither past due nor impaired		Impaired	
	Stage 1	Stage 2	Stage 3	
As at 31 December 2023				**Total**
By Sector	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Agriculture	18,274	-	-	**18,274**
Mining and Quarrying	-	-	-	**-**
Manufacturing	11,244	15,491	-	**26,735**
Electricity, Gas and Water Supply	587	-	-	**587**
Construction	134,020	12,613	47,359	**193,992**
Wholesale, retail trade, hotels and restaurants	1,273	5,856	-	**7,129**
Transport, Storage and Communication	30,544	24,101	-	**54,645**
Finance, Insurance and Business Services	399,936	-	-	**399,936**
Real Estate	126,004	-	23,929	**149,933**
Education, Health and Others	16,335	-	-	**16,335**
Household	1,136,917	-	-	**1,136,917**
Total	**1,875,134**	**58,061**	**71,288**	**2,004,483**

Table 6: Loans, Advances and Financing by Sectorial Analysis (Continued)

	< -------------------- Expected Credit Losses (ECL) -------------------- >			
	Neither past due nor impaired		Impaired	
The Group and The Bank	**Stage 1**	**Stage 2**	**Stage 3**	
As at 31 December 2023				**Total**
By Sector	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Agriculture	34	-	-	**34**
Mining and Quarrying	-	-	-	**-**
Manufacturing	2	12,922	-	**12,924**
Electricity, Gas and Water Supply	-	-	-	**-**
Construction	78	18	10,813	**10,909**
Wholesale, Retail Trade, Restaurants and Hotels	-	524	-	**524**
Transport, Storage and Communication	5	3,964	-	**3,969**
Finance, Insurance and Business Services	64	-	-	**64**
Real Estate	581	-	21,509	**22,090**
Education, Health and Others	2	-	-	**2**
Household	187	-	-	**187**
Total	**953**	**17,428**	**32,322**	**50,703**

Table 6: Loans, Advances and Financing by Sectorial Analysis (Continued)

The Group and The Bank	< ------------------------ Gross Carrying Amount			------------------------ >
	Neither past due nor impaired		Impaired	
	Stage 1	Stage 2	Stage 3	
As at 31 December 2022				**Total**
By Sector	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Agriculture	28,428	-	-	**28,428**
Mining and Quarrying	-	-	2,127	**2,127**
Manufacturing	92	20,141	4,110	**24,343**
Electricity, Gas and Water Supply	9	-	-	**9**
Construction	170,787	-	44,117	**214,904**
Wholesale, Retail Trade, Restaurants and Hotels	2,350	7,682	-	**10,032**
Transport, Storage and Communication	51,799	31,538	-	**83,337**
Finance, Insurance and Business Services	284,878	-	-	**284,878**
Real Estate	88,272	-	27,971	**116,243**
Education, Health and Others	7,808	-	-	**7,808**
Household	862,636	-	-	**862,636**
Total	**1,497,059**	**59,361**	**78,325**	**1,634,745**

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Table 6: Loans, Advances and Financing by Sectorial Analysis (Continued)

	< -------------------- Expected Credit Losses (ECL) -------------------- >			
	Neither past due nor impaired		Impaired	
The Group and The Bank	**Stage 1**	**Stage 2**	**Stage 3**	
As at 31 December 2022				**Total**
By Sector	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Agriculture	98	-	-	**98**
Mining and Quarrying	-	-	2,127	**2,127**
Manufacturing	-	20,141	4,110	**24,251**
Electricity, Gas and Water Supply	-	-	-	**-**
Construction	1,004	-	8,512	**9,516**
Wholesale, Retail Trade, Restaurants and Hotels	-	1,873	-	**1,873**
Transport, Storage and Communication	25	4,755	-	**4,780**
Finance, Insurance and Business Services	57	-	-	**57**
Real Estate	209	-	21,640	**21,849**
Education, Health and Others	2	-	-	**2**
Household	187	-	-	**187**
Total	**1,582**	**26,769**	**36,389**	**64,740**

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(ii) The geographic analysis of loans, advances and financing and the expected credit loss by geographical distribution can be analysed as follows:

Table 7: Loans, Advances And Financing By Geographic Distribution

The Group and The Bank	< ------------------------ **Gross Carrying Amount**		---------------------- >	
	Neither past due nor impaired		**Impaired**	
	Stage 1	**Stage 2**	**Stage 3**	
As at 31 December 2023				**Total**
By Geographic Distribution	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	1,875,134	58,061	71,288	**2,004,483**
Other Countries	-	-	-	**-**
Total	**1,875,134**	**58,061**	**71,288**	**2,004,483**

The Group and The Bank	< -------------------- **Expected Credit Losses (ECL)**		-------------------- >	
	Neither past due nor impaired		**Impaired**	
	Stage 1	**Stage 2**	**Stage 3**	
As at 31 December 2023				**Total**
By Geographical Distribution	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	953	17,428	32,322	**50,703**
Other Countries	-	-	-	**-**
Total	**953**	**17,428**	**32,322**	**50,703**

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Table 7: Loans, Advances And Financing By Geographic Distribution (Continued)

The Group and The Bank	< ---------- Gross Carrying Amount	---------- >		
	Neither past due nor impaired		Impaired	
	Stage 1	Stage 2	Stage 3	
As at 31 December 2022				**Total**
By Geographic Distribution	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	1,497,059	59,361	78,325	**1,634,745**
Other Countries	-	-	-	**-**
Total	**1,497,059**	**59,361**	**78,325**	**1,634,745**

The Group and The Bank	< ---------- Expected Credit Losses (ECL)	---------- >		
	Neither past due nor impaired		Impaired	
	Stage 1	Stage 2	Stage 3	
As at 31 December 2022				**Total**
By Geographical Distribution	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	1,582	26,769	36,389	**64,740**
Other Countries	-	-	-	**-**
Total	**1,582**	**26,769**	**36,389**	**64,740**

(iii) The table below depicts the movement of expected credit losses:

Table 8: Movement in expected credit loss for Loans, Advances & Financing

The Group and The Bank

As at 31 December 2023	**12 Month ECL Stage 1 RM'000**	**Lifetime ECL Not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
Expected credit loss				
At beginning of the financial year	1,582	26,769	36,389	**64,740**
Transfer between stages	(219)	219	-	**-**
Loans derecognised during the financial year (other than write-offs)	(205)	-	(3,172)	**(3,377)**
New loans originated or purchased	222	-	-	**222**
Changes due to change in credit risk	(165)	(9,362)	(4,256)	**(13,783)**
Changes in models/risk parameters	(263)	(198)	-	**(461)**
Other adjustments:				
- Foreign exchange and other adjustments	1	-	3,361	**3,362**
At the end of the financial year	**953**	**17,428**	**32,322**	**50,703**

The Group and The Bank

As at 31 December 2022	**12 Month ECL Stage 1 RM'000**	**Lifetime ECL Not Credit Impaired Stage 2 RM'000**	**Lifetime ECL Credit Impaired Stage 3 RM'000**	**Total RM'000**
Expected credit loss				
At beginning of the financial year	1,045	22,304	32,752	**56,101**
Transfer between stages	-	-	-	**-**
Loans derecognised during the financial year				**-**
(other than write-offs)	(27)	-	(4,470)	**(4,497)**
New loans originated or purchased	914	-	-	**914**
Changes due to change in credit risk	(351)	4,465	329	**4,443**
Changes in models/risk parameters	-	-	-	**-**
Write-off	-	-	-	**-**
Other adjustments:				
- Foreign exchange and other adjustments	1	-	7,778	**7,779**
At the end of the financial year	**1,582**	**26,769**	**36,389**	**64,740**

4.3 Credit Risk Assessment Under Standardised Approach

In the assessment of credit risk under the Standardised Approach, the Bank is guided by BNM's pre-determined risk weights for certain classes of exposure that uses external ratings issued by an ECAI recognised by BNM.

The ECAIs recognised by BNM are as follows:
- Standard & Poor’s Rating Services (“S&P”)
- Moody’s Investors Service (“Moody’s”)
- Fitch Ratings (“Fitch”)
- Rating and Investment Information, Inc. (R&I)
- RAM Rating Services Berhad (“RAM”)
- Malaysian Rating Corporation Berhad (“MARC”)

The ratings of the above ECAIs are used in the credit risk assessment for the following classes of exposure:
- Sovereigns and Central Banks
- Banking Institutions
- Corporates
- Insurance Companies, Securities Firms and Fund Managers

If more than one rating is available for a specific exposure, the selection criteria as set out under the Single and Multiple Assessment in BNM RWCAF is applied in determining the relevant risk weight for the capital calculation. An exposure cannot be assigned with a risk weight that is lower than that of the sovereign risk of the country in which the asset is located. Where a rating is not available, the Bank follows the provisions stipulated under BNM RWCAF and deems the exposure as unrated.

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4.3 Credit Risk Assessment Under Standardised Approach

(i) Credit Exposure By Risk Weights

The following table depicts the credit risk exposure of the Bank by risk weight:

Table 9: Credit Risk Exposure by Risk Weight

The Group As at 31 December 2023 Risk Weights	Exposure after netting and credit risk mitigation Sovereign / Central Banks RM'000	Banks, DFIs & MDBs RM'000	Insurance Companies, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Other Assets RM'000	Default (On Balance Sheet) RM'000	OTC Derivatives RM'000	Off-Balance sheet exposures other than OTC derivatives RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	3,987,855	-	-	-	-	-	-	-	-	3,987,855	-
20%	-	974,251	20,191	1,214,205	-	26,475	-	270,620	-	2,505,742	501,146
50%	-	57,244	-	10,138	-	-	-	75,121	-	142,503	71,252
75%	-	-	-	-	8,216	-	-	-	159	8,375	6,281
100%	-	-	17,027	707,736	-	123,187	36,545	53,637	31,451	969,583	969,583
150%	-	-	-	-	-	-	-	-	-	-	-
Total	**3,987,855**	**1,031,495**	**37,218**	**1,932,079**	**8,216**	**149,662**	**36,545**	**399,378**	**31,610**	**7,614,058**	**1,548,262**
Deduction from total capital	-	-	-	-	-	-	-	-	-	-	-
Average risk weight											**20%**

Table 9: Credit Risk Exposure by Risk Weight (Continued)

Exposure after netting and credit risk mitigation

The Bank As at 31 December 2023 Risk Weights	Sovereign / Central Banks RM'000	Banks, DFIs & MDBs RM'000	Insurance Companies, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Other Assets RM'000	Default (On Balance Sheet) RM'000	OTC Derivatives RM'000	Off-Balance sheet exposures other than OTC derivatives RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	3,987,855	-	-	-	-	-	-	-	-	3,987,855	-
20%	-	971,701	20,191	1,214,206	-	26,475	-	270,620	-	2,503,193	500,639
50%	-	57,244	-	10,138	-	-	-	75,121	-	142,503	71,251
75%	-	-	-	-	8,216	-	-	-	159	8,375	6,281
100%	-	-	17,027	707,735	-	122,321	36,545	53,637	31,451	968,716	968,716
150%	-	-	-	-	-	-	-	-	-	-	-
Total	**3,987,855**	**1,028,945**	**37,218**	**1,932,079**	**8,216**	**148,796**	**36,545**	**399,378**	**31,610**	**7,610,642**	**1,546,887**
Deduction from total capital	-	-	-	-	-	2,166	-	-	-	2,166	-
Average risk weight											**20%**

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Table 9: Credit Risk Exposure by Risk Weight (Continued)

The Group	Exposure after netting and credit risk mitigation										
As at 31 December 2022 Risk Weights	Sovereign / Central Banks RM'000	Banks, DFIs & MDBs RM'000	Insurance Companies, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Other Assets RM'000	Default (On Balance Sheet) RM'000	OTC Derivatives RM'000	Off-Balance sheet exposures other than OTC derivatives RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	3,343,592	-	-	-	-	34	-	-	-	3,343,626	-
20%	-	418,913	20,191	892,689	-	-	-	140,056	-	1,471,849	294,370
50%	-	62,397	-	10,062	-	-	-	89,770	-	162,229	81,111
75%	-	-	-	-	1,857	-	-	-	-	1,857	1,393
100%	-	-	15,847	516,965	-	128,655	-	69,398	21,186	752,051	752,051
150%	-	-	-	-	-	-	35,605	-	-	35,605	53,408
1250%	-	-	-	-	-	-	-	-	-	-	-
Total	**3,343,592**	**481,310**	**36,038**	**1,419,716**	**1,857**	**128,689**	**35,605**	**299,224**	**21,186**	**5,767,217**	**1,182,333**
Deduction from total capital	-	-	-	-	-	-	-	-	-	-	-
Average risk weight											**21%**

Table 9: Credit Risk Exposure by Risk Weight (Continued)

The Bank	Exposure after netting and credit risk mitigation										
As at 31 December 2022 Risk Weights	**Sovereign / Central Banks RM'000**	**Banks, DFIs & MDBs RM'000**	**Insurance Companies, Securities Firms & Fund Managers RM'000**	**Corporates RM'000**	**Regulatory Retail RM'000**	**Other Assets RM'000**	**Default (On Balance Sheet) RM'000**	**OTC Derivatives RM'000**	**Off-Balance sheet exposures other than OTC derivatives RM'000**	**Total Exposures after Netting & Credit Risk Mitigation RM'000**	**Total Risk Weighted Assets RM'000**
0%	3,343,592	-	-	-	-	33	-	-	-	3,343,625	-
20%	-	416,462	20,191	892,690	-	-	-	140,056	-	1,469,399	293,880
50%	-	62,397	-	10,062	-	-	-	89,770	-	162,229	81,114
75%	-	-	-	-	1,857	-	-	-	-	1,857	1,393
100%	-	-	15,847	516,964	-	127,592	-	69,398	21,186	750,987	750,987
150%	-	-	-	-	-	-	35,605	-	-	35,605	53,407
1250%	-	-	-	-	-	-	-	-	-	-	-
Total	**3,343,592**	**478,859**	**36,038**	**1,419,716**	**1,857**	**127,625**	**35,605**	**299,224**	**21,186**	**5,763,702**	**1,180,781**
Deduction from total capital	-	-	-	-	-	3,657	-	-	-	3,657	-
Average risk weight											**20%**

(ii) Credit Exposure By Risk Weight (Long Term Rating)

The following is a summary of the prescribed rules governing the Standardised Approach for rated, unrated and preferential / special risk weight of the exposures.

Table 10A: Long Term Credit Rating Category by ECAIs under Standardised Approach

Rating Category	External Credit Assessment Institutions (ECAIs)					
	S&P	**Moody's**	**Fitch**	**R&I**	**RAM**	**MARC**
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB+ to B-	BB1 to B3	BB+ to B-
5	CCC+ to D	Caa1 to C	CCC+ to D	CCC+ to C	C1 to D	C+ to D
Unrated	Unrated					

Table 10B: Long term Credit Rating Risk Weight Category by ECAIs under Standardised Approach for Banking Institution, Corporate and Sovereign & Central Bank

Rating Category	Risk weights based on Credit Ratings of the Counterparty Exposure Class		
	Corporate	**Banking Institutions**	**Sovereign & Central Bank**
1	20%	20%	0%
2	50%	50%	20%
3	100%	50%	50%
4	150%	100%	100%
5	150%	150%	150%
Unrated	100%	50%	100%

Table 11: Preferential / Special Risk Weight Allocation under Standardised Approach (for Long Term & Short Term)

	Exposure Category	**Risk Weight**
1	Exposures including debts securities issued by or guaranteed by Federal Government of Malaysia and/or BNM denominated and funded in Ringgit Malaysia	0%
2	Cash & Gold	0%
3	Investment in the ABF Malaysia Bond Index Fund	0%
4	Exposure on Bank for International Settlements, International Monetary Fund, European Central Bank & European Community	0%
5	Exposure to Multilateral Development Banks specified by Basel Committee of Banking Supervision	0%
6	Exposures including debts securities issued by or guaranteed by Federal Government and/or Central Bank denominated and funded in foreign currency	20%
7	Exposure to local Stock Exchange & Clearing House	20%
8	Unit Trust & Property Trust Fund	100%
9	Publicly Traded Equity Investment in Banking Book	100%
10	Equity held for socio-economic purpose	100%

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Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000)

The Group **As at 31 December 2023**	**Ratings of Corporate by Approved ECAIs**					
	Moodys	**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**
Exposure Class	**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)		-	-	-	-	-
Takaful/Insurance Companies, Securities Firms & Fund Managers		20,192	-	-	-	70,664
Corporates		1,214,206	10,138	-	-	1,918,168
Total		**1,234,398**	**10,138**	**-**	**-**	**1,988,832**

The Group **As at 31 December 2023**	**Ratings of Sovereigns and Central Banks by Approved ECAIs**						
	Moodys	**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**
Exposure Class	**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 and Central Banks		-	-	-	-	-	3,987,855
Total	**-**	**-**	**-**	**-**	**-**	**-**	**3,987,855**

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PILLAR 3 DISCLOSURES

Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (Continued)

The Group	**Ratings of Sovereigns and Central Banks by Approved ECAIs**						
As at 31 December 2023	**Moodys**	**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**
Exposure Class	**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, MDBs and DFIs		1,096,995	269,681	10,551	-	-	9
Total	**-**	**1,096,995**	**269,681**	**10,551**	**-**	**-**	**9**

The Bank	**Ratings of Corporate by Approved ECAIs**					
As at 31 December 2023	**Moodys**	**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**
Exposure Class	**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)		-	-	-	-	-
Takaful/Insurance Companies, Securities Firms & Fund Managers		20,192	-	-	-	70,664
Corporates		1,214,206	10,138	-	-	1,918,168
Total		**1,234,398**	**10,138**	**-**	**-**	**1,988,832**

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Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (Continued)

The Bank As at 31 December 2023	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	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
Exposure Class	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 and Central Banks		-	-	-	-	-	3,987,855
Total	**-**	**-**	**-**	**-**	**-**	**-**	**3,987,855**

The Bank As at 31 December 2023	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	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
Exposure Class	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, MDBs and DFIs		1,094,445	269,681	10,551	-	-	9
Total	**-**	**1,094,445**	**269,681**	**10,551**	**-**	**-**	**9**

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Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (Continued)

The Group	**Ratings of Corporate by Approved ECAIs**					
As at 31 December 2022	**Moodys**	**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**
Exposure Class	**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)		-	-	-	-	-
Takaful/Insurance Companies, Securities Firms & Fund Managers		20,191	-	-	-	84,835
Corporates		892,689	10,062	-	-	1,652,809
Total		**912,880**	**10,062**	**-**	**-**	**1,737,644**

The Group	**Ratings of Sovereigns and Central Banks by Approved ECAIs**						
As at 31 December 2022	**Moodys**	**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**
Exposure Class	**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 and Central Banks		-	-	-	-	-	3,343,592
Total	**-**	**-**	**-**	**-**	**-**	**-**	**3,343,592**

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Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (Continued)

The Group	**Ratings of Sovereigns and Central Banks by Approved ECAIs**						
As at 31 December 2022	**Moodys**	**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**
Exposure Class	**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, MDBs and DFIs		541,031	144,649	25,456	-	-	-
Total	**-**	**541,031**	**144,649**	**25,456**	**-**	**-**	**-**

The Bank	**Ratings of Corporate by Approved ECAIs**					
As at 31 December 2022	**Moodys**	**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**
Exposure Class	**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)		-	-	-	-	-
Takaful/Insurance Companies, Securities Firms & Fund Managers		20,191	-	-	-	84,835
Corporates		892,689	10,062	-	-	1,652,809
Total		**912,880**	**10,062**	**-**	**-**	**1,737,644**

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Disclosures on Rated Exposures according to Ratings by ECAIs (RM'000) (Continued)

The Bank As at 31 December 2022	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	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
Exposure Class	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 and Central Banks		-	-	-	-	-	3,343,592
Total	**-**	**-**	**-**	**-**	**-**	**-**	**3,343,592**

The Bank As at 31 December 2022	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	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
Exposure Class	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, MDBs and DFIs		538,580	144,649	25,456	-	-	-
Total	**-**	**538,580**	**144,649**	**25,456**	**-**	**-**	**-**

(iii) Credit Exposure By Risk Weight (Short Term Rating)

The following is summary of the prescribed rules governing the Standardised Approach for rated, unrated and preferential risk weight of the exposures.

Table 13: Short term Credit Rating Category by ECAIs under Standardised Approach

	External Credit Assessment Institutions (ECAIs)					
Rating Category	**S&P**	**Moody's**	**Fitch**	**R&I**	**RAM**	**MARC**
1	A-1	P-1	F1+. F1	a-1+, a-1	P-1	MARC-1
2	A-2	P-2	F2	a-2	P-2	MARC-2
3	A-3	P-3	F3	a-3	P-3	MARC-3
4	Others	Others	B to D	b, c	NP	MARC-4

Table 14: Short term Credit Rating Risk Weight Category by ECAIs under Standardised Approach for Banking Institution and Corporate

	Risk weights based on Credit Ratings of the Counterparty Exposure Class	
Rating Category	**Corporate**	**Banking Institutions**
1	20%	20%
2	50%	50%
3	100%	100%
4	150%	150%

The Bank currently do not have credit risk exposure with short term ratings issued by the external credit assessment institutions (ECAIs) for the financial year ended 31 December 2023

4.4 Credit Risk Limit Control and Mitigation Policies

The Bank employs various policies and practices to control and mitigate credit risk.

Lending limits

The Bank establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single counterparty exposure, connected parties, and industry segments. These risks are monitored regularly and the limits are reviewed annually or sooner depending on the changing market and economic conditions.

The credit risk exposure for derivatives due to potential exposure arising from market movements, and loan books are managed on an aggregated basis as part of the overall lending limits with customers.

Collateral

Credits are established against customer's capacity to pay rather than to rely solely on collateral. However, collateral may be taken to mitigate credit risk.

The main collateral types accepted and ascribed value by the Group and the Bank are:
- Mortgages over residential real estate;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business properties, equipment and fixed deposits;
- Charges over financial instruments such as marketable securities; and
- Debentures, personal guarantees and corporate guarantees.

Where relevant, the Bank undertake a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

Term loan lending to corporate entities are generally secured, revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank closely monitors collateral held for financial assets that are credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown in Note 44 of the Audited Financial Statements.

Derivatives

The Bank mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash.

4.4 Credit Risk Limit Control and Mitigation Policies (Continued)

Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans/financing, guarantees or letters of credit. Unutilised credits give rise to potential or contingent credit losses to the Bank in an amount equal to the total unutilised commitments. The Bank manages and mitigates the amount of potential and contingent losses arising from unutilised credit lines by imposing minimum specific credit standards on counterparties.

The Bank monitors the term to maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than short-term commitments.

The following table depicts the Bank's exposures covered by guarantees and collaterals:

Table 16: Exposures Covered by Credit Risk Mitigation

The Group **As at 31 December 2023**	**Exposures before CRM**	**Exposures Covered by Guarantees**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	3,987,855	-	-	-
Banks, DFIs and MDBs	1,031,495	-	-	-
Insurance Companies, Securities Firms & Fund Managers	37,218	-	-	-
Corporates	3,058,129	-	1,126,050	-
Regulatory Retail	302,680	-	294,464	-
Other assets	149,662	-	-	-
Defaulted exposures	38,965	-	2,420	-
Total On-Balance Sheet Exposures	**8,606,004**	**-**	**1,422,934**	**-**
Off-Balance Sheet Exposures				
OTC Derivatives	399,378	-	-	-
Off-Balance sheet exposures other than OTC derivatives	48,599	-	16,989	-
Total Off-Balance Sheet Exposures	**447,977**	**-**	**16,989**	**-**
Total Gross Credit Exposures	**9,053,981**	**-**	**1,439,923**	**-**

The Bank **As at 31 December 2023**	**Exposures before CRM**	**Exposures Covered by Guarantees**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	3,987,855	-	-	-
Banks, DFIs and MDBs	1,028,945	-	-	-
Insurance Companies, Securities Firms & Fund Managers	37,218	-	-	-
Corporates	3,058,129	-	1,126,050	-
Regulatory Retail	302,680	-	294,464	-
Other assets	148,796	-	-	-
Defaulted exposures	38,965	-	2,420	-
Total On-Balance Sheet Exposures	**8,602,588**	**-**	**1,422,934**	**-**
Off-Balance Sheet Exposures				
OTC Derivatives	399,378	-	-	-
Off-Balance sheet exposures other than OTC derivatives	48,599	-	16,989	-
Total Off-Balance Sheet Exposures	**447,977**	**-**	**16,989**	**-**
Total Gross Credit Exposures	**9,050,565**	**-**	**1,439,923**	**-**

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Table 16: Exposures Covered by Credit Risk Mitigation (Continued)

The Group **As at 31 December 2022**	**Exposures before CRM RM'000**	**Exposures Covered by Guarantees RM'000**	**Exposures Covered by Eligible Financial Collateral RM'000**	**Exposures Covered by Other Eligible Collateral RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	3,343,592	-	-	-
Banks, DFIs and MDBs	481,310	-	-	-
Insurance Companies, Securities Firms & Fund Managers	36,038	-	-	-
Corporates	2,478,480	-	1,058,765	-
Regulatory Retail	187,637	-	185,780	-
Other assets	128,689	-	-	-
Defaulted exposures	41,937	-	6,332	-
Total On-Balance Sheet Exposures	**6,697,683**	**-**	**1,250,877**	**-**
Off-Balance Sheet Exposures				
OTC Derivatives	299,224	-	-	-
Off-Balance sheet exposures other than OTC derivatives	35,830	-	14,644	-
Total Off-Balance Sheet Exposures	**335,054**	**-**	**14,644**	**-**
Total Gross Credit Exposures	**7,032,737**	**-**	**1,265,521**	**-**

The Bank **As at 31 December 2022**	**Exposures before CRM RM'000**	**Exposures Covered by Guarantees RM'000**	**Exposures Covered by Eligible Financial Collateral RM'000**	**Exposures Covered by Other Eligible Collateral RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	3,343,592	-	-	-
Banks, DFIs and MDBs	478,859	-	-	-
Insurance Companies, Securities Firms & Fund Managers	36,038	-	-	-
Corporates	2,478,480	-	1,058,765	-
Regulatory Retail	187,637	-	185,780	-
Other assets	127,625	-	-	-
Defaulted exposures	41,937	-	6,332	-
Total On-Balance Sheet Exposures	**6,694,168**	**-**	**1,250,877**	**-**
Off-Balance Sheet Exposures				
OTC Derivatives	299,224	-	-	-
Off-Balance sheet exposures other than OTC derivatives	35,830	-	14,644	-
Total Off-Balance Sheet Exposures	**335,054**	**-**	**14,644**	**-**
Total Gross Credit Exposures	**7,029,222**	**-**	**1,265,521**	**-**

4.5 Off-Balance Sheet Exposure and Counterparty Credit Risk

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Transactions refer to contracts for financial instruments including derivative contracts and unsettled securities.

Credit risk arising from derivative transaction can be mitigated in several ways, including the use of:

- Collateral, which may be liquidated and satisfy the counterparty's obligations to the Bank upon closeout.
- Netting, which gives the Bank the right to close out and net all transactions under market standard master netting agreements such as the ISDA Master Agreement and CSA;

The above risk mitigation techniques are employed where possible and are explained as below:

Collateral

The Bank will negotiate for CSA under ISDA Master Agreement with selected counterparties on a case-by-case basis, where collateral is deemed necessary mitigator to the risk exposure. The terms of the CSA specified in each legal document are required to be approved by Legal Department. The nature of the collateral will be specified in the legal document and can be cash or selected government securities. Any non-cash collateral taken will be subject to a 'haircut' which is negotiated at time of signing of the collateral agreement and this will be largely based on liquidity and price volatility of the underlying collateral security.

A daily operational process takes place to calculate the mark-to-market on all trades and collateral captured under the CSA. Additional collateral will be called from the counterparty if total uncollateralised marked-to-market exposure exceeds the threshold and minimum transfer amount specified in the CSA. Additional collateral may be required from the counterparty to provide an extra buffer to the daily variation margin process.

Bilateral Netting Agreement

The Bank further reduces its credit exposures to counterparty by entering into contractual netting agreement which creates a single legal obligation, covering all transactions that the Bank could have either a claim to receive or obligation to pay only the net sum of the positive (amounts owed by the counterparty) and negative (amounts owed by the Bank) mark-to-market values of all transactions including individuals in the event a counterparty fails to perform due to default, bankruptcy, liquidation or similar circumstances.

ISDA Master Agreement is the Bank's preferred agreement as it encompasses the largest number of products and thus provides the greatest cross-product netting benefits.

Credit Equivalent Limits

All credit exposures are approved either by approval of an individual facility (e.g. loan) or under a system of credit limits (e.g. derivatives, securities, stockbroking trading exposures). Credit exposure is monitored daily to ensure it does not exceed the approved credit limit. These credit limits are set either on notional exposure or pre-settlement credit exposure basis (e.g. for derivatives). Credit Equivalent Limit is an estimate of the potential exposure in the event that the counterparty default prior to settlement of the contract.

Collateral Requirement in the Event Of a Downgrade in Credit Ratings

A significant increase in the level of collateral would be required in the event of a credit ratings downgrade of the counterparties as allowable in the collateral agreements.

4.5 Off-Balance Sheet Exposure and Counterparty Credit Risk

The following table depicts disclosure of off-balance sheet and counterparty credit risk:

Table 17: Off-Balance Sheet and Counterparty Credit Risk

The Group and The Bank **As at 31 December 2023** **Description**	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Assets RM'000**
Transaction related contingent Items	64,606	-	19,928	19,928
Foreign exchange related contracts				
Less than one year	11,496,621	123,550	287,600	91,179
One year to less than five years	326,890	5,822	28,995	20,096
Interest rate related contracts				
Less than one year	670,000	377	1,122	468
One year to less than five years	2,512,000	11,631	81,661	33,578
Irrevocable commitments to extend credit				
Maturity less than one year	26,321	-	5,264	413
Maturity more than one year	46,814	-	23,407	11,543
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	1,624,905	-	-	-
Total	**16,768,157**	**141,380**	**447,977**	**177,205**

The Group and The Bank **As at 31 December 2022** **Description**	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Assets RM'000**
Transaction related contingent Items	64,606	-	19,928	19,928
Foreign exchange related contracts				
Less than one year	5,562,497	81,101	158,024	67,608
One year to less than five years	842,979	11,705	68,961	43,005
Interest rate related contracts				
Less than one year	940,000	1,665	2,830	1,069
One year to less than five years	2,160,000	13,209	69,409	30,612
Irrevocable commitments to extend credit				
Maturity less than one year	17,390	-	3,478	2,139
Maturity more than one year	24,847	-	12,424	480
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	1,279,899	-	-	-
Total	**10,892,218**	**107,680**	**335,054**	**164,841**

5 SECURITISATION

The Group and the Bank currently do not have any securitisation activities.

6 MARKET RISK

Market risk is the risk of losses to the Bank’s positions in financial instruments that are adversely affected by movements in market risk factors such as interest rates, foreign exchange rates, equity prices or commodity prices. The Bank's primary market risk exposures are in the trading and investment portfolios. The Bank’s risk management process involves the identification and measurement, mitigation and control, monitoring and testing as well as reporting and review of risk.

The Bank manages market risk through a comprehensive set of market risk controls. Key risk governance committees such as the ALCO and the BRMC establish and monitor controls with oversight by the Board of Directors. Market risk controls are established to ensure that the Bank's market risk profile remains within the boundaries of the Bank's risk appetite.

The Bank employs several key risk metric for monitoring market risk such as Value-at-Risk (“VaR”), sensitivities, loss limit thresholds and position size caps.

The Bank’s market risk is primarily concentrated in Interest Rate Risk in the Banking Book (“IRRBB”) arising from differences in the repricing mismatch between interest rate sensitive assets and liabilities. The Bank measures and monitors the IRRBB exposures through the short-term Net Interest Income (“NII”) sensitivity and changes in the Economic Value of Equity (“EVE”).

In addition to assessing market risk under normal market scenarios, the Bank also conducts periodical stress testing to anticipate potential losses under stressed scenarios.

The Bank has in place a policy on hedge accounting and as at reporting date, there is no hedging activity that qualifies for hedge accounting

Market Risk Measurement

Value-at-risk ("VaR")

VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables such as foreign exchange rates and interest rates, over a given holding period, measured at a specific confidence level.

The Bank uses a variance-covariance method based on a 1-day holding period and a 99% confidence interval as its market risk VaR methodology. The VaR model is back-tested regularly to validate its robustness.

Other Risk Measures

i) Mark-to-Market

Mark-to-market valuation tracks the current market value of the outstanding financial instruments.

ii) Stress Testing

Stress tests are conducted to quantify potential market risk losses arising from low probability abnormal market movements. Stress tests measure the changes in values arising from movements in relevant market risk factors based on past experience and simulated stress scenarios.

iii) Sensitivity

Sensitivities are measures that quantify the change in value of a portfolio of financial instruments resulting from a unit change in the relevant market risk factors. Sensitivities are used as measures of vulnerability to market risk factor movements and are also used to facilitate the implementation of risk controls and hedging strategies.

Regulatory Capital Treatment

The Bank is adopting the Standardised Approach in calculating market risk RWA. Market risk is measured for interest rate and equity risks pertaining to financial instruments in the trading book and foreign exchange risk in both the trading and banking books, as well as options risk arising from underwriting activities; as defined under BNM RWCAF for regulatory capital computation purpose.

7 OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, action on or by people, systems or external events which include natural disasters, fraudulent activities and cyber threats. Management of operational risk also encompasses outsourcing and business continuity risks.

The Bank manages operational risk through a control based environment in which policies and procedures are formulated after taking into account individual unit's business activities, the market in which they are operating and the regulatory requirements in force.

The Bank adopts the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the Bank’s average annual gross income over the previous three years.

Risk is identified through the use of assessment tools and measured using threshold/limits mapped against a risk matrix. Monitoring and control procedures include the use of key control standards, independent tracking of risk, back-up procedures and contingency plans, including disaster recovery and business continuity plans.

The Bank gathers, analyses and reports operational risk loss and ‘near miss’ events to the SMC-GRC and BRMC. Appropriate preventive and remedial actions are reviewed for effectiveness and implemented to minimise the recurrence of such events.

Relevant training relating to Operational Risk areas (including Business Continuity Planning) are coordinated by GRM. This include training and online assessments provided to all Operational Risk Coordinators within the Bank as part of the risk awareness program.

Regulatory Capital Treatment

The Bank adopts the Basic Indicator Approach in calculating the operational risk RWA as at 31 December 2023.

8 TECHNOLOGY RISK

Technology risk is the risk of potential technology failures and cyber threats that may disrupt business such as failures of information technology systems, applications, platforms or infrastructures including threats or vulnerabilities exposed from external networks or the internet, which would result in financial loss, disruption in financial services or operations, or reputational damage to the Bank.

The Affin Banking Group's Technology Risk Management Framework ("TRMF") governs the management of technology risk across the Bank. Overview of the Technology Risk Management function resides with GRM. GRM supports SMC-GRC which in turn supports BRMC in the review and monitoring of technology risks and provides the forum to discuss and manage all aspects of technology risk. BRMC is responsible to provide oversight of overall technology related matters of the Bank.

The Bank uses risk identification and assessment to determine the extent of the potential threat and the risk associated with an IT systems. The output of this process helps to identify appropriate controls for reducing risk during the risk mitigation process.

Technology risk controls encompass the use of technical and non-technical methods. Technical controls are safeguards that are incorporated into computer hardware, software or firmware (e.g. access control mechanisms, identification and authentification mechanisms, encryption methods, intrusion detection software). Non-technical controls are management and operational controls, such as security policies, operational procedures and personnel, physical and environmental security.

Technology Risk Management reports are produced periodically for the respective stakeholders and committees.

9 EQUITIES IN THE BANKING BOOK

The Bank’s banking book equity investment consists of:

- Investments held for yield and/or long term capital gains; and
- Strategic stakes in entities held as part of growth initiatives and/or in support of business operations.

Investment in equity or Collective Investment Scheme ("CIS") investments are subject to limits which are set based on the Bank’s total capital and/or notional limits.

Accounting for Equity or CIS Holdings in the Banking Book

Different equity investment positions have different accounting treatments depending on the nature of the exposures. Where the equity investment is not subject to the significant influence or joint control of the Bank, it is held as a direct investment, which is classified as either fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") in accordance to MFRS 9.

FVOCI and FVTPL securities are initially stated at fair value except for investments in equity/CIS that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, will be stated at cost. Consistent with the valuation of financial instruments, fair value of equity securities is initially and subsequently determined using, where available, quoted prices in active markets or valuation techniques where quoted prices in active markets are not available.

The Bank subsequently measure all equity investments at fair value. Where the Bank’s management have elected to present fair value gains and losses on equity investments in FVOCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank’s right to receive payments is established.

Changes in the fair value of equity investments at FVTPL are recognised in "net gains and losses on financial instruments" in the income statement.

The following table depicts the fair value and risk weighted assets of and gains and losses on equity/CIS investments under banking book:

Table 18: Equities under Banking Book

The Group **As at 31 December 2023** **Type of Equity Investments**	**Fair Value** **RM'000**	**Risk Weighted Assets** **RM'000**
Publicly traded	-	-
Privately held	26,016	26,016
Total	**26,016**	**26,016**

	RM'000
Cumulative realised gains/(losses) from sales and liquidations of equity investments	1,593
Total unrealised gains/(losses) in other comprehensive income	844

The Bank **As at 31 December 2023** **Type of Equity Investments**	**Fair Value** **RM'000**	**Risk Weighted Assets** **RM'000**
Publicly traded	-	-
Privately held	24,759	24,759
Total	**24,759**	**24,759**

	RM'000
Cumulative realised gains/(losses) from sales and liquidations of equity investments	1,593
Total unrealised gains/(losses) in other comprehensive income	844

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PILLAR 3 DISCLOSURES

Table 18: Equities under Banking Book (Continued)

The Group **As at 31 December 2022** **Type of Equity Investments**	**Fair Value** **RM'000**	**Risk Weighted Assets** **RM'000**
Publicly traded	230	230
Privately held	25,122	25,122
Total	**25,352**	**25,352**

	RM'000
Cumulative realised gains/(losses) from sales and liquidations of equity investments	(297)
Total unrealised gains/(losses) in other comprehensive income	2,418

The Bank **As at 31 December 2022** **Type of Equity Investments**	**Fair Value** **RM'000**	**Risk Weighted Assets** **RM'000**
Publicly traded	230	230
Privately held	23,915	23,915
Total	**24,145**	**24,145**

	RM'000
Cumulative realised gains/(losses) from sales and liquidations of equity investments	(1,551)
Total unrealised gains/(losses) in other comprehensive income	2,418

10 INTEREST RATE RISK IN THE BANKING BOOK

The Bank is exposed to interest rate risk in banking book (“IRRBB”) arising from differences in the repricing mismatch between rate sensitive assets and liabilities. The Bank measures and monitors the IRRBB exposures through the short-term Net Interest Income ("NII") sensitivity and changes in the Economic Value of Equity ("EVE").

Policies and Approaches

The management of IRRBB is governed under the Asset Liability Management Policy.

The objective of the management of IRRBB is to maintain an acceptable mismatch in interest-sensitive assets, liabilities and derivative financial instruments in the banking book, while achieving a desired level of earnings.

Risk Measurement

In managing IRRBB, both the earnings and economic value approaches are adopted. Interest-sensitive assets, liabilities and derivative financial instruments are grouped into time buckets based on the earlier of remaining period to maturity or next re-pricing; before a parallel interest rate shock is applied to arrive at the sensitivity shocks on earnings and economic value.

The earnings approach focuses on the impact of interest rate movement on the Bank’s near term earnings. The economic value approach provides a more comprehensive view of the impact of interest rate movements on the economic value of the Bank’s overall positions.

When measuring the Interest Rate/Rate of Return Risk in the Banking Book as at 31 December 2023. behavioural model are employed specifically for portfolios or product exhibiting behavioural optionalities. The objective id to incorporate and analyse the behavioural pattern of customer or products concerning changes in interest rates/rate of return, contributing to a comprehensive understanding of the interest rate risk/rate of return profile within the banking book.

Risk Reporting and Monitoring

The impact of interest rate movements quantified using the economic value approach is subject to approved limit and monitored on daily basis. Review of the risk limit is conducted annually.

Impact on earnings and economic value are periodically reported to ALCO and BRMC to facilitate their effective oversight of interest rate risk in banking book. Any non-compliance is subject to a set of escalation procedures.

The following table depicts the sensitivity shocks on earnings and economic value of the Bank's positions in banking book, to a parallel interest rate shock of +/- 100 basis points ("bps"):

Table 19: Sensitivity of the banking book to interest rate changes

	The Group Increase / (Decrease) in RM'000		The Bank Increase / (Decrease) in RM'000	
As at 31 December 2023	**+100 bps**	**-100 bps**	**+100 bps**	**-100 bps**
Impact on Earnings *				
MYR	(30,204)	30,204	(30,204)	30,204
USD	(1,228)	1,228	(1,228)	1,228
SGD	16	(16)	16	(16)
Others	339	(339)	339	(339)
Total	**(31,077)**	**31,077**	**(31,077)**	**31,077**
Impact on Economic Value #				
MYR	-	-	-	-
USD	(182,403)	182,403	(182,403)	182,403
SGD	(409)	409	(409)	409
Others	(1)	1	(1)	1
Total	**(182,813)**	**182,813**	**(182,813)**	**182,813**

	The Group Increase / (Decrease) in RM'000		The Bank Increase / (Decrease) in RM'000	
As at 31 December 2022	**+100 bps**	**-100 bps**	**+100 bps**	**-100 bps**
Impact on Earnings *				
MYR	(30,183)	30,183	(30,183)	30,183
USD	(478)	478	(478)	478
SGD	(38)	38	(38)	38
Others	(88)	88	(88)	88
Total	**(30,787)**	**30,787**	**(30,787)**	**30,787**
Impact on Economic Value #				
MYR	(173,918)	173,918	(173,918)	173,918
USD	(20)	20	(20)	20
SGD	2	(2)	2	(2)
Others	(14)	14	(14)	14
Total	**(173,949)**	**173,949**	**(173,949)**	**173,949**

** The earnings approach focuses on the impact of interest rate movement on the Bank's near term earnings (within 1 year).*

 # The economic value approach provides a more comprehensive view of the impact of interest rate movement on the economic value of the Bank's overall positions.