ALLIANCE BANK INVESTMENT BANK

PILLAR 3 REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

ALLIANCE INVESTMENT BANK BERHAD
197401004393 (21605-D)

BASEL II PILLAR 3 REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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.

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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 ("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 ("the Group") 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.

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2.0 Capital (cont'd.)

2.1 Capital Adequacy Ratios

Effective from 25 March 2020, the Group and the Bank are allowed to drawdown the Capital Conservation Buffer ("CCB") of 2.5% to manage the impact of the Covid-19 outbreak. However, BNM expects the Group and the Bank to rebuild this buffer after 31 December 2020 and to meet the minimum regulatory requirements by 30 September 2021. As at reporting date, the Group and the Bank continued to maintain CCB of 2.5%.

The Group and the Bank have adopted the transitional arrangements on provisions for expected credit losses in accordance with Bank Negara Malaysia's Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions effective on 9 December 2020. This allow the Group and the Bank to add back a portion of Stage 1 ("S1") and Stage 2 ("S2") provisions with an "add-back factor", to the Common Equity Tier I ("CET1") capital from Financial Year 2021 to Financial Year 2024.

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

	GROUP		BANK	
	2021	2020	2021	2020
(i) With transitional arrangements				
Before deducting proposed dividends				
CET I capital ratio	72.608%	-	72.580%	-
Tier I capital ratio	72.608%	-	72.580%	-
Total capital ratio	73.534%	-	73.506%	-
After deducting proposed dividends				
CET I capital ratio	69.026%	-	69.000%	-
Tier I capital ratio	69.026%	-	69.000%	-
Total capital ratio	69.953%	-	69.926%	-
(ii) Without transitional arrangements				
Before deducting proposed dividends				
CET I capital ratio	72.578%	98.780%	72.550%	98.737%
Tier I capital ratio	72.578%	98.780%	72.550%	98.737%
Total capital ratio	73.504%	99.725%	73.476%	99.682%
After deducting proposed dividends				
CET I capital ratio	68.997%	97.288%	68.970%	97.246%
Tier I capital ratio	68.997%	97.288%	68.970%	97.246%
Total capital ratio	69.923%	98.233%	69.896%	98.190%

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 present the components of CET I, Tier I and Tier II capital under the Capital Adequacy Framework with transitional arrangements are as follows:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CET I Capital				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	72,758	258,887	74,658	260,882
Financial investments at fair value through other comprehensive income ("FVOCI") reserves	21,105	26,151	21,105	26,151
Regulatory reserves (Note 2)	6,434	7,540	6,434	7,540
	466,259	658,540	468,159	660,535
(Less)/add: Regulatory adjustments				
- Goodwill and other intangibles	(22,332)	(24,578)	(24,892)	(27,138)
- 55% of FVOCI reserves	(11,608)	(14,383)	(11,608)	(14,383)
- Investment in associate and joint venture	(1,284)	(1,189)	(624)	(624)
- Regulatory reserves (Note 2)	(6,434)	(7,540)	(6,434)	(7,540)
- Additional Tier 1 Sukuk Wakalah	-	(60,000)	-	(60,000)
- Transitional arrangements	175	-	175	-
Total CET I Capital/Total Tier I Capital	424,776	550,850	424,776	550,850
Tier II Capital				
Expected credit losses and regulatory reserves (Note 1 & Note 2)	5,421	5,269	5,421	5,269
Total Tier II Capital	5,421	5,269	5,421	5,269
Total Capital	430,197	556,119	430,197	556,119

Note 1: Expected credit losses for S1 and S2 only.

Note 2: The Bank maintained its prudent stand in relation of maintaining the regulatory reserves to preserve the potential deterioration of credit quality, taking into consideration of this unprecedented pandemic impact and the economic slowdown.

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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 requirements of the Group and the Bank:

	GROUP **2021** **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	294,680	294,680	-	-
	Public Sector Entities	125,418	125,418	2,115	169
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks	61,262	61,262	26,998	2,160
	Corporates	852,176	717,981	284,794	22,784
	Regulatory retail	13,323	2,379	1,785	143
	Residential mortgages	147	147	52	4
	Other assets	83,817	83,817	83,817	6,705
	Defaulted exposures	199	199	190	15
	Total on-balance sheet exposures	1,431,022	1,285,883	399,751	31,980
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	72,143	36,260	33,949	2,716
	Defaulted exposures	-	-	-	-
	Total off-balance sheet exposures	72,143	36,260	33,949	2,716
	Total on and off-balance sheet exposures	1,503,165	1,322,143	433,700	34,696

		Long Position	Short Position	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(ii)	Market Risk (Note 4.0)				
	Interest rate risk	-	-	-	-
	Foreign exchange risk	174	-	174	14
		174	-		
	Option risk			-	-
	Total			174	14

		Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
(iii)	Operational Risk	-	-	151,155	12,092
	Total	1,503,165	1,322,143	585,029	46,802

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2.0 Capital (cont'd.)

2.3 RWA and Capital Requirements (cont'd.)

Regulatory Capital Requirements (cont'd.)

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

BANK **2021** **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	294,680	294,680	-	-
Public Sector Entities	125,418	125,418	2,115	169
Banks, DFIs and Multilateral Development Banks	61,262	61,262	26,998	2,160
Corporates	852,176	717,981	284,794	22,784
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Defaulted exposures	199	199	190	15
Total on-balance sheet exposures	1,431,022	1,285,883	399,751	31,980
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	72,143	36,260	33,949	2,716
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	72,143	36,260	33,949	2,716
Total on and off-balance sheet exposures	1,503,165	1,322,143	433,700	34,696
(ii) Market Risk (Note 4.0)	Long Position	Short Position		
Interest rate risk	-	-	-	-
Foreign exchange risk	174	-	174	14
	174	-		
Option risk			-	-
Total			174	14
(iii) Operational Risk	-	-	151,379	12,110
Total	1,503,165	1,322,143	585,253	46,820

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2.0 Capital (cont'd.)

2.3 RWA and Capital Requirements (cont'd.)

Regulatory Capital Requirements (cont'd.)

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

	GROUP **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
	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)	Long Position	Short Position				
	Interest rate risk	-	-			-	-
	Foreign exchange risk	22	-			22	2
		22	-				
	Option risk					-	-
	Total					22	2
(iii)	Operational Risk			-	-	136,115	10,889
	Total			1,910,813	1,679,197	557,651	44,612

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2.0 Capital (cont'd.)

2.3 RWA and Capital Requirements (cont'd.)

Regulatory Capital Requirements (cont'd.)

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

	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
	Bank, 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
	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)	Long Position	Short Position				
	Interest rate risk	-	-			-	-
	Foreign exchange risk	22	-			22	2
		22	-				
	Option risk					-	-
	Total					22	2
(iii)	Operational Risk			-	-	136,358	10,909
	Total			1,910,813	1,679,197	557,894	44,632

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 S2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 ("S3") under MFRS9. Loans that are not classified as S2 or S3 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 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.

	Geographical region			
GROUP/BANK	Northern	Central	Southern	Total
2021	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	-	56,058	-	56,058
Amounts due from clients and brokers	22,108	75,700	7,233	105,041
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	921,075	-	921,075
Financial investments at amortised cost	-	16	-	16
Loans, advances and financing	35,415	198,215	29,800	263,430
Statutory deposits with Bank Negara Malaysia	-	-	-	-
Total on-balance sheet	57,523	1,251,064	37,033	1,345,620
Contingent liabilities	-	1,050	-	1,050
Commitments	85,789	196,620	43,668	326,077
Total off-balance sheet	85,789	197,670	43,668	327,127
Total credit exposure	143,312	1,448,734	80,701	1,672,747

	Geographical region			
GROUP/BANK	Northern	Central	Southern	Total
2020	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	-	44,783	-	44,783
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
Contingent liabilities	-	1,575	-	1,575
Commitments	94,444	239,163	53,578	387,185
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.)

(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/BANK								
2021								
Cash and short-term funds (exclude cash in hand)	43	56,015	-	-	-	-	-	56,058
Amounts due from clients and brokers	-	-	-	-	-	-	105,041	105,041
Financial investments at fair value through other comprehensive income (exclude equity securities)	201,627	230,413	384,378	47,159	57,498	-	-	921,075
Financial investments at amortised cost	-	16	-	-	-	-	-	16
Loans, advances and financing	-	23,543	-	34,848	52,030	151,275	1,734	263,430
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-
Total on-balance sheet	201,670	309,987	384,378	82,007	109,528	151,275	106,775	1,345,620
Contingent liabilities	-	1,050	-	-	-	-	-	1,050
Commitments	-	52,460	-	2,012	21,638	244,701	5,266	326,077
Total off-balance sheet	-	53,510	-	2,012	21,638	244,701	5,266	327,127
Total credit exposure	201,670	363,497	384,378	84,019	131,166	395,976	112,041	1,672,747
GROUP/BANK								
2020								
Cash and short-term funds (exclude cash in hand)	39	44,744	-	-	-	-	-	44,783
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
Contingent liabilities	-	-	-	1,575	-	-	-	1,575
Commitments	-	101,688	-	39	21,284	258,887	5,287	387,185
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

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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 Group and the Bank:

Group/Bank	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
2021						
Cash and short-term funds (exclude cash in hand)	56,058	-	-	-	-	56,058
Amounts due from clients and brokers	105,041	-	-	-	-	105,041
Financial investments at fair value through other comprehensive income (exclude equity securities)	50,967	-	-	51,285	818,823	921,075
Financial investments at amortised cost	-	-	-	16	-	16
Loans, advances and financing	214,710	13,990	-	-	34,730	263,430
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-
Total on-balance sheet	426,776	13,990	-	51,301	853,553	1,345,620

Group/Bank	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
2020						
Cash and short-term funds (exclude cash in hand)	44,783	-	-	-	-	44,783
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

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.

Past due but not impaired loans, advances and financing analysed by sector:

	GROUP/BANK	GROUP/BANK
	2021	2020
	RM'000	RM'000
Household	-	4

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

	GROUP/BANK	GROUP/BANK
	2021	2020
	RM'000	RM'000
Central region	-	4

3.0 Credit Risk (cont'd.)

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

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

Impaired loans, advances and financing analysed by sectors:

	GROUP/BANK	
	2021 RM'000	2020 RM'000
Household	182	428
	182	428

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

GROUP/BANK 2021	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	ECL write-back for the year (net) RM'000	Stage 3 write-off for the year RM'000
Financial, insurance & business services services and real estate	28	-	-	-	-
Agriculture, manufacturing, wholesale & retail trade	190	-	-	-	-
Construction	-	462	-	-	-
Household	2	-	0	(264)	(78)
Others	-	-	-	-	-
	220	462	0	(264)	(78)

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

3.0 Credit Risk (cont'd.)

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

Impaired loans, advances and financing analysed by significant geographical areas:

	2021 RM'000	2020 RM'000
Central region	182	428
	182	428

Allowance for expected credit losses analysed by significant geographical areas:

GROUP/BANK **2021**	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000
Northern region	2	-	-
Central region	218	462	0
	220	462	0

GROUP/BANK **2020**	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000
Northern region	183	-	-
Central region	518	-	342
	701	-	342

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

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2020	701	-	342	1,043
Transfer to Stage 2	(222)	787	-	565
Transfer to Stage 3	-	(2)	-	(2)
New financial assets originated or purchased	48	-	-	48
Financial assets derecognised other than write-off	(181)	-	(81)	(262)
Changes due to change in credit risk	(126)	(323)	(183)	(632)
Total (write-back from)/ charge to income statement	(481)	462	(264)	(283)
Write-off	-	-	(78)	(78)
At 31 March 2021	220	462	-	682
At 1 April 2019	512	-	552	1,064
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

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

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:

GROUP/BANK **2021** Risk-Weights	**Sovereigns /Central Banks**	**Public Sector Entities**	**Banks, DFIs and Multilateral Development Banks**	**Corporates**	**Regulatory Retail**	**Residential mortgages**	**Other Assets**	**Total Exposures after Netting and Credit Risk Mitigation**	**Total Risk-Weighted Assets**
	← Exposures after netting and Credit risk mitigation →								
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	294,680	114,841	-	205,571	-	-	-	615,092	-
20%	-	10,578	12,109	274,971	-	-	-	297,658	59,532
35%	-	-	-	-	-	147	-	147	51
50%	-	-	49,153	15,295	-	-	-	64,448	32,224
75%	-	-	-	-	11,622	-	-	11,622	8,717
100%	-	-	-	249,177	-	182	83,817	333,176	333,176
150%	-	-	-	-	-	-	-	-	-
Total exposures	294,680	125,419	61,262	745,014	11,622	329	83,817	1,322,143	433,700
Risk-weighted assets by exposures	-	2,116	26,998	311,819	8,717	233	83,817	433,700	
Average risk-weight	-	2%	44%	42%	75%	71%	100%	33%	
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.):

GROUP/BANK **2020** Risk-Weights	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	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Exposures after netting and Credit risk mitigation								
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	-	-	-	-	-	-	-	-	

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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
2021

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 (Note 1)	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
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Public Sector Entities		-	114,841	-	-	-	114,841
Sovereigns and Central Banks (See Note 2)		-	294,680	-	-	-	294,680
Corporates		-	205,571	-	-	-	205,571
Banks, DFIs and Multilateral Development Banks		-	-	-	-	-	-
Total		-	615,092	-	-	-	615,092
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks		5,729	55,533	-	-	-	61,262
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks		-	-	-	-	-	-
Total		5,729	55,533	-	-	-	61,262
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities		10,531	-	-	-	47	10,578
Corporates		274,971	15,279	-	-	409,693	699,943
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	-	-
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	-	-
Total		285,502	15,279	-	-	409,740	710,521

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 Adequancy Framework.

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

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

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 (Note 1)	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
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		-	-	-	-	-	-
Total		-	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
Total		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		-	-	-	-	-	-
Total		409,773	15,381	-	-	430,995	856,149

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 Adequancy 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/BANK **2021** **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
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	294,680	-	-	-
Public Sector Entities	125,418	-	-	-
Banks, DFIs and Multilateral Development Banks	61,262	-	-	-
Corporates	852,176	-	134,195	-
Regulatory retail	13,323	-	10,944	-
Residential mortgages	147	-	-	-
Other assets	83,817	-	-	-
Defaulted exposures	199	-	-	-
Total on-balance sheet exposures	1,431,022	-	145,139	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	72,143	-	35,883	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	72,143	-	35,883	-
Total on and off-balance sheet exposures	1,503,165	-	181,022	-

3.0 Credit Risk (cont'd.)

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

GROUP/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
Credit Risk				
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	-	-	-
Defaulted exposures	119	-	-	-
Total on-balance sheet exposures	1,816,841	-	191,075	-
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	93,972	-	40,541	-
Total on and off-balance sheet exposures	1,910,813	-	231,616	-

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:

	Principal Amount	Credit Equivalent Amount	Risk-Weighted Assets
GROUP/ BANK	RM'000	RM'000	RM'000
2021			
Credit-related exposures			
Transaction-related contingent items	1,050	525	525
Irrevocable commitments to extend credit:			
- maturity not exceeding 1 year	304,736	60,947	22,753
- maturity exceeding 1 year	1,341	671	671
Obligations under an on going underwriting agreement	20,000	10,000	10,000
	327,127	72,143	33,949

	Principal Amount	Credit Equivalent Amount	Risk-Weighted Assets
GROUP/ BANK	RM'000	RM'000	RM'000
2020			
Credit-related exposures			
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
Obligations under an on going underwriting agreement	51,150	25,575	25,575
	388,760	93,972	52,644

4.0 Market Risk

Market Risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions ariving 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, Executive Risk Management Committee ("ERMC") and GRMC.

4.0 Market Risk (cont'd.)

Regulatory capital requirements

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

	GROUP/BANK	
2021	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**
Interest rate risk		
- General interest rate risk	-	-
- Specific interest rate risk	-	-
	-	-
Foreign exchange risk	174	14
Option risk	-	-
	174	14
2020		
Interest rate risk		
- General interest rate risk	-	-
- Specific interest rate risk	-	-
	-	-
Foreign exchange risk	22	2
Option risk	-	-
	22	2

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"), Executive Risk Management Committee ("ERMC"), 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 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:

GROUP/ BANK	**2021** Gross credit exposures RM'000	**2021** Risk-weighted assets RM'000	**2020** Gross credit exposures RM'000	**2020** Risk-weighted assets RM'000
Privately held				
For socio-economic purposes	70,194	70,194	64,392	64,392

Gains and losses on equity exposures in the banking book

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

GROUP/ BANK	**2021** RM'000	**2020** RM'000
Unrealised gains recognised in statement of income		
- Privately held equity investments	5,802	3,608

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 Group/Bank**.** Group Financial Markets is tasked to execute the strategies as approved by GALCO to manage the assets/liabilities as well as the funding and liquidity needs of the Group/Bank where the Group and its entities have operated above the minimum regulatory requirements for Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

(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) NII simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.

(iii) Economic value ("EV") 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/RORBB.

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

	MYR RM'000	USD RM'000	SGD RM'000	Others FCY RM'000	Total RM'000
GROUP/BANK					
2021					
Impact on net interest income ("NII")					
Parallel 200 bps up	(9,525)	23	-	2	(9,500)
Parallel 200 bps down	9,525	(23)	-	(2)	9,500
Impact on Economic Value ("EV")					
Parallel 200 bps up	(82,413)	-	-	-	(82,413)
Parallel 200 bps down	82,413	-	-	-	82,413
Steepener	(24,041)	-	-	-	(24,041)
Flattener	16,102	-	-	-	16,102
Short Rate Up	(45,761)	-	-	-	(45,761)
Short Rate Down	45,761	-	-	-	45,761

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

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

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** **+ 100 bps** RM'000
Impact on net interest income ("NII")	
Ringgit Malaysia	(6,649)
Impact on Economic Value ("EV")	
Ringgit Malaysia	(52,991)

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

8.0 Shariah Governance Disclosures

Islamic Banking Business (Islamic window)

(a) Capital Adequacy Ratios

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

	GROUP/ BANK	
	2021	**2020**
With and without transitional arrangements		
Before deducting proposed dividends		
CET I capital ratio	776.781%	272.347%
Tier I capital ratio	776.781%	272.347%
Total capital ratio	776.781%	273.076%
After deducting proposed dividends		
CET I capital ratio	767.231%	249.652%
Tier I capital ratio	767.231%	249.652%
Total capital ratio	767.231%	250.381%

The following tables present the components of CET I, Tier I and Tier II capital:

	GROUP/ BANK	
	2021	**2020**
	RM'000	**RM'000**
CET I Capital		
Funds allocated from Head Office	56,000	56,000
Retained profits	18,418	62,332
FVOCI reserves	(114)	749
Regulatory reserves (Note 2)	-	48
	74,304	119,129
Less: Regulatory adjustments		
- 55% of FVOCI reserves	-	(412)
- Deferred tax assets	(36)	-
- Regulatory reserves (Note 2)	-	(48)
- Additional Tier 1 Sukuk Wakalah	-	(60,000)
Total CET I Capital/Total Tier I Capital	74,268	58,669
Tier II Capital		
Expected credit losses and regulatory reserves (Note 1 & Note 2)	-	157
Total Capital Base	74,268	58,826

Note 1: Expected credit losses for S1 and S2 only.

Note 2: The Bank maintained its prudent stand in relation of maintaining the regulatory reserves to preserve the potential deterioration of credit quality, taking into consideration of this unprecedented pandemic impact and the economic slowdown.

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 Group and Bank:

GROUP/ BANK **2021** **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	63,577	63,577	-	-
Banks, DFIs and Multilateral Development Banks	6,380	6,380	1,276	102
Corporates	9,893	9,893	-	-
Other assets	15	15	15	1
Total on-balance sheet exposures	79,865	79,865	1,291	103
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	-	-	-	-
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	79,865	79,865	1,291	103
(ii) Operational Risk	-	-	8,270	662
Total RWA and capital requirements	79,865	79,865	9,561	765

GROUP/ 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	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	63,417	63,417	12,560	1,004
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	-	-	-	-
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	63,417	63,417	12,560	1,004
(ii) Operational Risk	-	-	8,982	719
Total RWA and capital requirements	63,417	63,417	21,542	1,723