



**ALLIANCE INVESTMENT BANK**

**PILLAR 3 REPORT  
FOR THE FINANCIAL YEAR ENDED  
31 MARCH 2018**

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

**PILLAR 3 REPORT  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

**Overview**

Bank Negara Malaysia's (BNM) guidelines on capital adequacy require Alliance Investment Bank Berhad (the Bank) and its subsidiaries (the Group) to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 3 main aspects:

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

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

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

In summary, the capital management process involves the following:

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

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

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

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**ALLIANCE INVESTMENT BANK BERHAD  
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**1.0 Scope of Application**

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

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

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

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

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

**2.0 Capital**

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

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

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

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

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**2.0 Capital (contd.)**

**2.1 Capital Adequacy Ratio (contd.)**

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

|  | <u>BANK</u> |         | <u>GROUP</u> |         |
|--|-------------|---------|--------------|---------|
|  | 2018        | 2017    | 2018         | 2017    |
| <u>Before deducting proposed dividends</u> |             |         |              |         |
| CET I capital ratio                        | 86.830%     | 84.804% | 86.862%      | 85.140% |
| Tier I capital ratio                       | 86.830%     | 84.804% | 86.862%      | 85.140% |
| Total capital ratio                        | 87.642%     | 85.516% | 87.672%      | 85.843% |
| <u>After deducting proposed dividends</u>  |             |         |              |         |
| CET I capital ratio                        | 85.079%     | 83.729% | 85.118%      | 84.066% |
| Tier I capital ratio                       | 85.079%     | 83.729% | 85.118%      | 84.066% |
| Total capital ratio                        | 85.892%     | 84.441% | 85.928%      | 84.768% |

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

**2.2 Capital Structure**

The following tables represent the Bank's and the Group's capital positions. Details on capital resources, including share capital and reserves are found in Note 21 and 22 of the audited financial statements.

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

|   | <u>BANK</u>    |                | <u>GROUP</u>   |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b><u>CET I Capital</u></b>                                 |                |                |                |                |
| Paid-up share capital                                       | 365,962        | 365,000        | 365,962        | 365,000        |
| Share premium   | -              | 962            | -              | 962            |
| Retained profits  | 226,603        | 21,904         | 222,495        | 17,726         |
| Statutory reserves  | -              | 201,383        | -              | 201,383        |
| Revaluation reserves  | 42,530         | 37,949         | 42,530         | 37,949         |
|   | <u>635,095</u> | <u>627,198</u> | <u>630,987</u> | <u>623,020</u> |
| Less: Regulatory adjustment                                 |                |                |                |                |
| - Goodwill and other intangibles                            | (62,429)       | (61,527)       | (55,749)       | (54,847)       |
| - 55% of revaluation reserves                               | (23,392)       | (20,872)       | (23,392)       | (20,872)       |
| - Investment in subsidiaries<br>associate and joint venture | (624)          | (507)          | (967)          | (742)          |
| <b>Total CET I Capital /<br/>total Tier I Capital</b>       | <u>548,650</u> | <u>544,292</u> | <u>550,879</u> | <u>546,559</u> |
| <b><u>Tier II Capital</u></b>                               |                |                |                |                |
| Collective assessment allowance<br>and regulatory reserves  | 5,133          | 4,695          | 5,133          | 4,695          |
| Less: Regulatory adjustment                                 |                |                |                |                |
| - Investment in subsidiaries<br>associate and joint venture | -              | (127)          | -              | (185)          |
| Total Tier II Capital                                       | <u>5,133</u>   | <u>4,568</u>   | <u>5,133</u>   | <u>4,510</u>   |
| <b>Total Capital</b>  | <u>553,783</u> | <u>548,860</u> | <u>556,012</u> | <u>551,069</u> |

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**2.0 Capital (contd.)**

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

**Regulatory Capital Requirements**

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

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

**ALLIANCE INVESTMENT BANK BERHAD  
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**2.0 Capital (contd.)**

**2.3 RWA and Capital Requirements (contd.)**

**Regulatory Capital Requirements (contd.)**

The following tables present the minimum regulatory capital requirement of the Bank and the Group (contd.):

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

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**2.0 Capital (contd.)**

**2.3 RWA and Capital Requirements (contd.)**

**Regulatory Capital Requirements (contd.)**

The following tables present the minimum regulatory capital requirement of the Bank and the Group (contd.):

| <b><u>BANK</u><br/>2017<br/>Exposure Class</b>      | <b>Gross<br/>Exposures<br/>RM'000</b> | <b>Net<br/>Exposures<br/>RM'000</b> | <b>Risk-<br/>Weighted<br/>Assets<br/>RM'000</b> | <b>Capital<br/>Requirements<br/>RM'000</b> |
|---|---------------------------------------|-------------------------------------|---|--|
| (i) <u>Credit Risk</u>                              |                                       |                                     |   |  |
| On-balance sheet exposures:                         |                                       |                                     |   |  |
| Sovereigns/Central banks                            | 639,580                               | 639,580                             | -   | -  |
| Public Sector Entities                              | 15,255                                | 15,255                              | 3,051   | 244  |
| Banks, DFIs and Multilateral<br>Development Banks   | 43,447                                | 43,447                              | 8,689   | 695  |
| Corporates  | 919,111                               | 716,431                             | 268,468   | 21,477                                     |
| Regulatory retail                                   | 12,197                                | 1,988                               | 1,491   | 119  |
| Other assets  | 144,311                               | 144,311                             | 144,311   | 11,545                                     |
| Equity exposures                                    | 53,902                                | 53,902                              | 53,902  | 4,312                                      |
| Defaulted exposures                                 | 2,060                                 | 2,060                               | 3,080   | 246  |
| <b>Total on-balance sheet exposures</b>             | <b>1,829,863</b>                      | <b>1,616,974</b>                    | <b>482,992</b>                                  | <b>38,639</b>                              |
| Off-balance sheet exposures:                        |                                       |                                     |   |  |
| Credit-related off-balance<br>sheet exposures       | 72,251                                | 45,780                              | 44,550  | 3,564                                      |
| Defaulted exposures                                 | 2,760                                 | 2,760                               | 4,140   | 331  |
| <b>Total off-balance sheet exposures</b>            | <b>75,011</b>                         | <b>48,540</b>                       | <b>48,690</b>                                   | <b>3,895</b>                               |
| <b>Total on and off-balance<br/>sheet exposures</b> | <b>1,904,874</b>                      | <b>1,665,514</b>                    | <b>531,682</b>                                  | <b>42,535</b>                              |
| (ii) <u>Market Risk (Note 4.0)</u>                  |                                       |                                     |   |  |
|   |                                       |                                     |   |  |
| Interest rate risk                                  |                                       |                                     | 1,961   | 157  |
| Foreign currency risk                               |                                       |                                     | -   | -  |
| Option risk   |                                       |                                     | -   | -  |
| (iii) <u>Operational Risk</u>                       | -                                     | -                                   | 108,181   | 8,654                                      |
| <b>Total</b>  | <b>1,904,874</b>                      | <b>1,665,514</b>                    | <b>641,824</b>                                  | <b>51,346</b>                              |



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**2.0 Capital (contd.)**

**2.3 RWA and Capital Requirements (contd.)**

**Regulatory Capital Requirements (contd.)**

The following tables present the minimum regulatory capital requirement of the Bank and the Group (contd.):

| <b>GROUP<br/>2017<br/>Exposure Class</b>            | <b>Gross<br/>Exposures<br/>RM'000</b> | <b>Net<br/>Exposures<br/>RM'000</b> | <b>Risk-<br/>Weighted<br/>Assets<br/>RM'000</b> | <b>Capital<br/>Requirements<br/>RM'000</b> |
|---|---------------------------------------|-------------------------------------|---|--|
| (i) <u>Credit Risk</u>                              |                                       |                                     |   |  |
| On-balance sheet exposures:                         |                                       |                                     |   |  |
| Sovereigns/Central banks                            | 639,580                               | 639,580                             | -   | -  |
| Public Sector Entities                              | 15,255                                | 15,255                              | 3,051   | 244  |
| Banks, DFIs and Multilateral<br>Development Banks   | 43,447                                | 43,447                              | 8,689   | 695  |
| Corporates  | 919,111                               | 716,431                             | 268,468   | 21,477                                     |
| Regulatory retail                                   | 12,197                                | 1,988                               | 1,491   | 119  |
| Other assets  | 144,437                               | 144,437                             | 144,437   | 11,555                                     |
| Equity exposures                                    | 53,902                                | 53,902                              | 53,902  | 4,312                                      |
| Defaulted exposures                                 | 2,060                                 | 2,060                               | 3,080   | 246  |
| <b>Total on-balance sheet exposures</b>             | <b>1,829,989</b>                      | <b>1,617,100</b>                    | <b>483,118</b>                                  | <b>38,649</b>                              |
| Off-balance sheet exposures:                        |                                       |                                     |   |  |
| Credit-related off-balance<br>sheet exposures       | 72,251                                | 45,780                              | 44,550  | 3,564                                      |
| Defaulted exposures                                 | 2,760                                 | 2,760                               | 4,140   | 331  |
| <b>Total off-balance sheet exposures</b>            | <b>75,011</b>                         | <b>48,540</b>                       | <b>48,690</b>                                   | <b>3,895</b>                               |
| <b>Total on and off-balance<br/>sheet exposures</b> | <b>1,905,000</b>                      | <b>1,665,640</b>                    | <b>531,808</b>                                  | <b>42,545</b>                              |
| (ii) <u>Market Risk (Note 4.0)</u>                  |                                       |                                     |   |  |
|   |                                       |                                     |   |  |
| Interest rate risk                                  | 34,865                                | -                                   | 1,961   | 157  |
| Foreign currency risk                               | -                                     | -                                   | -   | -  |
|   | 34,865                                | -                                   |   |  |
| Option risk   |                                       |                                     | -   | -  |
| (iii) <u>Operational Risk</u>                       | -                                     | -                                   | 108,181   | 8,654                                      |
| <b>Total</b>  | <b>1,905,000</b>                      | <b>1,665,640</b>                    | <b>641,950</b>                                  | <b>51,356</b>                              |

Note:

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

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

### **3.0 Credit Risk**

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or to settle financial commitments. Credit risk arises mainly from lending/financing activities and trading/holding of debt securities.

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

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

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

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

Potential problem loans 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 Group Risk Management Committee 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.

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.

Individual assessments are performed on impaired accounts with principal outstanding exceeding RM1 million. The discounted cash flow method will be used to determine the recoverable amounts. The remaining loan portfolios are then collectively assessed for impairment allowance provision.

With effect from 1.4.2018, loan accounts will also be subject to FRS9 stage 1/2/3 accounting classification and treatment

Please refer to Note 2(i)(i) of the audited financial statements for accounting policies on impaired loans, advances and financing.

3.0 Credit Risk

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

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

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

  

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

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

**3.0 Credit Risk (contd.)**

**3.1 Distribution of Credit Exposures (contd.)**

**(a) Geographical Distribution (contd.)**

| <b><u>BANK</u></b><br><b>2017</b>               | <b>Geographical region</b> |                          |                           |                        |
|---|----------------------------|--------------------------|---------------------------|------------------------|
|   | <b>Northern</b><br>RM'000  | <b>Central</b><br>RM'000 | <b>Southern</b><br>RM'000 | <b>Total</b><br>RM'000 |
| Cash and short-term funds                       | -                          | 42,993                   | -                         | 42,993                 |
| Balances due from clients and brokers           | 27,259                     | 79,327                   | 6,436                     | 113,022                |
| Financial assets held-for-trading               | -                          | 34,865                   | -                         | 34,865                 |
| Financial investments available-for-sale        | -                          | 959,409                  | -                         | 959,409                |
| Financial investments held-to-maturity          | -                          | 177,933                  | -                         | 177,933                |
| Loans, advances and financing                   | 32,833                     | 370,836                  | 13,972                    | 417,641                |
| Statutory deposits with Bank Negara<br>Malaysia | -                          | 33,690                   | -                         | 33,690                 |
| <b>Total on-balance sheet</b>                   | <b>60,092</b>              | <b>1,699,053</b>         | <b>20,408</b>             | <b>1,779,553</b>       |
| Credit related commitments<br>and contingencies | 42,042                     | 253,655                  | 24,467                    | 320,164                |
| <b>Total off-balance sheet</b>                  | <b>42,042</b>              | <b>253,655</b>           | <b>24,467</b>             | <b>320,164</b>         |
| <b>Total credit exposure</b>                    | <b>102,134</b>             | <b>1,952,708</b>         | <b>44,875</b>             | <b>2,099,717</b>       |

| <b><u>GROUP</u></b><br><b>2017</b>              | <b>Geographical region</b> |                          |                           |                        |
|---|----------------------------|--------------------------|---------------------------|------------------------|
|   | <b>Northern</b><br>RM'000  | <b>Central</b><br>RM'000 | <b>Southern</b><br>RM'000 | <b>Total</b><br>RM'000 |
| Cash and short-term funds                       | -                          | 44,420                   | -                         | 44,420                 |
| Balances due from clients and brokers           | 27,259                     | 79,327                   | 6,436                     | 113,022                |
| Financial assets held-for-trading               | -                          | 34,865                   | -                         | 34,865                 |
| Financial investments available-for-sale        | -                          | 959,409                  | -                         | 959,409                |
| Financial investments held-to-maturity          | -                          | 177,933                  | -                         | 177,933                |
| Loans, advances and financing                   | 32,833                     | 370,836                  | 13,972                    | 417,641                |
| Statutory deposits with Bank Negara<br>Malaysia | -                          | 33,690                   | -                         | 33,690                 |
| <b>Total on-balance sheet</b>                   | <b>60,092</b>              | <b>1,700,480</b>         | <b>20,408</b>             | <b>1,780,980</b>       |
| Credit related commitments<br>and contingencies | 42,042                     | 253,655                  | 24,467                    | 320,164                |
| <b>Total off-balance sheet</b>                  | <b>42,042</b>              | <b>253,655</b>           | <b>24,467</b>             | <b>320,164</b>         |
| <b>Total credit exposure</b>                    | <b>102,134</b>             | <b>1,954,135</b>         | <b>44,875</b>             | <b>2,101,144</b>       |

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

**3.0 Credit Risk (contd.)**

**3.1 Distribution of Credit Exposures (contd.)**

**(b) Industry Distribution**

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

|   | Government<br>and Central<br><u>bank</u><br>RM'000 | Financial,<br>Insurance,<br>Business Services<br>and Real Estate<br>RM'000 | Transport,<br>storage &<br><u>communication</u><br>RM'000 | Agriculture,<br>manufacturing,<br>wholesale &<br><u>retail trade</u><br>RM'000 | <u>Construction</u><br>RM'000 | <u>Household</u><br>RM'000 | <u>Others</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|--|--|---|--|-------------------------------|----------------------------|-------------------------|------------------------|
| <b><u>BANK</u></b>                              |  |  |   |  |                               |                            |                         |                        |
| <b>2018</b>                                     |  |  |   |  |                               |                            |                         |                        |
| Cash and short-term funds                       | 44   | 26,882   | -   | -  | -                             | -                          | -                       | 26,926                 |
| Balances due from clients and brokers           | -  | 670  | -   | -  | -                             | -                          | 100,635                 | 101,305                |
| Financial assets held-for-trading               | -  | 14,978   | -   | -  | -                             | -                          | -                       | 14,978                 |
| Financial investments available-for-sale        | 346,121  | 326,826  | 238,413   | 20,849   | 99,997                        | -                          | -                       | 1,032,206              |
| Financial investments held-to-maturity          | 20,415   | 58,554   | -   | -  | -                             | -                          | -                       | 78,969                 |
| Loans, advances and financing                   | -  | 178,031  | -   | 25,708   | 10,332                        | 191,405                    | 47,948                  | 453,424                |
| Statutory deposits with Bank Negara<br>Malaysia | 38,762   | -  | -   | -  | -                             | -                          | -                       | 38,762                 |
| <b>Total on-balance sheet</b>                   | <b>405,342</b>                                     | <b>605,941</b>   | <b>238,413</b>  | <b>46,557</b>  | <b>110,329</b>                | <b>191,405</b>             | <b>148,583</b>          | <b>1,746,570</b>       |
| Credit related commitments<br>and contingencies | -  | 44,227   | -   | 10,574   | 15,169                        | 254,263                    | 4,296                   | 328,529                |
| <b>Total off-balance sheet</b>                  | <b>-</b>   | <b>44,227</b>  | <b>-</b>  | <b>10,574</b>  | <b>15,169</b>                 | <b>254,263</b>             | <b>4,296</b>            | <b>328,529</b>         |
| <b>Total credit exposure</b>                    | <b>405,342</b>                                     | <b>650,168</b>   | <b>238,413</b>  | <b>57,131</b>  | <b>125,498</b>                | <b>445,668</b>             | <b>152,879</b>          | <b>2,075,099</b>       |
| <b><u>GROUP</u></b>                             |  |  |   |  |                               |                            |                         |                        |
| <b>2018</b>                                     |  |  |   |  |                               |                            |                         |                        |
| Cash and short-term funds                       | 44   | 27,939   | -   | -  | -                             | -                          | -                       | 27,983                 |
| Balances due from clients and brokers           | -  | 670  | -   | -  | -                             | -                          | 100,635                 | 101,305                |
| Financial assets held-for-trading               | -  | 14,978   | -   | -  | -                             | -                          | -                       | 14,978                 |
| Financial investments available-for-sale        | 346,121  | 326,826  | 238,413   | 20,849   | 99,997                        | -                          | -                       | 1,032,206              |
| Financial investments held-to-maturity          | 20,415   | 58,554   | -   | -  | -                             | -                          | -                       | 78,969                 |
| Loans, advances and financing                   | -  | 178,031  | -   | 25,708   | 10,332                        | 191,405                    | 47,948                  | 453,424                |
| Statutory deposits with Bank Negara<br>Malaysia | 38,762   | -  | -   | -  | -                             | -                          | -                       | 38,762                 |
| <b>Total on-balance sheet</b>                   | <b>405,342</b>                                     | <b>606,998</b>   | <b>238,413</b>  | <b>46,557</b>  | <b>110,329</b>                | <b>191,405</b>             | <b>148,583</b>          | <b>1,747,627</b>       |
| Credit related commitments<br>and contingencies | -  | 44,227   | -   | 10,574   | 15,169                        | 254,263                    | 4,296                   | 328,529                |
| <b>Total off-balance sheet</b>                  | <b>-</b>   | <b>44,227</b>  | <b>-</b>  | <b>10,574</b>  | <b>15,169</b>                 | <b>254,263</b>             | <b>4,296</b>            | <b>328,529</b>         |
| <b>Total credit exposure</b>                    | <b>405,342</b>                                     | <b>651,225</b>   | <b>238,413</b>  | <b>57,131</b>  | <b>125,498</b>                | <b>445,668</b>             | <b>152,879</b>          | <b>2,076,156</b>       |

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

**3.0 Credit Risk (contd.)**

**3.1 Distribution of Credit Exposures (contd.)**

**(b) Industry Distribution (contd.)**

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

|   | Government<br>and Central<br><u>bank</u> | Financial,<br>Insurance,<br>Business Services<br>and Real Estate | Transport,<br>storage &<br><u>communication</u> | Agriculture,<br>manufacturing,<br>wholesale &<br><u>retail trade</u> | <u>Construction</u> | <u>Household</u> | <u>Others</u>  | <u>Total</u>     |
|---|--|--|---|--|---------------------|------------------|----------------|------------------|
|   | RM'000                                   | RM'000   | RM'000  | RM'000   | RM'000              | RM'000           | RM'000         | RM'000           |
| <b><u>BANK</u></b>                              |  |  |   |  |                     |                  |                |                  |
| <b>2017</b>                                     |  |  |   |  |                     |                  |                |                  |
| Cash and short-term funds                       | 52                                       | 42,941   | -   | -  | -                   | -                | -              | 42,993           |
| Balances due from clients and brokers           | -  | 17,358   | -   | -  | -                   | -                | 95,664         | 113,022          |
| Financial assets held-for-trading               | -  | 34,865   | -   | -  | -                   | -                | -              | 34,865           |
| Financial investments available-for-sale        | 323,063                                  | 348,033  | 162,307   | 36,139   | 89,867              | -                | -              | 959,409          |
| Financial investments held-to-maturity          | 121,310                                  | 56,623   | -   | -  | -                   | -                | -              | 177,933          |
| Loans, advances and financing                   | -  | 170,060  | -   | 41,184   | -                   | 158,183          | 48,214         | 417,641          |
| Statutory deposits with Bank Negara<br>Malaysia | 33,690                                   | -  | -   | -  | -                   | -                | -              | 33,690           |
| <b>Total on-balance sheet</b>                   | <b>478,115</b>                           | <b>669,880</b>   | <b>162,307</b>                                  | <b>77,323</b>  | <b>89,867</b>       | <b>158,183</b>   | <b>143,878</b> | <b>1,779,553</b> |
| Credit related commitments<br>and contingencies | -  | 54,794   | -   | 14,500   | 7,500               | 239,349          | 4,021          | 320,164          |
| <b>Total off-balance sheet</b>                  | <b>-</b>                                 | <b>54,794</b>  | <b>-</b>  | <b>14,500</b>  | <b>7,500</b>        | <b>239,349</b>   | <b>4,021</b>   | <b>320,164</b>   |
| <b>Total credit exposure</b>                    | <b>478,115</b>                           | <b>724,674</b>   | <b>162,307</b>                                  | <b>91,823</b>  | <b>97,367</b>       | <b>397,532</b>   | <b>147,899</b> | <b>2,099,717</b> |
| <b><u>GROUP</u></b>                             |  |  |   |  |                     |                  |                |                  |
| <b>2017</b>                                     |  |  |   |  |                     |                  |                |                  |
| Cash and short-term funds                       | 52                                       | 44,368   | -   | -  | -                   | -                | -              | 44,420           |
| Balances due from clients and brokers           | -  | 17,358   | -   | -  | -                   | -                | 95,664         | 113,022          |
| Financial assets held-for-trading               | -  | 34,865   | -   | -  | -                   | -                | -              | 34,865           |
| Financial investments available-for-sale        | 323,063                                  | 348,033  | 162,307   | 36,139   | 89,867              | -                | -              | 959,409          |
| Financial investments held-to-maturity          | 121,310                                  | 56,623   | -   | -  | -                   | -                | -              | 177,933          |
| Loans, advances and financing                   | -  | 170,060  | -   | 41,184   | -                   | 158,183          | 48,214         | 417,641          |
| Statutory deposits with Bank Negara<br>Malaysia | 33,690                                   | -  | -   | -  | -                   | -                | -              | 33,690           |
| <b>Total on-balance sheet</b>                   | <b>478,115</b>                           | <b>671,307</b>   | <b>162,307</b>                                  | <b>77,323</b>  | <b>89,867</b>       | <b>158,183</b>   | <b>143,878</b> | <b>1,780,980</b> |
| Credit related commitments<br>and contingencies | -  | 54,794   | -   | 14,500   | 7,500               | 239,349          | 4,021          | 320,164          |
| <b>Total off-balance sheet</b>                  | <b>-</b>                                 | <b>54,794</b>  | <b>-</b>  | <b>14,500</b>  | <b>7,500</b>        | <b>239,349</b>   | <b>4,021</b>   | <b>320,164</b>   |
| <b>Total credit exposure</b>                    | <b>478,115</b>                           | <b>726,101</b>   | <b>162,307</b>                                  | <b>91,823</b>  | <b>97,367</b>       | <b>397,532</b>   | <b>147,899</b> | <b>2,101,144</b> |

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

**3.0 Credit Risk (contd.)**

**3.1 Distribution of Credit Exposures (contd.)**

**(c) Residual Contractual Maturity**

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

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

**Group**

2018

|  |                |               |               |               |                  |                  |
|--|----------------|---------------|---------------|---------------|------------------|------------------|
| Cash and short-term funds                    | 27,983         | -             | -             | -             | -                | 27,983           |
| Balances due from clients and brokers        | 101,305        | -             | -             | -             | -                | 101,305          |
| Financial assets held-for-trading            | 14,978         | -             | -             | -             | -                | 14,978           |
| Financial investments available-for-sale     | 7,992          | 49,092        | 3,181         | 25,064        | 946,877          | 1,032,206        |
| Financial investments held-to-maturity       | -              | 298           | 34,658        | 19,488        | 24,525           | 78,969           |
| Loans, advances and financing                | 263,036        | 11,782        | 7,053         | -             | 171,552          | 453,424          |
| Statutory deposits with Bank Negara Malaysia | -              | -             | -             | -             | 38,762           | 38,762           |
| <b>Total on-balance sheet</b>                | <b>415,295</b> | <b>61,171</b> | <b>44,892</b> | <b>44,552</b> | <b>1,181,717</b> | <b>1,747,627</b> |

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

**3.0 Credit Risk (contd.)**

**3.1 Distribution of Credit Exposures (contd.)**

**(c) Residual Contractual Maturity (contd.)**

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

| <u>Bank</u>                                  | <u>Up to 1 month</u> | <u>&gt;1-3 months</u> | <u>&gt;3-6 months</u> | <u>&gt;6-12 months</u> | <u>&gt;1 year</u> | <u>Total</u>     |
|--|----------------------|-----------------------|-----------------------|------------------------|-------------------|------------------|
| 2017   | RM'000               | RM'000                | RM'000                | RM'000                 | RM'000            | RM'000           |
| Cash and short-term funds                    | 42,993               | -                     | -                     | -                      | -                 | 42,993           |
| Balances due from clients and brokers        | 113,022              | -                     | -                     | -                      | -                 | 113,022          |
| Financial assets held-for-trading            | -                    | 34,865                | -                     | -                      | -                 | 34,865           |
| Financial investments available-for-sale     | 3,422                | 9,487                 | 2,154                 | 70,022                 | 874,324           | 959,409          |
| Financial investments held-to-maturity       | -                    | 298                   | 30,546                | 70,280                 | 76,809            | 177,933          |
| Loans, advances and financing                | 206,902              | -                     | 168                   | 3                      | 210,568           | 417,641          |
| Statutory deposits with Bank Negara Malaysia | -                    | -                     | -                     | -                      | 33,690            | 33,690           |
| <b>Total on-balance sheet</b>                | <b>366,339</b>       | <b>44,650</b>         | <b>32,868</b>         | <b>140,305</b>         | <b>1,195,391</b>  | <b>1,779,553</b> |
| <b>Group</b>                                 |                      |                       |                       |                        |                   |                  |
| 2017   |                      |                       |                       |                        |                   |                  |
| Cash and short-term funds                    | 44,420               | -                     | -                     | -                      | -                 | 44,420           |
| Balances due from clients and brokers        | 113,022              | -                     | -                     | -                      | -                 | 113,022          |
| Financial assets held-for-trading            | -                    | 34,865                | -                     | -                      | -                 | 34,865           |
| Financial investments available-for-sale     | 3,422                | 9,487                 | 2,154                 | 70,022                 | 874,324           | 959,409          |
| Financial investments held-to-maturity       | -                    | 298                   | 30,546                | 70,280                 | 76,809            | 177,933          |
| Loans, advances and financing                | 206,902              | -                     | 168                   | 3                      | 210,568           | 417,641          |
| Statutory deposits with Bank Negara Malaysia | -                    | -                     | -                     | -                      | 33,690            | 33,690           |
| <b>Total on-balance sheet</b>                | <b>367,766</b>       | <b>44,650</b>         | <b>32,868</b>         | <b>140,305</b>         | <b>1,195,391</b>  | <b>1,780,980</b> |



3.0 Credit Risk (contd.)

3.2 Past Due Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but not more than 3 months.

Past due loans, advances and financing are analysed as follows:

|                        | <b><u>BANK/GROUP</u></b> |                |
|------------------------|--------------------------|----------------|
|                        | 2018<br>RM'000           | 2017<br>RM'000 |
| Past due up to 1 month | 77                       | 258            |
| Past due 1 - 2 months  | 41                       | 12             |
|                        | <u>118</u>               | <u>270</u>     |

Past due loans, advances and financing analysed by sector:

|           | <b><u>BANK/GROUP</u></b> |                |
|-----------|--------------------------|----------------|
|           | 2018<br>RM'000           | 2017<br>RM'000 |
| Household | <u>118</u>               | <u>270</u>     |

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

|                | <b><u>BANK/GROUP</u></b> |                |
|----------------|--------------------------|----------------|
|                | 2018<br>RM'000           | 2017<br>RM'000 |
| Central region | <u>118</u>               | <u>270</u>     |

3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing analysed by sectors:

|              | <b><u>BANK/GROUP</u></b> |                |
|--------------|--------------------------|----------------|
|              | 2018<br>RM'000           | 2017<br>RM'000 |
| Construction | 169                      | 143            |
| Household    | 2,472                    | 2,237          |
|              | <u>2,641</u>             | <u>2,380</u>   |

3.0 Credit Risk (contd.)

3.3 Impaired Loans, Advances and Financing Analysis (contd.)

Impairment allowances on impaired loans, advances and financing analysed by sectors:

| <b><u>BANK/GROUP</u></b>                                | Individual<br>assessment<br><u>allowance</u><br>RM'000 | Collective<br>assessment<br><u>allowance</u> <sup>1</sup><br>RM'000 | Individual<br>assessment<br>net<br>write-back<br><u>for the year</u><br>RM'000 | Individual<br>assessment<br>write-off<br><u>for the year</u><br>RM'000 |
|---|--|---|--|--|
| <b>2018</b>   |  |   |  |  |
| Financial, insurance & business services                | -  | 265   | -  | -  |
| Agriculture, manufacturing,<br>wholesale & retail trade | -  | 54  | -  | -  |
| Construction  | -  | 169   | -  | -  |
| Household   | -  | 144   | -  | -  |
| Others  | -  | 208   | -  | -  |
|   | <u>-</u>   | <u>840</u>  | <u>-</u>   | <u>-</u>   |
| <b>2017</b>   |  |   |  |  |
| Financial, insurance & business services                | -  | 562   | -  | -  |
| Agriculture, manufacturing,<br>wholesale & retail trade | -  | 156   | -  | (3,800)  |
| Construction  | -  | 143   | -  | -  |
| Household   | -  | 180   | -  | -  |
| Others  | -  | 315   | -  | -  |
|   | <u>-</u>   | <u>1,356</u>  | <u>-</u>   | <u>(3,800)</u>   |

Note:

1. Includes collective assessment on impaired loans and non impaired loans.

**3.0 Credit Risk (contd.)**

**3.3 Impaired Loans, Advances and Financing Analysis (contd.)**

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

| <b><u>BANK/GROUP</u></b> | Impaired<br>loans, advances<br>and financing<br>RM'000 | Individual<br>assessment<br>allowance<br>RM'000 | Collective<br>assessment<br>allowance <sup>1</sup><br>RM'000 |
|--------------------------|--|---|--|
| <b>2018</b>              |  |   |  |
| Central region           | 2,641  | -   | 840  |
|                          | <u>2,641</u>   | <u>-</u>  | <u>840</u>   |
| <b><u>BANK/GROUP</u></b> |  |   |  |
| <b>2017</b>              |  |   |  |
| Central region           | 2,380  | -   | 1,356  |
|                          | <u>2,380</u>   | <u>-</u>  | <u>1,356</u>   |

Movement in loan impairment allowances are analysed as follows:

|   | <b><u>BANK/GROUP</u></b> |                |
|---|--------------------------|----------------|
|   | 2018<br>RM'000           | 2017<br>RM'000 |
| <b>Individual assessment allowance:</b>             |                          |                |
| At beginning of year                                | -                        | 3,800          |
| Amount written-off                                  | -                        | (3,800)        |
| At end of year                                      | <u>-</u>                 | <u>-</u>       |
| <b>Collective assessment allowance<sup>1</sup>:</b> |                          |                |
| At beginning of year                                | 1,356                    | 567            |
| (Write-back)/Allowance made during the year (net)   | (516)                    | 789            |
| Amount written-off                                  | -                        | -              |
| At end of year                                      | <u>840</u>               | <u>1,356</u>   |

Note:

1. Includes collective assessment on impaired loans and non impaired loans.

3.0 Credit Risk (contd.)

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

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

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

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (contd.)

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

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

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**3.0 Credit Risk (contd.)**

**3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (contd.)**

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

| <b>BANK<br/>2017</b>                         | <b>Exposures after netting and Credit risk mitigation</b> |                                       |   |                   |                              |                         |                             | <b>Total<br/>exposures<br/>after<br/>netting and<br/>credit risk<br/>mitigation</b> | <b>Total<br/>Risk-<br/>Weighted<br/>Assets</b> |
|--|---|---------------------------------------|---|-------------------|------------------------------|-------------------------|-----------------------------|---|--|
|  | <b>Sovereigns<br/>/Central<br/>banks</b>                  | <b>Public<br/>sector<br/>entities</b> | <b>Banks,<br/>DFIs and<br/>Multilateral<br/>Development<br/>Banks</b> | <b>Corporates</b> | <b>Regulatory<br/>retail</b> | <b>Other<br/>assets</b> | <b>Equity<br/>Exposures</b> |   |  |
| <b>Risk-<br/>Weights</b>                     | <b>RM'000</b>   | <b>RM'000</b>                         | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b>                | <b>RM'000</b>           | <b>RM'000</b>               | <b>RM'000</b>   | <b>RM'000</b>                                  |
| 0%   | 639,580   | -                                     | -   | 236,371           | -                            | -                       | -                           | 875,951   | -  |
| 20%  | -   | 15,255                                | 43,447  | 255,297           | -                            | -                       | -                           | 313,999   | 62,800   |
| 35%  | -   | -                                     | -   | -                 | -                            | -                       | -                           | -   | -  |
| 50%  | -   | -                                     | -   | 14,709            | -                            | -                       | -                           | 14,709  | 7,354  |
| 75%  | -   | -                                     | -   | -                 | 6,908                        | -                       | -                           | 6,908   | 5,181  |
| 100%   | -   | -                                     | -   | 250,914           | 20                           | 144,311                 | 53,902                      | 449,147   | 449,147  |
| 150%   | -   | -                                     | -   | 2,760             | 2,040                        | -                       | -                           | 4,800   | 7,200  |
| <b>Total exposures</b>                       | <b>639,580</b>  | <b>15,255</b>                         | <b>43,447</b>   | <b>760,051</b>    | <b>8,968</b>                 | <b>144,311</b>          | <b>53,902</b>               | <b>1,665,514</b>  | <b>531,682</b>                                 |
| <b>Risk-weighted assets<br/>by exposures</b> | <b>-</b>  | <b>3,051</b>                          | <b>8,689</b>  | <b>313,468</b>    | <b>8,261</b>                 | <b>144,311</b>          | <b>53,902</b>               | <b>531,682</b>  |  |
| <b>Average risk-weight</b>                   | <b>-</b>  | <b>20%</b>                            | <b>20%</b>  | <b>41%</b>        | <b>92%</b>                   | <b>100%</b>             | <b>100%</b>                 | <b>32%</b>  |  |
| <b>Deduction from Capital<br/>base</b>       | <b>-</b>  | <b>-</b>                              | <b>-</b>  | <b>-</b>          | <b>-</b>                     | <b>-</b>                | <b>-</b>                    | <b>-</b>  | <b>-</b>                                       |

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (contd.)

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

| <u>GROUP</u><br><b>2017</b><br>Risk-<br><u>Weights</u> | ←----- Exposures after netting and Credit risk mitigation -----→ |   |   |                             |                                       |                                  |                                      | Total<br>exposures<br>after<br>netting and<br>credit risk<br><u>mitigation</u><br>RM'000 | Total<br>Risk-<br>Weighted<br><u>Assets</u><br>RM'000 |
|--|--|---|---|-----------------------------|---------------------------------------|----------------------------------|--------------------------------------|--|---|
|  | Sovereigns<br>/Central<br><u>banks</u><br>RM'000                 | Public<br>sector<br><u>entities</u><br>RM'000 | Banks,<br>DFIs and<br>Multilateral<br>Development<br><u>Banks</u><br>RM'000 | <u>Corporates</u><br>RM'000 | Regulatory<br><u>retail</u><br>RM'000 | Other<br><u>assets</u><br>RM'000 | Equity<br><u>Exposures</u><br>RM'000 |  |   |
| 0%   | 639,580  | -   | -   | 236,371                     | -                                     | -                                | -                                    | 875,951  | -   |
| 20%  | -  | 15,255  | 43,447  | 255,297                     | -                                     | -                                | -                                    | 313,999  | 62,800  |
| 35%  | -  | -   | -   | -                           | -                                     | -                                | -                                    | -  | -   |
| 50%  | -  | -   | -   | 14,709                      | -                                     | -                                | -                                    | 14,709   | 7,354   |
| 75%  | -  | -   | -   | -                           | 6,908                                 | -                                | -                                    | 6,908  | 5,181   |
| 100%   | -  | -   | -   | 250,914                     | 20                                    | 144,437                          | 53,902                               | 449,273  | 449,273   |
| 150%   | -  | -   | -   | 2,760                       | 2,040                                 | -                                | -                                    | 4,800  | 7,200   |
| Total exposures  | 639,580  | 15,255  | 43,447  | 760,051                     | 8,968                                 | 144,437                          | 53,902                               | 1,665,640  | 531,808   |
| Risk-weighted assets<br>by exposures                   | -  | 3,051   | 8,689   | 313,468                     | 8,261                                 | 144,437                          | 53,902                               | 531,808  |   |
| Average risk-weight                                    | -  | 20%   | 20%   | 41%                         | 92%                                   | 100%                             | 100%                                 | 32%  |   |
| Deduction from Capital<br>base                         | -  | -   | -   | -                           | -                                     | -                                | -                                    | -  | -   |

3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (contd.)

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):

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

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



3.0 Credit Risk (contd.)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (contd.)

The following tables show the rated credit exposures according to ratings by approved ECAIs (contd.):

**BANK/GROUP**  
**2017**

| Exposure Class  | Ratings by Approved ECAIs* |                        |                   |                      |                  |         | Total   |
|---|----------------------------|------------------------|-------------------|----------------------|------------------|---------|---------|
|   | Moody's                    | Aaa to Aa3 / P-1       | A1 to A3 / P-2    | Baa1 to Ba3 / P-3    | B1 to C / Others | Unrated |         |
|   | S&P                        | AAA to AA- / A-1       | A+ to A- / A-2    | BBB+ to BB- / A-3    | B+ to D / Others | Unrated |         |
|   | Fitch                      | AAA to AA- / F1+, F1   | A+ to A- / A-2    | BBB+ to BB- / F3     | B+ to D          | Unrated |         |
|   | RAM                        | AAA to AA3 / P-1       | A+ to A3 / P-2    | BBB1+ to BB3 / P-3   | B to D / NP      | Unrated |         |
|   | MARC                       | AAA to AA- / MARC-1    | A+ to A- / MARC-2 | BBB+ to BB- / MARC-3 | B+ to D / MARC-4 | Unrated |         |
|   | R&I                        | AAA to AA- / a-1+, a-1 | A+ to A- / a-2    | BBB+ to BB- / a-3    | B+ to D / b, c   | Unrated |         |
| <b>On and Off Balance-Sheet Exposures</b>                                       |                            |                        |                   |                      |                  |         |         |
| <b>(i) Exposures risk weighted using Sovereigns and Central Banks rating</b>    |                            |                        |                   |                      |                  |         |         |
| Sovereigns and Central Banks (See Note 1)                                       |                            | -                      | 639,580           | -                    | -                | -       | 639,580 |
| Corporates  |                            | -                      | 236,371           | -                    | -                | -       | 236,371 |
|   |                            | -                      | 875,951           | -                    | -                | -       | 875,951 |
| <b>(ii) Exposures risk weighted using Banking Institutions long term rating</b> |                            |                        |                   |                      |                  |         |         |
| Banks, DFIs and Multilateral Development Banks                                  |                            | 3,189                  | 40,258            | -                    | -                | -       | 43,447  |
| <b>Exposures risk weighted using Banking Institutions short term rating</b>     |                            |                        |                   |                      |                  |         |         |
| Banks, DFIs and Multilateral Development Banks                                  |                            | -                      | -                 | -                    | -                | -       | -       |
|   |                            | 3,189                  | 40,258            | -                    | -                | -       | 43,447  |
| <b>(iii) Exposures risk weighted using Corporate long term rating</b>           |                            |                        |                   |                      |                  |         |         |
| Public Sector Entities  |                            | 15,255                 | -                 | -                    | -                | -       | 15,255  |
| Corporates  |                            | 255,297                | 14,709            | -                    | -                | 478,629 | 748,635 |
| Insurance Cos, Securities Firms & Fund Managers                                 |                            | -                      | -                 | -                    | -                | -       | -       |
| <b>Exposures risk weighted using Corporate short term rating</b>                |                            |                        |                   |                      |                  |         |         |
| Public Sector Entities  |                            | -                      | -                 | -                    | -                | -       | -       |
| Corporates  |                            | -                      | -                 | -                    | -                | -       | -       |
| Insurance Cos, Securities Firms & Fund Managers                                 |                            | -                      | -                 | -                    | -                | -       | -       |
|   |                            | 270,552                | 14,709            | -                    | -                | 478,629 | 763,890 |

Note 1: 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 at the Bank and the Group that required disclosure of ratings and short term rating of securitisation by approved ECAIs.

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation (CRM)

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

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

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

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

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation (CRM) (contd.)

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

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation (CRM) (contd.)

| <b>BANK<br/>2017<br/>Exposure Class</b>  | <b>Exposures<br/>before CRM<br/>RM'000</b> | <b>Exposures<br/>covered by<br/>guarantees/<br/>credit<br/>derivatives<br/>RM'000</b> | <b>Exposures<br/>covered by<br/>eligible<br/>financial<br/>collateral<br/>RM'000</b> | <b>Exposures<br/>covered by<br/>other eligible<br/>collateral<br/>RM'000</b> |
|--|--|---|--|--|
| <b><u>Credit Risk</u></b>  |  |   |  |  |
| On-balance sheet exposures:  |  |   |  |  |
| Sovereigns/Central banks   | 639,580                                    | -   | -  | -  |
| Public Sector Entities   | 15,255                                     | -   | -  | -  |
| Banks, DFIs and Multilateral<br>Development Banks                                  | 43,447                                     | -   | -  | -  |
| Corporates   | 919,111                                    | -   | 202,680  | -  |
| Regulatory retail  | 12,197                                     | -   | 10,209   | -  |
| Residential mortgages  | -  | -   | -  | -  |
| Other assets   | 144,311                                    | -   | -  | -  |
| Equity exposures   | 53,902                                     | -   | -  | -  |
| Defaulted exposures  | 2,060                                      | -   | -  | -  |
| Total on-balance sheet exposures   | <u>1,829,863</u>                           | <u>-</u>  | <u>212,889</u>   | <u>-</u>   |
| Off-balance sheet exposures  |  |   |  |  |
| Off-balance sheet exposures other<br>than OTC derivatives or credit<br>derivatives | 72,251                                     | -   | 26,471   | -  |
| Defaulted exposures  | 2,760                                      | -   | -  | -  |
| Total off-balance sheet exposures  | <u>75,011</u>                              | <u>-</u>  | <u>26,471</u>  | <u>-</u>   |
| Total on and off-balance sheet<br>exposures  | <u>1,904,874</u>                           | <u>-</u>  | <u>239,360</u>   | <u>-</u>   |

3.0 Credit Risk (contd.)

3.5 Credit Risk Mitigation (CRM) (contd.)

| <u>GROUP</u><br>2017<br>Exposure Class   | <u>Exposures</u><br><u>before CRM</u><br>RM'000 | <u>Exposures</u><br><u>covered by</u><br><u>guarantees/</u><br><u>credit</u><br><u>derivatives</u><br>RM'000 | <u>Exposures</u><br><u>covered by</u><br><u>eligible</u><br><u>financial</u><br><u>collateral</u><br>RM'000 | <u>Exposures</u><br><u>covered by</u><br><u>other eligible</u><br><u>collateral</u><br>RM'000 |
|--|---|--|---|---|
| <b><u>Credit Risk</u></b>  |   |  |   |   |
| On-balance sheet exposures:  |   |  |   |   |
| Sovereigns/Central banks   | 639,580   | -  | -   | -   |
| Public Sector Entities   | 15,255  | -  | -   | -   |
| Banks, DFIs and Multilateral<br>Development Banks                                  | 43,447  | -  | -   | -   |
| Corporates   | 919,111   | -  | 202,680   | -   |
| Regulatory retail  | 12,197  | -  | 10,209  | -   |
| Residential mortgages  | -   | -  | -   | -   |
| Other assets   | 144,437   | -  | -   | -   |
| Equity exposures   | 53,902  | -  | -   | -   |
| Defaulted exposures  | 2,060   | -  | -   | -   |
| Total on-balance sheet exposures   | <u>1,829,989</u>                                | <u>-</u>   | <u>212,889</u>  | <u>-</u>  |
| Off-balance sheet exposures  |   |  |   |   |
| Off-balance sheet exposures other<br>than OTC derivatives or credit<br>derivatives | 72,251  | -  | 26,471  | -   |
| Defaulted exposures  | 2,760   | -  | -   | -   |
| Total off-balance sheet exposures  | <u>75,011</u>                                   | <u>-</u>   | <u>26,471</u>   | <u>-</u>  |
| Total on and off-balance sheet<br>exposures  | <u>1,905,000</u>                                | <u>-</u>   | <u>239,360</u>  | <u>-</u>  |

3.0 Credit Risk (contd.)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

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

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

| <b><u>BANK/GROUP</u></b>                  | <b>Principal<br/>Amount</b> | <b>Credit<br/>Equivalent<br/>Amount</b> | <b>Risk-<br/>Weighted<br/>Assets</b> |
|---|-----------------------------|---|--------------------------------------|
| <b>2018</b>                               | RM'000                      | RM'000                                  | RM'000                               |
| <u>Credit-related exposures</u>           |                             |   |                                      |
| Transaction-related contingent items      | 10,500                      | 5,250                                   | 5,250                                |
| Irrevocable commitments to extend credit: |                             |   |                                      |
| • maturity not exceeding one year         | 295,937                     | 59,187                                  | 26,912                               |
| • maturity exceeding one year             | 22,092                      | 11,046                                  | 11,046                               |
|   | <b>328,529</b>              | <b>75,483</b>                           | <b>43,208</b>                        |
|   | <b>328,529</b>              | <b>75,483</b>                           | <b>43,208</b>                        |
| <br>                                      |                             |   |                                      |
| <u><b>BANK/GROUP</b></u>                  |                             |   |                                      |
| <b>2017</b>                               |                             |   |                                      |
| <u>Credit-related exposures</u>           |                             |   |                                      |
| Transaction-related contingent items      | 10,500                      | 5,250                                   | 5,250                                |
| Irrevocable commitments to extend credit: |                             |   |                                      |
| • maturity not exceeding one year         | 283,572                     | 56,714                                  | 29,394                               |
| • maturity exceeding one year             | 26,092                      | 13,046                                  | 14,046                               |
|   | <b>320,164</b>              | <b>75,010</b>                           | <b>48,690</b>                        |
|   | <b>320,164</b>              | <b>75,010</b>                           | <b>48,690</b>                        |

#### **4.0 Market Risk**

Market Risk is the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and in their implied volatilities.

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

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

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

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

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

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

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

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

4.0 Market Risk (contd.)

***Hedging Policies and Strategies***

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

***Market Risk Capital Charge***

For the Bank, the market risk charge is computed on the standardised approach and the capital charges are mainly on fixed income securities.

**Regulatory capital requirements**

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

|                               | <b><u>BANK/GROUP</u></b>                        |  |
|-------------------------------|---|--|
|                               | <b>Risk-<br/>Weighted<br/>Assets<br/>RM'000</b> | <b>Capital<br/>Requirements<br/>RM'000</b> |
| <b>2018</b>                   |   |  |
| Interest rate risk            |   |  |
| • General interest rate risk  | -   | -  |
| • Specific interest rate risk | 468   | 37   |
|                               | <u>468</u>                                      | <u>37</u>                                  |
| Option risk                   | <u>-</u>  | <u>-</u>                                   |
| <b>2017</b>                   |   |  |
| Interest rate risk            |   |  |
| • General interest rate risk  | 875   | 70   |
| • Specific interest rate risk | 1,086   | 87   |
|                               | <u>1,961</u>                                    | <u>157</u>                                 |
| Option risk                   | <u>-</u>  | <u>-</u>                                   |



## **5.0 Operational Risk**

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

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

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

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

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

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

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

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

**6.0 Equity Exposures in Banking Book**

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

The return of the equity are credited to the Statement of Comprehensive Income and any gain or losses arising from a change in fair value are recognised directly in other comprehensive income or in equity through the Statement of Changes in Equity.

The following table shows the equity exposures in banking book:

| <b><u>BANK/GROUP</u></b>    | <b>2018</b>                   |                             | <b>2017</b>                   |                             |
|-----------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
|                             | <b>Gross credit exposures</b> | <b>Risk-weighted assets</b> | <b>Gross credit exposures</b> | <b>Risk-weighted assets</b> |
|                             | RM'000                        | RM'000                      | RM'000                        | RM'000                      |
| <b>Privately held</b>       |                               |                             |                               |                             |
| For socio-economic purposes | 57,212                        | 57,212                      | 53,902                        | 53,902                      |

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

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

|  | <b><u>BANK/GROUP</u></b> |              |
|--|--------------------------|--------------|
|  | <b>2018</b>              | <b>2017</b>  |
|  | RM'000                   | RM'000       |
| Unrealised gains recognised in revaluation reserve |                          |              |
| • Privately held equity investments                | 3,310                    | 4,218        |
|  | <u>3,310</u>             | <u>4,218</u> |

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

Interest rate risk/rate of return risk in the banking book (IRR/RORBB) arises from exposure of banking book positions to interest rate/profit rate movements. Changes in interest rate/profit rate affects the Group's earnings by changing its net interest/profit income and the level of other interest/profit rate sensitive income and expenses. It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

### ***Risk Governance***

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

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

The guiding principles in managing IRR/RORBB include:

- (i) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) Checking to ensure that IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) Setting 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 (EVE) simulation which measures the asset-liability impact of adverse interest rate/profit rate movements on the economic value of the Bank's capital.

**7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book (contd.)**

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

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

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

**BANK/GROUP**

|                                      | <b>2018</b>      | <b>2017</b>      |
|--------------------------------------|------------------|------------------|
|                                      | <b>+ 100 bps</b> | <b>+ 100 bps</b> |
|                                      | RM'000           | RM'000           |
| <b>Impact on net interest income</b> |                  |                  |
| Ringgit Malaysia                     | <u>(8,228)</u>   | <u>(7,816)</u>   |
| <br><b>Impact on Economic Value</b>  |                  |                  |
| Ringgit Malaysia                     | <u>(36,936)</u>  | <u>(42,802)</u>  |

**8.0 Shariah Governance Disclosures**

**Islamic Banking Business (Islamic window)**

(a) Capital Adequacy Ratios

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

|                      | <b><u>BANK/GROUP</u></b> |             |
|----------------------|--------------------------|-------------|
|                      | <b>2018</b>              | <b>2017</b> |
| CET I capital ratio  | 743.849%                 | 450.099%    |
| Tier I capital ratio | 743.849%                 | 450.099%    |
| Total capital ratio  | 743.849%                 | 450.099%    |

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

|  | <b><u>BANK/GROUP</u></b> |                       |
|--|--------------------------|-----------------------|
|  | <b>2018</b>              | <b>2017</b>           |
|  | <b>RM'000</b>            | <b>RM'000</b>         |
| <b><u>CET I Capital</u></b>                |                          |                       |
| Paid-up share capital                      | 56,000                   | 56,000                |
| Retained profits                           | 55,297                   | 51,960                |
| Revaluation reserves                       | (488)                    | (509)                 |
|  | <u>110,809</u>           | <u>107,451</u>        |
| Less: Regulatory adjustment                |                          |                       |
| - Deferred tax assets                      | (154)                    | (161)                 |
| Total CET I Capital / Total Tier I Capital | <u>110,655</u>           | <u>107,290</u>        |
| <b><u>Tier II Capital</u></b>              |                          |                       |
| Collective assessment allowance            | -                        | -                     |
| Total Capital Base                         | <u><u>110,655</u></u>    | <u><u>107,290</u></u> |

**8.0 Shariah Governance Disclosures (contd.)**

**Islamic Banking Business (Islamic window) (contd.)**

(b) Regulatory Capital Requirements

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

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

| <b><u>BANK/GROUP</u></b><br><b>2017</b><br><b>Exposure Class</b> | <b>Gross Exposures</b><br>RM'000 | <b>Net Exposures</b><br>RM'000 | <b>Risk-Weighted Assets</b><br>RM'000 | <b>Capital Requirements</b><br>RM'000 |
|--|----------------------------------|--------------------------------|---------------------------------------|---------------------------------------|
| (i) <u>Credit Risk</u>   |                                  |                                |                                       |                                       |
| On-balance sheet exposures:                                      |                                  |                                |                                       |                                       |
| Sovereigns/Central banks   | 9,922                            | 9,922                          | -                                     | -                                     |
| Banks, DFIs and Multilateral Development Banks                   | 506                              | 506                            | 101                                   | 8                                     |
| Corporate  | 90,367                           | 90,367                         | -                                     | -                                     |
| Other assets   | 17,001                           | 17,001                         | 17,001                                | 1,360                                 |
| <b>Total on-balance sheet exposures</b>                          | <b>117,796</b>                   | <b>117,796</b>                 | <b>17,102</b>                         | <b>1,368</b>                          |
| Off-balance sheet exposures:                                     |                                  |                                |                                       |                                       |
| Credit-related off-balance sheet exposures                       | -                                | -                              | -                                     | -                                     |
| <b>Total off-balance sheet exposures</b>                         | <b>-</b>                         | <b>-</b>                       | <b>-</b>                              | <b>-</b>                              |
| <b>Total on and off-balance sheet exposures</b>                  | <b>117,796</b>                   | <b>117,796</b>                 | <b>17,102</b>                         | <b>1,368</b>                          |
| (ii) Operational Risk  | -                                | -                              | 6,735                                 | 539                                   |
| <b>Total RWA and capital requirements</b>                        | <b>117,796</b>                   | <b>117,796</b>                 | <b>23,837</b>                         | <b>1,907</b>                          |