

PILLAR 3 DISCLOSURE

As at 31 December 2023

OVERVIEW

The Pillar 3 Disclosure is required under the Bank Negara Malaysia (“BNM”)’s Risk-Weighted Capital Adequacy Framework (“RWCAF”), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision and 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 banking institutions 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 banking institutions to develop and employ more rigorous risk management framework and techniques, including specific oversight by the Board of Directors (“the Board”) and senior management on internal controls and corporate governance practices, to ensure that banking institutions 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 banking institutions through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions.

The Public Bank Group (“the Group”) adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of the Pillar 1 under BNM’s RWCAF. Under the Standardised Approach, the Group applied the standard risk weights prescribed by BNM to assess the capital requirements for exposures in credit risk and market risk. The assessment of the capital required for operational risk under the Basic Indicator Approach however, is based on a percentage fixed by BNM over the Group’s average gross income for a fixed number of quarterly periods.

The Group’s Pillar 3 Disclosure is governed by the Group’s Disclosure Policy on Basel II RWCAF/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 Public Bank Berhad (“the Bank”)’s Managing Director/Chief Executive Officer. Under the BNM’s RWCAF, 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.publicbankgroup.com

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MINIMUM REGULATORY CAPITAL REQUIREMENTS

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

	2023		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
Group				
Credit Risk	302,280,158	24,182,413	286,060,596	22,884,848
Market Risk	7,069,633	565,571	4,552,498	364,200
Operational Risk	23,833,549	1,906,684	22,457,709	1,796,617
Large Exposure Risk	590,812	47,265	607,456	48,596
Total	333,774,152	26,701,933	313,678,259	25,094,261
Bank				
Credit Risk	233,968,650	18,717,492	222,628,352	17,810,268
Market Risk	3,900,674	312,054	4,218,024	337,442
Operational Risk	15,942,048	1,275,364	15,042,201	1,203,376
Large Exposure Risk	570,086	45,607	585,069	46,806
Total	254,381,458	20,350,517	242,473,646	19,397,892

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank and its subsidiary and associated companies. The Group offers Islamic banking financial services via the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("Public Islamic"). Information on subsidiary and associated companies of the Group is available in Notes 15 and 16 to the financial statements respectively.

The basis of consolidation for financial accounting purposes is described in Note 2(iii)(b) to the financial statements, and differs from that used for regulatory capital purposes. The investment in its insurance associated company, which is equity-accounted in the financial accounting consolidation and the investment in the subsidiary company engaged in insurance activities is excluded from the regulatory consolidation and is deducted from the regulatory capital.

There were no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group during the financial year.

All information in the ensuing sections is based on the Group's positions. Certain information on capital adequacy relating to the Bank is presented on a voluntary basis to provide additional information to users. The capital adequacy-related information of the Bank, which is presented on a global basis, includes its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd, as required under the RWCAF.

2. CAPITAL MANAGEMENT – INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

The objective of the Group'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 Group'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 plans
- 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

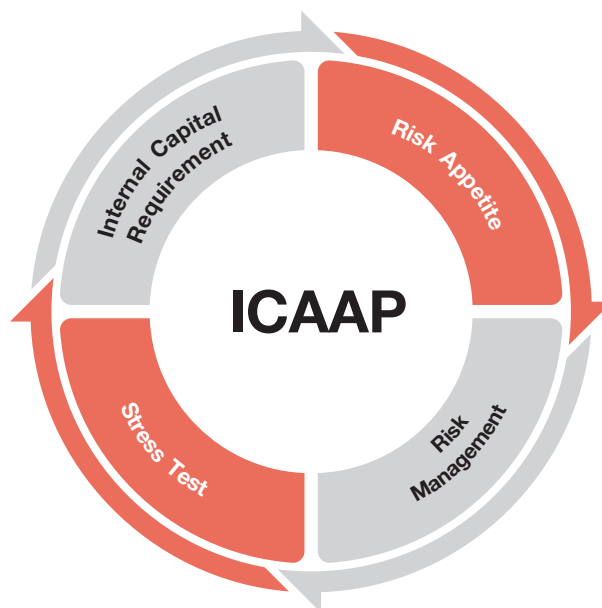
This is executed through its Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP requires the Group to identify and assess all material risks, maintain sufficient capital to support these risks and apply the appropriate risk management techniques to manage and mitigate these risks within 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.

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2. CAPITAL MANAGEMENT – ICAAP (CONTINUED)

The key elements of the Group's ICAAP are as follows:



(a) Risk Appetite

The Group's Risk Appetite expresses the level of risk which the Group is willing to assume within the Group's capacity in order to achieve the Group's objectives, as defined by a set of minimum quantitative metrics and qualitative standards. The key elements applied in setting the Group's Risk Appetite are the strategic business directions, the risk taking capacity and the level of risk currently assumed by the Group. 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 Group'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:

Set Risk Appetite	Cascade Risk Appetite	Monitor Risk Appetite	Review/Revise Risk Appetite
- Set the desired risk appetite considering: - Strategic business directions - Risk taking capacity - Current risk profile - Articulate risk appetite using: - Risk Appetite Metrics	- Cascade the applicable risk appetite via: - Financial budgeting process to: - Entity level - Business units/ Control units level - Assimilation of the risk appetite into policies, frameworks and procedures - Implementation of Key Risk Indicators	- Regular monitoring of the risk profile against the risk appetite - Identify the underlying reason for the non-achievements of the risk appetite and develop action plans to address the non-achievements	- Review/revise risk appetite in the light of: - Changing business and economic condition - Evolving strategic business directions

2. CAPITAL MANAGEMENT – ICAAP (CONTINUED)

(b) Risk Management

The Group's Risk Management Framework sets out the principles applied in managing the material risks that the Group 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 Group's business and capital positions. Risk limits established to manage the size of the risk exposures are aligned to the overall Risk Appetite. The key principles and components of the Framework are discussed in item 3.

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) Risk types not covered by Pillar 1 (e.g. credit concentration risk, interest rate risk on banking book, reputation risk, amongst others).

(c) Stress Test

The Group'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 Group's 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 Group'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 Group's Internal Capital Targets.

(d) Internal Capital Requirement

The Group'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 Group's strategic directions and business plans. In formulating the Group's capital plans, the Group 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 Group's capital plans are reviewed regularly by the Board against the Group's Internal Capital Targets.

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3. RISK MANAGEMENT FRAMEWORK

The key principles and components of the Group's Risk Management Framework are as follows:

- (a) Risk Governance Structure;
- (b) Risk Appetite;
- (c) Risk Management Culture; and
- (d) Risk Management Processes.

(a) Risk Governance Structure

The Group's risk governance structure sets out the roles and responsibilities of the respective parties involved in the Group's risk management and internal control system as follows:



3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure (continued)

Board of Directors

The Board is overall responsible for the Group's risk management and internal control system. For this purpose, the Board:

- (i) Ensures the corporate objectives are supported by sound risk strategies and an effective risk management framework that is appropriate to the nature, scale and complexity of the Group's activities;
- (ii) Is responsible for the overall oversight on the soundness of the risk management processes and internal controls;
- (iii) Is responsible for the remuneration of the senior management and that the remuneration is aligned with prudent risk taking; and
- (iv) Provides direction and guidance to the senior management on the management of the material risks.

Risk Management Committee

The RMC assists the Board to oversee the management of all material risks including inter-alia reviewing risk management frameworks and policies, reviewing risk management limits, risk exposures and portfolio composition and ensuring risk infrastructure, resources and systems are put in place for effective risk management oversight.

Credit Risk Management Committee

The Credit Risk Management Committee assists the Board in discharging its oversight role over the management of credit risk including inter-alia in ensuring the risk infrastructures and systems are able to manage and control the risk taking activities within the credit risk appetite and credit risk strategy.

Compliance Committee

The Compliance Committee is responsible for the oversight of compliance management system which encompasses assessment of compliance profile and evaluation of compliance risks. The Compliance Committee deliberates on identified compliance issues regularly to ensure they are resolved effectively, and adequate infrastructure, resources, processes and systems are in place to effectively manage compliance risks.

Audit Committee

The Audit Committee assists the Board to review and evaluate the adequacy, soundness and effectiveness of the risk management systems, internal controls, anti-bribery and anti-corruption measures, whistleblowing policy and procedures, and governance processes implemented in the Bank.

In performing this role, the Audit Committee reviews the internal control issues reported, the root causes and its impacts identified by the internal and external auditors during their audits as well as the assessment outcome conducted by the regulators. The Audit Committee also reviews the appropriateness, adequacy and timeliness of the remedial actions taken by the Management to address and resolve the control weaknesses, policies and other operational lapses highlighted by the internal and external auditors, and the regulators in ensuring continuous compliance with the applicable laws and regulatory requirements as well as internal policies.

In addition, the Audit Committee also reviews the performance and effectiveness of the Internal Audit function, with particular focus on the achievement of its key performance indicators, audit methodology applied, quality of audit, adequacy of audit scope and coverage, adequacy of resources and competency, knowledge and skillsets of the Internal Audit staff.

The Audit Committee is also entrusted to review the unaudited quarterly and half-yearly financial results and the audited annual financial statements of the Bank and the Group prior to its recommendation to the Board for approval. The Audit Committee, through the Internal Audit function, ascertains that the Bank's financial reporting processes are reliable and transparent.

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3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure (continued)

Shariah Committee

The Shariah Committee ("SC") is responsible to provide advice to ensure Public Islamic's operations, business, affairs and activities are conducted in accordance with Shariah principles. This includes advising the Board and Management on the application of any Shariah Advisory Council's ("SAC") rulings or standards on Shariah matters, endorsing Shariah related policies, products and services and the relevant documentation in relation to Islamic banking operations. The SC is also responsible to deliberate and affirm the status of any potential Shariah Non-Compliance ("SNC") event confirmed by Potential SNC Committee and endorse rectification measures to address the actual SNC events prior to the approval by the Board.

Dedicated Risk Committees

The dedicated risk committees assist the RMC in the management of all material risks. The committees are responsible for the effective implementation of the risk management strategies and policies as approved by the Board or RMC. The key responsibilities of the dedicated risk committees are as follows:

- (i) Formulating processes and internal practices to operationalise the risk policies and risk limits;
- (ii) Ensuring all relevant and material risks including emerging risks associated with the Group's business operations are identified, assessed and mitigated to the levels within the risk appetite or risk limits; and
- (iii) Designing monitoring and reporting procedures to ensure risks identified are surfaced for deliberation and actions.

(b) Risk Appetite

The Group's risk appetite defines the amount and the types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also reflects the level of risk tolerance and limits to govern, manage and control the Group's risk taking activities. The strategic objectives, business plans, desired risk profile and capital plans are aligned to the risk appetite.

(c) Risk Management Culture

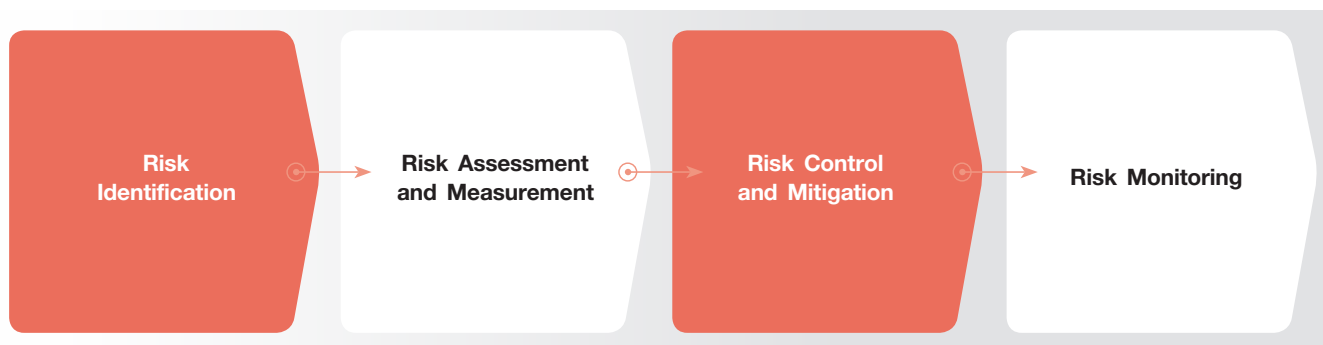
The culture of managing risk is embedded into the day-to-day operations and decision-making process through the following:

- (i) Strong corporate governance;
- (ii) Organisational structure with clearly defined roles and responsibilities;
- (iii) Effective communication;
- (iv) Commitment to compliance with laws, regulations and internal controls;
- (v) Integrity in fiduciary responsibilities;
- (vi) Clear policies, procedures and guidelines; and
- (vii) Continuous training.

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Risk Management Processes

The risk management processes are as follows:



The detailed risk management processes for the respective key risks are set out in the following sections:

- (i) Item 5: Credit Risk
- (ii) Item 6: Market Risk
- (iii) Item 8: Liquidity and Funding Risk
- (iv) Item 9: Operational Risk
- (v) Item 10: Shariah Non-Compliance Risk

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4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE

The following tables present the capital adequacy ratios and the capital structure of the Group and of the Bank.

(a) Capital Adequacy Ratios of the Group and of the Bank

	GROUP		BANK	
	2023	2022	2023	2022
Before deducting interim dividends*:				
Common Equity Tier I ("CET I") capital ratio	15.235%	14.862%	13.875%	13.472%
Tier I capital ratio	15.253%	14.912%	13.875%	13.513%
Total capital ratio	18.146%	17.925%	16.990%	16.722%
After deducting interim dividends*:				
CET I capital ratio	14.654%	14.552%	13.112%	13.072%
Tier I capital ratio	14.672%	14.603%	13.112%	13.113%
Total capital ratio	17.564%	17.616%	16.227%	16.322%

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

The capital adequacy ratios of the banking subsidiary companies of the Bank are set out in Note 50(d) to the financial statements.

Regulatory capital requirements

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II – Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB"), countercyclical capital buffer ("CCyB") and higher loss absorbency ("HLA") requirement 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 Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their 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.

HLA requirement is applicable to financial institutions designated as domestic systemically important banks ("D-SIBs"). Arising from this, the Group which is designated as a D-SIB by BNM is required to maintain an additional capital buffer of 0.5% to the regulatory capital requirements in line with the BNM's D-SIB Framework.

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure

	GROUP		BANK	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
CET I/Tier I capital				
Share capital	9,417,653	9,417,653	9,417,653	9,417,653
Other reserves	1,872,244	998,895	366,098	235,063
Retained profits	42,160,770	38,962,590	33,087,269	30,762,417
Qualifying non-controlling interests	755,337	721,467	–	–
Less: Goodwill and other intangible assets	(2,589,600)	(2,539,021)	(695,393)	(695,393)
Less: Deferred tax assets, net	(567,305)	(630,201)	(356,565)	(392,775)
Less: Defined benefit pension fund assets	(17,079)	(158,128)	(16,838)	(155,613)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	(180,183)	(154,918)	(6,505,741)	(6,505,741)
Total CET I capital	50,851,837	46,618,337	35,296,483	32,665,611
Additional Tier I capital securities	–	99,942	–	99,942
Qualifying CET I and additional Tier I capital instruments held by third parties	60,247	58,268	–	–
Total Tier I capital	50,912,084	46,776,547	35,296,483	32,765,553
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances [#]	3,774,347	3,575,757	2,666,187	2,782,854
Qualifying regulatory reserves	4,155	–	258,421	–
Subordinated notes	4,998,196	4,999,096	4,998,196	4,999,096
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	725,806	734,353	–	–
Others	150,759	140,839	–	–
Total Tier II capital	9,653,263	9,450,045	7,922,804	7,781,950
Total capital	60,565,347	56,226,592	43,219,287	40,547,503

[#] No expected credit loss allowances restricted from Tier II capital of the Group (2022: RM453,732,000) and of the Bank (2022: RM125,217,000) at reporting date.

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4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure (continued)

The Group has issued various capital instruments which qualify as components of regulatory capital under the BNM's Capital Adequacy Framework (Capital Components), as summarised in the following table:

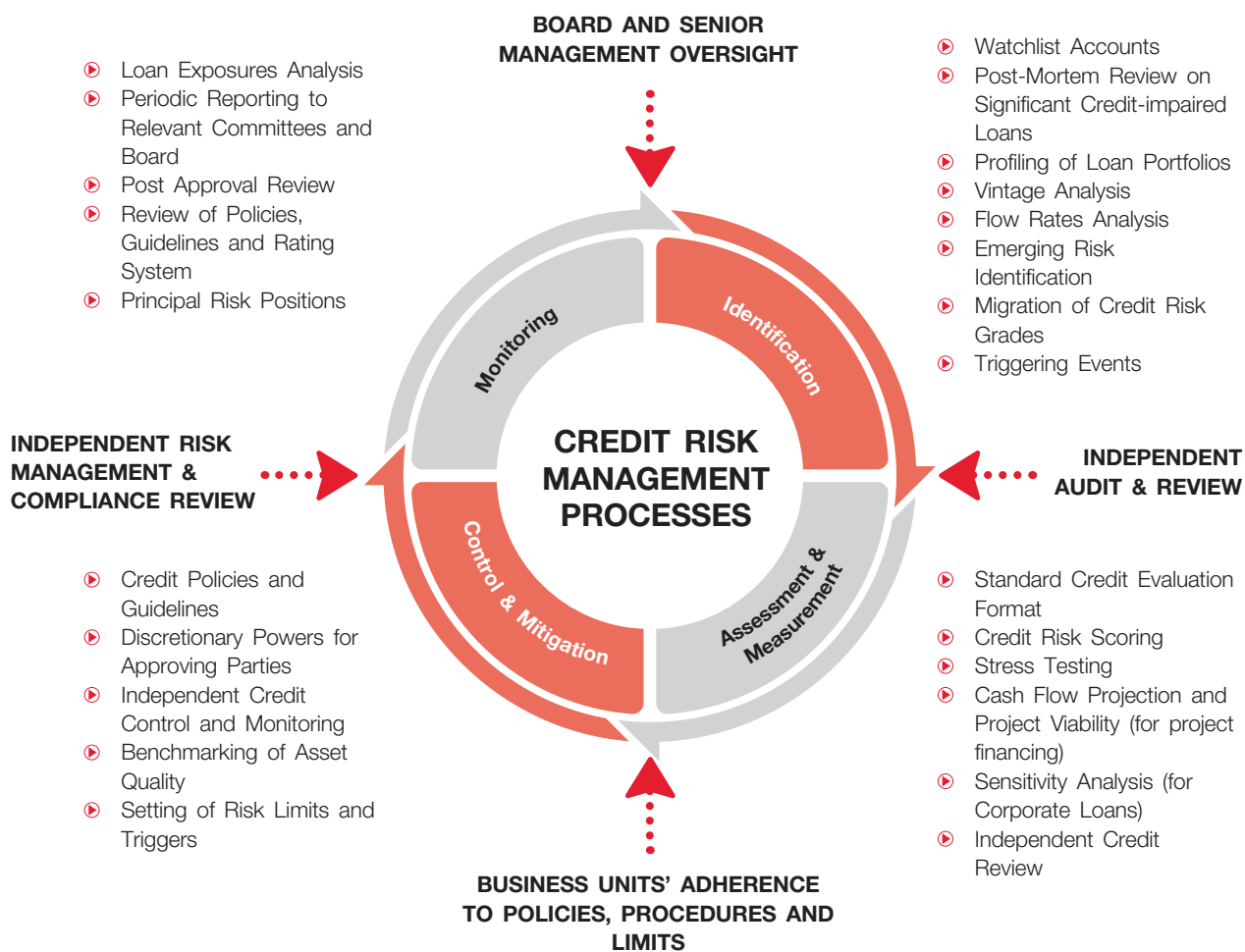
Capital Instruments	Capital Component	Main Features
Issued by the Bank:		
(a) Basel III-Compliant Additional Tier I capital securities ("Basel III-ATICS") (fully redeemed during the year)	Tier I Capital	- Subordinated to all liabilities, including depositors and Subordinated Notes/Sukuk Murabahah - Unsecured - Perpetual, with optional redemption after 5 years. No step-up - Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-ATICS may be subject to write-off - The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-ATICS
(b) Basel III-Compliant Subordinated notes ("Basel III-Compliant Sub Notes")	Tier II Capital	- Subordinated to all liabilities, including depositors, except to Basel III-ATICS - Unsecured - Optional redemption after 5 years. No step-up - Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Notes may be subject to write-off - The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-Compliant Sub Notes
Issued by Public Islamic:		
(a) Basel III-Compliant Subordinated Sukuk Murabahah ("Basel III-Compliant Sub Sukuk Murabahah")	Tier II Capital	- Subordinated to all liabilities, including depositors, except to Basel III-ATICS - Unsecured - Optional redemption after 5 years. No step-up - Upon occurrence of a Trigger Event at the Bank/Public Islamic 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 instruments are found in Note 25 to the financial statements.

5. 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 Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Group, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Group 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 45 to the financial statements.

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5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank.

GROUP 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
2023				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	72,655,296	72,655,296	523,027	41,842
Public Sector Entities	2,304,355	2,304,355	30,066	2,405
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	14,655,811	14,655,811	4,772,701	381,816
Insurance Companies, Securities Firms and Fund Managers	600,986	580,339	500,986	40,079
Corporates	87,763,371	83,318,739	64,508,390	5,160,671
Regulatory Retail	161,426,346	160,130,707	122,888,280	9,831,062
Residential Mortgages	155,530,953	155,184,901	70,869,928	5,669,594
Higher Risk Assets	109,595	109,390	164,085	13,127
Other Assets	7,864,278	7,864,278	4,827,994	386,240
Equity Exposures	748,913	748,913	748,913	59,913
Defaulted Exposures	4,377,543	4,375,830	6,077,831	486,227
	508,037,447	501,928,559	275,912,201	22,072,976
Off-Balance Sheet Exposures				
Credit-related Exposures	31,588,958	30,845,514	26,027,288	2,082,183
Derivative Financial Instruments	995,763	995,763	310,497	24,840
Other Treasury-related Exposures	156,888	156,888	17,837	1,427
Defaulted Exposures	9,124	9,124	12,335	987
	32,750,733	32,007,289	26,367,957	2,109,437
Total Credit Exposures	540,788,180	533,935,848	302,280,158	24,182,413

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank (continued).

GROUP 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
2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	76,699,311	76,699,311	1,078,250	86,260
Public Sector Entities	1,459,615	1,459,615	57,319	4,586
Banks, DFIs and MDBs	16,599,315	16,599,315	5,837,999	467,040
Insurance Companies, Securities Firms and Fund Managers	414,092	401,000	323,230	25,858
Corporates	85,624,413	82,396,315	63,779,113	5,102,329
Regulatory Retail	150,926,393	149,695,702	114,743,314	9,179,465
Residential Mortgages	145,452,060	145,136,165	65,553,832	5,244,307
Higher Risk Assets	107,841	107,594	161,391	12,911
Other Assets	8,466,886	8,466,886	4,801,827	384,146
Equity Exposures	765,000	765,000	765,000	61,200
Defaulted Exposures	6,057,573	6,046,738	8,771,237	701,699
	492,572,499	487,773,641	265,872,512	21,269,801
Off-Balance Sheet Exposures				
Credit-related Exposures	25,164,974	24,466,390	19,835,556	1,586,845
Derivative Financial Instruments	1,019,071	1,019,071	312,114	24,969
Other Treasury-related Exposures	436,189	436,189	22,312	1,785
Defaulted Exposures	12,801	12,801	18,102	1,448
	26,633,035	25,934,451	20,188,084	1,615,047
Total Credit Exposures	519,205,534	513,708,092	286,060,596	22,884,848

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5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank (continued).

BANK 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
2023				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	48,618,045	48,618,045	106,307	8,504
Public Sector Entities	144,649	144,649	3,659	293
Banks, DFIs and MDBs	8,742,848	8,742,848	3,082,378	246,590
Insurance Companies, Securities Firms and Fund Managers	59,711	59,355	58,748	4,700
Corporates	68,935,358	64,827,952	49,600,964	3,968,077
Regulatory Retail	121,002,190	119,968,526	90,560,534	7,244,843
Residential Mortgages	116,390,136	116,116,062	52,198,783	4,175,903
Higher Risk Assets	93,559	93,354	140,031	11,202
Other Assets	6,089,953	6,089,953	4,556,347	364,508
Equity Exposures	7,183,714	7,183,714	7,183,714	574,697
Defaulted Exposures	2,956,594	2,955,481	4,188,807	335,105
	380,216,757	374,799,939	211,680,272	16,934,422
Off-Balance Sheet Exposures				
Credit-related Exposures	26,532,804	25,836,732	21,938,745	1,755,100
Derivative Financial Instruments	1,077,547	1,077,547	323,564	25,885
Other Treasury-related Exposures	153,924	153,924	17,837	1,427
Defaulted Exposures	6,246	6,246	8,232	658
	27,770,521	27,074,449	22,288,378	1,783,070
Total Credit Exposures	407,987,278	401,874,388	233,968,650	18,717,492

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank (continued).

BANK 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
2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	50,189,733	50,189,733	433,349	34,668
Public Sector Entities	141,943	141,943	3,106	249
Banks, DFIs and MDBs	10,999,455	10,949,857	4,195,887	335,671
Insurance Companies, Securities Firms and Fund Managers	46,418	46,295	45,780	3,662
Corporates	67,764,314	64,900,081	49,974,511	3,997,961
Regulatory Retail	113,450,098	112,467,057	84,673,368	6,773,869
Residential Mortgages	109,772,196	109,521,468	48,671,575	3,893,726
Higher Risk Assets	93,815	93,589	140,384	11,231
Other Assets	6,897,831	6,897,831	4,722,205	377,776
Equity Exposures	6,986,967	6,986,967	6,986,967	558,957
Defaulted Exposures	4,609,376	4,599,966	6,709,894	536,792
	370,952,146	366,794,787	206,557,026	16,524,562
Off-Balance Sheet Exposures				
Credit-related Exposures	20,155,918	19,502,669	15,702,183	1,256,175
Derivative Financial Instruments	1,129,478	1,129,478	334,195	26,735
Other Treasury-related Exposures	429,494	429,494	22,312	1,785
Defaulted Exposures	8,890	8,890	12,636	1,011
	21,723,780	21,070,531	16,071,326	1,285,706
Total Credit Exposures	392,675,926	387,865,318	222,628,352	17,810,268

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5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures

Tables (a)-(c) present the analysis of credit exposures of financial assets before the effect of credit risk mitigation of the Group as follows:

- (a) Industry analysis
- (b) Geographical analysis based on geographical location where the credit risk resides
- (c) Maturity analysis based on the residual contractual maturity

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 Group 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

GROUP	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 Loans RM'000	Total RM'000
2023									
On-Balance Sheet Exposures									
Cash and balances with banks (Gross)	1,462,244	9,667,301	-	-	-	-	-	-	11,129,545
Reverse repurchase agreements	851	-	-	-	-	-	-	-	851
Financial assets at fair value through profit or loss*	382,152	1,893,292	-	-	-	-	-	-	2,275,444
Derivative financial assets	-	414,811	-	-	-	-	-	-	414,811
Financial investments at fair value through other comprehensive income*	48,090,484	4,581,943	80,334	860,562	102,517	-	-	-	53,715,840
Financial investments at amortised cost (Gross)	15,474,916	12,236,235	749,663	959,387	540,085	-	-	-	29,960,286
Gross loans, advances and financing	2,036,581	17,424,688	10,653,475	50,934,956	41,199,430	171,253,365	55,724,455	49,769,647	398,996,597
Statutory deposits with Central Banks	7,526,753	-	-	-	-	-	-	-	7,526,753
	74,973,981	46,218,270	11,483,472	52,754,905	41,842,032	171,253,365	55,724,455	49,769,647	504,020,127
Commitments and Contingencies									
Contingent liabilities	1,997	25,494	141,895	250,253	154,375	-	-	2,778,302	3,352,316
Commitments	518,312	1,533,686	3,500,270	15,191,124	9,038,377	20,351,732	21,323	30,371,849	80,526,673
	520,309	1,559,180	3,642,165	15,441,377	9,192,752	20,351,732	21,323	33,150,151	83,878,989
Total Credit Exposures	75,494,290	47,777,450	15,125,637	68,196,282	51,034,784	191,605,097	55,745,778	82,919,798	587,899,116

* Excluding equity securities which do not have any credit risk.

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(a) Industry Analysis (continued)

GROUP	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 Loans RM'000	Total RM'000
2022									
On-Balance Sheet Exposures									
Cash and balances with banks (Gross)	9,607,404	12,161,562	–	–	–	–	–	–	21,768,966
Reverse repurchase agreements	4,193	–	–	–	–	–	–	–	4,193
Financial assets at fair value through profit or loss*	558,083	–	–	–	–	–	–	–	558,083
Derivative financial assets	–	446,564	–	–	–	–	–	–	446,564
Financial investments at fair value through other comprehensive income*	48,358,136	5,108,709	150,307	697,596	137,579	–	–	–	54,452,327
Financial investments at amortised cost (Gross)	12,034,516	10,179,022	940,309	1,158,252	1,262,454	–	–	–	25,574,553
Gross loans, advances and financing	1,017,291	16,070,086	10,613,013	49,571,686	41,911,092	160,999,880	50,258,310	46,450,579	376,891,937
Statutory deposits with Central Banks	6,882,404	–	–	–	–	–	–	–	6,882,404
	78,462,027	43,965,943	11,703,629	51,427,534	43,311,125	160,999,880	50,258,310	46,450,579	486,579,027
Commitments and Contingencies									
Contingent liabilities	154	27,867	260,078	383,590	170,765	–	–	2,392,673	3,235,127
Commitments	536,493	2,132,387	3,968,898	13,429,774	7,710,769	20,665,451	21,983	18,549,705	67,015,460
	536,647	2,160,254	4,228,976	13,813,364	7,881,534	20,665,451	21,983	20,942,378	70,250,587
Total Credit Exposures	78,998,674	46,126,197	15,932,605	65,240,898	51,192,659	181,665,331	50,280,293	67,392,957	556,829,614

* Excluding equity securities which do not have any credit risk.

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5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(b) Geographical Analysis

GROUP	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2023					
On-Balance Sheet Exposures					
Cash and balances with banks (Gross)	4,248,883	3,078,886	1,622,669	2,179,107	11,129,545
Reverse repurchase agreements	–	–	–	851	851
Financial assets at fair value through profit or loss*	2,275,444	–	–	–	2,275,444
Derivative financial assets	160,028	26,915	–	227,868	414,811
Financial investments at fair value through other comprehensive income*	53,105,343	–	–	610,497	53,715,840
Financial investments at amortised cost (Gross)	25,301,778	2,932,307	114,750	1,611,451	29,960,286
Gross loans, advances and financing	369,973,664	14,450,783	6,442,464	8,129,686	398,996,597
Statutory deposits with Central Banks	6,890,295	1,342	509,885	125,231	7,526,753
	461,955,435	20,490,233	8,689,768	12,884,691	504,020,127
Commitments and Contingencies					
Contingent liabilities	2,572,798	111,230	26,829	641,459	3,352,316
Commitments	66,335,340	1,421,382	1,264,573	11,505,378	80,526,673
	68,908,138	1,532,612	1,291,402	12,146,837	83,878,989
Total Credit Exposures	530,863,573	22,022,845	9,981,170	25,031,528	587,899,116

* Excluding equity securities which do not have any credit risk.

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(b) Geographical Analysis (continued)

GROUP	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2022					
On-Balance Sheet Exposures					
Cash and balances with banks (Gross)	13,890,980	3,126,314	2,315,480	2,436,192	21,768,966
Reverse repurchase agreements	–	–	–	4,193	4,193
Financial assets at fair value through profit or loss*	558,083	–	–	–	558,083
Derivative financial assets	234,657	28,162	–	183,745	446,564
Financial investments at fair value through other comprehensive income*	54,021,842	–	–	430,485	54,452,327
Financial investments at amortised cost (Gross)	20,897,870	3,183,792	437,270	1,055,621	25,574,553
Gross loans, advances and financing	351,069,827	14,197,940	5,605,533	6,018,637	376,891,937
Statutory deposits with Central Banks	6,164,506	2,921	547,389	167,588	6,882,404
	446,837,765	20,539,129	8,905,672	10,296,461	486,579,027
Commitments and Contingencies					
Contingent liabilities	2,440,629	108,834	29,643	656,021	3,235,127
Commitments	63,123,372	1,544,371	1,023,254	1,324,463	67,015,460
	65,564,001	1,653,205	1,052,897	1,980,484	70,250,587
Total Credit Exposures	512,401,766	22,192,334	9,958,569	12,276,945	556,829,614

* Excluding equity securities which do not have any credit risk.

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As at 31 December 2023

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(c) Maturity Analysis

GROUP	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
2023					
On-Balance Sheet Exposures					
Cash and balances with banks	11,127,417	–	–	–	11,127,417
Reverse repurchase agreements	851	–	–	–	851
Financial assets at fair value through profit or loss*	2,090,840	51,193	61,407	72,004	2,275,444
Derivative financial assets	237,595	51,197	117,511	8,508	414,811
Financial investments at fair value through other comprehensive income*	12,330,845	22,953,361	13,403,523	5,028,111	53,715,840
Financial investments at amortised cost (Gross)	10,441,937	7,238,896	11,418,541	860,912	29,960,286
Gross loans, advances and financing	35,206,476	31,852,005	32,035,573	299,902,543	398,996,597
Statutory deposits with Central Banks	–	–	–	7,526,753	7,526,753
Total On-Balance Sheet Exposures	71,435,961	62,146,652	57,036,555	313,398,831	504,017,999

GROUP	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
2022					
On-Balance Sheet Exposures					
Cash and balances with banks	21,766,900	–	–	–	21,766,900
Reverse repurchase agreements	4,193	–	–	–	4,193
Financial assets at fair value through profit or loss*	457,109	100,974	–	–	558,083
Derivative financial assets	167,941	65,575	196,848	16,200	446,564
Financial investments at fair value through other comprehensive income*	10,494,683	24,528,736	14,480,752	4,948,156	54,452,327
Financial investments at amortised cost (Gross)	7,684,703	8,756,139	8,259,388	874,323	25,574,553
Gross loans, advances and financing	32,003,265	28,799,158	32,868,993	283,220,521	376,891,937
Statutory deposits with Central Banks	–	–	–	6,882,404	6,882,404
Total On-Balance Sheet Exposures	72,578,794	62,250,582	55,805,981	295,941,604	486,576,961

* Excluding equity securities which do not have any credit risk.

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(c) Maturity Analysis (continued)

Approximately 14% (2022: 15%) of the Group's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 75% (2022: 75%) of the Group's gross loans, advances and financing has residual maturity of more than five years. The longer maturity is from the housing loans/financing and hire purchase which made up 58% (2022: 57%) 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 Group 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.

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

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

- (i) Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans even though they are contingent in nature;
- (ii) Documentary and commercial letters of credit, which are undertakings by the Group 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 5 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 45(d) to the financial statements.

Credit Ratings Downgrade

As at reporting date, there were no requirements to post additional collateral in the event of a one-notch downgrade in rating (2022: nil) as the ISDA/CSA agreements entered with the majority of the counterparties had removed the threshold limit for posting of additional collateral whereby any shortfalls in value, cash collateral were posted immediately. For ISDA/CSA with threshold limits, no collateral was required to be posted as the shortfalls were well within the threshold limits for one-notch downgrade.

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5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures

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

GROUP	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2023				
Contingent Liabilities				
Direct credit substitutes	911,428		911,428	491,337
Transaction-related contingent items	1,862,368		931,184	503,255
Short-term self-liquidating trade-related contingencies	578,520		115,704	111,649
	3,352,316		1,958,316	1,106,241
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	45,139,436		22,569,348	19,204,241
– not exceeding one year	25,481,237		5,096,248	4,248,513
Unutilised credit card lines	9,870,851		1,974,170	1,480,628
Forward asset purchases	35,149		35,149	4,981
	80,526,673		29,674,915	24,938,363
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	121,739		121,739	12,856
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	30,576,582	237,213	603,138	188,054
– more than one year to five years	1,075,140	–	75,260	37,630
Interest/profit rate related contracts:				
– up to one year	50,000	381	506	101
– more than one year to five years	5,471,070	168,707	291,204	75,660
– more than five years	273,440	8,509	25,649	9,046
Commodity related contracts:				
– up to one year	456	1	6	6
	37,446,688	414,811	995,763	310,497
Total Off-Balance Sheet Exposures	121,447,416	414,811	32,750,733	26,367,957

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

GROUP	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2022				
Contingent Liabilities				
Direct credit substitutes	904,534		904,534	495,591
Transaction-related contingent items	1,736,851		868,426	480,443
Short-term self-liquidating trade-related contingencies	593,742		118,748	108,083
	3,235,127		1,891,708	1,084,117
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	33,021,059		16,510,162	13,333,805
– not exceeding one year	24,727,099		4,945,420	4,062,872
Unutilised credit card lines	9,152,427		1,830,485	1,372,864
Forward asset purchases	114,875		114,875	18,906
	67,015,460		23,400,942	18,788,447
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	321,314		321,314	3,406
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	28,235,903	167,941	486,020	143,335
– more than one year to five years	1,255,118	20,670	114,458	57,229
Interest/profit rate related contracts:				
– up to one year	25,000	–	63	13
– more than one year to five years	4,652,413	241,753	385,077	97,385
– more than five years	302,733	16,200	33,451	14,150
Commodity related contracts:				
– up to one year	230	–	2	2
	34,471,397	446,564	1,019,071	312,114
Total Off-Balance Sheet Exposures	105,043,298	446,564	26,633,035	20,188,084

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5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
BANK				
2023				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	861,080		861,080	453,361
Transaction-related contingent items	1,513,282		756,641	376,455
Short-term self-liquidating trade-related contingencies	278,834		55,767	53,573
	2,653,196		1,673,488	883,389
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	37,709,254		18,854,408	16,305,181
– not exceeding one year	20,559,687		4,111,937	3,329,061
Unutilised credit card lines	9,305,428		1,861,086	1,395,814
Forward asset purchases	35,149		35,149	4,981
	67,609,518		24,862,580	21,035,037
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	118,775		118,775	12,856
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	29,123,646	230,375	589,105	181,958
– more than one year to five years	1,075,140	–	75,260	37,630
Interest rate related contracts:				
– up to one year	50,000	381	506	101
– more than one year to five years	8,198,300	178,019	349,969	79,897
– more than five years	400,000	596	24,595	4,919
Commodity related contracts:				
– up to one year	456	1	6	6
	38,847,542	409,372	1,039,441	304,511
Total	109,229,031	409,372	27,694,284	22,235,793

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
BANK				
2023				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	11,475		11,475	6,885
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	46,166		23,083	23,083
– not exceeding one year	17,864		3,573	3,564
	64,030		26,656	26,647
Derivative Financial Instruments				
Interest rate related contracts:				
– more than one year to five years	472,770	15,505	25,052	12,526
– more than five years	73,440	7,913	13,054	6,527
	546,210	23,418	38,106	19,053
Total	621,715	23,418	76,237	52,585
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	109,850,746	432,790	27,770,521	22,288,378

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5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
BANK				
2022				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	853,422		853,422	456,369
Transaction-related contingent items	1,395,517		697,759	351,994
Short-term self-liquidating trade-related contingencies	157,871		31,574	29,058
	2,406,810		1,582,755	837,421
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	25,634,872		12,817,135	10,373,097
– not exceeding one year	19,887,896		3,977,579	3,159,698
Unutilised credit card lines	8,766,415		1,753,283	1,314,962
Forward asset purchases	114,875		114,875	18,906
	54,404,058		18,662,872	14,866,663
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	314,619		314,619	3,406
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	27,842,160	167,747	481,513	142,434
– more than one year to five years	1,255,118	20,670	114,458	57,229
Interest rate related contracts:				
– up to one year	25,000	–	63	13
– more than one year to five years	7,430,683	247,739	469,966	106,855
– more than five years	200,000	3,586	13,585	2,717
Commodity related contracts:				
– up to one year	230	–	2	2
	36,753,191	439,742	1,079,587	309,250
Total	93,878,678	439,742	21,639,833	16,016,740

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
BANK				
2022				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	11,018		11,018	6,611
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	14,408		7,204	7,204
– not exceeding one year	79,168		15,834	15,826
	93,576		23,038	23,030
Derivative Financial Instruments				
Interest rate related contracts:				
– more than one year to five years	321,730	17,928	25,025	12,513
– more than five years	202,733	12,614	24,866	12,432
	524,463	30,542	49,891	24,945
Total	629,057	30,542	83,947	54,586
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	94,507,735	470,284	21,723,780	16,071,326

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5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation

The Group's approach in granting credit facilities is based on the credit standing of the customer, source of repayment 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 Group to mitigate credit risk are as follows:

- (a) for residential mortgages – charges over residential properties;
- (b) for commercial property loans/financing – charges over the properties being financed;
- (c) for motor vehicle financing – ownership claims over the vehicles financed;
- (d) for share margin financing – pledges over securities from listed exchange; and
- (e) for other loans/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 Group'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 insured at all times against major risks, for instance, against fire, with the respective banking entities as the loss payee under the insurance policy. In addition, customers are generally insured against major risks, such as, death and permanent disability.

The Group also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk, subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Group's credit exposures. In addition, the Group 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.

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (continued)

Credit Risk Mitigation Analysis

The following tables present the credit risk mitigation analysis of the Group 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 Group does not have any credit exposure which is reduced through the application of other eligible collateral.

GROUP 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
2023				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	72,655,296	–	–	–
Public Sector Entities	2,304,355	2,154,026	–	–
Banks, DFIs and MDBs	14,655,811	187,516	–	–
Insurance Companies, Securities Firms and Fund Managers	600,986	607	20,647	–
Corporates	87,763,371	6,449,111	4,444,632	–
Regulatory Retail	161,426,346	782,047	1,295,639	–
Residential Mortgages	155,530,953	–	346,052	–
Higher Risk Assets	109,595	–	205	–
Other Assets	7,864,278	–	–	–
Equity Exposures	748,913	–	–	–
Defaulted Exposures	4,377,543	–	1,713	–
	508,037,447	9,573,307	6,108,888	–
Off-Balance Sheet Exposures				
Credit-related Exposures	31,588,958	190,003	743,444	–
Derivative Financial Instruments	995,763	–	–	–
Other Treasury-related Exposures	156,888	–	–	–
Defaulted Exposures	9,124	–	–	–
	32,750,733	190,003	743,444	–
Total Credit Exposures	540,788,180	9,763,310	6,852,332	–

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5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (continued)

Credit Risk Mitigation Analysis (continued)

The following tables present the credit risk mitigation analysis of the Group 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 Group does not have any credit exposure which is reduced through the application of other eligible collateral (continued).

GROUP 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
2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	76,699,311	–	–	–
Public Sector Entities	1,459,615	1,173,022	–	–
Banks, DFIs and MDBs	16,599,315	187,481	–	–
Insurance Companies, Securities Firms and Fund Managers	414,092	515	13,092	–
Corporates	85,624,413	10,325,390	3,228,098	–
Regulatory Retail	150,926,393	1,013,150	1,230,691	–
Residential Mortgages	145,452,060	–	315,895	–
Higher Risk Assets	107,841	–	247	–
Other Assets	8,466,886	–	–	–
Equity Exposures	765,000	–	–	–
Defaulted Exposures	6,057,573	–	10,835	–
	492,572,499	12,699,558	4,798,858	–
Off-Balance Sheet Exposures				
Credit-related Exposures	25,164,974	47,326	698,584	–
Derivative Financial Instruments	1,019,071	–	–	–
Other Treasury-related Exposures	436,189	–	–	–
Defaulted Exposures	12,801	–	–	–
	26,633,035	47,326	698,584	–
Total Credit Exposures	519,205,534	12,746,884	5,497,442	–

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group 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 Group and are recognised by BNM in the RWCAF:

- (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 RWCAF. 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

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5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Unrated and Rated Counterparties (continued)

The Group 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:

Risk Weights Based on Credit Rating of the Counterparty Exposure Class				
Rating Category	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.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

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

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

GROUP 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		
2023								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	18,761,801	1,356,829	198,986	–	–	–		20,317,616
– Regulatory Retail	23,583	–	–	–	–	–		23,583
	18,785,384	1,356,829	198,986	–	–	–		20,341,199
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks [#]								
– Sovereigns and Central Banks	1,578,754	69,518,576	–	385,175	1,087,371	85,420		72,655,296
– Public Sector Entities	–	2,285,751	–	–	–	–		2,285,751
– Banks, DFIs and MDBs	–	187,517	–	–	–	–		187,517
– Insurance Companies, Securities Firms and Fund Managers	–	607	–	–	–	–		607
– Corporates	–	2,814,729	–	–	–	–		2,814,729
– Regulatory Retail	–	751,381	–	–	–	–		751,381
	1,578,754	75,558,561	–	385,175	1,087,371	85,420		78,695,281
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	7,051,513	4,211,514	102,272	737,939	359,765	–		12,463,003
– Corporates	592,225	68,491	–	–	–	–		660,716
– Regulatory Retail	–	4,671	–	–	–	–		4,671
	7,643,738	4,284,676	102,272	737,939	359,765	–		13,128,390
(iv) Exposures risk-weighted using ratings of Insurance Companies, Securities Firms and Fund Managers								
– Insurance Companies, Securities Firms and Fund Managers	98,432	–	–	–	–	–		98,432
Total Rated Exposures	28,106,308	81,200,066	301,258	1,123,114	1,447,136	85,420		112,263,302
(b) Total Unrated Exposures							395,774,145	395,774,145
	28,106,308	81,200,066	301,258	1,123,114	1,447,136	85,420	395,774,145	508,037,447

[#] Under the RWCAF, 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%.

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5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

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

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

GROUP 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		
2023								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	186,513	4,685	308	–	–	–		191,506
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks [#]								
– Sovereigns and Central Banks	–	162,601	–	–	–	–		162,601
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	436,735	298,846	19,893	3,906	–	–		759,380
– Corporates	1,833	3,444	–	–	–	–		5,277
– Regulatory Retail	–	–	–	4,026	–	–		4,026
	438,568	302,290	19,893	7,932	–	–		768,683
Total Rated Exposures	625,081	469,576	20,201	7,932	–	–		1,122,790
(b) Total Unrated Exposures							31,627,943	31,627,943
	625,081	469,576	20,201	7,932	–	–	31,627,943	32,750,733
Total Credit Exposures before Credit Risk Mitigation	28,731,389	81,669,642	321,459	1,131,046	1,447,136	85,420	427,402,088	540,788,180

[#] Under the RWCAF, 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%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

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

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

GROUP 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		
2022									
On-Balance Sheet Exposures									
(a) Rated Exposures									
(i) Exposures risk-weighted using ratings of Corporates									
– Corporates 16,353,695 1,475,462 181,495 – – – 18,010,652									
– Regulatory Retail 35,790 – – – – – 35,790									
16,389,485 1,475,462 181,495 – – – 18,046,442									
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks [#]									
– Sovereigns and Central Banks 1,473,744 73,262,403 – 315,220 1,589,228 58,712 76,699,307									
– Public Sector Entities – 1,443,319 – – – – 1,443,319									
– Banks, DFIs and MDBs – 237,080 – – – – 237,080									
– Insurance Companies, Securities Firms and Fund Managers – 515 – – – – 515									
– Corporates – 4,391,221 – – – – 4,391,221									
– Regulatory Retail – 970,013 – – – – 970,013									
1,473,744 80,304,551 – 315,220 1,589,228 58,712 83,741,455									
(iii) Exposures risk-weighted using ratings of Banking Institutions									
– Banks, DFIs and MDBs 6,538,905 5,115,341 1,457,580 783,384 351,438 – 14,246,648									
– Corporates 696,300 68,730 – – – – 765,030									
– Regulatory Retail 974 2,427 – – – – 3,401									
7,236,179 5,186,498 1,457,580 783,384 351,438 – 15,015,079									
(iv) Exposures risk-weighted using ratings of Insurance Companies, Securities Firms and Fund Managers									
– Insurance Companies, Securities Firms and Fund Managers 96,569 – – – – – 96,569									
Total Rated Exposures 25,195,977 86,966,511 1,639,075 1,098,604 1,940,666 58,712 116,899,545									
(b) Total Unrated Exposures								375,672,954	375,672,954
		25,195,977	86,966,511	1,639,075	1,098,604	1,940,666	58,712	375,672,954	492,572,499

[#] Under the RWCAF, 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%.

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5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

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

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

GROUP 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		
2022								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	62,710	4,271	–	–	–	–		66,981
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks [#]								
– Sovereigns and Central Banks	–	390,927	–	–	–	–		390,927
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	467,251	265,513	10,016	–	–	–		742,780
– Corporates	3,358	3,390	–	–	–	–		6,748
– Regulatory Retail	373	–	–	3,690	–	–		4,063
	470,982	268,903	10,016	3,690	–	–		753,591
Total Rated Exposures	533,692	664,101	10,016	3,690	–	–		1,211,499
(b) Total Unrated Exposures							25,421,536	25,421,536
	533,692	664,101	10,016	3,690	–	–	25,421,536	26,633,035
Total Credit Exposures before Credit Risk Mitigation	25,729,669	87,630,612	1,649,091	1,102,294	1,940,666	58,712	401,094,490	519,205,534

[#] Under the RWCAF, 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%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

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

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

Credit Exposures after the Effect of Credit Risk Mitigation												
GROUP Risk Weights	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	Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
2023												
0%	72,188,186	2,154,026	187,517	607	2,696,859	751,381	-	-	3,024,160	-	81,002,736	-
20%	269,606	154,486	10,687,755	98,432	19,542,299	23,583	-	-	15,155	-	30,791,316	6,158,263
35%	-	-	-	-	-	-	103,053,180	-	-	-	103,053,180	36,068,613
50%	2	-	3,892,880	-	1,566,735	26,447	37,019,055	-	-	-	42,505,119	21,252,560
75%	-	-	-	-	-	159,127,237	223,945	-	-	-	159,351,182	119,513,386
100%	404,181	-	758,288	526,862	70,793,170	16,524,293	18,541,604	-	4,824,963	748,913	113,122,274	113,122,274
150%	55,933	-	166,093	-	1,014,758	2,608,663	124,839	139,755	-	-	4,110,041	6,165,062
Total	72,917,908	2,308,512	15,692,533	625,901	95,613,821	179,061,604	158,962,623	139,755	7,864,278	748,913	533,935,848	302,280,158
Risk- Weighted Assets by Exposures	542,003	30,897	5,091,419	546,548	77,007,134	139,800,655	73,474,962	209,633	4,827,994	748,913	302,280,158	
Average Risk Weights	0.7%	1.3%	32.4%	87.3%	80.5%	78.1%	46.2%	150.0%	61.4%	100.0%	56.6%	
Deduction from Total Capital			-							-	-	

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5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights (continued).

Credit Exposures after the Effect of Credit Risk Mitigation												
GROUP Risk Weights	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	Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
2022												
0%	74,405,084	1,173,022	187,482	515	4,277,819	970,013	-	-	3,642,702	-	84,656,637	-
20%	2,141,552	290,233	11,075,952	96,569	17,115,943	37,137	-	-	27,946	-	30,785,332	6,157,066
35%	-	-	-	-	-	-	98,725,414	-	-	-	98,725,414	34,553,895
50%	2	-	5,401,918	-	1,667,878	27,002	33,341,344	-	-	-	40,438,144	20,219,072
75%	-	-	-	-	-	148,291,617	283,767	-	-	-	148,575,384	111,431,538
100%	604,471	-	628,268	350,947	64,444,262	15,785,499	16,808,808	-	4,796,238	765,000	104,183,493	104,183,493
150%	39,142	-	412,165	-	1,621,733	4,023,712	112,352	134,584	-	-	6,343,688	9,515,532
Total	77,190,251	1,463,255	17,705,785	448,031	89,127,635	169,134,980	149,271,685	134,584	8,466,886	765,000	513,708,092	286,060,596
Risk- Weighted Assets by Exposures	1,091,495	58,047	6,162,665	370,261	71,133,989	133,060,708	68,414,728	201,876	4,801,827	765,000	286,060,596	
Average Risk Weights	1.4%	4.0%	34.8%	82.6%	79.8%	78.7%	45.8%	150.0%	56.7%	100.0%	55.7%	
Deduction from Total Capital			-							-	-	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights (continued).

Credit Exposures after the Effect of Credit Risk Mitigation												
BANK Risk Weights	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	Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
2023												
0%	48,614,842	126,356	182,405	607	2,504,537	693,526	-	-	2,572,114	-	54,694,387	-
20%	206,916	22,450	7,587,277	-	15,537,564	23,583	-	-	-	-	23,377,790	4,675,558
35%	-	-	-	-	-	-	78,753,644	-	-	-	78,753,644	27,563,775
50%	2	-	698,862	-	928,247	12,881	27,184,451	-	-	-	28,824,443	14,412,222
75%	-	-	-	-	-	125,908,725	141,124	-	-	-	126,049,849	94,537,387
100%	-	-	1,406,803	138,616	55,356,178	6,861,526	12,575,748	-	3,427,534	7,183,714	86,950,119	86,950,119
150%	55,933	-	166,093	-	852,019	1,908,155	33,751	117,900	-	-	3,133,851	4,700,776
1250%	-	-	-	-	-	-	-	-	90,305	-	90,305	1,128,813
Total	48,877,693	148,806	10,041,440	139,223	75,178,545	135,408,396	118,688,718	117,900	6,089,953	7,183,714	401,874,388	233,968,650
Risk- Weighted Assets by Exposures	125,284	4,490	3,522,829	138,616	60,205,843	104,166,459	53,888,218	176,850	4,556,347	7,183,714	233,968,650	
Average Risk Weights	0.3%	3.0%	35.1%	99.6%	80.1%	76.9%	45.4%	150.0%	74.8%	100.0%	58.2%	
Deduction from Total Capital			-							-	-	

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5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights (continued).

Credit Exposures after the Effect of Credit Risk Mitigation												
BANK Risk Weights	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	Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
2022												
0%	48,695,428	126,412	182,417	515	3,633,075	894,779	-	-	3,209,108	-	56,741,734	-
20%	1,939,406	19,171	9,129,853	-	13,701,473	37,137	-	-	-	-	24,827,040	4,965,408
35%	-	-	-	-	-	-	76,121,376	-	-	-	76,121,376	26,642,482
50%	2	-	821,092	-	1,036,958	12,665	24,546,964	-	-	-	26,417,681	13,208,840
75%	-	-	-	-	-	117,899,666	171,296	-	-	-	118,070,962	88,553,221
100%	-	-	1,770,992	97,013	50,366,370	6,271,442	11,428,231	-	3,598,855	6,986,967	80,519,870	80,519,870
150%	39,142	-	412,165	-	1,394,094	3,072,494	42,827	116,065	-	-	5,076,787	7,615,181
1250%	-	-	-	-	-	-	-	-	89,868	-	89,868	1,123,350
Total	50,673,978	145,583	12,316,519	97,528	70,131,970	128,188,183	112,310,694	116,065	6,897,831	6,986,967	387,865,318	222,628,352
Risk- Weighted Assets by Exposures	446,595	3,834	4,625,756	97,013	55,716,285	99,318,692	50,536,907	174,098	4,722,205	6,986,967	222,628,352	
Average Risk Weights	0.9%	2.6%	37.6%	99.5%	79.4%	77.5%	45.0%	150.0%	68.5%	100.0%	57.4%	
Deduction from Total Capital			-							-	-	

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing

Gross Loans, Advances and Financing by Credit Quality

All loans, advances and financing are categorised as either:

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

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

The loans, advances and financing of the Group and of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

- (a) principal or interest/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 the loans, advances and financing are in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the loans, advances and financing exhibits indications of significant credit weaknesses; or
- (d) where credit-impaired loans, advances and financing are rescheduled and restructured ("R&R"), the loans, advances and financing will remain as credit-impaired until repayments 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 their required nursing period; or
- (e) for repayments scheduled on intervals of ninety (90) days or more including bullet repayment as soon as default occurs.

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

The gross loans, advances and financing analysed by credit quality are set out in the credit risk section of Note 45(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)(h)(ii) to the financial statements.

(a) Past Due But Not Credit-impaired

Tables (i)-(iii) present the analyses of past due but not credit-impaired loans, advances and financing of the Group by the following:

- (i) Economic purpose
- (ii) Geographical
- (iii) Aging

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5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(a) Past Due But Not Credit-impaired (continued)

(i) Economic purpose

GROUP	2023 RM'000	2022 RM'000
Purchase of securities	11,893	14,587
Purchase of transport vehicles	7,583,029	7,384,837
Purchase of properties	16,058,991	15,151,624
(Of which: – residential	12,430,033	11,017,729
– non-residential)	3,628,958	4,133,895
Purchase of fixed assets (excluding properties)	4,326	27,838
Personal use	824,131	655,131
Credit card	265,288	219,578
Construction	198,210	111,161
Working capital	1,145,374	723,781
Other purpose	158,576	172,075
	26,249,818	24,460,612

(ii) Geographical

GROUP	2023 RM'000	2022 RM'000
Malaysia	24,882,563	23,124,881
Hong Kong & China	546,344	704,130
Cambodia	557,263	315,171
Other countries	263,648	316,430
	26,249,818	24,460,612

(iii) Aging

GROUP	2023 RM'000	2022 RM'000
1 day to 30 days	18,940,716	18,385,521
31 to 59 days	4,729,140	4,279,017
60 to 89 days	2,579,962	1,796,074
	26,249,818	24,460,612

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following:

(i) Economic purpose

(ii) Geographical

(i) Economic purpose

GROUP	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2023							
Purchase of securities	34,242	11,316	(2,902)	–	8,414	2,015	10,429
Purchase of transport vehicles	212,001	20,550	29,179	(28,808)	20,921	904,242	925,163
Purchase of properties	1,510,176	47,317	121,262	(10,944)	157,635	1,055,602	1,213,237
(Of which: – residential	652,007	4,015	11,055	(6,857)	8,213	400,367	408,580
– non-residential)	858,169	43,302	110,207	(4,087)	149,422	655,235	804,657
Purchase of fixed assets (excluding properties)	10,882	2,027	1,721	(1,355)	2,393	3,107	5,500
Personal use	125,795	26,175	117,296	(117,577)	25,894	116,368	142,262
Credit card	19,507	–	196	1	197	52,467	52,664
Construction	24,171	31	1,369	(54)	1,346	148,214	149,560
Working capital	397,359	25,865	64,075	(53,715)	36,225	297,854	334,079
Other purpose	1,239	–	55	(55)	–	1,413,724	1,413,724
	2,335,372	133,281	332,251	(212,507)	253,025	3,993,593	4,246,618

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5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following (continued):

(i) Economic purpose (continued)

GROUP	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2022							
Purchase of securities	36,545	8,040	3,276	-	11,316	1,949	13,265
Purchase of transport vehicles	172,580	13,752	7,205	(407)	20,550	1,001,899	1,022,449
Purchase of properties	878,840	11,358	43,804	(7,845)	47,317	1,266,512	1,313,829
(Of which: – residential	398,837	5,435	2,556	(3,976)	4,015	499,597	503,612
– non-residential)	480,003	5,923	41,248	(3,869)	43,302	766,915	810,217
Purchase of fixed assets (excluding properties)	8,702	4,239	(2,388)	176	2,027	3,795	5,822
Personal use	114,555	18,002	115,013	(106,840)	26,175	117,518	143,693
Credit card	17,364	-	-	-	-	52,064	52,064
Purchase of consumer durables	9	-	-	-	-	5	5
Construction	13,810	30	1,829	(1,828)	31	163,235	163,266
Working capital	339,279	24,014	9,892	(8,041)	25,865	295,548	321,413
Other purpose	2,412	185	(29)	(156)	-	1,273,015	1,273,015
	1,584,096	79,620	178,602	(124,941)	133,281	4,175,540	4,308,821

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following (continued):

(ii) Geographical

GROUP	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2023							
Malaysia	1,489,262	67,432	46,059	(21,225)	92,266	3,737,881	3,830,147
Hong Kong & China	547,102	47,946	223,635	(145,796)	125,785	125,546	251,331
Cambodia	97,900	–	22,126	(13,768)	8,358	84,063	92,421
Other countries	201,108	17,903	40,431	(31,718)	26,616	46,103	72,719
	2,335,372	133,281	332,251	(212,507)	253,025	3,993,593	4,246,618
2022							
Malaysia	1,186,647	24,890	52,860	(10,318)	67,432	3,942,771	4,010,203
Hong Kong & China	181,644	35,171	117,542	(104,767)	47,946	117,548	165,494
Cambodia	95,034	–	–	–	–	71,310	71,310
Other countries	120,771	19,559	8,200	(9,856)	17,903	43,911	61,814
	1,584,096	79,620	178,602	(124,941)	133,281	4,175,540	4,308,821

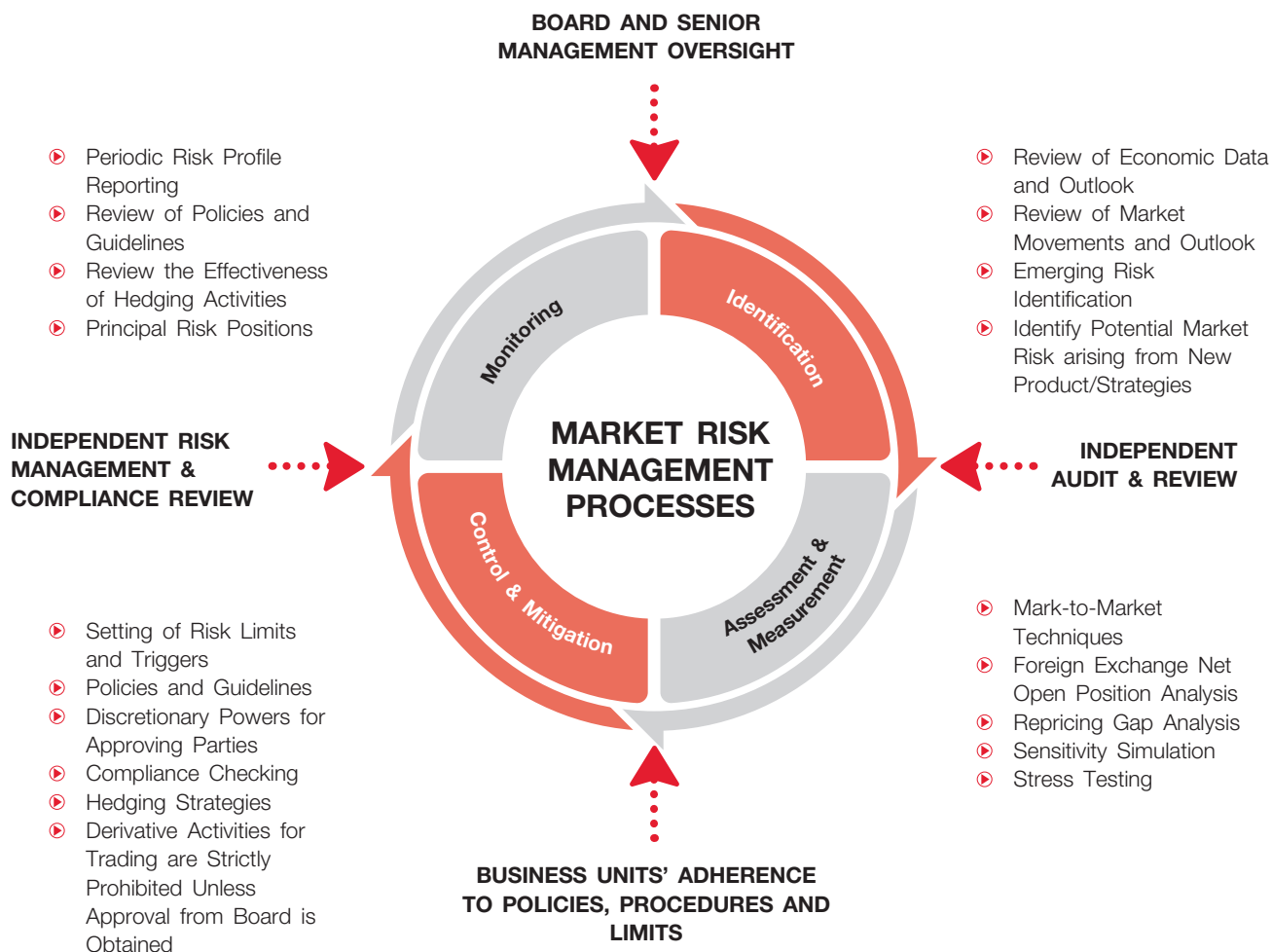
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6. MARKET RISK

Market risk is the risk that movements in market variables, including interest rate/rate of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Group.

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 45 to the financial statements.

6. MARKET RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Market Risk

The following tables present the minimum regulatory capital requirements for market risk of the Group and of the Bank.

GROUP	Long Position RM'000	Short Position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2023				
Interest rate/rate of return risk	33,333,401	(31,466,624)	1,293,710	103,497
Foreign exchange risk	6,530,431	(754,811)	5,775,923	462,074
Total	39,863,832	(32,221,435)	7,069,633	565,571

2022				
Interest rate/rate of return risk	29,573,796	(29,351,824)	1,235,158	98,813
Foreign exchange risk	3,317,340	(68)	3,317,340	265,387
Total	32,891,136	(29,351,892)	4,552,498	364,200

BANK	Long Position RM'000	Short Position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2023				
Interest rate risk	30,054,635	(30,081,148)	1,214,689	97,175
Foreign exchange risk	3,440,493	(2,822,413)	2,685,985	214,879
Total	33,495,128	(32,903,561)	3,900,674	312,054

2022				
Interest rate risk	29,216,444	(28,994,274)	1,235,158	98,813
Foreign exchange risk	1,737,438	(2,982,866)	2,982,866	238,629
Total	30,953,882	(31,977,140)	4,218,024	337,442

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7. EQUITY EXPOSURES IN THE BANKING BOOK

The following tables present the equity exposures in the banking book and the gains and losses on equity exposures in the banking book of the Group.

(a) Equity Exposures in the Banking Book

GROUP	2023		2022	
	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000
Publicly traded				
Holdings of equity investments	1,478	1,478	1,675	1,675
Privately held				
For socio-economic purposes	747,435	747,435	763,325	763,325
Not for socio-economic purposes	35,759	53,639	41,204	61,806
	783,194	801,074	804,529	825,131
Total	784,672	802,552	806,204	826,806

(i) Publicly Traded

Holdings of equity investments comprise mainly of shares listed in an exchange, are held for dividend yield purpose and to take advantage of favourable movements in equity prices. Decisions concerning investing in equities are made by the Share Investment Committee. Equity positions are monitored against pre-determined cut-loss limits. All publicly traded equity exposures are stated at fair value.

(ii) Privately Held

The privately held equity investments are stated at fair value.

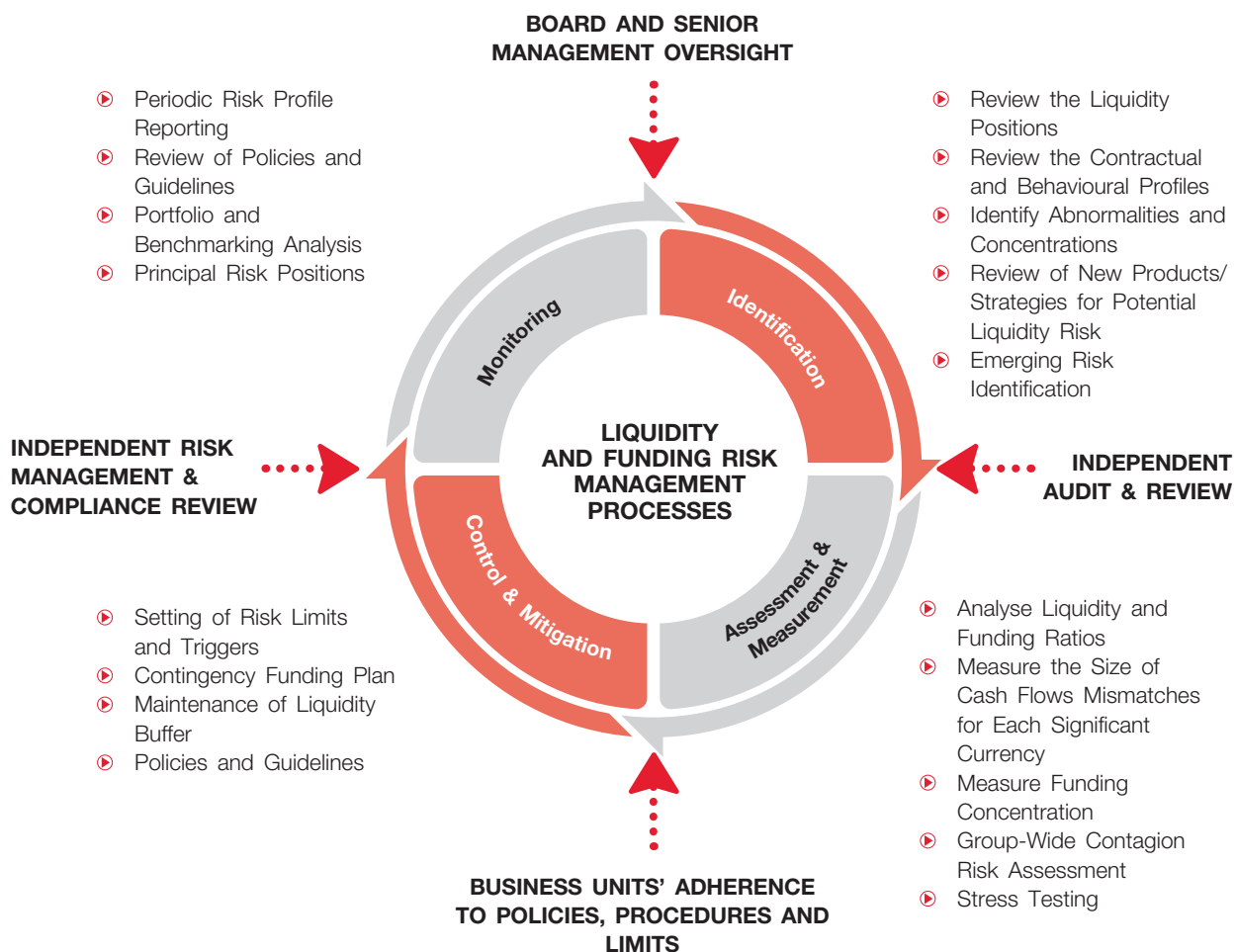
(b) Gains and Losses on Equity Exposures in the Banking Book

GROUP	2023 RM'000	2022 RM'000
Unrealised revaluation (loss)/gain recognised in profit or loss		
– Privately held equity investments	(29,038)	25,674
Unrealised revaluation gain/(loss) recognised in other comprehensive income		
– Privately held equity investments	5,928	18,347
– Publicly traded equity investments	(197)	61
	5,731	18,408

8. LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the risk of insufficient financial resources 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 45 to the financial statements.

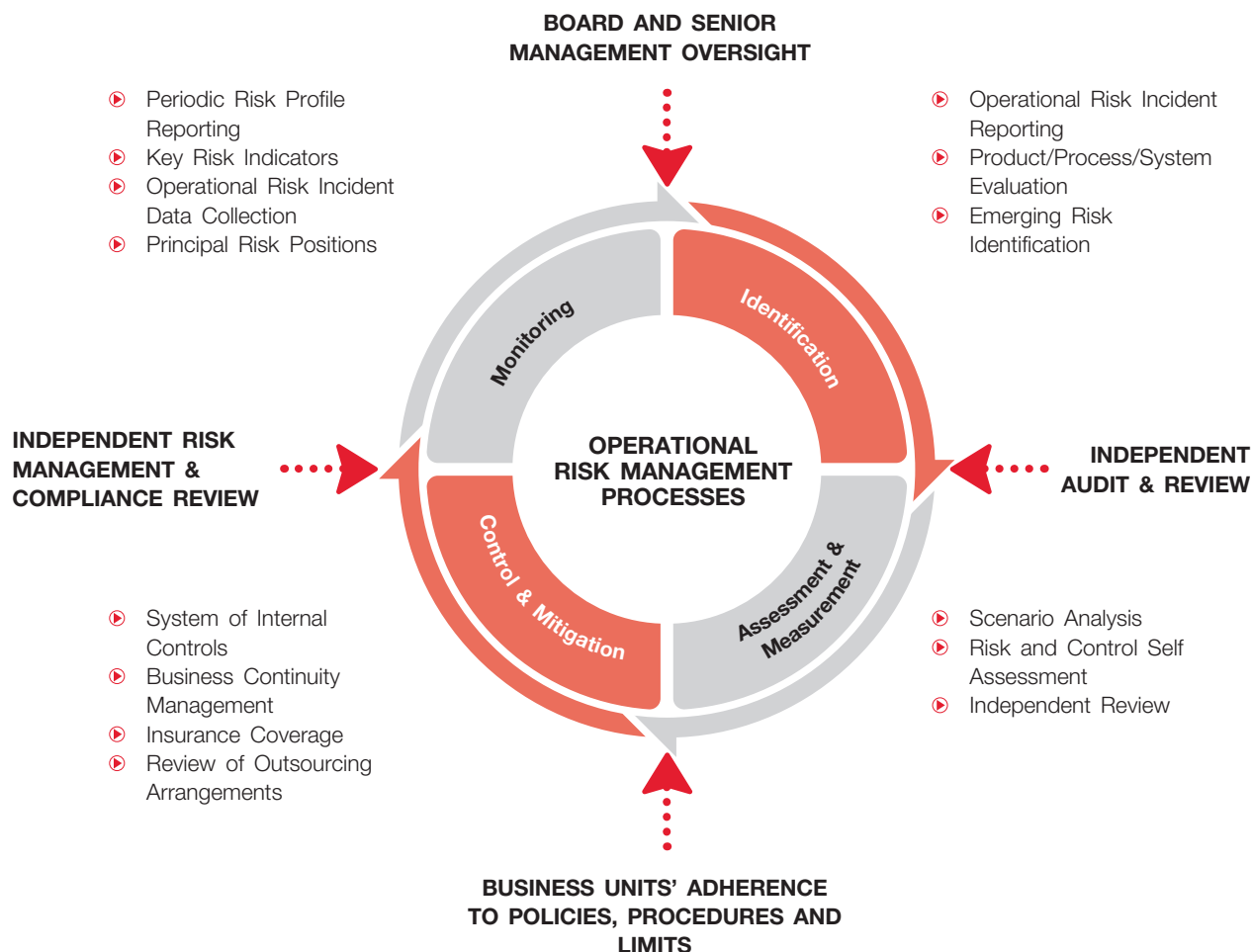
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9. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is unavoidable as it is inherent in all banking businesses. The objective of the operational risk management of the Group 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 45 to the financial statements.

9. OPERATIONAL RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Operational Risk

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

	2023		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
Group	23,833,549	1,906,684	22,457,709	1,796,617
Bank	15,942,048	1,275,364	15,042,201	1,203,376

10. SHARIAH NON-COMPLIANCE RISK

Shariah non-compliance ("SNC") risk is risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the entities may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and/or the SAC of Securities Commission Malaysia, Bursa Malaysia, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act 2013 ("IFSA"), or decisions or advice of the respective entities' Shariah Committee/Shariah Advisers.

SNC risk of the Group may emanate from the Islamic banking operations, business, affairs and activities of Public Islamic, the management of Shariah-based funds by Public Mutual Berhad and the Islamic capital market activities of Public Investment Bank Berhad.

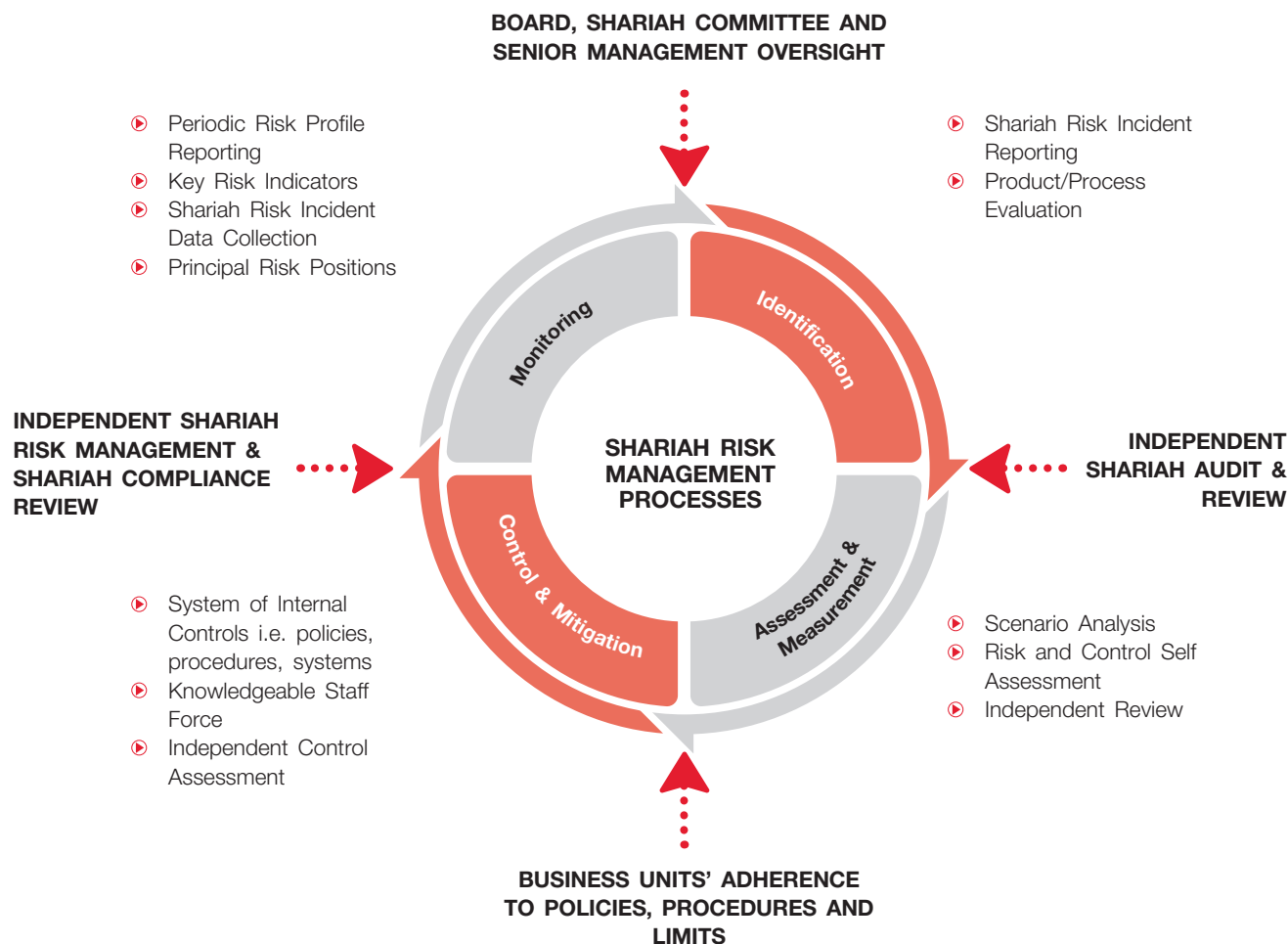
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10. SHARIAH NON-COMPLIANCE RISK (CONTINUED)

Islamic Banking Operations

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



The following disclosures on SNC risk are set out in the Shariah Committee report and Shariah non-compliance risk section of Note 45 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.