



ALLIANCE BANK

# PILLAR 3 REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021





**ALLIANCE BANK**

**Alliance Bank Malaysia Berhad** 198201008390 (88103-W)

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# BASEL II PILLAR 3 REPORT DISCLOSURE

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### OVERVIEW

Bank Negara Malaysia's ("BNM") guidelines on capital adequacy require Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy 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. This policy outlines the minimum disclosure standards, approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process.

## 1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure was prepared on a consolidated basis comprises information on Alliance Bank Malaysia Berhad (“the Bank”), its subsidiaries, associate companies and joint venture. The Group offers Conventional and Islamic banking services. The latter includes accepting deposits and providing financing under Shariah principles via the Bank’s wholly-owned subsidiary, Alliance Islamic Bank Berhad.

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

In managing its capital, the Group’s objectives are:

- (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.

# BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 2.0 CAPITAL (CONTD)

#### 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 (“CET I”) capital from Financial Year 2021 to Financial Year 2024.

(a) 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				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	<b>16.463%</b>	-	<b>15.654%</b>	-
Tier I capital ratio	<b>17.418%</b>	-	<b>16.566%</b>	-
Total capital ratio	<b>21.816%</b>	-	<b>21.549%</b>	-
<u>After deducting proposed dividends</u>				
CET I capital ratio	<b>16.218%</b>	-	<b>15.327%</b>	-
Tier I capital ratio	<b>17.173%</b>	-	<b>16.238%</b>	-
Total capital ratio	<b>21.571%</b>	-	<b>21.222%</b>	-
(ii) Without transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	<b>15.232%</b>	13.826%	<b>14.646%</b>	12.899%
Tier I capital ratio	<b>16.187%</b>	14.593%	<b>15.557%</b>	13.771%
Total capital ratio	<b>20.588%</b>	18.902%	<b>20.582%</b>	18.634%
<u>After deducting proposed dividends</u>				
CET I capital ratio	<b>14.987%</b>	13.826%	<b>14.318%</b>	12.899%
Tier I capital ratio	<b>15.942%</b>	14.593%	<b>15.230%</b>	13.771%
Total capital ratio	<b>20.343%</b>	18.902%	<b>20.255%</b>	18.634%

**2.0 CAPITAL (CONTD)**

**2.1 Capital Adequacy Ratios (cont'd)**

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

	ALLIANCE ISLAMIC BANK BERHAD		ALLIANCE INVESTMENT BANK BERHAD	
	2021	2020	2021	2020
(i) With transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	<b>15.035%</b>	-	<b>72.580%</b>	-
Tier I capital ratio	<b>16.158%</b>	-	<b>72.580%</b>	-
Total capital ratio	<b>18.783%</b>	-	<b>73.506%</b>	-
<u>After deducting proposed dividends</u>				
CET I capital ratio	<b>15.035%</b>	-	<b>69.000%</b>	-
Tier I capital ratio	<b>16.158%</b>	-	<b>69.000%</b>	-
Total capital ratio	<b>18.783%</b>	-	<b>69.926%</b>	-
(ii) Without transitional arrangements				
<u>Before deducting proposed dividends</u>				
CET I capital ratio	<b>13.065%</b>	10.507%	<b>72.550%</b>	98.737%
Tier I capital ratio	<b>14.188%</b>	11.617%	<b>72.550%</b>	98.737%
Total capital ratio	<b>16.813%</b>	14.233%	<b>73.476%</b>	99.682%
<u>After deducting proposed dividends</u>				
CET I capital ratio	<b>13.065%</b>	10.507%	<b>68.970%</b>	97.246%
Tier I capital ratio	<b>14.188%</b>	11.617%	<b>68.970%</b>	97.246%
Total capital ratio	<b>16.813%</b>	14.233%	<b>69.896%</b>	98.190%

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

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 2.0 CAPITAL (CONTD)

#### 2.2 Capital Structure

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>CET I Capital/Tier 1 Capital</b>				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	4,471,771	3,974,847	3,985,966	3,346,890
Regulatory reserves (Note 2)	86,440	224,579	80,006	182,292
Financial investments at fair value through other comprehensive income ("FVOCI") reserves	50,993	140,966	(5,082)	79,612
Capital reserves	100,150	100,150	15,515	15,515
	<b>6,257,460</b>	5,988,648	<b>5,624,511</b>	5,172,415
(Less)/add: Regulatory adjustments				
- Goodwill and other intangibles	(431,259)	(437,086)	(329,004)	(332,680)
- Deferred tax assets	(130,100)	(28,125)	(95,200)	(14,074)
- 55% of FVOCI reserves	(28,046)	(77,531)	-	(43,787)
- Regulatory reserves (Note 2)	(86,440)	(224,579)	(80,006)	(182,292)
- Investment in subsidiaries, associate and joint venture	(994)	(903)	(1,109,102)	(909,102)
- Transitional arrangements	451,004	-	276,161	-
Total CET I capital	<b>6,031,625</b>	5,220,424	<b>4,287,360</b>	3,690,480
Additional Tier 1 Capital Securities	349,899	289,844	249,732	249,584
Total Additional Tier 1 Capital	<b>349,899</b>	289,844	<b>249,732</b>	249,584
Total Tier I Capital	<b>6,381,524</b>	5,510,268	<b>4,537,092</b>	3,940,064
<b>Tier II Capital</b>				
Subordinated obligations	1,199,077	1,199,829	1,198,554	1,199,719
Expected credit losses and regulatory reserves (Note 1 & Note 2)	412,255	427,020	296,396	321,754
Less: Regulatory adjustments				
- Investment in Tier II capital instruments	-	-	(130,000)	(130,000)
Total Tier II Capital	<b>1,611,332</b>	1,626,849	<b>1,364,950</b>	1,391,473
<b>Total Capital</b>	<b>7,992,856</b>	7,137,117	<b>5,902,042</b>	5,331,537

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.

2.0 CAPITAL (CONTD)

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	10,122,388	10,122,388	-	-
Public sector entities	817,768	817,768	57,876	4,630
Banks, Development Financial Institutions (“DFIs”) and Multilateral Development Banks	631,456	631,456	141,563	11,325
Insurance companies, securities firms and fund managers	6,284	6,284	6,077	486
Corporates	19,977,037	18,656,375	14,581,901	1,166,552
Regulatory retail	10,635,671	9,690,282	7,352,897	588,232
Residential mortgages	16,603,585	16,594,047	6,581,212	526,497
Higher risk assets	5,998	5,994	8,990	719
Other assets	1,013,569	1,013,569	692,930	55,434
Defaulted exposures	756,160	754,327	757,615	60,609
Total on-balance sheet exposures	60,569,916	58,292,490	30,181,061	2,414,484
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,638,735	3,084,997	2,680,348	214,428
Derivative financial instruments	495,459	495,459	201,071	16,086
Defaulted exposures	2,130	2,125	3,112	249
Total off-balance sheet exposures	4,136,324	3,582,581	2,884,531	230,763
Total on and off-balance sheet exposures	64,706,240	61,875,071	33,065,592	2,645,247
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	17,983,281	(17,935,086)	252,425	20,194
Foreign exchange risk	69,779	(42,917)	69,927	5,594
	18,053,060	(17,978,003)		
Option risk			300	24
Total			322,652	25,812
(iii) Operational Risk			3,249,393	259,951
Total	64,706,240	61,875,071	36,637,637	2,931,010



# BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

## 2.0 CAPITAL (CONTD)

### 2.3 Risk-Weighted Assets ("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)

<b>BANK 2021 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,241,310	7,241,310	-	-
Public sector entities	312,291	312,291	19,746	1,580
Banks, DFIs and Multilateral Development Banks	940,828	940,828	271,999	21,760
Insurance companies, securities firms and fund managers	2,535	2,535	2,328	186
Corporates	14,817,564	13,676,450	10,931,204	874,496
Regulatory retail	8,092,353	7,290,730	5,389,239	431,139
Residential mortgages	11,916,912	11,907,641	4,525,487	362,039
Higher risk assets	5,100	5,096	7,644	612
Other assets	942,752	942,752	622,113	49,769
Defaulted exposures	539,010	537,709	561,963	44,957
<b>Total on-balance sheet exposures</b>	<b>44,810,655</b>	<b>42,857,342</b>	<b>22,331,723</b>	<b>1,786,538</b>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	2,880,297	2,411,176	2,076,379	166,110
Derivative financial instruments	495,459	495,459	201,071	16,086
Defaulted exposures	1,585	1,580	2,307	185
<b>Total off-balance sheet exposures</b>	<b>3,377,341</b>	<b>2,908,215</b>	<b>2,279,757</b>	<b>182,381</b>
<b>Total on and off-balance sheet exposures</b>	<b>48,187,996</b>	<b>45,765,557</b>	<b>24,611,480</b>	<b>1,968,919</b>
(ii) <u>Market Risk (Note 4.0)</u>				
Interest rate risk	17,983,281	(17,935,086)	252,425	20,194
Foreign exchange risk	69,613	(42,771)	69,606	5,568
Option risk	18,052,894	(17,977,857)	300	24
<b>Total</b>			<b>322,331</b>	<b>25,786</b>
(iii) <u>Operational Risk</u>				
Operational Risk	-	-	2,454,737	196,379
<b>Total</b>	<b>48,187,996</b>	<b>45,765,557</b>	<b>27,388,548</b>	<b>2,191,084</b>

## 2.0 CAPITAL (CONTD)

### 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: (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	9,409,103	9,409,103	-	-
Public sector entities Banks, DFIs and Multilateral Development Banks	691,368	691,368	138,273	11,062
Insurance companies, securities firms and fund managers	620,046	620,046	128,440	10,275
Corporates	14,870	14,870	14,870	1,190
Regulatory retail	20,583,524	19,156,000	15,246,603	1,219,728
Residential mortgages	9,933,347	9,324,614	7,398,375	591,870
Higher risk assets	16,789,019	16,779,130	6,520,758	521,661
Other assets	5,672	5,668	8,501	680
Defaulted exposures	1,291,944	1,291,944	758,493	60,679
	579,637	578,198	557,724	44,618
<b>Total on-balance sheet exposures</b>	<b>59,918,530</b>	<b>57,870,941</b>	<b>30,772,037</b>	<b>2,461,763</b>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,918,895	3,405,404	2,999,358	239,949
Derivative financial instruments	829,742	829,742	389,154	31,132
Defaulted exposures	747	742	1,098	88
<b>Total off-balance sheet exposures</b>	<b>4,749,384</b>	<b>4,235,888</b>	<b>3,389,610</b>	<b>271,169</b>
<b>Total on and off-balance sheet exposures</b>	<b>64,667,914</b>	<b>62,106,829</b>	<b>34,161,647</b>	<b>2,732,932</b>
(ii) Market Risk (Note 4.0)				
Interest rate risk			374,470	29,958
Foreign exchange risk			97,125	7,770
Option risk			713	57
<b>Total</b>			<b>472,308</b>	<b>37,785</b>
(iii) Operational Risk				
	-	-	3,125,054	250,004
<b>Total</b>	<b>64,667,914</b>	<b>62,106,829</b>	<b>37,759,009</b>	<b>3,020,721</b>

Long Position	Short Position
24,637,343	(24,078,252)
17,508	(97,129)
24,654,851	(24,175,381)

# BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 2.0 CAPITAL (CONTD)

#### 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: (cont'd)

<b>BANK 2020 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,896,805	6,896,805	-	-
Public sector entities	239,371	239,371	47,874	3,830
Banks, DFIs and Multilateral Development Banks	1,182,409	1,182,409	390,093	31,207
Insurance companies, securities firms and fund managers	8,008	8,008	8,008	641
Corporates	15,113,912	13,985,139	11,499,187	919,935
Regulatory retail	7,424,239	6,892,810	5,366,560	429,325
Residential mortgages	12,180,706	12,171,122	4,560,056	364,804
Higher risk assets	5,451	5,446	8,170	654
Other assets	1,223,138	1,223,138	689,686	55,175
Defaulted exposures	421,576	421,119	416,251	33,300
<b>Total on-balance sheet exposures</b>	<b>44,695,615</b>	<b>43,025,367</b>	<b>22,985,885</b>	<b>1,838,871</b>
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,055,715	2,639,204	2,364,494	189,160
Derivative financial instruments	829,742	829,742	389,154	31,132
Defaulted exposures	545	540	800	64
<b>Total off-balance sheet exposures</b>	<b>3,886,002</b>	<b>3,469,486</b>	<b>2,754,448</b>	<b>220,356</b>
<b>Total on and off-balance sheet exposures</b>	<b>48,581,617</b>	<b>46,494,853</b>	<b>25,740,333</b>	<b>2,059,227</b>
(ii) Market Risk (Note 4.0)				
	<b>Long Position</b>	<b>Short Position</b>		
Interest rate risk	24,637,343	(24,078,252)	374,470	29,958
Foreign exchange risk	17,486	(97,129)	97,125	7,770
	24,654,829	(24,175,381)		
Option risk			713	57
<b>Total</b>			<b>472,308</b>	<b>37,785</b>
(iii) Operational Risk			2,398,815	191,905
<b>Total</b>	<b>48,581,617</b>	<b>46,494,853</b>	<b>28,611,456</b>	<b>2,288,917</b>

##### Note:

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

The Group and the Bank do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

### 3.0 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. 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 effect of individual risk factors.

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

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

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

Provisions for expected credit losses are carried out based on the MFRS9 approach, loans with defined risk characteristics are transferred to Stage 2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 under MFRS9. Loans that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on probability of default over the next 12 months.

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

# BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 3.0 CREDIT RISK (CONT'D)

#### 3.1 Distribution of Credit Exposures

##### (a) Geographical Distribution

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

GROUP 2021	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	2,748,208	-	-	-	19,417	2,767,625
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	41,481
Amounts due from clients and brokers	22,108	75,700	7,233	-	-	-	105,041
Financial assets at fair value through profit or loss (exclude equity securities)	-	13,246	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	10,424,654	-	-	-	-	10,424,654
Financial investments at amortised cost	-	2,270,927	-	-	-	-	2,270,927
Derivative financial assets	-	153,735	-	-	-	-	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	3,148,817	31,028,629	5,418,154	3,164,458	1,109,880	-	43,869,938
Statutory deposits with Bank Negara Malaysia	-	88,012	-	-	-	-	88,012
<b>Total on-balance sheet</b>	<b>3,170,925</b>	<b>46,844,592</b>	<b>5,425,387</b>	<b>3,164,458</b>	<b>1,109,880</b>	<b>19,417</b>	<b>59,734,659</b>
Contingent liabilities	75,834	1,111,791	85,226	72,275	42,403	-	1,387,529
Commitments	1,325,928	7,901,302	1,291,634	868,272	445,902	-	11,833,038
<b>Total off-balance sheet</b>	<b>1,401,762</b>	<b>9,013,093</b>	<b>1,376,860</b>	<b>940,547</b>	<b>488,305</b>	<b>-</b>	<b>13,220,567</b>
<b>Total credit exposure</b>	<b>4,572,687</b>	<b>55,857,685</b>	<b>6,802,247</b>	<b>4,105,005</b>	<b>1,598,185</b>	<b>19,417</b>	<b>72,955,226</b>

### 3.0 CREDIT RISK (CONT'D)

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

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

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

BANK 2021	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	1,439,207	-	-	-	19,417	1,458,624
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	41,481
Financial assets at fair value through profit or loss (exclude equity securities)	-	13,246	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	7,303,851	-	-	-	-	7,303,851
Financial investments at amortised cost	-	2,295,132	-	-	-	-	2,295,132
Derivative financial assets	-	153,735	-	-	-	-	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	2,148,651	23,615,076	4,139,629	2,088,939	762,754	-	32,755,049
Statutory deposits with Bank Negara Malaysia	-	69,574	-	-	-	-	69,574
<b>Total on-balance sheet</b>	<b>2,148,651</b>	<b>34,931,302</b>	<b>4,139,629</b>	<b>2,088,939</b>	<b>762,754</b>	<b>19,417</b>	<b>44,090,692</b>
Contingent liabilities	58,264	892,153	66,099	66,664	39,315	-	1,122,495
Commitments	844,580	6,578,858	937,232	667,441	339,446	-	9,367,557
<b>Total off-balance sheet</b>	<b>902,844</b>	<b>7,471,011</b>	<b>1,003,331</b>	<b>734,105</b>	<b>378,761</b>	<b>-</b>	<b>10,490,052</b>
<b>Total credit exposure</b>	<b>3,051,495</b>	<b>42,402,313</b>	<b>5,142,960</b>	<b>2,823,044</b>	<b>1,141,515</b>	<b>19,417</b>	<b>54,580,744</b>

# BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 3.0 CREDIT RISK (CONT'D)

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

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

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

GROUP 2020	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	2,579,019	-	-	-	6,743	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-
Amounts due from clients and brokers	10,906	36,558	3,701	-	-	-	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	-	447,954	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	11,544,502	-	-	-	-	11,544,502
Financial investments at amortised cost	-	121,607	-	-	-	-	121,607
Derivative financial assets	-	436,910	-	-	-	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	3,161,881	30,874,283	5,351,408	2,929,864	1,057,482	-	43,374,918
Statutory deposits with Bank Negara Malaysia	-	949,049	-	-	-	-	949,049
<b>Total on-balance sheet</b>	<b>3,172,787</b>	<b>46,989,882</b>	<b>5,355,109</b>	<b>2,929,864</b>	<b>1,057,482</b>	<b>6,743</b>	<b>59,511,867</b>
Contingent liabilities	101,232	1,239,731	82,469	101,020	42,473	-	1,566,925
Commitments	1,294,000	8,090,803	1,363,831	710,777	461,572	-	11,920,983
<b>Total off-balance sheet</b>	<b>1,395,232</b>	<b>9,330,534</b>	<b>1,446,300</b>	<b>811,797</b>	<b>504,045</b>	<b>-</b>	<b>13,487,908</b>
<b>Total credit exposure</b>	<b>4,568,019</b>	<b>56,320,416</b>	<b>6,801,409</b>	<b>3,741,661</b>	<b>1,561,527</b>	<b>6,743</b>	<b>72,999,775</b>

### 3.0 CREDIT RISK (CONT'D)

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

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

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

BANK 2020	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds (exclude cash in hand)	-	1,948,332	-	-	-	6,743	1,955,075
Financial assets at fair value through profit or loss (exclude equity securities)	-	447,954	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	-	8,426,773	-	-	-	-	8,426,773
Financial investments at amortised cost	-	170,777	-	-	-	-	170,777
Derivative financial assets	-	436,910	-	-	-	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	2,184,597	23,300,250	4,070,243	2,043,579	737,733	-	32,336,402
Statutory deposits with Bank Negara Malaysia	-	700,355	-	-	-	-	700,355
<b>Total on-balance sheet</b>	2,184,597	35,431,351	4,070,243	2,043,579	737,733	6,743	44,474,246
Contingent liabilities	87,233	1,010,729	59,916	95,172	40,286	-	1,293,336
Commitments	816,450	6,675,442	982,760	548,676	344,169	-	9,367,497
<b>Total off-balance sheet</b>	903,683	7,686,171	1,042,676	643,848	384,455	-	10,660,833
<b>Total credit exposure</b>	3,088,280	43,117,522	5,112,919	2,687,427	1,122,188	6,743	55,135,079



# BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

## 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:

GROUP 2021	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		Household RM'000		Others RM'000		Total RM'000	
Cash and short-term funds (exclude cash in hand)	2,405,723	361,902	-	-	-	-	-	-	-	-	-	-	-	2,767,625
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	-	-	-	-	-	-	-	41,481
Amounts due from clients and brokers	-	-	-	-	-	-	-	-	-	-	-	105,041	-	105,041
Financial assets at fair value through profit or loss (exclude equity securities)	13,246	-	-	-	-	-	-	-	-	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,659,989	2,664,134	2,702,953	443,069	954,509	-	-	-	-	-	-	-	-	10,424,654
Financial investments at amortised cost	472,725	100,980	1,316,187	-	360,507	-	-	-	-	-	-	20,528	-	2,270,927
Derivative financial assets	-	93,388	-	-	-	-	-	-	-	-	-	60,347	-	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,747,204	710,901	13,501,216	1,386,066	23,151,801	372,750	43,869,938	-	-	-	-	-	88,012
Statutory deposits with Bank Negara Malaysia	88,012	-	-	-	-	-	-	-	-	-	-	-	-	88,012
<b>Total on-balance sheet</b>	<b>6,639,695</b>	<b>8,009,089</b>	<b>4,730,041</b>	<b>13,944,285</b>	<b>2,701,082</b>	<b>23,151,801</b>	<b>558,666</b>	<b>59,734,659</b>	<b>2,767,625</b>	<b>41,481</b>	<b>105,041</b>	<b>13,246</b>	<b>10,424,654</b>	<b>2,270,927</b>
Contingent liabilities	-	299,037	18,065	636,861	413,716	5,050	14,800	1,387,529	-	-	-	-	-	1,387,529
Commitments	20,800	1,227,680	124,164	5,226,376	1,234,511	3,896,995	102,512	11,833,038	-	-	-	-	-	11,833,038
<b>Total off-balance sheet</b>	<b>20,800</b>	<b>1,526,717</b>	<b>142,229</b>	<b>5,863,237</b>	<b>1,648,227</b>	<b>3,902,045</b>	<b>117,312</b>	<b>13,220,567</b>	<b>1,387,529</b>	<b>102,512</b>	<b>105,041</b>	<b>13,246</b>	<b>10,424,654</b>	<b>2,270,927</b>
<b>Total credit risk</b>	<b>6,660,495</b>	<b>9,535,806</b>	<b>4,872,270</b>	<b>19,807,522</b>	<b>4,349,309</b>	<b>27,053,846</b>	<b>675,978</b>	<b>72,955,226</b>	<b>2,767,625</b>	<b>41,481</b>	<b>105,041</b>	<b>13,246</b>	<b>10,424,654</b>	<b>2,270,927</b>

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

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

BANK 2021	Government & Central Bank		Financial, Insurance, Business Services & Real Estate		Transport, Storage & Communication		Agriculture, Manufacturing, Wholesale & Retail Trade		Household		Others		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	1,032,600	426,024	-	-	-	-	-	-	-	-	-	-	1,458,624
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	-	-	-	-	-	-	-	41,481
Financial assets at fair value through profit or loss (exclude equity securities)	13,246	-	-	-	-	-	-	-	-	-	-	-	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	3,093,593	1,777,177	1,635,555	341,073	456,453	-	-	-	-	-	-	-	7,303,851
Financial investments at amortised cost	451,894	337,653	1,155,336	-	329,721	-	-	-	-	-	-	-	2,295,132
Derivative financial assets	-	93,388	-	-	-	-	-	-	-	-	-	-	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,642,129	567,932	10,336,568	1,086,610	16,829,961	291,849	32,755,049	-	-	-	-	69,574
Statutory deposits with Bank Negara Malaysia	69,574	-	-	-	-	-	-	-	-	-	-	-	69,574
<b>Total on-balance sheet</b>	<b>4,660,907</b>	<b>6,317,852</b>	<b>3,358,823</b>	<b>10,677,641</b>	<b>1,872,784</b>	<b>16,829,961</b>	<b>372,724</b>	<b>44,090,692</b>	<b>372,724</b>	<b>16,829,961</b>	<b>372,724</b>	<b>14,638</b>	<b>1,122,495</b>
Contingent liabilities	-	188,209	12,493	538,298	363,829	5,028	89,281	9,367,557	-	-	-	-	-
Commitments	20,800	988,361	90,750	3,765,371	1,085,428	3,327,566	103,919	10,490,052	-	-	-	-	-
<b>Total off-balance sheet</b>	<b>20,800</b>	<b>1,176,570</b>	<b>103,243</b>	<b>4,303,669</b>	<b>1,449,257</b>	<b>3,332,594</b>	<b>103,919</b>	<b>10,490,052</b>	<b>103,919</b>	<b>3,332,594</b>	<b>103,919</b>	<b>10,490,052</b>	<b>10,490,052</b>
<b>Total credit risk</b>	<b>4,681,707</b>	<b>7,494,422</b>	<b>3,462,066</b>	<b>14,981,310</b>	<b>3,322,041</b>	<b>20,162,555</b>	<b>476,643</b>	<b>54,580,744</b>	<b>476,643</b>	<b>20,162,555</b>	<b>476,643</b>	<b>10,490,052</b>	<b>54,580,744</b>

# BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

## 3.0 CREDIT RISK (CONT'D)

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

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

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

GROUP 2020	Government & Central Bank		Financial, Insurance, Business Services & Real Estate		Transport, Storage & Communication		Agriculture, Manufacturing, Wholesale & Retail Trade		Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
Cash and short-term funds (exclude cash in hand)	2,152,462	433,300	-	-	-	-	-	-	-	-	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-	-
Amounts due from clients and brokers	-	-	-	-	-	-	-	-	-	51,165	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	-	-	-	-	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	6,307,593	3,122,011	1,567,617	313,311	233,970	-	-	-	-	-	11,544,502
Financial investments at amortised cost	-	101,076	-	-	-	-	-	-	-	20,531	121,607
Derivative financial assets	33,426	199,579	-	-	-	-	-	-	-	203,905	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,517,619	729,312	13,224,820	1,412,148	23,097,057	393,962	-	-	-	43,374,918
Statutory deposits with Bank Negara Malaysia	949,049	-	-	-	-	-	-	-	-	-	949,049
<b>Total on-balance sheet</b>	<b>9,880,460</b>	<b>8,383,609</b>	<b>2,296,929</b>	<b>13,538,131</b>	<b>1,646,118</b>	<b>23,097,057</b>	<b>669,563</b>	<b>-</b>	<b>669,563</b>	<b>59,511,867</b>	
Contingent liabilities	-	307,344	47,493	681,207	508,518	5,921	16,442	-	-	-	1,566,925
Commitments	-	1,067,092	111,798	5,121,523	1,167,882	4,336,335	116,353	-	-	-	11,920,983
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,374,436</b>	<b>159,291</b>	<b>5,802,730</b>	<b>1,676,400</b>	<b>4,342,256</b>	<b>132,795</b>	<b>-</b>	<b>132,795</b>	<b>13,487,908</b>	
<b>Total credit risk</b>	<b>9,880,460</b>	<b>9,758,045</b>	<b>2,456,220</b>	<b>19,340,861</b>	<b>3,322,518</b>	<b>27,439,313</b>	<b>802,358</b>	<b>-</b>	<b>802,358</b>	<b>72,999,775</b>	

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

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

BANK 2020	Government & Central Bank		Financial, Insurance, Business Services & Real Estate		Transport, Storage & Communication		Agriculture, Manufacturing, Wholesale & Retail Trade		Household		Others		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	1,437,791	517,284	-	-	-	-	-	-	-	-	-	-	1,955,075
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss (exclude equity securities)	437,930	10,024	-	-	-	-	-	-	-	-	-	-	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	4,758,660	2,360,920	998,180	200,474	108,539	-	-	-	-	-	-	-	8,426,773
Financial investments at amortised cost	-	150,246	-	-	-	-	-	-	-	-	20,531	-	170,777
Derivative financial assets	33,426	199,579	-	-	-	-	-	-	-	-	203,905	-	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	-	3,505,767	555,358	10,098,255	1,094,274	16,810,288	272,460	-	-	-	-	-	32,336,402
Statutory deposits with Bank Negara Malaysia	700,355	-	-	-	-	-	-	-	-	-	-	-	700,355
<b>Total on-balance sheet</b>	<b>7,368,162</b>	<b>6,743,820</b>	<b>1,553,538</b>	<b>10,298,729</b>	<b>1,202,813</b>	<b>16,810,288</b>	<b>496,896</b>	<b>44,474,246</b>	<b>16,810,288</b>	<b>496,896</b>	<b>496,896</b>	<b>16,168</b>	<b>1,293,336</b>
Contingent liabilities	-	185,596	42,241	593,365	450,067	5,899	16,168	-	-	-	-	-	1,293,336
Commitments	-	803,707	99,603	3,834,387	1,046,245	3,479,637	103,918	-	-	-	-	-	9,367,497
<b>Total off-balance sheet</b>	<b>-</b>	<b>989,303</b>	<b>141,844</b>	<b>4,427,752</b>	<b>1,496,312</b>	<b>3,485,536</b>	<b>120,086</b>	<b>10,660,833</b>	<b>3,485,536</b>	<b>120,086</b>	<b>120,086</b>	<b>120,086</b>	<b>10,660,833</b>
<b>Total credit risk</b>	<b>7,368,162</b>	<b>7,733,123</b>	<b>1,695,382</b>	<b>14,726,481</b>	<b>2,699,125</b>	<b>20,295,824</b>	<b>616,982</b>	<b>55,135,079</b>	<b>20,295,824</b>	<b>616,982</b>	<b>616,982</b>	<b>616,982</b>	<b>55,135,079</b>

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 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 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year Year RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,767,625	-	-	-	-	2,767,625
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	41,481
Amounts due from clients and brokers	105,041	-	-	-	-	105,041
Financial assets at fair value through profit or loss (exclude equity securities)	-	-	-	-	13,246	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	407,653	61,106	131,811	446,123	9,377,961	10,424,654
Financial investments at amortised cost	10,262	-	-	16	2,260,649	2,270,927
Derivative financial assets	8,980	17,888	31,658	15,334	79,875	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	7,793,227	2,054,074	910,181	333,529	32,778,927	43,869,938
Statutory deposits with Bank Negara Malaysia	-	-	-	-	88,012	88,012
<b>Total on-balance sheet exposure</b>	<b>11,092,788</b>	<b>2,174,549</b>	<b>1,073,650</b>	<b>795,002</b>	<b>44,598,670</b>	<b>59,734,659</b>

### 3.0 CREDIT RISK (CONT'D)

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

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

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

<b>BANK 2021</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year Year RM'000</b>	<b>Total RM'000</b>
Cash and short-term funds (exclude cash in hand)	1,458,624	-	-	-	-	1,458,624
Deposits and placements with banks and other financial institutions	-	41,481	-	-	-	41,481
Financial assets at fair value through profit or loss (exclude equity securities)	-	-	-	-	13,246	13,246
Financial investments at fair value through other comprehensive income (exclude equity securities)	321,000	56,006	131,811	236,523	6,558,511	7,303,851
Financial investments at amortised cost	10,261	-	-	-	2,284,871	2,295,132
Derivative financial assets	8,980	17,888	31,658	15,334	79,875	153,735
Loans, advances and financing (exclude sales commissions and handling fees)	5,400,749	1,498,762	670,636	309,106	24,875,796	32,755,049
Statutory deposits with Bank Negara Malaysia	-	-	-	-	69,574	69,574
<b>Total on-balance sheet exposure</b>	<b>7,199,614</b>	<b>1,614,137</b>	<b>834,105</b>	<b>560,963</b>	<b>33,881,873</b>	<b>44,090,692</b>

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 3.0 CREDIT RISK (CONT'D)

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

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

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

<b>GROUP 2020</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year Year RM'000</b>	<b>Total RM'000</b>
Cash and short-term funds (exclude cash in hand)	2,585,762	-	-	-	-	2,585,762
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Amounts due from clients and brokers	51,165	-	-	-	-	51,165
Financial assets at fair value through profit or loss (exclude equity securities)	-	-	-	2	447,952	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	172,324	532,002	317,104	464,092	10,058,980	11,544,502
Financial investments at amortised cost	-	-	-	16	121,591	121,607
Derivative financial assets	76,325	53,116	60,838	103,827	142,804	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	8,600,960	2,197,009	781,874	230,668	31,564,407	43,374,918
Statutory deposits with Bank Negara Malaysia	-	-	-	-	949,049	949,049
<b>Total on-balance sheet exposure</b>	<b>11,486,536</b>	<b>2,782,127</b>	<b>1,159,816</b>	<b>798,605</b>	<b>43,284,783</b>	<b>59,511,867</b>

### 3.0 CREDIT RISK (CONT'D)

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

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

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

<b>BANK 2020</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year Year RM'000</b>	<b>Total RM'000</b>
Cash and short-term funds (exclude cash in hand)	1,955,075	-	-	-	-	1,955,075
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Financial assets at fair value through profit or loss (exclude equity securities)	-	-	-	2	447,952	447,954
Financial investments at fair value through other comprehensive income (exclude equity securities)	131,528	399,860	221,729	230,243	7,443,413	8,426,773
Financial investments at amortised cost	-	-	-	-	170,777	170,777
Derivative financial assets	76,325	53,116	60,838	103,827	142,804	436,910
Loans, advances and financing (exclude sales commissions and handling fees)	5,967,999	1,559,464	621,672	178,300	24,008,967	32,336,402
Statutory deposits with Bank Negara Malaysia	-	-	-	-	700,355	700,355
<b>Total on-balance sheet exposure</b>	<b>8,130,927</b>	<b>2,012,440</b>	<b>904,239</b>	<b>512,372</b>	<b>32,914,268</b>	<b>44,474,246</b>



## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 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. Under MFRS9, 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 interval or longer, a default of payment will trigger an impairment.

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial, insurance & business services and real estate	<b>60,655</b>	158,176	<b>49,423</b>	129,408
Transport, storage & communication	<b>18,288</b>	37,851	<b>15,795</b>	33,643
Agriculture, manufacturing, wholesale & retail trade	<b>287,091</b>	1,345,067	<b>216,475</b>	1,075,631
Construction	<b>212,783</b>	335,890	<b>153,623</b>	245,883
Household	<b>1,015,998</b>	1,618,582	<b>667,359</b>	1,028,837
Others	<b>1,151</b>	38,168	<b>1,144</b>	13,783
	<b>1,595,966</b>	3,533,734	<b>1,103,819</b>	2,527,185

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

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Northern region	<b>100,942</b>	294,640	<b>61,820</b>	214,750
Central region	<b>1,226,567</b>	2,555,013	<b>869,734</b>	1,821,590
Southern region	<b>157,342</b>	430,123	<b>113,578</b>	303,884
Sabah region	<b>95,584</b>	192,336	<b>45,755</b>	133,145
Sarawak region	<b>15,531</b>	61,622	<b>12,932</b>	53,816
	<b>1,595,966</b>	3,533,734	<b>1,103,819</b>	2,527,185

### 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	2021 RM'000	2020 RM'000
Financial, insurance & business services and real estate	<b>74,203</b>	30,230	<b>73,017</b>	29,030
Transport, storage & communication	<b>4,683</b>	6,135	<b>4,179</b>	4,088
Agriculture, manufacturing, wholesale & retail trade	<b>154,405</b>	192,991	<b>129,087</b>	152,272
Construction	<b>32,416</b>	48,822	<b>19,705</b>	34,653
Household	<b>762,451</b>	588,904	<b>505,303</b>	414,043
Others	<b>4,278</b>	4,258	<b>4,277</b>	4,257
	<b>1,032,436</b>	871,340	<b>735,568</b>	638,343

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 3.0 CREDIT RISK (CONT'D)

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

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

GROUP	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
<b>2021</b>					
Financial, insurance & business services and real estate	10,297	17,723	7,865	(241)	(611)
Transport, storage & communication	3,254	3,362	3,383	224	(2,073)
Agriculture, manufacturing, wholesale & retail trade	50,344	116,695	76,543	19,531	(37,811)
Construction	2,938	68,329	26,132	1,628	(13,829)
Household	162,606	289,704	161,694	100,356	(75,521)
Others	1,586	2,963	1,788	182	(5)
	<b>231,025</b>	<b>498,776</b>	<b>277,405</b>	<b>121,680</b>	<b>(129,850)</b>
<b>BANK</b>					
<b>2021</b>					
Financial, insurance & business services and real estate	7,593	12,565	7,607	(191)	(611)
Transport, storage & communication	2,988	2,943	2,996	167	(365)
Agriculture, manufacturing, wholesale & retail trade	40,368	98,232	68,080	18,293	(34,007)
Construction	2,335	44,121	14,124	(1,037)	(10,708)
Household	99,531	155,721	103,095	56,817	(44,666)
Others	1,426	1,087	1,787	182	(5)
	<b>154,241</b>	<b>314,669</b>	<b>197,689</b>	<b>74,231</b>	<b>(90,362)</b>

**3.0 CREDIT RISK (CONT'D)**

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

*Allowance for expected credit losses on loans, advances and financing analysed by sectors: (cont'd)*

<b>GROUP</b>	<b>12 months ECL</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	<b>ECL</b>	<b>Stage 3</b>
<b>2020</b>	<b>(Stage 1)</b>	<b>Not-credit</b>	<b>Credit</b>	<b>charged/</b>	<b>write-off</b>
	<b>(RM'000)</b>	<b>impaired</b>	<b>impaired</b>	<b>(write-back)</b>	<b>for the year</b>
		<b>(Stage 2)</b>	<b>(Stage 3)</b>	<b>for the</b>	<b>for the year</b>
		<b>(RM'000)</b>	<b>(RM'000)</b>	<b>year (net)</b>	<b>(RM'000)</b>
				<b>(RM'000)</b>	
Financial, insurance & business services and real estate	5,962	16,634	9,235	3,959	(1,028)
Transport, storage & communication	1,824	3,837	5,033	2,190	(383)
Agriculture, manufacturing, wholesale & retail trade	30,706	88,028	94,844	36,270	(16,132)
Construction	2,854	16,624	38,242	13,543	(417)
Household	54,415	142,702	144,348	149,145	(101,018)
Others	792	1,462	1,726	(161)	(595)
	96,553	269,287	293,428	204,946	(119,573)
<b>BANK</b>					
<b>2020</b>					
Financial, insurance & business services and real estate	4,527	12,614	8,902	3,877	(1,023)
Transport, storage & communication	1,661	3,259	2,995	434	(363)
Agriculture, manufacturing, wholesale & retail trade	23,866	70,418	83,674	34,330	(13,738)
Construction	2,146	13,981	25,710	7,491	(290)
Household	30,921	76,442	95,364	88,358	(64,670)
Others	556	482	1,725	(161)	(595)
	63,677	177,196	218,370	134,329	(80,679)

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 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:

	GROUP		BANK	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Northern region	77,759	85,202	52,270	60,317
Central region	764,325	623,066	543,371	449,333
Southern region	142,789	118,968	107,890	94,908
Sabah region	37,812	32,649	24,456	24,474
Sarawak region	9,751	11,455	7,581	9,311
	<b>1,032,436</b>	871,340	<b>735,568</b>	638,343

Allowance for expected credit losses on financing and advances analysed by significant geographical areas:

GROUP 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	21,409	30,947
Central region	167,174	387,962	191,565
Southern region	24,970	47,568	39,611
Sabah region	13,147	27,450	6,670
Sarawak region	4,325	4,849	4,291
	<b>231,025</b>	<b>498,776</b>	<b>277,405</b>
<b>BANK 2021</b>			
Northern region	15,373	21,196	24,253
Central region	110,068	239,613	136,186
Southern region	16,727	30,883	28,883
Sabah region	8,674	19,104	4,490
Sarawak region	3,399	3,873	3,877
	<b>154,241</b>	<b>314,669</b>	<b>197,689</b>

**3.0 CREDIT RISK (CONT'D)**

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

Allowance for expected credit losses on financing and advances analysed by significant geographical areas:  
(cont'd)

<b>GROUP</b>	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL Not-credit Impaired (Stage 2) RM'000</b>	<b>Lifetime ECL Credit Impaired (Stage 3) RM'000</b>
<b>2020</b>			
Northern region	9,813	22,862	39,715
Central region	70,575	192,653	194,895
Southern region	9,782	30,035	47,533
Sabah region	4,081	18,414	5,815
Sarawak region	2,302	5,323	5,470
	96,553	269,287	293,428
<b>BANK</b>			
<b>2020</b>			
Northern region	5,833	15,713	28,643
Central region	46,695	127,073	142,883
Southern region	6,634	15,424	37,819
Sabah region	2,697	14,215	4,133
Sarawak region	1,818	4,771	4,892
	63,677	177,196	218,370

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 3.0 CREDIT RISK (CONT'D)

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

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

GROUP	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
At 1 April 2020	96,553	269,287	293,428	659,268
Transfer to Stage 1	153,279	(303,936)	(4,481)	(155,138)
Transfer to Stage 2	(101,032)	483,008	(76,882)	305,094
Transfer to Stage 3	(738)	(158,088)	233,223	74,397
New financial assets originated or purchased	77,896	178,021	15,316	271,233
Financial assets derecognised other than write-off	(64,721)	(189,434)	(35,550)	(289,705)
Changes due to change in credit risk	69,812	220,087	(9,933)	279,966
Other adjustments	(21)	(37)	(13)	(71)
	134,475	229,621	121,680	485,776
Unwinding of discount	-	-	(7,853)	(7,853)
Total charge to income statement	134,475	229,621	113,827	477,923
Write-off	(3)	(132)	(129,850)	(129,985)
At 31 March 2021	231,025	498,776	277,405	1,007,206
At 1 April 2019	72,679	212,519	217,465	502,663
Transfer to Stage 1	31,354	(165,725)	(4,458)	(138,829)
Transfer to Stage 2	(44,896)	286,244	(105,254)	136,094
Transfer to Stage 3	(98)	(135,779)	342,624	206,747
New financial assets originated or purchased	57,681	139,436	19,768	216,885
Financial assets derecognised other than write-off	(26,835)	(138,100)	(27,367)	(192,302)
Changes due to change in credit risk	6,655	71,828	(20,379)	58,104
Other adjustments	16	33	12	61
	23,877	57,937	204,946	286,760
Unwinding of discount	-	-	(9,410)	(9,410)
Total charge to income statement	23,877	57,937	195,536	277,350
Write-off	(3)	(1,169)	(119,573)	(120,745)
At 31 March 2020	96,553	269,287	293,428	659,268

Note:

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

### 3.0 CREDIT RISK (CONT'D)

#### 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:  
(cont'd)

<b>BANK</b>	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL Not-credit Impaired (Stage 2) RM'000</b>	<b>Lifetime ECL Credit Impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
At 1 April 2020	63,677	177,196	218,370	459,243
Transfer to Stage 1	94,945	(199,432)	(2,495)	(106,982)
Transfer to Stage 2	(62,825)	300,659	(50,694)	187,140
Transfer to Stage 3	(606)	(90,925)	142,613	51,082
New financial assets originated or purchased	53,856	139,571	11,287	204,714
Financial assets derecognised other than write-off	(42,782)	(141,429)	(24,205)	(208,416)
Changes due to change in credit risk	48,000	129,081	(2,262)	174,819
Other adjustments	(21)	(37)	(13)	(71)
	<b>90,567</b>	<b>137,488</b>	<b>74,231</b>	<b>302,286</b>
Unwinding of discount	-	-	(4,550)	(4,550)
Total charge to income statement	90,567	137,488	69,681	297,736
Write-off	(3)	(15)	(90,362)	(90,380)
At 31 March 2021	<b>154,241</b>	<b>314,669</b>	<b>197,689</b>	<b>666,599</b>
At 1 April 2019	49,135	142,622	171,332	363,089
Transfer to Stage 1	21,575	(116,457)	(3,908)	(98,790)
Transfer to Stage 2	(29,604)	197,930	(75,350)	92,976
Transfer to Stage 3	(81)	(82,648)	238,931	156,202
New financial assets originated or purchased	35,395	113,212	12,829	161,436
Financial assets derecognised other than write-off	(17,721)	(114,040)	(18,108)	(149,869)
Changes due to change in credit risk	4,962	37,191	(20,077)	22,076
Other adjustments	16	33	12	61
	14,542	35,221	134,329	184,092
Unwinding of discount	-	-	(6,612)	(6,612)
Total charge to income statement	14,542	35,221	127,717	177,480
Write-off	-	(647)	(80,679)	(81,326)
At 31 March 2020	63,677	177,196	218,370	459,243

Note:

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











# BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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

3.0 CREDIT RISK (CONT'D)

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

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

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



3.0 CREDIT RISK (CONT'D)

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

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

**BANK  
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
<b>On and Off Balance-Sheet Exposures</b>						
<b>(i) Exposures risk-weighted using Sovereigns and Central Banks rating</b>						
Public Sector Entities	-	108,114	-	-	-	108,114
Sovereigns and Central Banks (See Note 2)	-	6,947,043	-	-	-	6,947,043
Corporates	-	957,161	-	-	-	957,161
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-
<b>Total</b>	-	8,012,318	-	-	-	8,012,318
<b>(ii) Exposures risk-weighted using Banking Institutions long-term rating</b>						
Banks, DFIs and Multilateral Development Banks	600,299	957,106	487	-	75,809	1,633,701
<b>Exposures risk-weighted using Banking Institutions short-term rating</b>						
Banks, DFIs and Multilateral Development Banks	39,549	-	-	-	-	39,549
<b>Total</b>	639,848	957,106	487	-	75,809	1,673,250
<b>(iii) Exposures risk-weighted using Corporate long-term rating</b>						
Public Sector Entities	30,897	-	-	-	200,890	231,787
Corporates	1,780,409	48,955	-	-	14,545,019	16,374,383
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	8,844	8,844
<b>Exposures risk-weighted using Corporate short-term rating</b>						
Public Sector Entities	-	-	-	-	-	-
Corporates	99,983	-	-	-	-	99,983
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
<b>Total</b>	1,911,289	48,955	-	-	14,754,753	16,714,997

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

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

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

Note:

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



## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 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 estate, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, the BNM 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.

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

Note 1: The Exposures covered by guarantees/credit derivative refers to the exposures guaranteed by eligible guarantor.

3.0 CREDIT RISK (CONT'D)

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

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

Note 1: The Exposures covered by guarantees/credit derivative refers to the exposures guaranteed by eligible guarantor.

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 3.0 CREDIT RISK (CONT'D)

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

<b>GROUP 2020 Exposure Class</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees/ credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	9,409,103	-	-	-
Public sector entities	691,368	-	-	-
Banks, DFIs and Multilateral Development Banks	620,046	-	-	-
Insurance companies, securities firms and fund managers	14,870	-	-	-
Corporates	20,583,524	-	1,427,524	-
Regulatory retail	9,933,347	-	608,733	-
Residential mortgages	16,789,019	-	9,889	-
Higher risk assets	5,672	-	4	-
Other assets	1,291,944	-	-	-
Defaulted exposures	579,637	-	1,439	-
<b>Total on-balance sheet exposures</b>	<b>59,918,530</b>	<b>-</b>	<b>2,047,589</b>	<b>-</b>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,748,637	-	513,491	-
Defaulted exposures	747	-	5	-
<b>Total off-balance sheet exposures</b>	<b>4,749,384</b>	<b>-</b>	<b>513,496</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>64,667,914</b>	<b>-</b>	<b>2,561,085</b>	<b>-</b>

3.0 CREDIT RISK (CONT'D)

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

<b>GROUP 2020 Exposure Class</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees/ credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,896,805	-	-	-
Public sector entities	239,371	-	-	-
Banks, DFIs and Multilateral Development Banks	1,182,409	-	-	-
Insurance companies, securities firms and fund managers	8,008	-	-	-
Corporates	15,113,912	-	1,128,773	-
Regulatory retail	7,424,239	-	531,429	-
Residential mortgages	12,180,706	-	9,584	-
Higher risk assets	5,451	-	5	-
Other assets	1,223,138	-	-	-
Defaulted exposures	421,576	-	457	-
<b>Total on-balance sheet exposures</b>	<b>44,695,615</b>	<b>-</b>	<b>1,670,248</b>	<b>-</b>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,885,457	-	416,511	-
Defaulted exposures	545	-	5	-
<b>Total off-balance sheet exposures</b>	<b>3,886,002</b>	<b>-</b>	<b>416,516</b>	<b>-</b>
<b>Total on and off-balance sheet exposures</b>	<b>48,581,617</b>	<b>-</b>	<b>2,086,764</b>	<b>-</b>

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

#### 3.0 CREDIT RISK (CONT'D)

##### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk (“CCR”) is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, defaults before the final settlement of the transaction’s cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR arising from the derivatives is managed via counterparty limits, which is set based on the counterparty’s size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association (“ISDA”) master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by this agreement should either party default or other such predetermined credit events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the positive mark-to-market exposure plus the potential future exposure which is equivalent to an add-on factor multiplied by the notional amount. The add-on factors are as stipulated by BNM.

### 3.0 CREDIT RISK (CONT'D)

#### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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

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

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 3.0 CREDIT RISK (CONT'D)

#### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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

3.0 CREDIT RISK (CONT'D)

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

GROUP 2020	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	814,317	-	814,317	727,430
Transaction-related contingent items	621,684	-	308,011	219,703
Short-term self-liquidating trade-related contingencies	130,924	-	26,185	22,599
Forward asset purchase	-	-	-	-
Obligations under an on-going underwriting agreement	51,150	-	25,575	25,575
Irrevocable commitments to extend credit:				
- maturity exceeding 1 year	1,239,933	-	619,574	459,805
- maturity not exceeding 1 year	9,273,334	-	1,854,667	1,335,023
Unutilised credit card lines	1,356,566	-	271,313	210,321
	13,487,908	-	3,919,642	3,000,456
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	12,470,667	195,374	321,999	89,529
- over one year to three years	621,349	11,435	52,881	39,633
- over three years	315,762	3,106	33,001	21,621
Interest rate related contracts:				
- one year or less	3,505,421	6,113	10,496	2,460
- over one year to three years	3,386,675	43,874	93,269	28,991
- over three years	2,230,984	49,133	125,429	44,342
Equity related contracts:				
- one year or less	533,770	91,660	123,686	110,910
- over one year to three years	273,868	32,542	54,451	45,912
- over three years	145,300	-	14,530	5,756
	23,483,796	433,237	829,742	389,154
	36,971,704	433,237	4,749,384	3,389,610



## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 3.0 CREDIT RISK (CONT'D)

#### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

<b>BANK 2020</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Credit-related exposures</u>				
Direct credit substitutes	622,481	-	622,481	552,127
Transaction-related contingent items	559,957	-	277,147	200,759
Short-term self-liquidating trade-related contingencies	110,898	-	22,180	19,110
Forward asset purchase	-	-	-	-
Obligations under an on-going underwriting agreement	-	-	-	-
Irrevocable commitments to extend credit:				
- maturity exceeding 1 year	871,143	-	435,182	345,761
- maturity not exceeding 1 year	7,139,788	-	1,427,957	1,037,216
Unutilised credit card lines	1,356,566	-	271,313	210,321
	10,660,833	-	3,056,260	2,365,294
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	12,470,667	195,374	321,999	89,529
- over one year to three years	621,349	11,435	52,881	39,633
- over three years	315,762	3,106	33,001	21,621
Interest rate related contracts:				
- one year or less	3,505,421	6,113	10,496	2,460
- over one year to three years	3,386,675	43,874	93,269	28,991
- over three years	2,230,984	49,133	125,429	44,342
Equity related contracts:				
- one year or less	533,770	91,660	123,686	110,910
- over one year to three years	273,868	32,542	54,451	45,912
- over three years	145,300	-	14,530	5,756
	23,483,796	433,237	829,742	389,154
	34,144,629	433,237	3,886,002	2,754,448

#### 4.0 MARKET RISK

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

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

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

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

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

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

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

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

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group’s risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO, Executive Risk Management Committee (“ERM”) and GRMC.

##### **Hedging Policies and Strategies**

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into 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.

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 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	
	Risk-Weighted Assets RM'000	Capital Requirements RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
<b>2021</b>				
Interest rate risk				
- General interest rate risk	252,425	20,194	252,425	20,194
- Specific interest rate risk	-	-	-	-
	<b>252,425</b>	<b>20,194</b>	<b>252,425</b>	<b>20,194</b>
Foreign exchange risk	69,927	5,594	69,606	5,568
Option risk	300	24	300	24
	<b>322,652</b>	<b>25,812</b>	<b>322,331</b>	<b>25,786</b>
<b>2020</b>				
Interest rate risk				
- General interest rate risk	364,445	29,156	364,445	29,156
- Specific interest rate risk	10,025	802	10,025	802
	374,470	29,958	374,470	29,958
Foreign exchange risk	97,125	7,770	97,125	7,770
Option risk	713	57	713	57
	<b>472,308</b>	<b>37,785</b>	<b>472,308</b>	<b>37,785</b>

## 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”).

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 6.0 EQUITY EXPOSURES IN BANKING BOOK

The Group and the Bank holds equity positions in the banking book as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

Any gains and losses arising from the returns and changes in fair value of these equities holdings are reflected in the revaluation reserve and statement of income accordingly.

The following table shows the equity exposures in banking book:

	GROUP		BANK	
	Gross credit exposures RM'000	Risk-weighted assets RM'000	Gross credit exposures RM'000	Risk-weighted assets RM'000
<b>2021</b>				
<b>Publicly traded</b>				
Holding of equity investments	15	15	15	15
<b>Privately held</b>				
For socio-economic purposes	224,673	224,673	154,479	154,479
Not for socio-economic purposes	3	5	3	5
	<b>224,691</b>	<b>224,693</b>	<b>154,497</b>	<b>154,499</b>
<b>2020</b>				
<b>Publicly traded</b>				
Holding of equity investments	5	5	5	5
<b>Privately held</b>				
For socio-economic purposes	202,157	202,157	137,765	137,765
Not for socio-economic purposes	3	4	3	4
	<b>202,165</b>	<b>202,166</b>	<b>137,773</b>	<b>137,774</b>

## 6.0 EQUITY EXPOSURES IN BANKING BOOK (CONT'D)

### 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	
	31 March 2021 RM'000	31 March 2020 RM'000	31 March 2021 RM'000	31 March 2020 RM'000
Unrealised gains/(losses) recognised in revaluation reserve				
- Publicly traded equity investments	10	(3)	10	(3)
	10	(3)	10	(3)
Unrealised gains recognised in statement of income				
- Privately held equity investments	22,759	14,749	16,957	11,141
	22,759	14,749	16,957	11,141

## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

### FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

#### 7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

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

##### **Risk Governance**

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the approved strategy by managing the assets/liabilities as well as the funding and liquidity needs of the Bank/Group 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) Setting of proper gapping limits and the limits monitored closely.
- (iv) 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.

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

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

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 gauge on the IRR/RORBB of the Group.

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

## 7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTD)

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.

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

The reported amounts do not capture the impact of business growth or of management actions as the impact is based on the balance sheet as at reporting date. In reality, 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 quarterly for the Group, both of which are reported to GALCO and the Group Risk Management Committee.



## BASEL II PILLAR 3 REPORT DISCLOSURE (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

### 7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONT'D)

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

<b>2020</b>	<b>Group + 100 bps RM'000</b>	<b>Bank + 100 bps RM'000</b>
<b>Impact on Net Interest Income ("NII")</b>		
Ringgit Malaysia	121,554	98,263
<b>Impact on Economic Value ("EV")</b>		
Ringgit Malaysia	(230,134)	(137,755)

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

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

- (i) A sound Shariah Compliance Framework which governs the operations of AIS and outlines the roles of key functionalities within AIS, including but not limited to the Shariah risk management process. This is in line with the Shariah Governance policy document issued by BNM.
- (ii) The Board of Directors, assisted by the Shariah Committee and Senior Management, provides oversight on Shariah compliance aspects of AIS' overall operations. This amongst others include:
  - Oversight and implementation of the Shariah Compliance Framework.
  - Regular review of Shariah non-compliant income and issues.
  - Addressing Shariah non-compliance findings.
  - Ensuring compliance with regulatory and internal requirements including disclosures.
- (iii) Appointment of a qualified Shariah Committee member who also serves as AIS' Board member; serving as a 'bridge' between the Board and the Shariah Committee.
- (iv) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:
  - Regular assessment on Shariah compliance in the activities and operations of AIS. The findings of the review are reported to the Shariah Committee for deliberation and decision.
  - Performing research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties.
  - Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.
- (v) Escalation and reporting processes of Shariah non-compliant income and issues governed through designated escalation channels, which include the Board and the Shariah Committee.
- (vi) Periodic engagement between the Board and the Shariah Committee to discuss on Shariah research, Shariah compliance and scholar's view on Islamic banking activities.

### **Shariah Non-Compliant Income And Events**

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



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