

PILLAR 3 DISCLOSURE
As at 31 December 2025

Overview

The Pillar 3 Disclosure is required under the Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks ("CAFIB"), which is the equivalent to Basel II issued by the Islamic Financial Services Board. Basel II consists of 3 Pillars as follows:

- (a) Pillar 1 sets out the minimum amount of regulatory capital that Islamic banks must hold against credit, market and operational risks they assume;
- (b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages Islamic banks to develop and employ more rigorous risk management framework and techniques, including specific oversight by the Board of Directors ("Board") and senior management on internal controls and corporate governance practices, to ensure that Islamic banks maintain adequate capital levels consistent with their risk profile and business plan at all times; and
- (c) Pillar 3 aims to harness market discipline through enhanced disclosure to supplement regulatory supervision of Islamic banks through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of Islamic banks that will enhance comparability amongst Islamic banks.

Public Islamic Bank Berhad ("the Bank") adopted the Standardised Approach in determining the capital requirements for credit risk, market risk and operational risk of the Pillar 1 under BNM's CAFIB.

The Bank's Pillar 3 Disclosure is governed by the Public Bank Group ("the Group")'s Disclosure Policy on Basel II Risk-Weighted Capital Adequacy Framework/Capital Adequacy Framework for Islamic Banks - Pillar 3 which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been reviewed and verified by the internal auditors and certified by the Bank's Chief Executive Officer. Under the BNM's CAFIB, the information disclosed herein is not required to be audited by external auditors. The Pillar 3 Disclosure will be published in the Bank's website, www.publicislamicbank.com.my

PUBLIC ISLAMIC BANK BERHAD
Company No.: 197301001433 (14328-V)

Overview (Cont'd.)

Minimum Regulatory Capital Requirements

The Bank's principal business activity is Islamic banking which focuses mainly on retail banking and financing operations. The following tables present the minimum regulatory capital requirements to support the Bank's risk-weighted assets.

	2025		2024	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	60,572,598	4,845,808	55,643,313	4,451,465
Market Risk	55,007	4,401	62,020	4,962
Operational Risk	2,556,405	204,512	2,905,605	232,448
Total	63,184,010	5,054,721	58,610,938	4,688,875

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

PUBLIC ISLAMIC BANK BERHAD
Company No.: 197301001433 (14328-V)

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1. Scope of Application

The Pillar 3 Disclosure provided in this document is in respect of the Bank, which is involved in Islamic banking financial services and all the activities are mainly denominated in Ringgit Malaysia.

There were no restrictions or impediments on the transfer of funds or regulatory capital between the Bank and its holding company, Public Bank Berhad ("PBB").

There were no capital deficiencies in the Bank during the financial year.

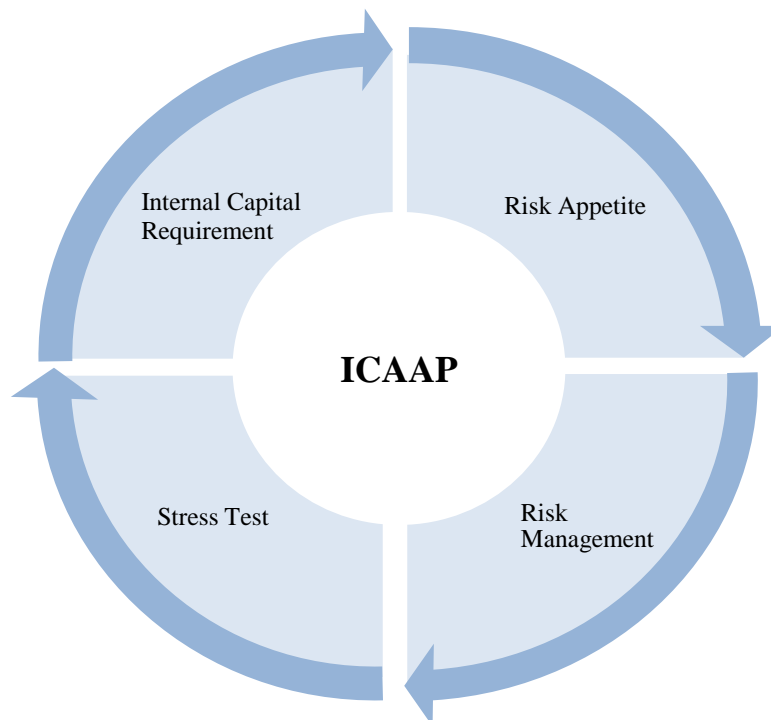
2. Capital Management - Internal Capital Adequacy Assessment Process ("ICAAP")

The objective of the Bank's capital management is to protect the interests of its depositors, creditors and shareholders. To achieve this, the capital management is subject to ongoing review and the Board's approval on the level and composition of the Bank's total capital, assessed against the following key objectives:

- Regulatory requirements on minimal capital required
- Capital levels maintained are adequate to support all material risks and to meet the strategic and business
- Capital levels maintained are adequate to support the strong external rating for domestic and international rating agencies
- An appropriate balance between maximising shareholders returns and prudent capital management

This is executed through the Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP requires the Bank to identify and assess all material risks, maintain sufficient capital to support these risks and apply the appropriate risk management techniques to manage and mitigate these risks within the given level of capital, on an ongoing and forward looking basis. The ICAAP is supported by a strong risk governance structure with clear roles and responsibilities to ensure the effectiveness of the ICAAP with the Board being ultimately responsible for the overall oversight of the ICAAP. In discharging its duty, the Board is assisted by the Risk Management Committee ("RMC") and ICAAP Working Group. Senior management together with the management committees are responsible to ensure the effective implementation of the capital management directions of the Board. The Internal Audit Division ("IAD") is responsible to conduct reviews of processes relating to the ICAAP to ensure their integrity, objectivity and consistency in application.

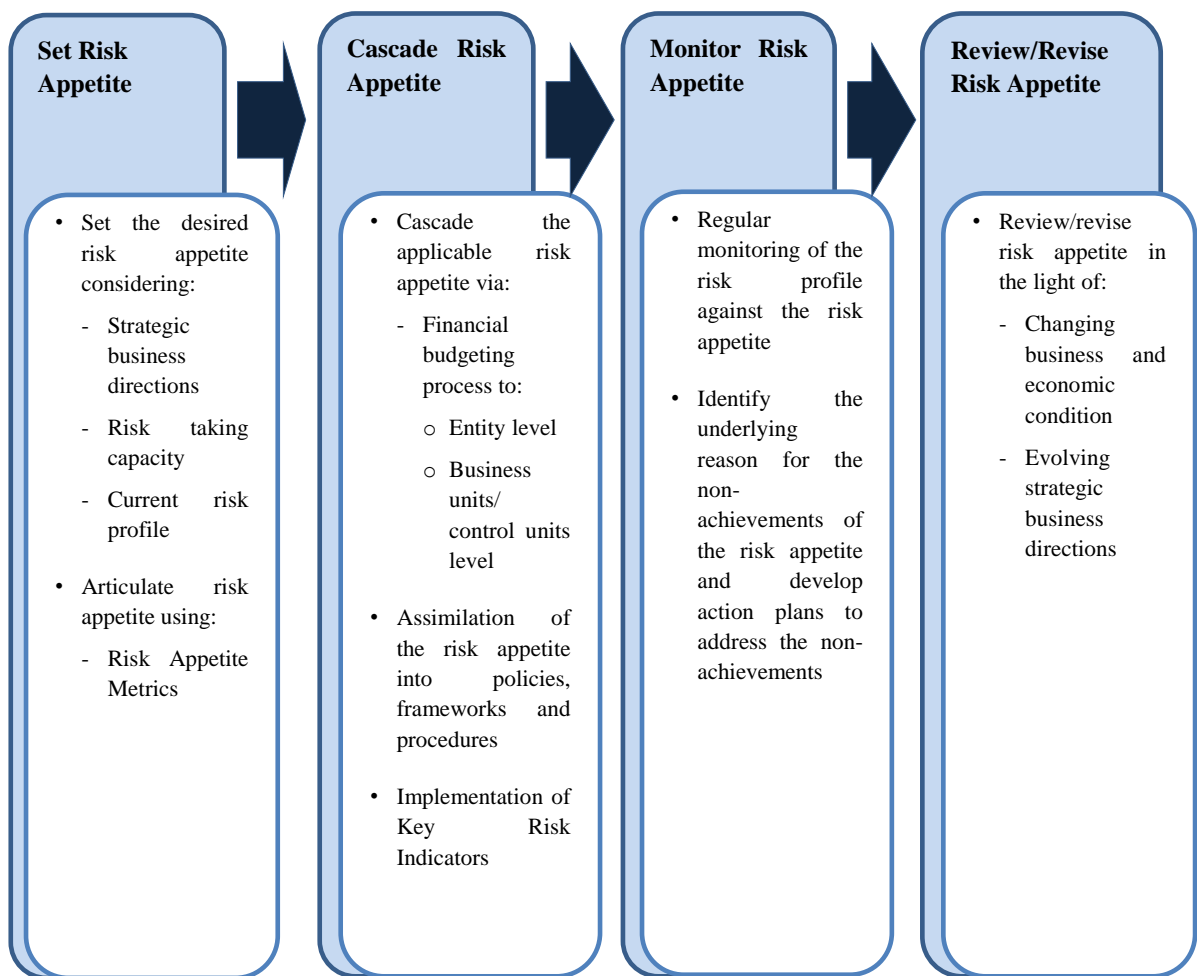
The key elements of the ICAAP are as follows:



2. Capital Management - Internal Capital Adequacy Assessment Process ("ICAAP") (Cont'd.)

(a) Risk Appetite

The Bank's Risk Appetite expresses the level of risk which the Bank is willing to assume within the Bank's capacity in order to achieve the Bank's objectives, as defined by a set of minimum quantitative metrics and qualitative standards. The key elements applied in setting the Bank's Risk Appetite are the strategic business directions, the risk taking capacity and the level of risk currently assumed by the Bank. The Board reviews and approves the Risk Appetite on an annual basis, or more frequently in the event of unexpected changes in the risk environment, with the aim of ensuring the Risk Appetite is consistent with the Bank's strategic directions, business and regulatory environment and stakeholders' requirements. The setting, cascading, monitoring and the review/revision of the Risk Appetite is set out in the Group's Risk Appetite Framework and is as follows:



2. Capital Management - Internal Capital Adequacy Assessment Process ("ICAAP") (Cont'd.)

(b) Risk Management

The Group's Risk Management Framework ("GRMF") sets out the principles applied in managing the material risks that the Bank is exposed to. The Framework serves to drive the development of a consistent risk management practices which enable the continuous identification, measurement, control, monitoring and reporting of all applicable and material risks and this includes the continuous identification of emerging risks followed by the assessment of the risks on the Bank's business and capital positions. Risk limits established to manage the size of the risk exposures are aligned to the overall Risk Appetite.

Annual comprehensive risk assessment is undertaken across all the banking entities within the Group as part of ICAAP to identify and assess the following risks:

- (i) Risks captured under Pillar 1 (credit risk, operational risk and market risk);
- (ii) Risks not fully captured under Pillar 1 (e.g. residual credit risk); and
- (iii) Risks types not covered by Pillar 1 (e.g. credit concentration risk, rate of return risk on banking book, reputation risk, amongst others).

(c) Stress Test

The Bank's stress testing process is guided by the Group's Stress Test Policy (Stress Test Policy). The objectives of the Stress Test Policy are as follows:

- (i) To ensure the establishment of a comprehensive and consistent stress test process in conducting the stress test by all entities within the Group;
- (ii) To drive the development of stress test parameters, assumptions and scenarios that are relevant and effective, taking into account the nature, risk profile and complexity of the business as well as the environment in which it operates;
- (iii) To ensure all material risks are captured in the stress test including emerging risks;
- (iv) 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; and
- (v) To ensure the adverse unexpected outcomes are identified and that capital buffers are set aside to absorb losses that may be experienced during an economic downturn.

The key focus of the stress test is to identify the potential adverse impact on the Bank's capital, profitability, asset quality and liquidity positions followed by the identification of the appropriate actions to mitigate the risk of such possibilities. The results of the stress test are reviewed and deliberated by the ICAAP Working Group and the RMC and are applied to recalibrate the Bank's Internal Capital Targets.

(d) Internal Capital Requirement

The Bank's internal capital requirement is articulated through its capital plans which are drawn up annually, covering a three-year horizon, and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of different components of capital are maintained to support the Bank's strategic directions and business plans. In formulating the Bank's capital plans, the Bank considers the current regulatory requirements, the demands for capital arising from the business outlooks and potential market stresses and the available supply of capital including the sources of the capital. The Bank's capital plans are reviewed regularly by the Board against the Bank's Internal Capital Targets.

3. Capital Adequacy Ratios and Capital Structure

The following tables present the capital adequacy ratios and the capital structure.

(a) Capital Adequacy Ratios

	2025	2024
Before deducting dividends*:		
Common Equity Tier I ("CET I") capital ratio	13.549%	13.419%
Tier I capital ratio	13.549%	13.419%
Total capital ratio	<u>16.331%</u>	<u>16.312%</u>
After deducting dividends*:		
CET I capital ratio	13.549%	13.419%
Tier I capital ratio	13.549%	13.419%
Total capital ratio	<u>16.331%</u>	<u>16.312%</u>

* No dividends have been declared subsequent to the financial year end.

BNM's Capital Adequacy Framework ("CAF") on Operational Risk and Exposures to Central Counterparties Policy Documents came into effect on 1 January 2025. CAF on Operational Risk sets out the capital requirements based on a single risk-sensitive Standardised Approach, superseded previously adopted Basic Indicator Approach. In addition, the CAF on Exposures to Central Counterparties provides guidelines on capital requirements to manage the risks arising from exposures to central counterparties.

The total risk-weighted assets of the Bank are computed based on the following approaches:

- (i) Credit Risk: Standardised Approach;
- (ii) Market Risk: Standardised Approach; and
- (iii) Operational Risk: Standardised Approach (2024: Basic Indicator Approach).

Regulatory capital requirements

The capital adequacy ratios of the Bank are computed in accordance with BNM's CAFIB on Capital Components and Risk-Weighted Assets, CAF on Operational Risk and Exposures to Central Counterparties.

The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB") and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a CCB of 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Bank has exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Bank has applied CCyB on its private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

3. Capital Adequacy Ratios and Capital Structure (Cont'd.)

(b) Capital Structure

	2025	2024
	RM'000	RM'000
CET I/Tier I capital		
Share capital	3,032,717	3,032,717
Other reserves	22,603	(12,002)
Retained profits	5,638,034	4,998,912
Less: Deferred tax assets, net	(63,827)	(86,443)
Less: Defined benefit pension fund assets	(912)	(613)
Less: Investment in an associated company deducted from CET I capital	(67,500)	(67,500)
Total CET I/Tier I capital	8,561,115	7,865,071
Tier II capital		
Stage 1 and Stage 2 expected credit loss allowances	618,312	652,708
Qualifying regulatory reserves ¹	138,845	42,833
Subordinated Sukuk Murabahah	1,000,000	1,000,000
Total Tier II capital	1,757,157	1,695,541
Total capital	10,318,272	9,560,612

¹ Excludes regulatory reserves not qualified from Tier II capital of the Bank of RM176,553,000 (2024: RM164,613,000).

The Bank has issued capital instrument which qualify as component of regulatory capital under the BNM's CAFIB (Capital Components), as summarised in the following table:

Capital Instrument	Capital Component	Main Features
Basel III-Compliant Subordinated Sukuk Murabahah ("Basel III-Compliant Sub Sukuk Murabahah")	Tier II Capital	<ul style="list-style-type: none"> ● Subordinated to all liabilities, including depositors ● Unsecured ● Optional redemption after 5 years. No step-up ● Upon occurrence of a Trigger Event at PBB/the Bank as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Sukuk Murabahah may be subject to write-off ● The write-off shall not constitute an event of default or trigger any cross-default under the Basel III-Compliant Sub Sukuk Murabahah

The details of the capital instrument are found in Note 21 to the financial statements.

4. Credit Risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Bank's primary business is in Islamic banking, the Bank's exposure to credit risk is primarily from its financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Bank, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Bank to credit risk and counterparty credit risk ("CCR").

The following diagram presents the risk management processes over credit risk.



The risk governance and risk management approach for credit risk are set out in the credit risk section of Note 40 to the financial statements.

4. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2025				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	17,232,956	17,232,956	-	-
Public Sector Entities	1,118,555	1,118,555	226	18
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	817,713	817,713	166,123	13,290
Insurance Companies, Securities Firms and Fund Managers	5,285	5,094	5,094	408
Corporates	13,419,134	12,965,951	10,062,453	804,996
Regulatory Retail	34,770,040	34,575,913	26,466,640	2,117,331
Residential Mortgages	38,624,253	38,543,574	18,922,150	1,513,772
Higher Risk Assets	12,225	12,177	18,265	1,461
Other Assets	244,812	244,812	226,671	18,134
Equity Exposures	651,486	651,486	651,486	52,119
Defaulted Exposures	503,765	503,657	692,928	55,434
	107,400,224	106,671,888	57,212,036	4,576,963
Off-Balance Sheet Exposures				
Credit-related Exposures	4,441,369	4,422,186	3,342,354	267,388
Derivative Financial Instruments	73,458	73,458	14,692	1,176
Other Treasury-related Exposures	280,042	280,042	-	-
Defaulted Exposures	2,653	2,653	3,516	281
	4,797,522	4,778,339	3,360,562	268,845
Total Credit Exposures	112,197,746	111,450,227	60,572,598	4,845,808

4. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2024				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	19,619,373	19,619,373	-	-
Public Sector Entities	2,017,756	2,017,756	48	4
Banks, DFIs and MDBs	532,852	532,852	108,107	8,648
Insurance Companies, Securities Firms and Fund Managers	5,421	5,228	5,228	418
Corporates	12,030,313	11,737,938	9,865,850	789,268
Regulatory Retail	30,843,300	30,677,641	23,447,002	1,875,760
Residential Mortgages	36,049,997	35,977,942	17,724,159	1,417,933
Higher Risk Assets	10,564	10,564	15,846	1,268
Other Assets	212,069	212,069	186,009	14,881
Equity Exposures	630,315	630,315	630,315	50,425
Defaulted Exposures	497,095	496,720	678,639	54,291
	102,449,055	101,918,398	52,661,203	4,212,896
Off-Balance Sheet Exposures				
Credit-related Exposures	3,824,385	3,806,239	2,962,366	236,989
Derivative Financial Instruments	83,174	83,174	16,634	1,331
Defaulted Exposures	2,192	2,192	3,110	249
	3,909,751	3,891,605	2,982,110	238,569
Total Credit Exposures	106,358,806	105,810,003	55,643,313	4,451,465

4. Credit Risk (Cont'd.)

4.1 Distribution of Credit Exposures

Analysis of credit exposures of financial assets before the effect of credit risk mitigation are presented as follows:

- (a) Industry analysis
- (b) Maturity analysis based on the residual contractual maturity
- (c) Geographical analysis

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the full amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(a) Industry Analysis

	Government & Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Financing RM'000	Total RM'000
2025									
On-Balance Sheet Exposures									
Cash and balances with banks	166	835,518	-	-	-	-	-	-	835,684
Financial assets at fair value through profit or loss	-	1,044,829	-	-	-	-	-	-	1,044,829
Derivative financial assets	-	4,188	-	-	-	-	-	-	4,188
Financial investments at fair value through other comprehensive income	11,711,224	-	-	-	-	-	-	-	11,711,224
Financial investments at amortised cost (Gross)	4,571,275	1,291,049	101,481	60,420	-	-	-	-	6,024,225
Gross financing and advances	1,017,796	2,921,027	2,749,343	7,552,706	5,442,018	41,598,221	17,466,465	8,222,932	86,970,508
Statutory deposits with Bank Negara Malaysia	943,400	-	-	-	-	-	-	-	943,400
	18,243,861	6,096,611	2,850,824	7,613,126	5,442,018	41,598,221	17,466,465	8,222,932	107,534,058
Commitments and Contingencies									
Contingent liabilities	1,840	1,691	15,893	42,024	547,910	-	-	2	609,360
Commitments	280,702	77,856	494,344	2,173,583	1,731,047	4,054,454	46	2,011,013	10,823,045
	282,542	79,547	510,237	2,215,607	2,278,957	4,054,454	46	2,011,015	11,432,405
Total Credit Exposures	18,526,403	6,176,158	3,361,061	9,828,733	7,720,975	45,652,675	17,466,511	10,233,947	118,966,463

4. Credit Risk (Cont'd.)

4.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

2024	Government & Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real & Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Financing RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	219	558,912	-	-	-	-	-	-	559,131
Financial assets at fair value through profit or loss	-	993,555	-	-	-	-	-	-	993,555
Derivative financial assets	-	19,924	-	-	-	-	-	-	19,924
Financial investments at fair value through other comprehensive income	13,484,611	-	-	-	-	-	-	-	13,484,611
Financial investments at amortised cost (Gross)	4,169,385	1,195,361	-	-	-	-	-	-	5,364,746
Gross financing and advances	2,017,754	2,791,780	2,344,232	6,607,175	5,639,601	39,087,975	14,321,086	7,526,375	80,335,978
Statutory deposits with Bank Negara Malaysia	1,860,700	-	-	-	-	-	-	-	1,860,700
	<u>21,532,669</u>	<u>5,559,532</u>	<u>2,344,232</u>	<u>6,607,175</u>	<u>5,639,601</u>	<u>39,087,975</u>	<u>14,321,086</u>	<u>7,526,375</u>	<u>102,618,645</u>
Commitments and Contingencies									
Contingent liabilities	1,840	2,227	12,863	43,930	105,585	-	-	220	166,665
Commitments	660	16,905	334,328	1,638,320	1,357,102	4,092,466	6,956	1,831,444	9,278,181
	<u>2,500</u>	<u>19,132</u>	<u>347,191</u>	<u>1,682,250</u>	<u>1,462,687</u>	<u>4,092,466</u>	<u>6,956</u>	<u>1,831,664</u>	<u>9,444,846</u>
Total Credit Exposures	<u>21,535,169</u>	<u>5,578,664</u>	<u>2,691,423</u>	<u>8,289,425</u>	<u>7,102,288</u>	<u>43,180,441</u>	<u>14,328,042</u>	<u>9,358,039</u>	<u>112,063,491</u>

4. Credit Risk (Cont'd.)

4.1 Distribution of Credit Exposures (Cont'd.)

(b) Maturity Analysis

	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
2025					
On-Balance Sheet Exposures					
Cash and balances with banks	835,684	-	-	-	835,684
Financial assets at fair value through profit or loss	1,044,829	-	-	-	1,044,829
Derivative financial assets	2,494	227	1,467	-	4,188
Financial investments at fair value through other comprehensive income	3,090,444	4,233,764	3,277,212	1,109,804	11,711,224
Financial investments at amortised cost (Gross)	638,853	2,081,845	2,809,627	493,900	6,024,225
Gross financing and advances	3,084,408	3,360,625	6,192,837	74,332,638	86,970,508
Statutory deposits with Bank Negara Malaysia	-	-	-	943,400	943,400
Total On-Balance Sheet Exposures	8,696,712	9,676,461	12,281,143	76,879,742	107,534,058
2024					
On-Balance Sheet Exposures					
Cash and balances with banks	559,131	-	-	-	559,131
Financial assets at fair value through profit or loss	993,555	-	-	-	993,555
Derivative financial assets	2,267	11,751	5,906	-	19,924
Financial investments at fair value through other comprehensive income	3,018,961	5,249,863	4,708,255	507,532	13,484,611
Financial investments at amortised cost (Gross)	488,804	1,329,792	3,103,182	442,968	5,364,746
Gross financing and advances	4,488,082	2,864,961	3,789,444	69,193,491	80,335,978
Statutory deposits with Bank Negara Malaysia	-	-	-	1,860,700	1,860,700
Total On-Balance Sheet Exposures	9,550,800	9,456,367	11,606,787	72,004,691	102,618,645

Approximately 8% (2024: 9%) of the Bank's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 85% (2024: 86%) of the Bank's gross financing and advances has residual maturity of more than five years. The longer maturity is from the house financing and hire purchase which made up 67% (2024: 65%) of the portfolio and are traditionally longer term in nature and well secured.

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future cash requirements since the Bank expects many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

(c) Geographical Analysis

All credit exposures are located in Malaysia except for cash and balances with banks of RM8.6 million (2024: RM5.1 million).

4. Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Bank are mainly from the following:

- (i) Financial guarantees and standby letters of credit, which represent undertakings that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as financing even though they are contingent in nature;
- (ii) Documentary and commercial letters of credit, which are undertakings by the Bank on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- (iii) Commitments to extend credit including the unutilised or undrawn portions of credit facilities;
- (iv) Unutilised credit card lines; and
- (v) Principal/notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance with the credit risk management approach as set out in item 4 of the Pillar 3 Disclosure.

(b) Counterparty Credit Risk on Derivative Financial Instruments

The risk management approach on counterparty credit risk on derivative financial instruments are set out in the credit risk section of Note 40 to the financial statements.

4. Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

Composition of Off-Balance Sheet Exposures

The following tables present the composition of off-balance sheet exposures. All derivative financial instruments are at their notional amounts.

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2025				
Contingent Liabilities				
Direct credit substitutes	33,162		33,162	21,664
Transaction-related contingent items	573,247		286,624	92,981
Short term self-liquidating trade-related contingencies	2,951		590	464
	609,360		320,376	115,109
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	6,717,323		3,358,510	2,669,347
- not exceeding one year	3,183,196		636,639	465,041
Unutilised credit card lines	642,484		128,497	96,373
Forward asset purchases	280,042		280,042	-
	10,823,045		4,403,688	3,230,761
Derivative Financial Instruments				
Foreign exchange related contracts:				
- up to one year	5	-	-	-
Profit rate related contracts:				
- up to one year	1,400,000	2,494	5,244	1,049
- more than one year to five years	2,238,000	1,694	68,214	13,643
	3,638,005	4,188	73,458	14,692
Total Off-Balance Sheet Exposures	15,070,410	4,188	4,797,522	3,360,562
2024				
Contingent Liabilities				
Direct credit substitutes	34,827		34,827	24,634
Transaction-related contingent items	127,153		63,577	49,037
Short term self-liquidating trade-related contingencies	4,685		937	827
	166,665		99,341	74,498
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	6,239,218		3,119,443	2,412,259
- not exceeding one year	2,488,982		497,797	396,222
Unutilised credit card lines	549,981		109,996	82,497
	9,278,181		3,727,236	2,890,978
Derivative Financial Instruments				
Profit rate related contracts:				
- up to one year	1,200,000	2,267	4,517	903
- more than one year to five years	2,600,000	17,657	68,657	13,731
- more than five years	200,000	-	10,000	2,000
	4,000,000	19,924	83,174	16,634
Total Off-Balance Sheet Exposures	13,444,846	19,924	3,909,751	2,982,110

4. Credit Risk (Cont'd.)

4.3 Credit Risk Mitigation

The Bank's approach in granting credit facilities is based on the credit standing of the customer, source of payment and debt servicing ability rather than placing primary reliance on credit risk mitigants ("CRM"). Depending on a customer's credit standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

The main types of collateral obtained by the Bank to mitigate credit risk are as follows:

- (a) for residential mortgages - charges over residential properties;
- (b) for commercial property financing - charges over the properties being financed;
- (c) for motor vehicle financing - ownership claims over the vehicles financed; and
- (d) for other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and the ease of realising the CRM. Policies and procedures are in place to govern the protection of the Bank's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon during documentation to ensure the legal enforceability of the CRM.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. In mortgage financing, the collateral is required to be covered at all times against major risks, for instance, against fire, with the Bank as the loss payee under the takaful policy. In addition, customers are generally covered against major risks, such as, death and permanent disability.

The Bank also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk, subject to internal guidelines on eligibility. Currently, the Bank does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Bank's credit exposures. In addition, the Bank enters into master netting arrangements with its derivative counterparties to reduce the credit risk, all amounts with the counterparty are settled on a net basis.

4. Credit Risk (Cont'd.)

4.3 Credit Risk Mitigation (Cont'd.)

Credit Risk Mitigation Analysis

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

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2025				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	17,232,956	-	-	-
Public Sector Entities	1,118,555	1,117,425	-	-
Banks, DFIs and MDBs	817,713	-	-	-
Insurance Companies, Securities Firms and Fund Managers	5,285	-	191	-
Corporates	13,419,134	438,459	453,183	-
Regulatory Retail	34,770,040	35,944	194,127	-
Residential Mortgages	38,624,253	-	80,679	-
Higher Risk Assets	12,225	-	48	-
Other Assets	244,812	-	-	-
Equity Exposures	651,486	-	-	-
Defaulted Exposures	503,765	-	108	-
	107,400,224	1,591,828	728,336	-
Off-Balance Sheet Exposures				
Credit-related Exposures	4,441,369	157,542	19,183	-
Derivative Financial Instruments	73,458	-	-	-
Other Treasury-related Exposures	280,042	-	-	-
Defaulted Exposures	2,653	-	-	-
	4,797,522	157,542	19,183	-
Total Credit Exposures	112,197,746	1,749,370	747,519	-

4. Credit Risk (Cont'd.)

4.3 Credit Risk Mitigation (Cont'd.)

Credit Risk Mitigation Analysis (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2024				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	19,619,373	-	-	-
Public Sector Entities	2,017,756	2,017,516	-	-
Banks, DFIs and MDBs	532,852	-	-	-
Insurance Companies, Securities Firms and Fund Managers	5,421	-	193	-
Corporates	12,030,313	1,143,050	292,375	-
Regulatory Retail	30,843,300	56,147	165,659	-
Residential Mortgages	36,049,997	-	72,055	-
Higher Risk Assets	10,564	-	-	-
Other Assets	212,069	-	-	-
Equity Exposures	630,315	-	-	-
Defaulted Exposures	497,095	-	375	-
	102,449,055	3,216,713	530,657	-
Off-Balance Sheet Exposures				
Credit-related Exposures	3,824,385	123,800	18,146	-
Derivative Financial Instruments	83,174	-	-	-
Defaulted Exposures	2,192	-	-	-
	3,909,751	123,800	18,146	-
Total Credit Exposures	106,358,806	3,340,513	548,803	-

4. Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Bank makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the CAFIB:

- (a) Standard & Poor's ("S&P")
- (b) Moody's Investors Service ("Moody's")
- (c) Fitch Ratings ("Fitch")
- (d) RAM Rating Services Berhad ("RAM")
- (e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- (a) Sovereigns and Central Banks
- (b) Banking Institutions
- (c) Corporates

Unrated and Rated Counterparties

In general, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the CAFIB. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

Rating Category	S & P	Moody's	Fitch	RAM	MARC
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

4. Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The Bank uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a summarised risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
	Sovereigns and Central Banks	Corporates	Banking Institutions	
			For Exposure Greater Than Six Months Original Maturity	For Exposure Less Than Six Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of three months or less which are denominated and funded in Ringgit Malaysia, are all risk-weighted at 20% regardless of credit rating.

4. Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories

The following tables present the credit exposures before the effect of credit risk mitigation by credit quality rating categories.

Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
2025								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	3,621,744	-	-	-	-	-		3,621,744
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	17,232,956	-	-	-	-		17,232,956
- Public Sector Entities	-	1,117,425	-	-	-	-		1,117,425
- Corporates	-	6,103	-	-	-	-		6,103
- Regulatory Retail	-	35,944	-	-	-	-		35,944
	-	18,392,428	-	-	-	-		18,392,428
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	400,000	387,491	-	-	-	-		787,491
Total Rated Exposures	4,021,744	18,779,919	-	-	-	-		22,801,663
(b) Total Unrated Exposures							84,598,561	84,598,561
	4,021,744	18,779,919	-	-	-	-	84,598,561	107,400,224
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	445,875	-	-	-	-	-		445,875
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	280,042	-	-	-	-		280,042
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	73,458	-	-	-	-	-		73,458
Total Rated Exposures	519,333	280,042	-	-	-	-		799,375
(b) Total Unrated Exposures							3,998,147	3,998,147
	519,333	280,042	-	-	-	-	3,998,147	4,797,522
Total Credit Exposures before Credit Risk Mitigation	4,541,077	19,059,961	-	-	-	-	88,596,708	112,197,746

4. Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Cont'd.)

Exposure Class	Rating Categories							Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	
2024								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	2,331,614	-	-	-	-	-		2,331,614
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	19,619,373	-	-	-	-		19,619,373
- Public Sector Entities	-	2,017,516	-	-	-	-		2,017,516
- Corporates	-	6,797	-	-	-	-		6,797
- Regulatory Retail	-	56,147	-	-	-	-		56,147
	-	21,699,833	-	-	-	-		21,699,833
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	-	471,144	-	-	-	-		471,144
Total Rated Exposures	2,331,614	22,170,977	-	-	-	-		24,502,591
(b) Total Unrated Exposures							77,946,464	77,946,464
	2,331,614	22,170,977	-	-	-	-	77,946,464	102,449,055
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	123,800	-	-	-	-	-		123,800
(ii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	83,174	-	-	-	-	-		83,174
Total Rated Exposures	206,974	-	-	-	-	-		206,974
(b) Total Unrated Exposures							3,702,777	3,702,777
	206,974	-	-	-	-	-	3,702,777	3,909,751
Total Credit Exposures before Credit Risk Mitigation	2,538,588	22,170,977	-	-	-	-	81,649,241	106,358,806

Under the CAFIB, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

4. Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights

The following tables present the credit exposures after the effect of credit risk mitigation by risk weights.

Risk Weights	← Credit Exposures after the Effect of Credit Risk Mitigation →										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2025												
0%	17,512,998	1,117,425	-	-	6,103	35,944	-	-	18,141	-	18,690,611	-
20%	-	1,130	882,568	-	4,067,619	-	-	-	-	-	4,951,317	990,263
35%	-	-	-	-	-	-	21,578,710	-	-	-	21,578,710	7,552,548
50%	-	-	8,603	-	179	4,025	11,623,900	-	-	-	11,636,707	5,818,354
75%	-	-	-	-	-	34,301,598	43,899	-	-	-	34,345,497	25,759,123
100%	-	-	-	6,256	9,920,743	2,884,423	6,147,956	-	226,671	651,486	19,837,535	19,837,535
150%	-	-	-	-	29,285	340,834	18,782	20,949	-	-	409,850	614,775
Total	17,512,998	1,118,555	891,171	6,256	14,023,929	37,566,824	39,413,247	20,949	244,812	651,486	111,450,227	60,572,598
Risk-Weighted Assets by Exposures	-	226	180,815	6,256	10,778,284	29,123,885	19,573,552	31,423	226,671	651,486	60,572,598	
Average Risk Weights	0.0%	0.0%	20.3%	100.0%	76.9%	77.5%	49.7%	150.0%	92.6%	100.0%	54.3%	
Deduction from Total Capital			-							-		-

4. Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Cont'd.)

Risk Weights	← Credit Exposures after the Effect of Credit Risk Mitigation →										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2024												
0%	19,619,373	2,017,516	-	-	6,797	56,147	-	-	26,060	-	21,725,893	-
20%	-	240	610,908	-	2,455,414	-	-	-	-	-	3,066,562	613,312
35%	-	-	-	-	-	-	20,268,598	-	-	-	20,268,598	7,094,009
50%	-	-	5,118	-	3,257	2,452	10,710,769	-	-	-	10,721,596	5,360,798
75%	-	-	-	-	-	30,535,661	52,904	-	-	-	30,588,565	22,941,424
100%	-	-	-	6,646	9,832,043	2,478,323	5,915,492	-	186,009	630,315	19,048,828	19,048,828
150%	-	-	-	-	14,565	334,537	24,377	16,482	-	-	389,961	584,942
Total	19,619,373	2,017,756	616,026	6,646	12,312,076	33,407,120	36,972,140	16,482	212,069	630,315	105,810,003	55,643,313
Risk-Weighted Assets by Exposures	-	48	124,741	6,646	10,346,602	25,883,100	18,441,129	24,723	186,009	630,315	55,643,313	
Average Risk Weights	0.0%	0.0%	20.2%	100.0%	84.0%	77.5%	49.9%	150.0%	87.7%	100.0%	52.6%	
Deduction from Total Capital			-							-		-

4. Credit Risk (Cont'd.)

4.5 Credit Quality of Gross Financing and Advances

Gross Financing and Advances by Credit Quality

All financing and advances are categorised as either:

- (a) Neither past due nor credit-impaired;
- (b) Past due but not credit-impaired; or
- (c) Credit-impaired.

Financing and advances are considered past due when any payment (whether principal and/or profit) due under the contractual terms are received late or missed.

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

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

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

The gross financing and advances analysed by credit quality are set out in the credit risk section of Note 40(ii) to the financial statements.

The description of the approaches adopted for the determination of individual and collective impairment allowance are set out in Note 2(iii)(f)(ii) to the financial statements.

4. Credit Risk (Cont'd.)

4.5 Credit Quality of Gross Financing and Advances (Cont'd.)

(a) Past Due But Not Credit-impaired

Tables (i)-(ii) present the analyses of past due but not credit-impaired financing and advances of the Bank by the following:

- (i) Economic purpose
- (ii) Aging

(i) Economic Purpose

	2025	2024
	RM'000	RM'000
Purchase of transport vehicles	2,537,088	2,100,408
Purchase of properties	3,675,858	3,994,058
(Of which: - residential	3,116,272	3,051,687
- non-residential)	559,586	942,371
Purchase of fixed assets (excluding properties)	143	150
Personal use	163,489	158,170
Credit card	21,828	15,240
Construction	6,148	3,159
Working capital	51,355	60,839
Other purpose	904	650
	6,456,813	6,332,674

(ii) Aging

	2025	2024
	RM'000	RM'000
1 day to 30 days	4,715,174	4,658,441
31 to 59 days	992,103	918,641
60 to 89 days	749,536	755,592
	6,456,813	6,332,674

4. Credit Risk (Cont'd.)

4.5 Credit Quality of Gross Financing and Advances (Cont'd.)

(b) Credit-impaired Financing and Advances

The following tables present the analyses of credit-impaired financing and advances and the impairment allowances of the Bank by the economic purpose.

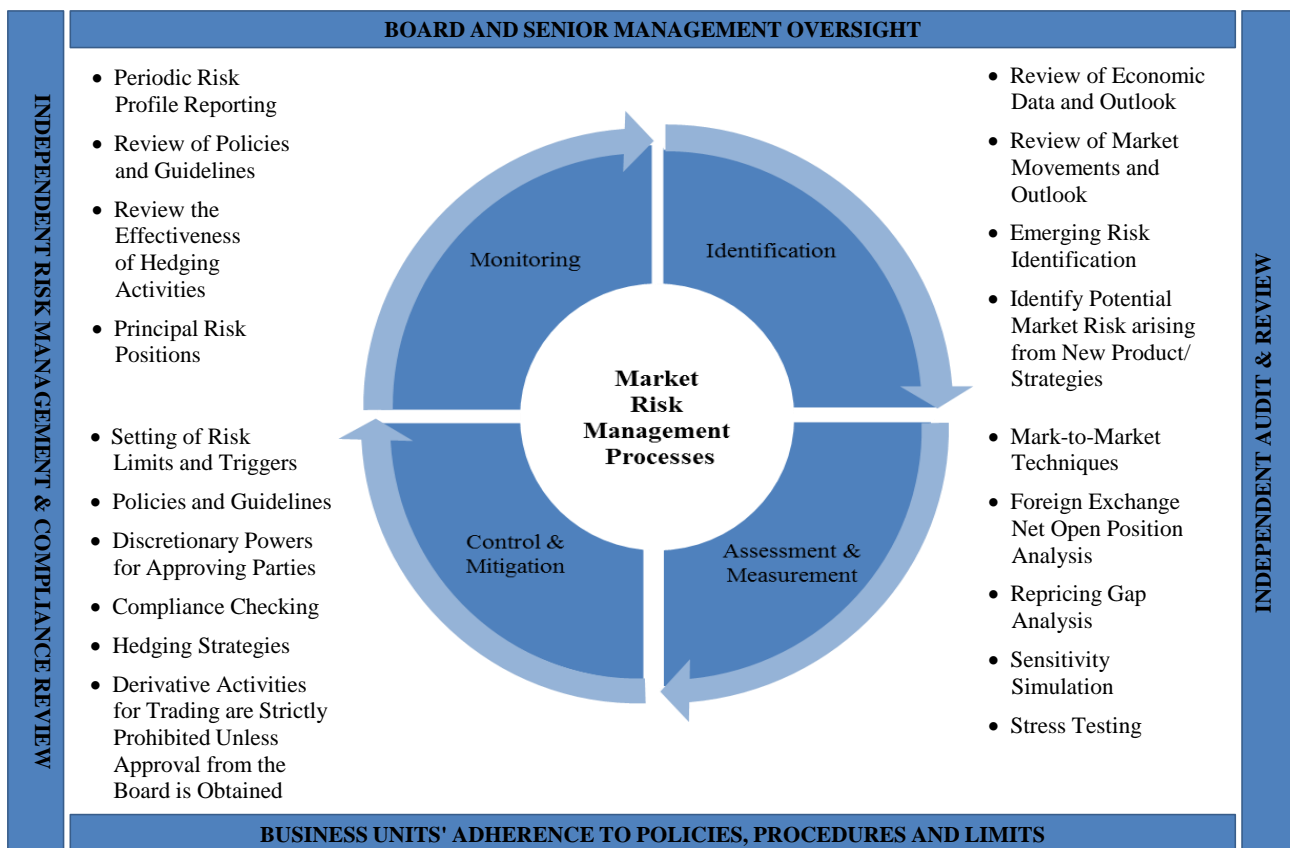
Economic Purpose

	Credit-impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing and Advances RM'000
2025							
Purchase of transport vehicles	43,771	-	-	-	-	182,730	182,730
Purchase of properties	189,091	7,239	(4,446)	(2,292)	501	173,235	173,736
(Of which: - residential	155,235	-	-	-	-	74,732	74,732
- non-residential)	33,856	7,239	(4,446)	(2,292)	501	98,503	99,004
Purchase of fixed assets (excluding properties)	-	-	-	-	-	77	77
Personal use	20,297	-	-	-	-	25,240	25,240
Credit card	963	-	-	-	-	2,604	2,604
Construction	-	-	-	-	-	30,138	30,138
Working capital	9,438	4,224	(285)	(2,366)	1,573	50,553	52,126
Other purpose	15	-	-	-	-	206,600	206,600
	263,575	11,463	(4,731)	(4,658)	2,074	671,177	673,251
2024							
Purchase of transport vehicles	36,270	-	-	-	-	151,919	151,919
Purchase of properties	208,970	648	6,660	(69)	7,239	173,691	180,930
(Of which: - residential	154,453	-	-	-	-	81,848	81,848
- non-residential)	54,517	648	6,660	(69)	7,239	91,843	99,082
Purchase of fixed assets (excluding properties)	-	-	-	-	-	251	251
Personal use	22,175	-	-	-	-	24,797	24,797
Credit card	614	-	-	-	-	2,557	2,557
Construction	-	-	-	-	-	31,216	31,216
Working capital	15,120	534	4,184	(494)	4,224	25,152	29,376
Other purpose	13	-	-	-	-	294,135	294,135
	283,162	1,182	10,844	(563)	11,463	703,718	715,181

5. Market Risk

Market risk is the risk of movements in market variables, including interest/rates of return, foreign exchange rates, commodity prices and equity prices, which will reduce the earnings or capital of the Bank.

The following diagram presents the risk management processes over market risk.



The risk governance and risk management approach for market risk are set out in the market risk section of Note 40 to the financial statements.

Minimum Regulatory Capital Requirements for Market Risk

The following table presents the minimum regulatory capital requirements for market risk.

	Long Position RM'000	Short Position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2025				
Rate of return risk	1,044,833	(5)	55,001	4,400
Foreign Exchange risk	6	-	6	1
Total	1,044,839	(5)	55,007	4,401
2024				
Rate of return risk	993,555	-	62,015	4,961
Foreign Exchange risk	5	-	5	1
Total	993,560	-	62,020	4,962

5. Market Risk (Cont'd.)

5.1 Rate of Return Risk in the Banking Book

Rate of Return Risk Sensitivity Analysis

The following table presents the projected Bank's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Bank's rate of return sensitivity gap as at the reporting date, taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing rate of return.

	← 2025	+100 bps	-100 bps	→ 2024
	-100 bps	Increase/(Decrease)	-100 bps	+100 bps
	RM'000	RM'000	RM'000	RM'000
Impact on Net Profit				
Income ("NPI")	(144,965)	159,039	(169,108)	154,098
Impact on Economic				
Value of Equity ("EVE")	651,211	(391,717)	547,083	(310,546)

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the Assets & Liabilities Management Committee ("ALCO") seeks to proactively change the rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statement of financial position and that all positions run to maturity.

The repricing profile of financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, financing prepayments are generally estimated based on past statistics and trends. The impact on the NPI and EVE are measured on a monthly basis, both of which are reported to the ALCO and RMC.

6. Equity Exposures in the Banking Book

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

	2025		2024	
	Gross Credit Exposure RM'000	Risk- Weighted Assets RM'000	Gross Credit Exposure RM'000	Risk- Weighted Assets RM'000
<u>Publicly traded</u>				
Investments in unit trust funds	651,486	651,486	630,315	630,315

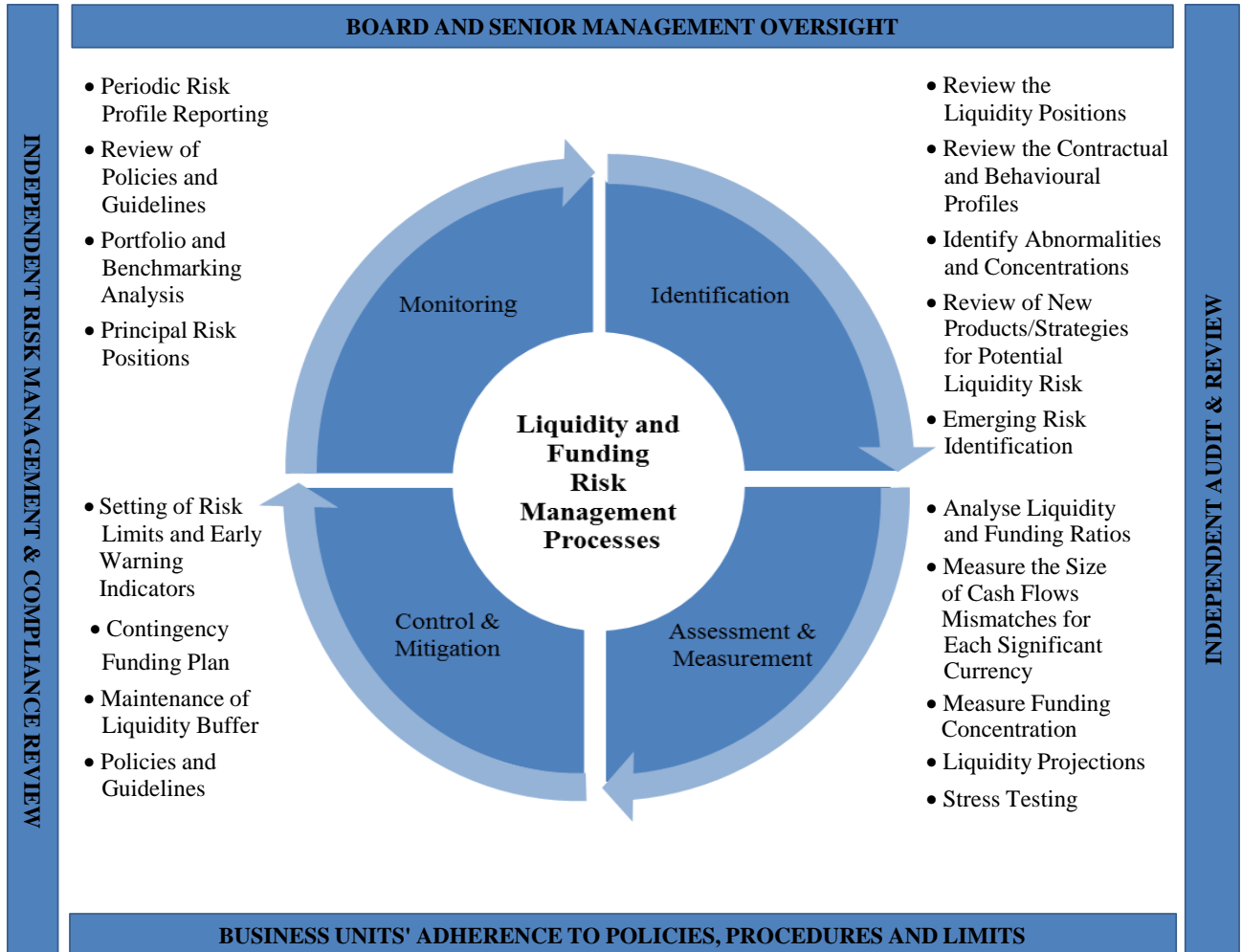
The publicly traded investment in unit trust funds comprises wholesale income fund which is held for yield purposes.

During the financial year, there were no realised gains or losses on disposal of equity exposures in the banking book (2024: nil). As at 31 December 2025, there were no unrealised gains or losses (2024: nil) arising from the mark-to-market of equity exposures in banking book.

7. Liquidity and Funding Risk

Liquidity and funding risk is the risk of insufficient liquid assets to meet obligations due and/or inefficient funding structure resulting in high funding cost.

The following diagram presents the risk management processes over liquidity and funding risk.

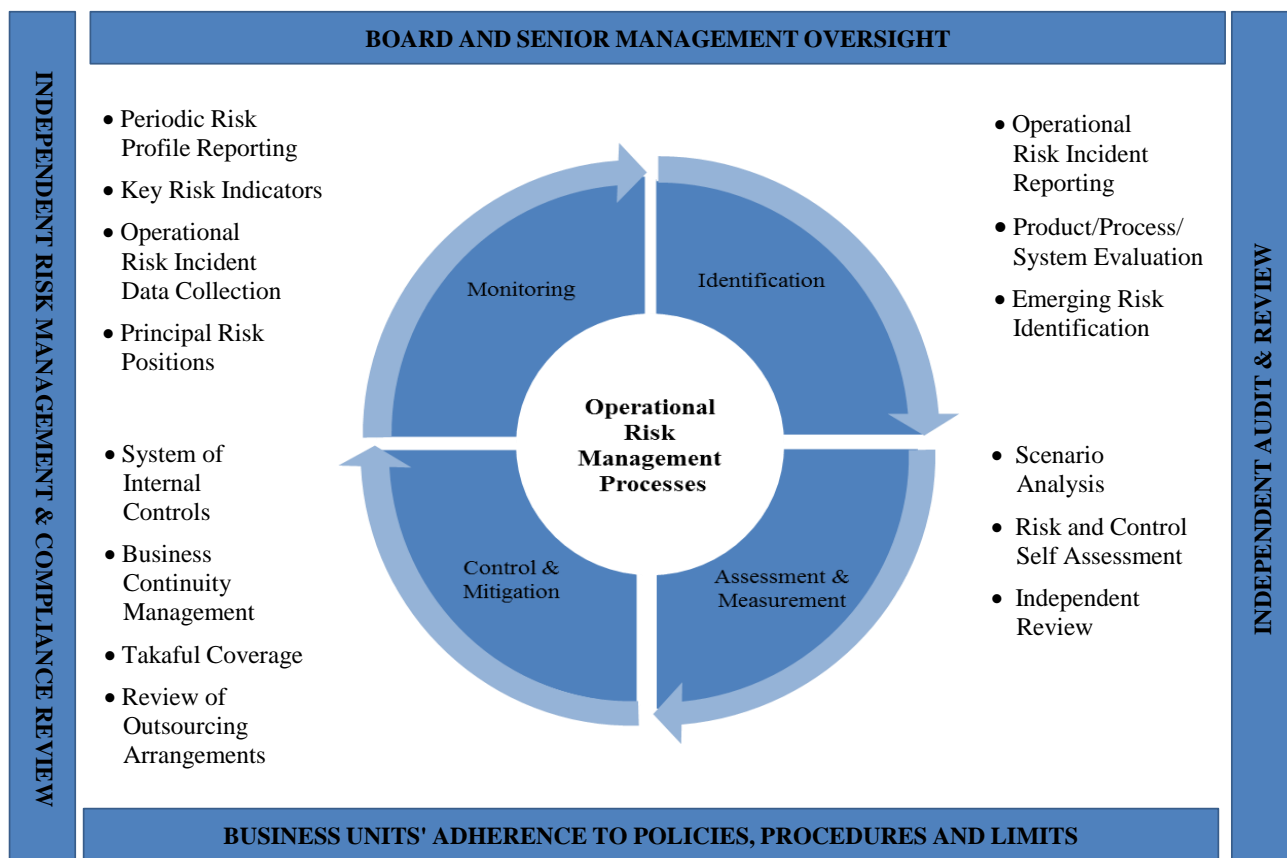


The risk governance and risk management approach for liquidity and funding risk are set out in the liquidity and funding risk section of Note 40 to the financial statements.

8. Operational Risk

Operational risk is the risk of inadequate or failed internal processes, people and systems or from external events which would result in financial loss, disruptions in financial services/operations or reputational harm. Operational risk is unavoidable as it is inherent in all banking businesses. The objective of the operational risk management of the Bank is to manage its operational risk within an acceptable level.

The following diagram presents the risk management processes over operational risk.



The risk governance and risk management approach for operational risk are set out in the operational risk section of Note 40 to the financial statements.

Minimum Regulatory Capital Requirements for Operational Risk

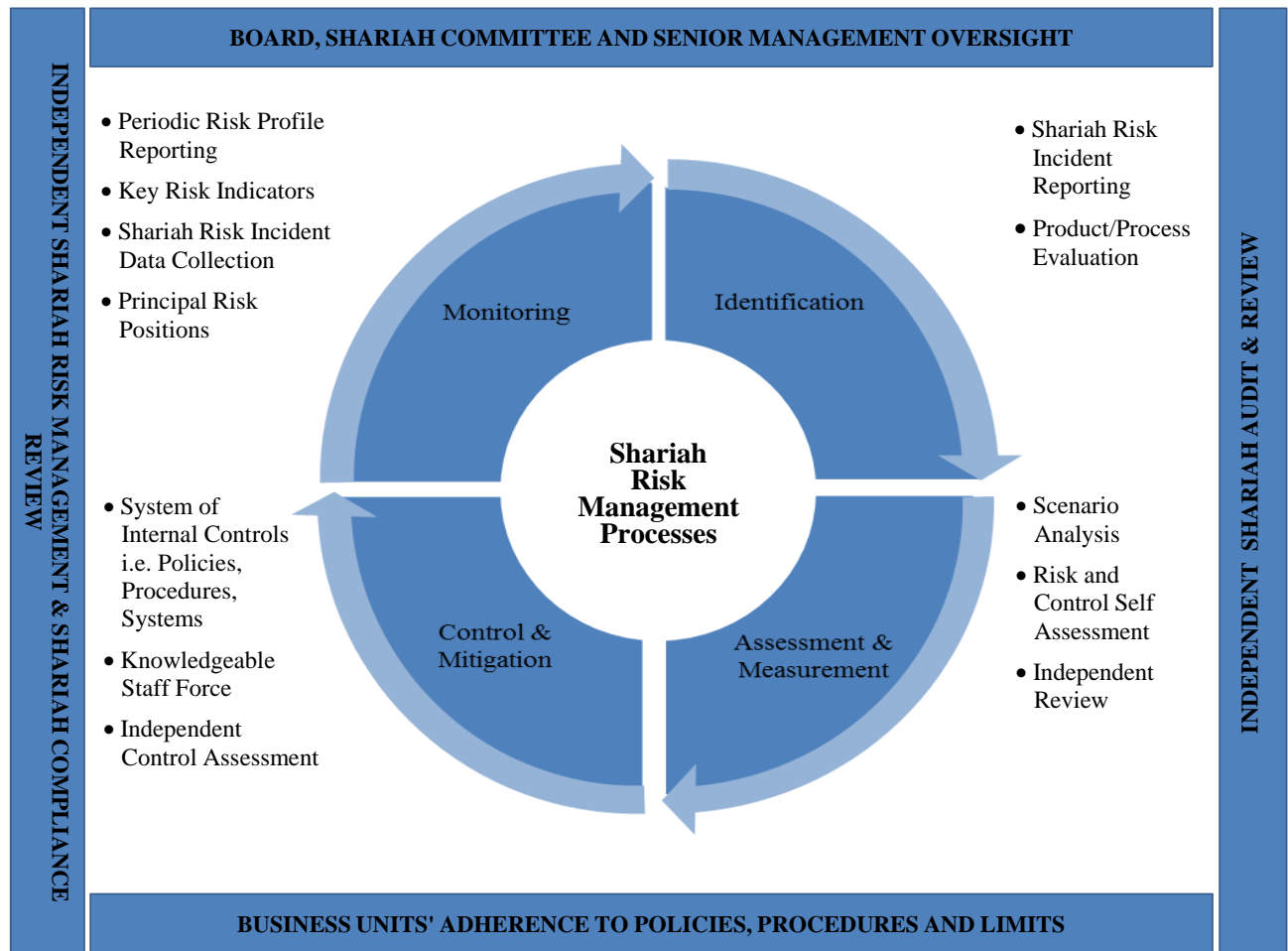
The following table presents the minimum regulatory capital requirements for operational risk of the Bank.

	2025		2024	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational Risk	2,556,405	204,512	2,905,605	232,448

9. Shariah Non-Compliance Risk

Shariah non-compliance ("SNC") risk is the risk of failure to comply with the rulings of the Shariah Advisory Council of BNM, standards on Shariah matters issued by BNM or decisions or advice of the Shariah Committee ("SC") which could result in legal or regulatory sanctions, financial loss or non-financial implications including reputational damage.

The following diagram presents the risk management processes over SNC risk.



The following disclosures on SNC risk are set out in the SC report and SNC risk section of Note 40 to the financial statements:

- Nature of Shariah non-compliant activities;
- Amount of Shariah non-compliant income;
- Number of non-Shariah compliant events occurring during the year; and
- Rectification process and control measures to avoid recurrence of such Shariah non-compliant activities.