

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

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PILLAR 3 DISCLOSURE

As at 30 June 2023

1. Overview

The information of Public Islamic Bank Berhad ("the Bank") below is disclosed pursuant to the requirements of the Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements (Pillar 3). Certain information is presented on a voluntary basis to provide additional information to users.

Minimum Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirements to support the Bank's risk-weighted assets.

	30 June 2023		31 December 2022	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	50,737,611	4,059,009	48,034,340	3,842,747
Market Risk	70,631	5,650	45	4
Operational Risk	2,761,454	220,916	2,582,339	206,587
Total	53,569,696	4,285,575	50,616,724	4,049,338

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.

2. Capital Management

Capital Adequacy Ratios and Capital Structure

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

(a) Capital Adequacy Ratios

	30 June 2023	31 December 2022
Before deducting interim dividends*:		
Common Equity Tier I ("CET I") capital ratio	12.901%	12.863%
Tier I capital ratio	12.901%	12.863%
Total capital ratio	15.952%	16.025%
After deducting interim dividends*:		
CET I capital ratio	12.901%	12.863%
Tier I capital ratio	12.901%	12.863%
Total capital ratio	15.952%	16.025%

* Refer to interim dividends declared subsequent to the financial period/year end.

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

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

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. 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.

2. Capital Management (Cont'd.)

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

(b) Capital Structure

	30 June 2023	31 December 2022
	RM'000	RM'000
CET I/Tier I capital		
Share capital	3,032,717	3,032,717
Other reserves	(99,705)	(178,179)
Retained profits	4,170,170	3,874,316
Less: Deferred tax assets, net	(122,409)	(148,606)
Less: Defined benefit pension fund assets	(2,143)	(2,056)
Less: Investment in an associated company deducted from CET I capital	(67,500)	(67,500)
Total CET I/Tier I capital	6,911,130	6,510,692
Tier II capital		
Stage 1 and Stage 2 expected credit loss allowances ¹	634,220	600,429
Subordinated Sukuk Murabahah	1,000,000	1,000,000
Total Tier II capital	1,634,220	1,600,429
Total capital	8,545,350	8,111,121

¹ Excludes expected credit loss allowances restricted from Tier II capital of the Bank of RM206,191,000 (31 December 2022: RM247,307,000).

3. Credit Risk

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
30 June 2023				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	20,871,210	20,871,210	-	-
Public Sector Entities	1,001,067	1,001,067	43	3
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	284,378	284,378	57,142	4,571
Insurance Companies, Securities Firms and Fund Managers	5,633	5,451	5,451	436
Corporates	10,853,024	10,763,352	8,689,055	695,125
Regulatory Retail	26,586,658	26,426,537	20,269,785	1,621,583
Residential Mortgages	31,685,970	31,621,958	15,862,564	1,269,005
Higher Risk Assets	6,836	6,836	10,255	821
Other Assets	165,917	165,917	151,417	12,113
Equity Exposures	599,512	599,512	599,512	47,961
Defaulted Exposures	849,201	848,287	1,228,160	98,253
	92,909,406	92,594,505	46,873,384	3,749,871
Off-Balance Sheet Exposures				
Credit-related Exposures	4,850,510	4,835,001	3,835,191	306,815
Derivative Financial Instruments	128,411	128,411	25,682	2,055
Other Treasury-related Exposures	20,256	20,256	-	-
Defaulted Exposures	2,493	2,493	3,354	268
	5,001,670	4,986,161	3,864,227	309,138
Total Credit Exposures	97,911,076	97,580,666	50,737,611	4,059,009

3. 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
31 December 2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	20,956,743	20,956,743	-	-
Public Sector Entities	1,001,617	1,001,617	153	12
Banks, DFIs and MDBs	345,151	345,151	69,299	5,544
Insurance Companies, Securities Firms and Fund Managers	5,738	5,648	5,648	452
Corporates	10,238,143	10,164,105	7,900,407	632,032
Regulatory Retail	25,451,204	25,296,378	19,410,489	1,552,839
Residential Mortgages	29,887,680	29,826,946	14,810,176	1,184,814
Higher Risk Assets	8,577	8,556	12,834	1,027
Other Assets	148,803	148,803	128,807	10,305
Equity Exposures	589,838	589,838	589,838	47,187
Defaulted Exposures	1,191,798	1,190,373	1,736,434	138,915
	89,825,292	89,534,158	44,664,085	3,573,127
Off-Balance Sheet Exposures				
Credit-related Exposures	4,199,721	4,184,729	3,338,004	267,040
Derivative Financial Instruments	133,922	133,922	26,785	2,143
Defaulted Exposures	3,911	3,911	5,466	437
	4,337,554	4,322,562	3,370,255	269,620
Total Credit Exposures	94,162,846	93,856,720	48,034,340	3,842,747

3. Credit Risk (Cont'd.)

3.1 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.

30 June 2023	Government and 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	116	298,873	-	-	-	-	-	-	298,989
Financial assets at fair value through profit or loss	-	1,343,801	-	-	-	-	-	-	1,343,801
Derivative financial assets	-	35,411	-	-	-	-	-	-	35,411
Financial investments at fair value through other comprehensive income	14,145,843	-	-	-	-	-	-	-	14,145,843
Financial investments at amortised cost (Gross)	4,961,890	1,103,390	-	-	-	-	-	-	6,065,280
Gross financing and advances	1,001,067	1,730,168	2,233,749	5,932,898	6,285,611	34,609,860	10,954,430	7,203,922	69,951,705
Statutory deposits with Bank Negara Malaysia	1,650,930	-	-	-	-	-	-	-	1,650,930
	21,759,846	4,511,643	2,233,749	5,932,898	6,285,611	34,609,860	10,954,430	7,203,922	93,491,959
Commitments and Contingencies									
Contingent liabilities	1,029	1,151	1,428	986	4,769	-	-	112,989	122,352
Commitments	21,726	892,203	256,384	1,717,451	1,701,760	4,955,364	117	1,744,949	11,289,954
	22,755	893,354	257,812	1,718,437	1,706,529	4,955,364	117	1,857,938	11,412,306
Total Credit Exposures	21,782,601	5,404,997	2,491,561	7,651,335	7,992,140	39,565,224	10,954,547	9,061,860	104,904,265

3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

31 December 2022	Government and 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	2,700,201	365,128	-	-	-	-	-	-	3,065,329
Derivative financial assets	-	42,922	-	-	-	-	-	-	42,922
Financial investments at fair value through other comprehensive income	12,076,612	-	-	-	-	-	-	-	12,076,612
Financial investments at amortised cost (Gross)	4,321,334	1,103,389	-	-	211,921	-	-	-	5,636,644
Gross financing and advances	1,001,616	1,180,545	2,005,336	5,861,120	6,238,611	32,878,886	10,278,080	7,075,326	66,519,520
Statutory deposits with Bank Negara Malaysia	1,746,100	-	-	-	-	-	-	-	1,746,100
	<u>21,845,863</u>	<u>2,691,984</u>	<u>2,005,336</u>	<u>5,861,120</u>	<u>6,450,532</u>	<u>32,878,886</u>	<u>10,278,080</u>	<u>7,075,326</u>	<u>89,087,127</u>
Commitments and Contingencies									
Contingent liabilities	-	1,114	1,428	1,038	5,689	-	-	109,283	118,552
Commitments	4,500	23,451	263,872	1,721,912	1,462,542	4,871,106	583	1,661,858	10,009,824
	<u>4,500</u>	<u>24,565</u>	<u>265,300</u>	<u>1,722,950</u>	<u>1,468,231</u>	<u>4,871,106</u>	<u>583</u>	<u>1,771,141</u>	<u>10,128,376</u>
Total Credit Exposures	<u>21,850,363</u>	<u>2,716,549</u>	<u>2,270,636</u>	<u>7,584,070</u>	<u>7,918,763</u>	<u>37,749,992</u>	<u>10,278,663</u>	<u>8,846,467</u>	<u>99,215,503</u>

3. Credit Risk (Cont'd.)

3.1 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
30 June 2023					
On-Balance Sheet Exposures					
Cash and balances with banks	298,989	-	-	-	298,989
Financial assets at fair value through profit or loss	1,343,801	-	-	-	1,343,801
Derivative financial assets	-	20,802	11,039	3,570	35,411
Financial investments at fair value through other comprehensive income	3,108,338	6,519,480	2,526,919	1,991,106	14,145,843
Financial investments at amortised cost (Gross)	1,449,100	2,621,287	807,712	1,187,181	6,065,280
Gross financing and advances	2,922,724	5,163,396	3,120,196	58,745,389	69,951,705
Statutory deposits with Bank Negara Malaysia	-	-	-	1,650,930	1,650,930
Total On-Balance Sheet Exposures	9,122,952	14,324,965	6,465,866	63,578,176	93,491,959
31 December 2022					
On-Balance Sheet Exposures					
Cash and balances with banks	3,065,329	-	-	-	3,065,329
Derivative financial assets	-	8,259	31,410	3,253	42,922
Financial investments at fair value through other comprehensive income	1,988,952	7,205,277	2,584,956	297,427	12,076,612
Financial investments at amortised cost (Gross)	1,621,520	2,523,721	1,155,475	335,928	5,636,644
Gross financing and advances	2,805,056	4,876,974	3,333,226	55,504,264	66,519,520
Statutory deposits with Bank Negara Malaysia	-	-	-	1,746,100	1,746,100
Total On-Balance Sheet Exposures	9,480,857	14,614,231	7,105,067	57,886,972	89,087,127

Approximately 10% (31 December 2022: 11%) of the Bank's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 84% (31 December 2022: 83%) 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 64% (31 December 2022: 63%) 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 RM0.9 million (31 December 2022: RM0.9 million), gross financing and advances of RM32.9 million (31 December 2022: RM47.3 million) and commitments and contingencies of RM14.8 million (31 December 2022: RM13.3 million) which are located in other countries.

3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures

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
30 June 2023				
Contingent Liabilities				
Direct credit substitutes	36,646		36,646	26,941
Transaction-related contingent items	82,508		41,254	28,652
Short-term self-liquidating trade-related contingencies	3,198		640	596
	122,352		78,540	56,189
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	8,402,134		4,200,950	3,327,618
- not exceeding one year	2,539,607		507,922	405,545
Unutilised credit card lines	327,957		65,591	49,193
Forward asset purchases	20,256		20,256	-
	11,289,954		4,794,719	3,782,356
Derivative Financial Instruments				
Profit rate related contracts:				
- more than one year to five years	3,100,000	31,841	107,841	21,568
- more than five years	300,000	3,570	20,570	4,114
	3,400,000	35,411	128,411	25,682
Total Off-Balance Sheet Exposures	14,812,306	35,411	5,001,670	3,864,227

3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures (Cont'd.)

Composition of Off-Balance Sheet Exposures (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
31 December 2022				
Contingent Liabilities				
Direct credit substitutes	34,960		34,960	25,111
Transaction-related contingent items	79,733		39,867	28,158
Short-term self-liquidating trade-related contingencies	3,859		772	739
	<u>118,552</u>		<u>75,599</u>	<u>54,008</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	7,087,112		3,543,491	2,825,572
- not exceeding one year	2,659,890		531,978	424,467
Unutilised credit card lines	262,822		52,564	39,423
	<u>10,009,824</u>		<u>4,128,033</u>	<u>3,289,462</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
- up to one year	63	-	-	-
Profit rate related contracts:				
- more than one year to five years	3,100,000	39,669	125,669	25,134
- more than five years	100,000	3,253	8,253	1,651
	<u>3,200,063</u>	<u>42,922</u>	<u>133,922</u>	<u>26,785</u>
Total Off-Balance Sheet Exposures	<u><u>13,328,439</u></u>	<u><u>42,922</u></u>	<u><u>4,337,554</u></u>	<u><u>3,370,255</u></u>

3. Credit Risk (Cont'd.)

3.3 Credit Risk Mitigation

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
30 June 2023				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	20,871,210	-	-	-
Public Sector Entities	1,001,067	1,000,853	-	-
Banks, DFIs and MDBs	284,378	-	-	-
Insurance Companies, Securities Firms and Fund Managers	5,633	-	182	-
Corporates	10,853,024	736,710	89,672	-
Regulatory Retail	26,586,658	65,944	160,121	-
Residential Mortgages	31,685,970	-	64,012	-
Higher Risk Assets	6,836	-	-	-
Other Assets	165,917	-	-	-
Equity Exposures	599,512	-	-	-
Defaulted Exposures	849,201	-	914	-
	92,909,406	1,803,507	314,901	-
Off-Balance Sheet Exposures				
Credit-related Exposures	4,850,510	175,499	15,509	-
Derivative Financial Instruments	128,411	-	-	-
Other Treasury-related Exposures	20,256	-	-	-
Defaulted Exposures	2,493	-	-	-
	5,001,670	175,499	15,509	-
Total Credit Exposures	97,911,076	1,979,006	330,410	-

3. Credit Risk (Cont'd.)

3.3 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
31 December 2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	20,956,743	-	-	-
Public Sector Entities	1,001,617	1,000,853	-	-
Banks, DFIs and MDBs	345,151	-	-	-
Insurance Companies, Securities Firms and Fund Managers	5,738	-	90	-
Corporates	10,238,143	920,327	74,038	-
Regulatory Retail	25,451,204	75,234	154,826	-
Residential Mortgages	29,887,680	-	60,734	-
Higher Risk Assets	8,577	-	21	-
Other Assets	148,803	-	-	-
Equity Exposures	589,838	-	-	-
Defaulted Exposures	1,191,798	-	1,425	-
	<u>89,825,292</u>	<u>1,996,414</u>	<u>291,134</u>	<u>-</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	4,199,721	-	14,992	-
Derivative Financial Instruments	133,922	-	-	-
Defaulted Exposures	3,911	-	-	-
	<u>4,337,554</u>	<u>-</u>	<u>14,992</u>	<u>-</u>
Total Credit Exposures	<u>94,162,846</u>	<u>1,996,414</u>	<u>306,126</u>	<u>-</u>

3. Credit Risk (Cont'd.)

3.4 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 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	Standard & Poor's	Moody's Investors Service	Fitch Ratings	RAM Rating Services Berhad	Malaysian Rating Corporation Berhad
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

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.

3. Credit Risk (Cont'd.)

3.4 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		
30 June 2023								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	2,583,442	-	-	-	-	-		2,583,442
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	20,871,210	-	-	-	-		20,871,210
- Public Sector Entities	-	1,000,853	-	-	-	-		1,000,853
- Corporates	-	7,543	-	-	-	-		7,543
- Regulatory Retail	-	65,944	-	-	-	-		65,944
	-	21,945,550	-	-	-	-		21,945,550
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	60,000	216,964	-	-	-	-		276,964
Total Rated Exposures	2,643,442	22,162,514	-	-	-	-		24,805,956
(b) Total Unrated Exposures							68,103,450	68,103,450
	2,643,442	22,162,514	-	-	-	-	68,103,450	92,909,406
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	175,499	-	-	-	-	-		175,499
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	20,256	-	-	-	-		20,256
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	128,411	-	-	-	-	-		128,411
Total Rated Exposures	303,910	20,256	-	-	-	-		324,166
(b) Total Unrated Exposures							4,677,504	4,677,504
	303,910	20,256	-	-	-	-	4,677,504	5,001,670
Total Credit Exposures before Credit Risk Mitigation	2,947,352	22,182,770	-	-	-	-	72,780,954	97,911,076

3. Credit Risk (Cont'd.)

3.4 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						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
31 December 2022								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	2,554,499	-	-	-	-	-		2,554,499
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	20,956,743	-	-	-	-		20,956,743
- Public Sector Entities	-	1,000,853	-	-	-	-		1,000,853
- Corporates	-	220,099	-	-	-	-		220,099
- Regulatory Retail	-	75,234	-	-	-	-		75,234
	-	22,252,929	-	-	-	-		22,252,929
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	120,000	136,454	-	-	-	-		256,454
Total Rated Exposures	2,674,499	22,389,383	-	-	-	-		25,063,882
(b) Total Unrated Exposures							64,761,410	64,761,410
	2,674,499	22,389,383	-	-	-	-	64,761,410	89,825,292
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	133,922	-	-	-	-	-		133,922
Total Rated Exposures	133,922	-	-	-	-	-		133,922
(b) Total Unrated Exposures							4,203,632	4,203,632
	133,922	-	-	-	-	-	4,203,632	4,337,554
Total Credit Exposures before Credit Risk Mitigation	2,808,421	22,389,383	-	-	-	-	68,965,042	94,162,846

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%.

3. Credit Risk (Cont'd.)

3.4 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		
30 June 2023												
0%	20,891,466	1,000,853	-	-	7,543	65,944	-	-	14,500	-	21,980,306	-
20%	-	214	411,902	-	2,758,941	-	-	-	-	-	3,171,057	634,211
35%	-	-	-	-	-	-	17,580,281	-	-	-	17,580,281	6,153,098
50%	-	-	887	-	300	2,309	9,385,031	-	-	-	9,388,527	4,694,264
75%	-	-	-	-	-	26,267,915	100,335	-	-	-	26,368,250	19,776,188
100%	-	-	-	6,413	9,128,842	2,621,196	5,809,655	-	151,417	599,512	18,317,035	18,317,035
150%	-	-	-	-	96,929	639,119	28,007	11,155	-	-	775,210	1,162,815
Total	20,891,466	1,001,067	412,789	6,413	11,992,555	29,596,483	32,903,309	11,155	165,917	599,512	97,580,666	50,737,611
Risk-Weighted Assets by Exposures	-	43	82,824	6,413	9,826,174	23,281,965	16,772,531	16,732	151,417	599,512	50,737,611	
Average Risk Weights	0.0%	0.0%	20.1%	100.0%	81.9%	78.7%	51.0%	150.0%	91.3%	100.0%	52.0%	
Deduction from Total Capital			-							-	-	

3. Credit Risk (Cont'd.)

3.4 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		
31 December 2022												
0%	20,956,743	1,000,853	-	-	220,099	75,234	-	-	19,996	-	22,272,925	-
20%	-	764	478,176	-	2,554,499	-	-	-	-	-	3,033,439	606,688
35%	-	-	-	-	-	-	16,960,155	-	-	-	16,960,155	5,936,054
50%	-	-	897	-	300	2,150	8,698,907	-	-	-	8,702,254	4,351,127
75%	-	-	-	-	-	25,099,565	112,471	-	-	-	25,212,036	18,909,027
100%	-	-	-	7,098	7,935,240	2,587,969	5,315,894	-	128,807	589,838	16,564,846	16,564,846
150%	-	-	-	-	177,035	898,270	22,900	12,860	-	-	1,111,065	1,666,598
Total	20,956,743	1,001,617	479,073	7,098	10,887,173	28,663,188	31,110,327	12,860	148,803	589,838	93,856,720	48,034,340
Risk-Weighted Assets by Exposures	-	153	96,084	7,098	8,711,842	22,761,123	15,720,105	19,290	128,807	589,838	48,034,340	
Average Risk Weights	0.0%	0.0%	20.1%	100.0%	80.0%	79.4%	50.5%	150.0%	86.6%	100.0%	51.2%	
Deduction from Total Capital			-							-	-	

3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Financing and Advances

(a) Past Due But Not Credit-impaired

The following table presents an analysis of the past due but not credit-impaired financing and advances by economic purpose.

Economic Purpose

	30 June 2023	31 December 2022
	RM'000	RM'000
Purchase of transport vehicles	1,935,070	1,865,950
Purchase of properties	4,453,736	3,803,253
(Of which: - residential	3,363,110	2,826,315
- non-residential)	1,090,626	976,938
Personal use	201,173	155,996
Credit Card	10,689	7,727
Construction	3,948	1,038
Working capital	80,899	63,955
Other purpose	1,370	558
	6,686,885	5,898,477

3. Credit Risk (Cont'd.)

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

(b) Credit-impaired Financing and Advances

Tables (i)-(ii) present the analyses of credit-impaired financing and advances and the impairment allowance by the following:

- (i) Economic purpose
- (ii) Reconciliation of loss allowance for financing and advances

(i) Economic Purpose

	Credit-impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January 2023 RM'000	Net Charge for the Period RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 30 June 2023 RM'000	Collective Assessment Allowance at 30 June 2023¹ RM'000	Total Impairment Allowances for Financing and Advances RM'000
30 June 2023							
Purchase of transport vehicles	39,885	-	-	-	-	224,358	224,358
Purchase of properties	153,208	377	(285)	-	92	181,436	181,528
(Of which: - residential	115,115	-	-	-	-	82,060	82,060
- non-residential)	38,093	377	(285)	-	92	99,376	99,468
Purchase of fixed assets (excluding properties)	-	-	-	-	-	5	5
Personal use	26,245	-	-	-	-	31,572	31,572
Credit card	841	-	-	-	-	2,431	2,431
Construction	-	-	-	-	-	43,428	43,428
Working capital	4,489	356	24	-	380	37,810	38,190
Other purpose	22	-	-	-	-	371,934	371,934
	224,690	733	(261)	-	472	892,974	893,446

¹ Includes collective assessment allowance of RM0.3 million with credit exposures in United Kingdom.

3. Credit Risk (Cont'd.)

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

(b) Credit-impaired Financing and Advances (Cont'd.)

(i) Economic Purpose (Cont'd.)

	Credit-impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January 2022 RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December 2022 RM'000	Collective Assessment Allowance at 31 December 2022¹ RM'000	Total Impairment Allowances for Financing and Advances RM'000
31 December 2022							
Purchase of transport vehicles	32,574	-	-	-	-	226,863	226,863
Purchase of properties	94,017	1,055	113	(791)	377	205,578	205,955
(Of which: - residential	63,370	791	-	(791)	-	98,568	98,568
- non-residential)	30,647	264	113	-	377	107,010	107,387
Purchase of fixed assets (excluding properties)	-	-	-	-	-	2	2
Personal use	24,310	-	-	-	-	35,939	35,939
Credit card	580	-	-	-	-	1,946	1,946
Construction	-	-	-	-	-	44,282	44,282
Working capital	2,871	24	332	-	356	39,682	40,038
Other purpose	15	-	-	-	-	327,423	327,423
	154,367	1,079	445	(791)	733	881,715	882,448

¹ Includes collective assessment allowance of RM1.0 million with credit exposures in United Kingdom.

3. Credit Risk (Cont'd.)

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

(b) Credit-impaired Financing and Advances (Cont'd.)

(ii) Reconciliation of Loss Allowance for Financing and Advances

Movements in loss allowance for financing which reflect the Expected Credit Losses ("ECL") model on impairment are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit- impaired (Stage 2) RM'000	Credit- impaired (Stage 3) RM'000	Total RM'000
At 1 January 2023	455,527	376,749	50,172	882,448
Changes due to financing and advances recognised as at 1 January 2023:				
- Transfer to Stage 1: 12-Month ECL	65,177	(64,176)	(1,001)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	67,461	(65,453)	(2,008)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(2,214)	7,340	(5,126)	-
	(70)	(6,063)	6,133	-
New financing and advances originated	6,563	2,406	99	9,068
Net remeasurement due to changes in credit risk	(342,286)	335,793	28,571	22,078
Financing and advances derecognised (other than write-off)	(2,568)	(3,928)	(1,978)	(8,474)
Modifications to contractual cash flows of financing and advances	(421)	(2,192)	4,646	2,033
Amount written off	-	-	(13,707)	(13,707)
At 30 June 2023	181,992	644,652	66,802	893,446
At 1 January 2022	401,495	283,903	41,963	727,361
Changes due to financing and advances recognised as at 1 January 2022:				
- Transfer to Stage 1: 12-Month ECL	53,581	(52,862)	(719)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	63,042	(60,579)	(2,463)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(9,306)	12,561	(3,255)	-
	(155)	(4,844)	4,999	-
New financing and advances originated	14,087	9,296	708	24,091
Net remeasurement due to changes in credit risk	(3,281)	73,861	37,736	108,316
Financing and advances derecognised (other than write-off)	(5,536)	(6,131)	(5,224)	(16,891)
Modifications to contractual cash flows of financing and advances	(73)	91,418	5,269	96,614
Changes in models / risk parameters	(4,694)	(22,736)	-	(27,430)
Amount written off	(52)	-	(29,561)	(29,613)
At 31 December 2022	455,527	376,749	50,172	882,448

4. Market Risk

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
30 June 2023				
Rate of return risk	1,343,801	-	70,602	5,648
Foreign Exchange risk	29	-	29	2
Total	<u>1,343,830</u>	<u>-</u>	<u>70,631</u>	<u>5,650</u>
31 December 2022				
Rate of return risk	63	(63)	-	-
Foreign Exchange risk	45	-	45	4
Total	<u>108</u>	<u>(63)</u>	<u>45</u>	<u>4</u>

4.1 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.

	30 June 2023		31 December 2022	
	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000
Impact on Net Profit Income ("NPI")	(150,089)	128,308	(130,899)	108,801
Impact on Economic Value of Equity ("EVE")	414,187	(197,423)	359,414	(151,269)

4. Market Risk (Cont'd.)

4.1 Rate of Return Risk in the Banking Book (Cont'd.)

Rate of Return Risk Sensitivity Analysis (Cont'd)

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 the Risk Management Committee.

5. Equity Exposures in the Banking Book

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

	30 June 2023		31 December 2022	
	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	599,512	599,512	589,838	589,838

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

During the financial period/year, there were no realised gains or losses on disposal of equity exposures in the banking book (31 December 2022: nil). As at 30 June 2023, there were no unrealised gains or losses (31 December 2022: nil) arising from the mark-to-market of equity exposures in the banking book.

6. Operational Risk

Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for operational risk of the Bank, computed using the Basic Indicator Approach.

	30 June 2023		31 December 2022	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational Risk	2,761,454	220,916	2,582,339	206,587

7. Shariah Non-Compliance Risk

There were two (2) Shariah Non-Compliance (SNC) events reported during the period under review and no SNC income had materialised from the two (2) incidents. Nevertheless, there were SNC income which had materialised from one (1) Actual SNC events confirmed in prior years amounting to a total of RM25,537 as at 30 June 2023 (31 December 2022: RM1,080,000).