

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

**BASEL II PILLAR 3 -
CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANKS ("CAFIB") DISCLOSURES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

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MBSB BANK BERHAD (200501033981 / 716122-P)

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OVERVIEW

The Pillar 3 Disclosure for the financial year ended 31 December 2023 for MBSB Bank Berhad ("Bank") and its subsidiaries ("Bank Group") is in accordance with Bank Negara Malaysia's ("BNM") Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosures Requirements ("Pillar 3"). This supplements the related information in the Note 38 to the Financial Statements for the financial year ended 31 December 2023 for the Bank.

The Bank Group and Bank have adopted the following approaches in determining the capital requirements in accordance with BNM's Guidelines on CAFIB (Risk-Weighted Assets):

- Credit Risk - Standardised Approach ("SA")
- Market Risk - Standardised Approach ("SA")
- Operational Risk - Basic Indicator Approach ("BIA")

MEDIUM AND LOCATION OF DISCLOSURES

The Pillar 3 Disclosure of the Bank Group and Bank are published as a separate report yearly and semi-annually: 30 June and 31 December. This disclosure will be made available under the Bank's website at www.mbsbbank.com after the notes to the Financial Statements.

BASIS OF DISCLOSURE

This Pillar 3 Disclosure is prepared in accordance with BNM's CAFIB Pillar 3 Guidelines and is to be read in conjunction with the Bank Group's Financial Statements for the financial year ended 31 December 2023. This document discloses the Bank Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the Financial Statements 2023 published by the Bank and the Bank Group.

Any discrepancies between the totals and sum of the components in the tables contained in the disclosures are due to summation method and then rounded up to the nearest thousands.

These disclosures have been reviewed and verified by an independent internal party and approved by the Board Audit Committee ("BAC") of Bank Group, as delegated by the by the Board of Directors ("Board") of the Bank Group.

SCOPE OF APPLICATION

The Pillar 3 Disclosure is derived from consolidated of MBSB Bank Berhad ("Bank") and its subsidiaries ("Bank Group"). The basis of consolidation is based on the principles of consolidation adopted in the preparation of the financial statements as disclosed in Note 1 to the Financial Statements for the financial year ended 31 December 2023. Information on subsidiaries of the Bank Group is also available in the notes to the Financial Statements.

During the financial year, the Bank Group and the Bank did not experience any restrictions or other major impediments on the transfer of funds or regulatory capital within the group.

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CAPITAL MANAGEMENT - INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

Capital management at Bank Group's remains focused on maintaining a healthy capital position through building an efficient capital structure. The capital position and structure of the Bank Group's are designed to meet the requirements of the Bank Group's key stakeholders i.e. shareholders, customers, regulators, and others.

The Bank Group's aims to achieve the following capital management objectives:

- Ensure that the Bank has sufficient capital to support risk-taking activities across Business Units through business cycles;
- Ensure the Bank has sufficient capital to meet prudential requirements imposed by BNM;
- Ensure that at all times, the Bank is adequately capitalized after taking into account the minimum regulatory capital requirements under Pillar 1, material risks under Pillar 2 and additional buffer required during times of stress;
- Maintain an optimal capital structure that considers both the interests of regulators and shareholders;
- Link and achieve alignment of the business strategy, risk appetite, risk, capital and return dimensions; and
- Promote efficient use of capital, through the internal allocation methodology across the organization.

CAPITAL STRUCTURE

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework for Islamic Banks (Capital Components), of which the latest revisions were issued on 9 December 2020. The revised guidelines took effect on 9 December 2020 superseding the version previously issued in February 2020. The revised guideline has provided for an optional transitional arrangement with regards to the regulatory capital treatment of expected credit losses ("ECL") provisions.

This new optional transitional arrangement allows Islamic financial institutions an election, to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are ascribed to non-credit impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions) to CET1 capital on a gradual phase-out basis either over a four-year period from the financial year beginning 2020, or over a three-year period from the financial year beginning 2021.

The Bank Group and the Bank have elected to apply this transitional arrangement ("TA") for four financial years from the financial year beginning 1 January 2020 to 31 December 2023.

Table 1 sets forth further details on the capital resources and capital adequacy ratios for the Bank Group and the Bank as at 31 December 2023.

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CAPITAL STRUCTURE (continued)**Table 1: Capital Structure**

| | MBSB Bank Group | | MBSB Bank | |
|--|------------------------|-----------|------------------|-----------|
| | 31-Dec-23 | 31-Dec-22 | 31-Dec-23 | 31-Dec-22 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Common Equity Tier 1 ("CET 1") Capital</u> | | | | |
| Ordinary share capital | 6,627,972 | 6,427,972 | 6,627,972 | 6,427,972 |
| Retained profits exclude merger reserve | 1,190,122 | 1,483,063 | 1,321,188 | 1,555,371 |
| Fair value reserves | (120,674) | (341,367) | (120,674) | (341,367) |
| Regulatory reserve | 69,320 | - | 69,320 | - |
| | 7,766,740 | 7,569,668 | 7,897,806 | 7,641,976 |
| Less : Regulatory adjustments | | | | |
| Deferred tax assets | (83,529) | (107,238) | (83,529) | (107,238) |
| Intangible assets | (88,167) | (96,157) | (88,167) | (96,157) |
| 55% of cumulative gains on FVOCI instruments | (22,272) | (10,856) | (22,276) | (10,860) |
| Regulatory reserve attributable to financing | (69,320) | - | (69,320) | - |
| Other CET1 regulatory adjustments | - | - | - | - |
| Total CET1 capital | 7,503,452 | 7,355,417 | 7,634,514 | 7,427,721 |
| Additional Tier 1 capital instruments | - | - | - | - |
| Less: Tier 1 regulatory adjustments | - | - | - | - |
| Total Tier 1 capital | 7,503,452 | 7,355,417 | 7,634,514 | 7,427,721 |
| <u>Tier 2 Capital</u> | | | | |
| Stage 1 & Stage 2 expected credit loss allowances [^] | 504,682 | 443,911 | 519,725 | 469,580 |
| Additional Tier 2 capital instruments | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 |
| Total Tier 2 capital | 1,804,682 | 1,743,911 | 1,819,725 | 1,769,580 |
| Total Capital | 9,308,134 | 9,099,328 | 9,454,239 | 9,197,301 |

[^] Expected credit loss allowance on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit risk-weighted assets.

Breakdown of risk weighted assets in various categories of risk weights are as follows:

| | 31-Dec-23 | 31-Dec-22 | 31-Dec-23 | 31-Dec-22 |
|--|-------------------|------------|-------------------|------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Total risk weighted assets ("RWA")</u> | | | | |
| Credit risk | 40,374,553 | 35,512,865 | 42,150,606 | 37,566,371 |
| Market risk | 215,923 | 90,857 | 215,923 | 90,857 |
| Operational risk | 2,466,748 | 2,733,427 | 2,459,077 | 2,693,139 |
| Total RWA | 43,057,224 | 38,337,149 | 44,825,606 | 40,350,367 |

In accordance with BNM's Guidelines on Investment Account paragraph 31.1, the credit and market risk weighted assets funded by Unrestricted Investment Accounts (URIA) shall be recognised as risk absorbent and excluded from the calculation of capital adequacy ratio of the Bank. As at 31 December 2023, URIA risk weighted assets excluded from the Total Capital Ratio calculation amounted to RMNil (31 Dec 2022: RM2,011.5 million).

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CAPITAL STRUCTURE (continued)**Table 1: Capital Structure (continued)****Capital Adequacy Ratios:**

| | MBSB Bank Group | | MBSB Bank | |
|---|------------------------|------------------|------------------|------------------|
| | 31-Dec-23 | 31-Dec-22 | 31-Dec-23 | 31-Dec-22 |
| <u>With transitional arrangements</u> | | | | |
| CET1 capital ratio | 17.427% | 19.186% | 17.032% | 18.408% |
| Tier 1 capital ratio | 17.427% | 19.186% | 17.032% | 18.408% |
| Total capital ratio | 21.618% | 23.735% | 21.091% | 22.794% |
| <u>Capital ratios - after single-tier final dividend (2023 - 3.50 sen; 2022 - 7.0 sen)</u> | | | | |
| CET1 capital ratio | 16.901% | 18.036% | 16.527% | 17.316% |
| Tier 1 capital ratio | 16.901% | 18.036% | 16.527% | 17.316% |
| Total capital ratio | 21.093% | 22.585% | 20.587% | 21.701% |
| <u>Without transitional arrangements</u> | | | | |
| CET1 capital ratio | 17.427% | 19.186% | 17.032% | 18.408% |
| Tier 1 capital ratio | 17.427% | 19.186% | 17.032% | 18.408% |
| Total capital ratio | 21.618% | 23.735% | 21.091% | 22.794% |
| <u>Capital ratios - after single-tier final dividend (2023 - 3.50 sen; 2022 - 7.0 sen)</u> | | | | |
| CET1 capital ratio | 16.901% | 18.036% | 16.527% | 17.316% |
| Tier 1 capital ratio | 16.901% | 18.036% | 16.527% | 17.316% |
| Total capital ratio | 21.093% | 22.585% | 20.587% | 21.701% |

The capital ratios after the proposed single-tier final dividend of 3.5 sen per ordinary share (2022: single-tier interim dividend of 7.0 sen per ordinary share) in respect of financial year ended 31 December 2023 amounting to RM226,198,926 (2022: RM440,827,603).

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CAPITAL STRUCTURE (continued)

Table 2: Capital Adequacy - Risk-Weighted Assets ("RWA") and Capital Requirements

MBSB Bank Group

| 31-Dec-23 Exposure Class | Exposures Pre CRM RM'000 | Exposures Post CRM RM'000 | Risk Weighted Assets RM'000 | Risk Weighted Assets Absorbed by PSIA RM'000 | Total Risk Weighted Assets after effects of PSIA RM'000 | Capital Requirements RM'000 |
|--|-------------------------------------|--|--|---|--|--|
| <u>Credit Risk</u> | | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | | |
| Sovereigns & Central Banks | 12,865,281 | 12,865,281 | - | - | - | - |
| Public Sector Entities | 528,371 | 528,371 | - | - | - | - |
| Banks, MDBs and DFIs | 1,705,977 | 1,705,977 | 337,386 | - | 337,386 | 26,991 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | 240,357 | 240,357 | - | 240,357 | 19,229 |
| Corporates | 10,888,632 | 10,888,632 | 8,000,500 | - | 8,000,500 | 640,040 |
| Regulatory Retail | 28,998,971 | 28,998,971 | 28,485,882 | - | 28,485,882 | 2,278,871 |
| Residential Real Estate Financing | 3,024,820 | 3,024,820 | 1,178,590 | - | 1,178,590 | 94,287 |
| Other Assets | 989,659 | 989,659 | 888,845 | - | 888,845 | 71,108 |
| Total for On-Balance Sheet Exposures | 59,242,068 | 59,242,068 | 39,131,560 | - | 39,131,560 | 3,130,525 |
| <i>Off-Balance Sheet Exposures</i> | | | | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 1,389,067 | 1,389,067 | 1,242,993 | - | 1,242,993 | 99,439 |
| Total for Off-Balance Sheet Exposures | 1,389,067 | 1,389,067 | 1,242,993 | - | 1,242,993 | 99,439 |
| Total On and Off-Balance Sheet Exposures | 60,631,135 | 60,631,135 | 40,374,553 | - | 40,374,553 | 3,229,964 |
| <u>Market Risk</u> | | | | | | |
| Benchmark Rate Risk | 2,088,629 | (2,054,913) | 2,088,629 | 34,955 | 34,955 | 2,796 |
| Equity Position Risk | - | - | - | - | - | - |
| Foreign Currency Risk | 180,968 | (184) | 180,968 | 180,968 | 180,968 | 14,477 |
| Operational Risk | - | - | - | 2,466,748 | 2,466,748 | 197,340 |
| Total RWA and Capital Requirements | 62,900,732 | 58,576,038 | 62,900,732 | 43,057,224 | 43,057,224 | 3,444,578 |

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CAPITAL STRUCTURE (continued)

Table 2: Capital Adequacy - Risk-Weighted Assets ("RWA") and Capital Requirements (continued)

MBSB Bank Group

| 31-Dec-22 Exposure Class | Exposures Pre CRM RM'000 | Exposures Post CRM RM'000 | Risk Weighted Assets RM'000 | Risk Weighted Assets Absorbed by PSIA RM'000 | Total Risk Weighted Assets after effects of PSIA RM'000 | Capital Requirements RM'000 |
|---|-------------------------------------|--|--|---|--|--|
| <u>Credit Risk</u> | | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | | |
| Sovereigns & Central Banks | 11,306,925 | 11,306,925 | - | - | - | - |
| Public Sector Entities | 758,623 | 758,623 | 34,387 | - | 34,387 | 2,751 |
| Banks, MDBs and DFIs | 1,068,257 | 1,068,257 | 235,938 | - | 235,938 | 18,875 |
| <i>Insurance Companies, Securities Firms & Fund Managers</i> | | | | | | |
| | 240,357 | 240,357 | 240,357 | - | 240,357 | 19,229 |
| Corporates | 10,459,029 | 10,459,029 | 7,536,291 | - | 7,536,291 | 602,903 |
| Regulatory Retail | 24,904,274 | 24,904,274 | 24,479,244 | - | 24,479,244 | 1,958,340 |
| Residential Real Estate Financing | 2,907,571 | 2,907,571 | 1,104,790 | - | 1,104,790 | 88,383 |
| Other Assets | 828,226 | 828,226 | 632,787 | - | 632,787 | 50,623 |
| Total for On-Balance Sheet Exposures | 52,473,262 | 52,473,262 | 34,263,794 | - | 34,263,794 | 2,741,104 |
| <i>Off-Balance Sheet Exposures</i> | | | | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 1,376,434 | 1,376,434 | 1,249,071 | - | 1,249,071 | 99,926 |
| Total for Off-Balance Sheet Exposures | 1,376,434 | 1,376,434 | 1,249,071 | - | 1,249,071 | 99,926 |
| Total On and Off-Balance Sheet Exposures | 53,849,696 | 53,849,696 | 35,512,865 | - | 35,512,865 | 2,841,029 |
| <u>Market Risk</u> | | | | | | |
| | Long Position | Short Position | | | | |
| Benchmark Rate Risk | - | - | - | - | - | - |
| Equity Position Risk | - | - | - | - | - | - |
| Foreign Currency Risk | 90,857 | - | 90,857 | 90,857 | 90,857 | 7,269 |
| Operational Risk | - | - | - | 2,733,427 | 2,733,427 | 218,674 |
| Total RWA and Capital Requirements | 53,940,553 | 53,849,696 | 53,940,553 | 38,337,149 | 38,337,149 | 3,066,972 |

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CAPITAL STRUCTURE (continued)

Table 2: Capital Adequacy - Risk-Weighted Assets ("RWA") and Capital Requirements (continued)

MBSB Bank

| <u>31-Dec-23</u> <u>Exposure Class</u> | <u>Exposures Pre CRM</u> <u>RM'000</u> | <u>Exposures</u> <u>Post CRM</u> <u>RM'000</u> | <u>Risk</u> <u>Weighted</u> <u>Assets</u> <u>RM'000</u> | <u>Risk</u> <u>Weighted</u> <u>Assets</u> <u>Absorbed</u> <u>by PSIA</u> <u>RM'000</u> | <u>Total Risk</u> <u>Weighted</u> <u>Assets after</u> <u>effects of PSIA</u> <u>RM'000</u> | <u>Capital</u> <u>Requirements</u> <u>RM'000</u> |
|--|---|--|--|---|--|--|
| <u>Credit Risk</u> | | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | | |
| Sovereigns & Central Banks | 12,865,281 | 12,865,281 | - | - | - | - |
| Public Sector Entities | 528,371 | 528,371 | - | - | - | - |
| Banks, MDBs and DFIs | 1,048,737 | 1,048,737 | 205,937 | - | 205,937 | 16,475 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | 240,357 | 240,357 | - | 240,357 | 19,229 |
| Corporates | 12,824,567 | 12,824,567 | 9,936,437 | - | 9,936,437 | 794,915 |
| Regulatory Retail | 28,998,971 | 28,998,971 | 28,485,882 | - | 28,485,882 | 2,278,871 |
| Residential Real Estate Financing | 3,024,820 | 3,024,820 | 1,178,590 | - | 1,178,590 | 94,287 |
| Other Assets | 961,224 | 961,224 | 860,410 | - | 860,410 | 68,833 |
| Total for On-Balance Sheet Exposures | 60,492,328 | 60,492,328 | 40,907,613 | - | 40,907,613 | 3,272,609 |
| <i>Off-Balance Sheet Exposures</i> | | | | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 1,389,067 | 1,389,067 | 1,242,993 | - | 1,242,993 | 99,439 |
| Total for Off-Balance Sheet Exposures | 1,389,067 | 1,389,067 | 1,242,993 | - | 1,242,993 | 99,439 |
| Total On and Off-Balance Sheet Exposures | 61,881,395 | 61,881,395 | 42,150,606 | - | 42,150,606 | 3,372,048 |
| <u>Market Risk</u> | | | | | | |
| | Long Position | Short Position | | | | |
| Benchmark Rate Risk | 2,088,629 | (2,054,913) | 2,088,629 | 34,955 | - | 34,955 |
| Equity Position Risk | - | - | - | - | - | - |
| Foreign Currency Risk | 180,968 | (184) | 180,968 | 180,968 | - | 180,968 |
| Operational Risk | - | - | - | 2,459,077 | - | 2,459,077 |
| Total RWA and Capital Requirements | 64,150,992 | 59,826,298 | 64,150,992 | 44,825,606 | - | 44,825,606 |

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CAPITAL STRUCTURE (continued)

Table 2: Capital Adequacy - Risk-Weighted Assets ("RWA") and Capital Requirements (continued)

MBSB Bank

| <u>31-Dec-22</u> <u>Exposure Class</u> | <u>Exposures Pre CRM</u> <u>RM'000</u> | <u>Exposures</u> <u>Post CRM</u> <u>RM'000</u> | <u>Risk</u> <u>Weighted</u> <u>Assets</u> <u>RM'000</u> | <u>Risk</u> <u>Weighted</u> <u>Assets</u> <u>Absorbed</u> <u>by PSIA</u> <u>RM'000</u> | <u>Total Risk</u> <u>Weighted</u> <u>Assets after</u> <u>effects of PSIA</u> <u>RM'000</u> | <u>Capital</u> <u>Requirements</u> <u>RM'000</u> |
|---|---|--|--|---|--|--|
| <u>Credit Risk</u> | | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | | |
| Sovereigns & Central Banks | 11,306,925 | 11,306,925 | - | - | - | - |
| Public Sector Entities | 758,623 | 758,623 | 34,387 | - | 34,387 | 2,751 |
| Banks, MDBs and DFIs | 470,510 | 470,510 | 116,388 | - | 116,388 | 9,311 |
| Insurance Companies, Securities | | | | | | |
| Firms & Fund Managers | 240,357 | 240,357 | 240,357 | - | 240,357 | 19,229 |
| Corporates | 12,563,528 | 12,563,528 | 9,640,790 | - | 9,640,790 | 771,263 |
| Regulatory Retail | 24,904,274 | 24,904,274 | 24,479,244 | - | 24,479,244 | 1,958,340 |
| Residential Real Estate Financing | 2,907,571 | 2,907,571 | 1,104,790 | - | 1,104,790 | 88,383 |
| Other Assets | 783,220 | 783,220 | 701,344 | - | 701,344 | 56,108 |
| Total for On-Balance Sheet | | | | | | |
| Exposures | 53,935,008 | 53,935,008 | 36,317,300 | - | 36,317,300 | 2,905,384 |
| <i>Off-Balance Sheet Exposures</i> | | | | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 1,376,434 | 1,376,434 | 1,249,071 | - | 1,249,071 | 99,926 |
| Total for Off-Balance Sheet | | | | | | |
| Exposures | 1,376,434 | 1,376,434 | 1,249,071 | - | 1,249,071 | 99,926 |
| Total On and Off-Balance Sheet | | | | | | |
| Exposures | 55,311,442 | 55,311,442 | 37,566,371 | - | 37,566,371 | 3,005,310 |
| <u>Market Risk</u> | | | | | | |
| | Long Position | Short Position | | | | |
| Benchmark Rate Risk | - | - | - | - | - | - |
| Equity Position Risk | - | - | - | - | - | - |
| Foreign Currency Risk | 90,857 | - | 90,857 | 90,857 | 90,857 | 7,269 |
| Operational Risk | - | - | - | 2,693,139 | 2,693,139 | 215,451 |
| Total RWA and Capital Requirements | 55,402,299 | 55,311,442 | 55,402,299 | 40,350,367 | 40,350,367 | 3,228,029 |

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RISK MANAGEMENT

The Bank Group and the Bank have exposures to one or more of the following risks:

(i) Credit risk

Arising from the possibility of losses due to an obligor or, market counterparty or issuer of securities or other instruments held, having failed to perform its contractual obligations to the Bank Group and the Bank;

(ii) Market risk

Arising from fluctuations in the market value of the trading; or investment exposure arising from changes to market risk factors such as profit rates, currency exchange rates, credit spreads, commodity prices and their associated volatility;

(iii) Liquidity risk

Arising from the Bank Group and the Bank's ability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Operational risk

Arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Profit rate/rate of return risk in the banking book

Current and potential risk to the Bank Group and the Bank's earning and economic value arising from movement in the profit rates/rate of return;

(vi) Capital risk

Arising from the failure to meet the minimum regulatory and internal requirements; and

(vii) Shariah non-compliance risk

Arising from possible failure to comply with the Shariah requirements as determined by Shariah Advisory Committee ("SAC") of Bank Negara Malaysia ("BNM") and Securities Commission ("SC"), SAC of the Bank and other Shariah regulatory authorities.

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RISK MANAGEMENT (continued)

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Bank Group and the Bank's activities and remains an important feature in all their business, operations, delivery channels and decision-making processes. The extent to which the Bank Group and the Bank are able to identify, assess, monitor, manage and report each of the various types of risk is critical to its strength, soundness and profitability. The Bank Group's and the Bank's risk management function is independent of their operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to endorsement by the Risk Management Division ("RMD") and submitted to the Board Audit Committee ("BAC"), Board Risk Management Compliance Committee ("BRMCC") and/or the Board for approvals.

In essence, the objectives of the Bank Group and the Bank's risk management activities are to:

- (i) Identify and monitor the various risk exposures and risk requirements;
- (ii) Ensure risk-taking activities are consistent with the approved policies and the aggregated risk positions are within the risk appetite as approved by the Board; and
- (iii) Help create shareholder value through proper allocation of risk and the facilitation of independent risk assessments of new business and products.

(b) Risk Management Framework

The Bank Group and the Bank employ an Enterprise-wide Risk Management Framework to manage its risks effectively. The framework involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Bank Group and the Bank which is implemented through a number of committees established by the Board. This framework provides the Board and the management with a tool to anticipate and manage both existing and potential risks, taking into consideration dynamic risk profiles as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

Key features of the Risk Management Framework include:

(i) Governance and organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Risk Management Framework. The Board is ultimately responsible for the Bank Group's and the Bank's strategic directions, which is supported by the Risk Appetite and Risk Management Frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Bank Group's and the Bank's Risk Management Framework is effectively maintained.

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RISK MANAGEMENT (continued)

(b) Risk Management Framework (continued)

(ii) Internal Capital Adequacy Assessment Process ("ICAAP")

The Bank Group's and the Bank's ICAAP framework ensures that all material risks are identified, measured and reported; and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital, under existing and stressed conditions. For non-measurable risks, relevant framework and control mechanisms are implemented to mitigate and manage the same.

(iii) Risk Appetite

It is defined as the amount and types of risk that the Bank Group and the Bank are able and willing to accept in pursuit of its strategic and business objectives. The development of the risk appetite is integrated into the annual strategic planning process and is adaptable to changing business and market conditions. As the risk appetite is dynamic, the Board sets the risk appetite based on the business and financial targets, while incorporating macroeconomic and global outlook. The Board also considers the actual and targeted risk profile of the Bank Group and the Bank proposed by senior management and business units when setting the risk appetite. The risk appetite is also being reviewed annually or as and when required.

(iv) Risk Management Process

- **Business Planning:** RMD is an element of the business planning process, which encompasses setting frameworks for risk appetite, risk structure and new product or new business activities.
- **Risk Identification:** Risks are systematically identified through the robust application of the Bank Group's and the Bank's Risk Management Framework, policies and procedures.
- **Measure and Assess:** Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- **Manage and Controls:** Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- **Monitor and Report:** Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Bank Group's and the Bank's risk appetite.

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RISK MANAGEMENT (continued)

(b) Risk Management Framework (continued)

(v) Risk Management Infrastructure

- Risk Policies, Procedures and Methodologies: Well-defined risk policies by risk type provide the principles by which the Bank Group and the Bank manage its risks. Procedures provide guidance for day-to-day risk-taking activities. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy.
- People: Attracting the right talent and skills are the key to ensuring a well-functioning risk management framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Bank Group and the Bank as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management are enablers to support risk management activities.

(vi) Risk Culture

The Bank Group and the Bank embrace risk management as an integral part of its culture and decision-making processes. The Bank Group's and the Bank's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of a risk-taking activity. There is clear accountability of risk ownership across the Bank Group and the Bank. Guided by the said principle, the Bank Group has launched a Risk Awareness Culture which comprises training, awareness campaigns and roadshows within the Bank Group and the Bank to promote a healthy risk culture. A strong risk culture minimises the Bank Group's and the Bank's exposure to financial and non-financial risks including reputational impact, over time.

In addition, the Bank Group and the Bank have implemented the Regional Compliance and Risk Officers ("RCROs") and Designated Compliance and Risk Officers ("DCOROs") to cultivate proactive risk and compliance management and to establish a robust risk culture. The DCOROs are appointed at the respective branches, business and functional units across the Bank Group and the Bank to provide real time advisory on risk and compliance matters.

(c) Risk organisation

At the apex of the Bank Group and the Bank's risk management structure is the Board, which comprises Non-Executive Directors. In line with best practices, the Board determines the risk policy objectives for the Bank Group and the Bank, and assumes responsibility for the supervision of risk management.

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RISK MANAGEMENT (continued)

(c) Risk organisation

The day-to-day responsibility for risk management and control is delegated to the BRMCC which undertakes the oversight function for overall risk limits of the Bank Group and the Bank to ensure that they are within risk appetites established by the Board. Other than the BRMCC, the Board is also supported by specialised and supervisory committees, the details of which are as follows:

- (i) Board Investment and Credit Committee ("BICC"): The BICC assists the Board to consider and if deem fit to affirm or veto, all financing and investment applications, additional financing or investment, and/or request for changes to existing financing/investment accounts within the Committee's discretionary authority. The BICC also considers and if deem fit to affirm or veto on waivers of penalty, profit or principal amount, rescheduling/restructuring of accounts and/or request for changes to existing non-performing financing/investment accounts within the Committee's discretionary authority.
- (ii) Asset and Liability Committee ("ALCO"): The ALCO is responsible for the Bank Group's and the Bank's liquidity management by focusing on the maturity gap, liquidity position, financing portfolio concentration, deposits composition and depositors' concentration. The ALCO also manages the profit rate exposures and profit margin of the Bank Group and the Bank by reviewing the lending rates, cost of funds, profit margin and the repricing gaps.
- (iii) Management Investment and Credit Committee ("MICC"): The MICC deliberates and recommends to the Board or relevant Board Committees for Corporate Financing, Retail Financing and Investment accounts, and decides whether to proceed with the preparation of the Board/BICC paper based on completed credit assessment reports. The MICC also deliberates and recommends any appeal on variations to the terms and conditions as earlier approved by the Board or Board Committees and also deliberates and approves the submission of the relevant corporate rehabilitation papers for the Board or Board Committees.
- (iv) Management Committee ("MANCO"): The MANCO deliberates the implementation of the enterprise-wide Risk Management Framework which addresses credit, market and operational and strategic risks and also resolves operational issues within the policies established by the Board and recommends policy changes to the Board.

The Bank Group's and the Bank's risk management approach is based on the 'Three Lines of Defence' concept.

1st line of defence - the risk owner or risk-taking unit ie Business or Support unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk.

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RISK MANAGEMENT (continued)

(c) Risk organisation

2nd line of defence - Risk Management Division is responsible for establishing and maintaining the Risk Management Framework, developing various risk management tools to facilitate the management of operational risk, monitoring the effectiveness of risk management, assessing operational risk issues from the risk owner and escalating the issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, the Risk Management Division is also responsible to promote risk awareness across the Bank Group and the Bank.

Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programme as well as conducting training that promotes awareness creation.

3rd line of defence - Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the risk management process.

(d) Risk reporting and monitoring

The Bank Group and the Bank's credit portfolios are monitored through early alert reporting to ensure credit deterioration is promptly detected and mitigated through the implementation of risk remediation strategies. All business units undertake regular and comprehensive analyses of their credit portfolios and report to the relevant committees and are overseen by the RMD. The RMD provides independent reporting to the business units and the Board to ensure independence in relation to the prompt identification and communication of emerging credit issues of the Bank Group and the Bank to the Board.

(e) Credit risk mitigation

All credit facilities are granted based on the credit standing of the customer, source of repayment, debt servicing ability and the collateral provided. The valuation of the collateral is conducted periodically. The main types of collateral taken by the Bank Group and the Bank are marketable securities, real estate, inventory and receivables. Personal guarantees are also taken as a part of the collateral to support moral commitment from the principal shareholders and directors. Corporate guarantees are often obtained when the customer's credit worthiness is insufficient to justify the granting of credit facilities.

(f) Concentration risk

Concentration of credit risk arises when several customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank Group and the Bank monitor their portfolios to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations. The RMD also applies single customer counterparty limits to protect against unacceptably large exposures to a single risk. The RMD conducts analyses and reports concentration risk to the Board on a quarterly basis.

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CREDIT RISK

Credit risk is the risk of loss to the Bank Group and the Bank due to the deterioration in credit worthiness of its customers and, consequently, their ability to discharge their contractual obligations to the Bank Group and the Bank. Credit risk remains the most significant risk to which the Bank Group and the Bank are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Bank Group and the Bank's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

The primary objective of the Bank Group and the Bank's credit platform is to enhance the efficiency and effectiveness of the credit oversight and credit approval processes for all retail and corporate loans. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to the RMD for independent assessment. Credit exposures are evaluated by the RMD and are monitored against approved limits on a periodic basis on a portfolio and individual basis, individually and on a portfolio level.

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CREDIT RISK (continued)**Summary of Credit Exposures**

i) Credit Risk (General Disclosures) by Geographic Distribution

The following tables represent MBSB Bank Group's and MBSB Bank's credit exposures by geographic region:

Table 3: Credit Risk (General Disclosures) by Geographic Distribution

| <u>MBSB Bank Group</u> | Inside Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|---------------------------------------|--|-------------------------|
| 31-Dec-23 | | | |
| <u>Exposure Class</u> | | | |
| <u>Gross Credit Exposures</u> | | | |
| <i>On-Balance Sheet Exposures</i> | | | |
| Sovereigns & Central Banks | 12,865,281 | - | 12,865,281 |
| Public Sector Entities | 528,371 | - | 528,371 |
| Banks, MDBs and DFIs | 1,349,237 | 356,739 | 1,705,976 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | - | 240,357 |
| Corporates | 10,888,632 | - | 10,888,632 |
| Regulatory Retail | 28,998,971 | - | 28,998,971 |
| Residential Real Estate Financing | 3,024,820 | - | 3,024,820 |
| Other Assets | 989,659 | - | 989,659 |
| Total for On-Balance Sheet Exposures | 58,885,328 | 356,739 | 59,242,067 |
| <i>Off-Balance Sheet Exposures</i> | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 1,388,662 | 405 | 1,389,067 |
| Total for Off-Balance Sheet Exposures | 1,388,662 | 405 | 1,389,067 |
| Total On and Off-Balance Sheet Exposures | 60,273,990 | 357,144 | 60,631,134 |

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CREDIT RISK (continued)**Summary of Credit Exposures (continued)**

i) Credit Risk (General Disclosures) by Geographic Distribution (continued)

Table 3: Credit Risk (General Disclosures) by Geographic Distribution (continued)

| <u>MBSB Bank Group</u> | Inside Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|---------------------------------------|--|-------------------------|
| 31-Dec-22 | | | |
| <u>Exposure Class</u> | | | |
| <u>Gross Credit Exposures</u> | | | |
| <i>On-Balance Sheet Exposures</i> | | | |
| Sovereigns & Central Banks | 11,306,925 | - | 11,306,925 |
| Public Sector Entities | 758,623 | - | 758,623 |
| Banks, MDBs and DFIs | 911,283 | 156,974 | 1,068,257 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | - | 240,357 |
| Corporates | 10,459,029 | - | 10,459,029 |
| Regulatory Retail | 24,904,274 | - | 24,904,274 |
| Residential Real Estate Financing | 2,907,571 | - | 2,907,571 |
| Other Assets | 828,226 | - | 828,226 |
| Total for On-Balance Sheet Exposures | 52,316,288 | 156,974 | 52,473,262 |
| <i>Off-Balance Sheet Exposures</i> | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 1,376,368 | 66 | 1,376,434 |
| Total for Off-Balance Sheet Exposures | 1,376,368 | 66 | 1,376,434 |
| Total On and Off-Balance Sheet Exposures | 53,692,656 | 157,040 | 53,849,696 |

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CREDIT RISK (continued)**Summary of Credit Exposures (continued)**

i) Credit Risk (General Disclosures) by Geographic Distribution (continued)

Table 3: Credit Risk (General Disclosures) by Geographic Distribution (continued)

| <u>MBSB Bank</u> | Inside Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|------------------------------|-------------------------------|-------------------|
| 31-Dec-23 | | | |
| <u>Exposure Class</u> | | | |
| <u>Gross Credit Exposures</u> | | | |
| <i>On-Balance Sheet Exposures</i> | | | |
| Sovereigns & Central Banks | 12,865,281 | - | 12,865,281 |
| Public Sector Entities | 528,371 | - | 528,371 |
| Banks, MDBs and DFIs | 691,998 | 356,739 | 1,048,737 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | - | 240,357 |
| Corporates | 12,824,567 | - | 12,824,567 |
| Regulatory Retail | 28,998,971 | - | 28,998,971 |
| Residential Real Estate Financing | 3,024,820 | - | 3,024,820 |
| Other Assets | 961,224 | - | 961,224 |
| Total for On-Balance Sheet Exposures | 60,135,589 | 356,739 | 60,492,328 |
| <i>Off-Balance Sheet Exposures</i> | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 1,388,662 | 405 | 1,389,067 |
| Total for Off-Balance Sheet Exposures | 1,388,662 | 405 | 1,389,067 |
| Total On and Off-Balance Sheet Exposures | 61,524,251 | 357,144 | 61,881,395 |

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CREDIT RISK (continued)**Summary of Credit Exposures (continued)**

i) Credit Risk (General Disclosures) by Geographic Distribution (continued)

Table 3: Credit Risk (General Disclosures) by Geographic Distribution (continued)

| <u>MBSB Bank</u> | Inside Malaysia RM'000 | Outside Malaysia RM'000 | Total RM'000 |
|---|---------------------------------------|--|-------------------------|
| 31-Dec-22 | | | |
| <u>Exposure Class</u> | | | |
| <u>Gross Credit Exposures</u> | | | |
| <i>On-Balance Sheet Exposures</i> | | | |
| Sovereigns & Central Banks | 11,306,925 | - | 11,306,925 |
| Public Sector Entities | 758,623 | - | 758,623 |
| Banks, MDBs and DFIs | 313,536 | 156,974 | 470,510 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | - | 240,357 |
| Corporates | 12,563,528 | - | 12,563,528 |
| Regulatory Retail | 24,904,274 | - | 24,904,274 |
| Residential Real Estate Financing | 2,907,571 | - | 2,907,571 |
| Other Assets | 783,220 | - | 783,220 |
| Total for On-Balance Sheet Exposures | 53,778,034 | 156,974 | 53,935,008 |
| <i>Off-Balance Sheet Exposures</i> | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 1,376,368 | 66 | 1,376,434 |
| Total for Off-Balance Sheet Exposures | 1,376,368 | 66 | 1,376,434 |
| Total On and Off-Balance Sheet Exposures | 55,154,402 | 157,040 | 55,311,442 |

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CREDIT RISK (continued)**Summary of Credit Exposures (continued)**

ii) Credit Risk (General Disclosures) by Residual Contractual Maturity

The following tables represent MBSB Bank Group's and MBSB Bank's credit exposures analysed by residual contractual maturity:

Table 4: Credit Risk (General Disclosures) by Residual Contractual Maturity

| <u>MBSB Bank Group</u> | One Year or Less | Over One Year to Five Years | Over Five Years | No Specific Maturity | Total |
|---|-----------------------------|--|----------------------------|---------------------------------|-------------------|
| 31-Dec-23 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Exposure Class</u> | | | | | |
| <u>Gross Credit Exposures</u> | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | |
| Sovereigns & Central Banks | 4,917,437 | 3,093,549 | 4,854,295 | - | 12,865,281 |
| Public Sector Entities | 86,256 | 235,692 | 206,423 | - | 528,371 |
| Banks, MDBs and DFIs | 1,232,272 | 415,825 | 57,880 | - | 1,705,977 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | - | - | - | 240,357 |
| Corporates | 2,886,115 | 4,383,412 | 3,619,105 | - | 10,888,632 |
| Regulatory Retail | 1,638,216 | 1,998,492 | 25,362,262 | - | 28,998,970 |
| Residential Real Estate Financing | 1,183 | 28,788 | 2,994,849 | - | 3,024,820 |
| Other Assets | - | - | - | 989,659 | 989,659 |
| Total for On-Balance Sheet Exposures | 11,001,836 | 10,155,758 | 37,094,814 | 989,659 | 59,242,067 |
| <i>Off-Balance Sheet Exposures</i> | | | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 409,485 | 797,048 | 182,534 | - | 1,389,067 |
| Total for Off-Balance Sheet Exposures | 409,485 | 797,048 | 182,534 | - | 1,389,067 |
| Total On and Off-Balance Sheet Exposures | 11,411,321 | 10,952,806 | 37,277,348 | 989,659 | 60,631,134 |

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CREDIT RISK (continued)**Summary of Credit Exposures (continued)**

ii) Credit Risk (General Disclosures) by Residual Contractual Maturity (continued)

Table 4: Credit Risk (General Disclosures) by Residual Contractual Maturity (continued)

| <u>MBSB Bank Group</u> | One Year or Less | Over One Year to Five Years | Over Five Years | No Specific Maturity | Total |
|---|-----------------------------|--|----------------------------|---------------------------------|-------------------|
| 31-Dec-22 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Exposure Class</u> | | | | | |
| <u>Gross Credit Exposures</u> | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | |
| Sovereigns & Central Banks | 2,815,584 | 2,883,695 | 5,607,646 | - | 11,306,925 |
| Public Sector Entities | 66,226 | 369,006 | 323,391 | - | 758,623 |
| Banks, MDBs and DFIs | 806,485 | 180,590 | 81,182 | - | 1,068,257 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | - | - | - | 240,357 |
| Corporates | 3,660,529 | 3,253,503 | 3,544,997 | - | 10,459,029 |
| Regulatory Retail | 782,426 | 1,863,017 | 22,258,831 | - | 24,904,274 |
| Residential Real Estate Financing | 2,420 | 53,857 | 2,851,294 | - | 2,907,571 |
| Other Assets | - | - | - | 828,226 | 828,226 |
| Total for On-Balance Sheet Exposures | 8,374,027 | 8,603,668 | 34,667,341 | 828,226 | 52,473,262 |
| <i>Off-Balance Sheet Exposures</i> | | | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 253,728 | 947,224 | 175,482 | - | 1,376,434 |
| Total for Off-Balance Sheet Exposures | 253,728 | 947,224 | 175,482 | - | 1,376,434 |
| Total On and Off-Balance Sheet Exposures | 8,627,755 | 9,550,892 | 34,842,823 | 828,226 | 53,849,696 |

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CREDIT RISK (continued)**Summary of Credit Exposures (continued)**

ii) Credit Risk (General Disclosures) by Residual Contractual Maturity (continued)

Table 4: Credit Risk (General Disclosures) by Residual Contractual Maturity (continued)

| <u>MBSB Bank</u> | One Year or Less RM'000 | Over One Year to Five Years RM'000 | Over Five Years RM'000 | No Specific Maturity RM'000 | Total RM'000 |
|---|--|---|---------------------------------------|--|-------------------------|
| 31-Dec-23 | | | | | |
| <u>Exposure Class</u> | | | | | |
| <u>Gross Credit Exposures</u> | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | |
| Sovereigns & Central Banks | 4,917,437 | 3,093,549 | 4,854,295 | - | 12,865,281 |
| Public Sector Entities | 86,256 | 235,692 | 206,423 | - | 528,371 |
| Banks, MDBs and DFIs | 575,032 | 415,825 | 57,880 | - | 1,048,737 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | - | - | - | 240,357 |
| Corporates | 3,119,077 | 6,086,386 | 3,619,104 | - | 12,824,567 |
| Regulatory Retail | 1,638,216 | 1,998,492 | 25,362,262 | - | 28,998,970 |
| Residential Real Estate Financing | 1,183 | 28,788 | 2,994,849 | - | 3,024,820 |
| Other Assets | - | - | - | 961,224 | 961,224 |
| Total for On-Balance Sheet Exposures | 10,577,558 | 11,858,732 | 37,094,813 | 961,224 | 60,492,327 |
| <i>Off-Balance Sheet Exposures</i> | | | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 409,485 | 797,048 | 182,534 | - | 1,389,067 |
| Total for Off-Balance Sheet Exposures | 409,485 | 797,048 | 182,534 | - | 1,389,067 |
| Total On and Off-Balance Sheet Exposures | 10,987,043 | 12,655,780 | 37,277,347 | 961,224 | 61,881,394 |

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CREDIT RISK (continued)**Summary of Credit Exposures (continued)**

ii) Credit Risk (General Disclosures) by Residual Contractual Maturity (continued)

Table 4: Gross Credit Exposures by Residual Contractual Maturity (continued)

| <u>MBSB Bank</u> | One Year or Less RM'000 | Over One Year to Five Years RM'000 | Over Five Years RM'000 | No Specific Maturity RM'000 | Total RM'000 |
|---|--|---|---------------------------------------|--|-------------------------|
| 31-Dec-22 | | | | | |
| <u>Exposure Class</u> | | | | | |
| <u>Gross Credit Exposures</u> | | | | | |
| <i>On-Balance Sheet Exposures</i> | | | | | |
| Sovereigns & Central Banks | 2,815,584 | 2,883,695 | 5,607,646 | - | 11,306,925 |
| Public Sector Entities | 66,226 | 369,006 | 323,391 | - | 758,623 |
| Banks, MDBs and DFIs | 208,739 | 180,590 | 81,181 | - | 470,510 |
| Insurance Companies, Securities Firms & Fund Managers | 240,357 | - | - | - | 240,357 |
| Corporates | 3,901,709 | 5,116,822 | 3,544,997 | - | 12,563,528 |
| Regulatory Retail | 782,426 | 1,863,017 | 22,258,831 | - | 24,904,274 |
| Residential Real Estate Financing | 2,420 | 53,857 | 2,851,294 | - | 2,907,571 |
| Other Assets | - | - | - | 783,220 | 783,220 |
| Total for On-Balance Sheet Exposures | 8,017,461 | 10,466,987 | 34,667,340 | 783,220 | 53,935,008 |
| <i>Off-Balance Sheet Exposures</i> | | | | | |
| Off balance sheet exposures other than OTC derivatives or credit derivatives | 253,728 | 947,224 | 175,482 | - | 1,376,434 |
| Total for Off-Balance Sheet Exposures | 253,728 | 947,224 | 175,482 | - | 1,376,434 |
| Total On and Off-Balance Sheet Exposures | 8,271,189 | 11,414,211 | 34,842,822 | 783,220 | 55,311,442 |

CREDIT RISK (continued)

Credit Quality of Financing and Advances

Classification of financing and advances is as follows:

i) Neither past due nor impaired

Financing and advances which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment.

ii) Past due but not impaired

Financing and advances where the customer has failed to make a principal or interest payment when contractually due, but the Bank Group and the Bank believe that impairment is not appropriate on the basis of collateral available and/or the stage of collection amounts owed to the Bank Group and the Bank.

iii) Impaired

This refers to financial assets in respect of financing and advances for which exposures are assessed individually and considered impaired based on the Bank Group's and the Bank's policies.

The following tables provide an analysis of the gross credit exposures and expected credit losses by economic purposes.

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 5: Past Due but Not Impaired Financing and Advances by Economic Purpose****MBSB Bank Group**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-------------------|------------------|----------------|-------------------|
| 31-Dec-23 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>By Economic Purpose</u> | | | | |
| Purchase of securities | 593,880 | - | - | 593,880 |
| Purchase of Land and Building of which: | | | | |
| - Residential | 8,135,271 | 773,169 | - | 8,908,439 |
| - Non Residential | 702,678 | 23,791 | - | 726,470 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | 737,534 | 33,085 | - | 770,619 |
| - Transport or commercial vehicles | 33,771 | 6,419 | - | 40,190 |
| - Other Fixed Assets | 388,246 | 3,949 | - | 392,195 |
| Personal Use | 18,712,574 | 421,548 | - | 19,134,122 |
| Construction | 2,382,023 | 32,452 | - | 2,414,475 |
| Mergers & acquisition | 5 | - | - | 5 |
| Working capital | 4,001,070 | 381,385 | - | 4,382,455 |
| Other purpose | 1,836 | 139 | - | 1,975 |
| Total | 35,688,888 | 1,675,937 | - | 37,364,825 |

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 5: Past Due but Not Impaired Financing and Advances by Economic Purpose (continued)****MBSB Bank Group**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-------------------|------------------|----------------|-------------------|
| 31-Dec-22 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>By Economic Purpose</u> | | | | |
| Purchase of securities | 369 | - | - | 369 |
| Purchase of Land and Building of which: | | | | |
| - Residential | 6,794,821 | 921,311 | - | 7,716,132 |
| - Non Residential | 598,620 | 44,570 | - | 643,190 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | 637,381 | 67,022 | - | 704,404 |
| - Transport or commercial vehicles | 29,889 | 18,887 | - | 48,776 |
| - Other Fixed Assets | 268,172 | 5,769 | - | 273,941 |
| Personal Use | 16,261,453 | 792,004 | - | 17,053,458 |
| Construction | 2,341,533 | 197,239 | - | 2,538,772 |
| Mergers & acquisition | 26 | - | - | 26 |
| Working capital | 4,424,776 | 442,636 | - | 4,867,412 |
| Other purpose | 1,901 | 171 | - | 2,072 |
| Total | 31,358,942 | 2,489,611 | - | 33,848,553 |

MBSB BANK BERHAD (200501033981 / 716122-P)

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 5: Past Due but Not Impaired Financing and Advances by Economic Purpose****MBSB Bank****31-Dec-23****By Economic Purpose**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-------------------|------------------|----------------|-------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of securities | 593,880 | - | - | 593,880 |
| Purchase of Land and Building of which: | | | | |
| - Residential | 8,135,271 | 773,169 | - | 8,908,439 |
| - Non Residential | 702,678 | 23,791 | - | 726,470 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | 737,534 | 33,085 | - | 770,619 |
| - Transport or commercial vehicles | 33,771 | 6,419 | - | 40,190 |
| - Other Fixed Assets | 388,246 | 3,949 | - | 392,195 |
| Personal Use | 18,712,574 | 421,548 | - | 19,134,122 |
| Construction | 2,382,023 | 32,452 | - | 2,414,475 |
| Mergers & acquisition | 5 | - | - | 5 |
| Working capital | 4,001,070 | 381,385 | - | 4,382,455 |
| Other purpose | 1,836 | 139 | - | 1,975 |
| Total | 35,688,888 | 1,675,937 | - | 37,364,825 |

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 5: Past Due but Not Impaired Financing and Advances by Economic Purpose (continued)****MBSB Bank**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-------------------|------------------|----------------|-------------------|
| 31-Dec-22 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>By Economic Purpose</u> | | | | |
| Purchase of securities | 369 | - | - | 369 |
| Purchase of Land and Building of which: | | | | |
| - Residential | 6,794,821 | 921,311 | - | 7,716,132 |
| - Non Residential | 598,620 | 44,570 | - | 643,190 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | 637,381 | 67,022 | - | 704,404 |
| - Transport or commercial vehicles | 29,889 | 18,887 | - | 48,776 |
| - Other Fixed Assets | 268,172 | 5,769 | - | 273,941 |
| Personal Use | 16,261,453 | 792,004 | - | 17,053,458 |
| Construction | 2,341,533 | 197,239 | - | 2,538,772 |
| Mergers & acquisition | 26 | - | - | 26 |
| Working capital | 4,424,776 | 442,636 | - | 4,867,412 |
| Other purpose | 1,901 | 171 | - | 2,072 |
| Total | 31,358,942 | 2,489,611 | - | 33,848,553 |

MBSB BANK BERHAD (200501033981 / 716122-P)

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 6: Impaired Financing and Advances by Economic Purpose****MBSB Bank Group****31-Dec-23****By Economic Purpose**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|----------------|------------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of securities | - | - | - | - |
| Purchase of Land and Building of which: | | | | |
| - Residential | - | - | 268,956 | 268,956 |
| - Non Residential | - | - | 210,363 | 210,363 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | - | - | 13,623 | 13,623 |
| - Transport or commercial vehicles | - | - | 2,363 | 2,363 |
| - Other Fixed Assets | - | - | 871 | 871 |
| Personal Use | - | - | 440,075 | 440,075 |
| Construction | - | - | 1,001,744 | 1,001,744 |
| Mergers & acquisition | - | - | - | - |
| Working capital | - | - | 150,098 | 150,098 |
| Other purpose | - | - | 153,330 | 153,330 |
| Total | - | - | 2,241,423 | 2,241,423 |

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 6: Impaired Financing and Advances by Economic Purpose****MBSB Bank Group****31-Dec-22****By Economic Purpose**

| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| Purchase of securities | - | - | - | - |
| Purchase of Land and Building of which: | | | | |
| - Residential | - | - | 255,350 | 255,350 |
| - Non Residential | - | - | 280,034 | 280,034 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | - | - | 23,696 | 23,696 |
| - Transport or commercial vehicles | - | - | 4,866 | 4,866 |
| - Other Fixed Assets | - | - | 1,048 | 1,048 |
| Personal Use | - | - | 284,647 | 284,647 |
| Construction | - | - | 908,178 | 908,178 |
| Mergers & acquisition | - | - | - | - |
| Working capital | - | - | 176,905 | 176,905 |
| Other purpose | - | - | 134,879 | 134,879 |
| Total | - | - | 2,069,603 | 2,069,603 |

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 6: Impaired Financing and Advances by Economic Purpose****MBSB Bank****31-Dec-23****By Economic Purpose**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|----------------|------------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of securities | - | - | - | - |
| Purchase of Land and Building of which: | | | | |
| - Residential | - | - | 268,956 | 268,956 |
| - Non Residential | - | - | 210,363 | 210,363 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | - | - | 13,623 | 13,623 |
| - Transport or commercial vehicles | - | - | 2,363 | 2,363 |
| - Other Fixed Assets | - | - | 871 | 871 |
| Personal Use | - | - | 440,075 | 440,075 |
| Construction | - | - | 1,001,744 | 1,001,744 |
| Mergers & acquisition | - | - | - | - |
| Working capital | - | - | 150,098 | 150,098 |
| Other purpose | - | - | 153,330 | 153,330 |
| Total | - | - | 2,241,423 | 2,241,423 |

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 6: Impaired Financing and Advances by Economic Purpose****MBSB Bank****31-Dec-22****By Economic Purpose**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|----------------|----------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of securities | - | - | - | - |
| Purchase of Land and Building of which: | | | | |
| - Residential | - | - | 255,350 | 255,350 |
| - Non Residential | - | - | 280,034 | 280,034 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | - | - | 23,696 | 23,696 |
| - Transport or commercial vehicles | - | - | 4,866 | 4,866 |
| - Other Fixed Assets | - | - | 1,048 | 1,048 |
| Personal Use | - | - | 284,647 | 284,647 |
| Construction | - | - | 908,178 | 908,178 |
| Mergers & acquisition | - | - | - | - |
| Working capital | - | - | 176,905 | 176,905 |
| Other purpose | - | - | 134,879 | 134,879 |
| Total | - | - | 2,069,603 | 2,069,603 |

MBSB BANK BERHAD (200501033981 / 716122-P)

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 7: Expected Credit Losses by Economic Purpose****MBSB Bank Group****31-Dec-23****By Economic Purpose**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|----------------|----------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of securities | 32,298 | - | - | 32,298 |
| Purchase of Land and Building of which: | | | | |
| - Residential | 35,082 | 41,913 | 95,750 | 172,745 |
| - Non Residential | 16,472 | 1,407 | 40,065 | 57,944 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | 25,055 | 4,056 | 1,756 | 30,867 |
| - Transport or commercial vehicles | 1,171 | 671 | 1,752 | 3,594 |
| - Other Fixed Assets | 21,446 | 184 | 211 | 21,842 |
| Personal Use | 37,843 | 13,778 | 140,442 | 192,063 |
| Construction | 111,351 | 5,886 | 287,586 | 404,823 |
| Mergers & acquisition | 0 | - | - | 0 |
| Working capital | 59,652 | 9,870 | 60,085 | 129,608 |
| Other purpose | 9 | 9 | 85,397 | 85,415 |
| Total | 340,379 | 77,775 | 713,044 | 1,131,198 |

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 7: Expected Credit Losses by Economic Purpose****MBSB Bank Group****31-Dec-22****By Economic Purpose**

| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| Purchase of securities | 1 | - | - | 1 |
| Purchase of Land and Building of which: | | | | |
| - Residential | 19,992 | 56,273 | 91,974 | 168,238 |
| - Non Residential | 14,765 | 2,274 | 19,816 | 36,854 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | 16,577 | 6,976 | 5,739 | 29,292 |
| - Transport or commercial vehicles | 675 | 2,736 | 3,738 | 7,149 |
| - Other Fixed Assets | 17,213 | 335 | 263 | 17,811 |
| Personal Use | 76,459 | 111,181 | 248,571 | 436,211 |
| Construction | 100,306 | 60,818 | 217,285 | 378,408 |
| Mergers & acquisition | 0 | - | - | 0 |
| Working capital | 39,751 | 93,707 | 79,088 | 212,546 |
| Other purpose | 8 | 21 | 71,788 | 71,817 |
| Total | 285,747 | 334,321 | 738,261 | 1,358,328 |

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 7: Expected Credit Losses by Economic Purpose****MBSB Bank****31-Dec-23****By Economic Purpose**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|----------------|----------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchase of securities | 32,298 | - | - | 32,298 |
| Purchase of Land and Building of which: | | | | |
| - Residential | 35,082 | 41,913 | 95,750 | 172,745 |
| - Non Residential | 16,472 | 1,407 | 40,065 | 57,944 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | 25,055 | 4,056 | 1,756 | 30,867 |
| - Transport or commercial vehicles | 1,171 | 671 | 1,752 | 3,594 |
| - Other Fixed Assets | 21,446 | 184 | 211 | 21,842 |
| Personal Use | 37,843 | 13,778 | 140,442 | 192,063 |
| Construction | 111,351 | 5,886 | 287,586 | 404,823 |
| Mergers & acquisition | 0 | - | - | 0 |
| Working capital | 59,652 | 9,870 | 60,085 | 129,608 |
| Other purpose | 9 | 9 | 85,397 | 85,415 |
| Total | 340,379 | 77,775 | 713,044 | 1,131,198 |

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CREDIT RISK (continued)**Credit Quality of Financing and Advances (continued)****Table 7: Expected Credit Losses by Economic Purpose****MBSB Bank****31-Dec-22****By Economic Purpose**

| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| Purchase of securities | 1 | - | - | 1 |
| Purchase of Land and Building of which: | | | | |
| - Residential | 19,992 | 56,273 | 91,974 | 168,238 |
| - Non Residential | 14,765 | 2,274 | 19,816 | 36,854 |
| Purchase of Fixed Assets Other Than Land and Building of which: | | | | |
| - Machinery and Equipments | 16,577 | 6,976 | 5,739 | 29,292 |
| - Transport or commercial vehicles | 675 | 2,736 | 3,738 | 7,149 |
| - Other Fixed Assets | 17,213 | 335 | 263 | 17,811 |
| Personal Use | 76,459 | 111,181 | 248,571 | 436,211 |
| Construction | 100,306 | 60,818 | 217,285 | 378,408 |
| Mergers & acquisition | 0 | - | - | 0 |
| Working capital | 39,751 | 93,707 | 79,088 | 212,546 |
| Other purpose | 8 | 21 | 71,788 | 71,817 |
| Total | 285,747 | 334,321 | 738,261 | 1,358,328 |

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CREDIT RISK (continued)

Assignments of Risk Weights for Portfolio Under the Standardised Approach ("SA")

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

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

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

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

| 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- | A+ to A3 | A+ to A- |
| 3 | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- | BBB+ to BBB3 | BBB+ to BBB- |
| 4 | BB+ to BB- | Ba1 to Ba3 | BB+ to BB- | BB+ to BB3 | BB+ to BB- |
| 5 | B+ to B- | B1 to B3 | B+ to B- | B+ 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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CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA

Table 8: Credit Risk Exposure by Risk Weight Under SA

MBSB Bank Group

31-Dec-23

Risk Weights

| | Sovereigns & Central Banks | | Public Sector Entities | | Banks, MDBs and DFIs | | Insurance Companies, Securities Firms & Fund Managers | | Corporates | |
|---|---|---|---|---|---|---|--|---|---|---|
| | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> |
| Performing Exposures | | | | | | | | | | |
| 0% | 12,865,281 | - | 528,371 | - | 103,299 | - | - | - | 1,081,126 | - |
| 20% | - | - | - | - | 1,615,077 | 323,015 | - | - | 2,352,544 | 470,509 |
| 35% | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | - | - | 56,167 | 28,083 | - | - | 60,190 | 30,095 |
| 75% | - | - | - | - | - | - | - | - | - | - |
| 100% | - | - | - | - | - | - | 240,357 | 240,357 | 7,930,663 | 7,930,663 |
| 150% | - | - | - | - | - | - | - | - | - | - |
| Total | 12,865,281 | - | 528,371 | - | 1,774,543 | 351,098 | 240,357 | 240,357 | 11,424,523 | 8,431,267 |
| Defaulted Exposures | | | | | | | | | | |
| 0% | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | - | - | - | - | - | - | 79,620 | 39,809 |
| 100% | - | - | - | - | - | - | - | - | 53,342 | 53,342 |
| 150% | - | - | - | - | - | - | - | - | 289,873 | 434,810 |
| Total | - | - | - | - | - | - | - | - | 422,835 | 527,961 |
| Total Performing and Defaulted Exposures | 12,865,281 | - | 528,371 | - | 1,774,543 | 351,098 | 240,357 | 240,357 | 11,847,358 | 8,959,228 |

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CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 8: Credit Risk Exposure by Risk Weight Under SA (continued)

MBSB Bank Group

| 31-Dec-23 <u>Risk Weights</u> | <u>Regulatory Retail*</u> | | <u>Residential Real Estate Financing</u> | | <u>Other Assets</u> | | <u>Total Exposure</u> | <u>Total Risk Weighted Assets</u> |
|---|---|---|---|---|---|---|---|---|
| | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> |
| Performing Exposures | | | | | | | | |
| 0% | - | - | - | - | 100,814 | - | 14,678,891 | - |
| 20% | - | - | - | - | - | - | 3,967,621 | 793,524 |
| 35% | - | - | 2,225,465 | 778,913 | - | - | 2,225,465 | 778,913 |
| 50% | - | - | 782,624 | 391,311 | - | - | 898,981 | 449,489 |
| 75% | 3,878,627 | 2,908,970 | - | - | - | - | 3,878,627 | 2,908,970 |
| 100% | 24,389,985 | 24,389,985 | - | - | 888,845 | 888,845 | 33,449,850 | 33,449,850 |
| 150% | - | - | - | - | - | - | - | - |
| Total | 28,268,612 | 27,298,955 | 3,008,089 | 1,170,224 | 989,659 | 888,845 | 59,099,435 | 38,380,748 |
| Defaulted Exposures | | | | | | | | |
| 0% | - | - | - | - | - | - | - | - |
| 50% | 61,002 | 30,500 | 16,731 | 8,365 | - | - | 157,353 | 78,674 |
| 100% | 239,438 | 239,438 | - | - | - | - | 292,780 | 292,780 |
| 150% | 791,693 | 1,187,540 | - | - | - | - | 1,081,566 | 1,622,350 |
| Total | 1,092,133 | 1,457,478 | 16,731 | 8,365 | - | - | 1,531,699 | 1,993,804 |
| Total Performing and Defaulted Exposures | 29,360,745 | 28,756,433 | 3,024,820 | 1,178,589 | 989,659 | 888,845 | 60,631,134 | 40,374,552 |

* Property financing exposures are included herein.

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CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 8: Credit Risk Exposure by Risk Weight Under SA (continued)

MBSB Bank Group

31-Dec-22

Risk Weights

| | Sovereigns & Central Banks | | Public Sector Entities | | Banks, MDBs and DFIs | | Insurance Companies, Securities Firms & Fund Managers | | Corporates | |
|---|---|---|---|---|---|---|--|---|---|---|
| | Exposures after Netting & CRM RM'000 | Risk Weighted Asset RM'000 | Exposures after Netting & CRM RM'000 | Risk Weighted Asset RM'000 | Exposures after Netting & CRM RM'000 | Risk Weighted Asset RM'000 | Exposures after Netting & CRM RM'000 | Risk Weighted Asset RM'000 | Exposures after Netting & CRM RM'000 | Risk Weighted Asset RM'000 |
| Performing Exposures | | | | | | | | | | |
| 0% | 11,306,925 | - | 586,689 | - | 102,173 | - | - | - | 1,267,702 | - |
| 20% | - | - | 171,934 | 34,387 | 857,644 | 171,527 | - | - | 2,414,267 | 482,853 |
| 35% | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | - | - | 142,403 | 71,202 | - | - | 61,105 | 30,553 |
| 75% | - | - | - | - | - | - | - | - | - | - |
| 100% | - | - | - | - | - | - | 240,357 | 240,357 | 6,737,713 | 6,737,713 |
| 150% | - | - | - | - | - | - | - | - | 299,880 | 449,820 |
| Total | 11,306,925 | - | 758,623 | 34,387 | 1,102,220 | 242,729 | 240,357 | 240,357 | 10,780,667 | 7,700,939 |
| Defaulted Exposures | | | | | | | | | | |
| 0% | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | - | - | - | - | - | - | 104,189 | 52,095 |
| 100% | - | - | - | - | - | - | - | - | 99,572 | 99,572 |
| 150% | - | - | - | - | - | - | - | - | 418,169 | 627,254 |
| Total | - | - | - | - | - | - | - | - | 621,930 | 778,921 |
| Total Performing and Defaulted Exposures | 11,306,925 | - | 758,623 | 34,387 | 1,102,220 | 242,729 | 240,357 | 240,357 | 11,402,597 | 8,479,860 |

MBSB BANK BERHAD (200501033981 / 716122-P)

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CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 8: Credit Risk Exposure by Risk Weight Under SA (continued)

MBSB Bank Group

| 31-Dec-22 <u>Risk Weights</u> | <u>Regulatory Retail*</u> | | <u>Residential Real Estate Financing</u> | | <u>Other Assets</u> | | <u>Total Exposure</u> | <u>Total Risk Weighted Assets</u> |
|---|---|---|---|---|---|---|---|---|
| | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> |
| Performing Exposures | | | | | | | | |
| 0% | - | - | - | - | 195,439 | - | 13,458,928 | - |
| 20% | - | - | - | - | - | - | 3,443,845 | 688,767 |
| 35% | - | - | 2,326,633 | 814,322 | - | - | 2,326,633 | 814,322 |
| 50% | - | - | 556,126 | 278,063 | - | - | 759,634 | 379,818 |
| 75% | 2,839,148 | 2,129,361 | - | - | - | - | 2,839,148 | 2,129,361 |
| 100% | 21,777,560 | 21,777,560 | - | - | 632,787 | 632,787 | 29,388,417 | 29,388,417 |
| 150% | - | - | - | - | - | - | 299,880 | 449,820 |
| Total | 24,616,708 | 23,906,921 | 2,882,759 | 1,092,385 | 828,226 | 632,787 | 52,516,485 | 33,850,505 |
| Defaulted Exposures | | | | | | | | |
| 0% | - | - | - | - | - | - | - | - |
| 50% | 71,110 | 35,555 | 24,812 | 12,406 | - | - | 200,110 | 100,056 |
| 100% | 175,122 | 175,122 | - | - | - | - | 274,694 | 274,694 |
| 150% | 440,238 | 660,357 | - | - | - | - | 858,407 | 1,287,610 |
| Total | 686,470 | 871,034 | 24,812 | 12,406 | - | - | 1,333,211 | 1,662,360 |
| Total Performing and Defaulted Exposures | 25,303,178 | 24,777,955 | 2,907,571 | 1,104,791 | 828,226 | 632,787 | 53,849,696 | 35,512,865 |

* Property financing exposures are included herein.

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 8: Credit Risk Exposure by Risk Weight Under SA (continued)

MBSB Bank

31-Dec-23

Risk Weights

| | Sovereigns & Central Banks | | Public Sector Entities | | Banks, MDBs and DFIs | | Insurance Companies, Securities Firms & Fund Managers | | Corporates | |
|---|---|---|---|---|---|---|--|---|---|---|
| | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> |
| Performing Exposures | | | | | | | | | | |
| 0% | 12,865,281 | - | 528,371 | - | 103,299 | - | - | - | 1,081,126 | - |
| 20% | - | - | - | - | 957,837 | 191,567 | - | - | 2,352,544 | 470,509 |
| 35% | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | - | - | 56,167 | 28,083 | - | - | 60,190 | 30,095 |
| 75% | - | - | - | - | - | - | - | - | - | - |
| 100% | - | - | - | - | - | - | 240,357 | 240,357 | 9,866,600 | 9,866,600 |
| 150% | - | - | - | - | - | - | - | - | - | - |
| Total | 12,865,281 | - | 528,371 | - | 1,117,303 | 219,650 | 240,357 | 240,357 | 13,360,460 | 10,367,204 |
| Defaulted Exposures | | | | | | | | | | |
| 0% | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | - | - | - | - | - | - | 79,620 | 39,810 |
| 100% | - | - | - | - | - | - | - | - | 53,342 | 53,342 |
| 150% | - | - | - | - | - | - | - | - | 289,873 | 434,810 |
| Total | - | - | - | - | - | - | - | - | 422,835 | 527,962 |
| Total Performing and Defaulted Exposures | 12,865,281 | - | 528,371 | - | 1,117,303 | 219,650 | 240,357 | 240,357 | 13,783,295 | 10,895,166 |

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 8: Credit Risk Exposure by Risk Weight Under SA (continued)

MBSB Bank

| 31-Dec-23 <u>Risk Weights</u> | <u>Regulatory Retail*</u> | | <u>Residential Real Estate Financing</u> | | <u>Other Assets</u> | | <u>Total Exposure</u> | <u>Total Risk Weighted Assets</u> |
|---|---|--|---|--|---|--|---|--|
| | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset</i> RM'000 | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset</i> RM'000 | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset</i> RM'000 | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset</i> RM'000 |
| Performing Exposures | | | | | | | | |
| 0% | - | - | - | - | 100,814 | - | 14,678,891 | - |
| 20% | - | - | - | - | - | - | 3,310,381 | 662,076 |
| 35% | - | - | 2,225,465 | 778,913 | - | - | 2,225,465 | 778,913 |
| 50% | - | - | 782,624 | 391,311 | - | - | 898,981 | 449,489 |
| 75% | 3,878,627 | 2,908,970 | - | - | - | - | 3,878,627 | 2,908,970 |
| 100% | 24,389,985 | 24,389,985 | - | - | 860,410 | 860,410 | 35,357,352 | 35,357,352 |
| 150% | - | - | - | - | - | - | - | - |
| Total | 28,268,612 | 27,298,955 | 3,008,089 | 1,170,224 | 961,224 | 860,410 | 60,349,697 | 40,156,800 |
| Defaulted Exposures | | | | | | | | |
| 0% | - | - | - | - | - | - | - | - |
| 50% | 61,002 | 30,501 | 16,730 | 8,365 | - | - | 157,352 | 78,676 |
| 100% | 239,438 | 239,438 | - | - | - | - | 292,780 | 292,780 |
| 150% | 791,693 | 1,187,540 | - | - | - | - | 1,081,566 | 1,622,350 |
| Total | 1,092,133 | 1,457,479 | 16,730 | 8,365 | - | - | 1,531,698 | 1,993,806 |
| Total Performing and Defaulted Exposures | 29,360,745 | 28,756,434 | 3,024,819 | 1,178,589 | 961,224 | 860,410 | 61,881,395 | 42,150,606 |

* Property financing exposures are included herein.

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 8: Credit Risk Exposure by Risk Weight Under SA (continued)

MBSB Bank

31-Dec-22

Risk Weights

| | Sovereigns & Central Banks | | Public Sector Entities | | Banks, MDBs and DFIs | | Insurance Cos, Securities Firms & Fund Managers | | Corporates | |
|---|---|---|---|---|---|---|--|---|---|---|
| | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> | Exposures after Netting & CRM RM'000 | <i>Risk Weighted Asset RM'000</i> |
| Performing Exposures | | | | | | | | | | |
| 0% | 11,306,926 | - | 586,689 | - | 102,173 | - | - | - | 1,267,702 | - |
| 20% | - | - | 171,935 | 34,387 | 259,896 | 51,979 | - | - | 2,414,267 | 482,853 |
| 35% | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | - | - | 142,403 | 71,202 | - | - | 61,105 | 30,553 |
| 75% | - | - | - | - | - | - | - | - | - | - |
| 100% | - | - | - | - | - | - | 240,357 | 240,357 | 8,842,211 | 8,842,211 |
| 150% | - | - | - | - | - | - | - | - | 299,880 | 449,820 |
| Total | 11,306,926 | - | 758,624 | 34,387 | 504,472 | 123,181 | 240,357 | 240,357 | 12,885,165 | 9,805,437 |
| Defaulted Exposures | | | | | | | | | | |
| 0% | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | - | - | - | - | - | - | 104,189 | 52,095 |
| 100% | - | - | - | - | - | - | - | - | 99,572 | 99,572 |
| 150% | - | - | - | - | - | - | - | - | 418,169 | 627,254 |
| Total | - | - | - | - | - | - | - | - | 621,930 | 778,921 |
| Total Performing and Defaulted Exposures | 11,306,926 | - | 758,624 | 34,387 | 504,472 | 123,181 | 240,357 | 240,357 | 13,507,095 | 10,584,358 |

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 8: Credit Risk Exposure by Risk Weight Under SA (continued)

MBSB Bank

| 31-Dec-22 Risk Weights | Regulatory Retail* | | Residential Real Estate Financing | | Other Assets | | Total Exposure | Total Risk Weighted Assets |
|---|-------------------------------------|------------------------------------|--------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | Exposures after Netting & CRM | <i>Risk Weighted Asset</i> | Exposures after Netting & CRM | <i>Risk Weighted Asset</i> | Exposures after Netting & CRM | <i>Risk Weighted Asset</i> | Exposures after Netting & CRM | <i>Risk Weighted Asset</i> |
| Performing Exposures | | | | | | | | |
| 0% | - | - | - | - | 81,876 | - | 13,345,365 | - |
| 20% | - | - | - | - | - | - | 2,846,098 | 569,219 |
| 35% | - | - | 2,326,633 | 814,322 | - | - | 2,326,633 | 814,322 |
| 50% | - | - | 556,126 | 278,062 | - | - | 759,634 | 379,817 |
| 75% | 2,839,148 | 2,129,361 | - | - | - | - | 2,839,148 | 2,129,361 |
| 100% | 21,777,560 | 21,777,560 | - | - | 701,345 | 701,345 | 31,561,473 | 31,561,473 |
| 150% | - | - | - | - | - | - | 299,880 | 449,820 |
| Total | 24,616,708 | 23,906,921 | 2,882,759 | 1,092,384 | 783,221 | 701,345 | 53,978,231 | 35,904,012 |
| Defaulted Exposures | | | | | | | | |
| 0% | - | - | - | - | - | - | - | - |
| 50% | 71,110 | 35,555 | 24,812 | 12,406 | - | - | 200,110 | 100,056 |
| 100% | 175,122 | 175,122 | - | - | - | - | 274,694 | 274,694 |
| 150% | 440,238 | 660,356 | - | - | - | - | 858,407 | 1,287,609 |
| Total | 686,470 | 871,033 | 24,812 | 12,406 | - | - | 1,333,211 | 1,662,359 |
| Total Performing and Defaulted Exposures | 25,303,178 | 24,777,954 | 2,907,571 | 1,104,790 | 783,221 | 701,345 | 55,311,442 | 37,566,371 |

* Property financing exposures are included herein.

MBSB BANK BERHAD (200501033981 / 716122-P)

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CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

The following tables present non-retail MBSB Bank Group's and MBSB Bank's credit exposures according to ratings by ECAIs:

Table 9: Disclosure for Portfolio Under the SA on Rated Exposures according to Rating by ECAIs

MBSB Bank Group

31-Dec-23

Disclosures Expressed in nearest RM thousand (RM'000)

| Exposure Class | Rating of Corporate by approved ECAIs | | | | | |
|--|---------------------------------------|------------------|---------------|-------------|----------|------------------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| <u>Credit exposure (using Corporate Risk Weights)</u> | | | | | | |
| Public Sector Entity (applicable for entities risk weighted based on their external rating as corporate) | | 528,371 | - | - | - | - |
| Insurance Companies, Securities Firms & Fund Managers | | - | - | - | - | 240,357 |
| Corporates | | 3,433,671 | 50,179 | - | - | 8,363,508 |
| Total | | 3,962,042 | 50,179 | - | - | 8,603,865 |

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 9: Disclosure for Portfolio Under the SA on Rated Exposures according to Rating by ECAIs (continued)

MBSB Bank Group

31-Dec-23

Disclosures Expressed in nearest RM thousand (RM'000)

| Exposure Class | Rating of Sovereign Central Banks by approved ECAIs | | | | | |
|--|---|-------------------|----------|-------------|----------|----------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| Sovereign Central Banks | | 12,865,281 | - | - | - | - |
| Total | | 12,865,281 | - | - | - | - |

| Exposure Class | Rating of Banking Institutions by approved ECAIs | | | | | |
|--|--|------------------|----------------|-------------|-----------|----------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| Banks, MDBs and DFIs | | 1,375,700 | 398,546 | 249 | 47 | - |
| Total | | 1,375,700 | 398,546 | 249 | 47 | - |

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 9: Disclosure for Portfolio Under the SA on Rated Exposures according to Rating by ECAs (continued)

MBSB Bank Group

31-Dec-22

Disclosures Expressed in nearest RM thousand (RM'000)

| Exposure Class | Rating of Corporate by approved ECAs | | | | | |
|--|--------------------------------------|------------------|---------------|-------------|----------|------------------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| <u>Credit exposure (using Corporate Risk Weights)</u> | | | | | | |
| Public Sector Entity (applicable for entities risk weighted based on their external rating as corporate) | | 758,623 | - | - | - | - |
| Insurance Companies, Securities Firms & Fund Managers | | - | - | - | - | 240,357 |
| Corporates | | 2,502,465 | 50,179 | - | - | 8,849,953 |
| Total | | 3,261,088 | 50,179 | - | - | 9,090,310 |

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 9: Disclosure for Portfolio Under the SA on Rated Exposures according to Rating by ECAIs (continued)

MBSB Bank Group

31-Dec-22

Disclosures Expressed in nearest RM thousand (RM'000)

| Exposure Class | | Rating of Sovereign Central Banks by approved ECAIs | | | | |
|--|---------|---|----------|-------------|---------|---------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| Sovereign Central Banks | | 11,306,925 | - | - | - | - |
| Total | | 11,306,925 | - | - | - | - |

| Exposure Class | | Rating of Banking Institutions by approved ECAIs | | | | |
|--|---------|--|----------|-------------|---------|---------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| Banks, MDBs and DFIs | | 958,713 | 132,307 | 10,764 | - | 437 |
| Total | | 958,713 | 132,307 | 10,764 | - | 437 |

MBSB BANK BERHAD (200501033981 / 716122-P)

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CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 9: Disclosure for Portfolio Under the SA on Rated Exposures according to Rating by ECAIs (continued)

MBSB Bank

31-Dec-23

Disclosures Expressed in nearest RM thousand (RM'000)

| Exposure Class | Rating of Corporate by approved ECAIs | | | | | |
|--|---------------------------------------|------------------|---------------|-------------|----------|-------------------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| <u>Credit exposure (using Corporate Risk Weights)</u> | | | | | | |
| Public Sector Entity (applicable for entities risk weighted based on their external rating as corporate) | | 528,371 | - | - | - | - |
| Insurance Companies, Securities Firms & Fund Managers | | - | - | - | - | 240,357 |
| Corporates | | 3,433,671 | 50,179 | - | - | 10,299,446 |
| Total | | 3,962,042 | 50,179 | - | - | 10,539,803 |

MBSB BANK BERHAD (200501033981 / 716122-P)

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CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 9: Disclosure for Portfolio Under the SA on Rated Exposures according to Rating by ECAIs (continued)

MBSB Bank

31-Dec-23

Disclosures Expressed in nearest RM thousand (RM'000)

| Exposure Class | Rating of Sovereign Central Banks by approved ECAIs | | | | | |
|--|---|-------------------|----------|-------------|----------|----------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| Sovereign Central Banks | | 12,865,281 | - | - | - | - |
| Total | | 12,865,281 | - | - | - | - |

| Exposure Class | Rating of Banking Institutions by approved ECAIs | | | | | |
|--|--|----------------|----------------|-------------|-----------|----------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| Banks, MDBs and DFIs | | 718,461 | 398,546 | 249 | 47 | - |
| Total | | 718,461 | 398,546 | 249 | 47 | - |

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 9: Disclosure for Portfolio Under the SA on Rated Exposures according to Rating by ECAIs (continued)

MBSB Bank

31-Dec-22

Disclosures Expressed in nearest RM thousand (RM'000)

| Exposure Class | Rating of Corporate by approved ECAIs | | | | | |
|--|---------------------------------------|------------------|---------------|-------------|----------|-------------------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| <u>Credit exposure (using Corporate Risk Weights)</u> | | | | | | |
| Public Sector Entity (applicable for entities risk weighted based on their external rating as corporate) | | 758,623 | - | - | - | - |
| Insurance Companies, Securities Firms & Fund Managers | | - | - | - | - | 240,357 |
| Corporates | | 2,502,465 | 50,179 | - | - | 10,954,451 |
| Total | | 3,261,088 | 50,179 | - | - | 11,194,808 |

MBSB BANK BERHAD (200501033981 / 716122-P)
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CREDIT RISK (continued)

Credit Risk - Disclosure for Portfolio Under the SA (continued)

Table 9: Disclosure for Portfolio Under the SA on Rated Exposures according to Rating by ECAIs (continued)

MBSB Bank

31-Dec-22

Disclosures Expressed in nearest RM thousand (RM'000)

| Exposure Class | | Rating of Sovereign Central Banks by approved ECAIs | | | | |
|--|---------|---|----------|-------------|---------|---------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| Sovereign Central Banks | | 11,306,926 | - | - | - | - |
| Total | | 11,306,926 | - | - | - | - |

| Exposure Class | | Rating of Banking Institutions by approved ECAIs | | | | |
|--|---------|--|----------|-------------|---------|---------|
| | MOODY'S | Aaa to Aa3 | A1 to A3 | Baa1 to Ba3 | B+ to C | Unrated |
| | S&P | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | FITCH | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RAM | AAA to AA3 | A to A3 | BBB to BB | B to D | Unrated |
| | MARC | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| <u>On and Off Balance Sheet Exposures</u> | | | | | | |
| Banks, MDBs and DFIs | | 360,964 | 132,307 | 10,764 | - | 437 |
| Total | | 360,964 | 132,307 | 10,764 | - | 437 |

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

CREDIT RISK (continued)

Off-Balance Sheet Exposure and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Bank Group and the Bank 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) Forward asset purchases which represent commitments with certain drawdown.
- (iii) Commitments to extend credit including undrawn portions of credit facilities.
- (iv) Commitment to buy back Islamic securities under Sell and Buy Back agreement transactions; and
- (v) Derivative financial instruments.

(b) Counterparty Credit Risk

Counterparty risk is the likelihood or probability that one of those involved in a transaction might default on its contractual obligation. Counterparty risk can exist in credit, investment, and trading transactions.

The following tables disclose the Off-Balance Sheet Exposure and Counterparty Credit Risk of MBSB Bank Group's and MBSB Bank's.

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CREDIT RISK (continued)**Off-Balance Sheet Exposure and Counterparty Credit Risk (continued)****Table 10: Off-Balance Sheet Exposure and Counterparty Credit Risk**

| <u>MBSB Bank Group</u> | Total Principle Amount RM'000 | Total Credit Equivalent Amount RM'000 | Total Risk Weighted Amount RM'000 |
|---|--|--|--|
| 31-Dec-23 | | | |
| <u>Nature of Item</u> | | | |
| Direct Credit Substitutes | 23,089 | 23,089 | 23,089 |
| Transaction related contingent Items | | | |
| | 69,138 | 34,569 | 34,569 |
| Other commitments, such as formal Short Term Self Liquidating trade related contingencies | 1,934,882 | 965,602 | 874,380 |
| | 56,657 | 11,331 | 11,331 |
| Other commitments, such as formal Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 1,396,920 | 279,373 | 279,373 |
| | - | - | - |
| Foreign exchange related contracts | 2,820,048 | 75,103 | 20,251 |
| -less than one year | 2,820,048 | 75,103 | 20,251 |
| -one year to less than five years | - | - | - |
| -five years and above | - | - | - |
| Total | 6,300,734 | 1,389,067 | 1,242,993 |

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CREDIT RISK (continued)**Off-Balance Sheet Exposure and Counterparty Credit Risk (continued)****Table 10: Off-Balance Sheet Exposure and Counterparty Credit Risk (continued)**

| MBSB Bank Group | Total Principle Amount RM'000 | Total Credit Equivalent Amount RM'000 | Total Risk Weighted Amount RM'000 |
|--|--|--|--|
| 31-Dec-22 | | | |
| <u>Nature of Item</u> | | | |
| Direct Credit Substitutes | 23,089 | 23,089 | 23,089 |
| Transaction related contingent Items | 69,138 | 34,569 | 34,569 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 1,934,882 | 965,602 | 874,380 |
| Short Term Self Liquidating trade related contingencies | 56,657 | 11,331 | 11,331 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 1,396,920 | 279,373 | 279,373 |
| Unutilised credit card lines | - | - | - |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | - | - | - |
| Foreign exchange related contracts | 2,820,048 | 75,103 | 20,251 |
| -less than one year | 2,820,048 | 75,103 | 20,251 |
| -one year to less than five years | - | - | - |
| -five years and above | - | - | - |
| Total | 6,300,734 | 1,389,067 | 1,242,993 |

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CREDIT RISK (continued)**Off-Balance Sheet Exposure and Counterparty Credit Risk (continued)****Table 10: Off-Balance Sheet Exposure and Counterparty Credit Risk**

| <u>MBSB Bank</u> | Total Principle Amount RM'000 | Total Credit Equivalent Amount RM'000 | Total Risk Weighted Amount RM'000 |
|---|--|--|--|
| 31-Dec-23 | | | |
| <u>Nature of Item</u> | | | |
| Direct Credit Substitutes | 23,089 | 23,089 | 23,089 |
| Transaction related contingent Items | 69,138 | 34,569 | 34,569 |
| Other commitments, such as formal Short Term Self Liquidating trade related contingencies | 1,934,882 | 965,602 | 874,380 |
| Other commitments, such as formal Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 1,396,920 | 279,373 | 279,373 |
| | - | - | - |
| Foreign exchange related contracts | 2,820,048 | 75,103 | 20,251 |
| -less than one year | 2,820,048 | 75,103 | 20,251 |
| -one year to less than five years | - | - | - |
| -five years and above | - | - | - |
| Total | 6,300,734 | 1,389,067 | 1,242,993 |

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CREDIT RISK (continued)**Off-Balance Sheet Exposure and Counterparty Credit Risk (continued)****Table 10: Off-Balance Sheet Exposure and Counterparty Credit Risk (continued)**

| <u>MBSB Bank Group</u> | | Total Principle Amount RM'000 | Total Credit Equivalent Amount RM'000 | Total Risk Weighted Amount RM'000 |
|-------------------------------|--|--|--|--|
| 31-Dec-22 | <u>Nature of Item</u> | | | |
| | Direct Credit Substitutes | 19,359 | 19,359 | 19,359 |
| | Transaction related contingent Items | 81,715 | 37,169 | 37,169 |
| | Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 2,223,698 | 1,111,206 | 1,011,012 |
| | Short Term Self Liquidating trade related contingencies | 29,069 | 5,814 | 5,814 |
| | Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 793,601 | 158,218 | 158,218 |
| | Unutilised credit card lines | - | - | - |
| | Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | - | - | - |
| | Foreign exchange related contracts | 1,976,886 | 44,668 | 17,499 |
| | -less than one year | 1,976,886 | 44,668 | 17,499 |
| | -one year to less than five years | - | - | - |
| | -five years and above | - | - | - |
| | Total | 5,124,328 | 1,376,434 | 1,249,071 |

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MARKET RISK

Market risk is defined as fluctuations in the market value of the trading or investment exposure arising from changes to market risk factors such as profit rates, currency exchange rates, credit spreads, commodities prices and their associated volatility.

Capital Treatment for Market Risk

The Bank Group and the Bank adopt the Standardised Approach ("SA") to compute market risk capital requirement under BNM's Guidelines on CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Market Risk are disclosed separately in Table 2:

- Benchmark rate risk;
- Equity position risk; and
- Foreign exchange risk

OPERATIONAL RISK

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk. The Bank Group and the Bank recognise and emphasise the importance of operational risk management and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established guidelines, procedures and limits. The Bank Group and the Bank's governance approach in managing operational risk is premised on the Three Lines of Defense Approach as discussed under RISK MANAGEMENT Note (c).

Capital Treatment for Operational Risk

The Bank Group and the Bank adopt the Basic Indicator Approach ("BIA") to compute operational risk capital requirement under BNM's Guidelines on CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Operational Risk are disclosed in Table 2.

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RATE OF RETURN RISK IN THE BANKING BOOK ("RORBB")**Table 11: Disclosure for Rate of Return Risk in the Banking Book ("RORBB")**Sensitivity analysis for profit rate risk

At the reporting date, if profit rates had been 100 basis points lower/higher, with all other variables held constant, the Bank Group and the Bank's net profit and shareholders' equity would have been as per the following table, arising mainly as a result of changes in profit expenses from floating rate borrowings and fixed deposits placed by customers and profit income from floating rate financing and advances.

| | Tax rate | MBSB Bank Group | | MBSB Bank | |
|--|----------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | +100 basis points RM'000 | -100 basis points RM'000 | +100 basis points RM'000 | -100 basis points RM'000 |
| 31-Dec-23 | | | | | |
| Impact to profit before tax | | | | | |
| Ringgit Malaysia | | (37,884) | 133,945 | (38,646) | 134,707 |
| United States Dollars | | (2,463) | 2,463 | (2,463) | 2,463 |
| Great Britain Pounds | | (1,588) | 1,588 | (1,588) | 1,588 |
| Other Currencies | | - | - | - | - |
| | | (41,934) | 137,995 | (42,696) | 138,757 |
| Impact to profit after tax and equity | | | | | |
| | 24% | | | | |
| Ringgit Malaysia | | 462,217 | (594,097) | 462,217 | (594,097) |
| United States Dollars | | - | - | - | - |
| Great Britain Pounds | | - | - | - | - |
| Other Currencies | | - | - | - | - |
| | | 462,217 | (594,097) | 462,217 | (594,097) |
| 31-Dec-22 | | | | | |
| Impact to profit before tax | | | | | |
| Ringgit Malaysia | | (78,820) | 78,820 | (83,509) | 83,509 |
| | | (78,820) | 78,820 | (83,509) | 83,509 |
| Impact to profit after tax and equity | | | | | |
| | 24% | | | | |
| Ringgit Malaysia | | (423,324) | 457,866 | (423,324) | 457,866 |
| | | (423,324) | 457,866 | (423,324) | 457,866 |

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SHARIAH GOVERNANCE DISCLOSURES

The Shariah Advisory Committee (“SAC”) of MBSB Bank Berhad (“the Bank”) performs an oversight role on Shariah matters related to business operations and activities of the relevant Islamic businesses within the Bank.

SAC is required to report to the Board of Directors (“the Board”) as it performs its duties in overseeing the overall Shariah matters of the Bank. Where the SAC has a reason to believe that any Shariah issues or matter may affect the safety and soundness of the Bank, the SAC shall immediately update the Board of such matter.

The roles and responsibilities of SAC in monitoring the Bank’s activities include, but not limited to the following:

- a) providing a decision or advice to the Bank on the application of any ruling of the Shariah Advisory Council of Bank Negara Malaysia (“SAC of BNM”) or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;
- b) providing a decision or advice on matters which require reference to be made to the SAC of BNM;
- c) providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;
- d) deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- e) endorsing a rectification measure to address a Shariah non-compliance event.

Shariah Non-Compliance Income During The Year

| | MBSB Bank Group / MBSB Bank | |
|--|------------------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Source: | | |
| Gharamah from late payment charges | | |
| Balance as at 1 January | 1,462 | 1,236 |
| Addition | - | 1,539 |
| | 1,462 | 2,775 |
| Use: | | |
| Fund contribution to charitable organisation during the year | (549) | (1,313) |
| Balance as at 31 December | 913 | 1,462 |

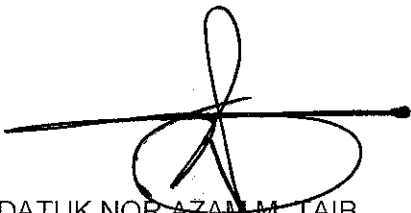
As a deterrent mechanism against cases of default by customers in discharging their financial obligation arising from Islamic contracts, the imposition of late payment charges by Islamic banking institutions under the concept of gharamah (fine or penalty) is allowable provided it is not to be recognised as income, and it must be channeled to specified charitable or any allowable bodies according to the regulatory requirements. The Bank is taking all necessary actions to ensure timely distribution of gharamah funds and this is closely monitored by the Shariah Advisory Committee.

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**PILLAR 3, BASEL II - CAPITAL ADEQUACY FRAMEWORK FOR ISLAMIC BANKS (CAFIB)
DISCLOSURES - CHIEF EXECUTIVE OFFICER ATTESTATION**

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB) Pillar 3 Disclosure Requirement, it is hereby attested that the disclosures as set forth in the accompanying notes to the financial statements related to significant business and operations risks of MBSB Bank Berhad for the financial period ended 31 December 2023 are consistent with the manner in which the Bank assesses and manages its risks, and are not misleading in any particular way.

A handwritten signature in black ink, consisting of a large, stylized loop at the top, a horizontal line across the middle, and a smaller loop at the bottom.

DATUK NOR AZAM M. TAIB
CHIEF EXECUTIVE OFFICER