



PILLAR 3 REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020



Wirdalina Tauhed & Daughter
Founder of Wirdora
BizSmart® Challenge 2018 Finalist

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)

BASEL II PILLAR 3 REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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 3 main aspects:

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

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

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

In summary, the capital management process involves the following:

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

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

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

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)

CONTENTS	PAGE
1.0 Scope of Application	3
2.0 Capital	3 - 8
2.1 Capital Adequacy Ratios	4
2.2 Capital Structure	4
2.3 Risk-Weighted Assets and Capital Requirements	5 - 8
3.0 Credit Risk	9 - 30
3.1 Distribution of Credit Exposures	10 - 15
3.2 Past Due but Not Impaired Loans, Advances and Financing Analysis	16
3.3 Impaired Loans, Advances and Financing and Allowance for Expected Credit Losses Analysis	17 - 19
3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach	20 - 25
3.5 Credit Risk Mitigation	26 - 29
3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk	30
4.0 Market Risk	31 - 32
5.0 Operational Risk	33
6.0 Equity Exposures in Banking Book	34
7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book	35 - 36
8.0 Shariah Governance Disclosures	37 - 38

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 ("PSIA") 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 ("GRMC") for approval.

2.0 Capital (cont'd.)

2.1 Capital Adequacy Ratios

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

	<u>GROUP</u>		<u>BANK</u>	
	2020	2019	2020	2019
<u>Before deducting proposed dividends</u>				
CET I capital ratio	98.780%	78.128%	98.737%	78.200%
Tier I capital ratio	98.780%	78.128%	98.737%	78.200%
Total capital ratio	99.725%	79.121%	99.682%	79.196%
<u>After deducting proposed dividends</u>				
CET I capital ratio	97.288%	78.128%	97.246%	78.200%
Tier I capital ratio	97.288%	78.128%	97.246%	78.200%
Total capital ratio	98.233%	79.121%	98.190%	79.196%

The Group's and Bank'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 Group's and the Bank's capital positions. Details on capital resources, including share capital and reserves are found in Note 24 and 25 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>GROUP</u>		<u>BANK</u>	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>CET I Capital</u>				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	258,887	250,537	260,882	251,616
Financial investments at fair value through other comprehensive income ("FVOCI") reserves	26,151	11,672	26,151	11,672
Regulatory reserves	7,540	8,539	7,540	8,539
	<u>658,540</u>	<u>636,710</u>	<u>660,535</u>	<u>637,789</u>
Less: Regulatory adjustments				
- Goodwill and other intangibles	(24,578)	(33,639)	(27,138)	(36,730)
- 55% of FVOCI reserves	(14,383)	(6,420)	(14,383)	(6,420)
- Investment in subsidiaries, joint venture and associate	(1,189)	(1,082)	(624)	(624)
- Regulatory reserves	(7,540)	(8,539)	(7,540)	(8,539)
- Additional Tier 1 Sukuk Wakalah	(60,000)	(100,000)	(60,000)	(100,000)
Total CET I Capital /				
Total Tier I Capital	<u>550,850</u>	<u>487,030</u>	<u>550,850</u>	<u>485,476</u>
<u>Tier II Capital</u>				
Expected credit losses* and regulatory reserves	5,269	6,188	5,269	6,183
Total Tier II Capital	<u>5,269</u>	<u>6,188</u>	<u>5,269</u>	<u>6,183</u>
Total Capital	<u>556,119</u>	<u>493,218</u>	<u>556,119</u>	<u>491,659</u>

* Expected credit losses for stage 1 and stage 2 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 2020 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000								
(i) Credit Risk												
On-balance sheet exposures:												
Sovereigns/Central banks	561,489	561,489	-	-								
Public Sector Entities	141,804	141,804	28,361	2,269								
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	90,482	90,482	28,299	2,264								
Corporates	944,886	756,796	237,333	18,987								
Regulatory retail	3,373	388	291	23								
Residential mortgages	338	338	118	9								
Other assets	74,350	74,350	74,350	5,948								
Equity exposures	-	-	-	-								
Defaulted exposures	119	119	118	9								
Total on-balance sheet exposures	1,816,841	1,625,766	368,870	29,509								
Off-balance sheet exposures:												
Credit-related off-balance sheet exposures	93,972	53,431	52,644	4,212								
Defaulted exposures	-	-	-	-								
Total off-balance sheet exposures	93,972	53,431	52,644	4,212								
Total on and off-balance sheet exposures	1,910,813	1,679,197	421,514	33,721								
(ii) Market Risk (Note 4.0)												
	<table border="1"> <thead> <tr> <th>Long Position</th> <th>Short Position</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>22</td> <td>-</td> </tr> <tr> <td>22</td> <td>-</td> </tr> </tbody> </table>		Long Position	Short Position	-	-	22	-	22	-		
Long Position	Short Position											
-	-											
22	-											
22	-											
Interest rate risk			-	-								
Foreign currency risk			22	2								
Option risk			-	-								
Total			22	2								
(iii) Operational Risk	-	-	136,115	10,889								
Total	1,910,813	1,679,197	557,651	44,612								

2.0 Capital (cont'd.)

2.3 RWA and Capital Requirements (cont'd.)

Regulatory Capital Requirements (cont'd.)

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

BANK 2020 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000								
(i) Credit Risk												
On-balance sheet exposures:												
Sovereigns/Central banks	561,489	561,489	-	-								
Public Sector Entities	141,804	141,804	28,361	2,269								
Banks, DFIs and Multilateral Development Banks	90,482	90,482	28,299	2,264								
Corporates	944,886	756,796	237,333	18,987								
Regulatory retail	3,373	388	291	23								
Residential mortgages	338	338	118	9								
Other assets	74,350	74,350	74,350	5,948								
Equity exposures	-	-	-	-								
Defaulted exposures	119	119	118	9								
Total on-balance sheet exposures	1,816,841	1,625,766	368,870	29,509								
Off-balance sheet exposures:												
Credit-related off-balance sheet exposures												
	93,972	53,431	52,644	4,212								
Defaulted exposures	-	-	-	-								
Total off-balance sheet exposures	93,972	53,431	52,644	4,212								
Total on and off-balance sheet exposures	1,910,813	1,679,197	421,514	33,721								
(ii) Market Risk (Note 4.0)												
	<table border="1"> <thead> <tr> <th>Long Position</th> <th>Short Position</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> </tr> <tr> <td>22</td> <td>-</td> </tr> <tr> <td>22</td> <td>-</td> </tr> </tbody> </table>		Long Position	Short Position	-	-	22	-	22	-		
Long Position	Short Position											
-	-											
22	-											
22	-											
Interest rate risk			-	-								
Foreign currency risk			22	2								
Option risk			-	-								
Total			22	2								
(iii) Operational Risk												
	-	-	136,358	10,909								
Total	1,910,813	1,679,197	557,894	44,632								

2.0 Capital (cont'd.)

2.3 RWA and Capital Requirements (cont'd.)

Regulatory Capital Requirements (cont'd.)

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

GROUP 2019 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
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	-
Total on-balance sheet exposures	1,992,079	1,709,726	454,691	36,375
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures				
Defaulted exposures	98,475	65,990	40,387	3,231
Total off-balance sheet exposures	98,475	65,990	40,387	3,231
Total on and off-balance sheet exposures	2,090,554	1,775,716	495,078	39,606
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	-	-	-	-
Foreign currency risk	-	-	-	-
Option risk			-	-
Total			-	-
(iii) Operational Risk	-	-	128,294	10,264
Total	2,090,554	1,775,716	623,372	49,870

2.0 Capital (cont'd.)

2.3 RWA and Capital Requirements (cont'd.)

Regulatory Capital Requirements (cont'd.)

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

BANK 2019 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000										
(i) Credit Risk														
On-balance sheet exposures:														
Sovereigns/Central banks	693,543	693,543	-	-										
Public Sector Entities	26,653	26,653	5,331	426										
Bank, 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	-										
Total on-balance sheet exposures	1,991,091	1,708,738	454,278	36,342										
Off-balance sheet exposures:														
Credit-related off-balance sheet exposures														
Defaulted exposures	-	-	-	-										
Total off-balance sheet exposures	98,475	65,990	40,387	3,231										
Total on and off-balance sheet exposures	2,089,566	1,774,728	494,665	39,573										
(ii) Market Risk (Note 4.0)														
	<table border="1"> <thead> <tr> <th>Long</th> <th>Short</th> </tr> <tr> <th>Position</th> <th>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	Short	Position	Position	-	-	-	-	-	-		
Long	Short													
Position	Position													
-	-													
-	-													
-	-													
Interest rate risk			-	-										
Foreign currency risk			-	-										
Option risk			-	-										
Total			-	-										
(iii) Operational Risk	-	-	126,149	10,092										
Total	2,089,566	1,774,728	620,814	49,665										

Note:

Under Islamic Banking, the Group does not use 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 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 GRMC, established a Credit Risk Management Framework ("CRMF") which outlines the broad principles for managing credit risk of the Group.

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

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

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

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

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

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

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and assess the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and to formulate effective mitigation actions when required. Sensitivity analysis are conducted to assess potential 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 MFRS9 approach, loans with defined risk characteristics are transferred to Stage 2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 under MFRS9. Loans that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on probability of default over the next 12 months.

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.

3.0 Credit Risk

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

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

GROUP	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	Total RM'000
2020				
Cash and short-term funds (exclude cash in hand)	-	44,783	-	44,783
Deposits and placements with banks and other financial institutions	-	-	-	-
Amounts due from clients and brokers	10,906	36,558	3,701	51,165
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	1,381,815	-	1,381,815
Financial investments at amortised cost	-	16	-	16
Loans, advances and financing	19,960	262,385	10,931	293,276
Statutory deposits with Bank Negara Malaysia	-	29,106	-	29,106
Total on-balance sheet	30,866	1,754,663	14,632	1,800,161
Credit related commitments and contingencies	94,444	240,738	53,578	388,760
Total off-balance sheet	94,444	240,738	53,578	388,760
Total credit exposure	125,310	1,995,401	68,210	2,188,921

BANK	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	Total RM'000
2020				
Cash and short-term funds (exclude cash in hand)	-	44,783	-	44,783
Deposits and placements with banks and other financial institutions	-	-	-	-
Amounts due from clients and brokers	10,906	36,558	3,701	51,165
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	1,381,815	-	1,381,815
Financial investments at amortised cost	-	16	-	16
Loans, advances and financing	19,960	262,385	10,931	293,276
Statutory deposits with Bank Negara Malaysia	-	29,106	-	29,106
Total on-balance sheet	30,866	1,754,663	14,632	1,800,161
Credit related commitments and contingencies	94,444	240,738	53,578	388,760
Total off-balance sheet	94,444	240,738	53,578	388,760
Total credit exposure	125,310	1,995,401	68,210	2,188,921

3.0 Credit Risk (cont'd.)

3.1 Distribution of Credit Exposures (cont'd.)

(a) Geographical Distribution (cont'd.)

GROUP 2019	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	-	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 (exclude equity securities)	-	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 with Bank Negara Malaysia	-	43,996	-	43,996
Total on-balance sheet	58,520	1,930,119	40,580	2,029,219
Credit related commitments and contingencies	67,002	223,681	30,093	320,776
Total off-balance sheet	67,002	223,681	30,093	320,776
Total credit exposure	125,522	2,153,800	70,673	2,349,995

BANK 2019	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	-	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 (exclude equity securities)	-	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 with Bank Negara Malaysia	-	43,996	-	43,996
Total on-balance sheet	58,520	1,929,735	40,580	2,028,835
Credit related commitments and contingencies	67,002	223,681	30,093	320,776
Total off-balance sheet	67,002	223,681	30,093	320,776
Total credit exposure	125,522	2,153,416	70,673	2,349,611

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)

3.0 Credit Risk (cont'd.)

3.1 Distribution of Credit Exposures (cont'd.)

(b) Industry Distribution

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

	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
GROUP								
2020								
Cash and short-term funds (exclude cash in hand)	39	44,744	-	-	-	-	-	44,783
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Amounts due from clients and brokers	-	-	-	-	-	-	51,165	51,165
Financial investments at fair value through other comprehensive income (exclude equity securities)	532,344	509,225	205,185	78,204	56,857	-	-	1,381,815
Financial investments at amortised cost	-	16	-	-	-	-	-	16
Loans, advances and financing	-	21,463	-	41,903	52,419	133,290	44,201	293,276
Statutory deposits with Bank Negara Malaysia	29,106	-	-	-	-	-	-	29,106
Total on-balance sheet	561,489	575,448	205,185	120,107	109,276	133,290	95,366	1,800,161
Credit related commitments and contingencies	-	101,688	-	1,614	21,284	258,887	5,287	388,760
Total off-balance sheet	-	101,688	-	1,614	21,284	258,887	5,287	388,760
Total credit exposure	561,489	677,136	205,185	121,721	130,560	392,177	100,653	2,188,921
BANK								
2020								
Cash and short-term funds (exclude cash in hand)	39	44,744	-	-	-	-	-	44,783
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Amounts due from clients and brokers	-	-	-	-	-	-	51,165	51,165
Financial investments at fair value through other comprehensive income (exclude equity securities)	532,344	509,225	205,185	78,204	56,857	-	-	1,381,815
Financial investments at amortised cost	-	16	-	-	-	-	-	16
Loans, advances and financing	-	21,463	-	41,903	52,419	133,290	44,201	293,276
Statutory deposits with Bank Negara Malaysia	29,106	-	-	-	-	-	-	29,106
Total on-balance sheet	561,489	575,448	205,185	120,107	109,276	133,290	95,366	1,800,161
Credit related commitments and contingencies	-	101,688	-	1,614	21,284	258,887	5,287	388,760
Total off-balance sheet	-	101,688	-	1,614	21,284	258,887	5,287	388,760
Total credit exposure	561,489	677,136	205,185	121,721	130,560	392,177	100,653	2,188,921

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)

3.0 Credit Risk (cont'd.)

3.1 Distribution of Credit Exposures (cont'd.)

(b) Industry Distribution (cont'd.)

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

	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
GROUP								
2019								
Cash and short-term funds (exclude cash in hand)	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 (exclude equity securities)	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 with Bank Negara Malaysia	43,996	-	-	-	-	-	-	43,996
Total on-balance sheet	577,058	728,735	184,840	141,497	72,888	199,985	124,216	2,029,219
Credit related commitments and contingencies	-	96,563	-	1,584	18,484	199,882	4,263	320,776
Total off-balance sheet	-	96,563	-	1,584	18,484	199,882	4,263	320,776
Total credit exposure	577,058	825,298	184,840	143,081	91,372	399,867	128,479	2,349,995
BANK								
2019								
Cash and short-term funds (exclude cash in hand)	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 (exclude equity securities)	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 with Bank Negara Malaysia	43,996	-	-	-	-	-	-	43,996
Total on-balance sheet	577,058	728,351	184,840	141,498	72,888	199,984	124,216	2,028,835
Credit related commitments and contingencies	-	96,563	-	1,584	18,484	199,882	4,263	320,776
Total off-balance sheet	-	96,563	-	1,584	18,484	199,882	4,263	320,776
Total credit exposure	577,058	824,914	184,840	143,082	91,372	399,866	128,479	2,349,611

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)

3.0 Credit Risk (cont'd.)

3.1 Distribution of Credit Exposures (cont'd.)

(c) Residual Contractual Maturity

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

<u>Group</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1 year</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020						
Cash and short-term funds (exclude cash in hand)	44,783	-	-	-	-	44,783
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-
Amounts due from clients and brokers	51,165	-	-	-	-	51,165
Financial investments at fair value through other comprehensive income (exclude equity securities)	35,697	76,176	44,865	51,094	1,173,983	1,381,815
Financial investments at amortised cost	-	-	-	16	-	16
Loans, advances and financing	165,039	-	-	-	128,237	293,276
Statutory deposits with Bank Negara Malaysia	-	-	-	-	29,106	29,106
Total on-balance sheet	296,684	76,176	44,865	51,110	1,331,326	1,800,161
Bank						
2020						
Cash and short-term funds (exclude cash in hand)	44,783	-	-	-	-	44,783
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-
Amounts due from clients and brokers	51,165	-	-	-	-	51,165
Financial investments at fair value through other comprehensive income (exclude equity securities)	35,697	76,176	44,865	51,094	1,173,983	1,381,815
Financial investments at amortised cost	-	-	-	16	-	16
Loans, advances and financing	165,039	-	-	-	128,237	293,276
Statutory deposits with Bank Negara Malaysia	-	-	-	-	29,106	29,106
Total on-balance sheet	296,684	76,176	44,865	51,110	1,331,326	1,800,161

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)

3.0 Credit Risk (cont'd.)

3.1 Distribution of Credit Exposures (cont'd.)

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

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

<u>Group</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1 year</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019						
Cash and short-term funds (exclude cash in hand)	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 (exclude equity securities)	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 with Bank Negara Malaysia	-	-	-	-	43,996	43,996
Total on-balance sheet	189,840	196,755	61,395	123,885	1,457,344	2,029,219
Bank						
2019						
Cash and short-term funds (exclude cash in hand)	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 (exclude equity securities)	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 with Bank Negara Malaysia	-	-	-	-	43,996	43,996
Total on-balance sheet	189,456	196,755	61,395	123,885	1,457,344	2,028,835

3.0 Credit Risk (cont'd.)

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

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

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

	<u>GROUP/BANK</u>	<u>GROUP/BANK</u>
	2020	2019
	RM'000	RM'000
Household	<u>4</u>	<u>95</u>

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

	<u>GROUP/BANK</u>	<u>GROUP/BANK</u>
	2020	2019
	RM'000	RM'000
Central region	<u>4</u>	<u>95</u>

3.0 Credit Risk (cont'd.)

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

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

Impaired loans, advances and financing analysed by sectors:

	<u>GROUP/BANK</u>	
	2020 RM'000	2019 RM'000
Construction	-	123
Household	428	430
	<u>428</u>	<u>553</u>

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

<u>GROUP/BANK</u>	12 months	Lifetime ECL	Lifetime ECL	ECL	Stage 3
	ECL (Stage 1)	Not-credit Impaired (Stage 2)	Credit Impaired (Stage 3)	charged/ (write-back) for the year (net)	write-off for the year
	RM'000	RM'000	RM'000	RM'000	RM'000
2020					
Financial, insurance & business services services and real estate	20	-	-	-	-
Agriculture, manufacturing, wholesale & retail trade	160	-	-	-	-
Construction	185	-	-	4	(127)
Household	185	-	342	(86)	(1)
Others	151	-	-	-	-
	<u>701</u>	<u>-</u>	<u>342</u>	<u>(82)</u>	<u>(128)</u>

<u>GROUP/BANK</u>	12 months	Lifetime ECL	Lifetime ECL	ECL	Stage 3
	ECL (Stage 1)	Not-credit Impaired (Stage 2)	Credit Impaired (Stage 3)	charged/ (write-back) for the year (net)	write-off for the year
	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Financial, insurance & business services services and real estate	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>

3.0 Credit Risk (cont'd.)

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

Allowance for expected credit losses analysed by significant geographical areas:

<u>GROUP/BANK</u>	Impaired loans, advances and financing	12 months ECL (Stage 1)	Lifetime ECL Not-credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)
2020	RM'000	RM'000	RM'000	RM'000
Northern region	-	183	-	-
Central region	428	518	-	342
	<u>428</u>	<u>701</u>	<u>-</u>	<u>342</u>

<u>GROUP/BANK</u>	Impaired loans, advances and financing	12 months ECL (Stage 1)	Lifetime ECL Not-credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)
2019	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>

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

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

GROUP/BANK	12 months ECL	Lifetime ECL	Lifetime ECL	Total
	(Stage 1)	Not-credit Impaired (Stage 2)	Credit Impaired (Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At 1 April 2019	512	-	552	1,064
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	1	(103)	(102)
Transfer to Stage 3	-	(1)	-	(1)
New financial assets originated or purchased	97	-	-	97
Financial assets derecognised other than write-off	(107)	-	-	(107)
Changes due to change in credit risk	199	-	21	220
Total charge to/(write-back from) income statement	189	-	(82)	107
Write off	-	-	(128)	(128)
At 31 March 2020	701	-	342	1,043

GROUP/BANK	12 months ECL	Lifetime ECL	Lifetime ECL	Total
	(Stage 1)	Not-credit Impaired (Stage 2)	Credit Impaired (Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At 1 April 2018	619	11	1,084	1,714
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)
Total write-back to income statement	(107)	(11)	(524)	(642)
Write off	-	-	(8)	(8)
At 31 March 2019	512	-	552	1,064

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:

<u>GROUP</u> <u>2020</u> Risk- Weights	Exposures after netting and Credit risk mitigation								<u>Total</u> <u>Exposures</u> <u>after</u> <u>Netting and</u> <u>Credit Risk</u> <u>Mitigation</u> <u>RM'000</u>	<u>Total</u> <u>Risk- Weighted</u> <u>Assets</u> <u>RM'000</u>
	<u>Sovereigns</u> <u>/Central</u> <u>Banks</u> <u>RM'000</u>	<u>Public</u> <u>Sector</u> <u>Entities</u> <u>RM'000</u>	<u>Banks,</u> <u>DFIs and</u> <u>Multilateral</u> <u>Development</u> <u>Banks</u> <u>RM'000</u>	<u>Corporates</u> <u>RM'000</u>	<u>Regulatory</u> <u>Retail</u> <u>RM'000</u>	<u>Residential</u> <u>mortgages</u> <u>RM'000</u>	<u>Other</u> <u>Assets</u> <u>RM'000</u>	<u>Equity</u> <u>Exposures</u> <u>RM'000</u>		
	0%	561,489	-	-	204,645	-	-	-		
20%	-	141,804	56,474	383,910	-	-	-	-	582,188	116,438
35%	-	-	-	-	-	338	-	-	338	118
50%	-	-	34,008	15,398	-	-	-	-	49,406	24,703
75%	-	-	-	-	3,535	-	-	-	3,535	2,651
100%	-	-	-	203,145	-	86	74,350	-	277,581	277,581
150%	-	-	-	15	-	-	-	-	15	23
Total exposures	561,489	141,804	90,482	807,113	3,535	424	74,350	-	1,679,197	421,514
Risk-weighted assets by exposures	-	28,361	28,299	287,649	2,651	204	74,350	-	421,514	
Average risk-weight	-	20%	31%	36%	75%	48%	100%	-	25%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-

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.):

<u>BANK</u> <u>2020</u> <u>Risk-</u> <u>Weights</u>	←----- Exposures after netting and Credit risk mitigation -----→								<u>Total</u> <u>Exposures</u> <u>after</u> <u>Netting and</u> <u>Credit Risk</u> <u>Mitigation</u>	<u>Total</u> <u>Risk-</u> <u>Weighted</u> <u>Assets</u>
	<u>Sovereigns</u> <u>/Central</u> <u>Banks</u>	<u>Public</u> <u>Sector</u> <u>Entities</u>	<u>Banks,</u> <u>DFIs and</u> <u>Multilateral</u> <u>Development</u> <u>Banks</u>	<u>Corporates</u>	<u>Regulatory</u> <u>Retail</u>	<u>Residential</u> <u>mortgages</u>	<u>Other</u> <u>Assets</u>	<u>Equity</u> <u>Exposures</u>		
0%	561,489	-	-	204,645	-	-	-	-	766,134	-
20%	-	141,804	56,474	383,910	-	-	-	-	582,188	116,438
35%	-	-	-	-	-	338	-	-	338	118
50%	-	-	34,008	15,398	-	-	-	-	49,406	24,703
75%	-	-	-	-	3,535	-	-	-	3,535	2,651
100%	-	-	-	203,145	-	86	74,350	-	277,581	277,581
150%	-	-	-	15	-	-	-	-	15	23
Total exposures	561,489	141,804	90,482	807,113	3,535	424	74,350	-	1,679,197	421,514
Risk-weighted assets by exposures	-	28,361	28,299	287,649	2,651	204	74,350	-	421,514	
Average risk-weight	-	20%	31%	36%	75%	48%	100%	-	25%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-

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.):

<u>GROUP</u> 2019 Risk- Weights	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 RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential mortgages RM'000	Other Assets RM'000	Equity Exposures RM'000		
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%	-	-	-	-	-	-	-	-	-	-
Total exposures	693,543	27,132	142,166	761,781	3,925	-	86,385	60,784	1,775,716	495,078
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	-	-	-	-	-	-	-	-	-	-

3.0 Credit Risk (cont'd.)

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

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

BANK 2019 Risk- Weights	Exposures after netting and Credit risk mitigation								Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns /Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential mortgages RM'000	Other Assets RM'000	Equity Exposures 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%	-	-	-	-	-	-	-	-	-	-
Total exposures	693,543	26,653	141,783	761,781	3,925	-	86,259	60,784	1,774,728	494,665
Risk-weighted assets by exposures	-	5,331	30,748	309,131	2,944	-	85,727	60,784	494,665	
Average risk-weight	-	20%	22%	41%	75%	-	99%	100%	28%	
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"):

GROUP/BANK **2020**

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3 / P-1	A1 to A3 / P-2	Baa1 to Ba3 / P-3	B1 to C / Others	Unrated	
	S&P	AAA to AA- / A-1	A+ to A- / A-2	BBB+ to BB- / A-3	B+ to D / Others	Unrated	
	Fitch	AAA to AA- / F1+, F1	A+ to A- / A-2	BBB+ to BB- / F3	B+ to D	Unrated	
	RAM	AAA to AA3 / P-1	A+ to A3 / P-2	BBB1+ to BB3 / P-3	B to D / NP	Unrated	
	MARC	AAA to AA- / MARC-1	A+ to A- / MARC-2	BBB+ to BB- / MARC-3	B+ to D / MARC-4	Unrated	
	R&I	AAA to AA- / a-1+, a-1	A+ to A- / a-2	BBB+ to BB- / a-3	B+ to D / b, c	Unrated	
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Public Sector Entities	-	113,935	-	-	-	113,935	
Sovereigns and Central Banks (See Note 2)	-	561,489	-	-	-	561,489	
Corporates	-	204,645	-	-	-	204,645	
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-	
	-	880,069	-	-	-	880,069	
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks	15,628	44,441	727	-	-	60,796	
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks	29,685	-	-	-	-	29,685	
	45,313	44,441	727	-	-	90,481	
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities	25,863	-	-	-	2,006	27,869	
Corporates	383,910	15,381	-	-	428,989	828,280	
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities	-	-	-	-	-	-	
Corporates	-	-	-	-	-	-	
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	
	409,773	15,381	-	-	430,995	856,149	

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.):

GROUP/BANK
2019

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

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 Group and the Bank 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 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	Exposures	Exposures	Exposures	Exposures
2020	before CRM	covered by	covered by	covered by
Exposure Class	RM'000	guarantees/ credit derivatives	eligible financial collateral	other eligible collateral
		RM'000	RM'000	RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	561,489	-	-	-
Public Sector Entities	141,804	-	-	-
Banks, DFIs and Multilateral				
Development Banks	90,482	-	-	-
Corporates	944,886	-	188,090	-
Regulatory retail	3,373	-	2,985	-
Residential mortgages	338	-	-	-
Other assets	74,350	-	-	-
Equity exposures	-	-	-	-
Defaulted exposures	119	-	-	-
Total on-balance sheet exposures	<u>1,816,841</u>	<u>-</u>	<u>191,075</u>	<u>-</u>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	93,972	-	40,541	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	<u>93,972</u>	<u>-</u>	<u>40,541</u>	<u>-</u>
Total on and off-balance sheet exposures	<u>1,910,813</u>	<u>-</u>	<u>231,616</u>	<u>-</u>

3.0 Credit Risk (cont'd.)

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

BANK 2020 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<i>Credit Risk</i>				
On-balance sheet exposures:				
Sovereigns/Central banks	561,489	-	-	-
Public Sector Entities	141,804	-	-	-
Banks, DFIs and Multilateral Development Banks	90,482	-	-	-
Corporates	944,886	-	188,090	-
Regulatory retail	3,373	-	2,985	-
Residential mortgages	338	-	-	-
Other assets	74,350	-	-	-
Equity exposures	-	-	-	-
Defaulted exposures	119	-	-	-
Total on-balance sheet exposures	<u>1,816,841</u>	<u>-</u>	<u>191,075</u>	<u>-</u>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	93,972	-	40,541	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	<u>93,972</u>	<u>-</u>	<u>40,541</u>	<u>-</u>
Total on and off-balance sheet exposures	<u><u>1,910,813</u></u>	<u><u>-</u></u>	<u><u>231,616</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
<i>Credit Risk</i>				
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.)

BANK 2019 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<i>Credit Risk</i>				
On-balance sheet exposures:				
Sovereigns/Central banks	693,543	-	-	-
Public Sector Entities	26,653	-	-	-
Banks, DFIs and Multilateral Development Banks	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.)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Off-balance sheet exposures of the Group and the Bank 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 Group and the Bank are as follows:

<u>GROUP/ BANK</u>	Principal Amount	Credit Equivalent Amount	Risk- Weighted Assets
	RM'000	RM'000	RM'000
2020			
<u>Credit-related exposures</u>			
Transaction-related contingent items	1,575	788	788
Irrevocable commitments to extend credit:			
• maturity not exceeding 1 year	334,694	66,939	25,611
• maturity exceeding 1 year	1,341	670	670
Forward asset purchases	-	-	-
Obligations under an on going underwriting agreement	51,150	25,575	25,575
	<u>388,760</u>	<u>93,972</u>	<u>52,644</u>

GROUP/ BANK
2019

Credit-related exposures

Transaction-related contingent items	1,575	788	788
Irrevocable commitments to extend credit:			
• maturity not exceeding 1 year	248,047	49,610	16,522
• maturity exceeding 1 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>

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:

	<u>GROUP/BANK</u>	
	Risk- Weighted Assets RM'000	Capital Requirements RM'000
2020		
Interest rate risk		
• General interest rate risk	-	-
• Specific interest rate risk	-	-
	<u>-</u>	<u>-</u>
Foreign exchange risk	22	2
Option risk	-	-
	<u>22</u>	<u>2</u>
2019		
Interest rate risk		
• General interest rate risk	-	-
• Specific interest rate risk	-	-
	<u>-</u>	<u>-</u>
Foreign exchange risk	-	-
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 and Technology Risk Management Committee (GOTRC), Group Risk Management Committee (GRMC) as well as the Board.

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

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

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

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

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

6.0 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 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:

<u>GROUP/ BANK</u>	2020		2019	
	Gross credit exposures	Risk-weighted assets	Gross credit exposures	Risk-weighted assets
Privately held				
For socio-economic purposes	<u>64,392</u>	<u>64,392</u>	<u>60,784</u>	<u>60,784</u>

Gains and losses on equity exposures in the banking book

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

<u>GROUP/ BANK</u>	2020	2019
Unrealised gains recognised in revaluation reserve		
• Privately held equity investments	<u>3,608</u>	<u>3,572</u>

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 Group/Bank. 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.

GROUP/BANK

	2020	2019
	+ 100 bps	+ 100 bps
	RM'000	RM'000
Impact on net interest income		
Ringgit Malaysia	<u>(6,649)</u>	<u>(10,339)</u>
 Impact on Economic Value		
Ringgit Malaysia	<u>(52,991)</u>	<u>(59,655)</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:

	<u>GROUP/ BANK</u>	
	2020	2019
<u>Before deducting proposed dividends</u>		
CET I capital ratio	272.347%	90.655%
Tier I capital ratio	272.347%	90.655%
Total capital ratio	273.076%	90.655%
<u>After deducting proposed dividends</u>		
CET I capital ratio	249.652%	90.655%
Tier I capital ratio	249.652%	90.655%
Total capital ratio	250.381%	90.655%

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

	<u>GROUP/ BANK</u>	
	2020	2019
	RM'000	RM'000
<u>CET I Capital</u>		
Funds allocated from Head Office	56,000	56,000
Retained profits	62,332	57,489
FVOCI reserves	749	(4)
Regulatory reserves	48	-
	<u>119,129</u>	<u>113,485</u>
Less: Regulatory adjustments		
- 55% of FVOCI reserves	(412)	-
- Deferred tax assets	-	(1)
- Regulatory reserves	(48)	-
- Additional Tier 1 Sukuk Wakalah	(60,000)	(100,000)
Total CET I Capital / Total Tier I Capital	<u>58,669</u>	<u>13,484</u>
<u>Tier II Capital</u>		
Expected credit losses*	157	-
Total Capital Base	<u>58,826</u>	<u>13,484</u>

* Expected credit losses 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:

GROUP/ BANK 2020 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	11,010	11,010	-	-
Banks, DFIs and Multilateral Development Banks	11,889	11,889	2,597	207
Corporates	35,750	35,750	5,195	416
Other assets	4,768	4,768	4,768	381
Total on-balance sheet exposures	<u>63,417</u>	<u>63,417</u>	<u>12,560</u>	<u>1,004</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>63,417</u>	<u>63,417</u>	<u>12,560</u>	<u>1,004</u>
(ii) Operational Risk	-	-	8,982	719
Total RWA and capital requirements	<u>63,417</u>	<u>63,417</u>	<u>21,542</u>	<u>1,723</u>

GROUP/ BANK 2019 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	27	27	-	-
Banks, DFIs and Multilateral Development Banks	10,995	10,995	2,213	177
Corporates	-	-	-	-
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>