ALLIANCE BANK

PILLAR 3 REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

ALLIANCE BANK

Alliance Bank Malaysia Berhad 198201008390 (88103-W)

BASEL II PILLAR 3 REPORT

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1.0 Overview

Bank Negara Malaysia's ("BNM") Capital Adequacy Frameworks 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 Frameworks cover three 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 the adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques; and

(c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

The Pillar 3 Disclosure for the financial year ended 31 March 2022 for the Bank and the Group is in accordance with BNM's Risk-Weighted Capital Adequacy Framework (“RWCAF”) – Disclosure Requirements (Pillar 3) and Capital Adequacy Framework for Islamic Banks (“CAFIB”) – Disclosures Requirements (Pillar 3).

The Group has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk in determining the capital requirements of Pillar 1.

1.1 Medium and Location of Disclosure

The Pillar 3 Disclosure will be made available under the Investor Relations section of the Group’s website at www.alliancebank.com.my and as a separate report in the annual and half-yearly financial reports.

1.2 Basis of Disclosure

The Group's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure Policy. This policy outlines the minimum disclosure standards, the approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process. Pillar 3 Disclosure is to be read in conjunction with the Group’s and Bank’s financial statements for the financial year ended 31 March 2022. Whilst this document discloses the Group’s assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the financial statements for the financial year ended 31 March 2022 published by the Group.

These disclosures have been reviewed and verified by an independent internal party and approved by the Group Risk Management Committee (“GRMC”), as delegated by the Board of Directors (“Board”) of the Group.

1.3 Comparative Information

The corresponding Pillar 3 Disclosure in the preceding reporting period would be as at 31 March 2021.

1.0 Overview (cont'd.)

1.4 Scope of Application

The Pillar 3 Disclosure was prepared on a consolidated basis comprising information on Alliance Bank Malaysia Berhad ("the Bank"), its subsidiaries, associate companies and joint ventures. 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 ventures are deducted from regulatory capital.

The Bank did not experience any 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.

2.0 Capital

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.

The Group's Internal Capital Adequacy Assessment Process ("ICAAP") covers the following:

(a) Assesses inherent risks in the business against risk captured under Pillar 1, and risks not sufficiently or not captured under Pillar 1;

(b) Estimates the potential impact of extreme but plausible events on the Group's earnings, balance sheet and capital via stress testing;

(c) Sets internal capital targets which include buffers to cushion potential stress losses and contingency plan(s) where warranted; and

(d) Regularly monitors and reports portfolio risk profiles, required capital and available capital.

ICAAP results are regularly reported to GRMC and the Board to facilitate proactive capital management.

2.0 Capital (cont'd.)

2.1 Capital Adequacy Ratios

BNM's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions took effect on 9 December 2020. This allows the Group and the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an "add-back factor", to the Common Equity Tier I ("CET I") capital from Financial Year 2021 to Financial Year 2024. The Group and the Bank have sufficient capital under both conditions with or without the Transitional Arrangement.

(a) The capital adequacy ratios with and without transitional arrangements of the Group and the Bank are as follows:

	GROUP		BANK	
	2022	2021	2022	2021
(i) With transitional arrangements				
Before deducting proposed dividends				
CET I capital ratio	16.372%	16.463%	15.614%	15.654%
Tier I capital ratio	17.287%	17.418%	16.489%	16.566%
Total capital ratio	21.401%	21.816%	21.134%	21.549%
After deducting proposed dividends				
CET I capital ratio	15.959%	16.218%	15.061%	15.327%
Tier I capital ratio	16.874%	17.173%	15.936%	16.238%
Total capital ratio	20.988%	21.571%	20.581%	21.222%
(ii) Without transitional arrangements				
Before deducting proposed dividends				
CET I capital ratio	14.993%	15.232%	14.397%	14.646%
Tier I capital ratio	15.908%	16.187%	15.272%	15.557%
Total capital ratio	20.173%	20.588%	20.137%	20.582%
After deducting proposed dividends				
CET I capital ratio	14.580%	14.987%	13.844%	14.318%
Tier I capital ratio	15.495%	15.942%	14.719%	15.230%
Total capital ratio	19.760%	20.343%	19.584%	20.255%

2.0 Capital (cont'd.)

2.1 Capital Adequacy Ratios (cont'd.)

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

	Alliance Islamic Bank Berhad		Alliance Investment Bank Berhad	
	2022	2021	2022	2021
(i) With transitional arrangements				
Before deducting proposed dividends				
CET I capital ratio	14.904%	15.035%	87.301%	72.580%
Tier I capital ratio	15.966%	16.158%	87.301%	72.580%
Total capital ratio	18.510%	18.783%	88.174%	73.506%
After deducting proposed dividends				
CET I capital ratio	14.463%	15.035%	87.301%	69.000%
Tier I capital ratio	15.525%	16.158%	87.301%	69.000%
Total capital ratio	18.069%	18.783%	88.174%	69.926%
(ii) Without transitional arrangements				
Before deducting proposed dividends				
CET I capital ratio	12.995%	13.065%	87.240%	72.550%
Tier I capital ratio	14.057%	14.188%	87.240%	72.550%
Total capital ratio	16.601%	16.813%	88.113%	73.476%
After deducting proposed dividends				
CET I capital ratio	12.554%	13.065%	87.240%	68.970%
Tier I capital ratio	13.616%	14.188%	87.240%	68.970%
Total capital ratio	16.160%	16.813%	88.113%	69.896%

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 CET I, Tier I and Tier II capital.

	GROUP		BANK	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CET I Capital/Tier 1 Capital				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	4,865,214	4,471,771	4,270,419	3,985,966
Regulatory reserves (Note 1)	47,686	86,440	41,641	80,006
Hedging reserves	(253)	-	(253)	-
Financial investments at fair value through other comprehensive income ("FVOCI") reserves	(145,150)	50,993	(138,660)	(5,082)
Capital reserves	100,150	100,150	15,515	15,515
	6,415,753	6,257,460	5,736,768	5,624,511
(Less)/add: Regulatory adjustments				
- Goodwill and other intangibles	(432,205)	(431,259)	(330,151)	(329,004)
- Deferred tax assets	(203,285)	(130,100)	(143,544)	(95,200)
- 55% of FVOCI reserves	-	(28,046)	-	-
- Regulatory reserves (Note 1)	(47,686)	(86,440)	(41,641)	(80,006)
- Investment in subsidiaries, associate and joint venture	(1,048)	(994)	(1,109,102)	(1,109,102)
- Transitional arrangements	527,033	451,004	347,580	276,161
Total CET I capital	6,258,562	6,031,625	4,459,910	4,287,360
Additional Tier 1 Capital Securities	349,753	349,899	249,888	249,732
Total Additional Tier 1 Capital	349,753	349,899	249,888	249,732
Total Tier I Capital	6,608,315	6,381,524	4,709,798	4,537,092
Tier II Capital				
Subordinated obligations	1,199,264	1,199,077	1,198,848	1,198,554
Expected credit losses and regulatory reserves (Note 1 & Note 2)	373,502	412,255	258,031	296,396
Less: Regulatory adjustments				
- Investment in Tier II capital instruments	-	-	(130,000)	(130,000)
Total Tier II Capital	1,572,766	1,611,332	1,326,879	1,364,950
Total Capital	8,181,081	7,992,856	6,036,677	5,902,042

Note 1: The Bank maintained its prudent stand in relation to maintaining the regulatory reserves to preserve the potential deterioration of credit quality, taking into consideration the impact of the unprecedented pandemic and the economic slowdown.

Note 2: Expected credit losses ("ECL") for S1 and S2 only.

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 **2022** **Exposure Class**	**Gross Exposures RM'000**	**Net Exposures RM'000**	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**
(a)	Credit Risk				
	On-balance sheet exposures:				
	Sovereigns/Central banks	9,060,236	9,060,236	-	-
	Public sector entities	684,403	684,403	42,664	3,413
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	1,060,610	1,060,610	249,651	19,972
	Insurance companies, securities firms and fund managers	6,090	5,904	5,744	460
	Corporates	21,432,987	20,008,464	15,838,533	1,267,083
	Regulatory retail	11,290,118	10,301,771	7,562,357	604,989
	Residential mortgages	16,334,950	16,325,189	6,575,078	526,006
	Higher risk assets	5,237	5,235	7,853	628
	Other assets	1,103,582	1,103,582	644,543	51,563
	Defaulted exposures	523,225	522,274	523,930	41,914
	Total on-balance sheet exposures	61,501,438	59,077,668	31,450,353	2,516,028
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	3,970,570	3,396,539	2,875,266	230,021
	Derivative financial instruments	486,471	486,471	165,831	13,266
	Defaulted exposures	908	904	1,347	108
	Total off-balance sheet exposures	4,457,949	3,883,914	3,042,444	243,395
	Total on and off-balance sheet exposures	65,959,387	62,961,582	34,492,797	2,759,423
(b)	Market Risk (Note 5.0)				
		Long Position	Short Position		
	Interest rate risk	20,468,534	(20,157,895)	293,037	23,443
	Foreign exchange risk	51,453	(60,578)	60,571	4,846
		20,519,987	(20,218,473)		
	Option risk			-	-
	Total			353,608	28,289
(c)	Operational Risk	-	-	3,381,129	270,490
	Total	65,959,387	62,961,582	38,227,534	3,058,202

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 2022 Exposure Class	Long Position	Short Position	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(a)	Credit Risk						
	On-balance sheet exposures:						
	Sovereigns/Central banks			6,548,855	6,548,855	-	-
	Public sector entities			340,855	340,855	18,275	1,462
	Banks, DFIs and Multilateral Development Banks			1,363,913	1,363,913	379,406	30,352
	Insurance companies, securities firms and fund managers			2,297	2,111	1,952	156
	Corporates			16,073,457	14,859,109	11,914,015	953,121
	Regulatory retail			8,345,008	7,492,812	5,300,991	424,079
	Residential mortgages			11,755,878	11,746,366	4,589,848	367,188
	Higher risk assets			4,362	4,360	6,540	523
	Other assets			1,011,154	1,011,154	558,445	44,676
	Defaulted exposures			368,064	367,646	385,887	30,871
	Total on-balance sheet exposures			45,813,843	43,737,181	23,155,359	1,852,428
	Off-balance sheet exposures:						
	Credit-related off-balance sheet exposures			3,259,816	2,765,112	2,339,915	187,193
	Derivative financial instruments			486,471	486,471	165,831	13,266
	Defaulted exposures			853	849	1,271	102
	Total off-balance sheet exposures			3,747,140	3,252,432	2,507,017	200,561
	Total on and off-balance sheet exposures			49,560,983	46,989,613	25,662,376	2,052,989
(b)	Market Risk (Note 5.0)						
	Interest rate risk	20,468,534	(20,157,895)			293,037	23,443
	Foreign exchange risk	51,553	(60,543)			60,537	4,843
		20,520,087	(20,218,438)				
	Option risk					-	-
	Total					353,574	28,286
(c)	Operational Risk			-	-	2,547,781	203,822
	Total			49,560,983	46,989,613	28,563,731	2,285,097

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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 **2021** **Exposure Class**	**Gross Exposures RM'000**	**Net Exposures RM'000**	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**
(a)	Credit Risk				
	On-balance sheet exposures:				
	Sovereigns/Central banks	10,122,388	10,122,388	-	-
	Public sector entities	817,768	817,768	57,876	4,630
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	631,456	631,456	141,563	11,325
	Insurance companies, securities firms and fund managers	6,284	6,284	6,077	486
	Corporates	19,977,037	18,656,375	14,581,901	1,166,552
	Regulatory retail	10,635,671	9,690,282	7,352,897	588,232
	Residential mortgages	16,603,585	16,594,047	6,581,212	526,497
	Higher risk assets	5,998	5,994	8,990	719
	Other assets	1,013,569	1,013,569	692,930	55,434
	Defaulted exposures	756,160	754,327	757,615	60,609
	Total on-balance sheet exposures	60,569,916	58,292,490	30,181,061	2,414,484
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	3,638,735	3,084,997	2,680,348	214,428
	Derivative financial instruments	495,459	495,459	201,071	16,086
	Defaulted exposures	2,130	2,125	3,112	249
	Total off-balance sheet exposures	4,136,324	3,582,581	2,884,531	230,763
	Total and off-balance sheet exposures	64,706,240	61,875,071	33,065,592	2,645,247

		Long Position	Short Position	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(b)	Market Risk (Note 5.0)				
	Interest rate risk	17,983,281	(17,935,086)	252,425	20,194
	Foreign exchange risk	69,779	(42,917)	69,927	5,594
		18,053,060	(17,978,003)		
	Option risk			300	24
	Total			322,652	25,812

		Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(c)	Operational Risk	-	-	3,249,393	259,951
	Total	64,706,240	61,875,071	36,637,637	2,931,010

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 **2021** **Exposure Class**	**Gross Exposures RM'000**	**Net Exposures RM'000**	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**
(a)	Credit Risk				
	On-balance sheet exposures:				
	Sovereigns/Central banks	7,241,310	7,241,310	-	-
	Public sector entities	312,291	312,291	19,746	1,580
	Banks, DFIs and Multilateral Development Banks	940,828	940,828	271,999	21,760
	Insurance companies, securities firms and fund managers	2,535	2,535	2,328	186
	Corporates	14,817,564	13,676,450	10,931,204	874,496
	Regulatory retail	8,092,353	7,290,730	5,389,239	431,139
	Residential mortgages	11,916,912	11,907,641	4,525,487	362,039
	Higher risk assets	5,100	5,096	7,644	612
	Other assets	942,752	942,752	622,113	49,769
	Defaulted exposures	539,010	537,709	561,963	44,957
	Total on-balance sheet exposures	44,810,655	42,857,342	22,331,723	1,786,538
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	2,880,297	2,411,176	2,076,379	166,110
	Derivative financial instruments	495,459	495,459	201,071	16,086
	Defaulted exposures	1,585	1,580	2,307	185
	Total off-balance sheet exposures	3,377,341	2,908,215	2,279,757	182,381
	Total on and off-balance sheet exposures	48,187,996	45,765,557	24,611,480	1,968,919
(b)	Market Risk (Note 5.0)				
	Interest rate risk			252,425	20,194
	Foreign exchange risk			69,606	5,568
	Option risk			300	24
	Total			322,331	25,786
(c)	Operational Risk	-	-	2,454,737	196,379
	Total	48,187,996	45,765,557	27,388,548	2,191,084

	Long Position	Short Position
Interest rate risk	17,983,281	(17,935,086)
Foreign exchange risk	69,613	(42,771)
	18,052,894	(17,977,857)

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.

3.0 Risk Management

The Board and the Management of Alliance Bank are committed towards ensuring that the Bank's corporate objectives are supported by a sound risk strategy with an effective risk management framework that is appropriate to the nature, scale and complexity of the Bank's activities.

3.1 Risk Management Framework

The Bank's risk management framework recognises the diversity of the organisation's activities by balancing the Board's strong supervision with well-defined independent risk management functions within each business area. The Bank's risk management framework is embedded in our respective business activities in order to integrate risk-taking and decision-making with prudent risk management principles. It provides a structured approach for the Bank to form a consolidated and aggregated view of all risks identified at entity, business segment and product levels; and to manage these risks in a holistic manner alongside business objectives and compliance requirements.

3.2 Risk Governance and Organisation

The Bank adopts the Three Lines of Defence model in managing risks collectively. The Three Lines of Defence comprises the following:

(a) 1st Line of Defence, whereby the risk taking role is played by Business Units and aided by Business Support functions;

(b) 2nd Line of Defence, whereby the independent risk control role is played by Group Risk Management and Group Compliance (inclusive of the Shariah Review Team); and

(c) 3rd Line of Defence, whereby the independent risk assurance role is played by Group Internal Audit.

The governance structure adopted within the Group provides a transparent and effective system that promotes active involvement from the Board and senior management in the risk management process to ensure a uniform view of risk across the Group.

The Board established the GRMC to assist the Board to oversee risk-related and compliance-related frameworks, strategies, policies and methodologies.

The Management, via the Executive Risk Management Committee ("ERMC") and other Management Committees, oversees and advises the Management on risk-related matters including risk policies, to support the sustainability of the Bank.

3.3 Risk Strategy

The Bank establishes appropriate risk governance, processes and controls in order to pursue its strategic business objectives with confidence, to protect its balance sheet and stakeholders' interest, and to deliver sustainable profitability. While it may not be possible or feasible to eliminate all inherent risks within the Bank, a set of risk mitigation techniques has been established to reduce the impact of these risks.

3.4 Risk Appetite

Risk Appetite describes the high-level risk parameters and thresholds the Bank is willing to assume in pursuit of its strategic business objectives. These high level thresholds are then cascaded, where appropriate, into more granular limits and targets across the various portfolios and business units.

3.5 Risk Culture

Our Board members, senior management and staff are all ambassadors of the Bank's risk culture. Hence, the Bank employs the key elements of leadership, supervision, guidance, counselling and communication to shape and cultivate a desirable risk culture.

3.6 Risk Management Process

The Bank's risk management process embeds the Bank's culture and practices. It starts with risk identification, followed by risk assessment, risk mitigation and control, risk monitoring, risk reporting, escalation and disclosure. The risk management process of different types of risk are explained in the following sections.

4.0 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, and formulate action plans to manage identified risks. The process also ensures alignment of business strategy with the Bank's risk appetite.

Potential problem loans or issues related to portfolios are identified through our Early Warning Framework and thematic reviews, where applicable. Impaired loans are recovered internally or through authorised agents.

In the aspect of credit risk measurement, quantitative tools such as application and behavioural scorecards (for retail loans) and credit rating model (for corporate loans) play an integral role in supporting risk informed pricing, underwriting and portfolio management strategies. In order to manage model risk and ensure that the models remain fit-for-purpose, periodic model validations of all credit models are carried out by an independent validation team within Group Risk Management. The broad principles and framework governing the validation of credit models are set out in the Independent Model Validation Framework. Validation covers both quantitative and qualitative aspects of the model, such as back-testing to assess model performance and accuracy, as well as qualitative evaluation of rating system operations, model design, governance and data quality.

Entity-level Risk Dashboards are escalated to the ERMC (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.

Group Risk Management also performs periodic post approval credit reviews on sampling basis covering the Consumer, SME, Corporate and Commercial portfolios to independently assess the quality of credit practices across the Group. The review reports are presented to the GRMC and Group Audit Committee for their notation. Status of all outstanding issues are tracked until closure.

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 analyses are conducted to assess the 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 the 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 MFRS 9 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 MFRS 9. Loans that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on the 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.

Relief Assistance

The Group has actively supported BNM's efforts in alleviating the financial difficulties of customers adversely affected by the COVID-19 pandemic. The assistance provided includes payment holidays and loan modification to reduce regular instalment payments. The Group also participated in government led initiatives to deliver industry-wide Relief Assistance Programmes. In addition, proactive assistance were also provided to customers affected by natural disasters.

4.0 Credit Risk (cont'd.)

4.1 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 any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

	Geographical region						
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	Total RM'000
GROUP							
2022							
Exposure Class							
Sovereigns/Central banks	-	9,060,236	-	-	-	-	9,060,236
Public sector entities	-	594,080	-	90,323	-	-	684,403
Banks, DFIs and Multilateral Development Banks	-	902,509	-	100,186	5,007	52,908	1,060,610
Insurance companies, securities firms and fund managers	32	6,043	-	-	15	-	6,090
Corporates	1,500,513	16,165,760	1,638,673	1,408,271	719,770	-	21,432,987
Regulatory retail	1,212,581	7,134,295	1,574,675	954,753	413,814	-	11,290,118
Residential mortgages	666,248	12,686,577	2,104,733	743,237	134,155	-	16,334,950
Higher risk assets	159	922	2,966	-	1,190	-	5,237
Other assets	4,960	1,098,251	371	-	-	-	1,103,582
Defaulted exposures	30,196	389,230	77,930	21,858	4,011	-	523,225
Total on-balance sheet exposure	**3,414,689**	**48,037,903**	**5,399,348**	**3,318,628**	**1,277,962**	**52,908**	**61,501,438**
Credit-related off-balance sheet exposures	360,474	2,854,171	354,498	275,674	125,753	-	3,970,570
Derivative financial instruments	-	486,471	-	-	-	-	486,471
Defaulted exposures	-	787	63	30	28	-	908
Total off-balance sheet exposure	**360,474**	**3,341,429**	**354,561**	**275,704**	**125,781**	**-**	**4,457,949**
Total credit exposure	**3,775,163**	**51,379,332**	**5,753,909**	**3,594,332**	**1,403,743**	**52,908**	**65,959,387**

	Geographical region						
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	Total RM'000
BANK							
2022							
Exposure Class							
Sovereigns/Central banks	-	6,548,855	-	-	-	-	6,548,855
Public sector entities	-	340,695	-	160	-	-	340,855
Banks, DFIs and Multilateral Development Banks	-	1,210,819	-	100,186	-	52,908	1,363,913
Insurance companies, securities firms and fund managers	31	2,251	-	-	15	-	2,297
Corporates	922,612	12,501,355	1,262,871	931,737	454,882	-	16,073,457
Regulatory retail	765,039	5,408,202	1,123,594	721,673	326,500	-	8,345,008
Residential mortgages	509,381	9,018,458	1,655,272	475,384	97,383	-	11,755,878
Higher risk assets	-	367	2,805	-	1,190	-	4,362
Other assets	-	1,011,154	-	-	-	-	1,011,154
Defaulted exposures	15,767	283,007	55,743	10,473	3,074	-	368,064
Total on-balance sheet exposure	**2,212,830**	**36,325,163**	**4,100,285**	**2,239,613**	**883,044**	**52,908**	**45,813,843**
Credit-related off-balance sheet exposures	237,674	2,463,128	262,456	192,315	104,243	-	3,259,816
Derivative financial instruments	-	486,471	-	-	-	-	486,471
Defaulted exposures	-	752	43	30	28	-	853
Total off-balance sheet exposure	**237,674**	**2,950,351**	**262,499**	**192,345**	**104,271**	**-**	**3,747,140**
Total credit exposure	**2,450,504**	**39,275,514**	**4,362,784**	**2,431,958**	**987,315**	**52,908**	**49,560,983**

Note: The disclosure is updated for reporting dimension from accounting's asset class to exposure class as defined in the Capital Adequacy Framework.

4.1 Distribution of Credit Exposures (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 any collateral held or other credit enhancements and after allowance for impairment, where appropriate (cont'd.).

	Geographical region						
	Northern RM'000	**Central RM'000**	**Southern RM'000**	**Sabah RM'000**	**Sarawak RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
GROUP							
2021							
Exposure Class							
Sovereigns/Central banks	-	10,122,388	-	-	-	-	10,122,388
Public sector entities	-	677,593	-	140,175	-	-	817,768
Banks, DFIs and Multilateral Development Banks	-	549,168	-	50,006	12,865	19,417	631,456
Insurance companies, securities firms and fund managers	43	6,234	-	-	7	-	6,284
Corporates	1,294,446	15,255,657	1,555,644	1,264,407	606,883	-	19,977,037
Regulatory retail	1,138,469	6,676,013	1,568,199	909,306	343,684	-	10,635,671
Residential mortgages	689,164	12,829,499	2,177,753	767,560	139,609	-	16,603,585
Higher risk assets	155	1,054	3,564	-	1,225	-	5,998
Other assets	-	1,013,569	-	-	-	-	1,013,569
Defaulted exposures	42,946	573,321	103,220	31,158	5,515	-	756,160
Total on-balance sheet exposure	**3,165,223**	**47,704,496**	**5,408,380**	**3,162,612**	**1,109,788**	**19,417**	**60,569,916**
Credit-related off-balance sheet exposures	342,847	2,577,189	342,271	253,779	122,649	-	3,638,735
Derivative financial instruments	-	495,459	-	-	-	-	495,459
Defaulted exposures	-	1,332	749	30	19	-	2,130
Total off-balance sheet exposure	**342,847**	**3,073,980**	**343,020**	**253,809**	**122,668**	**-**	**4,136,324**
Total credit exposure	**3,508,070**	**50,778,476**	**5,751,400**	**3,416,421**	**1,232,456**	**19,417**	**64,706,240**

	Geographical region						
	Northern RM'000	**Central RM'000**	**Southern RM'000**	**Sabah RM'000**	**Sarawak RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
BANK							
2021							
Exposure Class							
Sovereigns/Central banks	-	7,241,310	-	-	-	-	7,241,310
Public sector entities	-	312,291	-	-	-	-	312,291
Banks, DFIs and Multilateral Development Banks	-	867,925	-	50,006	3,480	19,417	940,828
Insurance companies, securities firms and fund managers	43	2,485	-	-	7	-	2,535
Corporates	840,404	11,560,936	1,207,228	832,750	376,246	-	14,817,564
Regulatory retail	751,647	5,251,101	1,125,256	688,256	276,093	-	8,092,353
Residential mortgages	524,032	9,082,504	1,711,887	497,006	101,483	-	11,916,912
Higher risk assets	-	514	3,361	-	1,225	-	5,100
Other assets	-	942,752	-	-	-	-	942,752
Defaulted exposures	28,471	407,738	79,037	19,982	3,782	-	539,010
Total on-balance sheet exposure	**2,144,597**	**35,669,556**	**4,126,769**	**2,088,000**	**762,316**	**19,417**	**44,810,655**
Credit-related off-balance sheet exposures	231,636	2,102,112	251,355	195,902	99,292	-	2,880,297
Derivative financial instruments	-	495,459	-	-	-	-	495,459
Defaulted exposures	-	806	730	30	19	-	1,585
Total off-balance sheet exposure	**231,636**	**2,598,377**	**252,085**	**195,932**	**99,311**	**-**	**3,377,341**
Total credit exposure	**2,376,233**	**38,267,933**	**4,378,854**	**2,283,932**	**861,627**	**19,417**	**48,187,996**

Note: The disclosure is updated for reporting dimension from accounting's asset class to exposure class as defined in the Capital Adequacy Framework.

4.0 Credit Risk (cont'd.)

4.1 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 2022	**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**
Exposure Class								
Sovereigns/Central banks	9,060,236	-	-	-	-	-	-	9,060,236
Public sector entities	-	579,344	23,846	-	-	-	81,213	684,403
Banks, DFIs and Multilateral Development Banks	-	1,060,610	-	-	-	-	-	1,060,610
Insurance companies, securities firms and fund managers	-	6,090	-	-	-	-	-	6,090
Corporates	-	6,778,325	2,085,952	10,068,942	1,531,621	712,624	255,523	21,432,987
Regulatory retail	-	1,032,279	168,259	4,365,130	321,437	5,307,491	95,522	11,290,118
Residential mortgages	-	-	-	-	-	16,334,950	-	16,334,950
Higher risk assets	-	3	-	-	-	5,234	-	5,237
Other assets	-	253,765	-	-	-	-	849,817	1,103,582
Defaulted exposures	-	58,999	1,718	69,141	3,743	384,356	5,268	523,225
Total on-balance sheet exposure	**9,060,236**	**9,769,415**	**2,279,775**	**14,503,213**	**1,856,801**	**22,744,655**	**1,287,343**	**61,501,438**
Credit-related off-balance sheet exposures	-	407,336	34,819	1,535,221	495,604	1,465,079	32,511	3,970,570
Derivative financial instruments	18,379	382,125	-	-	-	-	85,967	486,471
Defaulted exposures	-	30	-	778	22	78	-	908
Total off-balance sheet exposure	**18,379**	**789,491**	**34,819**	**1,535,999**	**495,626**	**1,465,157**	**118,478**	**4,457,949**
Total credit exposure	**9,078,615**	**10,558,906**	**2,314,594**	**16,039,212**	**2,352,427**	**24,209,812**	**1,405,821**	**65,959,387**

BANK 2022								
Exposure Class								
Sovereigns/Central banks	6,548,855	-	-	-	-	-	-	6,548,855
Public sector entities	-	245,525	14,117	-	-	-	81,213	340,855
Banks, DFIs and Multilateral Development Banks	-	1,363,913	-	-	-	-	-	1,363,913
Insurance companies, securities firms and fund managers	-	2,297	-	-	-	-	-	2,297
Corporates	-	5,197,829	1,508,471	7,470,058	1,130,263	621,310	145,526	16,073,457
Regulatory retail	-	807,524	138,810	3,302,928	242,726	3,779,293	73,727	8,345,008
Residential mortgages	-	-	-	-	-	11,755,878	-	11,755,878
Higher risk assets	-	3	-	-	-	4,359	-	4,362
Other assets	-	171,499	-	-	-	-	839,655	1,011,154
Defaulted exposures	-	58,863	1,475	55,715	2,643	247,225	2,143	368,064
Total on-balance sheet exposure	**6,548,855**	**7,847,453**	**1,662,873**	**10,828,701**	**1,375,632**	**16,408,065**	**1,142,264**	**45,813,843**
Credit-related off-balance sheet exposures	-	337,887	26,325	1,149,180	438,925	1,277,779	29,720	3,259,816
Derivative financial instruments	18,379	382,125	-	-	-	-	85,967	486,471
Defaulted exposures	-	30	-	778	-	45	-	853
Total off-balance sheet exposure	**18,379**	**720,042**	**26,325**	**1,149,958**	**438,925**	**1,277,824**	**115,687**	**3,747,140**
Total credit exposure	**6,567,234**	**8,567,495**	**1,689,198**	**11,978,659**	**1,814,557**	**17,685,889**	**1,257,951**	**49,560,983**

Note: The disclosure is updated for reporting dimension from accounting's asset class to exposure class as defined in the Capital Adequacy Framework.

4.0 Credit Risk (cont'd.)

4.1 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 **2021** **Exposure Class**	**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**
Sovereigns/Central banks	10,122,388	-	-	-	-	-	-	10,122,388
Public sector entities	-	573,040	108,626	57,354	20,599	-	58,149	817,768
Banks, DFIs and Multilateral Development Banks	-	626,382	5,074	-	-	-	-	631,456
Insurance companies, securities firms and fund managers	-	6,284	-	-	-	-	-	6,284
Corporates	110,684	5,615,935	2,010,114	9,845,173	1,357,688	675,210	362,233	19,977,037
Regulatory retail	-	1,026,628	175,484	3,920,410	284,827	5,148,830	79,492	10,635,671
Residential mortgages	-	-	-	-	-	16,603,585	-	16,603,585
Higher risk assets	-	-	-	-	-	5,998	-	5,998
Other assets	-	224,691	-	-	-	-	788,878	1,013,569
Defaulted exposures	-	66,409	1,419	78,869	6,434	600,525	2,504	756,160
Total on-balance sheet exposure	**10,233,072**	**8,139,369**	**2,300,717**	**13,901,806**	**1,669,548**	**23,034,148**	**1,291,256**	**60,569,916**
Credit-related off-balance sheet exposures	20,800	546,956	45,732	1,592,908	487,412	895,667	49,260	3,638,735
Derivative financial instruments	-	331,459	-	-	-	-	164,000	495,459
Defaulted exposures	-	30	-	1,165	506	429	-	2,130
Total off-balance sheet exposure	**20,800**	**878,445**	**45,732**	**1,594,073**	**487,918**	**896,096**	**213,260**	**4,136,324**
Total credit exposure	**10,253,872**	**9,017,814**	**2,346,449**	**15,495,879**	**2,157,466**	**23,930,244**	**1,504,516**	**64,706,240**

BANK **2021** **Exposure Class**	**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**
Sovereigns/Central banks	7,241,310	-	-	-	-	-	-	7,241,310
Public sector entities	-	161,278	24,782	47,483	20,599	-	58,149	312,291
Banks, DFIs and Multilateral Development Banks	-	940,828	-	-	-	-	-	940,828
Insurance companies, securities firms and fund managers	-	2,535	-	-	-	-	-	2,535
Corporates	68,378	4,174,190	1,308,161	7,512,969	977,027	587,620	189,219	14,817,564
Regulatory retail	-	793,013	153,628	3,010,115	224,724	3,845,483	65,390	8,092,353
Residential mortgages	-	-	-	-	-	11,916,912	-	11,916,912
Higher risk assets	-	-	-	-	-	5,100	-	5,100
Other assets	-	154,496	-	-	-	-	788,256	942,752
Defaulted exposures	-	65,467	1,283	62,003	5,711	402,042	2,504	539,010
Total on-balance sheet exposure	**7,309,688**	**6,291,807**	**1,487,854**	**10,632,570**	**1,228,061**	**16,757,157**	**1,103,518**	**44,810,655**
Credit-related off-balance sheet exposures	20,800	390,082	33,569	1,209,806	421,367	758,199	46,474	2,880,297
Derivative financial instruments	-	331,459	-	-	-	-	164,000	495,459
Defaulted exposures	-	30	-	1,165	6	384	-	1,585
Total off-balance sheet exposure	**20,800**	**721,571**	**33,569**	**1,210,971**	**421,373**	**758,583**	**210,474**	**3,377,341**
Total credit exposure	**7,330,488**	**7,013,378**	**1,521,423**	**11,843,541**	**1,649,434**	**17,515,740**	**1,313,992**	**48,187,996**

Note: The disclosure is updated for reporting dimension from accounting's asset class to exposure class as defined in the Capital Adequacy Framework.

4.0 Credit Risk (cont'd.)

4.1 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

2022	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 year	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class						
Sovereigns/Central banks	2,472,855	-	-	30,777	6,556,604	9,060,236
Public sector entities	112,074	5,088	-	25,243	541,998	684,403
Banks, DFIs and Multilateral Development Banks	709,113	190,360	-	-	161,137	1,060,610
Insurance companies, securities firms and fund managers	336	-	-	-	5,754	6,090
Corporates	4,452,215	2,044,374	754,914	706,267	13,475,217	21,432,987
Regulatory retail	2,250,699	262,005	128,101	87,918	8,561,395	11,290,118
Residential mortgages	947,820	456	1,053	3,160	15,382,461	16,334,950
Higher risk assets	-	-	-	15	5,222	5,237
Other assets	581,234	8,091	8,781	6,567	498,909	1,103,582
Defaulted exposures	53,268	143	288	2,925	466,601	523,225
Total on-balance sheet exposure	**11,579,614**	**2,510,517**	**893,137**	**862,872**	**45,655,298**	**61,501,438**

BANK

2022						
Exposure Class						
Sovereigns/Central banks	1,055,016	-	-	30,777	5,463,062	6,548,855
Public sector entities	10,357	-	-	10,104	320,394	340,855
Banks, DFIs and Multilateral Development Banks	740,402	190,360	60,106	-	373,045	1,363,913
Insurance companies, securities firms and fund managers	336	-	-	-	1,961	2,297
Corporates	3,211,825	1,500,012	537,832	588,102	10,235,686	16,073,457
Regulatory retail	1,807,346	200,707	104,330	63,092	6,169,533	8,345,008
Residential mortgages	380,749	334	906	2,708	11,371,181	11,755,878
Higher risk assets	-	-	-	15	4,347	4,362
Other assets	558,174	7,553	8,008	5,964	431,455	1,011,154
Defaulted exposures	33,051	130	218	2,783	331,882	368,064
Total on-balance sheet exposure	**7,797,256**	**1,899,096**	**711,400**	**703,545**	**34,702,546**	**45,813,843**

Note: The disclosure is updated for reporting dimension from accounting's asset class to exposure class as defined in the Capital Adequacy Framework.

4.0 Credit Risk (cont'd.)

4.1 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 exposures for on-balance sheet financial assets of the Group and the Bank (cont'd.):

GROUP

2021	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 year	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class						
Sovereigns/Central banks	2,798,061	-	101,556	132,353	7,090,418	10,122,388
Public sector entities	184,582	-	-	20,599	612,587	817,768
Banks, DFIs and Multilateral Development Banks	477,658	44,961	5,032	-	103,805	631,456
Insurance companies, securities firms and fund managers	591	-	-	-	5,693	6,284
Corporates	4,346,809	1,859,096	806,248	536,640	12,428,244	19,977,037
Regulatory retail	2,167,480	250,509	124,473	75,945	8,017,264	10,635,671
Residential mortgages	1,145,953	415	1,701	3,550	15,451,966	16,603,585
Higher risk assets	-	-	-	5	5,993	5,998
Other assets	513,103	9,248	11,087	456	479,675	1,013,569
Defaulted exposures	85,187	1,053	437	1,708	667,775	756,160
Total on-balance sheet exposure	**11,719,424**	**2,165,282**	**1,050,534**	**771,256**	**44,863,420**	**60,569,916**

BANK

2021						
Exposure Class						
Sovereigns/Central banks	1,343,390	-	101,556	30,543	5,765,821	7,241,310
Public sector entities	9,599	-	-	20,599	282,093	312,291
Banks, DFIs and Multilateral Development Banks	569,822	44,961	-	-	326,045	940,828
Insurance companies, securities firms and fund managers	591	-	-	-	1,944	2,535
Corporates	3,130,911	1,350,216	602,711	423,275	9,310,451	14,817,564
Regulatory retail	1,742,930	200,098	94,735	60,162	5,994,428	8,092,353
Residential mortgages	460,959	403	1,126	3,246	11,451,178	11,916,912
Higher risk assets	-	-	-	5	5,095	5,100
Other assets	499,204	9,159	10,662	388	423,339	942,752
Defaulted exposures	50,945	102	249	1,139	486,575	539,010
Total on-balance sheet exposure	**7,808,351**	**1,604,939**	**811,039**	**539,357**	**34,046,969**	**44,810,655**

Note: The disclosure is updated for reporting dimension from accounting's asset class to exposure class as defined in the Capital Adequacy Framework.

4.0 Credit Risk (cont'd.)

4.2 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 three 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.

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 three months. Under MFRS 9, 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 intervals or longer, a default of payment will trigger an impairment.

Impaired and Past Due Loans, Advances and Financing and Allowance for Expected Credit Losses - Industry Analysis

	Impaired Loans, Advances and Financing	Past Due Loan	12 months ECL (Stage 1)	Lifetime ECL Not-credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	ECL charged/ (write-back) for the year (net)	Stage 3 write-off for the year
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022							
Financial, insurance & business services and real estate	67,538	151,422	11,370	29,629	8,555	1,486	(452)
Transport, storage & communication	3,797	19,695	3,367	4,248	2,076	(1,122)	(118)
Agriculture, manufacturing, wholesale & retail trade	162,233	236,651	48,119	96,000	93,147	30,786	(13,964)
Construction	69,603	154,504	3,550	59,573	66,645	40,054	(812)
Household	542,925	851,572	203,621	363,840	159,194	60,855	(65,245)
Others	7,170	14,082	647	4,360	1,901	1,576	(1,109)
Total	**853,266**	**1,427,926**	**270,674**	**557,650**	**331,518**	**133,635**	**(81,700)**
BANK							
2022							
Financial, insurance & business services and real estate	66,983	140,432	8,510	23,761	8,118	1,306	(452)
Transport, storage & communication	3,244	17,379	2,973	3,950	1,766	(1,046)	(118)
Agriculture, manufacturing, wholesale & retail trade	129,234	208,666	37,918	85,334	73,575	17,740	(12,876)
Construction	17,912	139,260	2,563	56,273	15,269	1,654	(812)
Household	354,098	556,880	122,017	197,526	107,541	44,513	(42,114)
Others	3,286	14,081	505	1,698	1,143	750	(1,109)
Total	**574,757**	**1,076,698**	**174,486**	**368,542**	**207,412**	**64,917**	**(57,481)**

4.0 Credit Risk (cont'd.)

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

Impaired and Past Due Loans, Advances and Financing and Allowance for Expected Credit Losses - Industry Analysis (cont'd.)

	Impaired Loans, Advances and Financing	Past Due Loan	12 months ECL (Stage 1)	Lifetime ECL Not-credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	ECL charged/ (write-back) for the year (net)	Stage 3 write-off for the year
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021							
Financial, insurance & business services and real estate	74,203	60,655	10,297	17,723	7,865	(241)	(611)
Transport, storage & communication	4,683	18,288	3,254	3,362	3,383	224	(2,073)
Agriculture, manufacturing, wholesale & retail trade	154,405	287,091	50,344	116,695	76,543	19,531	(37,811)
Construction	32,416	212,783	2,938	68,329	26,132	1,628	(13,829)
Household	762,451	1,015,998	162,606	289,704	161,694	100,356	(75,521)
Others	4,278	1,151	1,586	2,963	1,788	182	(5)
Total	**1,032,436**	**1,595,966**	**231,025**	**498,776**	**277,405**	**121,680**	**(129,850)**
BANK							
2021							
Financial, insurance & business services and real estate	73,017	49,423	7,593	12,565	7,607	(191)	(611)
Transport, storage & communication	4,179	15,795	2,988	2,943	2,996	167	(365)
Agriculture, manufacturing, wholesale & retail trade	129,087	216,475	40,368	98,232	68,080	18,293	(34,007)
Construction	19,705	153,623	2,335	44,121	14,124	(1,037)	(10,708)
Household	505,303	667,359	99,531	155,721	103,095	56,817	(44,666)
Others	4,277	1,144	1,426	1,087	1,787	182	(5)
Total	**735,568**	**1,103,819**	**154,241**	**314,669**	**197,689**	**74,231**	**(90,362)**

4.0 Credit Risk (cont'd.)

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

Impaired and Past Due Loans, Advances and Financing and Allowance for Expected Credit Losses - Geographical

	Impaired Loans, Advances and Financing	Past Due Loan	12 months ECL (Stage 1)	Lifetime ECL Not-credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	ECL charged/ (write-back) for the year (net)	Stage 3 write-off for the year
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022							
Northern region	66,114	88,483	23,572	34,707	36,009	6,018	(5,248)
Central region	616,851	1,001,220	197,663	438,546	228,925	95,583	(60,296)
Southern region	134,400	238,306	29,144	48,416	56,540	30,163	(13,330)
Sabah region	28,823	82,894	15,086	31,167	6,976	1,677	(1,404)
Sarawak region	7,078	17,023	5,209	4,814	3,068	194	(1,422)
Total	**853,266**	**1,427,926**	**270,674**	**557,650**	**331,518**	**133,635**	**(81,700)**
BANK							
2022							
Northern region	39,156	70,521	16,235	24,841	23,481	2,400	(3,459)
Central region	427,522	751,174	123,875	286,467	145,047	48,083	(40,623)
Southern region	88,780	200,579	19,899	32,605	33,121	14,807	(10,916)
Sabah region	13,574	44,032	10,398	20,880	3,112	(464)	(1,146)
Sarawak region	5,725	10,392	4,079	3,749	2,651	91	(1,337)
Total	**574,757**	**1,076,698**	**174,486**	**368,542**	**207,412**	**64,917**	**(57,481)**

4.0 Credit Risk (cont'd.)

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

Impaired and Past Due Loans, Advances and Financing and Allowance for Expected Credit Losses - Geographical (cont'd.)

	Impaired Loans, Advances and Financing	Past Due Loan	12 months ECL (Stage 1)	Lifetime ECL Not-credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	ECL charged/ (write-back) for the year (net)	Stage 3 write-off for the year
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021							
Northern region	77,759	100,942	21,409	30,947	35,268	8,574	(12,911)
Central region	764,325	1,226,567	167,174	387,962	191,565	94,324	(91,227)
Southern region	142,789	157,342	24,970	47,568	39,611	16,743	(23,719)
Sabah region	37,812	95,584	13,147	27,450	6,670	2,675	(1,552)
Sarawak region	9,751	15,531	4,325	4,849	4,291	(636)	(441)
Total	**1,032,436**	**1,595,966**	**231,025**	**498,776**	**277,405**	**121,680**	**(129,850)**
BANK							
2021							
Northern region	52,270	61,820	15,373	21,196	24,253	4,405	(8,625)
Central region	543,371	869,734	110,068	239,613	136,186	58,551	(61,735)
Southern region	107,890	113,578	16,727	30,883	28,883	10,603	(18,856)
Sabah region	24,456	45,755	8,674	19,104	4,490	1,347	(869)
Sarawak region	7,581	12,932	3,399	3,873	3,877	(675)	(277)
Total	**735,568**	**1,103,819**	**154,241**	**314,669**	**197,689**	**74,231**	**(90,362)**

4.0 Credit Risk (cont'd.)

4.2 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 2021	231,025	498,776	277,405	1,007,206
Transfer to Stage 1	139,012	(500,239)	(1,598)	(362,825)
Transfer to Stage 2	(85,699)	730,176	(206,437)	438,040
Transfer to Stage 3	(627)	(308,235)	288,619	(20,243)
New financial assets originated or purchased	93,426	228,198	14,727	336,351
Financial assets derecognised other than write-off	(69,683)	(250,735)	(23,389)	(343,807)
Changes due to change in credit risk	(36,790)	161,540	61,713	186,463
Other adjustment	11	5	-	16
	39,650	60,710	133,635	233,995
Unwinding of discount	-	-	2,178	2,178
Total charge to income statement	39,650	60,710	135,813	236,173
Write-off	(1)	(1,836)	(81,700)	(83,537)
At 31 March 2022	270,674	557,650	331,518	1,159,842
At 1 April 2020	96,553	269,287	293,428	659,268
Transfer to Stage 1	153,279	(303,936)	(4,481)	(155,138)
Transfer to Stage 2	(101,032)	483,008	(76,882)	305,094
Transfer to Stage 3	(738)	(158,088)	233,223	74,397
New financial assets originated or purchased	77,896	178,021	15,316	271,233
Financial assets derecognised other than write-off	(64,721)	(189,434)	(35,550)	(289,705)
Changes due to change in credit risk	69,812	220,087	(9,933)	279,966
Other adjustments	(21)	(37)	(13)	(71)
	134,475	229,621	121,680	485,776
Unwinding of discount	-	-	(7,853)	(7,853)
Total charge to income statement	134,475	229,621	113,827	477,923
Write-off	(3)	(132)	(129,850)	(129,985)
At 31 March 2021	231,025	498,776	277,405	1,007,206

Note: The transfer between stages are inclusive of net remeasurement of allowances.

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4.0 Credit Risk (cont'd.)

4.2 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
BANK				
At 1 April 2021	154,241	314,669	197,689	666,599
Transfer to Stage 1	86,573	(314,557)	(1,581)	(229,565)
Transfer to Stage 2	(52,603)	442,526	(124,959)	264,964
Transfer to Stage 3	(446)	(157,496)	156,394	(1,548)
New financial assets originated or purchased	61,935	165,809	9,067	236,811
Financial assets derecognised other than write-off	(46,658)	(190,470)	(13,382)	(250,510)
Changes due to change in credit risk	(28,566)	108,957	39,378	119,769
Other adjustment	11	5	-	16
	20,246	54,774	64,917	139,937
Unwinding of discount	-	-	2,287	2,287
Total charge to income statement	20,246	54,774	67,204	142,224
Write-off	(1)	(901)	(57,481)	(58,383)
At 31 March 2022	174,486	368,542	207,412	750,440
At 1 April 2020	63,677	177,196	218,370	459,243
Transfer to Stage 1	94,945	(199,432)	(2,495)	(106,982)
Transfer to Stage 2	(62,825)	300,659	(50,694)	187,140
Transfer to Stage 3	(606)	(90,925)	142,613	51,082
New financial assets originated or purchased	53,856	139,571	11,287	204,714
Financial assets derecognised other than write-off	(42,782)	(141,429)	(24,205)	(208,416)
Changes due to change in credit risk	48,000	129,081	(2,262)	174,819
Other adjustments	(21)	(37)	(13)	(71)
	90,567	137,488	74,231	302,286
Unwinding of discount	-	-	(4,550)	(4,550)
Total charge to income statement	90,567	137,488	69,681	297,736
Write-off	(3)	(15)	(90,362)	(90,380)
At 31 March 2021	154,241	314,669	197,689	666,599

Note: The transfer between stages are inclusive of net remeasurement of allowances.

4.0 Credit Risk (cont'd.)

4.3 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:

	← Exposures after netting and credit risk mitigation →										
GROUP **2022** Risk-Weights	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	9,060,236	471,082	4,938	-	1,627,191	139,040	-	-	272,810	11,575,297	-
20%	18,379	276,606	1,234,100	199	3,199,981	914,931	1,795	-	232,788	5,878,779	1,175,756
35%	-	-	-	-	-	-	13,642,847	-	-	13,642,847	4,774,996
50%	-	-	217,315	-	8,996	20,977	2,107,171	-	-	2,354,459	1,177,230
75%	-	-	-	-	-	8,803,071	12,010	-	-	8,815,081	6,611,311
100%	-	-	31	28,031	17,045,747	1,846,186	1,060,370	-	597,985	20,578,350	20,578,350
150%	-	-	-	-	82,642	26,976	563	6,588	-	116,769	175,154
Total exposures	9,078,615	747,688	1,456,384	28,230	21,964,557	11,751,181	16,824,756	6,588	1,103,583	62,961,582	34,492,797
Risk-weighted assets by exposures	3,676	55,321	355,509	28,071	17,814,204	8,682,428	6,899,163	9,882	644,543	34,492,797	
Average risk-weight	0%	7%	24%	99%	81%	74%	41%	150%	58%	55%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	

4.0 Credit Risk (cont'd.)

4.3 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 **2022** Risk-Weights	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Exposures after netting and credit risk mitigation										
0%	6,548,855	249,477	-	-	1,120,268	114,681	-	-	272,810	8,306,091	-
20%	18,379	138,662	1,315,320	199	2,297,379	784,037	1,278	-	224,875	4,780,129	956,026
35%	-	-	-	-	-	-	10,308,601	-	-	10,308,601	3,608,011
50%	-	-	443,448	-	7,363	16,045	1,128,948	-	-	1,595,804	797,902
75%	-	-	-	-	-	7,007,664	8,807	-	-	7,016,471	5,262,353
100%	-	-	31	20,219	12,884,587	841,059	612,018	-	513,470	14,871,384	14,871,384
150%	-	-	-	-	82,517	22,416	563	5,637	-	111,133	166,700
Total exposures	6,567,234	388,139	1,758,799	20,418	16,392,114	8,785,902	12,060,215	5,637	1,011,155	46,989,613	25,662,376
Risk-weighted assets by exposures	3,676	27,732	484,819	20,259	13,471,520	6,295,261	4,792,208	8,456	558,445	25,662,376	
Average risk-weight	0%	7%	28%	99%	82%	72%	40%	150%	55%	55%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	

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4.0 Credit Risk (cont'd.)

4.3 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.):

	←---- Exposures after netting and credit risk mitigation ----→										
GROUP **2021** Risk- Weights	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	10,143,188	528,387	5,074	-	1,536,728	-	-	-	320,640	12,534,017	-
20%	-	397,898	824,263	259	3,154,045	587,556	629	-	-	4,964,650	992,930
35%	-	-	-	-	-	-	14,060,990	-	-	14,060,990	4,921,347
50%	-	-	156,326	-	51,266	34,261	2,099,630	-	-	2,341,483	1,170,742
75%	-	-	-	-	-	8,285,570	7,412	-	-	8,292,982	6,219,736
100%	-	-	81	28,584	16,008,804	1,686,297	1,104,481	-	692,926	19,521,173	19,521,173
150%	-	-	-	-	92,993	58,573	728	7,479	3	159,776	239,664
Total exposures	10,143,188	926,285	985,744	28,843	20,843,836	10,652,257	17,273,870	7,479	1,013,569	61,875,071	33,065,592
Risk-weighted assets by exposures	-	79,580	243,097	28,636	16,804,735	8,122,976	7,082,419	11,218	692,931	33,065,592	
Average risk-weight	0%	9%	25%	99%	81%	76%	41%	150%	68%	53%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	

4.0 Credit Risk (cont'd.)

4.3 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 2021 Risk-Weights	Exposures after netting and credit risk mitigation										
	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	7,262,110	213,559	-	-	984,348	-	-	-	320,640	8,780,657	-
20%	-	201,253	913,551	259	2,192,535	533,676	571	-	-	3,841,845	768,369
35%	-	-	-	-	-	-	10,682,405	-	-	10,682,405	3,738,842
50%	-	-	381,466	-	34,943	23,169	1,086,696	-	-	1,526,274	763,137
75%	-	-	-	-	-	6,654,343	4,124	-	-	6,658,467	4,993,850
100%	-	-	81	20,814	12,029,958	893,653	566,549	-	622,109	14,133,164	14,133,164
150%	-	-	-	-	84,444	51,138	654	6,506	3	142,745	214,118
Total exposures	7,262,110	414,812	1,295,098	21,073	15,326,228	8,155,979	12,340,999	6,506	942,752	45,765,557	24,611,480
Risk-weighted assets by exposures	-	40,251	373,524	20,866	12,612,602	6,079,437	4,852,927	9,759	622,114	24,611,480	
Average risk-weight	0%	10%	29%	99%	82%	75%	39%	150%	66%	54%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	

4.0 Credit Risk (cont'd.)

4.3 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 Berhad ("MARC"), Standard and Poor's ("S&P"), Moody's, Fitch Ratings, and Rating and Investment Information, Inc. ("R&I" [See Note 1]). 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 External Credit Assessment Institutions ("ECAIs"):

Long-Term Rating

Rating Category	S&P	Moody's	Fitch	RAM	MARC	R&I *
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A3	A+ to A-	A+ to A-
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1+ to BB3	BBB+ to BB-	BBB+ to BB-
4	B+ to D	B1 to C	B+ to D	B to D	B+ to D	B+ to D
5	Unrated					

Short-Term Rating

Rating Category	S&P	Moody's	Fitch	RAM	MARC	R&I *
1	A-1	P-1	F1+, F1	P-1	MARC-1	a-1+, a-1
2	A-2	P-2	A-2	P-2	MARC-2	a-2
3	A-3	P-3	F3	P-3	MARC-3	a-3
4	Others	Others	B+ to D	NP	MARC-4	b, c
5	Unrated					

* Note 1: R&I rating is not recognised for Islamic debt securities.

GROUP
2022

Exposure Class	Rating Categories 1	2	3	4	5	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	471,082	-	-	-	471,082
Sovereigns and Central Banks (See Note 2)	-	9,078,615	-	-	-	9,078,615
Corporates	-	1,408,099	-	-	-	1,408,099
Banks, DFIs and Multilateral Development Banks	-	4,938	-	-	-	4,938
Total	-	10,962,734	-	-	-	10,962,734
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	664,369	580,810	521	-	185,780	1,431,480
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	19,966	-	-	-	-	19,966
Total	684,335	580,810	521	-	185,780	1,451,446
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	30,331	-	-	-	246,275	276,606
Corporates	2,963,100	-	10,263	-	19,264,739	22,238,102
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	28,504	28,504
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	2,993,431	-	10,263	-	19,539,518	22,543,212

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

4.0 Credit Risk (cont'd.)

4.3 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
2022

Exposure Class	Rating Categories					Total
	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	249,477	-	-	-	249,477
Sovereigns and Central Banks (See Note 2)	-	6,567,233	-	-	-	6,567,233
Corporates	-	942,826	-	-	-	942,826
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	-	7,759,536	-	-	-	7,759,536
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	649,103	909,378	521	-	179,831	1,738,833
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	19,966	-	-	-	-	19,966
Total	669,069	909,378	521	-	179,831	1,758,799
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	10,104	-	-	-	128,558	138,662
Corporates	2,103,558	-	10,263	-	14,758,774	16,872,595
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	20,692	20,692
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	2,113,662	-	10,263	-	14,908,024	17,031,949

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

4.0 Credit Risk (cont'd.)

4.3 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.):

<u>Group</u>
2021

Exposure Class	Rating Categories					Total
	1	2	3	4	5	
	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	-	528,387	-	-	-	528,387
Sovereigns and Central Banks (See Note 2)	-	10,143,188	-	-	-	10,143,188
Corporates	-	1,536,728	-	-	-	1,536,728
Banks, DFIs and Multilateral Development Banks	-	5,074	-	-	-	5,074
Total	-	12,213,377	-	-	-	12,213,377
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	499,125	285,218	4,200	-	192,127	980,670
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	499,125	285,218	4,200	-	192,127	980,670
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	46,381	-	-	-	351,517	397,898
Corporates	2,981,540	48,638	-	-	17,853,753	20,883,931
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	28,848	28,848
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	3,027,921	48,638	-	-	18,234,118	21,310,677

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

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4.0 Credit Risk (cont'd.)

4.3 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
2021

Exposure Class	Rating Categories					Total
	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	213,559	-	-	-	213,559
Sovereigns and Central Banks (See Note 2)	-	7,262,110	-	-	-	7,262,110
Corporates	-	984,348	-	-	-	984,348
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	-	8,460,017	-	-	-	8,460,017
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	493,396	614,831	4,200	-	182,671	1,295,098
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
Total	493,396	614,831	4,200	-	182,671	1,295,098
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	30,714	-	-	-	170,539	201,253
Corporates	2,046,259	33,359	-	-	13,609,141	15,688,759
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	21,079	21,079
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Total	2,076,973	33,359	-	-	13,800,759	15,911,091

Note 2: The Federal Government and Central Bank of Malaysia are accorded 0% risk weight as provided under the Capital Adequacy Framework.

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

4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM")

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. The 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's Capital Adequacy Framework 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 2022 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives (Note 1) RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	9,060,236	-	-	-
Public sector entities	684,403	-	-	-
Banks, DFIs and Multilateral Development Banks	1,060,610	-	-	-
Insurance companies, securities firms and fund managers	6,090	199	186	-
Corporates	21,432,987	448,479	1,424,523	-
Regulatory retail	11,290,118	1,049,811	988,347	-
Residential mortgages	16,334,950	1,795	9,761	-
Higher risk assets	5,237	-	2	-
Other assets	1,103,582	-	-	-
Defaulted exposures	523,225	3,181	951	-
Total on-balance sheet exposures	61,501,438	1,503,465	2,423,770	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than over the counter ("OTC") derivatives or credit derivatives	4,457,041	8,472	574,031	-
Defaulted exposures	908	-	4	-
Total off-balance sheet exposures	4,457,949	8,472	574,035	-
Total on and off-balance sheet exposures	65,959,387	1,511,937	2,997,805	-

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM") (cont'd.)

BANK **2022** **Exposure Class**	**Exposures before CRM** **RM'000**	**Exposures covered by guarantees/ credit derivatives (Note 1)** **RM'000**	**Exposures covered by eligible financial collateral** **RM'000**	**Exposures covered by other eligible collateral** **RM'000**
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	6,548,855	-	-	-
Public sector entities	340,855	-	-	-
Banks, DFIs and Multilateral Development Banks	1,363,913	-	-	-
Insurance companies, securities firms and fund managers	2,297	199	186	-
Corporates	16,073,457	367,937	1,214,348	-
Regulatory retail	8,345,008	895,361	852,196	-
Residential mortgages	11,755,878	1,278	9,512	-
Higher risk assets	4,362	-	2	-
Other assets	1,011,154	-	-	-
Defaulted exposures	368,064	3,181	418	-
Total on-balance sheet exposures	45,813,843	1,267,956	2,076,662	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,746,287	3,500	494,704	-
Defaulted exposures	853	-	4	-
Total off-balance sheet exposures	3,747,140	3,500	494,708	-
Total on and off-balance sheet exposures	49,560,983	1,271,456	2,571,370	-

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM") (cont'd.)

GROUP **2021** **Exposure Class**	**Exposures before CRM** **RM'000**	**Exposures covered by guarantees/ credit derivatives (Note 1)** **RM'000**	**Exposures covered by eligible financial collateral** **RM'000**	**Exposures covered by other eligible collateral** **RM'000**
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	10,122,388	-	-	-
Public sector entities	817,768	-	-	-
Banks, DFIs and Multilateral Development Banks	631,456	-	-	-
Insurance companies, securities firms and fund managers	6,284	259	-	-
Corporates	19,977,037	172,367	1,320,662	-
Regulatory retail	10,635,671	586,151	945,389	-
Residential mortgages	16,603,585	629	9,538	-
Higher risk assets	5,998	-	4	-
Other assets	1,013,569	-	-	-
Defaulted exposures	756,160	1,267	1,833	-
Total on-balance sheet exposures	60,569,916	760,673	2,277,426	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,134,194	275	553,738	-
Defaulted exposures	2,130	-	5	-
Total off-balance sheet exposures	4,136,324	275	553,743	-
Total on and off-balance sheet exposures	64,706,240	760,948	2,831,169	-

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM") (cont'd.)

BANK 2021 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives (Note 1) RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	7,241,310	-	-	-
Public sector entities	312,291	-	-	-
Banks, DFIs and Multilateral Development Banks	940,828	-	-	-
Insurance companies, securities firms and fund managers	2,535	259	-	-
Corporates	14,817,564	146,138	1,141,114	-
Regulatory retail	8,092,353	532,271	801,623	-
Residential mortgages	11,916,912	571	9,271	-
Higher risk assets	5,100	-	4	-
Other assets	942,752	-	-	-
Defaulted exposures	539,010	1,267	1,301	-
Total on-balance sheet exposures	44,810,655	680,506	1,953,313	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,375,756	275	469,121	-
Defaulted exposures	1,585	-	5	-
Total off-balance sheet exposures	3,377,341	275	469,126	-
Total on and off-balance sheet exposures	48,187,996	680,781	2,422,439	-

Note 1: The exposures covered by guarantees/credit derivative refer to the exposures guaranteed by eligible guarantors.

4.0 Credit Risk (cont'd.)

4.5 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. 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.

4.0 Credit Risk (cont'd.)

4.5 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 **2022**	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk-Weighted Assets RM'000**
Credit-related exposures				
Direct credit substitutes	498,689	-	498,689	411,241
Transaction-related contingent items	561,778	-	280,889	187,696
Short-term self-liquidating trade-related contingencies	211,549	-	42,310	36,429
Forward asset purchase	-	-	-	-
Obligations under an ongoing underwriting agreement	-	-	-	-
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,747,771	-	873,160	619,872
- maturity not exceeding one year	10,049,097	-	2,009,819	1,417,040
Unutilised credit card lines	1,333,057	-	266,611	204,335
	14,401,941	-	3,971,478	2,876,613
Derivative financial instruments				
Foreign exchange related contracts:				
- one year or less	10,370,880	16,936	130,778	41,269
- over one year to three years	917,134	2,903	66,040	36,371
- over three years	257,757	899	25,650	13,648
Interest rate related contracts:				
- one year or less	2,158,436	9,743	16,296	4,882
- over one year to three years	3,307,815	37,099	108,492	29,368
- over three years	1,948,660	18,280	101,421	29,534
Equity related contracts:				
- one year or less	332,492	345	20,418	6,623
- over one year to three years	216,080	89	17,376	4,136
	19,509,254	86,294	486,471	165,831
	33,911,195	86,294	4,457,949	3,042,444

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4.0 Credit Risk (cont'd.)

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

BANK 2022	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk-Weighted Assets RM'000**
Credit-related exposures				
Direct credit substitutes	428,454	-	428,454	350,050
Transaction-related contingent items	499,745	-	249,872	167,139
Short-term self-liquidating trade-related contingencies	192,299	-	38,460	33,478
Forward asset purchase	-	-	-	-
Obligations under an ongoing underwriting agreement	-	-	-	-
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,462,876	-	730,715	515,958
- maturity not exceeding one year	7,732,786	-	1,546,557	1,070,536
Unutilised credit card lines	1,333,057	-	266,611	204,025
	11,649,217	-	3,260,669	2,341,186
Derivative financial instruments				
Foreign exchange related contracts:				
- one year or less	10,370,880	16,936	130,778	41,269
- over one year to three years	917,134	2,903	66,040	36,371
- over three years	257,757	899	25,650	13,648
Interest rate related contracts:				
- one year or less	2,158,436	9,743	16,296	4,882
- over one year to three years	3,307,815	37,099	108,492	29,368
- over three years	1,948,660	18,280	101,421	29,534
Equity related contracts:				
- one year or less	332,492	345	20,418	6,623
- over one year to three years	216,080	89	17,376	4,136
	19,509,254	86,294	486,471	165,831
	31,158,471	86,294	3,747,140	2,507,017

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4.0 Credit Risk (cont'd.)

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

GROUP 2021	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-related exposures				
Direct credit substitutes	687,790	-	687,790	602,424
Transaction-related contingent items	554,612	-	275,113	176,464
Short-term self-liquidating trade-related contingencies	145,128	-	29,026	24,654
Forward asset purchase	20,800	-	20,800	-
Obligations under an ongoing underwriting agreement	20,000	-	10,000	10,000
Irrevocable commitments to extend credit:				
- maturity exceeding one year	867,310	-	433,151	303,857
- maturity not exceeding one year	9,625,561	-	1,925,112	1,365,327
Unutilised credit card lines	1,299,366	-	259,873	200,734
	13,220,567	-	3,640,865	2,683,460
Derivative financial instruments				
Foreign exchange related contracts:				
- one year or less	7,718,029	50,451	133,091	45,375
- over one year to three years	681,661	2,417	47,467	32,489
- over three years	661,606	8,061	73,516	36,832
Interest rate related contracts:				
- one year or less	2,099,218	11,054	14,569	4,508
- over one year to three years	3,984,245	52,302	110,926	37,059
- over three years	1,492,030	16,428	67,968	20,746
Equity related contracts:				
- one year or less	295,184	12,355	30,209	20,333
- over one year to three years	214,860	667	17,713	3,729
	17,146,833	153,735	495,459	201,071
	30,367,400	153,735	4,136,324	2,884,531

4.0 Credit Risk (cont'd.)

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

BANK **2021**	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk-Weighted Assets RM'000**
Credit-related exposures				
Direct credit substitutes	511,039	-	511,039	434,180
Transaction-related contingent items	492,119	-	243,867	155,287
Short-term self-liquidating trade-related contingencies	119,337	-	23,867	19,768
Forward asset purchase	20,800	-	20,800	-
Obligations under an ongoing underwriting agreement	-	-	-	-
Irrevocable commitments to extend credit:				
- maturity exceeding one year	711,536	-	355,265	248,901
- maturity not exceeding one year	7,335,855	-	1,467,171	1,020,082
Unutilised credit card lines	1,299,366	-	259,873	200,468
	10,490,052	-	2,881,882	2,078,686
Derivative financial instruments				
Foreign exchange related contracts:				
- one year or less	7,718,029	50,451	133,091	45,375
- over one year to three years	681,661	2,417	47,467	32,489
- over three years	661,606	8,061	73,516	36,832
Interest rate related contracts:				
- one year or less	2,099,218	11,054	14,569	4,508
- over one year to three years	3,984,245	52,302	110,926	37,059
- over three years	1,492,030	16,428	67,968	20,746
Equity related contracts:				
- one year or less	295,184	12,355	30,209	20,333
- over one year to three years	214,860	667	17,713	3,729
	17,146,833	153,735	495,459	201,071
	27,636,885	153,735	3,377,341	2,279,757

5.0 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 such as interest rate/profit rates, foreign exchange rates and equity prices.

5.1 Market Risk Management

The Board, via the 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.

5.2 Traded Market Risk

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

(a) Identification of market risk in new products and changes in risk profiles of existing exposure;

(b) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken;

(c) Adoption of various market risk measurement tools and techniques to quantify market risk exposure; and

(d) 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-à-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. Market risk limits, exposures as well as any limit breaches or exceptions are reported to GALCO, ERMC and GRMC. The risk measures are outlined below:

(a) Value-at-Risk ("VaR"): The Group has adopted the historical simulation approach where historical scenarios are generated based on actual past market movements. A snapshot of the end-of-day's positions is taken and full revaluation of the treasury positions are performed for each day's historical scenario versus the previous day's position.The VaR estimate is derived from the value of the 99th percentile of the loss distribution curve level and computed on a one-day holding period, i.e. the model is attempting to estimate the potential loss over the next 24 hours, based on historical market volatility. The Group currently adopts the hypothetical profit and loss ("P&L") approach for back testing purposes. Hypothetical P&L for back testing purposes refers to the simulated P&L that is generated by applying the day's price movements to the previous day's end-of-day portfolio.

(b) Price Value of a Basis Point ("PV01") Limit: PV01 measures the sensitivity of the portfolio to adverse movements in interest rates. This limit is expressed in terms of potential losses to the entire portfolio for an adverse one basis point movement in interest rates.

(c) The Total Net Open Position ("NOP"): The NOP limits represent the maximum permissible amount of net open position that the FX Spot & Swap Trading Desk dealers can maintain at any point in time.

(d) Gamma and Vega Limits for FX and Interest Options: Gamma value parameter of an option is a risk parameter that measures the changes of the portfolio Delta due to changes in the underlying Spot value. Vega risk of an option measures and computes the changes in portfolio value due to parallel shift in volatility surface.

(e) Others: Other limits include Stop Loss Limits, Tenure Limits and Transaction Limits. These limits provide additional control on the trading portfolio. In addition, stress testing is conducted to gauge and identify potential vulnerability risk areas of a bank's portfolio in accordance with a range of stressed scenarios or sensitivity analyses. It provides a forward looking assessment of risk exposures under stressed conditions which enables the Bank to assess potential worst case scenarios and develop appropriate management actions and contingency plans.

5.0 Market Risk (cont'd.)

5.2 Traded Market Risk (cont'd.)

Hedging Policies and Strategies

The Group had established a 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.

Regulatory capital requirements

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

	GROUP		BANK	
2022	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**
Interest rate risk				
- General interest rate risk	291,525	23,322	291,525	23,322
- Specific interest rate risk	1,512	121	1,512	121
	293,037	23,443	293,037	23,443
Foreign exchange risk	60,571	4,846	60,537	4,843
Option risk	-	-	-	-
	353,608	28,289	353,574	28,286
2021				
Interest rate risk				
- General interest rate risk	252,425	20,194	252,425	20,194
- Specific interest rate risk	-	-	-	-
	252,425	20,194	252,425	20,194
Foreign exchange risk	69,927	5,594	69,606	5,568
Option risk	300	24	300	24
	322,652	25,812	322,331	25,786

5.0 Market Risk (cont'd.)

5.3 Non-Traded Market Risk

Non-traded market risk is the inherent risks arising from banking book activities. The primary risk factors in the banking book include interest rate risk/rate of return risk in the banking book.

5.3.1 Interest Rate Risk/Rate of Return Risk in the Banking Book

Interest rate risk/rate of return risk in the trading book ("IRR/RORBB") is the risk that occurs when movements in interest rates affect a banking organisation's earnings or economic value. Interest rate/profit rate changes affect 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 these 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 strategies as approved by GALCO to manage the assets/liabilities as well as the funding and liquidity needs of the Bank/Group where the Group and its entities have operated above the minimum regulatory requirements for Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). 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:

(a) 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;

(b) Checking to ensure that IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO;

(c) Setting of proper gapping limits and the limits monitored closely; and

(d) Practising comprehensive IRR/RORBB reporting and review process, with aggregated information and supporting details to facilitate the 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:

(a) 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;

(b) Net interest income/profit income simulations to assess the impact of interest rate/profit rate changes on short term earnings volatility;

(c) Economic value ("EV") simulations that measures the asset-liability impact of adverse interest rate/profit rate movements on the economic value of the Bank's capital; and

(d) Product behavioural testing is applied regularly to ensure the risk assessment is able to withstand any market interest rate changes within the risk tolerance of the Bank.

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 the 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.

5.0 Market Risk (cont'd.)

5.3 Non-Traded Market Risk

5.3.1 Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB") (cont'd.)

The following tables present the Group's and the Bank's projected sensitivity shock based on standard scenario as outlined in BNM's Reporting Requirements for Interest Rate/ Rate of Return Risk in the Banking Book Policy Document issued on 30 June 2020 across all maturities applied on the Group's and the Bank's interest sensitivity gap as at reporting date.

	MYR RM'000	USD RM'000	SGD RM'000	Other Foreign Currencies ("FCY") RM'000	Total RM'000
GROUP					
2022					
Impact on NII					
Parallel 200 bps up	218,322	9,519	(1,180)	(3,041)	223,620
Parallel 200 bps down	(218,322)	(9,519)	1,180	3,041	(223,620)
Impact on EV					
Parallel 200 bps up	(481,876)	10,359	2,301	4,063	(465,153)
Parallel 200 bps down	481,876	(10,359)	(2,301)	(4,063)	465,153
Steepener	(525,979)	(4,725)	(764)	(2,003)	(533,471)
Flattener	430,205	7,055	1,109	2,917	441,286
Short Rate Up	(98,830)	10,652	1,636	4,314	(82,228)
Short Rate Down	98,830	(10,652)	(1,636)	(4,314)	82,228
BANK					
2022					
Impact on NII					
Parallel 200 bps up	175,959	9,515	(1,181)	(3,044)	181,249
Parallel 200 bps down	(175,959)	(9,515)	1,181	3,044	(181,249)
Impact on EV					
Parallel 200 bps up	(324,978)	10,359	2,301	4,063	(308,255)
Parallel 200 bps down	324,978	(10,359)	(2,301)	(4,063)	308,255
Steepener	(396,297)	(4,725)	(764)	(2,003)	(403,789)
Flattener	327,465	7,055	1,109	2,917	338,546
Short Rate Up	(48,518)	10,652	1,636	4,314	(31,916)
Short Rate Down	48,518	(10,652)	(1,636)	(4,314)	31,916

	MYR RM'000	USD RM'000	SGD RM'000	Other FCY RM'000	Total RM'000
GROUP					
2021					
Impact on NII					
Parallel 200 bps up	255,429	9,984	(697)	(3,450)	261,266
Parallel 200 bps down	(255,429)	(9,984)	697	3,450	(261,266)
Impact on EV					
Parallel 200 bps up	(595,827)	7,302	1,152	4,144	(583,229)
Parallel 200 bps down	595,827	(7,302)	(1,152)	(4,144)	583,229
Steepener	(687,285)	(3,191)	(400)	(2,050)	(692,926)
Flattener	566,974	4,834	573	2,982	575,363
Short Rate Up	(109,478)	7,382	835	4,406	(96,855)
Short Rate Down	109,478	(7,382)	(835)	(4,406)	96,855
BANK					
2021					
Impact on NII					
Parallel 200 bps up	191,301	9,961	(697)	(3,452)	197,113
Parallel 200 bps down	(191,301)	(9,961)	697	3,452	(197,113)
Impact on EV					
Parallel 200 bps up	(453,614)	7,303	1,152	4,144	(441,015)
Parallel 200 bps down	453,614	(7,303)	(1,152)	(4,144)	441,015
Steepener	(522,235)	(3,192)	(400)	(2,050)	(527,877)
Flattener	433,626	4,835	573	2,982	442,016
Short Rate Up	(82,922)	7,383	835	4,406	(70,298)
Short Rate Down	82,922	(7,383)	(835)	(4,406)	70,298

The reported amounts do not capture the impact of business growth or of management actions as the impact is based on the balance sheet as at reporting date. In reality, GALCO seeks to proactively change the profit attributable to interest rate risk to minimise losses and maximise revenue.

Actual dates may differ from contractual dates for both financing and deposit owing to prepayments/premature withdrawals. When possible and material, financing prepayments and deposit premature withdrawals are generally estimated based on past statistics and trends. The impact on NII and EV are measured on a monthly basis for the Bank and quarterly for the Group, both of which are reported to GALCO and the Group Risk Management Committee.

5.0 Market Risk (cont'd)

5.3 Non-Traded Market Risk (cont'd.)

5.3.2 Liquidity Risk

Liquidity risk can be defined as the risk where an entity is unable to fund increases in assets and meet financial obligations as they come due without incurring unacceptable losses. Liquidity risk measures are usually expressed in the form of various liquidity risk measurement ratios and triggers.

It is essential to adopt a conservative and prudent approach in the measurement of liquidity risk. This is achieved by the establishment of robust liquidity risk management policies, measures and strategies that are complemented by regular monitoring and reporting process.

The liquidity risk management references BNM's LCR to gauge its liquidity exposure, complemented with BNM's Net Stable Funding Ratio ("NSFR") which requires the Group to maintain sufficient liquidity, including a cushion of unencumbered, High Quality Liquid Assets ("HQLA") to withstand a range of stress events.

The Group is in compliance with the minimum regulatory requirements ratio to LCR and NSFR within the period from April 2021 to March 2022.

5.4 Equity Exposures in Banking Book

The Group and the Bank hold 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 revaluation reserve and statement of income accordingly.

The following table shows the equity exposures in banking book:

	GROUP		BANK	
2022	**Gross credit exposures RM'000**	**Risk-weighted assets RM'000**	**Gross credit exposures RM'000**	**Risk-weighted assets RM'000**
Publicly traded				
Holding of equity investments	13	13	13	13
Privately held				
For socio-economic purposes	245,839	245,839	171,485	171,485
Not for socio-economic purposes	3	5	3	5
	245,855	245,857	171,501	171,503
2021				
Publicly traded				
Holding of equity investments	15	15	15	15
Privately held				
For socio-economic purposes	224,673	224,673	154,479	154,479
Not for socio-economic purposes	3	5	3	5
	224,691	224,693	154,497	154,499

Gains and Losses on Equity Exposures in the Banking Book

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

	GROUP		BANK	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Unrealised (losses)/gains recognised in revaluation reserve				
- Publicly traded equity investments	(2)	10	(2)	10
	(2)	10	(2)	10
Unrealised gains recognised in statement of income				
- Privately held equity investments	21,166	22,759	17,006	16,957
	21,166	22,759	17,006	16,957

6.0 Operational Risk

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

Operational Risk Management

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

The Board, via 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:

(a) Providing strategic guidance on operational issues and monitoring the implementation of the Operational Risk Management ("ORM") Framework;

(b) Reviewing and monitoring operational risk issues, reports and action plans;

(c) Evaluating and agreeing on initiatives to strengthen operational processes or infrastructure; and

(d) Promoting risk awareness and operational risk management culture.

The Group practises operational risk management as outlined in the 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's operational risk management process is depicted in the table below:

Identification	Identify the various risks inherent to each product, process and activity, as well as adverse trends of risk parameters
Assessment	- Risk Control Self-Assessment ("RCSA") - Control Self-Assessment ("CSA") - Key Risk Indicators ("KRI") - Loss Event Data ("LED") - Stress Testing and Scenario Analysis ("SA")
Mitigation & Control	- Setting risk mitigation measures and controls - Insurance / takaful - Outsourcing - Business Continuity Management
Reporting	- Escalate and highlight regular operational risk reports to Senior Management and the Board - Highlight new/emerging risk areas and the controls in place
Disclosure	Provide regular risk disclosure to regulators through the Pillar 3 disclosure report and regulatory reports, e.g. ORION report

The customary tools employed by the Group for the management of operational risk are:

(a) **RCSA** - An operational risk tool that is used to identify and assess risks inherent in the Group's operations and to evaluate the overall effectiveness of the internal controls in mitigating the identified risks;

(b) **CSA** - Complements the RCSA process by validating the effectiveness of the controls measures identified and highlight control lapses;

(c) **KRI** - A quantitative and statistical parameter, often financial in nature and focus on business processes and activities to identify emerging risks and potential changes in operational risk profiles;

(d) **LED** - The process of collecting, evaluating, monitoring and reporting operational risk events, loss amount and irregularities; and

(e) **Stress Testing and SA** - Assessment made to identify potential operational risk events and potential outcomes including identifying potential significant operational risks and the need for additional risk management. controls or mitigation solutions.

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

7.0 Shariah Governance Disclosures

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

(a) 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 policy document issued by BNM;

(b) The Board of Directors, assisted by the Shariah Committee and Senior Management, provides oversight on Shariah compliance aspects of AIS's overall operations. This, amongst others, includes:

- Oversight and implementation of the Shariah Compliance Framework;
- Regular review of Shariah non-compliant income and issues;
- Addressing Shariah non-compliance findings; and
- Ensuring compliance with regulatory and internal requirements including disclosures.

(c) Appointment of a qualified Shariah Committee member who also serves as AIS's Board member; serving as a ‘bridge’ between the Board and the Shariah Committee;

(d) 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; and

- Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.

(e) Escalation and reporting processes of Shariah non-compliant income and issues governed through designated escalation channels, which include the Board and the Shariah Committee; and

(f) Periodic engagement between the Board and the Shariah Committee to discuss Shariah research, Shariah compliance and the views of scholars on Islamic banking activities.

Shariah Non-Compliant Income and Events

During the financial period, there were 3 Shariah non-compliance events detected from the ongoing reviews of the AIS’s operational processes. Immediate actions have 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 RM898.46 has been refunded to the affected customers in accordance with Shariah Committee's decision.