PILLAR 3 REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

ALLIANCE INVESTMENT BANK

ALLIANCE INVESTMENT BANK

Alliance Investment Bank Berhad 197401004393 (21605-D)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

BASEL II PILLAR 3 REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

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1.0 Overview

Bank Negara Malaysia's ("BNM") Capital Adequacy Frameworks 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 Frameworks covers three main aspects:

(a) Pillar 1 - covers the calculation of risk-weighted assets for credit risk, market risk and operational risk;

(b) Pillar 2 - involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes the adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques; and

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

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

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

1.1 Medium and Location of Disclosure

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

1.2 Basis of Disclosure

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

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

1.3 Comparative Information

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

1.0 Overview (cont'd.)

1.4 Scope of Application

The Pillar 3 Disclosure was prepared on a consolidated basis comprises information on Alliance Investment Bank Berhad ("the Bank"), 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 Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

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

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

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

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

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

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

2.0 Capital (cont'd.)

2.1 Capital Adequacy Ratios

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

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

	GROUP		BANK	
	2022	2021	2022	2021
(a) With transitional arrangements				
Before deducting proposed dividends				
CET I capital ratio	87.272%	72.608%	87.301%	72.580%
Tier I capital ratio	87.272%	72.608%	87.301%	72.580%
Total capital ratio	88.145%	73.534%	88.174%	73.506%
After deducting proposed dividends				
CET I capital ratio	87.272%	69.026%	87.301%	69.000%
Tier I capital ratio	87.272%	69.026%	87.301%	69.000%
Total capital ratio	88.145%	69.953%	88.174%	69.926%
(b) Without transitional arrangements				
Before deducting proposed dividends				
CET I capital ratio	87.211%	72.578%	87.240%	72.550%
Tier I capital ratio	87.211%	72.578%	87.240%	72.550%
Total capital ratio	88.084%	73.504%	88.113%	73.476%
After deducting proposed dividends				
CET I capital ratio	87.211%	68.997%	87.240%	68.970%
Tier I capital ratio	87.211%	68.997%	87.240%	68.970%
Total capital ratio	88.084%	69.923%	88.113%	69.896%

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

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2.0 Capital (cont'd.)

2.2 Capital Structure

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

	GROUP		BANK	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
CET I Capital				
Paid-up share capital	365,962	365,962	365,962	365,962
Retained profits	85,234	72,758	87,133	74,658
Financial investments at fair value through other comprehensive income ("FVOCI") reserves	(247)	21,105	(247)	21,105
Regulatory reserves (Note 1)	6,045	6,434	6,045	6,434
	456,994	466,259	458,893	468,159
(Less)/add: Regulatory adjustments				
- Goodwill and other intangibles	(21,606)	(22,332)	(24,166)	(24,892)
- Deferred tax assets	(5,180)	-	(5,180)	-
- 55% of FVOCI reserves	-	(11,608)	-	(11,608)
- Investment in associate and joint venture	(1,285)	(1,284)	(624)	(624)
- Regulatory reserves (Note 1)	(6,045)	(6,434)	(6,045)	(6,434)
- Transitional arrangements	295	175	295	175
Total CET I Capital/Total Tier I Capital	423,173	424,776	423,173	424,776
Tier II Capital				
Expected credit losses and regulatory reserves (Note 1 & Note 2)	4,231	5,421	4,231	5,421
Total Tier II Capital	4,231	5,421	4,231	5,421
Total Capital	427,404	430,197	427,404	430,197

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

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

2.0 Capital (cont'd.)

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

Regulatory Capital Requirements

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

GROUP **2022** **Exposure Class**	**Long Position**	**Short Position**	**Gross Exposures** RM'000	**Net Exposures** RM'000	**Risk-Weighted Assets** RM'000	**Capital Requirements** RM'000
(a) Credit Risk						
On-balance sheet exposures:						
Sovereigns/Central banks			345,738	345,738	-	-
Public Sector Entities			3,055	3,055	611	49
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks			50,785	50,785	21,240	1,699
Corporates			503,054	376,007	198,027	15,842
Regulatory retail			11,122	2,079	1,559	125
Residential mortgages			103	103	36	3
Other assets			95,973	95,973	89,642	7,171
Defaulted exposures			191	191	183	15
Total on-balance sheet exposures			1,010,021	873,931	311,298	24,904
Off-balance sheet exposures:						
Credit-related off-balance sheet exposures			63,817	29,841	27,169	2,174
Total off-balance sheet exposures			63,817	29,841	27,169	2,174
Total on and off-balance sheet exposures			1,073,838	903,772	338,467	27,078
(b) Market Risk (Note 5.0)						
Interest rate risk	-	-			-	-
Foreign currency risk	104	(180)			180	14
	104	(180)				
Option risk					-	-
Total					180	14
(c) Operational Risk			-	-	146,243	11,699
Total			1,073,838	903,772	484,890	38,791

2.0 Capital (cont'd.)

2.3 RWA and Capital Requirements (cont'd.)

Regulatory Capital Requirements (cont'd.)

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

BANK **2022** **Exposure Class**			**Gross Exposures** RM'000	**Net Exposures** RM'000	**Risk-Weighted Assets** RM'000	**Capital Requirements** RM'000
(a) Credit Risk						
On-balance sheet exposures:						
Sovereigns/Central banks			345,738	345,738	-	-
Public Sector Entities			3,055	3,055	611	49
Banks, DFIs and Multilateral Development Banks			50,785	50,785	21,240	1,699
Corporates			503,054	376,007	198,027	15,842
Regulatory retail			11,122	2,079	1,559	125
Residential mortgages			103	103	36	3
Other assets			95,973	95,973	89,642	7,171
Defaulted exposures			191	191	183	15
Total on-balance sheet exposures			1,010,021	873,931	311,298	24,904
Off-balance sheet exposures:						
Credit-related off-balance sheet exposures			63,817	29,841	27,169	2,174
Total off-balance sheet exposures			63,817	29,841	27,169	2,174
Total on and off-balance sheet exposures			1,073,838	903,772	338,467	27,078
(b) Market Risk (Note 5.0)	Long Position	Short Position				
Interest rate risk	-	-			-	-
Foreign currency risk	104	(180)			180	14
	104	(180)				
Option risk					-	-
Total					180	14
(c) Operational Risk			-	-	146,083	11,687
Total			1,073,838	903,772	484,730	38,779

2.0 Capital (cont’d.)

2.3 RWA and Capital Requirements (cont’d.)

Regulatory Capital Requirements (cont’d.)

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

GROUP **2021** **Exposure Class**	**Gross Exposures** RM'000	**Net Exposures** RM'000	**Risk-Weighted Assets** RM'000	**Capital Requirements** RM'000
(a) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	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
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
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

(b) Market Risk (Note 5.0)	Long Position	Short Position	Risk-Weighted Assets RM'000	Capital Requirements RM'000
Interest rate risk	-	-	-	-
Foreign currency 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
(c) 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
(a) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	294,680	294,680	-	-
Public Sector Entities	125,418	125,418	2,115	169
Bank, 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
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

(b) Market Risk (Note 5.0)	Long Position	Short Position	Risk-Weighted Assets RM'000	Capital Requirements RM'000
Interest rate risk	-	-	-	-
Foreign currency 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
(c) Operational Risk	-	-	151,379	12,110
Total	1,503,165	1,322,143	585,253	46,820

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 Risk Management

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

3.1 Risk Management Framework

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

3.2 Risk Governance and Organisation

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

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

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

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

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

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

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

3.3 Risk Strategy

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

3.4 Risk Appetite

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

3.5 Risk Culture

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

3.6 Risk Management Process

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

4.0 Credit Risk

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

Credit Risk Management

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

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

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

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

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

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

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

4.0 Credit Risk (cont'd.)

Credit Risk Management (cont'd.)

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

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and assess the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and to formulate effective mitigation actions when required. Sensitivity analyses are conducted to assess the potential 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 the assurance that the policies, processes and guidelines are adhered to.

Impaired Loans and Provisions

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

Provisions for expected credit losses are carried out based on the MFRS 9 approach, loans with defined risk characteristics are transferred to Stage 2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 under MFRS 9. Loans that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on the probability of default over the next 12 months.

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.

Relief Assistance

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

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures

(a) Geographical Distribution

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

GROUP/BANK	Geographical region			
2022	Northern	Central	Southern	Total
	RM'000	RM'000	RM'000	RM'000
Exposure class				
On-balance sheet exposures:				
Sovereigns/Central banks	-	345,738	-	345,738
Public Sector Entities	-	3,055	-	3,055
Banks, DFIs and Multilateral Development Banks	-	50,785	-	50,785
Corporates	51,360	423,318	28,376	503,054
Regulatory retail	6,416	2,440	2,266	11,122
Residential mortgages	-	103	-	103
Other assets	4,960	90,642	371	95,973
Defaulted exposures	-	191	-	191
Total on-balance sheet exposures	62,736	916,272	31,013	1,010,021
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	23,459	33,620	6,738	63,817
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	23,459	33,620	6,738	63,817
Total credit exposures	86,195	949,892	37,751	1,073,838

GROUP/BANK	Geographical region			
2021	Northern	Central	Southern	Total
Exposure class	RM'000	RM'000	RM'000	RM'000
On-balance sheet exposures:				
Sovereigns/Central banks	-	294,680	-	294,680
Public Sector Entities	-	125,418	-	125,418
Banks, DFIs and Multilateral Development Banks	-	61,262	-	61,262
Corporates	49,903	768,032	34,241	852,176
Regulatory retail	8,062	2,327	2,934	13,323
Residential mortgages	-	147	-	147
Other assets	-	83,817	-	83,817
Defaulted exposures	-	199	-	199
Total on-balance sheet exposures	57,965	1,335,882	37,175	1,431,022
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	17,158	46,251	8,734	72,143
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	17,158	46,251	8,734	72,143
Total credit exposures	75,123	1,382,133	45,909	1,503,165

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

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4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(b) Industry Distribution

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

	Government & Central Bank	Financial, Insurance, Business Services & Real Estate	Transport, Storage & Communication	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP/BANK								
2022								
Exposure class								
Sovereigns/Central banks	345,738	-	-	-	-	-	-	345,738
Public Sector Entities	-	3,055	-	-	-	-	-	3,055
Banks, DFIs and Multilateral Development Banks	-	50,785	-	-	-	-	-	50,785
Corporates	-	98,841	109,378	35,501	71,673	138,067	49,594	503,054
Regulatory retail	-	-	-	-	-	11,122	-	11,122
Residential mortgages	-	-	-	-	-	103	-	103
Other assets	-	82,266	-	-	-	-	13,707	95,973
Defaulted exposures	-	16	-	-	-	175	-	191
Total on-balance sheet exposures	345,738	234,963	109,378	35,501	71,673	149,467	63,301	1,010,021
Credit-related off-balance sheet exposures	-	7,949	-	701	4,901	49,208	1,058	63,817
Defaulted exposures	-	-	-	-	-	-	-	-
Total off-balance sheet exposures	-	7,949	-	701	4,901	49,208	1,058	63,817
Total credit exposures	345,738	242,912	109,378	36,202	76,574	198,675	64,359	1,073,838

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

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4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(b) Industry Distribution (cont'd.)

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

	Government & Central Bank	Financial, Insurance, Business Services & Real Estate	Transport, Storage & Communication	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP/BANK								
2021								
Exposure class								
Sovereigns/Central banks	294,680	-	-	-	-	-	-	294,680
Public Sector Entities	-	109,892	15,526	-	-	-	-	125,418
Banks, DFIs and Multilateral Development Banks	-	61,262	-	-	-	-	-	61,262
Corporates	21,153	138,447	254,688	82,006	109,528	138,609	107,745	852,176
Regulatory retail	-	419	-	-	-	12,904	-	13,323
Residential mortgages	-	-	-	-	-	147	-	147
Other assets	-	70,194	-	-	-	-	13,623	83,817
Defaulted exposures	-	16	-	-	-	183	-	199
Total on-balance sheet exposures	315,833	380,230	270,214	82,006	109,528	151,843	121,368	1,431,022
Credit-related off-balance sheet exposures	-	17,017	-	403	4,730	48,940	1,053	72,143
Defaulted exposures	-	-	-	-	-	-	-	-
Total off-balance sheet exposures	-	17,017	-	403	4,730	48,940	1,053	72,143
Total credit exposures	315,833	397,247	270,214	82,409	114,258	200,783	122,421	1,503,165

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

4.0 Credit Risk (cont'd.)

4.1 Distribution of Credit Exposures (cont'd.)

(c) Residual Contractual Maturity

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

Group/Bank 2022	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
Exposure class						
Sovereigns/Central banks	40	-	-	-	345,698	345,738
Public Sector Entities	3,055	-	-	-	-	3,055
Banks, DFIs and Multilateral Development Banks	45,608	-	-	-	5,177	50,785
Corporates	256,232	-	-	10,314	236,508	503,054
Regulatory retail	10,920	188	-	-	14	11,122
Residential mortgages	-	-	-	-	103	103
Other assets	19,324	-	-	-	76,649	95,973
Defaulted exposures	-	-	-	16	175	191
Total on-balance sheet exposures	335,179	188	-	10,330	664,324	1,010,021

Group/Bank 2021	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
Exposure class						
Sovereigns/Central banks	51,010	-	-	-	243,670	294,680
Public Sector Entities	47	-	-	-	125,371	125,418
Banks, DFIs and Multilateral Development Banks	56,016	-	-	-	5,246	61,262
Corporates	308,287	13,709	-	51,284	478,896	852,176
Regulatory retail	13,022	281	-	-	20	13,323
Residential mortgages	-	-	-	-	147	147
Other assets	9,964	-	-	-	73,853	83,817
Defaulted exposures	-	-	-	16	183	199
Total on-balance sheet exposures	438,346	13,990	-	51,300	927,386	1,431,022

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

4.0 Credit Risk (cont'd.)

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

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

Past Due but Not Impaired Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but not more than three months. Under MFRS 9, exposures more than 30 days past due are transferred to Stage 2. For loans that are structured to pay principal and/or interest at quarterly intervals or longer, a default of payment will trigger an impairment.

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

	Impaired Loans, Advances and Financing RM'000	Past Due Loan RM'000	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	ECL write-back for the year (net) RM'000	Stage 3 write-off for the year RM'000
GROUP/BANK							
2022							
Financial, insurance & business services and real estate	-	-	110	-	-	-	-
Agriculture, manufacturing, wholesale & retail trade	-	-	-	-	-	-	-
Construction	-	-	-	437	-	-	-
Household	175	-	-	-	-	-	-
Total	175	-	110	437	-	-	-
GROUP/BANK							
2021							
Financial, insurance & business services and real estate	-	-	28	-	-	-	-
Agriculture, manufacturing, wholesale & retail trade	-	-	190	-	-	-	-
Construction	-	-	-	462	-	-	-
Household	182	-	2	-	0	(264)	(78)
Total	182	-	220	462	0	(264)	(78)

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4.0 Credit Risk (cont'd.)

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

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

	Impaired Loans, Advances and Financing RM'000	Past Due Loan RM'000	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	ECL write-back for the year (net) RM'000	Stage 3 write-off for the year RM'000
GROUP/BANK							
2022							
Northern region	-	-	-	-	-	-	
Central region	175	-	110	437	-	-	-
Southern region	-	-	-	-	-	-	-
Sarawak region	-	-	-	-	-	-	-
Total	175	-	110	437	-	-	-
GROUP/BANK							
2021							
Northern region	-	-	2	-	-	-	-
Central region	182	-	218	462	0	(264)	(78)
Southern region	-	-	-	-	-	-	-
Sarawak region	-	-	-	-	-	-	-
Total	182	-	220	462	0	(264)	(78)

4.0 Credit Risk (cont'd.)

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

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

	12 months ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP/BANK				
At 1 April 2021	220	462	-	682
Transferred to assets held for sale	(2)	-	-	(2)
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets derecognised other than write-off	(33)	-	-	(33)
Changes due to change in credit risk	(75)	(25)	-	(100)
Total write-back from to income statement	(108)	(25)	-	(133)
Write-off	-	-	-	-
At 31 March 2022	110	437	-	547

	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

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4.0 Credit Risk (cont'd.)

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

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

GROUP/BANK 2022 Risk-Weights	Exposures after netting and Credit risk mitigation								
	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**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	345,738	-	-	9,680	-	-	-	355,418	-
20%	-	3,055	13,843	210,376	-	-	7,913	235,187	47,037
35%	-	-	-	-	-	103	-	103	36
50%	-	-	36,942	16	-	-	-	36,958	18,479
75%	-	-	-	-	12,766	-	-	12,766	9,575
100%	-	-	-	175,105	-	175	88,060	263,340	263,340
150%	-	-	-	-	-	-	-	-	-
Total exposures	345,738	3,055	50,785	395,177	12,766	278	95,973	903,772	338,467
Risk-weighted assets by exposures	-	611	21,240	217,188	9,575	211	89,643	338,467	
Average risk-weight	-	20%	42%	55%	75%	76%	93%	37%	
Deduction from Capital base	-	-	-	-	-	-	-	-	

4.0 Credit Risk (cont'd.)

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

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

	Exposures after netting and Credit risk mitigation								
GROUP/BANK **2021** 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
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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4.0 Credit Risk (cont'd.)

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

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), Standard and Poor's ("S&P"), Moody's, Fitch Ratings, and Rating and Investment Information, Inc ("R&I" [See Note 1]). In the context of the Group's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM's Capital Adequacy Framework to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

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

Long-Term Rating

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

Short-Term Rating

Rating Category	S&P	Moody's	Fitch	RAM	MARC	R&I *
1	A-1	P-1	F1+, F1	P-1	MARC-1	a-1+, a-1
2	A-2	P-2	F2	P-2	MARC-2	a-2
3	A-3	P-3	F3	P-3	MARC-3	a-3
4	Others	Others	B+ to D	NP	MARC-4	b, c
5	Unrated					

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

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Exposure Class	Rating Categories 1	2	3	4	5	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	-	-	-	-	-
Sovereigns and Central Banks (See Note 2)	-	345,738	-	-	-	345,738
Corporates	-	9,680	-	-	-	9,680
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
	-	355,418	-	-	-	355,418
(ii) Exposures risk-weighted using Banking Institutions long-term rating						
Banks, DFIs and Multilateral Development Banks	5,222	45,563	-	-	-	50,785
Exposures risk-weighted using Banking Institutions short-term rating						
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
	5,222	45,563	-	-	-	50,785
(iii) Exposures risk-weighted using Corporate long-term rating						
Public Sector Entities	-	-	-	-	3,055	3,055
Corporates	210,375	-	-	-	326,960	537,335
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Exposures risk-weighted using Corporate short-term rating						
Public Sector Entities	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
	210,375	-	-	-	330,015	540,390

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

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4.0 Credit Risk (cont'd.)

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

GROUP/BANK
2021

Exposure Class	Rating Categories 1	2	3	4	5	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
(i) Exposures risk-weighted using Sovereigns and Central Banks rating						
Public Sector Entities	-	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	-	-	-	-	-	-
	-	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	-	-	-	-	-	-
	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	-	-	-	-	-	-
	285,502	15,279	-	-	409,740	710,521

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

4.0 Credit Risk (cont'd.)

4.4 Credit Risk Mitigation ("CRM")

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. The main types of collateral acceptable to the Group include cash, guarantees, commercial and residential real 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's Capital Adequacy Framework apply more restrictive rules on collaterals that qualify as credit risk mitigants. As a result, not all of the collaterals accepted by the Group can be used to reduce our capital adequacy requirement.

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

GROUP/BANK **2022** **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	345,738	-	-	-
Public Sector Entities	3,055	-	-	-
Banks, DFIs and Multilateral Development Banks	50,785	-	-	-
Corporates	503,054	-	127,047	-
Regulatory retail	11,122	-	9,043	-
Residential mortgages	103	-	-	-
Other assets	95,973	-	-	-
Defaulted exposures	191	-	-	-
Total on-balance sheet exposures	1,010,021	-	136,090	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than over the counter ("OTC") derivatives or credit derivatives	63,817	-	33,976	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	63,817	-	33,976	-
Total on and off-balance sheet exposures	1,073,838	-	170,066	-

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4.0 Credit Risk (cont'd.)

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

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	-

4.0 Credit Risk (cont'd.)

4.5 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:

GROUP/ BANK	**Principal Amount** RM'000	**Credit Equivalent Amount** RM'000	**Risk-Weighted Assets** RM'000
2022			
Credit-related exposures			
Transaction-related contingent items	1,050	525	525
Irrevocable commitments to extend credit:			
- maturity not exceeding one year	313,107	62,621	25,974
- maturity exceeding one year	1,341	671	670
Obligations under an ongoing underwriting agreement	-	-	-
	315,498	63,817	27,169

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

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

5.1 Market Risk Management

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

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

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

5.2 Traded Market Risk

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

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

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

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

(d) 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-à-vis the Bank's risk appetite and strategy. Beside that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Market risk limits, exposures as well as any limit breaches or exceptions are reported to GALCO, EMRC and GRMC. The risk measures are outlined below:

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

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

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

5.0 Market Risk (cont'd.)

5.2 Traded Market Risk (cont'd.)

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

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

Hedging Policies and Strategies

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

Market risk capital charge

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

Regulatory capital requirements

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

	GROUP/BANK	
2022	**Risk-Weighted Assets RM'000**	**Capital Requirements RM'000**
Interest rate risk		
- General interest rate risk	-	-
- Specific interest rate risk	-	-
	-	-
Foreign exchange risk	180	14
Option risk	-	-
	180	14
2021		
Interest rate risk		
- General interest rate risk	-	-
- Specific interest rate risk	-	-
	-	-
Foreign exchange risk	174	14
Option risk	-	-
	174	14

5.0 Market Risk

5.3 Non-Traded Market Risk

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

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

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

Risk Governance

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of these parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the 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:

(a) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting;

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

(c) Practising comprehensive IRR/RORBB reporting and review process, with aggregated information and supporting details to facilitate the assessment of the Group's sensitivity to changes in market conditions; and

(d) 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:

(a) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective, i.e. impact of interest rate/profit rate changes to earnings in the short term;

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

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

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

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

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

5.0 Market Risk (cont'd.)

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

5.3.1 Interest Rate Risk in 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 the Board. The risk dashboards provide a visual gauge ("dashboard view") on the IRR/RORBB of the Group.

The Group is guided by BNM's Capital Adequacy Framework 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	USD	SGD	Other Foreign Currencies ("FCY")	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP/BANK					
2022					
Impact on NII					
Parallel 200 bps up	(3,565)	4	-	3	(3,558)
Parallel 200 bps down	3,565	(4)	-	(3)	3,558
Impact on EV					
Parallel 200 bps up	(49,192)	-	-	-	(49,192)
Parallel 200 bps down	49,192	-	-	-	49,192
Steepener	(12,058)	-	-	-	(12,058)
Flattener	7,073	-	-	-	7,073
Short Rate Up	(28,015)	-	-	-	(28,015)
Short Rate Down	28,015	-	-	-	28,015

	MYR	USD	SGD	Other FCY	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
GROUP/BANK					
2021					
Impact on NII					
Parallel 200 bps up	(9,525)	23	-	2	(9,500)
Parallel 200 bps down	9,525	(23)	-	(2)	9,500
Impact on 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, GALCO seeks to proactively change the profit attributable to interest rate risk to minimise losses and maximise revenue.

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

5.0 Market Risk (cont'd.)

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

5.3.2 Liquidity Risk

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

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

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

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

5.4 Equity Exposures in Banking Book

The Group and the Bank hold equity positions in the banking book as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted 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:

	2022		**2021**	
GROUP/ BANK	**Gross credit exposures**	**Risk-weighted assets**	**Gross credit exposures**	**Risk-weighted assets**
	RM'000	RM'000	RM'000	RM'000
Privately held				
For socio-economic purposes	74,353	74,353	70,194	70,194

Gains and Losses on Equity Exposures in The Banking Book

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

GROUP/ BANK	**2022**	**2021**
	RM'000	RM'000
Unrealised gains recognised in revaluation reserve		
- Privately held equity investments	4,159	5,802

6.0 Operational Risk

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

Operational Risk Management

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

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

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

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

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

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

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

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

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

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

6.0 Operational Risk (cont'd.)

Operational Risk Management

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

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

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

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

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

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

The Group adopts the Basic Indicator Approach for computation of operational RWA.

7.0 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	
	2022	**2021**
With and without transitional arrangements		
Before deducting proposed dividends		
CET I capital ratio	819.012%	776.781%
Tier I capital ratio	819.012%	776.781%
Total capital ratio	819.012%	776.781%
After deducting proposed dividends		
CET I capital ratio	819.012%	767.231%
Tier I capital ratio	819.012%	767.231%
Total capital ratio	819.012%	767.231%

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

	GROUP/ BANK	
	2022	**2021**
	RM'000	**RM'000**
CET I Capital		
Funds allocated from Head Office	56,000	56,000
Retained profits	19,524	18,418
FVOCI reserves	(1,577)	(114)
Regulatory reserves (Note 1)	-	-
	73,947	74,304
Less: Regulatory adjustments		
- 55% of FVOCI reserves	-	-
- Deferred tax assets	(498)	(36)
- Regulatory reserves (Note 1)	-	-
- Additional Tier 1 Sukuk Wakalah	-	-
Total CET I Capital/Total Tier I Capital	73,449	74,268
Tier II Capital		
Expected credit losses and regulatory reserves (Note 1 & Note 2)	-	-
Total Capital Base	73,449	74,268

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

Note 2: ECL for S1 and S2 only.

7.0 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 **2022** **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	61,509	61,509	-	-
	Banks, DFIs and Multilateral Development Banks	8,438	8,438	1,688	135
	Corporates	9,680	9,680	-	-
	Other assets	58	58	58	5
	Total on-balance sheet exposures	79,685	79,685	1,746	140
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	-	-	-	-
	Total off-balance sheet exposures	-	-	-	-
	Total on and off-balance sheet exposures	79,685	79,685	1,746	140
(ii)	Operational Risk	-	-	7,222	578
	Total RWA and capital requirements	79,685	79,685	8,968	718

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

(c) Shariah Non-Compliant Income and Events

During the financial year end, there were no Shariah non-compliance events detected from the ongoing reviews of the Bank's operational processes.