



ALLIANCE INVESTMENT BANK

# PILLAR 3 REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019



**ALLIANCE INVESTMENT BANK BERHAD  
(21605-D)**

**PILLAR 3 REPORT  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

**Overview**

Bank Negara Malaysia's ("BNM") guidelines on capital adequacy require Alliance Investment Bank Berhad ("the Bank") and its subsidiaries ("the Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 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 adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

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

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

In summary, the capital management process involves the following:

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

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

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

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**1.0 Scope of Application**

The Pillar 3 Disclosure was prepared on a consolidated basis comprises information on Alliance Investment Bank Berhad ("the Bank") and its subsidiaries, associate and joint venture. The Bank offers Conventional and Islamic banking services. The latter includes accepting deposits and providing financing under Shariah principles via its Islamic window. The Islamic Banking portion is not material and the Bank does not use Profit-sharing Investment Account as a risk absorbent mechanism.

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

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

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

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

**2.0 Capital**

The capital management of Alliance Investment Bank and its subsidiaries is under the purview of the Alliance Bank Group's capital management with the objectives:

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

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

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

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**2.0 Capital (cont'd)**

**2.1 Capital Adequacy Ratios**

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

	<u>BANK</u>		<u>GROUP</u>	
	2019	2018	2019	2018
<u>Before deducting proposed dividends</u>				
CET I Capital Ratio	78.200%	86.830%	78.128%	86.862%
Tier I Capital Ratio	78.200%	86.830%	78.128%	86.862%
Total Capital Ratio	79.196%	87.642%	79.121%	87.672%
<u>After deducting proposed dividends</u>				
CET I Capital Ratio	78.200%	85.079%	78.128%	85.118%
Tier I Capital Ratio	78.200%	85.079%	78.128%	85.118%
Total Capital Ratio	79.196%	85.892%	79.121%	85.928%

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

**2.2 Capital Structure**

The following tables represent the Bank's and the Group's capital positions. Details on capital resources, including share capital and reserves are found in Note 25 and 26 of the audited financial statements.

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

	<u>BANK</u>		<u>GROUP</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b><u>CET I Capital</u></b>				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	251,616	226,603	250,537	222,495
Revaluation reserves	11,672	42,530	11,672	42,530
Regulatory reserves	8,539	4,605	8,539	4,605
	<u>637,789</u>	<u>639,700</u>	<u>636,710</u>	<u>635,592</u>
Less: Regulatory adjustment				
- Goodwill and other intangibles	(36,730)	(62,429)	(33,639)	(55,749)
- 55% of revaluation reserves	(6,420)	(23,392)	(6,420)	(23,392)
- Investment in subsidiaries, associate and joint venture	(624)	(624)	(1,082)	(967)
- Regulatory reserves	(8,539)	(4,605)	(8,539)	(4,605)
- Additional Tier 1 Sukuk Wakalah	(100,000)	-	(100,000)	-
<b>Total CET I Capital / Total Tier I Capital</b>	<u>485,476</u>	<u>548,650</u>	<u>487,030</u>	<u>550,879</u>
<b><u>Tier II Capital</u></b>				
Expected credit loss*/ collective assessment allowance and regulatory reserves	6,183	5,133	6,188	5,133
<b>Total Tier II Capital</b>	<u>6,183</u>	<u>5,133</u>	<u>6,188</u>	<u>5,133</u>
<b>Total Capital</b>	<u>491,659</u>	<u>553,783</u>	<u>493,218</u>	<u>556,012</u>

\* Expected credit loss for stage 1 and stage 2 only.

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**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 requirement of the Bank and the Group:

<b>BANK 2019 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>								
<b>(i) Credit Risk</b>												
On-balance sheet exposures:												
Sovereigns/Central banks	693,543	693,543	-	-								
Public Sector Entities	26,653	26,653	5,331	426								
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	141,783	141,783	30,748	2,460								
Corporates	975,134	698,207	270,556	21,644								
Regulatory retail	6,933	1,507	1,130	90								
Other assets	86,259	86,259	85,727	6,858								
Equity exposures	60,784	60,784	60,784	4,863								
Defaulted exposures	2	2	2	-								
<b>Total on-balance sheet exposures</b>	<b>1,991,091</b>	<b>1,708,738</b>	<b>454,278</b>	<b>36,342</b>								
Off-balance sheet exposures:												
Credit-related off-balance sheet exposures	98,475	65,990	40,387	3,231								
Defaulted exposures	-	-	-	-								
<b>Total off-balance sheet exposures</b>	<b>98,475</b>	<b>65,990</b>	<b>40,387</b>	<b>3,231</b>								
<b>Total on and off-balance sheet exposures</b>	<b>2,089,566</b>	<b>1,774,728</b>	<b>494,665</b>	<b>39,573</b>								
<b>(ii) Market Risk (Note 4.0)</b>												
	<table border="1"> <thead> <tr> <th>Long Position</th> <th>Short Position</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>-</td> <td>-</td> </tr> </tbody> </table>		Long Position	Short Position	-	-	-	-	-	-	-	-
Long Position	Short Position											
-	-											
-	-											
-	-											
Interest rate risk			-	-								
Foreign currency risk			-	-								
Option risk			-	-								
<b>Total</b>			<b>-</b>	<b>-</b>								
<b>(iii) Operational Risk</b>												
	-	-	126,149	10,092								
<b>Total</b>	<b>2,089,566</b>	<b>1,774,728</b>	<b>620,814</b>	<b>49,665</b>								

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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 requirement of the Bank and the Group (cont'd):

<b>GROUP 2019 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>								
<b>(i) Credit Risk</b>												
On-balance sheet exposures:												
Sovereigns/Central banks	693,543	693,543	-	-								
Public Sector Entities	27,132	27,132	5,426	434								
Banks, DFIs and Multilateral Development Banks	142,166	142,166	30,940	2,475								
Corporates	975,134	698,207	270,556	21,644								
Regulatory retail	6,933	1,507	1,130	90								
Other assets	86,385	86,385	85,853	6,868								
Equity exposures	60,784	60,784	60,784	4,863								
Defaulted exposures	2	2	2	-								
<b>Total on-balance sheet exposures</b>	<b>1,992,079</b>	<b>1,709,726</b>	<b>454,691</b>	<b>36,375</b>								
Off-balance sheet exposures:												
Credit-related off-balance sheet exposures	98,475	65,990	40,387	3,231								
Defaulted exposures	-	-	-	-								
<b>Total off-balance sheet exposures</b>	<b>98,475</b>	<b>65,990</b>	<b>40,387</b>	<b>3,231</b>								
<b>Total on and off-balance sheet exposures</b>	<b>2,090,554</b>	<b>1,775,716</b>	<b>495,078</b>	<b>39,606</b>								
<b>(ii) Market Risk (Note 4.0)</b>												
	<table border="1"> <thead> <tr> <th>Long Position</th> <th>Short Position</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>-</td> <td>-</td> </tr> </tbody> </table>		Long Position	Short Position	-	-	-	-	-	-		
Long Position	Short Position											
-	-											
-	-											
-	-											
Interest rate risk			-	-								
Foreign currency risk			-	-								
Option risk			-	-								
<b>Total</b>			<b>-</b>	<b>-</b>								
<b>(iii) Operational Risk</b>	<b>-</b>	<b>-</b>	<b>128,294</b>	<b>10,264</b>								
<b>Total</b>	<b>2,090,554</b>	<b>1,775,716</b>	<b>623,372</b>	<b>49,870</b>								

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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 requirement of the Bank and the Group (cont'd):

<b>BANK 2018 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>								
<b>(i) Credit Risk</b>												
On-balance sheet exposures:												
Sovereigns/Central banks	568,550	568,550	-	-								
Public Sector Entities	30,559	30,559	6,112	489								
Banks, DFIs and Multilateral Development Banks	76,911	76,911	13,754	1,100								
Corporates	936,907	714,017	279,948	22,396								
Regulatory retail	14,896	2,393	1,794	144								
Other assets	111,822	111,822	111,822	8,946								
Equity exposures	57,212	57,212	57,212	4,577								
Defaulted exposures	2,329	2,329	3,483	279								
<b>Total on-balance sheet exposures</b>	<b>1,799,186</b>	<b>1,563,793</b>	<b>474,125</b>	<b>37,930</b>								
Off-balance sheet exposures:												
Credit-related off-balance sheet exposures	75,483	44,160	43,208	3,457								
Defaulted exposures	-	-	-	-								
<b>Total off-balance sheet exposures</b>	<b>75,483</b>	<b>44,160</b>	<b>43,208</b>	<b>3,457</b>								
<b>Total on and off-balance sheet exposures</b>	<b>1,874,669</b>	<b>1,607,953</b>	<b>517,333</b>	<b>41,387</b>								
<b>(ii) Market Risk (Note 4.0)</b>												
	<table border="1"> <thead> <tr> <th>Long Position</th> <th>Short Position</th> </tr> </thead> <tbody> <tr> <td>14,978</td> <td>-</td> </tr> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>14,978</td> <td>-</td> </tr> </tbody> </table>		Long Position	Short Position	14,978	-	-	-	14,978	-		
Long Position	Short Position											
14,978	-											
-	-											
14,978	-											
Interest rate risk			468	37								
Foreign currency risk			-	-								
Option risk			-	-								
<b>Total</b>			<b>468</b>	<b>37</b>								
<b>(iii) Operational Risk</b>	-	-	114,069	9,126								
<b>Total</b>	<b>1,874,669</b>	<b>1,607,953</b>	<b>631,870</b>	<b>50,550</b>								



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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 requirement of the Bank and the Group (cont'd):

<b>GROUP 2018 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>								
<b>(i) Credit Risk</b>												
On-balance sheet exposures:												
Sovereigns/Central banks	568,550	568,550	-	-								
Public Sector Entities	30,559	30,559	6,112	489								
Banks, DFIs and Multilateral Development Banks	77,968	77,968	14,282	1,143								
Corporates	936,907	714,017	279,948	22,396								
Regulatory retail	14,896	2,393	1,795	144								
Other assets	112,438	112,438	112,438	8,995								
Equity exposures	57,212	57,212	57,212	4,577								
Defaulted exposures	2,329	2,329	3,483	279								
<b>Total on-balance sheet exposures</b>	<b>1,800,859</b>	<b>1,565,466</b>	<b>475,270</b>	<b>38,022</b>								
Off-balance sheet exposures:												
Credit-related off-balance sheet exposures	75,483	44,160	43,208	3,457								
Defaulted exposures	-	-	-	-								
<b>Total off-balance sheet exposures</b>	<b>75,483</b>	<b>44,160</b>	<b>43,208</b>	<b>3,457</b>								
<b>Total on and off-balance sheet exposures</b>	<b>1,876,342</b>	<b>1,609,626</b>	<b>518,478</b>	<b>41,478</b>								
<b>(ii) Market Risk (Note 4.0)</b>												
	<table border="1"> <thead> <tr> <th>Long Position</th> <th>Short Position</th> </tr> </thead> <tbody> <tr> <td>14,978</td> <td>-</td> </tr> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>14,978</td> <td>-</td> </tr> </tbody> </table>		Long Position	Short Position	14,978	-	-	-	14,978	-		
Long Position	Short Position											
14,978	-											
-	-											
14,978	-											
Interest rate risk			468	37								
Foreign currency risk			-	-								
Option risk			-	-								
<b>Total</b>			<b>468</b>	<b>37</b>								
<b>(iii) Operational Risk</b>	-	-	115,252	9,220								
<b>Total</b>	<b>1,876,342</b>	<b>1,609,626</b>	<b>634,198</b>	<b>50,735</b>								

Note:

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

The Bank and the Group 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 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 arises mainly from lending/financing activities and trading/holding of debt securities.

#### ***Credit Risk Management***

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

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

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

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

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

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

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

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

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

#### ***Impaired Loans and Provisions***

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

Provisions for expected credit losses are carried out based on the 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 probability of default over the next 12 months.

Individual assessments are performed on impaired accounts with significant exposures.

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

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**3.0 Credit Risk**

**3.1 Distribution of Credit Exposures**

**(a) Geographical Distribution**

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

<b>BANK</b>	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	Total RM'000
2019				
Cash and short-term funds	-	35,989	-	35,989
Deposits and placements with banks and other financial institutions	-	500	-	500
Amounts due from clients and brokers	11,527	55,322	10,159	77,008
Financial investments at fair value through other comprehensive income	-	1,367,915	-	1,367,915
Financial investments at amortised cost	-	53,560	-	53,560
Loans, advances and financing	46,993	372,453	30,421	449,867
Statutory deposits	-	43,996	-	43,996
<b>Total on-balance sheet</b>	<b>58,520</b>	<b>1,929,735</b>	<b>40,580</b>	<b>2,028,835</b>
Credit related commitments and contingencies	67,002	223,681	30,093	320,776
<b>Total off-balance sheet</b>	<b>67,002</b>	<b>223,681</b>	<b>30,093</b>	<b>320,776</b>
<b>Total credit exposure</b>	<b>125,522</b>	<b>2,153,416</b>	<b>70,673</b>	<b>2,349,611</b>

<b>GROUP</b>	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	Total RM'000
2019				
Cash and short-term funds	-	36,373	-	36,373
Deposits and placements with banks and other financial institutions	-	500	-	500
Amounts due from clients and brokers	11,527	55,322	10,159	77,008
Financial investments at fair value through other comprehensive income	-	1,367,915	-	1,367,915
Financial investments at amortised cost	-	53,560	-	53,560
Loans, advances and financing	46,993	372,453	30,421	449,867
Statutory deposits	-	43,996	-	43,996
<b>Total on-balance sheet</b>	<b>58,520</b>	<b>1,930,119</b>	<b>40,580</b>	<b>2,029,219</b>
Credit related commitments and contingencies	67,002	223,681	30,093	320,776
<b>Total off-balance sheet</b>	<b>67,002</b>	<b>223,681</b>	<b>30,093</b>	<b>320,776</b>
<b>Total credit exposure</b>	<b>125,522</b>	<b>2,153,800</b>	<b>70,673</b>	<b>2,349,995</b>

Note:

The classification of financial instruments under MFRS 9 was adopted with effect from 1 April 2018. Please refer to Note 51 of the financial statement.

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**3.0 Credit Risk (cont'd)**

**3.1 Distribution of Credit Exposures (cont'd)**

**(a) Geographical Distribution (cont'd)**

<b><u>BANK</u></b> <b>2018</b>	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	Total RM'000
Cash and short-term funds	-	26,926	-	26,926
Amounts due from clients and brokers	13,920	83,873	3,512	101,305
Financial assets held-for-trading	-	14,978	-	14,978
Financial investments available-for-sale	-	1,032,206	-	1,032,206
Financial investments held-to-maturity	-	78,969	-	78,969
Loans, advances and financing	40,916	384,219	28,289	453,424
Statutory deposits	-	38,762	-	38,762
<b>Total on-balance sheet</b>	<b>54,836</b>	<b>1,659,933</b>	<b>31,801</b>	<b>1,746,570</b>
Credit related commitments and contingencies	55,196	248,919	24,414	328,529
<b>Total off-balance sheet</b>	<b>55,196</b>	<b>248,919</b>	<b>24,414</b>	<b>328,529</b>
<b>Total credit exposure</b>	<b>110,032</b>	<b>1,908,852</b>	<b>56,215</b>	<b>2,075,099</b>

<b><u>GROUP</u></b> <b>2018</b>	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	Total RM'000
Cash and short-term funds	-	27,983	-	27,983
Amounts due from clients and brokers	13,920	83,873	3,512	101,305
Financial assets held-for-trading	-	14,978	-	14,978
Financial investments available-for-sale	-	1,032,206	-	1,032,206
Financial investments held-to-maturity	-	78,969	-	78,969
Loans, advances and financing	40,916	384,219	28,289	453,424
Statutory deposits	-	38,762	-	38,762
<b>Total on-balance sheet</b>	<b>54,836</b>	<b>1,660,990</b>	<b>31,801</b>	<b>1,747,627</b>
Credit related commitments and contingencies	55,196	248,919	24,414	328,529
<b>Total off-balance sheet</b>	<b>55,196</b>	<b>248,919</b>	<b>24,414</b>	<b>328,529</b>
<b>Total credit exposure</b>	<b>110,032</b>	<b>1,909,909</b>	<b>56,215</b>	<b>2,076,156</b>

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**3.0 Credit Risk (cont'd)**

**3.1 Distribution of Credit Exposures (cont'd)**

**(b) Industry Distribution**

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

	Government & Central Bank	Financial, Insurance, Business Services & Real Estate	Transport, Storage & Communication	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>BANK</b>								
<b>2019</b>								
Cash and short-term funds	42	35,947	-	-	-	-	-	35,989
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	-	500
Amounts due from clients and brokers	-	665	-	-	-	-	76,343	77,008
Financial investments at fair value through other comprehensive income	512,677	537,516	184,840	67,010	65,872	-	-	1,367,915
Financial investments at amortised cost	20,343	8,214	-	25,003	-	-	-	53,560
Loans, advances and financing	-	145,509	-	49,485	7,016	199,984	47,873	449,867
Statutory deposits	43,996	-	-	-	-	-	-	43,996
<b>Total on-balance sheet</b>	<b>577,058</b>	<b>728,351</b>	<b>184,840</b>	<b>141,498</b>	<b>72,888</b>	<b>199,984</b>	<b>124,216</b>	<b>2,028,835</b>
Credit related commitments and contingencies	-	96,563	-	1,584	18,484	199,882	4,263	320,776
<b>Total off-balance sheet</b>	<b>-</b>	<b>96,563</b>	<b>-</b>	<b>1,584</b>	<b>18,484</b>	<b>199,882</b>	<b>4,263</b>	<b>320,776</b>
<b>Total credit exposure</b>	<b>577,058</b>	<b>824,914</b>	<b>184,840</b>	<b>143,082</b>	<b>91,372</b>	<b>399,866</b>	<b>128,479</b>	<b>2,349,611</b>
<b>GROUP</b>								
<b>2019</b>								
Cash and short-term funds	42	36,331	-	-	-	-	-	36,373
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	-	500
Amounts due from clients and brokers	-	665	-	-	-	-	76,343	77,008
Financial investments at fair value through other comprehensive income	512,677	537,516	184,840	67,010	65,872	-	-	1,367,915
Financial investments at amortised cost	20,343	8,214	-	25,003	-	-	-	53,560
Loans, advances and financing	-	145,509	-	49,484	7,016	199,985	47,873	449,867
Statutory deposits	43,996	-	-	-	-	-	-	43,996
<b>Total on-balance sheet</b>	<b>577,058</b>	<b>728,735</b>	<b>184,840</b>	<b>141,497</b>	<b>72,888</b>	<b>199,985</b>	<b>124,216</b>	<b>2,029,219</b>
Credit related commitments and contingencies	-	96,563	-	1,584	18,484	199,882	4,263	320,776
<b>Total off-balance sheet</b>	<b>-</b>	<b>96,563</b>	<b>-</b>	<b>1,584</b>	<b>18,484</b>	<b>199,882</b>	<b>4,263</b>	<b>320,776</b>
<b>Total credit exposure</b>	<b>577,058</b>	<b>825,298</b>	<b>184,840</b>	<b>143,081</b>	<b>91,372</b>	<b>399,867</b>	<b>128,479</b>	<b>2,349,995</b>

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**3.0 Credit Risk (cont'd)**

**3.1 Distribution of Credit Exposures (cont'd)**

**(b) Industry Distribution (cont'd)**

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

	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
<b>BANK</b>								
<b>2018</b>								
Cash and short-term funds	44	26,882	-	-	-	-	-	26,926
Amounts due from clients and brokers	-	670	-	-	-	-	100,635	101,305
Financial assets held-for-trading	-	14,978	-	-	-	-	-	14,978
Financial investments available-for-sale	346,121	326,826	238,413	20,849	99,997	-	-	1,032,206
Financial investments held-to-maturity	20,415	58,554	-	-	-	-	-	78,969
Loans, advances and financing	-	178,031	-	25,708	10,332	191,405	47,948	453,424
Statutory deposits	38,762	-	-	-	-	-	-	38,762
<b>Total on-balance sheet</b>	<b>405,342</b>	<b>605,941</b>	<b>238,413</b>	<b>46,557</b>	<b>110,329</b>	<b>191,405</b>	<b>148,583</b>	<b>1,746,570</b>
Credit related commitments and contingencies	-	44,227	-	10,574	15,169	254,263	4,296	328,529
<b>Total off-balance sheet</b>	<b>-</b>	<b>44,227</b>	<b>-</b>	<b>10,574</b>	<b>15,169</b>	<b>254,263</b>	<b>4,296</b>	<b>328,529</b>
<b>Total credit exposure</b>	<b>405,342</b>	<b>650,168</b>	<b>238,413</b>	<b>57,131</b>	<b>125,498</b>	<b>445,668</b>	<b>152,879</b>	<b>2,075,099</b>
<b>GROUP</b>								
<b>2018</b>								
Cash and short-term funds	44	27,939	-	-	-	-	-	27,983
Amounts due from clients and brokers	-	670	-	-	-	-	100,635	101,305
Financial assets held-for-trading	-	14,978	-	-	-	-	-	14,978
Financial investments available-for-sale	346,121	326,826	238,413	20,849	99,997	-	-	1,032,206
Financial investments held-to-maturity	20,415	58,554	-	-	-	-	-	78,969
Loans, advances and financing	-	178,031	-	25,708	10,332	191,405	47,948	453,424
Statutory deposits	38,762	-	-	-	-	-	-	38,762
<b>Total on-balance sheet</b>	<b>405,342</b>	<b>606,998</b>	<b>238,413</b>	<b>46,557</b>	<b>110,329</b>	<b>191,405</b>	<b>148,583</b>	<b>1,747,627</b>
Credit related commitments and contingencies	-	44,227	-	10,574	15,169	254,263	4,296	328,529
<b>Total off-balance sheet</b>	<b>-</b>	<b>44,227</b>	<b>-</b>	<b>10,574</b>	<b>15,169</b>	<b>254,263</b>	<b>4,296</b>	<b>328,529</b>
<b>Total credit exposure</b>	<b>405,342</b>	<b>651,225</b>	<b>238,413</b>	<b>57,131</b>	<b>125,498</b>	<b>445,668</b>	<b>152,879</b>	<b>2,076,156</b>

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**3.0 Credit Risk (cont'd)**

**3.1 Distribution of Credit Exposures (cont'd)**

**(c) Residual Contractual Maturity**

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

<b>Bank</b>	<b>Up to 1 month</b>	<b>&gt;1-3 months</b>	<b>&gt;3-6 months</b>	<b>&gt;6-12 months</b>	<b>&gt;1 year</b>	<b>Total</b>
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	35,989	-	-	-	-	35,989
Deposits and placements of banks and other financial institutions	500	-	-	-	-	500
Amounts due from clients and brokers	77,008	-	-	-	-	77,008
Financial investments at fair value through other comprehensive income	4,946	14,922	48,932	103,839	1,195,276	1,367,915
Financial investments at amortised cost	273	4,103	2,497	20,046	26,641	53,560
Loans, advances and financing	70,740	177,730	9,966	-	191,431	449,867
Statutory deposits	-	-	-	-	43,996	43,996
<b>Total on-balance sheet</b>	<b>189,456</b>	<b>196,755</b>	<b>61,395</b>	<b>123,885</b>	<b>1,457,344</b>	<b>2,028,835</b>
<b>Group</b>						
2019						
Cash and short-term funds	36,373	-	-	-	-	36,373
Deposits and placements of banks and other financial institutions	500	-	-	-	-	500
Amounts due from clients and brokers	77,008	-	-	-	-	77,008
Financial investments at fair value through other comprehensive income	4,946	14,922	48,932	103,839	1,195,276	1,367,915
Financial investments at amortised cost	273	4,103	2,497	20,046	26,641	53,560
Loans, advances and financing	70,740	177,730	9,966	-	191,431	449,867
Statutory deposits	-	-	-	-	43,996	43,996
<b>Total on-balance sheet</b>	<b>189,840</b>	<b>196,755</b>	<b>61,395</b>	<b>123,885</b>	<b>1,457,344</b>	<b>2,029,219</b>

**ALLIANCE INVESTMENT BANK BERHAD  
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**3.0 Credit Risk (cont'd.)**

**3.1 Distribution of Credit Exposures (cont'd)**

**(c) Residual Contractual Maturity (cont'd)**

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

<b>Bank</b>	<b>Up to 1 month</b>	<b>&gt;1-3 months</b>	<b>&gt;3-6 months</b>	<b>&gt;6-12 months</b>	<b>&gt;1 year</b>	<b>Total</b>
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	26,926	-	-	-	-	26,926
Amounts due from clients and brokers	101,305	-	-	-	-	101,305
Financial assets held-for-trading	14,978	-	-	-	-	14,978
Financial investments available-for-sale	7,992	49,092	3,181	25,064	946,877	1,032,206
Financial investments held-to-maturity	-	298	34,658	19,488	24,525	78,969
Loans, advances and financing	263,036	11,782	7,053	-	171,552	453,424
Statutory deposits	-	-	-	-	38,762	38,762
<b>Total on-balance sheet</b>	<b>414,238</b>	<b>61,171</b>	<b>44,892</b>	<b>44,552</b>	<b>1,181,716</b>	<b>1,746,570</b>
<b>Group</b>						
2018						
Cash and short-term funds	27,983	-	-	-	-	27,983
Amounts due from clients and brokers	101,305	-	-	-	-	101,305
Financial assets held-for-trading	14,978	-	-	-	-	14,978
Financial investments available-for-sale	7,992	49,092	3,181	25,064	946,877	1,032,206
Financial investments held-to-maturity	-	298	34,658	19,488	24,525	78,969
Loans, advances and financing	263,036	11,782	7,053	-	171,552	453,424
Statutory deposits	-	-	-	-	38,762	38,762
<b>Total on-balance sheet</b>	<b>415,295</b>	<b>61,171</b>	<b>44,892</b>	<b>44,552</b>	<b>1,181,717</b>	<b>1,747,627</b>



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**3.0 Credit Risk (cont'd)**

**3.2 Past Due 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. For loans that are structured to pay principal and / or interest at quarterly interval or longer, a default of payment will trigger an impairment immediately. Under MFRS 9, exposures more than 30 days past due are transferred to Stage 2.

The following tables represent the past due loans, advances and financing analysed by sector:

Past due loans, advances and financing analysed by sector:

	<u>BANK/GROUP</u>	<u>BANK/GROUP</u>
	2019	2018
	RM'000	RM'000
Household	<u>95</u>	<u>118</u>

Past due loans, advances and financing analysed by significant geographical areas:

	<u>BANK/GROUP</u>	<u>BANK/GROUP</u>
	2019	2018
	RM'000	RM'000
Central region	<u>95</u>	<u>118</u>

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**3.0 Credit Risk (cont'd)**

**3.2 Past Due Loans, Advances and Financing Analysis (cont'd)**

Loans, advances and financing by sector, where past due exposures are included under Stage 2 and Stage 3:

	31 March 2019				31 March 2018	
	Non-credit Impaired		Credit Impaired	Total	Non-credit impaired	Credit impaired
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)		Collectively Assessed	Individually Assessed
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b><u>BANK/GROUP</u></b>						
Financial, insurance & business services and real estate	145,509	-	-	145,509	-	-
Agriculture, manufacturing, wholesale & retail trade	49,485	-	-	49,485	-	-
Construction	7,016	-	123	7,139	-	-
Household	199,888	95	430	200,413	-	-
Others	47,873	-	-	47,873	-	-
	<u>449,770</u>	<u>95</u>	<u>553</u>	<u>450,418</u>	<u>-</u>	<u>-</u>

Loans, advances and financing by geographical region, where past due exposures are included under Stage 2 and Stage 3:

	31 March 2019				31 March 2018	
	Non-credit impaired		Credit impaired	Total	Non-credit impaired	Credit impaired
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)		Collectively Assessed	Individually Assessed
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b><u>BANK/GROUP</u></b>						
Northern region	46,993	-	-	46,993	-	-
Central region	372,356	95	553	373,004	-	-
Southern region	30,421	-	-	30,421	-	-
	<u>449,770</u>	<u>95</u>	<u>553</u>	<u>450,418</u>	<u>-</u>	<u>-</u>

3.0 Credit Risk (cont'd)

3.3 Impaired Loans, Advances and Financing 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.

Impaired loans, advances and financing analysed by sectors:

	<b><u>BANK/GROUP</u></b>	
	2019 RM'000	2018 RM'000
Construction	123	169
Household	430	2,472
	<u>553</u>	<u>2,641</u>

Credit provisions on loans, advances and financing analysed by sectors:

<b><u>BANK/GROUP</u></b>	<u>Non-credit Impaired</u>		<u>Credit Impaired</u>	<u>ECL charged/</u>	<u>Stage 3 write-off for the year</u>
	<u>12 months ECL (Stage 1)</u>	<u>Lifetime ECL (Stage 2)</u>	<u>Lifetime ECL (Stage 3)</u>	<u>(write-back) for the year (net)</u>	
<b>2019</b>	RM'000	RM'000	RM'000	RM'000	RM'000
Financial, insurance & business :	207	-	-	-	-
Agriculture, manufacturing, wholesale & retail trade	111	-	-	-	-
Construction	-	-	123	(46)	-
Household	32	-	429	(478)	(8)
Others	162	-	-	-	-
	<u>512</u>	<u>-</u>	<u>552</u>	<u>(524)</u>	<u>(8)</u>

<b><u>BANK/GROUP</u></b>		<u>Individual assessment allowance</u>	<u>Collective assessment allowance</u>	<u>Individual assessment net write-back for the year</u>	<u>Individual assessment write-off for the year</u>
		RM'000	RM'000	RM'000	RM'000
<b>2018</b>					
Financial, insurance & business services	-		265	-	-
Agriculture, manufacturing, wholesale & retail trade	-		54	-	-
Construction	-		169	-	-
Household	-		144	-	-
Others	-		208	-	-
	-		<u>840</u>	<u>-</u>	<u>-</u>

3.0 Credit Risk (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Credit provisions analysed by significant geographical areas:

<b><u>BANK/GROUP</u></b>	Impaired loans, advances and financing	Non-credit Impaired		Credit Impaired
		12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)
<b>2019</b>	RM'000	RM'000	RM'000	RM'000
Northern region	-	32	-	-
Central region	553	480	-	552
	<u>553</u>	<u>512</u>	<u>-</u>	<u>552</u>
<b><u>BANK/GROUP</u></b>		Impaired loans, advances and financing	Individual assessment allowance	Collective assessment allowance
<b>2018</b>		RM'000	RM'000	RM'000
Central region		<u>2,641</u>	<u>-</u>	<u>840</u>

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**3.3 Impaired Loans, Advances and Financing Analysis (cont'd.)**

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

	31 March 2019			Total	31 March 2018
	Non-credit Impaired		Credit Impaired		
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)		
	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>BANK/GROUP</u></b>					
At 1 April 2018					
As previously stated				840	1,356
Effects of adoption of MFRS 9				874	-
As restated	619	11	1,084	1,714	1,356
Transfer to Stage 1	-	(1)	-	(1)	-
Transfer to Stage 2	-	1	(2)	(1)	-
Transfer to Stage 3	-	(1)	-	(1)	-
New financial assets originated or purchased	558	-	-	558	-
Financial assets derecognised other than write-off	(218)	-	(6)	(224)	-
Changes due to change in credit risk	(447)	(10)	(516)	(973)	(516)
Total write-back to income statement	(107)	(11)	(524)	(642)	(516)
Write off	-	-	(8)	(8)	-
At the end of financial year	512	-	552	1,064	840

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**3.0 Credit Risk (cont'd)**

**3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach**

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

<b><u>BANK</u></b> <b><u>2019</u></b> <b><u>Risk-</u></b> <b><u>Weights</u></b>	←----- Exposures after netting and Credit risk mitigation ----->							<b><u>Total</u></b> <b><u>Exposures</u></b> <b><u>after</u></b> <b><u>Netting and</u></b> <b><u>Credit Risk</u></b> <b><u>Mitigation</u></b>	<b><u>Total</u></b> <b><u>Risk-</u></b> <b><u>Weighted</u></b> <b><u>Assets</u></b>
	<b><u>Sovereigns</u></b> <b><u>/Central</u></b> <b><u>Banks</u></b>	<b><u>Public</u></b> <b><u>Sector</u></b> <b><u>Entities</u></b>	<b><u>Banks,</u></b> <b><u>DFIs and</u></b> <b><u>Multilateral</u></b> <b><u>Development</u></b> <b><u>Banks</u></b>	<b><u>Corporates</u></b>	<b><u>Regulatory</u></b> <b><u>Retail</u></b>	<b><u>Other</u></b> <b><u>Assets</u></b>	<b><u>Equity</u></b> <b><u>Exposures</u></b>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	693,543	-	40,193	190,864	-	-	-	924,600	-
20%	-	26,653	66,822	317,946	-	665	-	412,086	82,417
35%	-	-	-	-	-	-	-	-	-
50%	-	-	34,768	14,861	-	-	-	49,629	24,815
75%	-	-	-	-	3,923	-	-	3,923	2,942
100%	-	-	-	238,110	2	85,594	60,784	384,490	384,491
150%	-	-	-	-	-	-	-	-	-
<b>Total exposures</b>	<b>693,543</b>	<b>26,653</b>	<b>141,783</b>	<b>761,781</b>	<b>3,925</b>	<b>86,259</b>	<b>60,784</b>	<b>1,774,728</b>	<b>494,665</b>
<b>Risk-weighted assets by exposures</b>	<b>-</b>	<b>5,331</b>	<b>30,748</b>	<b>309,131</b>	<b>2,944</b>	<b>85,727</b>	<b>60,784</b>	<b>494,665</b>	
<b>Average risk-weight</b>	<b>-</b>	<b>20%</b>	<b>22%</b>	<b>41%</b>	<b>75%</b>	<b>99%</b>	<b>100%</b>	<b>28%</b>	
<b>Deduction from Capital base</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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**3.0 Credit Risk (cont'd)**

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

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

<b>GROUP 2019</b>	<b>Exposures after netting and Credit risk mitigation</b>							<b>Total Exposures after Netting and Credit Risk Mitigation</b>	<b>Total Risk- Weighted Assets</b>
	<b>Sovereigns /Central Banks</b>	<b>Public Sector Entities</b>	<b>Banks, DFIs and Multilateral Development Banks</b>	<b>Corporates</b>	<b>Regulatory Retail</b>	<b>Other Assets</b>	<b>Equity Exposures</b>		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>		
Risk-Weights									
0%	693,543	-	40,193	190,864	-	-	-	924,600	-
20%	-	27,132	66,822	317,946	-	665	-	412,565	82,513
35%	-	-	-	-	-	-	-	-	-
50%	-	-	35,151	14,861	-	-	-	50,012	25,006
75%	-	-	-	-	3,923	-	-	3,923	2,942
100%	-	-	-	238,110	2	85,720	60,784	384,616	384,618
150%	-	-	-	-	-	-	-	-	-
<b>Total exposures</b>	<b>693,543</b>	<b>27,132</b>	<b>142,166</b>	<b>761,781</b>	<b>3,925</b>	<b>86,385</b>	<b>60,784</b>	<b>1,775,716</b>	<b>495,078</b>
Risk-weighted assets by exposures	-	5,426	30,940	309,131	2,944	85,853	60,784	495,078	
Average risk-weight	-	20%	22%	41%	75%	99%	100%	28%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-

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**3.0 Credit Risk (cont'd.)**

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

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

<b><u>BANK</u></b> <b>2018</b> <b>Risk-Weights</b>	←----- Exposures after netting and Credit risk mitigation ----->							Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns /Central Banks	Public Sector Entities	Banks, DFIs and Multilateral Development Banks	Corporates	Regulatory Retail	Other Assets	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	568,550	-	45,149	206,420	-	-	-	820,119	-
20%	-	30,559	7,091	275,469	-	-	-	313,119	62,624
35%	-	-	-	-	-	-	-	-	-
50%	-	-	24,671	14,546	-	-	-	39,217	19,608
75%	-	-	-	-	6,198	-	-	6,198	4,647
100%	-	-	-	257,937	22	111,822	57,212	426,993	426,993
150%	-	-	-	-	2,307	-	-	2,307	3,461
<b>Total exposures</b>	<b>568,550</b>	<b>30,559</b>	<b>76,911</b>	<b>754,372</b>	<b>8,527</b>	<b>111,822</b>	<b>57,212</b>	<b>1,607,953</b>	<b>517,333</b>
Risk-weighted assets by exposures	-	6,112	13,754	320,303	8,131	111,822	57,212	517,333	
Average risk-weight	-	20%	18%	42%	95%	100%	100%	32%	
Deduction from Capital base	-	-	-	-	-	-	-	-	



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**3.0 Credit Risk (cont'd)**

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

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

<b>GROUP 2018</b>	<b>Exposures after netting and Credit risk mitigation</b>							<b>Total Exposures after Netting and Credit Risk Mitigation</b>	<b>Total Risk- Weighted Assets</b>
	<b>Sovereigns /Central Banks</b>	<b>Public Sector Entities</b>	<b>Banks, DFIs and Multilateral Development Banks</b>	<b>Corporates</b>	<b>Regulatory Retail</b>	<b>Other Assets</b>	<b>Equity Exposures</b>		
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>		
0%	568,550	-	45,149	206,420	-	-	-	820,119	-
20%	-	30,559	7,091	275,469	-	-	-	313,119	62,624
35%	-	-	-	-	-	-	-	-	-
50%	-	-	25,728	14,546	-	-	-	40,274	20,137
75%	-	-	-	-	6,198	-	-	6,198	4,647
100%	-	-	-	257,937	22	112,438	57,212	427,609	427,609
150%	-	-	-	-	2,307	-	-	2,307	3,461
<b>Total exposures</b>	<b>568,550</b>	<b>30,559</b>	<b>77,968</b>	<b>754,372</b>	<b>8,527</b>	<b>112,438</b>	<b>57,212</b>	<b>1,609,626</b>	<b>518,478</b>
Risk-weighted assets by exposures	-	6,112	14,282	320,303	8,131	112,438	57,212	518,478	
Average risk-weight	-	20%	18%	42%	95%	100%	100%	32%	
Deduction from Capital base	-	-	-	-	-	-	-	-	

3.0 Credit Risk (cont'd)

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

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor's ("S&P"), Moody's, Fitch, and Rating and Investment ("R&I" [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 Eligible Credit Assessment Institutions ("ECAIs"):

**BANK/GROUP**  
**2019**

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3 / P-1	A1 to A3 / P-2	Baa1 to Ba3 / P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- / A-1	A+ to A- / A-2	BBB+ to BB- / A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- / F1+, F1	A+ to A- / A-2	BBB+ to BB- / F3	B+ to D	Unrated	
	RAM	AAA to AA3 / P-1	A+ to A3 / P-2	BBB1+ to BB3 / P-3	B to D / NP	Unrated	
	MARC	AAA to AA- / MARC-1	A+ to A- / MARC-2	BBB+ to BB- / MARC-3	B+ to D / MARC-4	Unrated	
	R&I	AAA to AA- / a-1+, a-1	A+ to A- / a-2	BBB+ to BB- / a-3	B+ to D / b, c	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On and Off Balance-Sheet Exposures</b>							
<b>(i) Exposures risk weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 2)	-	693,543	-	-	-	693,543	
Corporates	-	190,864	-	-	-	190,864	
Banks, DFIs and Multilateral Development Banks	-	40,193	-	-	-	40,193	
	-	924,600	-	-	-	924,600	
<b>(ii) Exposures risk weighted using Banking Institutions long term rating</b>							
Banks, DFIs and Multilateral Development Banks	16,915	45,991	-	-	-	62,906	
<b>Exposures risk weighted using Banking Institutions short term rating</b>							
Banks, DFIs and Multilateral Development Banks	38,683	-	-	-	-	38,683	
	55,598	45,991	-	-	-	101,589	
<b>(iii) Exposures risk weighted using Corporate long term rating</b>							
Public Sector Entities	25,614	-	-	-	1,040	26,654	
Corporates	317,946	14,861	-	-	544,714	877,521	
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	
<b>Exposures risk weighted using Corporate short term rating</b>							
Public Sector Entities	-	-	-	-	-	-	
Corporates	-	-	-	-	-	-	
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	
	343,560	14,861	-	-	545,754	904,175	

3.0 Credit Risk (cont'd.)

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

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

**BANK/GROUP**  
**2018**

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3 / P-1	A1 to A3 / P-2	Baa1 to Ba3 / P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- / A-1	A+ to A- / A-2	BBB+ to BB- / A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- / F1+, F1	A+ to A- / A-2	BBB+ to BB- / F3	B+ to D	Unrated	
	RAM	AAA to AA3 / P-1	A+ to A3 / P-2	BBB1+ to BB3 / P-3	B to D / NP	Unrated	
	MARC	AAA to AA- / MARC-1	A+ to A- / MARC-2	BBB+ to BB- / MARC-3	B+ to D / MARC-4	Unrated	
	R&I	AAA to AA- / a-1+, a-1	A+ to A- / a-2	BBB+ to BB- / a-3	B+ to D / b, c	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On and Off Balance-Sheet Exposures</b>							
<b>(i) Exposures risk weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 2)	-	568,550	-	-	-	568,550	
Corporates	-	206,420	-	-	-	206,420	
Banks, DFIs and Multilateral Development Banks	-	45,149	-	-	-	45,149	
	-	820,119	-	-	-	820,119	
<b>(ii) Exposures risk weighted using Banking Institutions long term rating</b>							
Banks, DFIs and Multilateral Development Banks	2,211	29,551	-	-	-	31,762	
<b>Exposures risk weighted using Banking Institutions short term rating</b>							
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-	
	2,211	29,551	-	-	-	31,762	
<b>(iii) Exposures risk weighted using Corporate long term rating</b>							
Public Sector Entities	30,559	-	-	-	-	30,559	
Corporates	275,469	14,546	-	-	508,052	798,067	
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	
<b>Exposures risk weighted using Corporate short term rating</b>							
Public Sector Entities	-	-	-	-	-	-	
Corporates	-	-	-	-	-	-	
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	
	306,028	14,546	-	-	508,052	828,626	

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

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

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

Note:

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

**3.0 Credit Risk (cont'd)**

**3.5 Credit Risk Mitigation ("CRM")**

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

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

The following tables represent the Bank's / Group'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.

<b><u>BANK</u></b> <b><u>2019</u></b> <b>Exposure Class</b>	<b>Exposures</b> <b><u>before CRM</u></b> RM'000	<b>Exposures</b> <b>covered by</b> <b>guarantees/</b> <b>credit</b> <b><u>derivatives</u></b> RM'000	<b>Exposures</b> <b>covered by</b> <b>eligible</b> <b>financial</b> <b><u>collateral</u></b> RM'000	<b>Exposures</b> <b>covered by</b> <b>other eligible</b> <b><u>collateral</u></b> RM'000
<b><u>Credit Risk</u></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	693,543	-	-	-
Public Sector Entities	26,653	-	-	-
Banks, DFIs and Multilateral				
Development Bank	141,783	-	-	-
Corporates	975,134	-	276,927	-
Regulatory retail	6,933	-	5,426	-
Residential mortgages	-	-	-	-
Other assets	86,259	-	-	-
Equity exposures	60,784	-	-	-
Defaulted exposures	2	-	-	-
Total on-balance sheet exposures	<u>1,991,091</u>	<u>-</u>	<u>282,353</u>	<u>-</u>
Off-balance sheet exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	98,475	-	32,484	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	<u>98,475</u>	<u>-</u>	<u>32,484</u>	<u>-</u>
Total on and off-balance sheet exposures	<u><u>2,089,566</u></u>	<u><u>-</u></u>	<u><u>314,837</u></u>	<u><u>-</u></u>

3.0 Credit Risk (cont'd)

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

<u>GROUP</u> 2019 Exposure Class	<u>Exposures</u> <u>before CRM</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>guarantees/</u> <u>credit</u> <u>derivatives</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>eligible</u> <u>financial</u> <u>collateral</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>other eligible</u> <u>collateral</u> RM'000
<b><u>Credit Risk</u></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	693,543	-	-	-
Public Sector Entities	27,132	-	-	-
Banks, DFIs and Multilateral Development Banks	142,166	-	-	-
Corporates	975,134	-	276,927	-
Regulatory retail	6,933	-	5,426	-
Residential mortgages	-	-	-	-
Other assets	86,385	-	-	-
Equity exposures	60,784	-	-	-
Defaulted exposures	2	-	-	-
Total on-balance sheet exposures	<u>1,992,079</u>	<u>-</u>	<u>282,353</u>	<u>-</u>
Off-balance sheet exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	98,475	-	32,484	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	<u>98,475</u>	<u>-</u>	<u>32,484</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>2,090,554</u>	<u>-</u>	<u>314,837</u>	<u>-</u>

3.0 Credit Risk (cont'd)

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

<b>BANK 2018 Exposure Class</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees/ credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b><i>Credit Risk</i></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	568,550	-	-	-
Public Sector Entities	30,559	-	-	-
Banks, DFIs and Multilateral Development Banks	76,911	-	-	-
Corporates	936,907	-	222,890	-
Regulatory retail	14,896	-	12,503	-
Residential mortgages	-	-	-	-
Other assets	111,822	-	-	-
Equity exposures	57,212	-	-	-
Defaulted exposures	2,329	-	-	-
Total on-balance sheet exposures	<u>1,799,186</u>	<u>-</u>	<u>235,393</u>	<u>-</u>
Off-balance sheet exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	75,483	-	31,323	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	<u>75,483</u>	<u>-</u>	<u>31,323</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>1,874,669</u>	<u>-</u>	<u>266,716</u>	<u>-</u>

3.0 Credit Risk (cont'd)

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

<u>GROUP</u> 2018 Exposure Class	<u>Exposures</u> <u>before CRM</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>guarantees/</u> <u>credit</u> <u>derivatives</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>eligible</u> <u>financial</u> <u>collateral</u> RM'000	<u>Exposures</u> <u>covered by</u> <u>other eligible</u> <u>collateral</u> RM'000
<b><u>Credit Risk</u></b>				
On-balance sheet exposures:				
Sovereigns/Central banks	568,550	-	-	-
Public Sector Entities	30,559	-	-	-
Banks, DFIs and Multilateral Development Banks	77,968	-	-	-
Corporates	936,907	-	222,890	-
Regulatory retail	14,896	-	12,503	-
Residential mortgages	-	-	-	-
Other assets	112,438	-	-	-
Equity exposures	57,212	-	-	-
Defaulted exposures	2,329	-	-	-
Total on-balance sheet exposures	<u>1,800,859</u>	<u>-</u>	<u>235,393</u>	<u>-</u>
Off-balance sheet exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	75,483	-	31,323	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	<u>75,483</u>	<u>-</u>	<u>31,323</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>1,876,342</u>	<u>-</u>	<u>266,716</u>	<u>-</u>

3.0 Credit Risk (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Off-balance sheet exposures of the Bank and the Group are mainly from the commitments to extend credit including the unutilised or undrawn portions of credit facilities.

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

<b><u>BANK/GROUP</u></b>	<b>Principal Amount</b>	<b>Credit Equivalent Amount</b>	<b>Risk- Weighted Assets</b>
<b>2019</b>	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>			
Transaction-related contingent items	1,575	788	788
Irrevocable commitments to extend credit:			
• maturity not exceeding one year	248,047	49,610	16,522
• maturity exceeding one year	-	-	-
Forward asset purchases	25,000	25,000	-
Obligations under an on going underwriting agreement	46,154	23,077	23,077
	<u>320,776</u>	<u>98,475</u>	<u>40,387</u>

**BANK/GROUP**

**2018**

Credit-related exposures

Transaction-related contingent items	10,500	5,250	5,250
Irrevocable commitments to extend credit:			
• maturity not exceeding one year	295,937	59,187	26,912
• maturity exceeding one year	22,092	11,046	11,046
	<u>328,529</u>	<u>75,483</u>	<u>43,208</u>



#### **4.0 Market Risk**

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

##### ***Market Risk Management***

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

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

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

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

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

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

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

**4.0 Market Risk (cont'd)**

***Hedging Policies and Strategies***

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into economic 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 Bank, the market risk charge is computed on the standardised approach and the capital charges are mainly on fixed income securities.

**Regulatory capital requirements**

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

	<b><u>BANK/GROUP</u></b>	
	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>2019</b>		
Interest rate risk		
• General interest rate risk	-	-
• Specific interest rate risk	-	-
	<u>-</u>	<u>-</u>
Option risk	-	-
	<u>-</u>	<u>-</u>
<b>2018</b>		
Interest rate risk		
• General interest rate risk	-	-
• Specific interest rate risk	468	37
	<u>468</u>	<u>37</u>
Option risk	-	-
	<u>-</u>	<u>-</u>

## **5.0 Operational Risk**

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

### ***Operational Risk Management***

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

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

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

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

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

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

**6.0 Equity Exposures in Banking Book**

The Bank and the Group 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 equity, fair value is estimated based on quoted or observable market price at the end of the reporting period; and for those unquoted equity, the fair value is estimated using approved valuation techniques.

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

The following table shows the equity exposures in banking book:

<b><u>BANK/GROUP</u></b>	<b>2019</b>		<b>2018</b>	
	<b>Gross credit exposures</b>	<b>Risk-weighted assets</b>	<b>Gross credit exposures</b>	<b>Risk-weighted assets</b>
<b>Privately held</b>				
For socio-economic purposes	60,784	60,784	57,212	57,212

**Gains and losses on equity exposures in the banking book**

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

	<b><u>BANK/GROUP</u></b>	
	<b>2019</b>	<b>2018</b>
Unrealised gains recognised in revaluation reserve		
• Privately held equity investments	3,572	3,310

## **7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book**

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

### ***Risk Governance***

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

### ***IRR/RORBB Management***

The guiding principles in managing IRR/RORBB include:

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

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

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

**7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book (cont'd)**

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

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

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

**BANK/GROUP**

	<b>2019</b>	<b>2018</b>
	<b>+ 100 bps</b>	<b>+ 100 bps</b>
	RM'000	RM'000
<b>Impact on net interest income</b>		
Ringgit Malaysia	<u>(10,339)</u>	<u>(8,228)</u>
 <b>Impact on Economic Value</b>		
Ringgit Malaysia	<u>(59,655)</u>	<u>(36,936)</u>

**8.0 Shariah Governance Disclosures**

**Islamic Banking Business (Islamic window)**

(a) Capital Adequacy Ratios

The capital adequacy ratios of the Islamic window are as follows:

	<b><u>BANK/GROUP</u></b>	
	<b>2019</b>	<b>2018</b>
<b><u>Before deducting proposed dividends</u></b>		
CET I Capital Ratio	90.655%	743.849%
Tier I Capital Ratio	90.655%	743.849%
Total Capital Ratio	90.655%	743.849%
<b><u>After deducting proposed dividends</u></b>		
CET I Capital Ratio	90.655%	743.849%
Tier I Capital Ratio	90.655%	743.849%
Total Capital Ratio	90.655%	743.849%

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

	<b><u>BANK/GROUP</u></b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>CET I Capital</u></b>		
Paid-up share capital	56,000	56,000
Retained profits	57,489	55,297
Revaluation reserves	(4)	(488)
	<u>113,485</u>	<u>110,809</u>
Less: Regulatory adjustment		
- Deferred tax assets	(1)	(154)
- Additional Tier 1 Sukuk Wakalah	(100,000)	-
Total CET I Capital / Total Tier I Capital	<u>13,484</u>	<u>110,655</u>
<b><u>Tier II Capital</u></b>		
Expected credit loss*/ collective assessment allowance	-	-
Total Capital Base	<u>13,484</u>	<u>110,655</u>

\* Expected credit loss for stage 1 and stage 2 only.

**8.0 Shariah Governance Disclosures (cont'd)**

**Islamic Banking Business (Islamic window) (cont'd)**

(b) Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement of the Bank:

<b><u>BANK/GROUP</u> 2019</b>	<b>Gross</b>	<b>Net</b>	<b>Risk-</b>	<b>Capital</b>
<b>Exposure Class</b>	<b>Exposures</b>	<b>Exposures</b>	<b>Weighted</b>	<b>Requirements</b>
	RM'000	RM'000	Assets	RM'000
			RM'000	
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	27	27	-	-
Banks, DFIs and Multilateral				
Development Banks	10,995	10,995	2,213	177
Corporate	-	-	-	-
Other assets	4,757	4,757	4,757	381
Total on-balance sheet exposures	<u>15,779</u>	<u>15,779</u>	<u>6,970</u>	<u>558</u>
Off-balance sheet exposures:				
Credit-related off-balance				
sheet exposures	-	-	-	-
Total off-balance sheet exposures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>15,779</u>	<u>15,779</u>	<u>6,970</u>	<u>558</u>
(ii) Operational Risk	-	-	7,904	632
Total RWA and capital requirements	<u>15,779</u>	<u>15,779</u>	<u>14,874</u>	<u>1,190</u>

<b><u>BANK/GROUP</u> 2018</b>	<b>Gross</b>	<b>Net</b>	<b>Risk-</b>	<b>Capital</b>
<b>Exposure Class</b>	<b>Exposures</b>	<b>Exposures</b>	<b>Weighted</b>	<b>Requirements</b>
	RM'000	RM'000	Assets	RM'000
			RM'000	
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	9,910	9,910	-	-
Banks, DFIs and Multilateral				
Development Banks	9,897	9,897	976	78
Corporate	85,405	85,405	-	-
Other assets	6,498	6,498	6,498	520
Total on-balance sheet exposures	<u>111,710</u>	<u>111,710</u>	<u>7,474</u>	<u>598</u>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	-	-	-	-
Total off-balance sheet exposures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>111,710</u>	<u>111,710</u>	<u>7,474</u>	<u>598</u>
(ii) Operational Risk	-	-	7,402	592
Total RWA and capital requirements	<u>111,710</u>	<u>111,710</u>	<u>14,876</u>	<u>1,190</u>