



ALLIANCE BANK

PILLAR 3 REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020



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ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

BASEL II PILLAR 3 REPORT DISCLOSURE

272	Overview
273	Scope of Application
273	Capital
2.1	Capital Adequacy Ratios
2.2	Capital Structure
2.3	Risk-Weighted Assets and Capital Requirements
280	Credit Risk
3.1	Distribution of Credit Exposures
3.2	Past Due but Not Impaired Loans, Advances and Financing Analysis
3.3	Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis
3.4	Assignment of Risk-Weights for Portfolios Under the Standardised Approach
3.5	Credit Risk Mitigation
3.6	Off-Balance Sheet Exposures and Counterparty Credit Risk
317	Market Risk
319	Operational Risk
320	Equity Exposures in Banking Book
321	Interest Rate Risk/Rate of Return Risk in the Banking Book
323	Shariah Governance Disclosures

More on this subject:

<https://www.alliancebank.com.my/annualreport2020>

BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2020

OVERVIEW

Bank Negara Malaysia's ("BNM") guidelines on capital adequacy require Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 3 main aspects:

- (a) Pillar 1 – covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- (b) Pillar 2 – involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 – covers disclosure and external communication of risk and capital information by banks.

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

To ensure that risks and returns are appropriately balanced, the Group has implemented a Group-wide Integrated Risk Management Framework, with guidelines for identifying, measuring, and managing risks. This process includes quantifying and aggregating various risks in order to ensure the Group and each entity has sufficient capital to cushion unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered to;
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process; and
- (iii) Regular reporting of regulatory and internal capital ratios to senior management and the Board.

In addition, the Group's capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group's earnings and capital.

The Group's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure. This policy outlines the minimum disclosure standards, approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process.

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure was prepared on a consolidated basis comprises information on Alliance Bank Malaysia Berhad ("the Bank"), its subsidiaries, associate companies and joint venture. The Group offers Conventional and Islamic banking services. The latter includes accepting deposits and providing financing under Shariah principles via the Bank's wholly-owned subsidiary, Alliance Islamic Bank Berhad.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes. Investments in subsidiaries, associate companies and joint venture are deducted from regulatory capital.

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

There were no capital deficiencies in any of the subsidiaries of the Group as at the financial year end.

The capital adequacy information was computed in accordance with BNM's Capital Adequacy Framework. The Group has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk.

2.0 CAPITAL

In managing its capital, the Group's objectives are:

- (i) To maintain sufficient capital to meet the regulatory capital requirements as set forth by BNM;
- (ii) To maintain sufficient capital to support the Group's risk appetite and facilitate future business growth; and
- (iii) To meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are above the regulatory requirements, while balancing shareholders' desire for sustainable returns and prudential standards.

The Group carries out stress testing to estimate the potential impact of extreme but plausible events on the Group's earnings, balance sheet and capital. The results of the stress tests are to facilitate the formulation of contingency plan(s) where warranted. The results of the stress tests are tabled to the Group Risk Management Committee ("GRMC") for approval.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

2.0 CAPITAL (CONT'D)

2.1 Capital Adequacy Ratios

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	GROUP		BANK	
	2020	2019	2020	2019
<u>Before deducting proposed dividends</u>				
CET I capital ratio	13.826%	13.736%	12.899%	12.061%
Tier I capital ratio	14.593%	14.423%	13.771%	12.940%
Total capital ratio	18.902%	18.856%	18.634%	17.841%
<u>After deducting proposed dividends</u>				
CET I capital ratio	13.826%	13.388%	12.899%	11.614%
Tier I capital ratio	14.593%	14.074%	13.771%	12.493%
Total capital ratio	18.902%	18.508%	18.634%	17.394%

(b) The capital adequacy ratios of the banking subsidiaries are as follows:

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2020		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	10.507%	98.737%
Tier I capital ratio	11.617%	98.737%
Total capital ratio	14.233%	99.682%
<u>After deducting proposed dividends</u>		
CET I capital ratio	10.507%	97.246%
Tier I capital ratio	11.617%	97.246%
Total capital ratio	14.233%	98.190%
2019		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	11.690%	78.200%
Tier I capital ratio	12.950%	78.200%
Total capital ratio	15.762%	79.196%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.339%	78.200%
Tier I capital ratio	12.599%	78.200%
Total capital ratio	15.411%	79.196%

The Group's and the Bank's capital ratios comply with the prescribed capital adequacy ratios under BNM's Capital Adequacy Framework.

2.0 CAPITAL (CONT'D)

2.2 Capital Structure

The following tables present the components of Common Equity Tier I ("CET I"), Tier I and Tier II capital.

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>CET I Capital/Tier I Capital</u>				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	3,974,847	3,827,676	3,346,890	3,128,589
Regulatory reserves	224,579	178,397	182,292	160,798
Financial investments at fair value through other comprehensive income (FVOCI) reserves	140,966	68,540	79,612	36,449
Capital reserves	100,150	100,150	15,515	95,515
	5,988,648	5,722,869	5,172,415	4,969,457
Less: Regulatory adjustments				
- Goodwill and other intangibles	(437,086)	(432,961)	(332,680)	(323,804)
- Deferred tax assets	(28,125)	(72,972)	(14,074)	(50,116)
- 55% of FVOCI reserves	(77,531)	(37,697)	(43,787)	(20,047)
- Regulatory reserves	(224,579)	(178,397)	(182,292)	(160,798)
- Investment in subsidiaries, associate and joint venture	(903)	(802)	(909,102)	(989,102)
Total CET I capital	5,220,424	5,000,040	3,690,480	3,425,590
Additional Tier I Capital Securities	289,844	249,792	249,584	249,445
Total Additional Tier I Capital	289,844	249,792	249,584	249,445
Total Tier I Capital	5,510,268	5,249,832	3,940,064	3,675,035
<u>Tier II Capital</u>				
Subordinated obligations	1,199,829	1,199,676	1,199,719	1,199,381
Expected credit losses* and regulatory reserves	427,020	414,258	321,754	322,740
Less: Regulatory adjustments				
- Investment in Tier II capital instruments	—	—	(130,000)	(130,000)
Total Tier II Capital	1,626,849	1,613,934	1,391,473	1,392,121
Total Capital	7,137,117	6,863,766	5,331,537	5,067,156

* Expected credit losses for stage 1 and stage 2 only.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

2.0 CAPITAL (CONT'D)

2.3 Risk-Weighted Assets ("RWA") and Capital Requirements

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirements of the Group and the Bank:

GROUP 2020 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	9,409,103	9,409,103	–	–
Public sector entities	691,368	691,368	138,273	11,062
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	620,046	620,046	128,440	10,275
Insurance companies, securities firms and fund managers	14,870	14,870	14,870	1,190
Corporates	20,583,524	19,156,000	15,246,603	1,219,728
Regulatory retail	9,933,347	9,324,614	7,398,375	591,870
Residential mortgages	16,789,019	16,779,130	6,520,758	521,661
Higher risk assets	5,672	5,668	8,501	680
Other assets	1,291,944	1,291,944	758,493	60,679
Equity exposures	–	–	–	–
Defaulted exposures	579,637	578,198	557,724	44,618
Total on-balance sheet exposures	59,918,530	57,870,941	30,772,037	2,461,763
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,918,895	3,405,404	2,999,358	239,949
Derivative financial instruments	829,742	829,742	389,154	31,132
Defaulted exposures	747	742	1,098	88
Total off-balance sheet exposures	4,749,384	4,235,888	3,389,610	271,169
Total on and off-balance sheet exposures	64,667,914	62,106,829	34,161,647	2,732,932
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	24,637,343	(24,078,252)	374,470	29,958
Foreign currency risk	17,508	(97,129)	97,125	7,770
	24,654,851	(24,175,381)		
Option risk			713	57
Total			472,308	37,785
(iii) <u>Operational Risk</u>	–	–	3,125,054	250,004
Total	64,667,914	62,106,829	37,759,009	3,020,721

2.0 CAPITAL (CONT'D)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirements of the Group and the Bank: (cont'd)

BANK 2020 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,896,805	6,896,805	–	–
Public sector entities	239,371	239,371	47,874	3,830
Banks, DFIs and Multilateral Development Banks	1,182,409	1,182,409	390,093	31,207
Insurance companies, securities firms and fund managers	8,008	8,008	8,008	641
Corporates	15,113,912	13,985,139	11,499,187	919,935
Regulatory retail	7,424,239	6,892,810	5,366,560	429,325
Residential mortgages	12,180,706	12,171,122	4,560,056	364,804
Higher risk assets	5,451	5,446	8,170	654
Other assets	1,223,138	1,223,138	689,686	55,175
Equity exposures	–	–	–	–
Defaulted exposures	421,576	421,119	416,251	33,300
Total on-balance sheet exposures	44,695,615	43,025,367	22,985,885	1,838,871
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,055,715	2,639,204	2,364,494	189,160
Derivative financial instruments	829,742	829,742	389,154	31,132
Defaulted exposures	545	540	800	64
Total off-balance sheet exposures	3,886,002	3,469,486	2,754,448	220,356
Total on and off-balance sheet exposures	48,581,617	46,494,853	25,740,333	2,059,227
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	24,637,343	(24,078,252)	374,470	29,958
Foreign currency risk	17,486	(97,129)	97,125	7,770
	24,654,829	(24,175,381)		
Option risk			713	57
Total			472,308	37,785
(iii) <u>Operational Risk</u>	–	–	2,398,815	191,905
Total	48,581,617	46,494,853	28,611,456	2,288,917

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

2.0 CAPITAL (CONT'D)**2.3 RWA and Capital Requirements (cont'd)****Regulatory Capital Requirements (cont'd)**

The following tables present the minimum regulatory capital requirements of the Group and the Bank: (cont'd)

GROUP 2019 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	8,186,546	8,186,546	–	–
Public sector entities	196,261	196,261	39,253	3,140
Banks, DFIs and Multilateral Development Banks	829,576	829,576	164,010	13,121
Insurance companies, securities firms and fund managers	35,557	35,557	35,556	2,844
Corporates	19,580,592	17,950,144	14,854,259	1,188,340
Regulatory retail	9,999,499	9,245,382	7,256,654	580,532
Residential mortgages	16,073,138	16,062,759	6,981,541	558,523
Higher risk assets	11,086	11,080	16,621	1,330
Other assets	694,371	694,371	438,729	35,098
Equity exposures	187,525	187,525	187,525	15,002
Defaulted exposures	262,387	259,915	271,190	21,695
Total on-balance sheet exposures	56,056,537	53,659,116	30,245,338	2,419,627
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,920,784	3,400,266	2,783,856	222,708
Derivative financial instruments	239,854	239,854	109,148	8,732
Defaulted exposures	1,718	1,218	2,300	184
Total off-balance sheet exposures	4,162,356	3,641,339	2,895,304	231,624
Total on and off-balance sheet exposures	60,218,893	57,300,455	33,140,642	2,651,251
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	5,598,049	(5,562,082)	149,542	11,963
Foreign currency risk	11,575	(124,410)	124,410	9,953
	5,609,624	(5,686,492)		
Option risk			990	79
Total			274,942	21,995
(iii) Operational Risk	–	–	2,984,529	238,762
Total	60,218,893	57,300,455	36,400,113	2,912,008

2.0 CAPITAL (CONT'D)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirements of the Group and the Bank: (cont'd)

BANK 2019 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,596,654	5,596,654	–	–
Public sector entities	69,280	69,280	13,856	1,108
Banks, DFIs and Multilateral Development Banks	1,715,604	1,715,604	568,061	45,445
Insurance companies, securities firms and fund managers	28,494	28,494	28,494	2,280
Corporates	14,760,638	13,523,216	11,591,934	927,355
Regulatory retail	7,519,108	6,845,343	5,286,525	422,922
Residential mortgages	12,335,936	12,326,574	5,320,900	425,672
Higher risk assets	9,472	9,466	14,200	1,136
Other assets	616,262	616,262	361,152	28,892
Equity exposures	126,741	126,741	126,743	10,139
Defaulted exposures	200,941	199,593	209,263	16,741
Total on-balance sheet exposures	42,979,130	41,057,227	23,521,128	1,881,690
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,091,073	2,647,418	2,187,138	174,971
Derivative financial instruments	239,854	239,854	109,148	8,732
Defaulted exposures	1,360	860	1,770	142
Total off-balance sheet exposures	3,332,287	2,888,132	2,298,056	183,845
Total on and off-balance sheet exposures	46,311,417	43,945,359	25,819,184	2,065,535
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	5,598,049	(5,562,082)	149,542	11,963
Foreign currency risk	11,575	(124,410)	124,410	9,953
	5,609,624	(5,686,492)		
Option risk			990	79
Total			274,942	21,995
(iii) <u>Operational Risk</u>	–	–	2,307,070	184,566
Total	46,311,417	43,945,359	28,401,196	2,272,096

Note:

Under Islamic banking, the Group does not use Profit-sharing Investment Account (“PSIA”) as a risk absorbent mechanism.

The Group and the Bank do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM’s Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or to settle financial commitments.

Credit Risk Management

The Board, via the GRMC, established a Credit Risk Management Framework ("CRMF") which outlines the broad principles for managing credit risk of the Group.

Credit approval is under the purview of the Executive Committee, Group Management Credit Committee and Credit Underwriters, depending on the size and complexity of the loans.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. The Portfolio Review Committee for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. The process also ensures alignment of business strategy with the Bank's risk appetite.

Potential problem loans or issues on portfolio are identified through our Early Warning Framework and thematic reviews, where applicable. Recovery of impaired loans are carried out internally or through authorised agents.

The Portfolio Review Committees for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. Portfolio risk reports are reviewed and action plans are formulated to manage identified risks.

Entity level Risk Dashboards are escalated to the Executive Risk Management Committee (Senior Management Level), GRMC (Board Level) and the Board for deliberation and strategic direction.

Group Risk Management is responsible for assessing the adequacy and effectiveness of the risk management framework, policies and guidelines. Embedded risk units are responsible for monitoring business activities and ensuring that they are carried out within the approved policies and business models.

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and assess the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and to formulate effective mitigation actions when required. Sensitivity analysis are conducted to assess potential effect of individual risk factors.

Group Internal Audit reviews the Bank's credit processes regularly and recommends corrective measures or enhancements. These reviews provide senior management with assurance that the policies, processes and guidelines are adhered to.

Impaired Loans and Provisions

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the mandatory impairment thresholds are exceeded or judgmentally impaired when there are reasonable grounds to believe that the borrower may not be able to repay the entire loan amount.

Provisions for expected credit losses are carried out based on the MFRS9 approach, loans with defined risk characteristics are transferred to Stage 2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 under MFRS9. Loans that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on probability of default over the next 12 months.

Please refer to Note 2(k)(i) of the audited financial statements for accounting policies on impairment of financial assets.

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

GROUP 2020	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	2,579,019	-	-	-	6,743	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-
Amounts due from clients and brokers	10,906	36,558	3,701	-	-	-	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	-	447,954	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	11,544,502	-	-	-	-	11,544,502
Financial investments at amortised cost	-	121,607	-	-	-	-	121,607
Derivative financial assets	-	436,910	-	-	-	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	3,161,881	30,874,283	5,351,408	2,929,864	1,057,482	-	43,374,918
Statutory deposits with Bank Negara Malaysia	-	949,049	-	-	-	-	949,049
Total on-balance sheet	3,172,787	46,989,882	5,355,109	2,929,864	1,057,482	6,743	59,511,867
Financial guarantees	72,649	758,620	59,333	33,802	15,370	-	939,774
Credit related commitments and contingencies	1,322,583	8,571,914	1,386,967	777,995	488,675	-	12,548,134
Total off-balance sheet	1,395,232	9,330,534	1,446,300	811,797	504,045	-	13,487,908
Total credit exposure	4,568,019	56,320,416	6,801,409	3,741,661	1,561,527	6,743	72,999,775

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(a) Geographical Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate: (cont'd)

BANK 2020	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	1,948,332	-	-	-	6,743	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	-	447,954	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	8,426,773	-	-	-	-	8,426,773
Financial investments at amortised cost	-	170,777	-	-	-	-	170,777
Derivative financial assets	-	436,910	-	-	-	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	2,184,597	23,300,250	4,070,243	2,043,579	737,733	-	32,336,402
Statutory deposits with Bank Negara Malaysia	-	700,355	-	-	-	-	700,355
Total on-balance sheet	2,184,597	35,431,351	4,070,243	2,043,579	737,733	6,743	44,474,246
Financial guarantees	61,314	578,394	44,304	29,763	14,365	-	728,140
Credit related commitments and contingencies	842,369	7,107,777	998,372	614,085	370,090	-	9,932,693
Total off-balance sheet	903,683	7,686,171	1,042,676	643,848	384,455	-	10,660,833
Total credit exposure	3,088,280	43,117,522	5,112,919	2,687,427	1,122,188	6,743	55,135,079

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(a) Geographical Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate: (cont'd)

GROUP 2019	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	–	1,524,871	–	–	–	24,753	1,549,624
Deposits and placements with banks and other financial institutions	–	500	–	–	–	–	500
Amounts due from clients and brokers	11,527	55,322	10,159	–	–	–	77,008
Financial assets at fair value through profit or loss (exclude equity securities)	–	42,923	–	–	–	–	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	–	9,478,454	–	–	–	–	9,478,454
Financial investments at amortised cost	–	235,720	–	–	–	–	235,720
Derivative financial assets	–	55,442	–	–	–	–	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	3,071,510	30,376,554	5,240,640	2,859,102	965,175	–	42,512,982
Statutory deposits with Bank Negara Malaysia	–	1,521,592	–	–	–	–	1,521,592
Total on-balance sheet	3,083,037	43,291,377	5,250,800	2,859,102	965,175	24,753	55,474,245
Financial guarantees	80,179	519,451	57,431	52,646	11,793	–	721,500
Credit related commitments and contingencies	1,203,797	8,500,343	1,349,365	788,017	460,014	–	12,301,536
Total off-balance sheet	1,283,976	9,019,794	1,406,796	840,663	471,807	–	13,023,036
Total credit exposure	4,367,013	52,311,172	6,657,596	3,699,765	1,436,982	24,753	68,497,280

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(a) Geographical Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate: (cont'd)

BANK 2019	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	–	1,292,132	–	–	–	24,753	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)	–	42,923	–	–	–	–	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	–	6,852,858	–	–	–	–	6,852,858
Financial investments at amortised cost	–	311,930	–	–	–	–	311,930
Derivative financial assets	–	55,442	–	–	–	–	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	2,206,689	23,649,545	3,966,339	2,166,621	722,691	–	32,711,885
Statutory deposits with Bank Negara Malaysia	–	1,142,108	–	–	–	–	1,142,108
Total on-balance sheet	2,206,689	33,346,938	3,966,339	2,166,621	722,691	24,753	42,434,030
Financial guarantees	71,471	354,069	42,526	38,622	11,378	–	518,066
Credit related commitments and contingencies	853,568	7,096,695	1,013,416	624,008	306,300	–	9,893,986
Total off-balance sheet	925,039	7,450,763	1,055,942	662,630	317,677	–	10,412,052
Total credit exposure	3,131,728	40,797,701	5,022,281	2,829,251	1,040,368	24,753	52,846,082

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

GROUP 2020	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,152,462	433,300	-	-	-	-	-	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Amounts due from clients and brokers	-	-	-	-	-	-	51,165	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	-	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	6,307,593	3,122,011	1,567,617	313,311	233,970	-	-	11,544,502
Financial investments at amortised cost	-	101,076	-	-	-	-	20,531	121,607
Derivative financial assets	33,426	199,579	-	-	-	-	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,517,619	729,312	13,224,820	1,412,148	23,097,057	393,962	43,374,918
Statutory deposits with Bank Negara Malaysia	949,049	-	-	-	-	-	-	949,049
Total on-balance sheet	9,880,460	8,383,609	2,296,929	13,538,131	1,646,118	23,097,057	669,563	59,511,867
Financial guarantees	-	189,061	41,638	585,200	108,592	5,921	9,362	939,774
Credit related commitments and contingencies	-	1,185,375	117,653	5,217,530	1,567,808	4,336,335	123,433	12,548,134
Total off-balance sheet	-	1,374,436	159,291	5,802,730	1,676,400	4,342,256	132,795	13,487,908
Total credit risk	9,880,460	9,758,045	2,456,220	19,340,861	3,322,518	27,439,313	802,358	72,999,775

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged: (cont'd)

BANK 2020	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,437,791	517,284	-	-	-	-	-	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	-	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	4,758,660	2,360,920	998,180	200,474	108,539	-	-	8,426,773
Financial investments at amortised cost	-	150,246	-	-	-	-	20,531	170,777
Derivative financial assets	33,426	199,579	-	-	-	-	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,505,767	555,358	10,098,255	1,094,274	16,810,288	272,460	32,336,402
Statutory deposits with Bank Negara Malaysia	700,355	-	-	-	-	-	-	700,355
Total on-balance sheet	7,368,162	6,743,820	1,553,538	10,298,729	1,202,813	16,810,288	496,896	44,474,246
Financial guarantees	-	83,570	36,496	510,836	82,177	5,899	9,162	728,140
Credit related commitments and contingencies	-	905,733	105,348	3,916,916	1,414,135	3,479,637	110,924	9,932,693
Total off-balance sheet	-	989,303	141,844	4,427,752	1,496,312	3,485,536	120,086	10,660,833
Total credit risk	7,368,162	7,733,123	1,695,382	14,726,481	2,699,125	20,295,824	616,982	55,135,079

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged: (cont'd)

GROUP 2019	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,040,926	508,698	-	-	-	-	-	1,549,624
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	-	500
Amounts due from clients and brokers	-	665	-	-	-	-	76,343	77,008
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	5,293,442	2,520,795	1,149,358	245,233	269,626	-	-	9,478,454
Financial investments at amortised cost	121,789	43,404	-	50,015	-	-	20,512	235,720
Derivative financial assets	-	35,438	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,451,999	695,780	12,952,982	1,406,180	22,560,416	445,625	42,512,982
Statutory deposits with Bank Negara Malaysia	1,521,592	-	-	-	-	-	-	1,521,592
Total on-balance sheet	8,018,750	7,563,409	1,845,145	13,248,234	1,675,807	22,560,416	562,484	55,474,245
Financial guarantees	-	79,794	33,041	542,131	52,123	4,586	9,825	721,500
Credit related commitments and contingencies	141,985	1,540,262	125,463	5,141,861	1,611,172	3,356,111	384,682	12,301,536
Total off-balance sheet	141,985	1,620,056	158,504	5,683,992	1,663,295	3,360,697	394,507	13,023,036
Total credit risk	8,160,735	9,183,465	2,003,649	18,932,226	3,339,102	25,921,113	956,991	68,497,280

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Group's and the Bank's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged: (cont'd)

BANK 2019	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	692,477	624,408	-	-	-	-	-	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)	41,002	1,909	7	4	1	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,705,868	2,098,405	743,892	173,009	131,684	-	-	6,852,858
Financial investments at amortised cost	101,446	164,961	-	25,011	-	-	20,512	311,930
Derivative financial assets	-	35,438	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,480,049	517,512	10,066,243	1,203,030	17,147,433	297,618	32,711,885
Statutory deposits with Bank Negara Malaysia	1,142,108	-	-	-	-	-	-	1,142,108
Total on-balance sheet	5,682,900	6,405,171	1,261,411	10,264,267	1,334,715	17,147,433	338,134	42,434,030
Financial guarantees	-	77,195	27,895	383,755	15,081	4,544	9,596	518,066
Credit related commitments and contingencies	141,985	1,285,169	120,734	4,014,944	1,448,995	2,536,013	346,146	9,893,986
Total off-balance sheet	141,985	1,362,364	148,629	4,398,699	1,464,076	2,540,557	355,742	10,412,052
Total credit risk	5,824,885	7,767,534	1,410,040	14,662,966	2,798,791	19,687,990	693,875	52,846,082

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank:

GROUP 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,585,762	–	–	–	–	2,585,762
Deposits and placements with banks and other financial institutions	–	–	–	–	–	–
Amounts due from clients and brokers	51,165	–	–	–	–	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	–	–	–	2	447,952	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	172,324	532,002	317,104	464,092	10,058,980	11,544,502
Financial investments at amortised cost	–	–	–	16	121,591	121,607
Derivative financial assets	76,325	53,116	60,838	103,827	142,804	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	8,600,960	2,197,009	781,874	230,668	31,564,407	43,374,918
Statutory deposits with Bank Negara Malaysia	–	–	–	–	949,049	949,049
Total on-balance sheet exposure	11,486,536	2,782,127	1,159,816	798,605	43,284,783	59,511,867

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank: (cont'd)

BANK 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,955,075	–	–	–	–	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	–	–	–	2	447,952	447,954
Financial investments at fair value through other comprehensive income(exclude equity securities)	131,528	399,860	221,729	230,243	7,443,413	8,426,773
Financial investments at amortised cost	–	–	–	–	170,777	170,777
Derivative financial assets	76,325	53,116	60,838	103,827	142,804	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	5,967,999	1,559,464	621,672	178,300	24,008,967	32,336,402
Statutory deposits with Bank Negara Malaysia	–	–	–	–	700,355	700,355
Total on-balance sheet exposure	8,130,927	2,012,440	904,239	512,372	32,914,268	44,474,246

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank: (cont'd)

GROUP 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,549,624	–	–	–	–	1,549,624
Deposits and placements with banks and other financial institutions	500	–	–	–	–	500
Amounts due from clients and brokers	77,008	–	–	–	–	77,008
Financial assets at fair value through profit or loss (exclude equity securities)	379	–	118	–	42,425	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	180,003	230,448	387,975	502,664	8,177,363	9,478,454
Financial investments at amortised cost	37,164	4,549	4,994	119,816	69,196	235,720
Derivative financial assets	8,010	5,004	5,812	2,791	33,825	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	8,755,066	2,146,717	892,728	135,785	30,582,686	42,512,982
Statutory deposits with Bank Negara Malaysia	–	–	–	–	1,521,592	1,521,592
Total on-balance sheet exposure	10,607,754	2,386,718	1,291,628	761,056	40,427,087	55,474,245

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Group and the Bank: (cont'd)

BANK 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,316,885	–	–	–	–	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)	379	–	118	–	42,425	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)	58,511	199,629	325,205	488,643	5,780,869	6,852,858
Financial investments at amortised cost	36,891	446	2,556	99,771	172,266	311,930
Derivative financial assets	8,010	5,003	5,812	2,791	33,826	55,442
Loans, advances and financing (exclude sales commissions and handling fees)	6,554,099	1,545,631	677,178	105,355	23,829,622	32,711,885
Statutory deposits with Bank Negara Malaysia	–	–	–	–	1,142,108	1,142,108
Total on-balance sheet exposure	7,974,775	1,750,709	1,010,870	696,560	31,001,116	42,434,030

3.0 CREDIT RISK (CONT'D)

3.2 Past Due but Not Impaired Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but not more than 3 months. Under MFRS9, exposures more than 30 days past due are transferred to Stage 2. For loans that are structured to pay principal and/ or interest at quarterly interval or longer, a default of payment will trigger an impairment.

The following tables represent the past due but not impaired loans, advances and financing analysed by sector:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial, insurance & business services and real estate	158,176	77,853	129,408	66,885
Transport, storage & communication	37,851	30,506	33,643	23,510
Agriculture, manufacturing, wholesale & retail trade	1,345,067	522,877	1,075,631	380,443
Construction	335,890	224,120	245,883	214,987
Household	1,618,582	1,360,089	1,028,837	956,887
Others	38,168	28,584	13,783	3,192
	3,533,734	2,244,029	2,527,185	1,645,903

Past due but not impaired loans, advances and financing analysed by significant geographical areas:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Northern region	294,640	180,081	214,750	127,766
Central region	2,555,013	1,626,610	1,821,590	1,200,186
Southern region	430,123	256,933	303,884	177,217
Sabah region	192,336	148,531	133,145	113,043
Sarawak region	61,622	31,874	53,816	27,691
	3,533,734	2,244,029	2,527,185	1,645,903

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis

Impaired loans, advances and financing are exposures where the customers have failed to make a principal and/or interest payment for more than 3 months. In addition, where customers are deemed incapable of continuing repayment obligations, the exposures will be judgmentally impaired. Where exposures are restructured or rescheduled due to increase in credit risk, the exposures are also classified as impaired.

Impaired loans, advances and financing analysed by sectors:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial, insurance & business services and real estate	30,230	25,503	29,030	24,264
Transport, storage & communication	6,135	3,394	4,088	3,027
Agriculture, manufacturing, wholesale & retail trade	192,991	155,162	152,272	114,135
Construction	48,822	27,515	34,653	21,786
Household	588,904	256,386	414,043	197,271
Others	4,258	8,643	4,257	8,641
	871,340	476,602	638,343	369,124

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

Allowance for expected credit losses on loans, advances and financing analysed by sectors:

GROUP 2020	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit impaired (Stage 3) RM'000	ECL charged/ (write-back) for the year (net) RM'000	Stage 3 write-off for the year RM'000
Financial, insurance & business services and real estate	5,962	16,634	9,235	3,959	(1,028)
Transport, storage & communication	1,824	3,837	5,033	2,190	(383)
Agriculture, manufacturing, wholesale & retail trade	30,706	88,028	94,844	36,270	(16,132)
Construction	2,854	16,624	38,242	13,543	(417)
Household	54,415	142,702	144,348	149,145	(101,018)
Others	792	1,462	1,726	(161)	(595)
	96,553	269,287	293,428	204,946	(119,573)
BANK 2020					
Financial, insurance & business services and real estate	4,527	12,614	8,902	3,877	(1,023)
Transport, storage & communication	1,661	3,259	2,995	434	(363)
Agriculture, manufacturing, wholesale & retail trade	23,866	70,418	83,674	34,330	(13,738)
Construction	2,146	13,981	25,710	7,491	(290)
Household	30,921	76,442	95,364	88,358	(64,670)
Others	556	482	1,725	(161)	(595)
	63,677	177,196	218,370	134,329	(80,679)

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)**3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)**Allowance for expected credit losses on loans, advances and financing analysed by sectors: (cont'd)

GROUP 2019	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit impaired (Stage 2) RM'000	Lifetime ECL Credit impaired (Stage 3) RM'000	ECL charged/ (write-back) for the year (net) RM'000	Stage 3 write-off for the year RM'000
Financial, insurance & business services and real estate	4,598	11,603	6,400	3,191	(647)
Transport, storage & communication	1,130	6,405	3,247	(1,095)	(469)
Agriculture, manufacturing, wholesale & retail trade	19,728	88,997	78,835	25,609	(24,586)
Construction	1,897	12,934	23,909	20,030	(262)
Household	44,317	90,524	102,598	84,607	(74,276)
Others	1,009	2,055	2,476	195	(587)
	72,679	212,519	217,465	132,537	(100,827)
BANK 2019					
Financial, insurance & business services and real estate	3,572	9,090	6,091	3,879	(619)
Transport, storage & communication	956	4,650	2,946	(457)	(469)
Agriculture, manufacturing, wholesale & retail trade	15,854	74,557	64,807	20,102	(24,079)
Construction	1,562	11,568	18,955	15,964	(236)
Household	26,543	41,073	76,059	48,007	(41,612)
Others	647	1,683	2,475	194	(587)
	49,135	142,622	171,332	87,689	(67,602)

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

Impaired loans, advances and financing and allowance for expected credit losses analysed by significant geographical areas:

GROUP 2020	Impaired loans, advances and financing RM'000	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000
Northern region	85,202	9,813	22,862	39,715
Central region	623,066	70,575	192,653	194,895
Southern region	118,968	9,782	30,035	47,533
Sabah region	32,649	4,081	18,414	5,815
Sarawak region	11,455	2,302	5,323	5,470
	871,340	96,553	269,287	293,428
BANK 2020				
Northern region	60,317	5,833	15,713	28,643
Central region	449,333	46,695	127,073	142,883
Southern region	94,908	6,634	15,424	37,819
Sabah region	24,474	2,697	14,215	4,133
Sarawak region	9,311	1,818	4,771	4,892
	638,343	63,677	177,196	218,370
GROUP 2019				
Northern region	49,667	6,430	24,795	27,829
Central region	326,982	53,944	149,923	142,380
Southern region	63,370	7,688	19,785	32,427
Sabah region	25,316	3,039	10,403	8,766
Sarawak region	11,267	1,577	7,613	6,064
	476,602	72,679	212,519	217,465
BANK 2019				
Northern region	39,874	4,097	17,596	24,458
Central region	246,940	37,056	97,747	110,352
Southern region	49,183	4,531	12,249	23,082
Sabah region	22,554	2,110	8,326	7,673
Sarawak region	10,573	1,342	6,704	5,765
	369,124	49,135	142,622	171,332

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)**3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)**

Movements in the allowance for expected credit losses on loans, advances and financing are as follows:

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2019	72,679	212,519	217,465	502,663
Transfer to Stage 1	31,354	(165,725)	(4,458)	(138,829)
Transfer to Stage 2	(44,896)	286,244	(105,254)	136,094
Transfer to Stage 3	(98)	(135,779)	342,624	206,747
New financial assets originated or purchased	57,681	139,436	19,768	216,885
Financial assets derecognised other than write-off	(26,835)	(138,100)	(27,367)	(192,302)
Changes due to change in credit risk	6,655	71,828	(20,379)	58,104
Other adjustment	16	33	12	61
	23,877	57,937	204,946	286,760
Unwinding of discount	–	–	(9,410)	(9,410)
Total charge to income statement	23,877	57,937	195,536	277,350
Write-off	(3)	(1,169)	(119,573)	(120,745)
At 31 March 2020	96,553	269,287	293,428	659,268
BANK				
At 1 April 2019	49,135	142,622	171,332	363,089
Transfer to Stage 1	21,575	(116,457)	(3,908)	(98,790)
Transfer to Stage 2	(29,604)	197,930	(75,350)	92,976
Transfer to Stage 3	(81)	(82,648)	238,931	156,202
New financial assets originated or purchased	35,395	113,212	12,829	161,436
Financial assets derecognised other than write-off	(17,721)	(114,040)	(18,108)	(149,869)
Changes due to change in credit risk	4,962	37,191	(20,077)	22,076
Other adjustment	16	33	12	61
	14,542	35,221	134,329	184,092
Unwinding of discount	–	–	(6,612)	(6,612)
Total charge to income statement	14,542	35,221	127,717	177,480
Write-off	–	(647)	(80,679)	(81,326)
At 31 March 2020	63,677	177,196	218,370	459,243

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis (cont'd)

Movements in the allowance for expected credit losses on loans, advances and financing are as follows: (cont'd)

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2018	66,941	203,691	192,696	463,328
Transfer to Stage 1	24,268	(132,004)	(7,270)	(115,006)
Transfer to Stage 2	(40,020)	232,846	(103,159)	89,667
Transfer to Stage 3	(181)	(114,361)	254,377	139,835
New financial assets originated or purchased	70,774	154,861	15,818	241,453
Financial assets derecognised other than write-off	(39,199)	(152,890)	(19,415)	(211,504)
Changes due to change in credit risk	(9,934)	20,361	(7,814)	2,613
Other adjustment	30	150	–	180
	5,738	8,963	132,537	147,238
Unwinding of discount	–	–	(6,941)	(6,941)
Total charge to income statement	5,738	8,963	125,596	140,297
Write-off	–	(135)	(100,827)	(100,962)
At 31 March 2019	72,679	212,519	217,465	502,663
BANK				
At 1 April 2018	43,894	137,652	156,653	338,199
Transfer to Stage 1	15,264	(90,649)	(5,930)	(81,315)
Transfer to Stage 2	(24,760)	154,042	(71,881)	57,401
Transfer to Stage 3	(148)	(65,538)	178,889	113,203
New financial assets originated or purchased	46,449	120,924	7,800	175,173
Financial assets derecognised other than write-off	(26,381)	(118,951)	(16,490)	(161,822)
Changes due to change in credit risk	(5,213)	5,001	(4,699)	(4,911)
Other adjustment	30	150	–	180
	5,241	4,979	87,689	97,909
Unwinding of discount	–	–	(5,408)	(5,408)
Total charge to income statement	5,241	4,979	82,281	92,501
Write-off	–	(9)	(67,602)	(67,611)
At 31 March 2019	49,135	142,622	171,332	363,089

3.3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach

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

[illegible]

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation: (cont'd)

[illegible]

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation: (cont'd)

BANK 2019 Risk- Weights	Exposures after netting and credit risk mitigation										Total Exposures after	
	Insurance					Higher Risk Assets					Equity Exposures	
	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Fund Managers RM'000	Companies, Securities Firms and Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	Equity Exposures RM'000	Credit Risk Mitigation RM'000	Netting and Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
0%	5,808,639	-	5,024	-	711,113	-	-	255,110	-	6,779,886	-	-
20%	1,225	84,527	1,066,451	-	1,495,449	-	367	-	-	2,648,019	-	529,604
35%	-	-	-	-	-	-	7,444,373	-	-	7,444,373	-	2,605,531
50%	-	-	822,688	-	52,337	17,844	4,503,977	-	-	5,396,846	-	2,698,423
75%	-	-	-	-	-	6,922,612	17,145	-	-	6,939,757	-	5,204,819
100%	-	-	322	29,350	12,950,265	637,477	542,517	361,152	126,738	14,647,821	-	14,647,822
150%	-	-	-	-	39,761	37,390	-	-	3	88,657	-	132,986
Total exposures	5,809,864	84,527	1,894,485	29,350	15,248,925	7,615,323	12,508,379	616,262	126,741	43,945,359	-	25,819,184
Risk-weighted assets by exposures	245	16,905	624,956	29,350	13,335,165	5,894,445	5,412,969	361,152	126,743	25,819,184	-	-
Average risk-weight	0%	20%	33%	100%	87%	77%	43%	59%	100%	59%	-	-
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	-

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor's ("S&P"), Moody's, Fitch, and Rating and Investment ("R&I"). In the context of the Group's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM's Capital Adequacy Framework to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions ("ECAIs"):

GROUP 2020

Exposure Class	Ratings by Approved ECAIs *						Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D/ Others	Unrated	
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated	
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated	
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated	
	R&I	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance-Sheet Exposures</u>							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Public Sector Entities		–	410,923	–	–	–	410,923
Sovereigns and Central Banks (See Note 1)		–	9,459,341	–	–	–	9,459,341
Corporates		–	1,459,459	–	–	–	1,459,459
Banks, DFIs and Multilateral Development Banks		–	–	–	–	–	–
		–	11,329,723	–	–	–	11,329,723
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks		615,927	349,354	487	–	75,770	1,041,538
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks		69,234	–	–	–	–	69,234
		685,161	349,354	487	–	75,770	1,110,772
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities		97,599	–	–	–	287,375	384,974
Corporates		2,922,229	64,336	–	–	18,902,026	21,888,591
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	15,726	15,726
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities		–	–	–	–	–	–
Corporates		99,983	–	–	–	–	99,983
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–	–
		3,119,811	64,336	–	–	19,205,127	22,389,274

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs: (cont'd)

BANK 2020

Exposure Class	Ratings by Approved ECAIs *						Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated	
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated	
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated	
	R&I	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance-Sheet Exposures</u>							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Public Sector Entities		–	108,114	–	–	–	108,114
Sovereigns and Central Banks (See Note 1)		–	6,947,043	–	–	–	6,947,043
Corporates		–	957,161	–	–	–	957,161
Banks, DFIs and Multilateral Development Banks		–	–	–	–	–	–
		–	8,012,318	–	–	–	8,012,318
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks		600,299	957,106	487	–	75,809	1,633,701
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks		39,549	–	–	–	–	39,549
		639,848	957,106	487	–	75,809	1,673,250
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities		30,897	–	–	–	200,890	231,787
Corporates		1,780,409	48,955	–	–	14,545,019	16,374,383
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	8,844	8,844
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities		–	–	–	–	–	–
Corporates		99,983	–	–	–	–	99,983
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–	–
		1,911,289	48,955	–	–	14,754,753	16,714,997

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAs: (cont'd)

GROUP 2019

Exposure Class	Ratings by Approved ECAs *						Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated	
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated	
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated	
	R&I	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance-Sheet Exposures</u>							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)		–	8,399,756	–	–	–	8,399,756
Corporates		–	1,175,891	–	–	–	1,175,891
Banks, DFIs and Multilateral Development Banks		–	45,217	–	–	–	45,217
		–	9,620,864	–	–	–	9,620,864
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks		427,124	222,121	13,482	–	213,397	876,124
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks		87,001	–	–	–	–	87,001
		514,125	222,121	13,482	–	213,397	963,125
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities		122,437	–	–	–	93,071	215,508
Corporates		2,392,195	62,478	–	–	18,442,901	20,897,574
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	36,468	36,468
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities		–	–	–	–	–	–
Corporates		–	–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–	–
		2,514,632	62,478	–	–	18,572,440	21,149,550

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs: (cont'd)

BANK 2019

Exposure Class	Ratings by Approved ECAIs *						Total
	Moody's	Aaa to Aa3 /P-1	A1 to A3 /P-2	Baa1 to Ba3 /P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- /A-1	A+ to A- /A-2	BBB+ to BB- /A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- /F1+, F1	A+ to A- /A-2	BBB+ to BB- /F3	B+ to D	Unrated	
	RAM	AAA to AA3 /P-1	A+ to A3 /P-2	BBB1+ to BB3 /P-3	B to D /NP	Unrated	
	MARC	AAA to AA- /MARC-1	A+ to A- /MARC-2	BBB+ to BB- /MARC-3	B+ to D /MARC-4	Unrated	
	R&I	AAA to AA- /a-1+, a-1	A+ to A- /a-2	BBB+ to BB- /a-3	B+ to D /b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance-Sheet Exposures</u>							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)		–	5,809,864	–	–	–	5,809,864
Corporates		–	711,113	–	–	–	711,113
Banks, DFIs and Multilateral Development Banks		–	5,024	–	–	–	5,024
		–	6,526,001	–	–	–	6,526,001
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks		410,209	1,204,056	13,482	–	213,397	1,841,144
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks		48,318	–	–	–	–	48,318
		458,527	1,204,056	13,482	–	213,397	1,889,462
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities		61,105	–	–	–	23,422	84,527
Corporates		1,495,449	47,617	–	–	14,484,498	16,027,564
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	29,354	29,354
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities		–	–	–	–	–	–
Corporates		–	–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–	–
		1,556,554	47,617	–	–	14,537,274	16,141,445

Note 1: The Federal Government and Central Bank of Malaysia are accorded 0% risk-weight as provided under the Capital Adequacy Framework.

* Upper Range = Long Term Rating, Lower Range = Short Term Rating

Note:

There is no outstanding securitisation contract in the Bank that requires disclosure of ratings and short term rating of securitisation by approved ECAIs.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)**3.5 Credit Risk Mitigation ("CRM")**

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. Main types of collateral acceptable to the Group include cash, guarantees, commercial and residential real estate, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, the BNM guidelines apply more restrictive rules on collaterals that qualify as credit risk mitigants. As a result, not all of the collaterals accepted by the Group can be used to reduce our capital adequacy requirement.

The following tables represent the Group's/Bank's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework.

GROUP 2020 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	9,409,103	—	—	—
Public sector entities	691,368	—	—	—
Banks, DFIs and Multilateral Development Banks	620,046	—	—	—
Insurance companies, securities firms and fund managers	14,870	—	—	—
Corporates	20,583,524	—	1,427,524	—
Regulatory retail	9,933,347	—	608,733	—
Residential mortgages	16,789,019	—	9,889	—
Higher risk assets	5,672	—	4	—
Other assets	1,291,944	—	—	—
Equity exposures	—	—	—	—
Defaulted exposures	579,637	—	1,439	—
Total on-balance sheet exposures	59,918,530	—	2,047,589	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,748,637	—	513,491	—
Defaulted exposures	747	—	5	—
Total off-balance sheet exposures	4,749,384	—	513,496	—
Total on and off-balance sheet exposures	64,667,914	—	2,561,085	—

3.0 CREDIT RISK (CONT'D)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

BANK 2020 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,896,805	—	—	—
Public sector entities	239,371	—	—	—
Banks, DFIs and Multilateral Development Banks	1,182,409	—	—	—
Insurance companies, securities firms and fund managers	8,008	—	—	—
Corporates	15,113,912	—	1,128,773	—
Regulatory retail	7,424,239	—	531,429	—
Residential mortgages	12,180,706	—	9,584	—
Higher risk assets	5,451	—	5	—
Other assets	1,223,138	—	—	—
Equity exposures	—	—	—	—
Defaulted exposures	421,576	—	457	—
Total on-balance sheet exposures	44,695,615	—	1,670,248	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,885,457	—	416,511	—
Defaulted exposures	545	—	5	—
Total off-balance sheet exposures	3,886,002	—	416,516	—
Total on and off-balance sheet exposures	48,581,617	—	2,086,764	—

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)**3.5 Credit Risk Mitigation ("CRM") (cont'd)**

GROUP 2019 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	8,186,546	–	–	–
Public sector entities	196,261	–	–	–
Banks, DFIs and Multilateral Development Banks	829,576	–	–	–
Insurance companies, securities firms and fund managers	35,557	–	–	–
Corporates	19,580,592	–	1,630,447	–
Regulatory retail	9,999,499	–	754,117	–
Residential mortgages	16,073,138	–	10,379	–
Higher risk assets	11,086	–	5	–
Other assets	694,371	–	–	–
Equity exposures	187,525	–	–	–
Defaulted exposures	262,387	–	2,470	–
Total on-balance sheet exposures	56,056,537	–	2,397,418	–
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,160,638	–	520,517	–
Defaulted exposures	1,718	–	500	–
Total off-balance sheet exposures	4,162,356	–	521,017	–
Total on and off-balance sheet exposures	60,218,893	–	2,918,435	–

3.0 CREDIT RISK (CONT'D)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

BANK 2019 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,596,654	—	—	—
Public sector entities	69,280	—	—	—
Banks, DFIs and Multilateral Development Banks	1,715,604	—	—	—
Insurance companies, securities firms and fund managers	28,494	—	—	—
Corporates	14,760,638	—	1,237,422	—
Regulatory retail	7,519,108	—	673,765	—
Residential mortgages	12,335,936	—	9,362	—
Higher risk assets	9,472	—	5	—
Other assets	616,262	—	—	—
Equity exposures	126,741	—	—	—
Defaulted exposures	200,941	—	1,347	—
Total on-balance sheet exposures	42,979,130	—	1,921,901	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,330,927	—	443,656	—
Defaulted exposures	1,360	—	500	—
Total off-balance sheet exposures	3,332,287	—	444,156	—
Total on and off-balance sheet exposures	46,311,417	—	2,366,057	—

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, defaults before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR arising from the derivatives is managed via counterparty limits, which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by this agreement should either party default or other such predetermined credit events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the positive mark-to-market exposure plus the potential future exposure which is equivalent to an add-on factor multiplied by the notional amount. The add-on factors are as stipulated by BNM.

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

The off-balance sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

GROUP 2020	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	814,317	–	814,317	727,430
Transaction-related contingent items	621,684	–	308,011	219,703
Short-term self-liquidating trade-related contingencies	130,924	–	26,185	22,599
Forward asset purchase	–	–	–	–
Obligations under an on-going underwriting agreement	51,150	–	25,575	25,575
Irrevocable commitments to extend credit:				
• maturity exceeding 1 year	1,239,933	–	619,574	459,805
• maturity not exceeding 1 year	9,273,334	–	1,854,667	1,335,023
Unutilised credit card lines	1,356,566	–	271,313	210,321
	13,487,908	–	3,919,642	3,000,456
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• 1 year or less	12,470,667	195,374	321,999	89,529
• over 1 year to 3 years	621,349	11,435	52,881	39,633
• over 3 years	315,762	3,106	33,001	21,621
Interest rate related contracts:				
• 1 year or less	3,505,421	6,113	10,496	2,460
• over 1 year to 3 years	3,386,675	43,874	93,269	28,991
• over 3 years	2,230,984	49,133	125,429	44,342
Equity related contracts:				
• 1 year or less	533,770	91,660	123,686	110,910
• over 1 year to 3 years	273,868	32,542	54,451	45,912
• over 3 years	145,300	–	14,530	5,756
	23,483,796	433,237	829,742	389,154
	36,971,704	433,237	4,749,384	3,389,610

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)**3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)**

BANK 2020	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	622,481	–	622,481	552,127
Transaction-related contingent items	559,957	–	277,147	200,759
Short-term self-liquidating trade-related contingencies	110,898	–	22,180	19,110
Forward asset purchase	–	–	–	–
Obligations under an on-going underwriting agreement	–	–	–	–
Irrevocable commitments to extend credit:				
• maturity exceeding 1 year	871,143	–	435,182	345,761
• maturity not exceeding 1 year	7,139,788	–	1,427,957	1,037,216
Unutilised credit card lines	1,356,566	–	271,313	210,321
	10,660,833	–	3,056,260	2,365,294
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• 1 year or less	12,470,667	195,374	321,999	89,529
• over 1 year to 3 years	621,349	11,435	52,881	39,633
• over 3 years	315,762	3,106	33,001	21,621
Interest rate related contracts:				
• 1 year or less	3,505,421	6,113	10,496	2,460
• over 1 year to 3 years	3,386,675	43,874	93,269	28,991
• over 3 years	2,230,984	49,133	125,429	44,342
Equity related contracts:				
• 1 year or less	533,770	91,660	123,686	110,910
• over 1 year to 3 years	273,868	32,542	54,451	45,912
• over 3 years	145,300	–	14,530	5,756
	23,483,796	433,237	829,742	389,154
	34,144,629	433,237	3,886,002	2,754,448

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

GROUP 2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	650,663	–	650,588	561,367
Transaction-related contingent items	680,097	–	335,763	212,536
Short-term self-liquidating trade-related contingencies	179,994	–	35,999	31,609
Forward asset purchase	236,985	–	236,985	–
Obligations under an on-going underwriting agreement	46,154	–	23,077	23,077
Irrevocable commitments to extend credit:				
• maturity exceeding 1 year	1,319,483	–	658,158	509,949
• maturity not exceeding 1 year	8,308,840	–	1,661,768	1,200,570
Unutilised credit card lines	1,600,820	–	320,164	247,047
	13,023,036	–	3,922,502	2,786,156
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• 1 year or less	4,561,102	19,668	68,441	29,095
• over 1 year to 3 years	159,580	239	9,852	8,022
• over 3 years	10,209	–	868	868
Interest rate related contracts:				
• 1 year or less	2,034,786	1,649	5,401	1,543
• over 1 year to 3 years	1,779,255	7,108	32,711	8,548
• over 3 years	2,503,968	25,341	114,912	57,257
Equity related contracts:				
• 1 year or less	78,958	97	4,835	2,397
• over 1 year to 3 years	30,810	847	2,835	1,418
	11,158,669	54,949	239,854	109,148
	24,181,704	54,949	4,162,356	2,895,304

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

3.0 CREDIT RISK (CONT'D)**3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)**

BANK 2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	490,085	–	490,010	414,325
Transaction-related contingent items	609,843	–	300,635	189,732
Short-term self-liquidating trade-related contingencies	133,405	–	26,681	22,845
Forward asset purchase	211,985	–	211,985	–
Obligations under an on-going underwriting agreement	–	–	–	–
Irrevocable commitments to extend credit:				
• maturity exceeding 1 year	904,181	–	450,612	379,036
• maturity not exceeding 1 year	6,461,733	–	1,292,346	935,922
Unutilised credit card lines	1,600,820	–	320,164	247,048
	10,412,052	–	3,092,433	2,188,908
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• 1 year or less	4,561,102	19,668	68,441	29,095
• over 1 year to 3 years	159,580	239	9,852	8,022
• over 3 years	10,209	–	868	868
Interest rate related contracts:				
• 1 year or less	2,034,786	1,649	5,401	1,543
• over 1 year to 3 years	1,779,255	7,108	32,711	8,548
• over 3 years	2,503,968	25,341	114,912	57,257
Equity related contracts:				
• 1 year or less	78,958	97	4,835	2,397
• over 1 year to 3 years	30,810	847	2,835	1,418
	11,158,669	54,949	239,854	109,148
	21,570,721	54,949	3,332,287	2,298,056

4.0 MARKET RISK

Market Risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices.

Market Risk Management

The Board, via the Group Risk Management Committee (GRMC) provides oversight on market risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place.

At senior management level, the Group Assets and Liabilities Management Committee ("GALCO") manages the Group's market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Group Financial Markets, as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic review by Group Internal Audit.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) Identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) Adoption of various market risk measurement tools and techniques to quantify market risk exposures.
- (iv) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in fixed income securities, foreign exchange and financial derivatives, which are transacted primarily by Group Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

Hedging Policies and Strategies

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk Management. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness, if any, are monitored and reported monthly to senior management.

Market risk capital charge

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the fixed income securities, foreign exchange and financial derivatives portfolios if any.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

4.0 MARKET RISK (CONT'D)

Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	GROUP		BANK	
	Risk- Weighted Assets RM'000	Capital Requirements RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
2020				
Interest rate risk				
• General interest rate risk	364,445	29,156	364,445	29,156
• Specific interest rate risk	10,025	802	10,025	802
	374,470	29,958	374,470	29,958
Foreign exchange risk	97,125	7,770	97,125	7,770
Option risk	713	57	713	57
	472,308	37,785	472,308	37,785
2019				
Interest rate risk				
• General interest rate risk	149,163	11,933	149,162	11,933
• Specific interest rate risk	379	30	379	30
	149,542	11,963	149,542	11,963
Foreign exchange risk	124,410	9,953	124,410	9,953
Option risk	990	79	990	79
	274,942	21,995	274,942	21,995

5.0 OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes strategic and reputation risks.

Operational Risk Management

Management, escalation and reporting of operational risks are instituted through the Group Operational and Technology Risk Management Committee (GOTRC), Group Risk Management Committee (GRMC) as well as the Board.

The Board, via the GRMC provides oversight on operational risk management activities.

At senior management level, GOTRC manages the day-to-day operational risk exposures. The roles and responsibilities of GOTRC include:

- (i) Providing strategic guidance on operational issues and monitor implementation of Operational Risk Management (ORM) framework.
- (ii) Reviewing and monitoring operational risk issues, reports and action plans.
- (iii) Evaluating and agree on initiatives to strengthen operational processes or infrastructure.
- (iv) Promoting risk awareness and operational risk management culture.

The Group practices operational risk management as outlined in the Operational Risk Management (ORM) Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group adopts the Basic Indicator Approach for computation of operational Risk-Weighted Asset (RWA).

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

6.0 EQUITY EXPOSURES IN BANKING BOOK

The Group and the Bank holds equity positions in the banking book as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

Any gains and losses arising from the returns and changes in fair value of these equities holdings are reflected in the Statement of Income.

The following table shows the equity exposures in banking book:

	GROUP		BANK	
	Gross credit exposures RM'000	Risk-weighted assets RM'000	Gross credit exposures RM'000	Risk-weighted assets RM'000
2020				
Publicly traded				
Holding of equity investments	5	5	5	5
Privately held				
For socio-economic purposes	202,157	202,157	137,765	137,765
Not for socio-economic purposes	3	4	3	4
	202,165	202,166	137,773	137,774
2019				
Publicly traded				
Holding of equity investments	8	8	8	8
Privately held				
For socio-economic purposes	187,514	187,514	126,730	126,730
Not for socio-economic purposes	3	4	3	4
	187,525	187,526	126,741	126,742

Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	GROUP		BANK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unrealised (losses)/gains recognised in revaluation reserve				
• Publicly traded equity investments	(3)	(1)	(3)	(1)
• Privately held equity investments	14,749	8,866	11,141	5,294
	14,746	8,865	11,138	5,293

7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book (“IRR/RORBB”) is the risk that occurs when movements in interest rates affect a banking organization’s earnings or economic value. Changes in interest rate/profit rate affects the Group’s earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

Risk Governance

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the approved strategy by managing the assets/liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

- (i) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group’s size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) Checking to ensure that IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) Setting of proper gapping limits and the limits monitored closely.
- (iv) Practicing comprehensive IRR/RORBB reporting and review process, with aggregated information and supporting details to facilitate assessment of the Group’s sensitivity to changes in market conditions.

The Bank uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profit rate changes to earnings in the short-term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value (“EVE”) simulations which measures the asset-liability impact of adverse interest rate/profit rate movements on the economic value of the Bank’s capital.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management, GRMC and Board. The risk dashboards provide a gauge on the IRR/RORBB of the Group.

The Group is guided by BNM’s guidelines and Basel standards on management of IRR/RORBB.

BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

for the financial year ended 31 March 2020

7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONT'D)

The following tables present the Bank's projected sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Bank's interest sensitivity gap as at reporting date:

2020	Group + 100 bps RM'000	Bank + 100 bps RM'000
Impact on net interest income ("NII")		
Ringgit Malaysia	121,554	98,263
Impact on Economic Value ("EV")		
Ringgit Malaysia	(230,134)	(137,755)
2019		
Impact on net interest income ("NII")		
Ringgit Malaysia	119,176	98,176
Impact on Economic Value ("EV")		
Ringgit Malaysia	(125,355)	(38,605)

Note:

The foreign currency impact on NII/EV are considered insignificant as the exposure is less than 5% of the respective total Banking Book assets and liabilities.

8.0 SHARIAH GOVERNANCE DISCLOSURES

Shariah Non-Compliance Risk arises from the risk of failure to comply with Shariah rules and principles as determined by Shariah Advisory Council of Bank Negara Malaysia and Alliance Islamic Bank's (AIS) Shariah Committee. To manage the risks, AIS has adopted the following guiding principles:

- (i) A sound Shariah Compliance Framework which governs the operations of AIS and outlines the roles of key functionalities within AIS, including but not limited to the Shariah risk management process. This is in line with the Shariah Governance Framework issued by BNM.
- (ii) The Board of Directors, assisted by the Shariah Committee and Senior Management, provides oversight on Shariah compliance aspects of AIS' overall operations. This amongst others include:
 - Oversight and implementation of the Shariah Compliance Framework.
 - Regular review of Shariah non-compliant income and issues.
 - Addressing Shariah non-compliance findings.
 - Ensuring compliance with regulatory and internal requirements including disclosures.
- (iii) Appointment of a qualified Shariah Committee member who also serves as AIS' Board member; serving as a 'bridge' between the Board and the Shariah Committee.
- (iv) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:
 - Regular assessment on Shariah compliance in the activities and operations of AIS. The findings of the review are reported to the Shariah Committee for deliberation and decision.
 - Performing research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties.
 - Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.
- (v) Escalation and reporting processes of Shariah non-compliant income and issues governed through designated escalation channels, which include the Board and the Shariah Committee.
- (vi) Periodic engagement between the Board and the Shariah Committee to discuss on Shariah research, Shariah compliance and scholar's view on Islamic banking activities.

Shariah Non-Compliant Income And Events

During the financial year, there were 3 Shariah non-compliance events detected from the ongoing reviews of the Bank's operational processes. Necessary efforts had been taken to rectify the Shariah non-compliance events, which were tracked and escalated to the Shariah Committee and the Board. The Shariah non-compliant income of RM2,044 had been disposed off in accordance with Shariah Committee's decision.



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