# Basel II Pillar 3 Disclosure for 2023

- **CIMB Islamic Bank Berhad**

**Contents**

**ABBREVIATIONS**

| | |
|---|---|
| A-IRB Approach | : Advanced Internal Ratings Based Approach |
| ALM COE | : Asset Liability Management Centre of Excellence |
| ASB | : Amanah Saham Bumiputra |
| BI | : Banking Institutions |
| BIA | : Basic Indicator Approach |
| BNM | : Bank Negara Malaysia |
| BRCC | : Board Risk & Compliance Committee |
| CAF | : Capital Adequacy Framework and, in some instances referred to as the Risk-Weighted Capital Adequacy Framework |
| CAFIB | : Capital Adequacy Framework for Islamic Banks |
| CAR | : Capital Adequacy Ratio and, in some instances referred to as the Risk-Weighted Capital Ratio |
| CBSM | : Capital and Balance Sheet Management |
| CCR | : Counterparty Credit Risk |
| CIMBBG | : CIMB Bank, CIMBISLG, CIMBTH, CIMB Bank PLC (Cambodia), CIMB Factorlease Berhad, CIMB Bank (Vietnam) Limited and non-financial subsidiaries |
| CIMBIBG | : CIMB Investment Bank Berhad and non-financial subsidiaries |
| CIMBISLG | : CIMB Islamic Bank Berhad, CIMB Islamic Nominees (Asing) Sdn Bhd and CIMB Islamic Nominees (Tempatan) Sdn Bhd |
| CIMBGH Group | : Group of Companies under CIMB Group Holdings Berhad |
| CIMBTH | : CIMB Thai Bank Public Company Ltd and its subsidiaries |
| CIMB Bank | : CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the CAF (Capital Components) and CAFIB (Capital Components) to include its wholly owned offshore banking subsidiary company) |
| CIMB Group or the Group | : Collectively CIMBBG, CIMBIBG and CIMBISLG as described within this disclosure |
| CIMB IB | : CIMB Investment Bank Berhad |
| CIMB Islamic | : CIMB Islamic Bank Berhad |
| CRM | : Credit Risk Mitigants |
| CRO | : Chief Risk Officer |
| CSA | : Credit Support Annexes, International Swaps and Derivatives Association Agreement |
| DFIs | : Development Financial Institutions |
| EAD | : Exposure At Default |
| EAR | : Earnings-at-Risk |
| ECAIs | : External Credit Assessment Institutions |
| EL | : Expected Loss |
| EP | : Eligible Provision |
| EVE | : Economic Value of Equity |
| EWRM | : Enterprise Wide Risk Management |
| Group EXCO | : Group Executive Committee |
| GSOC | : Group Strategic Oversight Committee |

**ABBREVIATIONS *(continued)***

| | |
|---|---|
| GSGC | : Group Sustainability and Governance Committee |
| F-IRB Approach | : Foundation Internal Ratings Based Approach |
| Fitch | : Fitch Ratings |
| GALCO | : Group Asset Liability Management Committee |
| GCC | : Group Credit Committee |
| GIB | : Group Islamic Banking |
| GMCRC | : Group Market and Conduct Risks Committee |
| GRCC | : Group Risk & Compliance Committee |
| GRD | : Group Risk Division |
| GUC | : Group Underwriting Committee |
| HPE | : Hire Purchase Exposures |
| IRB Approach | : Internal Ratings Based Approach |
| KRI | : Key Risk Indicators |
| LGD | : Loss Given Default |
| MARC | : Malaysian Rating Corporation Berhad |
| MDBs | : Multilateral Development Banks |
| Moody’s | : Moody’s Investors Service |
| MTM | : Mark-to-Market and/or Mark-to-Model |
| ORM | : Operational Risk Management |
| ORMF | : Operational Risk Management Framework |
| OTC | : Over the Counter |
| PD | : Probability of Default |
| PSEs | : Non-Federal Government Public Sector Entities |
| PSIA | : Profit Sharing Investment Accounts |
| QRRE | : Qualifying Revolving Retail Exposures |
| R&I | : Rating and Investment Information, Inc |
| RAM | : RAM Rating Services Berhad |
| RAROC | : Risk Adjusted Return on Capital |
| RORBB | : Rate of Return Risk in the Banking Book |
| RRE | : Residential Real Estate |
| RWA | : Risk-Weighted Assets |
| RWCAF | : Risk-Weighted Capital Adequacy Framework and, in some instances referred to as the Capital Adequacy Framework |
| S&P | : Standard & Poor’s |
| SA | : Standardised Approach |
| SMEs | : Small and Medium Enterprises |
| SNC | : Shariah Non Compliance |
| SRM | : Shariah Risk Management |
| VaR | : Value-at-Risk |

**OVERVIEW OF BASEL II AND PILLAR 3**

The 'International Convergence of Capital Measurement and Capital Standards: A Revised Framework' or commonly known as 'Basel II' issued by the Bank of International Settlements, as adopted by BNM seeks to increase the risk sensitivity in capital computations and prescribes a number of different approaches to risk calculation that allow the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the financial institution's risk management capabilities. The Basel II requirements are stipulated within three broad 'Pillars' or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. CIMB Bank and its subsidiaries including CIMBISLG which offers Islamic banking financial services (collectively known as 'CIMBBG'), apply the IRB Approach for its major credit exposures. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, whereas under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD. The remaining credit exposures are on the SA and where relevant, will progressively migrate to the IRB Approach. CIMBIB and its subsidiaries ('CIMBIBG') adopt the SA for credit risk. CIMBBG, CIMBISLG and CIMBIBG (collectively known as 'CIMB Group' or the 'Group') adopt the SA for market risk and BIA for operational risk.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosures in accordance with requirements aimed to encourage market discipline in a manner that every market participant can assess key pieces of information attributed to the capital adequacy framework of financial institutions.

***Frequency of Disclosure***

The qualitative disclosures contained herein are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group's half yearly reporting cycles.

***Medium and Location of Disclosure***

The disclosures are available on CIMBGH Group's corporate website (www.cimb.com). The consolidated disclosures for CIMB Bank, CIMB Islamic and CIMB IB are also available in CIMBGH Group's 2023 Annual Report and corporate website.

**OVERVIEW OF BASEL II AND PILLAR 3 (continued)**

***Basis of Disclosure***

The disclosures herein are formulated in accordance with the requirements of BNM's guidelines on CAFIB – Disclosure Requirements (Pillar 3). These disclosures published are for the year ended 31 December 2023.

The basis of consolidation for financial accounting purposes is described in the 2023 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements. During the financial year, CIMB Islamic did not distribute any dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes. For the purposes of this disclosure, the disclosures presented within will be representative of the CIMB Islamic entity disclosures only.

The term 'credit exposure' as used in the disclosures is a prescribed definition by BNM based on the CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2023 financial statements as the credit risk exposure definition within the ambit of accounting standards represents the balance outstanding as at balance sheet date and does not take into account the expected undisbursed contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2023 financial statements.

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

These disclosures have been reviewed and verified by internal auditors and approved by the Board Risk Committee of CIMB Group, as delegated by the Board of Directors of CIMBGH Group.

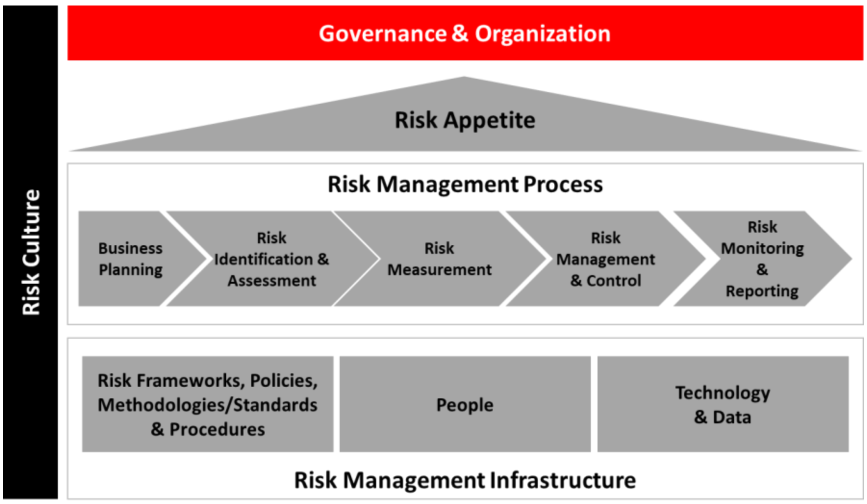
**RISK MANAGEMENT OVERVIEW**

The Group embraces risk management as an integral part of the Group's strategy, business, operations and decision-making processes. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the strategy discussion and risk-taking process by providing independent inputs, including relevant valuations and scenario analysis, credit evaluations, new product assessments and quantification of capital requirements and risk return analysis / simulations. These inputs enable the business units to assess the risk-vs-reward of their propositions.

***Enterprise Wide Risk Management Framework***

The Group employs a Group Enterprise-Wide Risk Management (EWRM) framework as a standardised approach to effectively manage its risks and opportunities. The Group EWRM framework provides the Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration evolving risk profiles as dictated by changes in business strategies, the external environment and/or regulatory environment.

The key components of the Group's EWRM framework are represented in the diagram below:




The design of the Group EWRM framework incorporates a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach.

**RISK MANAGEMENT OVERVIEW *(continued)***

***Enterprise Wide Risk Management Framework (continued)***

**The key features of the Group EWRM framework include:**

a) **Risk Culture**: The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines-of-Defence approach, whereby risks are managed initially from the onset of risk-taking activities. There is clear accountability of risk ownership across the Group.

b) **Governance & Organisation**: A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies, methodologies/standards, and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively implemented.

c) **Risk Appetite**: It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

d) **Risk Management Process**:
- Business Planning: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new products & business activities.
- Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Group's risk frameworks, policies, methodologies/standards and procedures.
- Risk Measurement: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- Risk Monitoring and Reporting: Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

e) **Risk Management Infrastructure**
- Risk Frameworks, Policies, Methodologies/Standards and Procedures addressing all areas of material risks: Frameworks provide broad objectives and overarching risk management architecture for managing risks. Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.
- People: Attracting the right talent and skills is key to ensuring a well-functioning Group EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management support risk management activities.

**RISK MANAGEMENT OVERVIEW *(continued)***

***Risk Governance***

At the apex of the governance structure are the respective Boards of entities within the Group, which decides on the entity's risk appetite corresponding to its business strategies. Each BRCC reports directly to the respective Boards and assumes responsibility on behalf of the respective Boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. Each BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of the GRCC.

To facilitate the effective implementation of the Group EWRM framework, the BRCC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of risk management supervision and control is delegated to the GRCC, which reports directly to the BRCC. The GRCC, comprising senior management of the Group, performs the oversight function for the overall management of risks. The GRCC is supported by specialised delegated/sub-risk committees, namely Group Credit Committee, Group Market and Conduct Risks Committee, Group Operational and Resiliency Risk Committee, Group Asset Liability Management Committee, Group Asset Quality Committee, Group Basel Steering Committee, Management Product Approval Committee for Treasury Products, and Management Product Approval Committee for Non-Treasury Products, each addressing one or more of the following:

(i) Credit risk, defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;
(ii) Market risk, defined as fluctuations in the value of financial instruments due to changes in market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
(iii) Liquidity and Funding risk, defined as the current and potential risk to earnings, shareholders' funds or reputation arising from the inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;
(iv) Rate of return risk in the banking book, which is the current and potential risk to the Group's earnings and economic value arising from movements in profit rates;
(v) Operational risk, defined as the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks;
(vi) Capital risk, defined as the risk of a bank not having sufficient capital to withstand potential losses suffered in its operations. Capital is important as it can be used to pay depositors, customers, creditors, and other claimants in case there is insufficient liquidity during a crisis;
(vii) Technology risk, is the risk of loss resulting from inadequate or weaknesses in strategy, people, process, technology or external events, which includes financial risk, regulatory/compliance risk and the risk of reputational loss/damage;
(viii) Fraud risk, defined as the risk of loss resulting from an act or course of deception or omission with the intention to conceal, omit, distort, misrepresent, falsify or etc. to: (i) gain unlawful/illegal/unfair personal advantages, (ii) induce another individual(s) to surrender willing/unwilling of a legal right/possession or (iii) damage another individual(s) resulting in a loss to another;

**RISK MANAGEMENT OVERVIEW *(continued)***

***Risk Governance (continued)***

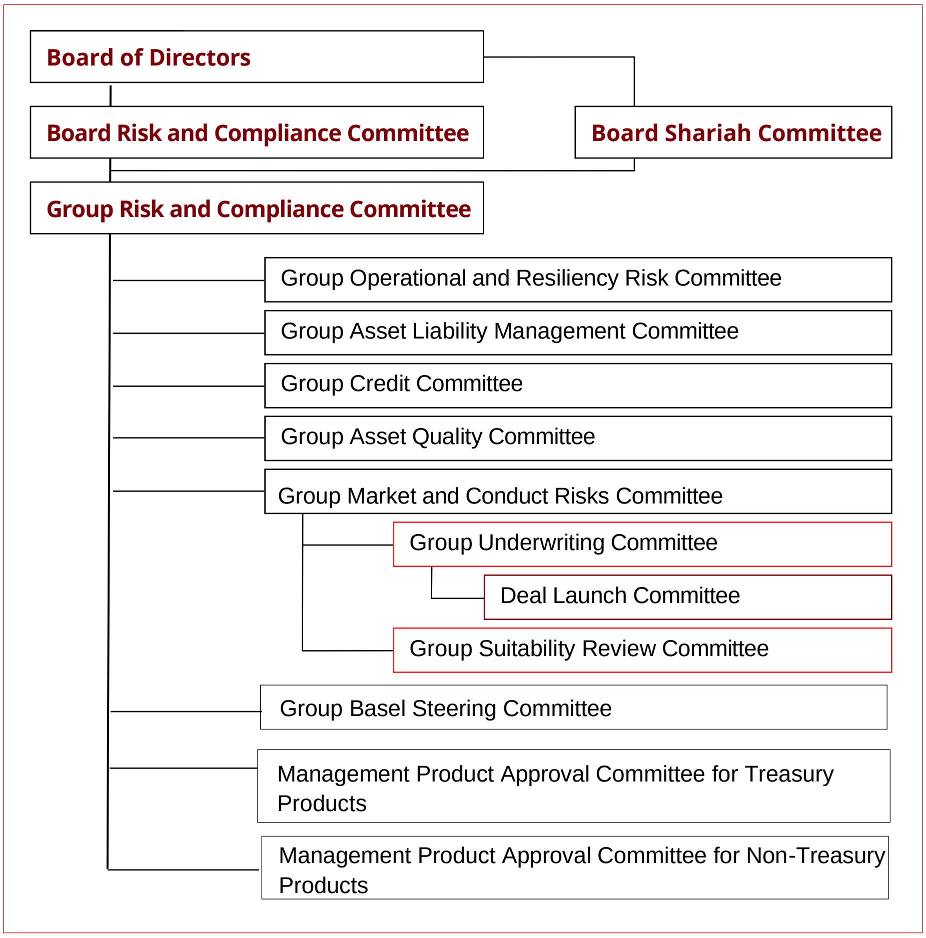
(ix) Outsourcing risk, defined as the risk emanating from outsourcing arrangements that could result in a disruption to business operations, financial loss or reputational damage to the Group;

(x) SNC risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage which CIMB Group may suffer arising from failure to comply with Shariah requirements determined by SAC of BNM and SC, including standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA; or decisions or advice by BSC of CIMB Islamic Bank; or other Shariah regulatory authorities of the jurisdictions where the Group operates;

(xi) Sustainability risk, defined as the risk of financial and non-financial impact arising from environmental, social and ethical issues stemming from transactions and/or activities associated with a business relation and its operations, and/or the Group's own internal operations and employees; and

(xii) Regulatory compliance risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which CIMB Group may suffer arising from possible failure to comply with the applicable laws and regulations of the jurisdictions in which the Group operates.

The structure of CIMB Group Risk Committees is depicted in the following chart:



**RISK MANAGEMENT OVERVIEW *(continued)***

***Risk Governance (continued)***

Our overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, Group and regional committees have consultative and advisory responsibilities on regional matters across the Group as regulators allow. This structure increases regional communication and sharing of technical knowledge and best practices. It further enhances support towards managing and responding to risk management issues, thus providing the Board with a comprehensive view of the activities within the Group.

In addition to the CIMB Group Risk Committees, the Group has established a Group Sustainability and Governance Committee ("GSGC") consisting of Independent Directors to assist the Board in fulfilling its responsibilities in advocating and fostering a culture/DNA of sustainability, ethical conduct, and integrity across the Group.

Sustainability is also embedded in the roles and responsibilities of various Board Committees. To ensure information-symmetry and consensus across all Board Committees and entity boards, with regards to the direction and progress of the Group's sustainability and climate change strategy deliberated at the GSGC, selected GSGC members and business units such as Group Sustainability are responsible for providing relevant updates and inputs to the various Board Committees and entity boards on a periodic basis.

***Three Lines-of-Defence***

The Group's risk management culture is embodied through the adoption of the Three Lines-of-Defence philosophy, whereby risks are managed initially from the onset of risk-taking activities. This is to ensure clear accountability of risks across the Group and Group Risk t as an enabler of business units. As a first line- of-defence, the line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line-of-defence provides oversight and performs independent monitoring of business activities with reporting to the Board and management to ensure that the Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line-of-defence is Group Corporate Assurance Division who provides independent assurance of the adequacy and effectiveness of the internal controls and risk management processes.

**RISK MANAGEMENT OVERVIEW *(continued)***

***The Roles of Group CRO and Group Risk Division***

Within the second line-of-defence is Group Risk, a function independent of business units. It assists the Group's management and stakeholders in the monitoring and controlling of risk exposures within the Board-approved risk appetite statement.

Group Risk is headed by the Group CRO, appointed by the Board to lead the Group-wide risk management functions, including implementation of the Group EWRM framework. The Group CRO:

a) actively engages the respective boards and senior management on risk management issues and initiatives; and

b) maintains an oversight on risk management functions across all entities within the Group. In each key country of operations, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

The organisational structure of Group Risk is made up of two major components, namely the CRO and the Risk Centres of Excellence ("CoE"):

(a) CRO

(i) The Group CRO is supported by the CROs who oversee the risk management functions in overseas branches and banking subsidiaries.
(ii) CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.
(iii) For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

(b) Risk Centres of Excellence

(i) These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
(ii) The Risk CoEs consist of Asset Liability Management, Credit Risk , Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing and Fraud Risk Management), and Enterprise Risk and Infrastructure CoEs.

- Asset Liability Management CoE

  The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement, monitoring and reporting of liquidity and funding risk and rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and rate of return risk profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

**RISK MANAGEMENT OVERVIEW *(continued)***

***The Roles of Group CRO and Group Risk Division***

(b) Risk Centres of Excellence (continued)

- Credit Risk CoE
  The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk in the Group. The scope under the CoE function include areas ranging from development of credit risk policies, procedures and standards to advance portfolio analytics, and implementation of credit risk modelling (including rollout of alternative credit underwriting models leveraging on machine learning techniques for retail portfolios).

- Market Risk CoE
  The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits framework, performing mark-to-market valuation, validation of financial models, calculating Value-at-Risk and market risk capital, as well as performing stress testing.

- Non-Financial Risk Management CoE
  The Non-Financial Risk Management (NFRM) CoE ensures the first line-of-defence manages their operational risk effectively by providing an operational risk framework that enables them to identify, assess, manage and report their operational risks.

  The team also provides constructive challenge and assessment to the first line-of-defence's execution of the operational risk framework and acts as a consultant with the Group in providing operational risk expertise and reporting to senior management.

  The team also provides independent feedback and assessment to the first line-of-defence's execution of the operational risk framework and acts as a consultant within the Group in providing operational risk expertise and reporting to senior management.

  NFRM CoE also extends its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks .

**RISK MANAGEMENT OVERVIEW *(continued)***

***The Roles of Group CRO and Group Risk Division***

(b) Risk Centres of Excellence (continued)

- **Enterprise Risk And Infrastructure CoE**
  The Enterprise Risk and Infrastructure CoE ensures the Group's compliance to Basel and Single Counterparty Exposure Limit regulatory requirements, including Basel model and underwriting model development, implementation and validation of risk models, and management of risk data for credit risk measurement and risk reporting across the Group. In addition, the climate risk unit within the CoE is responsible for working with Group Sustainability, various risk CoEs and business units to implement climate risk management at an enterprise level, in support of the Group's 2050 net-zero ambition, which is to transition all operational and attributable greenhouse gas emissions from the Group's financing and investment portfolios in alignment with net-zero pathways by 2050.

Sustainability risk (including climate risk) is a transverse risk that manifests itself through existing risk types. Due to the cross-cutting nature of Sustainability risk, the implementation of Group-wide sustainability governance framework is currently spearheaded and managed by Group Sustainability as the Sustainability CoE, which sits outside of Group Risk. Notwithstanding this, Sustainability risk has been and will continue to be integrated into the Group's existing risk management frameworks.

***Strategies and Processes for Various Risk Management***

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk Rate of Return Risk in the Banking Book and Sustainability Risk are available in the later sections.

## SHARIAH GOVERNANCE DISCLOSURE

The Islamic business in CIMB Group is managed and overseen by the Group Islamic Banking (GIB). Its products and services are managed in strict compliance with Shariah under the guidance of CIMB Islamic Board Shariah Committee.

The Board of Directors of CIMB Group, CIMB Investment Bank Berhad, and CIMB Bank Berhad delegate and empower the Board of Directors of CIMB Islamic Bank Berhad to undertake the overall oversight function of the Islamic businesses and operations of the whole CIMB Group, which in turn delegates overseeing of the Shariah governance of Islamic businesses and activities in CIMB Group to CIMB's Board Shariah Committee established under CIMB Islamic Bank Berhad.

Whilst the Board of Directors is accountable for the overall Shariah governance and compliance of the Islamic businesses in CIMB Group, the Management is to ensure executions of business and operations are in accordance with Shariah principles and to provide necessary support to the Board Shariah Committee.

Shariah Advisory and Governance Department ("S&G") of GIB which is basically a component of the Management serves as a coordinator of the overall Shariah governance of the Islamic businesses in CIMB Group. S&G is responsible to carry out Shariah Advisory, Secretariat, Governance, Research and Islamic Finance Capacity Building functions, whilst Shariah Review, Shariah Risk Management and Shariah Audit functions are performed by CIMB Group Compliance, Group Risk and Group Corporate Assurance Division respectively.

CIMB Group operates on a dual banking leverage model that utilises the full resources and infrastructure of CIMB Group. Accordingly, all divisions and staff of CIMB Group are responsible for complying with Shariah in their respective Islamic business activities.

In ensuring Islamic business activities are Shariah compliant and Shariah governance process are in place, S&G is to conduct the pre-product approval process, provide Shariah advisory and conduct in-depth Shariah research prior submission to the Board Shariah Committee. It is supported by control measures by Shariah Risk Management, regular review by Shariah Compliance Review and independent assessment by Shariah Audit. In CIMB Group, the Shariah Risk Management, Shariah Review, and Shariah Audit functions reside in Group Risk Division, Group Compliance, and Group Corporate Assurance Division respectively.

### Shariah non-compliance income during the year

During the year ended 31 December 2023, there was RM 163,594.46 SNC income incurred for Overcharged of Late Payment Charges ("LPC") in property auction sale.

## CAPITAL MANAGEMENT

### *Key Capital Management Principles*

The key driving principles of Group's and the Bank's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the Group, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the Group EXCO who periodically assess and review the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group are also provided to the Board of Directors.

Included in the annual Capital Management Plan is the establishment of the internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Group considers many critical factors, including, amongst others, phasing-in of the capital adequacy requirement and capital buffer requirements, credit rating implication, current and future operating environment and peer comparisons.

### *Capital Structure and Adequacy*

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components)/Capital Adequacy Framework for Islamic Banks (Capital Components), of which the latest revisions were issued on 15 December 2023. The revised guidelines took effect on 15 December 2023 for all banking institutions and financial holding companies and sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of CIMB Islamic Bank are computed in accordance with the Capital Adequacy Framework for Islamic Banks (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 18 December 2023. The IRB Approach is applied for the major credit exposures. It prescribes two approaches, the F-IRB Approach and A-IRB Approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach. The components of eligible regulatory capital are based on the Capital Adequacy Framework for Islamic Banks (Capital Components).

## CAPITAL MANAGEMENT *(continued)*

### *Capital Structure and Adequacy (continued)*

The table below presents the Capital Position of CIMB Islamic Bank Berhad.

**Table 1: Capital Position for CIMB Islamic**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | 2023 | 2022 |
| **Common Equity Tier 1 capital** | | |
| Ordinary share capital | 1,000,000 | 1,000,000 |
| Other reserves | 8,295,417 | 7,306,256 |
| **Common Equity Tier 1 capital before regulatory adjustments** | **9,295,417** | **8,306,256** |
| Less: Regulatory adjustments | | |
| Goodwill | (136,000) | (136,000) |
| Intangible assets | (3,283) | (1,385) |
| Deferred tax assets | (283,238) | (188,997) |
| Regulatory reserve | (210,633) | (184,715) |
| Others | 477 | (112) |
| **Common Equity Tier 1 capital after regulatory adjustments** | **8,662,740** | **7,795,047** |
| **Additional Tier 1 capital** | | |
| Perpetual preference shares | 350,000 | 350,000 |
| **Additional Tier 1 capital before regulatory adjustments** | 350,000 | 350,000 |
| Less: Regulatory adjustments | - | - |
| **Additional Tier 1 capital after regulatory adjustments** | 350,000 | 350,000 |
| **Total Tier 1 capital** | **9,012,740** | **8,145,047** |
| **Tier 2 capital** | | |
| Subordinated Sukuk | 1,100,000 | 1,100,000 |
| Surplus eligible provision over expected loss | 167,721 | 153,477 |
| General provisions | 81,033 | 83,452 |
| **Total Tier 2 capital** | **1,348,754** | **1,336,929** |
| **Total capital** | **10,361,494** | **9,481,976** |

**CAPITAL MANAGEMENT *(continued)***

***Capital Structure and Adequacy (continued)***

**Table 1: Capital Position for CIMB Islamic**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | **2023** | **2022** |
| **RWA** | | |
| Credit risk | 60,587,629 | 50,150,033 |
| Market risk | 759,406 | 586,305 |
| Operational risk | 5,307,380 | 4,784,196 |
| **Total RWA** | **66,654,415** | **55,520,534** |
| **Capital Adequacy Ratios** | | |
| Common Equity Tier 1 ratio | 12.996% | 14.040% |
| Tier 1 ratio | 13.522% | 14.670% |
| Total Capital ratio | 15.545% | 17.078% |

Total Capital ratio decreased in 2023 compared to 2022 mainly due to (i) higher Total RWA; offset by (ii) higher retained earnings. The increase in RWA is mainly due to higher Credit RWA, Market RWA and Operational RWA.

**CAPITAL MANAGEMENT *(continued)***

***Capital Structure and Adequacy (continued)***

The tables below show the RWA under various exposure classes under the relevant approach and applying the minimum regulatory capital requirement at 8% to establish the minimum capital required for each of the exposure classes:

**Table 2: Disclosure on Total RWA and Minimum Capital Requirement**

| 2023 | | | | | CIMB Islamic |
|---|---|---|---|---|---|
| (RM'000) Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
| **Credit Risk** | | | | | |
| **Exposures under the SA** | | | | | |
| Sovereign/Central Banks | 25,751,378 | 25,751,378 | - | - | - |
| Public Sector Entities | 3,075,973 | 3,075,973 | 45,698 | 45,698 | 3,656 |
| Banks, DFIs & MDBs | 10 | 10 | 2 | 2 | 0 |
| Takaful Operators, Securities Firms & Fund Managers | 0 | 0 | 0 | 0 | 0 |
| Corporate | 3,818,287 | 3,762,842 | 2,216,698 | 2,032,580 | 162,606 |
| Regulatory Retail | 8,364,728 | 8,274,923 | 4,490,227 | 3,974,624 | 317,970 |
| RRE Financing | 443,055 | 443,055 | 225,091 | 181,024 | 14,482 |
| Higher Risk Assets | - | - | - | - | - |
| Other Assets | 246,492 | 246,492 | 245,628 | 245,628 | 19,650 |
| Securitisation | 15,354 | 15,354 | 3,071 | 3,071 | 246 |
| **Total for SA** | **41,715,277** | **41,570,026** | **7,226,414** | **6,482,626** | **518,610** |
| **Exposures under the IRB Approach** | | | | | |
| Sovereign/Central Banks | - | - | - | - | - |
| Public Sector Entities | - | - | - | - | - |
| Banks, DFIs & MDBs | 2,831,380 | 2,831,380 | 487,103 | 487,103 | 38,968 |
| Takaful Operators, Securities Firms & Fund Managers | - | - | - | - | - |
| Corporate | 34,734,272 | 34,734,272 | 23,165,913 | 20,684,774 | 1,654,782 |
| RRE Financing | 44,113,021 | 44,113,021 | 15,332,827 | 14,803,734 | 1,184,299 |
| Qualifying Revolving Retail | 597,995 | 597,995 | 392,346 | 392,346 | 31,388 |
| Hire Purchase | 18,061,019 | 18,061,019 | 15,501,250 | 7,555,670 | 604,454 |
| Other Retail | 31,660,503 | 31,660,503 | 7,135,494 | 7,118,829 | 569,506 |
| Securitisation | - | - | - | - | - |
| **Total for IRB Approach** | **131,998,189** | **131,998,189** | **62,014,933** | **51,042,455** | **4,083,396** |

**CAPITAL MANAGEMENT *(continued)***

***Capital Structure and Adequacy (continued)***

**Table 2: Disclosure on Total RWA and Minimum Capital Requirement *(continued)***

| 2023 | | | | | CIMB Islamic |
|---|---|---|---|---|---|
| (RM'000) Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
| **Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)** | **173,713,465** | **173,568,215** | **72,962,243** | **60,587,629** | **4,847,010** |
| **Large Exposure Risk Requirement** | **-** | **-** | **-** | **-** | **-** |
| **Market Risk (SA)** | | | | | |
| Profit Rate Risk | | | 617,211 | 617,211 | 49,377 |
| Foreign Currency Risk | | | 141,987 | 141,987 | 11,359 |
| Equity Risk | | | - | - | - |
| Commodity Risk | | | - | - | - |
| Options Risk | | | 208 | 208 | 17 |
| **Total Market Risk** | | | **759,406** | **759,406** | **60,752** |
| **Operational Risk (BIA)** | | | **5,307,380** | **5,307,380** | **424,590** |
| **Total RWA and Capital Requirement** | | | **79,029,029** | **66,654,415** | **5,332,352** |

**CAPITAL MANAGEMENT *(continued)***

***Capital Structure and Adequacy (continued)***

**Table 2: Disclosure on Total RWA and Minimum Capital Requirement *(continued)***

| 2022 | | | | | CIMB Islamic |
|---|---|---|---|---|---|
| (RM'000)<br>Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
| **Credit Risk** | | | | | |
| **Exposures under the SA** | | | | | |
| Sovereign/Central Banks | 26,237,445 | 26,237,445 | - | - | - |
| Public Sector Entities | 3,108,358 | 3,108,358 | 113,783 | 113,783 | 9,103 |
| Banks, DFIs & MDBs | 20 | 20 | 4 | 4 | 0 |
| Takaful Operators, Securities Firms & Fund Managers | - | - | - | - | - |
| Corporate | 3,173,443 | 3,125,383 | 1,886,358 | 1,802,918 | 144,233 |
| Regulatory Retail | 8,215,933 | 7,527,105 | 4,341,584 | 4,231,261 | 338,501 |
| RRE Financing | 366,135 | 366,135 | 181,366 | 181,335 | 14,507 |
| Higher Risk Assets | - | - | - | - | - |
| Other Assets | 347,779 | 347,779 | 346,827 | 346,827 | 27,746 |
| Securitisation | - | - | - | - | - |
| **Total for SA** | **41,449,113** | **40,712,225** | **6,869,921** | **6,676,127** | **534,090** |
| **Exposures under the IRB Approach** | | | | | |
| Sovereign/Central Banks | - | - | - | - | - |
| Public Sector Entities | - | - | - | - | - |
| Banks, DFIs & MDBs | 2,016,779 | 2,016,779 | 481,440 | 481,440 | 38,515 |
| Takaful Operators, Securities Firms & Fund Managers | - | - | - | - | - |
| Corporate | 30,082,782 | 30,082,782 | 19,013,017 | 16,667,205 | 1,333,376 |
| RRE Financing | 36,015,389 | 36,015,389 | 10,262,367 | 9,960,023 | 796,802 |
| Qualifying Revolving Retail | 337,649 | 337,649 | 207,343 | 207,343 | 16,587 |
| Hire Purchase | 15,415,504 | 15,415,504 | 11,882,046 | 6,869,436 | 549,555 |
| Other Retail | 32,702,124 | 32,702,124 | 6,834,461 | 6,827,673 | 546,214 |
| Securitisation | - | - | - | - | - |
| **Total for IRB Approach** | **116,570,226** | **116,570,226** | **48,680,674** | **41,013,119** | **3,281,050** |

**CAPITAL MANAGEMENT *(continued)***

***Capital Structure and Adequacy (continued)***

**Table 2: Disclosure on Total RWA and Minimum Capital Requirement *(continued)***

| 2022 | CIMB Islamic | | | | |
|---|---|---|---|---|---|
| (RM'000)<br>Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
| **Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)** | **158,019,339** | **157,282,451** | **58,471,435** | **50,150,033** | **4,012,003** |
| **Large Exposure Risk Requirement** | **-** | **-** | **-** | **-** | **-** |
| **Market Risk (SA)** | | | | | |
| Profit Rate Risk | | | 528,794 | 528,794 | 42,303 |
| Foreign Currency Risk | | | 57,512 | 57,512 | 4,601 |
| Equity Risk | | | - | - | - |
| Commodity Risk | | | - | - | - |
| Options Risk | | | - | - | - |
| **Total Market Risk** | | | **586,305** | **586,305** | **46,904** |
| **Operational Risk (BIA)** | | | **4,784,196** | **4,784,196** | **382,736** |
| **Total RWA and Capital Requirement** | | | **63,841,936** | **55,520,534** | **4,441,643** |

***Internal Capital Adequacy Assessment Process (ICAAP)***

The Group has in place an EWRM framework that aligns ICAAP requirements into the Group's risk management and control activities. The coverage of ICAAP includes the following:

a) Assessing the risk profile of the bank.

b) Assessing the capital adequacy and capital management strategies.

c) Monitoring compliance with regulatory requirement on capital adequacy.

d) Reporting to management and regulator on ICAAP.

e) Governance and independent review.

The full ICAAP cycle, from initial planning to regulatory submission and independent review, involves close coordination among the risk, capital and finance functions together and business and support divisions. In line with BNM's guidelines on RWCAF (Basel II) – ICAAP (Pillar 2) and CAFIB – ICAAP (Pillar 2), the Group submits its ICAAP report to the BRCC for approval and the Board for notification.

**CREDIT RISK**

Credit risk is defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk is inherent in banking activities and arises from traditional financing activities through, financing facilities, trade finance, as well as commitments to support clients' obligations to third parties, e.g. guarantees or kafalah contracts. In derivatives, sales and trading activities, credit risk arises from the possibility that the Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

***Credit Risk Management***

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the Three Lines-of-Defence model on risk management where risks are managed initially from the onset of risk-taking activities, the Group implemented the risk-based delegated authority framework. This promotes clarity of risk accountability whereby the business unit, being the first line-of-defence, manages risk in a proactive manner with Group Risk being independent from the business units, functions as the second line-of-defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompasses joint delegated authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to specific individuals.

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans/financing, credit applications are independently evaluated by the Credit Risk (Non-Retail) CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units' officers are delegated with credit approving authority to approve low value credit facilities. In addition, for loan/financing to sectors and clients that are exposed to high environmental and social risks, the Sustainability CoE conducts due diligence from an environmental and social point of view. For retail loans/financing, Consumer Credit Operations evaluates and approves the credit applications according to the designated delegated authority; higher loan/financing limits will be approved by joint delegated authorities or relevant committees.

The GRCC, with the support of Group Credit Committee, Group Asset Quality Committee, other relevant credit committees as well as Group Risk, is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes reviewing and analysing portfolio trends, asset quality, watch-list reporting and policy reviews. It is also responsible for articulating key credit risks and mitigating controls.

**CREDIT RISK *(continued)***

***Credit Risk Management (continued)***

Adherence to and compliance with country sector limit, single customer and country and global counterparty limits, are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual. In view of the tightening regulations around climate change and to support the Group's Net Zero commitment by 2050, a climate overlay focusing on sector sensitivity to transition risks (which references the Transition Risk Heatmap developed under United Nations Environment Program Finance Initiative) was integrated by Group Sustainability into Group Risk's Country Sector Limit Methodology for 2023. In order to ensure sustainability considerations are accounted for in the early stages of business planning, an overall sustainability rating was also developed and applied alongside other risk factors as part of the Risk Posture setting for 2023 to set the high level risk direction for the Group and its entities before the formal budget process starts.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. For retail products, portfolio limits are monitored monthly by Group Risk.

It is the Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis, and more frequently when material information on the obligor or other external factors is made available.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to the GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

The Group recognises that our financing activities may have an impact on the environment and society and such impact may in turn result in potential financial and reputational risks to the Group. Our sustainable financing approach integrates environmental, social and economic/ethical considerations, including climate-related physical and transition risks, into our credit risk assessment process for our financing practices and capital raising transactions, whereby clients and transactions identified to have high sustainability risk or potential concern are subject to a structured due diligence and escalation process. Refer to the section on Sustainability Risk for further details.

The Group quantifies credit concentration risk by leveraging on the credit VaR engine, CreditMetrics. Using the CreditMetrics approach, the portfolio's Value at Risk is estimated after taking into account effects of portfolio diversification across obligors and sectors. Hence, the risk computed covers both default/credit migration risk as well as credit concentration risk (single name and sector concentration). .

**CREDIT RISK (continued)**

***Summary of Credit Exposures***

i) Gross Credit Exposures by Geographic Distribution

The geographic distribution is based on the country in which the portfolio is geographically managed. The following tables represent CIMB Islamic 'credit exposures by geographic region:

**Table 3: Geographic Distribution of Credit Exposures**

| 2023 | | | | | CIMB Islamic |
|---|---|---|---|---|---|
| (RM'000) Exposure Class | Malaysia | Singapore | Thailand | Other Countries | Total |
| Sovereign | 25,751,378 | - | - | - | 25,751,378 |
| PSE | 3,075,973 | - | - | - | 3,075,973 |
| Bank | 2,831,390 | - | - | - | 2,831,390 |
| Corporate | 38,552,559 | - | - | - | 38,552,559 |
| RRE Financing | 44,556,075 | - | - | - | 44,556,075 |
| HPE | 18,061,019 | - | - | - | 18,061,019 |
| QRRE | 597,995 | - | - | - | 597,995 |
| Other Retail | 40,025,231 | - | - | - | 40,025,231 |
| Other Exposures | 261,846 | - | - | - | 261,846 |
| **Total Gross Credit Exposure** | **173,713,465** | **-** | **-** | **-** | **173,713,465** |

| 2022 | | | | | CIMB Islamic |
|---|---|---|---|---|---|
| (RM'000) Exposure Class | Malaysia | Singapore | Thailand | Other Countries | Total |
| Sovereign | 26,237,445 | - | - | - | 26,237,445 |
| PSE | 3,108,358 | - | - | - | 3,108,358 |
| Bank | 2,016,799 | - | - | - | 2,016,799 |
| Corporate | 33,256,224 | - | - | - | 33,256,224 |
| RRE Financing | 36,381,523 | - | - | - | 36,381,523 |
| HPE | 15,415,504 | - | - | - | 15,415,504 |
| QRRE | 337,649 | - | - | - | 337,649 |
| Other Retail | 40,918,057 | - | - | - | 40,918,057 |
| Other Exposures | 347,779 | - | - | - | 347,779 |
| **Total Gross Credit Exposure** | **158,019,339** | **-** | **-** | **-** | **158,019,339** |

**CREDIT RISK *(continued)***

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

ii) Gross Credit Exposures by Sector

The following tables represent CIMB Islamic's credit exposure analysed by sector:

**Table 4: Distribution of Credit Exposures by Sector**

| 2023 | | | | | | | | | | | | CIMB Islamic |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000) Exposure Class | Primary Agriculture | Mining and Quarrying | Manufacturing | Electricity, Gas and Water Supply | Construction | Wholesale and Retail Trade, and Restaurants and Hotels | Transport, Storage and Communication | Islamic Finance, Takaful, Real Estate and Business Activities | Education, Health and Others | Household | Others* | Total |
| Sovereign | - | - | - | 554,348 | 2,665,430 | - | 2,082,796 | 11,038,390 | 8,298,913 | - | 1,111,499 | 25,751,378 |
| PSE | 18,718 | - | - | - | - | - | - | 55,343 | 3,001,912 | - | - | 3,075,973 |
| Bank | - | - | - | - | - | - | - | 2,831,390 | - | - | - | 2,831,390 |
| Corporate | 3,505,964 | 1,719,101 | 4,075,980 | 2,322,110 | 4,954,247 | 5,041,871 | 5,233,242 | 10,918,755 | 758,176 | 10,126 | 12,986 | 38,552,559 |
| RRE Financing | - | - | - | - | - | - | - | - | - | 44,556,075 | - | 44,556,075 |
| HPE | - | - | - | - | - | - | - | - | - | 18,061,019 | - | 18,061,019 |
| QRRE | - | - | - | - | - | - | - | - | - | 597,995 | - | 597,995 |
| Other Retail | 103,345 | 13,665 | 1,014,750 | 23,186 | 517,243 | 3,186,525 | 295,897 | 1,679,902 | 381,245 | 32,799,600 | 9,874 | 40,025,231 |
| Other Exposures | - | - | - | - | - | - | - | - | - | - | 261,846 | 261,846 |
| **Total Gross Credit Exposure** | **3,628,027** | **1,732,766** | **5,090,730** | **2,899,644** | **8,136,920** | **8,228,396** | **7,611,934** | **26,523,781** | **12,440,246** | **96,024,815** | **1,396,206** | **173,713,465** |

***Note:*** *All sectors above are Shariah compliant.*

******Others are exposures which are not elsewhere classified.*

**CREDIT RISK *(continued)***

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

ii) Gross Credit Exposures by Sector *(continued)*

**Table 4: Distribution of Credit Exposures by Sector *(continued)***

| **2022** | | | | | | | | | | | | **CIMB Islamic** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **(RM'000) Exposure Class** | **Primary Agriculture** | **Mining and Quarrying** | **Manufacturing** | **Electricity, Gas and Water Supply** | **Construction** | **Wholesale and Retail Trade, and Restaurants and Hotels** | **Transport, Storage and Communication** | **Islamic Finance, Takaful, Real Estate and Business Activities** | **Education, Health and Others** | **Household** | **Others*** | **Total** |
| Sovereign | - | - | - | 297,876 | 2,107,385 | - | 1,318,125 | 15,800,042 | 5,579,538 | - | 1,134,478 | 26,237,445 |
| PSE | - | - | - | - | - | - | - | 51,896 | 3,056,463 | - | - | 3,108,358 |
| Bank | - | - | - | - | - | - | - | 2,016,799 | | - | | 2,016,799 |
| Corporate | 3,227,631 | 1,563,125 | 3,546,178 | 1,150,795 | 4,461,863 | 3,391,860 | 4,783,244 | 10,304,167 | 799,289 | 10,126 | 17,945 | 33,256,224 |
| RRE Financing | - | - | - | - | - | - | - | - | - | 36,381,523 | - | 36,381,523 |
| HPE | - | - | - | - | - | - | - | - | - | 15,415,504 | - | 15,415,504 |
| QRRE | - | - | - | - | - | - | - | - | - | 337,649 | - | 337,649 |
| Other Retail | 88,322 | 12,966 | 880,673 | 24,018 | 416,120 | 2,505,333 | 237,380 | 1,525,536 | 335,881 | 34,877,499 | 14,329 | 40,918,057 |
| Other Exposures | - | - | - | - | - | - | - | - | - | - | 347,779 | 347,779 |
| **Total Gross Credit Exposure** | **3,315,953** | **1,576,091** | **4,426,851** | **1,472,689** | **6,985,368** | **5,897,194** | **6,338,750** | **29,698,439** | **9,771,170** | **87,022,301** | **1,514,531** | **158,019,339** |

***Note:** All sectors above are Shariah compliant.*

******Others are exposures which are not elsewhere classified.*

**CREDIT RISK *(continued)***

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

iii) Gross Credit Exposures by Residual Contractual Maturity

The following tables represent CIMB Islamic's credit exposure analysed by residual contractual maturity:

**Table 5: Distribution of Credit Exposures by Residual Contractual Maturity**

| 2023 | | | | CIMB Islamic |
|---|---|---|---|---|
| (RM'000) Exposure Class | Less than 1 year | 1 to 5 years | More than 5 years | Total |
| Sovereign | 9,882,068 | 5,334,775 | 10,534,535 | 25,751,378 |
| PSE | 73,981 | 1,285,162 | 1,716,831 | 3,075,973 |
| Bank | 1,714,941 | 996,901 | 119,548 | 2,831,390 |
| Corporate | 8,155,062 | 13,108,365 | 17,289,133 | 38,552,559 |
| RRE Financing | 2,934 | 103,110 | 44,450,032 | 44,556,075 |
| HPE | 44,735 | 4,068,590 | 13,947,694 | 18,061,019 |
| QRRE | 597,995 | - | - | 597,995 |
| Other Retail | 111,118 | 1,527,154 | 38,386,959 | 40,025,231 |
| Other Exposures | 5,090 | 10,264 | 246,492 | 261,846 |
| **Total Gross Credit Exposure** | **20,587,922** | **26,434,320** | **126,691,223** | **173,713,465** |

| 2022 | | | | CIMB Islamic |
|---|---|---|---|---|
| (RM'000) Exposure Class | Less than 1 year | 1 to 5 years | More than 5 years | Total |
| Sovereign | 15,364,535 | 4,023,489 | 6,849,421 | 26,237,445 |
| PSE | 250,188 | 1,141,340 | 1,716,831 | 3,108,358 |
| Bank | 1,330,533 | 565,326 | 120,939 | 2,016,799 |
| Corporate | 9,773,627 | 7,681,200 | 15,801,397 | 33,256,224 |
| RRE Financing | 1,774 | 109,893 | 36,269,856 | 36,381,523 |
| HPE | 37,448 | 3,244,980 | 12,133,076 | 15,415,504 |
| QRRE | 337,649 | - | - | 337,649 |
| Other Retail | 51,299 | 1,279,195 | 39,587,564 | 40,918,057 |
| Other Exposures | - | - | 347,779 | 347,779 |
| **Total Gross Credit Exposure** | **27,147,052** | **18,045,423** | **112,826,864** | **158,019,339** |

**CREDIT RISK *(continued)***

***Credit Quality of Advances & Financing***

i) Past Due But Not Impaired

A financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the customer can lead to a financial asset being past due but not impaired. Therefore, financing and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment of principal or profit or both, overdue.

The following tables provide an analysis of the outstanding balances as at 31 December 2023 and 31 December 2022 which were past due but not impaired by sector and geographical respectively:

**Table 6: Past Due but Not Impaired Financing, Advances and Other Financing by Sector**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | 2023 | 2022 |
| Primary Agriculture | 4,636 | 4,663 |
| Mining and Quarrying | 78 | - |
| Manufacturing | 32,553 | 25,398 |
| Electricity, Gas and Water Supply | 1,332 | 231 |
| Construction | 38,580 | 46,118 |
| Wholesale and Retail Trade, and Restaurants and Hotels | 75,223 | 47,980 |
| Transport, Storage and Communication | 8,191 | 6,021 |
| Finance, Takaful, Real Estate and Business Activities | 87,018 | 109,199 |
| Education, Health and Others | 23,054 | 23,719 |
| Household | 7,260,034 | 5,883,362 |
| Others* | 323 | 53 |
| **Total** | **7,531,022** | 6,146,744 |

***Note:*** *All sectors above are Shariah compliant.*

**Others are exposures which are not elsewhere classified.*

**Table 7: Past Due but Not Impaired Financing, Advances and Other Financing by Geographic Distribution**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | 2023 | 2022 |
| Malaysia | 7,531,022 | 6,146,744 |
| **Total** | **7,531,022** | **6,146,744** |

**CREDIT RISK *(continued)***

***Credit Quality of Advances and Financing (continued)***

ii) Credit Impaired Financings

The Bank classifies an advances and financing as credit impaired when it meets one or more of the following criteria:

(a) Where the principal or profit or both of the credit facility is past due for more than 90 days or 3 months;
(b) In the case of revolving credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;
(c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Bank's internal credit risk rating framework; or
(d) As soon as a default occurs where the principal and /or profit payments are scheduled on intervals of 3 months or longer. For the purpose of ascertaining the period in arrears:
    - Payment on each of the instalment amount must be made in full. A partial payment made on an instalment amount shall be deemed to be still in arrears; and
    - Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Bank's internal policy, the determination of period in arrears shall exclude the moratorium period granted.

(e) Force Impaired Credit Facilities
The credit facility is force impaired due to various reasons which may include the following: PN17 classification by Bursa, s bankruptcy/winding up orders, appointment of Independent Financial Advisor/Liquidator/Receivers & Managers, ceased operations and/or suspended with no likelihood of resuming in the next 12 months, business viability is affected with payment capability in doubt resulting in going concern issue in the near term, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.

(f) Cross Default
When an obligor/counterparty has multiple credit facilities with the Bank and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

The Bank assesses on a forward looking basis the expected credit losses (ECL) associated with its advances and financing. The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate or an approximation thereof.

**CREDIT RISK *(continued)***

***Credit Quality of Advances and Financing (continued)***

ii) Credit Impaired Financings *(continued)*

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

The following tables provide an analysis of the outstanding balances as at 31 December 2023 and 31 December 2022 which were credit impaired by sector and geographical respectively:

**Table 8: Credit Impaired Financing, Advances and Other Financing by Sector**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | 2023 | 2022 |
| Primary Agriculture | 12,600 | 16,917 |
| Mining and Quarrying | 1 | - |
| Manufacturing | 20,072 | 11,923 |
| Electricity, Gas and Water Supply | 1 | - |
| Construction | 59,876 | 25,478 |
| Wholesale and Retail Trade, and Restaurants and Hotels | 175,589 | 132,338 |
| Transport, Storage and Communication | 8,390 | 5,935 |
| Finance, Takaful, Real Estate and Business Activities | 76,414 | 55,889 |
| Education, Health and Others | 17,941 | 62,074 |
| Household | 1,404,914 | 1,098,782 |
| Others* | 76 | 1 |
| **Total** | **1,775,874** | **1,409,337** |

***Note:*** *All sectors above are Shariah compliant.*

**Others are exposures which are not elsewhere classified.*

**Table 9: Credit Impaired Financing, Advances and Other Financing by Geographic Distribution**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | 2023 | 2022 |
| Malaysia | 1,775,874 | 1,409,337 |
| **Total** | **1,775,874** | **1,409,337** |

**CREDIT RISK *(continued)***

***Credit Quality of Advances and Financing (continued)***

iii) Expected Credit Losses

**Table 10: Expected credit losses (Stage 1, 2 and 3) by Sector**

| (RM'000) | CIMB Islamic | | | |
|---|---|---|---|---|
| | 2023 | | | |
| | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3) | Total |
| Primary Agriculture | 3,134 | 770 | 12,644 | 16,548 |
| Mining and Quarrying | 964 | 660 | 1 | 1,625 |
| Manufacturing | 16,345 | 4,395 | 11,617 | 32,357 |
| Electricity, Gas and Water Supply | 1,097 | - | - | 1,097 |
| Construction | 5,975 | 2,767 | 26,848 | 35,590 |
| Wholesale and Retail Trade, and Restaurants and Hotels | 34,940 | 6,838 | 124,782 | 166,560 |
| Transport, Storage and Communications | 5,405 | 1,497 | 4,666 | 11,568 |
| Finance, Takaful, Real Estate and Business Activities | 15,267 | 4,615 | 16,841 | 36,723 |
| Education, Health and Others | 3,922 | 982 | 9,296 | 14,200 |
| Household | 685,022 | 345,571 | 342,851 | 1,373,444 |
| Others* | 41 | 71 | 34 | 146 |
| **Total** | **772,112** | **368,166** | **549,580** | **1,689,858** |

***Note:*** *All sectors above are Shariah compliant.*

******Others are exposures which are not elsewhere classified.*

**CREDIT RISK *(continued)***

***Credit Quality of Advances and Financing (continued)***

iii) Expected Credit Losses *(continued)*

**Table 10: Expected credit losses (Stage 1, 2 and 3) by Sector (continued)**

| (RM'000) | CIMB Islamic | | | |
|---|---|---|---|---|
| | 2022 | | | |
| | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3) | Total |
| Primary Agriculture | 1,811 | 2,864 | 4,398 | 9,073 |
| Mining and Quarrying | 133 | 1,360 | - | 1,493 |
| Manufacturing | 7,654 | 16,151 | 6,747 | 30,552 |
| Electricity, Gas and Water Supply | 1,642 | 442 | - | 2,084 |
| Construction | 2,333 | 4,224 | 20,572 | 27,129 |
| Wholesale and Retail Trade, and Restaurants and Hotels | 14,952 | 18,423 | 69,854 | 103,229 |
| Transport, Storage and Communications | 4,938 | 2,029 | 6,333 | 13,300 |
| Finance, Takaful, Real Estate and Business Activities | 10,943 | 20,688 | 16,337 | 47,968 |
| Education, Health and Others | 2,509 | 4,665 | 1,851 | 9,025 |
| Household | 116,312 | 821,949 | 305,512 | 1,243,773 |
| Others* | 22 | 4 | 1 | 27 |
| **Total** | **163,249** | **892,799** | **431,605** | **1,487,653** |

***Note:*** *All sectors above are Shariah compliant.*

**Others are exposures which are not elsewhere classified.*

**CREDIT RISK *(continued)***

***Credit Quality of Advances and Financing (continued)***

iii) Expected Credit Losses *(continued)*

**Table 11: Expected credit losses (Stage 1, 2 and 3) by Geographic Distribution**

| (RM'000) | CIMB Islamic 2023 | | | |
|---|---|---|---|---|
| | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3 | Total |
| Malaysia | 772,112 | 368,166 | 549,580 | 1,689,858 |
| **Total** | **772,112** | **368,166** | **549,580** | **1,689,858** |

| (RM'000) | CIMB Islamic 2022 | | | |
|---|---|---|---|---|
| | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3 | Total |
| Malaysia | 163,249 | 892,799 | 431,605 | 1,487,653 |
| **Total** | **163,249** | **892,799** | **431,605** | **1,487,653** |

**CREDIT RISK *(continued)***

***Credit Quality of Advances and Financing (continued)***

iii) Expected Credit Losses *(continued)*

**Table 12: Expected credit losses charges/(write back) and write-off for Stage 3**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | 2023 | |
| | Charges/(write back) | Write-off |
| | Lifetime expected credit losses - Credit impaired (Stage 3) | Lifetime expected credit losses - Credit impaired (Stage 3) |
| Primary Agriculture | 14,239 | 6,154 |
| Mining and Quarrying | - | - |
| Manufacturing | 3,037 | 258 |
| Electricity, Gas and Water Supply | - | - |
| Construction | 5,675 | 1,255 |
| Wholesale and Retail Trade, and Restaurants and Hotels | 76,414 | 30,690 |
| Transport, Storage and Communications | 2,620 | 5,308 |
| Finance, Takaful, Real Estate and Business Activities | 3,565 | 2,756 |
| Education, Health and Others | 7,749 | 741 |
| Household | 339,246 | 233,822 |
| Others* | 282 | - |
| **Total** | **452,827** | **280,984** |

***Note:*** *All sectors above are Shariah compliant.*

**Others are exposures which are not elsewhere classified.*

**CREDIT RISK (CONTINUED)**

***Credit Quality of Advances and Financing (continued)***

iii) Expected Credit Losses *(continued)*

**Table 12: Expected credit losses charges/(write back) and write-off for Stage 3 (continued)**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | 2022 | |
| | Charges/(write back) | Write-off |
| | Lifetime expected credit losses - Credit impaired (Stage 3) | Lifetime expected credit losses - Credit impaired (Stage 3) |
| Primary Agriculture | 1,998 | 595 |
| Mining and Quarrying | - | - |
| Manufacturing | (3,401) | 6,994 |
| Electricity, Gas and Water Supply | 23,536 | - |
| Construction | 16,160 | 4,053 |
| Wholesale and Retail Trade, and Restaurants and Hotels | 41,410 | 26,506 |
| Transport, Storage and Communications | 5,324 | 207 |
| Finance, Takaful, Real Estate and Business Activities | 8,645 | 3,447 |
| Education, Health and Others | 1,209 | 29 |
| Household | 187,827 | 133,529 |
| Others* | 32 | - |
| **Total** | **282,740** | **175,360** |

***Note:*** *All sectors above are Shariah compliant.*

**Others are exposures which are not elsewhere classified.*

**CREDIT RISK *(continued)***

***Credit Quality of Advances and Financing (continued)***

iii) Expected Credit Losses *(continued)*

**Table 13: Analysis of movement in the Expected Credit Losses for Financing, Advances and Other Financing**

| (RM'000) | CIMB Islamic 2023 | | | |
|---|---|---|---|---|
| | **12-month expected credit losses (Stage 1)** | **Lifetime expected credit losses - not credit impaired (Stage 2)** | **Lifetime expected credit losses - credit impaired (Stage 3)** | **Total** |
| **At 1 January 2023** | 163,249 | 892,799 | 431,605 | 1,487,653 |
| Changes in expected credit losses due to transferred within stages | 665,357 | (586,700) | (78,657) | - |
| Transferred to Stage 1 | 830,582 | (804,974) | (25,608) | - |
| Transferred to Stage 2 | (158,233) | 572,238 | (414,005) | - |
| Transferred to Stage 3 | (6,992) | (353,964) | 360,956 | - |
| **Total charge to Income Statement** | (56,519) | 62,174 | 452,827 | 458,482 |
| New financial assets originated | 94,042 | 2,995 | 22,062 | 119,099 |
| Financial assets that have been derecognised | (53,357) | (31,812) | - | (85,169) |
| Write back in respect of full recoveries | - | - | (39,614) | (39,614) |
| Change in credit risk | (97,204) | 90,991 | 470,379 | 464,166 |
| Write-offs | - | - | (280,984) | (280,984) |
| Other movements | 25 | (107) | 24,789 | 24,707 |
| **Total** | **772,112** | **368,166** | **549,580** | **1,689,858** |

**CREDIT RISK *(continued)***

***Credit Quality of Advances and Financing (continued)***

iii) Expected Credit Losses *(continued)*

**Table 13: Analysis of movement in the Expected Credit Losses for Financing, Advances and Other Financing (continued)**

| (RM'000) | CIMB Islamic | | | |
|---|---|---|---|---|
| | 2022 | | | |
| | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses - not credit impaired (Stage 2) | Lifetime expected credit losses - credit impaired (Stage 3) | Total |
| **At 1 January 2022** | 248,701 | 727,401 | 231,094 | 1,207,196 |
| Changes in expected credit losses due to transferred within stages | 169,904 | (238,024) | 68,120 | - |
| Transferred to Stage 1 | 267,346 | (245,393) | (21,953) | - |
| Transferred to Stage 2 | (96,018) | 258,524 | (162,506) | - |
| Transferred to Stage 3 | (1,424) | (251,155) | 252,579 | - |
| **Total charge to Income Statement** | (255,381) | 403,583 | 282,740 | 430,942 |
| New financial assets originated | 89,424 | 706 | 17,424 | 107,554 |
| Financial assets that have been derecognised | (36,730) | (33,263) | - | (69,993) |
| Write back in respect of full recoveries | - | - | (38,017) | (38,017) |
| Change in credit risk | (308,075) | 436,140 | 303,333 | 431,398 |
| Write-offs | - | (1) | (175,360) | (175,361) |
| Other movements | 25 | (160) | 25,011 | 24,876 |
| **Total** | **163,249** | **892,799** | **431,605** | **1,487,653** |

**CREDIT RISK *(continued)***

***Capital Treatment for Credit Risk***

Details on RWA and capital requirements related to Credit Risk are disclosed separately for CIMB Islamic in Table 2. Details on the disclosure for portfolios under the SA and the IRB Approach are in the sections that followed.

***Credit Risk – Disclosure for Portfolios under the SA***

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on CAFIB (Risk-Weighted Assets) to map the ratings to the relevant risk weights for computation of regulatory capital.

The following tables present the credit exposures by risk weights and after credit risk mitigation:

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the SA (continued)***

**Table 14: Disclosure by Risk Weight under SA**

| 2023 | | | | | | | | | | | | CIMB Islamic |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000) Risk Weights | Sovereign/ Central Banks | PSEs | Banks, MDBs and DFIs | Takaful Operators, Securities Firms & Fund Managers | Corporate | Regulatory Retail | RRE Financing | Higher Risk Assets | Other Assets | Securitisation* | Total Exposures after Netting and Credit Risk Mitigation* | Total Risk-Weighted Assets |
| 0% | 25,751,378 | 2,930,043 | - | - | - | 110 | - | - | 864 | - | 28,682,395 | - |
| 20% | - | 90,892 | 10 | - | 91,194 | 1,483,460 | - | - | - | 15,354 | 1,680,911 | 336,182 |
| 35% | - | - | - | - | - | - | 29,432 | - | - | | 29,432 | 10,301 |
| 50% | - | 55,038 | - | - | 2,950,081 | 4,615,465 | 397,666 | - | - | - | 8,018,250 | 4,009,125 |
| 75% | - | - | - | - | - | 1,188,320 | - | - | - | | 1,188,320 | 891,240 |
| 100% | - | - | - | 0 | 718,104 | 973,578 | 15,957 | - | 245,628 | - | 1,953,266 | 1,953,266 |
| 100% < RW < 1250% | - | - | - | - | 3,451 | 13,990 | - | - | - | - | 17,441 | 26,161 |
| 1250% | - | - | - | - | 11 | - | - | - | - | | 11 | 138 |
| **Total** | **25,751,378** | **3,075,973** | **10** | **0** | **3,762,842** | **8,274,923** | **443,055** | **-** | **246,492** | **15,354** | **41,570,026** | **7,226,414** |
| **Average Risk Weight** | - | **1%** | **20%** | **100%** | **59%** | **54%** | **51%** | **-** | **100%** | **20%** | **17%** | |
| **Deduction from Capital Base** | - | - | - | - | - | - | - | - | - | - | - | |

**The total includes the portion which is deducted from Capital Base, if any.*

## CREDIT RISK *(continued)*

### *Credit Risk – Disclosure for Portfolios under the SA (continued)*

### Table 14: Disclosure by Risk Weight under SA (continued)

| 2022 | | | | | | | | | | | | CIMB Islamic |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000) Risk Weights | Sovereign/ Central Banks | PSEs | Banks, MDBs and DFIs | Takaful Operators, Securities Firms & Fund Managers | Corporate | Regulatory Retail | RRE Financing | Higher Risk Assets | Other Assets | Securitisation* | Total Exposures after Netting and Credit Risk Mitigation* | Total Risk-Weighted Assets |
| 0% | 26,237,445 | 2,539,445 | - | - | - | - | - | - | 953 | - | 28,777,842 | - |
| 20% | - | 568,914 | 20 | - | 53,645 | 1,113,452 | - | - | - | - | 1,736,031 | 347,206 |
| 35% | - | - | - | - | - | - | 18,857 | - | - | - | 18,857 | 6,600 |
| 50% | - | - | - | - | 2,394,517 | 3,915,453 | 345,024 | - | - | - | 6,654,994 | 3,327,497 |
| 75% | - | - | - | - | - | 1,349,840 | - | - | - | - | 1,349,840 | 1,012,380 |
| 100% | - | - | - | - | 675,164 | 1,147,505 | 2,254 | - | 346,827 | - | 2,171,750 | 2,171,750 |
| 100% < RW < 1250% | - | - | - | - | 2,046 | 854 | - | - | - | - | 2,900 | 4,350 |
| 1250% | - | - | - | - | 11 | - | - | - | - | - | 11 | 138 |
| **Total** | **26,237,445** | **3,108,358** | **20** | **-** | **3,125,383** | **7,527,105** | **366,135** | **-** | **347,779** | **-** | **40,712,225** | **6,869,921** |
| **Average Risk Weight** | **-** | **4%** | **20%** | **-** | **60%** | **58%** | **50%** | **-** | **100%** | **-** | **17%** | |
| **Deduction from Capital Base** | - | - | - | - | - | - | - | - | - | - | - | |

**The total includes the portion which is deducted from Capital Base, if any.*

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the SA (continued)***

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs:

**Table 15: Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs**

| 2023 | | | | CIMB Islamic |
|---|---|---|---|---|
| (RM '000) Exposure Class | Investment Grade | Non-Investment Grade | No Rating | Total |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Public Sector Entities | - | - | 3,075,973 | 3,075,973 |
| Takaful Operators, Securities Firms & Fund Managers | - | - | 0 | 0 |
| Corporate | 1 | - | 3,818,286 | 3,818,287 |
| Sovereign/Central Banks | 23,558,212 | - | 2,193,166 | 25,751,378 |
| Banks, MDBs and DFIs | 10 | - | - | 10 |
| **Total** | **23,558,223** | **-** | **9,087,425** | **32,645,648** |

| 2022 | | | | CIMB Islamic |
|---|---|---|---|---|
| (RM '000) Exposure Class | Investment Grade | Non-Investment Grade | No Rating | Total |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Public Sector Entities | - | - | 3,108,358 | 3,108,358 |
| Takaful Operators, Securities Firms & Fund Managers | - | - | - | - |
| Corporate | - | 0 | 3,173,442 | 3,173,443 |
| Sovereign/Central Banks | 23,725,208 | - | 2,512,236 | 26,237,445 |
| Banks, MDBs and DFIs | 20 | - | - | 20 |
| **Total** | **23,725,228** | **0** | **8,794,037** | **32,519,266** |

**Table 16: Disclosures of Securitisation under SA according to Ratings by ECAIs**

| 2023 | | | | CIMB Islamic |
|---|---|---|---|---|
| (RM '000) Exposure Class | Investment Grade | Non-Investment Grade | No Rating | Total |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Securitisation | 15,354 | - | - | **15,354** |

| 2022 | | | | CIMB Islamic |
|---|---|---|---|---|
| (RM '000) Exposure Class | Investment Grade | Non-Investment Grade | No Rating | Total |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Securitisation | - | **-** | **-** | **-** |

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the IRB Approach***

CIMB Islamic adopts the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows CIMB Islamic to adopt various rating systems to measure its credit risk for both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account for collection and portfolio management purposes.

For non-retail exposures, internal ratings are used to assist approving committees in making informed decisions for credit applications.

Models used in internal rating systems are subject to strict governance and controls. Models are developed and maintained by Group Risk with input from business units and Credit Risk CoE to ensure that relevant material risks are captured. Models are also subject to Model Risk Management Working Group deliberation followed by internal model governance prior to implementation. Post-implementation, models are subject to regular performance monitoring to ensure that they continue to perform as expected and associated risk parameters remain appropriate.

New models are assessed by the Validation Team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

*Retail Exposures*

Retail exposures is a portfolio large in numbers and are similarly managed due to its homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred to as program lending/ financing.

Retail exposures covered under the A-IRB Approach include Credit Cards, Auto Financing, Xpress Cash Financing-i, Residential Mortgages, Business Premises Loans/Financing and ASB Financing. The PDs of these exposures are typically estimated from the outputs of application scorecards for new customers and behavioural scorecards for existing customers. The models deployed for retail portfolios include application, behavioural, PD, LGD and EAD segmentation models.

a) PD, LGD and EAD Segmentation Models for Retail Exposures

The risk estimates are generally developed based on internal historical data and complies with BNM guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets). However, in instances of insufficient historical data, the respective model risk estimate is developed based on expert judgement or available industry data with margin of conservatism.

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)***

*Retail Exposures (continued)*

PD Calibration

- PD is defined as the probability of a customer defaulting within a one-year time horizon.
- PD estimated for each pool must be representative of the long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) will be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which is normally referred to as “Central Tendency”.

EAD Estimation

- EAD represents the expected level of usage of the facility when default occurs.
- The EAD for retail exposures is generally based on the respective portfolio’s summed outstanding exposure including any undrawn balances, and for revolving exposures such as credit cards the EAD estimation includes the estimated net additional drawings over the next 12 months.

LGD Estimation

- LGD is the estimated amount of loss expected if a financing defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors such as internal, external, direct and indirect costs associated with recoveries.
- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
  (i) Regularisation of defaulted accounts.
  (ii) Sale proceeds from collaterals.
  (iii) Cash receipts from customers.

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)***

*Retail Exposures (continued)*

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2023 and 31 December 2022:

**Table 17: Retail Exposures under the IRB Approach by PD Band**

| 2023 | | | | CIMB Islamic |
|---|---|---|---|---|
| (RM'000)<br>PD Range of Retail Exposures | 0% ≤ PD < 2% | 2% ≤ PD < 100% | 100% Or Default | Total |
| **Total Retail Exposure** | **57,023,192** | **35,172,700** | **2,236,645** | **94,432,537** |
| RRE Financing | 36,977,686 | 5,388,525 | 1,746,810 | 44,113,021 |
| QRRE | 336,659 | 255,524 | 5,813 | 597,995 |
| Hire Purchase | 4,255,872 | 13,572,537 | 232,610 | 18,061,019 |
| Other Retail | 15,452,976 | 15,956,115 | 251,412 | 31,660,503 |
| | | | | |
| **Exposure Weighted Average LGD** | | | | |
| RRE Financing | 22% | 26% | 36% | |
| QRRE | 90% | 90% | 90% | |
| Hire Purchase | 44% | 59% | 58% | |
| Other Retail | 25% | 12% | 41% | |
| | | | | |
| **Exposure Weighted Average Risk Weight** | | | | |
| RRE Financing | 13% | 95% | 307% | |
| QRRE | 22% | 110% | 667% | |
| Hire Purchase | 52% | 91% | 384% | |
| Other Retail | 23% | 19% | 245% | |

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)***

*Retail Exposures (continued)*

**Table 17: Retail Exposures under the IRB Approach by PD Band (continued)**

| **2022** | | | | **CIMB Islamic** |
|---|---|---|---|---|
| **(RM'000) PD Range of Retail Exposures** | **0% ≤ PD < 2%** | **2% ≤ PD < 100%** | **100% Or Default** | **Total** |
| **Total Retail Exposure** | **55,158,601** | **28,041,856** | **1,270,209** | **84,470,665** |
| RRE Financing | 30,787,549 | 4,365,759 | 862,081 | 36,015,389 |
| QRRE | 200,412 | 134,066 | 3,171 | 337,649 |
| Hire Purchase | 10,398,573 | 4,812,861 | 204,069 | 15,415,504 |
| Other Retail | 13,772,066 | 18,729,170 | 200,888 | 32,702,124 |
| | | | | |
| **Exposure Weighted Average LGD** | | | | |
| RRE Financing | 23% | 28% | 36% | |
| QRRE | 90% | 90% | 90% | |
| Hire Purchase | 52% | 65% | 57% | |
| Other Retail | 25% | 11% | 35% | |
| | | | | |
| **Exposure Weighted Average Risk Weight** | | | | |
| RRE Financing | 13% | 103% | 192% | |
| QRRE | 20% | 112% | 563% | |
| Hire Purchase | 55% | 112% | 400% | |
| Other Retail | 23% | 18% | 171% | |

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)***

*Retail Exposures (continued)*

**Table 18: Retail Exposures under the IRB Approach by Expected Loss Range**

| 2023 | | | | CIMB Islamic |
|---|---|---|---|---|
| **(RM'000)<br>EL Range of Retail Exposures** | **EL ≤ 1%** | **1% < EL < 100%** | **EL = 100%** | **Total** |
| **Total Retail Exposure** | **74,300,406** | **20,101,262** | **30,869** | **94,432,537** |
| RRE Financing | 40,332,401 | 3,778,402 | 2,218 | 44,113,021 |
| QRRE | 290,887 | 307,107 | - | 597,995 |
| Hire Purchase | 6,183,672 | 11,866,265 | 11,082 | 18,061,019 |
| Other Retail | 27,493,445 | 4,149,488 | 17,569 | 31,660,503 |
| **Exposure Weighted Average LGD** | | | | |
| RRE Financing | 23% | 33% | 36% | |
| QRRE | 90% | 90% | 90% | |
| Hire Purchase | 42% | 63% | 55% | |
| Other Retail | 17% | 25% | 60% | |

| 2022 | | | | CIMB Islamic |
|---|---|---|---|---|
| **(RM'000)<br>EL Range of Retail Exposures** | **EL ≤ 1%** | **1% < EL < 100%** | **EL = 100%** | **Total** |
| **Total Retail Exposure** | **70,280,980** | **14,173,292** | **16,394** | **84,470,665** |
| RRE Financing | 32,855,622 | 3,155,042 | 4,725 | 36,015,389 |
| QRRE | 189,224 | 148,425 | 0 | 337,649 |
| Hire Purchase | 9,657,993 | 5,749,760 | 7,751 | 15,415,504 |
| Other Retail | 27,578,142 | 5,120,064 | 3,918 | 32,702,124 |
| **Exposure Weighted Average LGD** | | | | |
| RRE Financing | 23% | 33% | 41% | |
| QRRE | 90% | 90% | 90% | |
| Hire Purchase | 51% | 64% | 56% | |
| Other Retail | 16% | 22% | 58% | |

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)***

*Non-retail Exposures*

Non-retail exposures covered under the F-IRB Approach include corporates (Specialised Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory financing classification. The LGDs of these exposures are assigned as per the CAFIB (Risk-Weighted Assets); that is an LGD of 45% for senior exposures and 75% for subordinated exposures, with appropriate adjustments for eligible collateral.

The process by which an internal rating is assigned to an obligor is governed by the Group Credit Risk Rating Methodology. Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by substituting the obligor rating with the corporate guarantor's rating.

The following tables summarise CIMB Islamic's non-retail credit exposures measured under F-IRB Approach as at 31 December 2023 and 31 December 2022:

**Table 19: Credit Exposures Subject to Supervisory Risk Weight under IRB Approach**

| 2023 | | | | | | CIMB Islamic |
|---|---|---|---|---|---|---|
| **(RM'000) Supervisory Categories** | **Strong** | **Good** | **Satisfactory** | **Weak** | **Default** | **Total** |
| Project Finance | 214,348 | 442,397 | 106,386 | 455 | - | 763,586 |
| Object Finance | - | - | - | - | - | - |
| Commodities Finance | - | - | - | - | - | - |
| Income Producing Real Estate | 447,858 | 1,983,625 | 104,801 | 183,458 | 0 | 2,719,743 |
| **RWA** | **367,794** | **1,912,515** | **120,521** | **459,783** | **-** | **2,860,614** |

| 2022 | | | | | | CIMB Islamic |
|---|---|---|---|---|---|---|
| **(RM'000) Supervisory Categories** | **Strong** | **Good** | **Satisfactory** | **Weak** | **Default** | **Total** |
| Project Finance | - | 350,517 | 115,019 | 288 | - | 465,825 |
| Object Finance | - | - | - | - | - | - |
| Commodities Finance | - | - | - | - | - | - |
| Income Producing Real Estate | 535,249 | 1,199,896 | 206,286 | 160,581 | 0 | 2,102,012 |
| **RWA** | **267,625** | **1,173,919** | **369,501** | **402,172** | **-** | **2,213,217** |

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)***

*Non-retail Exposures (continued)*

CIMB Islamic have no exposure to High Volatility Commercial Real Estate and Equities under the Supervisory Slotting Criteria.

**Table 20: Non-Retail Exposures under IRB Approach by Risk Grades**

| 2023 | | | | | CIMB Islamic |
|---|---|---|---|---|---|
| (RM'000)<br>Internal Risk Grading | 1 - 7 | 8 - 15 | 16 - 25 | Default | Total |
| **Total Non-Retail Exposure** | **8,533,267** | **16,547,568** | **8,066,929** | **934,559** | **34,082,323** |
| Bank | 1,956,575 | 874,777 | 27 | 1 | 2,831,380 |
| Corporate (excluding Specialised Financing) | 6,576,692 | 15,672,791 | 8,066,902 | 934,558 | 31,250,943 |
| | | | | | |
| **Exposure Weighted Average LGD** | | | | | |
| Bank | 45% | 45% | 45% | 45% | |
| Corporate (excluding Specialised Financing) | 45% | 41% | 38% | 43% | |
| | | | | | |
| **Exposure Weighted Average Risk Weight** | | | | | |
| Bank | 16% | 20% | 207% | 0% | |
| Corporate (excluding Specialised Financing) | 10% | 68% | 111% | 0% | |

| 2022 | | | | | CIMB Islamic |
|---|---|---|---|---|---|
| (RM'000)<br>Internal Risk Grading | 1 - 7 | 8 - 15 | 16 - 25 | Default | Total |
| **Total Non-Retail Exposure** | **8,284,669** | **12,696,207** | **7,752,282** | **798,565** | **29,531,723** |
| Bank | 1,605,863 | 410,861 | 55 | - | 2,016,779 |
| Corporate (excluding Specialised Financing) | 6,678,806 | 12,285,347 | 7,752,227 | 798,565 | 27,514,945 |
| | | | | | |
| **Exposure Weighted Average LGD** | | | | | |
| Bank | 45% | 45% | 45% | - | |
| Corporate (excluding Specialised Financing) | 45% | 40% | 38% | 43% | |
| | | | | | |
| **Exposure Weighted Average Risk Weight** | | | | | |
| Bank | 22% | 32% | 204% | - | |
| Corporate (excluding Specialised Financing) | 11% | 67% | 102% | - | |

**CREDIT RISK *(continued)***

***Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)***

*Expected Losses versus Actual Losses by Portfolio Types*

The following tables summarise the expected losses versus actual losses by portfolio type:

**Table 21: Analysis of Expected Loss versus Actual Losses by Portfolio Types**

| | | | | CIMB Islamic |
|---|---|---|---|---|
| | | 2023 | | 2022 |
| (RM'000) Exposure Class | Regulatory Expected Losses as at 31 December 2022 | Actual Losses for the year ended 31 December 2023 | Regulatory Expected Losses as at 31 December 2021 | Actual Losses for the year ended 31 December 2022 |
| Sovereign | - | - | - | - |
| Bank | 702 | - | 374 | - |
| Corporate | 180,505 | 85,082 | 197,233 | 68,064 |
| RRE Financing | 215,066 | 112,952 | 51,047 | 93,830 |
| HPE | 336,028 | 156,572 | 264,538 | 78,048 |
| QRRE | 9,499 | 4,877 | 7,062 | 1,873 |
| Other Retail | 219,385 | 56,390 | 167,214 | 30,597 |
| **Total** | **961,185** | **415,873** | **687,468** | **272,411** |

Actual loss refers to impairment provisions and direct write-offs, if any during the year.

On the other hand, EL measures the loss expected from non-defaulted exposures at the start of the year. It is computed based on the risk parameters of the adopted IRB Approach. While a comparison of actual losses and EL provides some insight of the predictive power of the IRB Approach models used by the Group, the two metrics are not directly comparable due to the differences in methodology.

**CREDIT RISK *(continued)***

***Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)***

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into CSA with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC or the relevant credit approving authority

.

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2023 and 31 December 2022 there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2023 and 31 December 2022:

**CREDIT RISK *(continued)***

***Off-Balance Sheet Exposures and CCR (continued)***

**Table 22: Disclosure on Off-Balance Sheet Exposures and CCR**

| 2023 | CIMB Islamic | | | |
|---|---|---|---|---|
| (RM'000)<br>Description | Principal Amount | Positive Fair Value of Derivative Contracts | Credit Equivalent Amount | Risk-Weighted Assets |
| Direct Credit Substitutes | 511,711 | | 511,711 | 312,465 |
| Transaction Related Contingent Items | 1,052,036 | | 526,018 | 293,056 |
| Short Term Self Liquidating Trade Related Contingencies | 111,852 | | 22,370 | 11,589 |
| Assets Sold With Recourse | - | | - | - |
| Forward Asset Purchases | - | | - | - |
| Obligations under an On-going Underwriting Agreement | - | | - | - |
| Commitments to buy back Islamic securities under Sales and Buy Back agreement | 66,585 | | 66,585 | 11,659 |
| Foreign Exchange Related Contracts | | | | |
| One year or less | 2,373,156 | 10,809 | 35,727 | 39,048 |
| Over one year to five years | - | - | - | - |
| Over five years | - | - | - | - |
| Profit Rate Related Contracts | | | | |
| One year or less | 324,151 | 2,029 | 2,431 | 1,381 |
| Over one year to five years | 1,065,212 | 2,972 | 34,624 | 19,152 |
| Over five years | 125,233 | 5,036 | 12,445 | 8,108 |
| Commodity contracts | | | | |
| One year or less | - | - | - | - |
| Over one year to five years | - | - | - | - |
| Over five years | - | - | - | - |
| OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | 35,115,307 | 79,195 | 484,123 | 125,951 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 18,207,192 | | 16,130,824 | 5,516,238 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | - | | - | - |
| Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness | 13,506,131 | | - | - |
| Unutilised credit card lines | 649,190 | | 297,489 | 123,773 |
| Off-balance sheet items for securitisation exposures | - | | - | - |
| **Total** | **73,107,757** | **100,041** | **18,124,348** | **6,462,420** |

**CREDIT RISK *(continued)***

***Off-Balance Sheet Exposures and CCR (continued)***

**Table 22: Disclosure on Off-Balance Sheet Exposures and CCR *(continued)***

| **2022** | | | | **CIMB Islamic** |
|---|---|---|---|---|
| **(RM'000) Description** | **Principal Amount** | **Positive Fair Value of Derivative Contracts** | **Credit Equivalent Amount** | **Risk-Weighted Assets** |
| Direct Credit Substitutes | 341,515 | | 341,515 | 241,962 |
| Transaction Related Contingent Items | 962,192 | | 481,096 | 249,949 |
| Short Term Self Liquidating Trade Related Contingencies | 135,912 | | 27,182 | 20,212 |
| Assets Sold With Recourse | - | | - | - |
| Forward Asset Purchases | - | | - | - |
| Obligations under an On-going Underwriting Agreement | - | | - | - |
| Commitments to buy back Islamic securities under Sales and Buy Back agreement | 77,597 | | 77,597 | 13,806 |
| Foreign Exchange Related Contracts | | | | |
| One year or less | 2,892,526 | 52,339 | 87,648 | 74,839 |
| Over one year to five years | - | - | - | - |
| Over five years | - | - | - | - |
| Profit Rate Related Contracts | | | | |
| One year or less | 26,548 | 1,546 | 1,823 | 1,444 |
| Over one year to five years | 139,629 | 594 | 2,994 | 3,198 |
| Over five years | 13,385 | 20 | 803 | 757 |
| Commodity contracts | | | | |
| One year or less | - | - | - | - |
| Over one year to five years | - | - | - | - |
| Over five years | - | - | - | - |
| OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | 29,312,029 | 14,052 | 273,930 | 63,914 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 17,022,238 | | 15,270,164 | 4,925,373 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | - | | - | - |
| Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness | 12,285,454 | | - | - |
| Unutilised credit card lines | 360,498 | | 147,581 | 47,726 |
| Off-balance sheet items for securitisation exposures | - | | - | - |
| **Total** | **63,569,523** | **68,551** | **16,712,332** | **5,643,180** |

**CREDIT RISK *(continued)***

***Off-Balance Sheet Exposures and CCR (continued)***

The tables below show the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

**Table 23: Disclosure on Credit Derivative Transactions**

| (RM'000) | CIMB Islamic | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Notional of Credit Derivatives | | | |
| | Protection Bought | Protection Sold | Protection Bought | Protection Sold |
| Own Credit Portfolio | - | - | - | - |
| Client Intermediation Activities | - | 19,900 | - | 20,200 |
| **Total** | **-** | **19,900** | **-** | **20,200** |
| Credit Default Swaps | - | - | - | - |
| Total Return Swaps | - | 19,900 | - | 20,200 |
| **Total** | **-** | **19,900** | **-** | **20,200** |

***Credit Risk Mitigation***

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support, form an integral part of the credit risk management process. Credit risk mitigants are taken, where possible, and are considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

All extension of secured credit facilities deemed prudent, must be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy/standard. GCC or the relevant credit approving authority is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, quoted shares, unit trusts and sukuk/securities, while physical collateral includes land, buildings and vehicles. Guarantors accepted are in line with BNM's CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a procedure for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

**CREDIT RISK *(continued)***

***Credit Risk Mitigation (continued)***

iii) Netting

In mitigating the counterparty credit risks in foreign exchange and derivative transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

iv) Portfolio diversification for better clarity

The Group avoids unwanted credit or market risk concentrations by diversifying our portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2023 and 31 December 2022:

**Table 24: Disclosure on Credit Risk Mitigation**

| 2023 | | | | CIMB Islamic |
|---|---|---|---|---|
| **(RM'000) Exposure Class** | **Exposures before CRM** | **Exposures Covered by Guarantees/ Credit Derivatives** | **Exposures Covered by Eligible Financial Collateral** | **Exposures Covered by Other Eligible Collateral** |
| ***Performing Exposures*** | | | | |
| Sovereign/Central Banks | 25,751,378 | - | - | - |
| Public Sector Entities | 3,075,973 | 2,930,043 | - | - |
| Banks, DFIs & MDBs | 2,831,389 | - | 2 | - |
| Takaful Operators, Securities Firms & Fund Managers | 0 | - | - | - |
| Corporate | 37,590,769 | 3,184,843 | 807,254 | 9,248,739 |
| RRE Financing | 42,788,092 | - | - | - |
| Qualifying Revolving Retail | 592,182 | - | - | - |
| Hire Purchase | 17,828,409 | - | - | - |
| Other Retail | 39,723,896 | 1,483,570 | 88,290 | - |
| Securitisation | 15,354 | - | - | - |
| Higher Risk Assets | - | - | - | - |
| Other Assets | 246,492 | - | - | - |
| ***Defaulted Exposures*** | 2,771,436 | 797 | 6,331 | 123,323 |
| **Total Exposures** | **173,215,370** | **7,599,253** | **901,877** | **9,372,061** |

*The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.*

**CREDIT RISK *(continued)***

***Credit Risk Mitigation (continued)***

**Table 24: Disclosure on Credit Risk Mitigation (continued)**

| **2022** | | | | **CIMB Islamic** |
|---|---|---|---|---|
| **(RM'000) Exposure Class** | **Exposures before CRM** | **Exposures Covered by Guarantees/ Credit Derivatives** | **Exposures Covered by Eligible Financial Collateral** | **Exposures Covered by Other Eligible Collateral** |
| ***Performing Exposures*** | | | | |
| Sovereign/Central Banks | 26,237,445 | - | - | - |
| Public Sector Entities | 3,108,358 | 2,539,445 | - | - |
| Banks, DFIs & MDBs | 2,016,799 | - | 120 | - |
| Takaful Operators, Securities Firms & Fund Managers | - | - | - | - |
| Corporate | 32,427,618 | 3,109,375 | 730,121 | 8,307,874 |
| RRE Financing | 35,515,470 | - | - | - |
| Qualifying Revolving Retail | 334,478 | - | - | - |
| Hire Purchase | 15,211,435 | - | - | - |
| Other Retail | 40,693,322 | 1,113,452 | 687,657 | - |
| Securitisation | - | - | - | - |
| Higher Risk Assets | - | - | - | - |
| Other Assets | 347,779 | - | - | - |
| ***Defaulted Exposures*** | 1,701,740 | 203 | 6,175 | 122,102 |
| **Total Exposures** | **157,594,445** | **6,762,474** | **1,424,073** | **8,429,977** |

*The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.*

## SECURITISATION

### *The Role CIMB Plays in the Securitisation Process*

In the course of its business, CIMB Group has undertaken securitisations of its own originated assets as a means of diversifying funding source, as well as advised on securitisations of third party assets as part of its regional debt capital markets services for its clients.

CIMB Group securitises its own assets in order to, amongst others, manage credit risk and to manage term funding for CIMB Group's balance sheet. Typically, CIMB Group undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets
- Asset-backed securities marketing, syndication and trading
- Provider of liquidity facilities to self-originated and third-party transactions
- Investor of third-party securitisations (where CIMB is not originator or sponsor)

### *Disclosure on Securitisation for Banking Book*

The following tables show the disclosure on Securitisation for Banking Book for 31 December 2023 and 31 December 2022:

**Table 25: Disclosure on Securitisation for Banking Book**

| 2023 (RM'000) | CIMB Islamic | | | |
|---|---|---|---|---|
| **Underlying Asset** | **Total Exposures Securitised** | **Past Due** | **Credit Impaired** | **Gains/(Losses) Recognised during the year** |
| **TRADITIONAL SECURITISATION (Banking Book)** | | | | |
| **Originated by the Banking Institution** | | | | |
| Hire Purchase Exposure | - | - | - | - |

| 2022 (RM'000) | CIMB Islamic | | | |
|---|---|---|---|---|
| **Underlying Asset** | **Total Exposures Securitised** | **Past Due** | **Credit Impaired** | **Gains/(Losses) Recognised during the year** |
| **TRADITIONAL SECURITISATION (Banking Book)** | | | | |
| **Originated by the Banking Institution** | | | | |
| Hire Purchase Exposure | - | - | - | - |

## SECURITISATION *(continued)*

***Disclosure on Securitisation under the SA for Banking Book***

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

**Table 26: Disclosure on Securitisation under the SA for Banking Book Exposures**

| 2023 | | | | | | | | | | | | CIMB Islamic |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000)<br>Exposure Class | Net Exposure After CRM | Exposures subject to deduction | Distribution of Exposures after CRM according to Applicable Risk Weights | | | | | | | | | Risk-Weighted Assets |
| | | | Rated Securitisation Exposures | | | | | | | Unrated (Look Through) | | |
| | | | 0% | 10% | 20% | 50% | 100% | 350% | 1250% | Weighted Average RW | Exposure Amount | |
| **Traditional Securitisation (Banking Book)** | | | | | | | | | | | | |
| *Non-originating Banking Institution* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | 15,354 | - | - | - | 15,354 | - | - | - | - | | | 3,071 |
| Mezzanine | - | - | - | - | - | - | - | - | - | | | - |
| First loss | - | - | - | - | - | - | - | - | - | | | - |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | - | - | | | - | - | - | - | - | | | - |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - |

**SECURITISATION *(continued)***

***Securitisation under the SA for Banking Book (continued)***

**Table 26: Disclosure on Securitisation under the SA for Banking Book Exposures *(continued)***

| 2023 | | | | | | | | | | | | | CIMB Islamic |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000) Exposure Class | Net Exposure After CRM | Exposures subject to deduction | Distribution of Exposures after CRM according to Applicable Risk Weights | | | | | | | | | | Risk-Weighted Assets |
| | | | Rated Securitisation Exposures | | | | | | | Unrated (Look Through) | | | |
| | | | 0% | 10% | 20% | 50% | 100% | 350% | 1250% | Weighted Average RW | Exposure Amount | | |
| *Originating Banking Institution* | | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | | |
| Most senior | - | - | - | - | - | - | - | - | - | | | - | |
| Mezzanine | - | - | - | - | - | - | - | - | - | | | - | |
| First loss | - | - | - | - | - | - | - | - | - | | | - | |
| *Off-Balance Sheet* | | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | | |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | - | - | | | - | - | - | - | - | - | - | - | |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | - | - | | | - | - | - | - | - | | | - | |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - | |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - | |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - | |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - | |
| **Total Exposures** | **15,354** | **-** | **-** | **-** | **15,354** | **-** | **-** | **-** | **-** | **-** | **-** | **3,071** | |

**SECURITISATION *(continued)***

***Securitisation under the SA for Banking Book (continued)***

**Table 26: Disclosure on Securitisation under the SA for Banking Book Exposures *(continued)***

| **2022** | | | | | | | | | | | | **CIMB Islamic** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **(RM'000)**<br>**Exposure Class** | **Net Exposure After CRM** | **Exposures subject to deduction** | **Distribution of Exposures after CRM according to Applicable Risk Weights** | | | | | | | | | **Risk-Weighted Assets** |
| | | | **Rated Securitisation Exposures** | | | | | | | **Unrated (Look Through)** | | |
| | | | **0%** | **10%** | **20%** | **50%** | **100%** | **350%** | **1250%** | **Weighted Average RW** | **Exposure Amount** | |
| **Traditional Securitisation (Banking Book)** | | | | | | | | | | | | |
| _Non-originating Banking Institution_ | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | - | - | - | - | - | - | - | - | - | | | - |
| Mezzanine | - | - | - | - | - | - | - | - | - | | | - |
| First loss | - | - | - | - | - | - | - | - | - | | | - |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | - | - | | | - | - | - | - | - | | | - |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - |

**SECURITISATION *(continued)***

***Securitisation under the SA for Banking Book (continued)***

**Table 26: Disclosure on Securitisation under the SA for Banking Book Exposures *(continued)***

| 2022 | | | | | | | | | | | | CIMB Islamic |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000)<br>Exposure Class | Net Exposure After CRM | Exposures subject to deduction | Distribution of Exposures after CRM according to Applicable Risk Weights | | | | | | | | | Risk-Weighted Assets |
| | | | Rated Securitisation Exposures | | | | | | | Unrated (Look Through) | | |
| | | | 0% | 10% | 20% | 50% | 100% | 350% | 1250% | Weighted Average RW | Exposure Amount | |
| *<u>Originating Banking Institution</u>* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | - | - | - | - | - | - | - | - | - | | | - |
| Mezzanine | - | - | - | - | - | - | - | - | - | | | - |
| First loss | - | - | - | - | - | - | - | - | - | | | - |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | - | - | | | - | - | - | - | - | - | - | - |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | - | - | | | - | - | - | - | - | | | - |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - |
| **Total Exposures** | - | - | - | - | - | - | - | - | - | - | - | - |

***Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge***

As at 31 December 2023 and 31 December 2022, CIMB Islamic has no Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge.

**MARKET RISK**

Market risk is defined as fluctuations in the value of financial instruments due to changes in market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

***Market Risk Management***

The Group hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

The Group adopts various measures as part of the risk management process. The GRCC with the assistance of GMCRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board.

Market Risk CoE is responsible for measuring and controlling the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework. Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by Market Risk Management quantitative analysts to assess their applicability relative to market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets' trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, monitoring limit usage, assessing limit adequacy and verifying transaction prices.

***Capital Treatment for Market Risk***

At present, the Group adopts the Standardised Approach 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 for CIMB Islamic for the following in Table 2:

- Profit Rate Risk;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

**OPERATIONAL RISK**

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks.

***Operational Risk Management Oversight***

The NFRM CoE, within Group Risk , provides the methodology, tools and processes for the identification, assessment, reporting and management of operational risks by the respective risk owners across the Group. Identified risks are rated using a defined risk rating methodology applied across the Group's Three Lines-of-Defence. The NFRM CoE also independently oversees identification and monitoring of operational risk and controls that resides within the first line-of-defence.

Monitoring of the identified risks is primarily done through the Operational Risk Committee or relevant risk management committees operating in each material geography and business line. These committees report up to the relevant functional or country level committees.

The Group Operational & Resiliency Risk Management Committee (GORRC) is the committee established at the Group-level that is tasked to oversee the operational risk framework and policies to ensure they are appropriate for the size and complexity of the current and future operations of CIMB Group and make recommendation to the GRCC for approval. GORRC oversees and monitors the overall operational risk control environment of CIMB Group and reports to GRCC on material operational risks.

***Operational Risk Management Approach***

CIMB Group recognises that the key determinant for a well-managed banking operation is to cultivate an organisation-wide risk management discipline and culture. The Group manages operational risks through the following key measures:

i) Sound risk management practices in accordance with Basel regulatory guidelines;
ii) Management oversight;
iii) Well-defined responsibilities for all personnel concerned;
iv) Establishment of a risk management culture; and

**OPERATIONAL RISK (continued)**

***Operational Risk Management Approach (continued)***

v) Deployment of Operational Risk Management (ORM) tools that include:

- Operational Event and Loss Data Management;
- Risk & Control Self-Assessment;
- Control Issue Management;
- Key Risk Indicators;
- Product Approval Process; and
- Scenario Analysis.

These tools form part of the operational risk framework that allows the Group to effectively identify, measure, mitigate and report its operational risks. Each material division of the Group self-assesses on their internal risk and control environment rating and report key control deficiencies with remediation plans.

Each new product and product variation, including changes to the product related process flow is subjected to rigorous risk review, where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners.

The promotion of a risk management culture within the Group, whereby the demand for integrity and honesty is non-negotiable, remains the core theme in our operational risk awareness program. Additionally, the e-learning module on operational risk management has enhanced the awareness of operational risk amongst the staff.

***Capital Treatment for Operational Risk***

The Bank adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

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

**EQUITY EXPOSURES IN BANKING BOOK**

The Group's banking book equity investments consist of:

i) Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and

ii) Investments held for yield and/or long-term capital gains.

The Group's and CIMB Islamic Bank's banking book equity investments are measured at fair value in accordance with Malaysian Financial Reporting Standards.

As at 31 December 2023 and 31 December 2022, there were no realised and unrealised gains and losses recorded for equity holdings in Banking Book for CIMB Islamic Bank.

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2023 and 31 December 2022:

**Table 27: Analysis of Equity Investments by Grouping and RWA**

| (RM'000) | CIMB Islamic | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Exposures subject to Risk-Weighting | RWA | Exposures subject to Risk-Weighting | RWA |
| Privately held | - | - | - | - |
| Publicly traded | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |

## RATE OF RETURN RISK IN THE BANKING BOOK

RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of profit rates.

*RORBB Management*

The Group manages its banking book exposure to fluctuations in the profit rates through policies established by GALCO. The GALCO is a board-delegated committee which reports to the GRCC. RORBB undertaken by the Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by the Group. The risk appetite is established by the Board. With the support from ALM COE under Group Risk, EXCO Balance Sheet Management under Group Corporate Treasury and Capital Management under Group Finance, the GALCO is responsible for steering the Group's balance sheet and hedging strategies, the overall rate of return risk in the banking book profile and ensuring that such risk profile is within the established risk appetite. Rate of return risk in the banking book exposure based on balance sheet forecasts and relevant risk drivers are projected to help in business and hedging strategies planning. Treasury & Markets, together with EXCO Balance Sheet Management and Capital Management, are responsible for the day-to-day management of exposures and gapping activities including execution of hedging strategies.

RORBB is measured by:

- Economic Value of Equity sensitivity:

  Measures the long-term impact of sudden profit rate movement across the full maturity spectrum of the Group's assets and liabilities. It defines and quantifies rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in profit rates. This measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel profit rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing are profiled based on core balance assumptions. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

**RATE OF RETURN RISK IN THE BANKING BOOK *(continued)***

***RORBB Management (continued)***

- Economic Value of Equity sensitivity (continued)
  The table below illustrates CIMB Islamic's RORBB under a 100 bps parallel upward profit rate shock from economic value perspective:

**Table 28: RORBB – Impact on Economic Value**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | 2023 | 2022 |
| Currency | +100bps<br>Increase/(Decline) in Economic Value<br>(Value in RM Equivalent) | |
| Ringgit Malaysia | (1,036,801) | (826,305) |
| US Dollar | (17,166) | 2,965 |
| Thai Baht | 2 | - |
| Singapore Dollar | 2 | 1 |
| Others | (2,470) | (644) |
| **Total** | **(1,056,433)** | **(823,983)** |

- Earnings-at-Risk:
  The potential impact of profit rate changes on the Bank's accruing or reported earnings. It focuses on risk-to-earnings in the near term, typically the next one year. Fluctuations in profit rates generally affect reported earnings through changes in the Bank's net profit, which is the difference between total income earned from assets and total expense incurred from liabilities. The Group's EAR is applied to the flat balance sheet position with product pricing strategies.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel profit rate shock is applied to the static balance sheet positions. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing are profiled based on core balance assumptions. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

**RATE OF RETURN RISK IN THE BANKING BOOK *(continued)***

***RORBB Management (continued)***

- Earnings-at-Risk (continued)

  The table below illustrates CIMB Islamic's RORBB under a 100 bps parallel upward profit rate shock from the earnings perspective:

**Table 29: RORBB – Impact on Earnings**

| (RM'000) | CIMB Islamic | |
|---|---|---|
| | 2023 | 2022 |
| **Currency** | **+100bps Increase/(Decline) in Earnings (Value in RM Equivalent)** | |
| Ringgit Malaysia | 26,612 | 34,761 |
| US Dollar | (30,380) | (37,069) |
| Thai Baht | (52) | 9 |
| Singapore Dollar | (44) | (27) |
| Others | (3,178) | (2,925) |
| **Total** | **(7,042)** | **(5,251)** |

## SUSTAINABILITY RISK

Sustainability risk is defined as the risk of financial and non-financial impact arising from environmental, social and ethical issues stemming from transactions and/or activities associated with a business relation and its operations, and/ or the Group's own internal operations and employee.

The Sustainability Governance Framework defines the roles and responsibilities of Board, management and the rest of the organisation in fulfilling our aspiration to become a high performing purpose-driven organisation to help advance customers and society. The framework also aims to ensure that sustainability-related risks are effectively identified, assessed and managed in a timely manner, while improving transparency through disclosures and reporting to promote overall accountability. The Sustainability Governance Framework, including the sustainability operating model, sustainability risk management framework, as well as policies and procedures, are regularly reviewed and strengthened to ensure continued relevance in view of emerging risks and evolving stakeholder priorities.

Three main policies ensure proper governance and management of sustainability risks across the Group. These are:

- Group Sustainability Policy (GSP), which outlines our overarching principles and approach to sustainability and sustainability risk management.

- Group Sustainable Financing Policy (GSFP) governs the handling of environmental and social risks in non-retail financing and capital raising transactions for clients. CIMB has identified 148 sub-sectors, within 10 main industries, that are classified as high sustainability risk. We have developed seven Sector Guides that cover palm oil, forestry, oil and gas, construction and infrastructure, coal, mining and quarrying, and manufacturing sectors.

- Group Human Rights Policy (GHR), which lays out our overarching commitments, principles and approaches to respecting Human Rights.

[END OF SECTION]