



BANK MUAMALAT MALAYSIA BERHAD

Company No. 6175-W
(Incorporated in Malaysia)

**BASEL II PILLAR 3 DISCLOSURES
31 DECEMBER 2019**

Bank Muamalat Malaysia Berhad
Basel II Pillar 3 Disclosure

Statement by Chief Executive Officer

In the name of Allah, The Most Beneficent, The Most Merciful

In accordance with the requirement of BNM's Guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation on the Pillar 3 disclosures of the Group and the Bank for year ended 31 December 2019.

Khairul Kamarudin
Chief Executive Officer

Bank Muamalat Malaysia Berhad
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Pillar 3 Disclosure Content

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Bank Muamalat Malaysia Berhad
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BASEL II

PILLAR 3 DISCLOSURE

Abbreviations

ALCO	Asset-Liability Management Committee
ALM	Asset and Liability Management
BCM	Business Continuity Management
BCP	Business Continuity Plan
BIA	Business Impact Analysis
BOD	Board of Director
BNM	Bank Negara Malaysia
BRMC	Board Risk Management Committee
BU	Business Unit
CAFIB	Capital Adequacy Framework for Islamic Banks
CBs	Corporate Bonds
CC	Credit Committee
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CPs	Commercial Papers
CR	Credit Risk
CRP	Credit Risk Policy
CRM	Credit Risk Mitigation
CSRD	Credit Supervision and Recovery Department
EAR	Earning At Risk
ECAI	External Credit Assessment Institutions
ERMC	Executive Risk Management Committee
EVE	Economic Value Perspective
FDI	Foreign Direct Investments
GCRP	Guidelines to Credit Risk Policies
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFIs	Islamic Financial Institutions
IFSB-10	Institutions Offering Islamic Financial Services
IPRS	Islamic Profit Rate Swap
IRB Approach	Internal Ratings Based Approach
MFRS 9	Malaysian Financial Reporting Standards
MARC	Malaysian Rating Corporation Berhad
MDB	Multilateral Development Bank
MISB	Muamalat Invest Sdn Bhd
MR	Market Risk
OR	Operational Risk
ORM	Operational Risk Management
ORMC	Operational Risk Management Committee
PDS	Private Debt Securities
PSEs	Non- Federal Government Public Sector Entities
RA	Risk Assessment
R&I	Rating and Investment Information, Inc
RAM	RAM Rating Services Berhad
RORBB	Rate of Return Risk in Banking Book

Bank Muamalat Malaysia Berhad
Basel II Pillar 3 Disclosure

Abbreviations (cont'd.)

RMD	Risk Management Department
RWA	Risk Weighted Assets
RWCAF	Risk Weighted Capital Adequacy Framework
TBPS	Trading Book Policy Statement
S&P	Standard and Poor's
SC	Shariah Committee
SNCI	Shariah Non-Compliance Income
SRP	Shariah Review Program
SU	Support Unit
VaR	Value at Risk

Basel II - Pillar 3 Disclosure

Overview

The Pillar 3 Disclosure is a regulatory requirement aimed at enhancing market transparency and discipline. It is prepared in accordance to the Bank Negara Malaysia's ("BNM's") guidelines "Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements ("Pillar 3")" and contains qualitative and quantitative information on Bank Muamalat Malaysia Berhad's ("BMMB") risk exposures and capital adequacy levels as well as on its capital and risk management practices.

In assessing its capital position, BMMB applies the prescribed Standardised Approach to measure its credit and market risk exposures and the Basic Indicator Approach for operational risk, as outlined under the BNM's CAFIB guidelines.

This Pillar 3 disclosure is published for the financial year ended 31 December 2019 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 December 2019.

Basel II - Pillar 3 Disclosure

1.0 Scope of Application

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on BMMB and its subsidiaries (hereinafter referred as “the Group and the Bank”). Information on subsidiaries is available in Note 11 to the financial statements.

The basis of consolidation for financial accounting purposes is described in Notes 2.2 to the financial statements, and differs from that used for regulatory capital purposes. The investment in subsidiary companies is deducted from regulatory capital at entity level and consolidated at group level.

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

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

All information in the ensuing paragraphs is based on the Group’s position. Certain information on capital adequacy relating to the Group and the Bank is presented on a voluntary basis to provide additional information to users. The capital-related information of the Group and the Bank, which is presented on a global basis, includes its offshore banking activities in Labuan as determined under the CAFIB.

This document discloses the Group's and the Bank's quantitative disclosures in accordance with the disclosure requirements as outlined in the CAFIB – Disclosure Requirements (“Pillar 3”) issued by BNM.

These disclosures have been reviewed and verified by internal auditors and approved by the Board and Directors of the Group.

Scope of disclosure

The detailed scope of published disclosure is subject to the following classification of information:

- Insignificant, i.e. its exclusion or distortion cannot influence the assessment or decision of a person using such information to make economic decisions, or influence such an assessment or decision,
- Reserved, i.e. its public distribution might adversely influence the position of the Group and the Bank on the market according to regulations on competition and consumer protection,
- Subject to law-protected confidentiality, such information is not published. In case of not publishing reserved information or the one which is subject to law-protected confidentiality, the Group and the Bank disclose information which is less detailed.

Basel II - Pillar 3 Disclosure

2.0 Capital Management

BMMB's capital management framework was designed to protect the interests of its key stakeholders and maximize shareholder value through optimum use of its capital resources. The primary capital management objective is to ensure efficient capital utilization while in pursuit of strategic and business objectives. It is also aimed at ensuring sufficient level of capital is maintained at all times to support the business growth targets and that it is kept in line with the Bank's risk appetite and regulatory requirements.

To determine the appropriate level and composition of capital to be held, the Bank uses the risk and capital adequacy assessment approaches as outlined under the Internal Capital Adequacy Assessment Process ("ICAAP"). The capital levels are assessed based on the Bank's strategic and business targets, taking into account current and forecasted economic and market conditions as well as the regulatory capital standards.

The Bank prepares its strategic, business and capital plans on an annual basis. Guided by the Board-approved risk appetite statement, the plans cover a minimum three-year planning horizon and are subjected to a stress test covering several possible stressed scenarios. Based on the ICAAP and stress test analysis, internal capital targets are set for key capital ratios to facilitate ongoing capital management and monitoring.

Arising from the strategic planning and capital assessment process, an annual capital plan is drawn up to ensure that sufficient capital is held to meet business growth targets as well as to maintain adequate buffer under adverse economic scenarios. The capital plan also addresses any capital issuance requirements, capital instrument composition and maturity profile, and capital contingency planning.

2.1 Internal Capital Adequacy Assessment Process ("ICAAP")

BMMB's approach towards assessing the adequacy of its internal capital levels in relation to its risk profile is addressed in the Internal Capital Adequacy Assessment Process ("ICAAP"). This is in line with BNM's requirement as stipulated under the guideline, "Capital Adequacy Framework for Islamic Banks ("CAFIB") - Internal Capital Adequacy Assessment Process ("Pillar 2")".

The ICAAP covers an assessment of all risk exposures, particularly on those deemed as material risks, and the effectiveness of related risk controls and mitigations. The risk and capital assessment also looks at the adequacy of capital in relation to other discretionary and non-discretionary risk and where required, additional capital and buffers are allocated for risk exposures that are deemed inadequately covered under the Pillar 1 capital.

The ICAAP further addresses the current and future capital levels to be considered or maintained to ensure its adequacy to support the Bank's business operations on a going-concern basis. In terms of its capital mix, the Bank's capital consists primarily of Tier 1 capital and common equity, which enhances the Bank's ability to absorb potential losses under unforeseeable circumstances.

Basel II - Pillar 3 Disclosure

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Stress Test

Stress testing is an important tool used in assessing and determining appropriateness of capital levels to ensure its ability to absorb stress events in order to protect the depositors and other stakeholders.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact the Bank's risk profile. Stress testing is also used to determine the level of capital buffers that are considered adequate to ensure that the Bank does not breach the minimum regulatory ratios under stress scenarios and to formulate appropriate management actions.

The Bank employs two stress test approaches, namely sensitivity and scenario analyses. The stress testing supports management and decision making in the following areas:

- i. Assessment of the Bank's material risk profile under stress events and estimate the potential impact and implications to the Bank;
- ii. Assessment of capital adequacy in relation to the Bank's risk profile, which is integral to the ICAAP;
- iii. Facilitate capital and liquidity contingency planning across a range of stressed conditions and aiding in the development and formulation of appropriate strategies for maintaining required level of capital and management of identified risks; and
- iv. Embedded as an integral part of the strategic planning and management process.

The tables below present the capital adequacy ratios of the Group and the Bank.

Table 1: Capital adequacy ratios

	Group		Bank	
	31 December	31 March	31 December	31 March
	2019	2019	2019	2019
Core Capital Ratio	15.998%	15.804%	15.895%	15.679%
Risk-weighted capital ratio	18.653%	18.593%	18.555%	18.470%

The following table represents the Group's and Bank's capital position as at 31 December 2019. Details on capital instruments, including share capital and reserves are found in Notes 25 to 26 of the financial statements.

**Basel II -
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2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Table 2: Capital structure

	Group		Bank	
	31 December 2019	31 March 2019	31 December 2019	31 March 2019
	RM'000	RM'000	RM'000	RM'000
Tier-I capital				
Share capital	1,195,000	1,195,000	1,195,000	1,195,000
Retained profits	1,193,264	1,094,765	1,186,740	1,087,939
Other Reserves				
Regulatory reserve	62,676	63,585	62,676	63,585
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	18,008	(1,515)	18,008	(1,515)
Foreign exchange translation reserve	(133)	(417)	(133)	(417)
Regulatory Adjustment				
Less: Regulatory reserve	(62,676)	(63,585)	(62,676)	(63,585)
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	(9,905)	-	(9,904)	-
Less: Investment property gain	(5,542)	(7,460)	(5,542)	(7,460)
Less: Deferred tax assets	(25,827)	(26,607)	(25,543)	(26,607)
Less: Investment in subsidiaries	-	-	(13,159)	(12,559)
Less: Intangible Asset (net of deferred tax liabilities)	(70,244)	(75,753)	(70,134)	(75,695)
Total Tier-I Capital	2,294,621	2,178,013	2,275,333	2,158,686
Tier-II capital				
Subordinated sukuk	250,532	254,025	250,532	254,025
Collective assessment allowance for non-impaired financing and regulatory reserve	127,785	126,918	127,785	126,918
Add: Investment property gain	2,494	3,357	2,494	3,357
Total Tier-II Capital	380,811	384,300	380,811	384,300
Total Capital	2,675,432	2,562,313	2,656,144	2,542,986

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 4 August 2017 and 2 March 2017 respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA respectively for the current period (31 March 2019: 4.5%, 6.0% and 8.0% of total RWA).

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2.1 Internal Capital Adequacy Assessment Process (“ICAAP”) (cont’d)

The following tables present the minimum regulatory capital requirement to support the Group's and the Bank's risk-weighted assets:

Table 3: Minimum capital requirement and risk-weighted assets

	31 December 2019		31 March 2019	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	13,089,369	1,047,149	12,560,247	1,004,820
Market Risk	35,361	2,829	31,021	2,482
Operational Risk	1,218,544	97,484	1,190,113	95,209
Total	14,343,274	1,147,462	13,781,381	1,102,510
	31 December 2019		31 March 2019	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Bank				
Credit Risk	13,073,524	1,045,882	12,560,708	1,004,857
Market Risk	35,361	2,828	31,021	2,482
Operational Risk	1,206,121	96,490	1,176,241	94,099
Total	14,315,006	1,145,200	13,767,970	1,101,438

The Group and the Bank do not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

**Basel II -
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2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows:

Table 4: Minimum capital requirement and risk-weighted assets by exposures

Group	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2019				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,769,660	5,769,660	-	-
Public Sector Entities	254,601	254,434	50,887	4,071
Banks, Development Financial Institution & MDBs	372,996	372,996	104,058	8,325
Corporates	5,894,965	5,794,386	4,607,399	368,592
Regulator Retail	6,296,749	6,295,396	5,517,859	441,429
Residential Real Estate	3,746,935	3,746,935	1,497,600	119,808
Higher Risk Assets	-	-	-	-
Other Assets	333,973	333,972	215,264	17,220
Defaulted Exposures	122,432	122,432	100,978	8,078
	22,792,311	22,690,211	12,094,045	967,523
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,018,330	1,018,330	952,448	76,196
Derivative financial instruments	129,847	129,847	42,876	3,430
	1,148,177	1,148,177	995,324	79,626
Total Credit Exposures	23,940,488	23,838,388	13,089,369	1,047,149
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,597	(1,609)	14,639	1,171
Foreign Currency Risk	33,621	(54,857)	20,722	1,658
Equity Position Risk	-	-	-	-
			35,361	2,829
(iii) Operational Risk (Basic Indicators Approach)			1,218,544	97,484
(iv) Total RWA and Capital Requirements			14,343,274	1,147,462

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

**Basel II -
Pillar 3 Disclosure**

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Group	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 March 2019				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,171,672	6,171,672	-	-
Public Sector Entities	246,087	245,943	49,189	3,935
Banks, Development Financial Institution & MDBs	302,181	302,181	91,038	7,283
Corporates	5,791,771	5,716,682	4,245,387	339,631
Regulator Retail	6,184,706	6,174,587	5,452,316	436,185
Residential Real Estate	3,676,698	3,676,698	1,488,010	119,041
Higher Risk Assets	-	-	-	-
Other Assets	324,745	324,745	202,763	16,222
Defaulted Exposures	141,053	141,053	124,614	9,969
	22,838,913	22,753,561	11,653,317	932,266
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	947,204	947,204	850,508	68,041
Derivative financial instruments	149,879	149,878	56,422	4,514
	1,097,083	1,097,082	906,930	72,554
Total Credit Exposures	23,935,996	23,850,643	12,560,247	1,004,820
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,769	(1,815)	11,851	948
Foreign Currency Risk	5,031	(19,170)	19,170	1,534
Equity Position Risk	-	-	-	-
			31,021	2,482
(iii) Operational Risk (Basic Indicators Approach)			1,190,113	95,209
(iv) Total RWA and Capital Requirements			13,781,381	1,102,510

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

**Basel II -
Pillar 3 Disclosure**

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2019				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,769,660	5,769,660	-	-
Public Sector Entities	254,601	254,434	50,887	4,071
Banks, Development Financial Institution & MDBs	372,996	372,996	104,058	8,325
Corporates	5,888,645	5,788,066	4,599,131	367,930
Regulator Retail	6,296,749	6,295,396	5,517,859	441,429
Residential Real Estate	3,746,935	3,746,935	1,497,600	119,808
Higher Risk Assets	-	-	-	-
Other Assets	326,396	326,395	207,687	16,613
Defaulted Exposures	122,432	122,432	100,978	8,078
	22,778,414	22,676,314	12,078,200	966,254
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,018,330	1,018,330	952,448	76,196
Derivative financial instruments	129,847	129,847	42,876	3,430
	1,148,177	1,148,177	995,324	79,626
Total Credit Exposures	23,926,591	23,824,491	13,073,524	1,045,880
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,597	(1,609)	14,639	1,171
Foreign Currency Risk	33,621	(54,857)	20,722	1,658
Equity Position Risk	-	-	-	-
			35,361	2,829
(iii) Operational Risk (Basic Indicators Approach)			1,206,121	96,490
(iv) Total RWA and Capital Requirements			14,315,006	1,145,200

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

**Basel II -
Pillar 3 Disclosure**

2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

		Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Bank					
31 March 2019					
(i) Credit Risk (Standardised Approach)					
(a) On Balance Sheet Exposures					
Sovereign/Central Banks		6,171,672	6,171,672	-	-
Public Sector Entities		246,087	245,943	49,189	3,935
Banks, Development Financial Institution & MDBs		302,181	302,181	91,038	7,283
Corporates		5,789,959	5,714,869	4,243,801	339,504
Regulator Retail		6,184,706	6,174,587	5,452,316	436,185
Residential Real Estate		3,676,698	3,676,698	1,488,010	119,041
Higher Risk Assets		-	-	-	-
Other Assets		326,792	326,792	204,810	16,385
Defaulted Exposures		141,053	141,053	124,614	9,969
		22,839,148	22,753,795	11,653,778	932,302
(b) Off-Balance Sheet Exposures**					
Credit-related off-balance sheet exposure		947,204	947,204	850,508	68,041
Derivative financial instruments		149,879	149,879	56,422	4,514
		1,097,083	1,097,083	906,931	72,555
Total Credit Exposures		23,936,231	23,850,878	12,560,708	1,004,856
(ii) Market Risk (Standardised Approach)					
Benchmark Rate Risk	Long Position	1,769	Short Position (1,815)	11,851	948
Foreign Currency Risk		5,031	(19,170)	19,170	1,534
Equity Position Risk		-	-	-	-
				31,021	2,482
(iii) Operational Risk (Basic Indicators Approach)					
				1,176,241	94,099
(iv) Total RWA and Capital Requirements					
				13,767,970	1,101,437

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

** Credit Risk of off balance sheet items

3.0 Risk Management

Overview

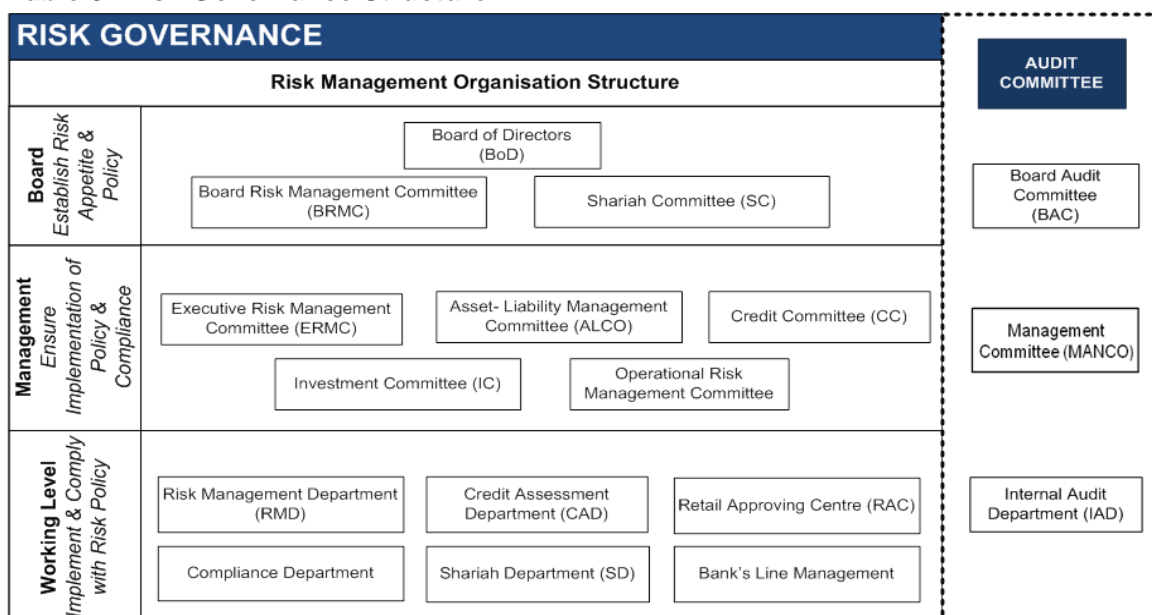
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance processes that outline responsibilities for risk management activities, as well as the governance and oversight of these activities.

An integral part of this approach is the systematic process of risk identification and measurement. Appropriate risk management strategies are then developed in line with the Bank's business plans and objectives, which include the ongoing monitoring and control of the identified risk exposures. The management and control over the principal risk areas of credit, market, asset and liability management, operational and Shariah are integrated to optimize and secure the Bank's strategic and competitive advantage.

Risk Governance

The Board of Directors holds the ultimate responsibility for the overall risk governance and oversight. This includes determining the appropriate risk strategies, setting the Bank's risk appetite and ensuring that the risks are monitored and controlled effectively. The Board oversees the risk management of the Bank through a clearly defined governance structure, which include board and management level committees with distinct roles and responsibilities.

Table 5: Risk Governance Structure



3.0 Risk Management (cont'd)

Risk Governance (cont'd)

The Board's primary oversight role is to understand the risks undertaken by the Bank and ensure that these risks are properly managed. While the Board is ultimately responsible for the Bank's management of risks, it has entrusted the Board Risk Management Committee ("BRMC") to carry out specific risk management oversight functions on its behalf.

BRMC, which is chaired by an independent director of the Board, is a board-level committee that oversees the overall management of risks and deliberates on risk-related issues and resolutions. The BRMC, acting on behalf of the Board, also ensures that the appropriate processes, resources, policies and guidelines are in place to manage the Bank's risks.

In addition, the Board is also supported by the Shariah Committee ("SC"), which was set up as an independent external body to decide on Shariah issues and to simultaneously assist towards risk mitigation and compliance with the Shariah principles.

The execution of the board-approved risk strategies and policies is the responsibility of the Bank's management and these functions are also exercised under a committee structure. Heading the management-level risk committees is the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The ERMC focuses on the overall business strategies and the Bank's day-to-day operations in respect of risk management.

Other management-level risk committees are set up to oversee specific risk areas and its related control functions as described below:

Table 6: Risk Committees & Functions

Committee	Objective
Asset & Liability Working Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by the BRMC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's financing exposures (business and consumer). These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decide on new and/or additional investment in securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

A dedicated and independent Risk Management Department ("RMD") supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the Management's and the Board's decision-making.

3.0 Risk Management (cont'd)

The Bank's risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in their undertaken business activities. The line managers are therefore responsible for the identification, measurement and management of risks within their respective areas of responsibility.

The risk governance framework is implemented under a "distributed function" approach where risk is being managed based on the three lines of defense model. The components and their respective roles are as described below:

Table 7: Risk Management Model

The First Line of Defense · Business Units	<ul style="list-style-type: none">· Responsible for managing risks assumed in day-to-day activities· Follow approved risk process· Apply internal controls and risk responses
The Second Line of Defense · Risk Management · Compliance	<ul style="list-style-type: none">· Provide specialized resources for developing risk frameworks, policies and methodologies· Provide guidance and direction· Oversee and challenge risk management
The Third Line of Defense · Audit	<ul style="list-style-type: none">· Review the first and second lines of defense· Perform independent assessment of the risk management for adequacy and effectiveness· Provide objective assurance and ensure compliance

Risk Appetite

Central to the Bank's risk management framework is the risk appetite. The risk appetite is defined as the level of risk that the Bank is willing to accept in fulfilling its business objectives. The Board, BRMC and senior management is responsible for determining the Bank's risk appetite and risk management strategy. The risk appetite is reviewed by the Board on an annual basis, in alignment with the annual strategic and business planning process.

The risk appetite framework is embedded within the Bank's key decision-making processes and supports the implementation of its strategy. It sets out the principles and policies that guide the Bank's behavior and decision-making for all risk taking activities towards achieving an optimal balance between risk and return. It also provides a clear reference point to monitor risk taking, to trigger appropriate action as the boundaries are approached or breached, and to minimize the likelihood of 'surprises' when adverse risk events occur.

As outlined in the risk appetite framework, a set of risk appetite statements has been developed to define the related risk capacity, appetite, tolerance and limits/targets of the Bank. The risk appetite statements, together with the risk tolerance limits and thresholds, are formulated to cover several key strategic and business risk levels or metrics such as capital ratios, liquidity, earnings volatility, asset portfolio composition and asset quality. The risk appetite, which is expressed in quantitative and qualitative forms, also incorporates the Bank's key performance indicators and states its stance towards reputational and Shariah non-compliance.

4.0 Credit Risk (General Disclosure)

Credit risk is defined as the potential financial loss caused by a retail customer or a wholesale counterparty failing to meet their obligations to the Bank as they become due. This covers all credit exposures, including guarantees and irrevocable undrawn facilities.

Risk arising from changes in credit quality is a central feature of the Bank's business, where uncertainty over the recoverability of financing and other amounts due from counterparties are inherent across most of the Bank's activities.

Adverse changes in the credit quality of a customer/counterparty or a general deterioration in the economic condition could affect the value of the Bank's assets and its overall financial performance. To a lesser degree, the Bank is also exposed to other forms of credit risk, such as settlement and pre-settlement risks, arising mainly from activities involving foreign exchange, investment securities, equities, commodities and derivatives transactions.

The BRMC and ERM C are the key board and management-level oversight committees responsible for the overall credit risk management activities. These include approving and review of risk strategies and policies, resolving any policy-related issues, and monitoring of the Bank's asset portfolios and risk profile.

Credit risk is managed under an established framework of policies, processes and procedures, which forms part of the overall risk governance framework. The risk management processes include assessing, measuring, mitigating and managing credit risk and maintaining it within the Bank's risk appetite.

Key components of the framework are the Credit Risk Policy ("CRP") and Guidelines to Credit Risk Policies ("GCRP"), which contain credit-related policies and procedures for the management of credit risk. These policies and procedures cover risk policies, controls and prudential limits; risk rating methodologies and application; financing underwriting standards and pricing; delegated credit approving authority; credit review and management of distressed assets; and rehabilitation, restructuring and provisioning for impaired financing. The policies are periodically reviewed and updated to ensure its efficacy and continued relevance.

An important element of credit risk management involves the allocation of the Bank's financing exposures into risk rating categories. This approach provides for sufficient level of granularity and detail of the financing assets to facilitate the identification, monitoring and management of the overall credit risk profile on a regular basis. These rating categories are also linked credit pricing and defined in relation to profit spread.

Credit approvals are performed under a formal delegated approving structure comprising a hierarchy of approving authorities with clearly defined scope and limits. The Credit Committee ("CC") is the main management-level committee involved in the approval of credit proposals (for amounts exceeding that of the lower individual authority limits) and the monitoring and management of distressed financing assets.

The Bank conducts regular review of its credit exposures based on portfolio segments and concentrations to ensure that these exposures are kept within the Board-approved risk appetite and risk tolerance levels. These review and analysis reports also provide the basis for ongoing risk management strategy and policy formulation.

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration

Table 8: Credit risk exposures and credit risk concentration by sector analysis

Group	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Household	Others	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	735,234	4,604,824
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	453,074	15,861,238
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	41,670	41,670
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,229,978	22,575,464
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Islamic derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,243,833	29,171,958

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Group 31 March 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Investment accounts due from designated financial institution	-	-	-	-	-	-	-	-
Financial investments at fair value through profit and loss	336,292	188,478	1,231	-	702	-	134,096	660,799
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	879,893	4,936,032
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,409,672	1,400,791	-	9,872,140	513,503	15,330,895
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	81,625	81,625
	5,232,780	1,466,861	2,979,660	1,518,037	702	9,872,140	1,609,117	22,679,297
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	219	445,509	463,118	212,101	3,529	50,203	229,233	1,403,912
Derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	44,660	6,234,149	595,714	553,737	26,982	56,744	299,281	7,811,267
Total credit exposures	5,277,440	7,701,010	3,575,374	2,071,774	27,684	9,928,884	1,908,398	30,490,564

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 December 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	732,809	4,602,399
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	449,179	15,857,343
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	40,780	40,780
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,222,768	22,568,254
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,236,623	29,164,748

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 March 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	830,571	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	11,937	-	-	-	-	-	11,937
Investment accounts due from designated financial institution	-	-	-	-	-	-	-	-
Financial investments at fair value through profit and loss	336,292	188,478	-	-	-	-	134,096	658,866
Financial investments at fair value through other comprehensive income	3,219,953	253,493	465,447	117,246	-	-	877,628	4,933,767
Financial assets at amortised cost	-	-	103,310	-	-	-	-	103,310
Islamic derivative financial assets	-	24,853	-	-	-	-	-	24,853
Financing of customers	977,260	157,529	2,411,355	1,400,791	-	9,872,140	514,206	15,333,281
Statutory deposits with Bank Negara Malaysia	699,275	-	-	-	-	-	-	699,275
Other assets	-	-	-	-	-	-	83,531	83,531
	5,232,780	1,466,861	2,980,112	1,518,037	-	9,872,140	1,609,461	22,679,391
Commitments and contingencies								
Contingent liabilities	44,441	93,147	132,596	341,636	23,453	6,541	70,048	711,862
Commitments	219	445,509	463,118	212,101	3,529	50,203	229,233	1,403,912
Derivative financial instruments	-	5,695,493	-	-	-	-	-	5,695,493
	44,660	6,234,149	595,714	553,737	26,982	56,744	299,281	7,811,267
Total credit exposures	5,277,440	7,701,010	3,575,826	2,071,774	26,982	9,928,884	1,908,742	30,490,658

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic	Labuan	Domestic	Labuan
31 December 2019	RM'000	RM'000	RM'000	RM'000
On Balance Sheet				
Exposures				
Cash and short-term funds	970,240	40,985	970,240	40,985
Cash and placements with financial institutions	53,925	-	53,925	-
Financial investment at fair value through profit and loss	139,684	169,109	139,684	169,109
Financial investments at fair value through other comprehensive income	4,596,572	8,252	4,594,147	8,252
Financial investments amortised cost	103,162	-	103,162	-
Islamic derivative financial assets	21,859	-	21,859	-
Financing of customers	15,861,238	-	15,857,343	-
Statutory deposits with Bank Negara Malaysia	568,768	-	568,768	-
Other assets	41,667	3	40,777	3
	22,357,115	218,349	22,349,905	218,349
Commitments and contingencies				
Contingent liabilities	698,672	-	698,672	-
Commitments	1,657,539	-	1,657,539	-
Derivative financial instruments	4,240,283	-	4,240,283	-
	6,596,494	-	6,596,494	-
Total credit exposures	28,953,609	218,349	28,946,399	218,349

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis (cont'd)

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
31 March 2019				
On Balance Sheet				
Exposures				
Cash and short-term funds	795,794	34,777	795,794	34,777
Cash and placements with financial institutions	11,937	-	11,937	-
Investment accounts due from designated financial institution	-	-	-	-
Financial investment at fair value through profit and loss	472,321	188,478	470,388	188,478
Financial investments at fair value through other comprehensive income	4,927,888	8,144	4,925,623	8,144
Financial investments amortised cost	103,310	-	103,310	-
Islamic derivative financial assets	24,853	-	24,853	-
Financing of customers	15,330,895	-	15,333,281	-
Statutory deposits with Bank Negara Malaysia	699,275	-	699,275	-
Other assets	81,622	3	83,528	3
	<u>22,447,895</u>	<u>231,402</u>	<u>22,447,989</u>	<u>231,402</u>
Commitments and contingencies				
Contingent liabilities	711,862	-	711,862	-
Commitments	2,857,115	-	2,857,115	-
Derivative financial instruments	5,695,493	-	5,695,493	-
	<u>9,264,470</u>	<u>-</u>	<u>9,264,470</u>	<u>-</u>
Total credit exposures	<u>31,712,365</u>	<u>231,402</u>	<u>31,712,459</u>	<u>231,402</u>

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures of Financial Assets by Maturity Distribution

Table 10: Credit risk exposures of financial assets by remaining contractual maturity

Group	Up to 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,011,492	-	-	-	1,011,492
Cash and placements with financial institutions	53,925	-	-	-	53,925
Financial investments at fair value through profit and loss	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	866,862	907,482	2,528,637	301,843	4,604,824
Financial investments amortised cost	-	-	-	103,162	103,162
Islamic derivative financial assets	21,859	-	-	-	21,859
Financing of customers	2,878,082	1,560,184	5,155,270	6,267,702	15,861,238
Statutory deposits with Bank Negara Malaysia				568,768	568,768
Other assets	1,381	39,689	600	-	41,670
Total On-Balance Sheet Exposures	4,889,910	2,620,155	7,824,191	7,241,475	22,575,731
Group	Up to 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Total
31 March 2019	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	830,571	-	-	-	830,571
Cash and placements with financial institutions	11,937	-	-	-	11,937
Financial investments at fair value through profit and loss	450,687	53,657	151,266	5,189	660,799
Financial investments at fair value through other comprehensive income	207,033	93,468	2,920,420	1,715,111	4,936,032
Financial investments amortised cost	273	441	-	102,596	103,310
Islamic derivative financial assets	24,853	-	-	-	24,853
Financing of customers	2,612,928	1,448,500	4,909,639	6,359,828	15,330,895
Statutory deposits with Bank Negara Malaysia				699,275	699,275
Other assets	-	81,625	-	-	81,625
Total On-Balance Sheet Exposures	4,138,282	1,677,691	7,981,325	8,881,999	22,679,297

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Exposures of Financial Assets by Maturity Distribution (cont'd)

Table 10: Credit Risk Exposures of financial assets by remaining contractual maturity (cont'd)

Bank	Up to 6	> 6 - 12	> 1 - 5	Over 5	Total
31 December 2019	months	months	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	
On-Balance Sheet Exposures					
Cash and short-term funds	1,011,225	-	-	-	1,011,225
Cash and placements with financial institutions	53,925	-	-	-	53,925
Financial investments at fair value through profit and loss	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	866,862	907,482	2,526,212	301,843	4,602,399
Financial investments amortised cost	-	-	-	103,162	103,162
Islamic derivative financial assets	21,859	-	-	-	21,859
Financing of customers	2,878,082	1,560,184	5,155,269	6,263,808	15,857,343
Statutory deposits with Bank Negara Malaysia	-	-	-	568,768	568,768
Other assets	1,328	38,852	600	-	40,780
Total On-Balance Sheet Exposures	4,889,590	2,619,318	7,821,765	7,237,581	22,568,254
Bank	Up to 6	> 6 - 12	> 1 - 5	Over 5	Total
31 March 2019	months	months	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	
On-Balance Sheet Exposures					
Cash and short-term funds	830,571	-	-	-	830,571
Cash and placements with financial institutions	11,937	-	-	-	11,937
Investment accounts due from designated financial institution	-	-	-	-	-
Financial investments at fair value through profit and loss	450,686	53,657	149,334	5,189	658,866
Financial investments at fair value through other comprehensive income	207,033	93,468	2,918,155	1,715,111	4,933,767
Financial investments amortised cost	273	441	-	102,596	103,310
Islamic derivative financial assets	24,853	-	-	-	24,853
Financing of customers	2,612,928	1,448,500	4,909,639	6,362,214	15,333,281
Statutory deposits with Bank Negara Malaysia	-	-	-	699,275	699,275
Other assets	-	83,531	-	-	83,531
Total On-Balance Sheet Exposures	4,138,281	1,679,597	7,977,128	8,884,385	22,679,391

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Management Approach

Credit risk is inherent in all credit-related activities such as in the granting of financing facilities and participation in treasury and investment banking activities.

Credit risk exposures are controlled and managed at every stage of the credit process through various methods and techniques. At the point of origination, the credit exposure is assessed with well-defined financing granting criteria, which include the identification of a clear and adequate source of payment or income generation from the customer, structuring of an effective financing package and incorporation of appropriate risk mitigants.

The Bank's credit-origination and granting activities are segregated by business lines based on customer types/business segments. Specifically, these are Business Banking for corporate, commercial and retail SME customers, Consumer Banking for retail/individual customers and Investment Banking for syndications and capital market instruments. These departments are responsible for marketing, developing and managing the Bank's financing and investment assets as well as ensuring the quality and timely delivery of its products and services.

The Bank has an established structure to facilitate the credit approval process which defines the appropriate level of approving authority and limits. These approving authority and limits are duly sanctioned by the Board and are subject to periodic reviews to assess its effectiveness as well as compliance. To enhance the risk identification process, the financing proposals by the origination departments are subjected to independent credit reviews and risk assessments by the relevant credit assessment departments prior to submission to the approving authority for decision.

Credit portfolios are managed and monitored against stipulated portfolio exposure limits with the objective to avoid credit concentration and excessive build-up of exposures and to preserve the credit portfolios' quality through timely and appropriate corrective actions.

The Credit Risk report is produced and deliberated at the management and board level committees on a monthly basis to monitor the overall exposures and limits. Risk Profiling Analysis on selected asset portfolios is conducted on a regular basis to analyze the asset quality for possible deterioration or concentration build-up and potential weaknesses or threats arising from internal and external factors.

Stress Test on credit exposures is used as a tool to identify possible events or future changes in the financial and economic conditions that could have an unfavorable impact on the Bank's exposures. It is also used to assess the Bank's ability to withstand such changes in relation to the capacity of capital and earnings to absorb potentially significant losses.

The monitoring and recovery of delinquent and problematic financing accounts are undertaken by two departments; namely the Consumer Financing Supervision and Recovery Department ("CFSRD") and the Business Financing Supervision and Recovery Department ("BFSRD"). Within the BFSRD, the Early Care and Remedial Management units have been tasked to monitor and undertake pre-emptive measures on business financing with early warning signs to prevent further deterioration and/or initiate rehabilitation actions such as rescheduling and restructuring of the affected accounts.

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Risk Management Approach (cont'd.)

Classification and loss provisioning of the Bank's impaired financing and investment assets is performed upon determination of impairment evidence and by categorization into individual and collective assessment. The process and approach is defined in the GCRP and other related policies and SOPs as prescribed under the MFRS 9 and BNM guidelines.

The Bank implemented a new risk rating approach for its business and consumer financing portfolios, introduced gradually from year 2011. Credit scorecards using statistical and heuristic-based methodologies were developed and applied to assess the customers' risk levels and assist in the Bank's credit decision. The credit risk grades are also used in portfolio monitoring and limit setting and in building a more robust estimation of credit losses in the future as prescribed under the Internal Rating Based ("IRB") approach.

Aside from the credit risk rating, the Bank is also enhancing its portfolio management capability through the development of a data mart and acquisition of more analytical and risk management systems.

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers

Table 11: Credit quality of financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group	Neither past due nor impaired		Past due	Impaired	Total
31 December 2019	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Leasing receivables	-	-	-	-	-
- Other term financing	6,933,843	37,520	46,147	65,275	7,082,785
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,320,099	265,775	218,039	209,166	16,013,079
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(51,342)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(13,766)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,320,099	265,775	218,039	122,432	15,861,237

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

Financing of customers are analysed as follows:

Group	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
31 March 2019	Good RM'000	Satisfactory RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	4,055,671	241,430	140,918	105,797	4,543,816
- Syndicated financing	653,567	-	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	4,232	581,633
- Leasing receivables	-	-	-	-	-
- Other term financing	6,601,041	51,929	37,655	69,655	6,760,280
Other financing	2,889,737	14,060	3,556	41,532	2,948,885
	14,752,032	321,224	193,709	221,216	15,488,181
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(55,886)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(7,448)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(93,952)	(93,952)
Total net financing	14,752,032	321,224	193,709	127,264	15,330,895

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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Bank	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
31 December 2019	Good	Satisfactory	impaired		
	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Leasing receivables	-	-	-	-	-
- Other term financing	6,929,949	37,520	46,147	65,275	7,078,891
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,316,205	265,775	218,039	209,166	16,009,185
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(51,342)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(13,766)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,316,205	265,775	218,039	122,432	15,857,343

**Basel II -
Pillar 3 Disclosure**

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

Financing of customers are analysed as follows:

Bank	Neither past due nor impaired		Past due	Impaired	Total
31 March 2019	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	4,055,671	241,430	140,918	105,797	4,543,816
- Syndicated financing	653,567	-	-	-	653,567
- Hire purchase receivables	552,016	13,805	11,580	4,232	581,633
- Leasing receivables	-	-	-	-	-
- Other term financing	6,603,427	51,929	37,655	69,655	6,762,666
Other financing	2,889,737	14,060	3,556	41,532	2,948,885
	14,754,418	321,224	193,709	221,216	15,490,567
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(55,886)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(7,448)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(93,952)	(93,952)
Total net financing	14,754,418	321,224	193,709	127,264	15,333,281

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Financing of customers are analysed as follows: (cont'd.)

(i) Neither past due nor impaired

Gross financing and advances which are neither past due nor impaired:

- "Good Grade" refers to financing and advances which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory Grade" refers to financing and advances which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

(ii) Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make a principal or profit payment after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

Table 13: Past due but not impaired

Group and Bank 31 December 2019	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	109,593	48,483	158,076
- Hire purchase receivables	-	5,023	3,891	8,914
- Other term financing	-	32,619	13,528	46,147
Other financing	-	4,522	380	4,902
Total	-	151,757	66,282	218,039

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Financing of customers are analysed as follows: (cont'd.)

(ii) Past due but not impaired (cont'd)

Table 13: Past due but not impaired (cont'd)

Group and Bank 31 March 2019	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	95,261	45,657	140,918
- Hire purchase receivables	-	7,612	3,968	11,580
- Other term financing	-	23,089	14,566	37,655
Other financing	-	2,696	860	3,556
Total	-	128,658	65,051	193,709

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	31 December 2019 RM'000	31 March 2019 RM'000
Purchase of transport vehicles	8,914	11,580
Purchase of landed properties of which:		
– residential	156,458	141,093
– non-residential	11,983	12,882
Purchase of fixed assets (excluding landed properties)	-	-
Personal use	28,035	25,350
Working capital	4,248	2,515
Other purpose	8,401	289
	218,039	193,709

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 December 2019 RM'000	31 March 2019 RM'000
Domestic	218,039	193,709
Labuan Offshore	-	-
	218,039	193,709

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

(iii) Impaired financing

A financing of customer is considered past due when any payment (whether principal and/or profit) due under the contractual terms are received late or missed.

Financing and advances are classified as credit-impaired when they fulfil any of the following criteria:

- (a) principal or profit or both are past due for ninety (90) days or more; or
- (b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or
- (c) where a financing is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the financing exhibits indications of significant credit weaknesses; or
- (d) where a financing has been classified as rescheduled and restructured ("R&R"), the financing will be classified as credit-impaired until payments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months; or
- (e) for payments scheduled on intervals of ninety (90) days or more, as soon as default occurs.

In addition, financing that is considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a financing is credit-impaired.

The financial effects of the adoption of MFRS 9 in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.4.

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 December 2019						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December	Total Impairment Allowances for Financing
Purchase of securities	-	-	-	-	-	323	323
Purchase of transport vehicles	2,450	14	(14)	-	-	3,342	3,342
Purchase of landed properties of which:							-
– residential	110,154	9,479	(885)	-	8,594	40,445	49,039
– non-residential	33,638	2,306	104	-	2,409	3,254	5,664
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	217	217
Personal use	33,883	448	166	-	614	58,069	58,683
Construction	-	-	-	-	-	1,626	1,626
Working capital	28,007	13,298	1,819	-	15,118	16,666	31,784
Other purpose	1,034	-	-	-	-	1,164	1,164
	209,166	25,545	1,190	-	26,735	125,106	151,842

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 March 2019								
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 April as previously stated RM'000	Effect of adopting MFRS 9 RM'000	Individual Assessment Allowance, at 1 April as restated RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	-	-	-	372	372
Purchase of transport vehicles	4,232	3,782	286	3,496	(1,569)	1,912	14	4,579	4,593
Purchase of landed properties of which:			-						
– residential	104,734	-	(4,448)	4,448	5,031	-	9,479	40,063	49,542
– non-residential	30,037	-	(826)	826	1,480	-	2,306	3,191	5,497
Purchase of fixed assets (excluding landed properties)	-	42	42	-	-	-	-	328	328
Personal use	50,088	(548)	(572)	24	424	-	448	68,879	69,327
Construction	-	22	(16,346)	16,368	(1,792)	14,576	-	1,756	1,756
Working capital	31,154	11,341	(54,943)	66,284	(2,770)	50,216	13,298	11,383	24,681
Other purpose	973	2,292	652	1,640	(1,235)	404	-	1,192	1,192
	221,216	16,931	(76,155)	93,086	(431)	67,110	25,545	131,741	157,286

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Bank	31 December 2019						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	-	323	323
Purchase of transport vehicles	2,450	14	(14)	-	-	3,342	3,342
Purchase of landed properties of which:							
– residential	110,154	9,479	(885)	-	8,594	40,445	49,039
– non-residential	33,638	2,306	104	-	2,409	3,254	5,664
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	217	217
Personal use	33,883	448	166	-	614	58,069	58,683
Construction	-	-	-	-	-	1,626	1,626
Working capital	28,007	13,298	1,820	-	15,118	16,666	31,784
Other purpose	1,034	-	-	-	-	1,165	1,165
	209,166	25,545	1,190	-	26,735	125,107	151,842

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Bank	31 March 2019								
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 April as previously stated RM'000	Effect of adopting MFRS 9 RM'000	Individual Assessment Allowance, at 1 April as restated RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment 31 March	Total Impairment Allowances for Financing
Purchase of securities	-	-		-	-	-	-	372	372
Purchase of transport vehicles	4,232	3,782	286	3,496	(1,569)	1,912	14	4,579	4,593
Purchase of landed properties of which:									
– residential	104,734	-	(4,448)	4,448	5,031	-	9,479	40,063	49,542
– non-residential	30,037	-	(826)	826	1,480	-	2,306	3,191	5,497
Purchase of fixed assets (excluding landed properties)	-	42	42	-	-	-	-	328	328
Personal use	50,088	(548)	(572)	24	424	-	448	68,879	69,327
Construction	-	23	(16,345)	16,368	(1,792)	14,576	-	1,756	1,756
Working capital	31,154	16,274	(50,010)	66,284	(2,770)	50,216	13,298	11,383	24,681
Other purpose	973	2,291	651	1,640	(1,235)	406	-	1,192	1,191
	221,216	21,864	(71,222)	93,086	(431)	67,110	25,545	131,741	157,286

**Basel II -
Pillar 3 Disclosure**

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution

The following tables present an analysis of the impaired financing by geographical distribution.

Group	31 December 2019						
	Impaired Financing	Individual Assessment Allowance at 1 April	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 December	Collective Assessment Allowance at 31 December	Total Impairment Allowances for Financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Domestic	209,166	-	1,190	-	26,735	125,107	151,842
Labuan offshore	-	-	-	-	-	-	-
	209,166	-	1,190	-	26,735	125,107	151,842

Group	31 March 2019						
	Impaired Financing	Individual Assessment Allowance at 1 April	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Domestic	221,216	93,086	(431)	67,110	25,545	131,741	157,286
Labuan offshore	-	-	-	-	-	-	-
	221,216	93,086	(431)	67,110	25,545	131,741	157,286

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution (cont'd)

The following tables present an analysis of the impaired financing by geographical distribution.

	31 December 2019						
	Individual Assessment Impaired Financing RM'000	Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Bank							
Domestic	209,166	-	1,190	-	26,735	125,107	151,842
Labuan offshore	-	-	-	-	-	-	-
	209,166	-	1,190	-	26,735	125,107	151,842

	31 March 2019						
	Individual Assessment Impaired Financing RM'000	Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing RM'000
Bank							
Domestic	221,216	93,086	(431)	67,110	25,545	131,741	157,286
Labuan offshore	-	-	-	-	-	-	-
	221,216	93,086	(431)	67,110	25,545	131,741	157,286

4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed;
- For share margin financing - pledges over securities from listed exchange;
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at **88.1 and 88.1%** respectively as at 31 December 2019 (The Group and the Bank are at 96.6% and 96.6% respectively as at 31 March 2019). The financial effect of collateral held for other financial assets is not significant.

As at 31 December 2019, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM41,210,434 as compared against 31 March 2019 total amount of RM50,738,280. The collateral consists of cash, securities, letters of guarantee, and properties.

(v) Repossessed Collateral

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral's repossessed by the Bank are subject to disposal as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank do not occupy repossessed properties for its own business use.

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach)

The Group and the Bank use the external rating agencies such as MARC, RAM, Moody's, Standard & Poors, Fitch and R&I for rating of commercial papers (CPs) and corporate bonds (CBs) or participation of syndication or underwriting of PDS issuance.

Each ECAI is used based on the types of exposures as described per Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's and the Bank's credit exposures that are presently not mapped to the ECAI ratings are depicted below as unrated. Rating for financing exposure based on the obligor rating and treasury exposure based on issue rating of the exposure.

Table 16: Rating distribution on credit exposures

Group

31 December 2019

31 December 2019

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000			
<u>On and Off Balance-Sheet Exposures</u>											
<u>Credit Exposures - Standardised Approach</u>											
Sovereigns/Central Banks	5,783,743	-	-	-	-	-	-	-	-	-	5,783,743
Public Sector Entities	-	-	-	-	-	-	-	-	266,451	-	266,451
Banks, Development Financial Institutions & MDBs	40,946	-	55,272	-	98,196	-	-	107,836	178,581	9	480,840
Corporates	1,544,963	5,187	130,374	58,109	380,785	103,162	-	214,136	4,431,898	1,392	6,870,006
Regulatory Retail	-	-	-	-	-	-	-	-	6,392,378	-	6,392,378
Residential Mortgages	-	-	-	-	-	-	-	-	3,820,671	-	3,820,671
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,399	-	326,399
Total	7,369,652	5,187	185,646	58,109	478,981	103,162	-	321,972	15,416,378	1,401	23,940,488

Group

31 March 2019

07 March 2019

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000			
<u>On and Off Balance-Sheet Exposures</u>											
<u>Credit Exposures - Standardised Approach</u>											
Sovereigns/Central Banks	6,180,670	-	-	-	-	-	-	-	-	-	6,180,670
Public Sector Entities	-	-	-	-	-	-	-	-	255,707	-	255,707
Banks, Development Financial Institutions & MDBs	45,331	-	15,157	-	102,007	-	-	115,989	139,686	359	418,529
Corporates	1,986,326	40,095	188,252	75,751	315,416	354,261	3,343	26,903	3,732,276	757	6,723,380
Regulatory Retail	-	-	-	-	-	-	-	-	6,299,084	-	6,299,084
Residential Mortgages	-	-	-	-	-	-	-	-	3,731,834	-	3,731,834
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,791	-	326,791
Total	8,212,327	40,095	203,409	75,751	417,423	354,261	3,343	142,892	14,485,378	1,116	23,935,996

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Bank

31 December 2019

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000			
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	5,783,743	-	-	-	-	-	-	-	-	-	5,783,743
Public Sector Entities	-	-	-	-	-	-	-	-	266,451	-	266,451
Banks, Development Financial Institutions & MDBs	40,946	-	55,272	-	98,196	-	-	107,836	178,581	9	480,840
Corporates	1,544,963	5,187	130,374	58,109	380,785	103,162	-	214,136	4,418,001	1,392	6,856,109
Regulatory Retail	-	-	-	-	-	-	-	-	6,392,378	-	6,392,378
Residential Mortgages	-	-	-	-	-	-	-	-	3,820,671	-	3,820,671
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,399	-	326,399
Total	7,369,652	5,187	185,646	58,109	478,981	103,162	-	321,972	15,402,481	1,401	23,926,591

Bank

31 March 2019

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000			
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	6,180,670	-	-	-	-	-	-	-	-	-	6,180,670
Public Sector Entities	-	-	-	-	-	-	-	-	255,707	-	255,707
Banks, Development Financial Institutions & MDBs	45,331	-	15,157	-	102,007	-	-	115,989	139,686	359	418,529
Corporates	1,986,326	40,095	188,252	75,751	315,416	354,261	3,343	26,903	3,732,511	757	6,723,615
Regulatory Retail	-	-	-	-	-	-	-	-	6,299,084	-	6,299,084
Residential Mortgages	-	-	-	-	-	-	-	-	3,731,834	-	3,731,834
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,792	-	326,792
Total	8,212,327	40,095	203,409	75,751	417,423	354,261	3,343	142,892	14,485,614	1,116	23,936,231

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Corporate by Approved ECAls					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC RII Inc RM'000	AAA to AA- AAA to AA- RM'000	A+ to A- A+ to A- RM'000	BBB+ to BB- BBB+ to BB- RM'000	B+ to D B+ to D RM'000	Unrated Unrated RM'000

On and Off Balance-Sheet Exposures
Credit Exposures (Using Corporate Risk Weights)

Group and Bank
31 December 2019

Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	266,451
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	1,952,769	380,785	103,162	0	4,419,393
Total	1,952,769	380,785	103,162	0	4,685,844

Group and Bank
31 March 2019

Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	255,707
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	2,317,327	315,416	354,261	3,343	3,733,268
Total	2,317,327	315,416	354,261	3,343	3,988,975

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	2	3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	RII Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Group and Bank						
31 December 2019						
Banks, MDBs and FDIs		107,836	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates						
Total		107,836	-	-	-	-
Group and Bank						
31 March 2019						
Banks, MDBs and FDIs		115,989	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates						
Total		115,989	-	-	-	-

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Group and Bank
31 December 2019

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII Inc	AAA to AA- RM'000	A+ to A- RM'000	BBB+ to BBB- RM'000	BB+ to B- RM'000	CCC+ to C RM'000	Unrated RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		5,783,743	-	-	-	-	-
Total		5,783,743	-	-	-	-	-

Group and Bank
31 March 2019

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII Inc	AAA to AA- RM'000	A+ to A- RM'000	BBB+ to BBB- RM'000	BB+ to B- RM'000	CCC+ to C RM'000	Unrated RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		-	-	-	-	-	-
Total		-	-	-	-	-	-

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Banking Institutions by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Group and Bank							
31 December 2019							
Banks, MDBs and FDIs		96,219	98,196	-	-	-	178,590
Total		96,219	98,196	-	-	-	178,590
Group and Bank							
31 March 2019							
Banks, MDBs and FDIs		60,487	102,007	-	-	-	140,046
Total		60,487	102,007	-	-	-	140,046

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows:

Table 17: Credit risk disclosure by risk weights

31 December 2019

Group	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
Risk-Weights											
0%	5,783,743	-	-	-	-	-	-	-	118,709	5,902,452	-
20%	-	266,284	382,644	1,169,620	-	-	-	-	-	1,818,548	363,710
35%	-	-	-	-	-	3,110,625	-	-	-	3,110,625	1,088,719
50%	-	-	98,196	581,703	2,667	513,050	-	-	-	1,195,616	597,808
75%	-	-	-	-	3,163,608	11,643	-	-	-	3,175,251	2,381,439
100%	-	-	-	4,977,361	3,214,321	185,353	-	-	215,264	8,592,299	8,592,299
150%	-	-	-	33,167	10,430	-	-	-	-	43,597	65,394
Total	5,783,743	266,284	480,840	6,761,851	6,391,026	3,820,671	-	-	333,973	23,838,388	13,089,369

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2019

Group	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
Risk-Weights											
0%	6,180,670	-	-	-	-	-	-	-	121,984	6,302,655	-
20%	-	255,563	316,522	1,521,373	-	-	-	-	-	2,093,458	418,692
35%	-	-	-	-	-	2,932,351	-	-	-	2,932,351	1,026,323
50%	-	-	102,007	659,027	8,979	608,162	-	-	-	1,378,176	689,088
75%	-	-	-	-	2,941,123	13,292	-	-	-	2,954,416	2,215,812
100%	-	-	-	4,428,453	3,338,864	178,029	-	-	202,758	8,148,105	8,148,106
150%	-	-	-	41,484	-	-	-	-	-	41,484	62,226
Total	6,180,670	255,563	418,529	6,650,337	6,288,966	3,731,834	-	-	324,743	23,850,643	12,560,247

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 December 2019

	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
Risk-Weights											
0%	5,783,743	-	-	-	-	-	-	-	118,709	5,902,452	-
20%	-	266,284	382,644	1,169,620	-	-	-	-	-	1,818,548	363,710
35%	-	-	-	-	-	3,110,625	-	-	-	3,110,625	1,088,719
50%	-	-	98,196	581,703	2,667	513,050	-	-	-	1,195,616	597,808
75%	-	-	-	-	3,163,608	11,643	-	-	-	3,175,251	2,381,439
100%	-	-	-	4,974,936	3,214,321	185,353	-	-	207,688	8,582,298	8,582,297
150%	-	-	-	29,271	10,430	-	-	-	-	39,701	59,551
Total	5,783,743	266,284	480,840	6,755,530	6,391,026	3,820,671	-	-	326,397	23,824,491	13,073,524

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 March 2019

	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
Risk-Weights											
0%	6,180,670	-	-	-	-	-	-	-	121,984	6,302,655	-
20%	-	255,563	316,522	1,521,373	-	-	-	-	-	2,093,458	418,692
35%	-	-	-	-	-	2,932,351	-	-	-	2,932,351	1,026,323
50%	-	-	102,007	659,027	8,979	608,162	-	-	-	1,378,176	689,088
75%	-	-	-	-	2,941,123	13,292	-	-	-	2,954,416	2,215,812
100%	-	-	-	4,426,188	3,338,863	178,029	-	-	204,806	8,147,886	8,147,888
150%	-	-	-	41,937	-	-	-	-	-	41,937	62,905
Total	6,180,670	255,563	418,529	6,648,525	6,288,965	3,731,834	-	-	326,790	23,850,878	12,560,708

6.0 Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach

Upon assessment of a customer's credit standing and payment capacity and identification of the proposed financing's source of repayment, the Bank may provide a financing facility on a secured, partially secured or unsecured basis. In mitigating its credit exposure, the Group and the Bank may employ Credit Risk Mitigants in the form of collaterals and other supports. Examples of these CRMs include charges over residential and commercial properties being financed; pledge over shares and marketable securities, ownership claims over vehicles being financed, and supports in the form of debentures, assignments and guarantees.

The Bank utilise specific techniques to identify eligible collaterals and securities and ascertain their value, and subsequently, implement adequate monitoring process to ensure continued coverage and enforceability.

Credit documentation, administration and disbursement are carried out under clear guidelines and procedures to ensure protection and enforceability of collaterals and other credit risk mitigants. Valuation updates of collaterals are concurrently done during the periodic review of the financing facilities to reflect current market value and ensure adequacy and continued coverage.

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group and the Bank do not have any credit exposure, which is reduced through the application of other eligible collateral.

Table 18: Credit risk mitigation on credit exposures

		Total Exposures Covered by Eligible Financial Collateral	*Net Exposures
	Gross Exposures	RM'000	RM'000
Group			
31 December 2019			
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	5,769,660	-	5,769,660
Public sector entities	254,601	167	254,434
Banks, Development Financial Institution & MDBs	372,996	-	372,996
Corporates	5,894,965	100,581	5,794,384
Regulatory retail	6,296,749	1,352	6,295,397
Residential real estate	3,746,935	-	3,746,935
Higher risk assets	-	-	-
Other assets	333,973	-	333,973
Defaulted exposure	122,432	-	122,432
	22,792,311	102,100	22,690,211
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,018,330	-	1,018,330
Derivative financial instruments	129,847	-	129,847
	1,148,177	-	1,148,177
Total Credit Exposures	23,940,488	102,100	23,838,388

Note:

* After netting and credit risk mitigation

6.0 Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (cont'd)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Group	Total Exposures Covered by Eligible Financial Collateral		
	Gross Exposures	*Net Exposures	
31 March 2019	RM'000	RM'000	RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	6,171,672	-	6,171,672
Public sector entities	246,087	144	245,943
Banks, Development Financial Institution & MDBs	302,181	-	302,181
Corporates	5,791,771	75,090	5,716,681
Regulatory retail	6,184,706	10,119	6,174,587
Residential real estate	3,676,698	-	3,676,698
Higher risk assets	-	-	-
Other assets	324,745	-	324,745
Defaulted exposure	141,053	-	141,053
	22,838,912	85,353	22,753,560
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	947,204	-	947,204
Derivative financial instruments	149,879	-	149,879
	1,097,083	-	1,097,083
Total Credit Exposures	23,935,995	85,353	23,850,643

Note:

* After netting and credit risk mitigation

6.0 Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (cont'd)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Bank	Total Exposures Covered by Eligible Financial Collateral		
	Gross Exposures RM'000	Financial Collateral RM'000	*Net Exposures RM'000
31 December 2019			
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central Banks	5,769,660	-	5,769,660
Public Sector Entities	254,601	167	254,434
Banks, Development Financial Institution & MDBs	372,996	-	372,996
Corporates	5,888,645	100,581	5,788,064
Regulatory Retail	6,296,749	1,352	6,295,397
Residential Real Estate	3,746,935	-	3,746,935
Higher Risk Assets	-	-	-
Other Assets	326,396	-	326,396
Defaulted Exposures	122,432	-	122,432
	22,778,414	102,100	22,676,314
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,018,330	-	1,018,330
Derivative Financial Instruments	129,847	-	129,847
	1,148,177	-	1,148,177
Total Credit Exposures	23,926,591	102,100	23,824,491

Note:

* After netting and credit risk mitigation

6.0 Credit Risk Mitigation ("CRM") Disclosures under the Standardised Approach (cont'd)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Bank	Total Exposures Covered by Eligible		
	Gross Exposures RM'000	Financial Collateral RM'000	*Net Exposures RM'000
31 March 2019			
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central Banks	6,171,672	-	6,171,672
Public Sector Entities	246,087	144	245,943
Banks, Development Financial Institution & MDBs	302,181	-	302,181
Corporates	5,789,959	75,090	5,714,869
Regulatory Retail	6,184,706	10,119	6,174,587
Residential Real Estate	3,676,698	-	3,676,698
Higher Risk Assets	-	-	-
Other Assets	326,792	-	326,792
Defaulted Exposures	141,053	-	141,053
	22,839,147	85,353	22,753,795
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	947,204	-	947,204
Derivative Financial Instruments	149,879	-	149,879
	1,097,083	-	1,097,083
Total Credit Exposures	23,936,230	85,353	23,850,878

Note:

* After netting and credit risk mitigation

7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk ("CCR")

Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers.

Notwithstanding the above, the Bank establishes specific limits to manage its exposure to off-balance sheet and counterparty risks, which are derived based on, amongst others, the respective counterparty's financial strength and credit rating, sector limits, SCEL limits, connected party, domicile country's risk rating, existing relationship with the Bank and utilization trend of allocated limits. These limits are monitored and reviewed on a regular basis. No material losses are anticipated as a result of these transactions. Risk weighted exposures of commitments and contingencies are as follows:

Table 19: Commitments and contingencies

	Group and Bank					
	31 December 2019		Total risk weighted amount	31 March 2019		
	Principal amount	Credit equivalent amount		Principal amount	Credit equivalent amount	Total risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The commitments and contingencies constitute the following :						
Contingent liabilities						
Direct credit substitutes	231,450	231,450	205,352	203,424	203,424	169,198
Trade-related contingencies	38,679	7,736	1,494	83,279	16,656	7,763
Transaction related contingencies	428,543	214,272	201,091	425,159	212,580	199,194
Commitments						
Credit extension commitment:						
- Maturity within one year	879,658	175,932	171,477	624,707	124,941	123,594
- Maturity exceeding one year	777,881	388,941	373,034	779,205	389,603	350,760
Islamic derivative financial instruments						
Foreign exchange related contracts	2,965,283	58,660	28,638	3,545,493	63,942	39,235
- Maturity within one year	2,965,283	58,660	28,638	3,545,493	63,942	39,235
- Maturity exceeding one year	-	-	-	-	-	-
Profit rate related contract	1,275,000	71,188	14,238	2,150,000	85,938	17,188
- Maturity within one year	75,000	188	38	875,000	2,188	438
- Maturity exceeding one year	1,200,000	71,000	14,200	1,275,000	83,750	16,750
Total off-balance sheet exposures	6,596,494	1,148,179	995,324	7,811,267	1,097,084	906,932

**Basel II -
Pillar 3 Disclosure**

7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk ("CCR") (cont'd)

Islamic derivative financial assets/(liabilities)

The table below shows the fair values of Islamic derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Table 20: Islamic derivative financial assets/(liabilities)

Group and Bank	31 December 2019			31 March 2019		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	1,294,988	2,784	(19,088)	1,322,983	13,765	(7,963)
- Currency swaps						
Less than one year	1,642,880	19,064	(4,299)	1,858,525	8,835	(12,946)
- Currency spot						
Less than one year	27,415	11	(66)	363,985	2,253	(708)
- Dual currency investment option	-	-	-	-	-	-
	2,965,283	21,859	(23,453)	3,545,493	24,853	(21,617)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	75,000	-	(916)	950,000	-	(2,123)
Hedged IPRS	1,200,000	-	(53,178)	1,200,000	-	(24,422)
Total	4,240,283	21,859	(77,547)	5,695,493	24,853	(48,162)

**Basel II -
Pillar 3 Disclosure**

7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk ("CCR") (cont'd)

Islamic derivative financial assets/(liabilities) (cont'd.)

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair value of derivative where hedge accounting is applied by the Group and Bank are as follows:

Table 20: Islamic derivative financial assets/(liabilities)

	31 December 2019			31 March 2019		
	Contract/ Notional Amount RM'000	Fair value		Contract/ Notional Amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
IPRS	<u>1,200,000</u>	<u>-</u>	<u>(53,178)</u>	<u>1,200,000</u>	<u>-</u>	<u>(24,422)</u>

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers.

For the nine-month period ended 31 December 2019, the Group and the Bank:

(i) recognised a net loss of RM28,755,380 (31 March 2019: net loss of RM22,110,559) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM31,261,694 (31 March 2019: net gain of RM33,297,224); and

(ii) There is no recorded gain from derecognition of fair value of hedged items attributable to hedged risk (31 March 2019: RM2,101,533) as a result of derecognition of the hedged items.

8.0 Market Risk and Assets-Liability Management ("ALM")

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Asset-Liability Management ("ALM") refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile that is consistent with the Bank's strategic, business plan and risk appetite.

The Bank's market risk management and ALM objectives are to:

- Ensure the implementation of an effective market risk management system in the Bank;
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximize the return to shareholders' funds;
- Ensure prudent management of the Bank's resources to support the growth of the Bank's economic value; and
- Proactively manage the Bank's balance sheet in order to maximize earnings and attain its strategic goal within the overall risk/return preferences.

The Bank has an independent market risk control function that is responsible for measuring and managing market risk exposures in accordance with the Board-approved policies and guidelines. The unit reports to the ALCO Working Committee on a monthly basis, where issues on balance sheet and capital management are proactively discussed and any recommendation and decision reached are then escalated to the ERM, BRMC and Board respectively.

The Bank has formulated several strategies to effectively manage and ensure a sound balance sheet profile that complements both regulatory and business requirements. Among the strategies implemented for FYE 31 December 2019 were:

- Embark on the enhancement of Fund Transfer Pricing ("FTP") Framework as a mechanism for distributing revenue between profit centres and to improve profitability through improved pricing;
- Concentrate more on sourcing for deposits from retail and SME customers, longer term retail deposits, and deposits from transactional and operational accounts; and
- Review and enhancement of deposit products and features and introduction of more innovative deposit and investment account products.

The Bank's market risk management and ALM processes, which include risk identification, measurement, mitigation, monitoring and reporting are guided by the Market Risk and ALM Policies and Guidelines ("MRAPG") and the Trading and Banking Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the TBPS. The policy covers the definition of trading and banking book for financial instruments, classification, performance, limit monitoring, position valuation and hedging requirements.

8.0 Market Risk and Assets-Liability Management ("ALM") (cont'd)

Market Risk Measurement

1. Value at Risk

Value at Risk which includes the historical simulation is widely used by the Bank as a tool to measure the risk of loss on a specific portfolio of financial assets, limit setting activities and market forecasting.

2. Sensitivity Analysis

The Bank uses various methodologies in assessing the sensitivity of the Bank's portfolio against changes in the market variables.

3. Stress Testing and Scenario Analyses

Stress testing and scenario analyses are used as market risk and ALM tools for evaluation of potential impact on the Bank's performance under plausible extreme adverse conditions. The stress testing include the assessment on the funding and market liquidity, rate of return risk, displaced commercial risk and currency volatility.

Valuation Policy

The Group and the Bank adhere to the minimum prudent valuation practices as stipulated in the CAFIB and MFRS 9 guidelines. Based on these prudential requirements, broad internal guidelines have been drawn out as summarized below:

• Systems and Controls

The Group and the Bank have established and maintained adequate systems and controls to give the management and supervisors the confidence that the valuation estimates are prudent and reliable.

• Valuation Methodologies

There are three levels of fair value hierarchy applied to reflect the level of judgment involved in estimating fair values. The hierarchy is as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

8.1 Market Risk (Disclosures for Portfolios under the Standardised Approach)

As at 31 March 2015, the Group and the Bank used the standardized approach in computing the market risk weighted assets of the trading book position of the Group and the Bank. The following is the minimum regulatory requirement for market risk.

Table 21: Minimum regulatory requirement for market risk

Group and Bank
31 December 2019

	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	1,597	(1,609)	14,639	1,171
Foreign Currency Risk	33,621	(54,857)	20,722	1,658
Total	35,218	(56,466)	35,361	2,829

Group and Bank
31 March 2019

	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	1,769	(1,815)	11,851	948
Foreign Currency Risk	5,031	(19,170)	19,170	1,534
Total	6,800	(20,985)	31,021	2,482

8.2 Disclosure for Equities

The classification of equity investments must be made at the point of transaction. Equities are classified under the banking book when they are acquired and held for yield or capital growth purposes.

The Bank also engages in direct acquisition of newly-listed quoted shares. As stipulated under the TBPS, these investments are considered under the trading position with the exception of investments in subsidiaries and associates which would require BNM's prior approval. Equities held under the trading book position are subject to market risk capital charge as specified in the CAFIB.

The oversight and supervision of investments in equities and equity funds resides within the Investment Committee's ("IC") authority. This covers decisions on purchase and sale of stocks and ongoing review and monitoring of performance.

Table 22: Equity exposures

Group and Bank

31 December 2019

	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
Publicly Traded			
Investment in Unit Trust Funds			
Investment in Quoted Shares	104,077	104,077	(28,216)
Total	104,077	104,077	(28,216)

Cumulative realised gains arising from sales and liquidations in the reporting period	1,051
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31 March 2019

	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
Publicly Traded			
Investment in Unit Trust Funds	-	-	-
Investment in Quoted Shares	102,007	102,007	(28,181)
Total	102,007	102,007	(28,181)

Cumulative realised gains arising from sales and liquidations in the reporting period	2,332
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8.3 Disclosure for Rate of Return Risk in Banking Book ("RORBB")

Rate of Return Risk ("RoR") Management

Rate of return risk refers to the variability of the Bank's assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

Table 23: Rate of return risks

Risk	Definition
Repricing Risk	Timing differences in the maturity and repricing of the Bank's assets and liabilities
Yield Curve Risk	Unanticipated yield curve shifts that has adverse impact on the Bank's income and economic values
Basis Risk	Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics
Optionality/ Embedded Option Risk	The risk arising from options embedded in the Bank's assets, liabilities and off-balance sheet portfolio

Rate of Return Risk Measurement

The Bank measures various parallel rate shocks scenarios (up to 100 basis points as per Basel II recommendations) and its impact on earnings and equities by assessing key assumptions which incorporates the Bank's balance sheet profile, business strategies, economic outlook and behavioural analysis of non-maturity deposits. Among the various analyses that are carried out are:

1. Earning at Risk ("EaR")

The focus of this analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Bank by undermining its capital adequacy and reducing market confidence.

2. Economic Value of Equity ("EVE")

Economic value of a bank can be viewed as the present value of the Bank's expected net repricing balance weighted by duration, which can be defined as the expected repricing balance on assets minus the expected repricing balance on liabilities plus the expected net repricing balance on off-balance-sheet position. The sensitivity of a bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

3. Value at Risk ("VaR")

VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

8.3 Disclosure for Rate of Return Risk in Banking Book ("RORBB") (cont'd)

Rate of Return Risk Measurement (cont'd)

4. Repricing Gap Analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

5. Other Risk Assessment

Simulation analysis is used to evaluate the impact of possible decisions that includes assessment on product pricing, new product introduction, derivatives and hedging strategies, changes in the asset-liability mix and short term funding decisions.

Table 24: Sensitivity analysis of rate of return risk

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

Increase/(decrease) in basis points	Group		Bank	
	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
Impact on Earnings:				
31 December 2019				
MYR	(8,360)	8,360	(8,360)	8,360
USD	1,587	(1,587)	1,587	(1,587)
Others*	37	(37)	37	(37)
31 March 2019				
MYR	(6,539)	6,539	(6,539)	6,539
USD	2,471	(2,471)	2,471	(2,471)
Others*	21	(21)	21	(21)
Impact on Equity:				
31 December 2019				
MYR	(51,189)	51,189	(51,189)	51,189
USD	376	(376)	376	(376)
Others*	36	(36)	36	(36)
31 March 2019				
MYR	(93,701)	93,701	(91,728)	91,728
USD	288	(288)	288	(288)
Others*	4	(4)	4	(4)

* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

8.4 Liquidity Risk

Liquidity and Funding Risk

Liquidity risk is best described as the inability to fund any obligation on time as they fall due, whether due to increase in assets or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to create liquidity and this has serious implication on its reputation and continued existence.

In view of this, it is the Bank's priority to manage and maintain a stable source of financial resources towards fulfilling the above expectation. The Bank, through active balance sheet management, ensures that sufficient cash and liquid assets availability are in place to meet the short and long term obligations as they fall due.

Generally, liquidity risk can be divided into two types, which are:

- **Funding Liquidity Risk**

Refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost.

- **Market Liquidity Risk**

Refers to the Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

Table 25: Liquidity risk indicators

Magnitude	Indicators
Low	Earnings and capital exposure from the liquidity risk profile is negligible.
Moderate	Earnings or capital exposure from the liquidity risk profile is manageable.
High	Funding sources and liability structure suggest current or potential difficulty in maintaining long-term and cost-effective liquidity.

The Bank monitors the maturity profile of its assets and liabilities so that adequate liquidity is maintained at all times. The Bank's ability to maintain a stable liquidity profile relies primarily on its ability to grow and retain its customer deposit base. The Bank's marketing strategy is therefore focused on ensuring a balanced mix of deposits, hence, reducing concentration or over-reliance on a specific source of deposit or funding.

Stability of the deposit base minimizes the Bank's dependency on volatile short-term deposits. Considering the effective maturities of deposits based on retention history (behavioral method/ analysis) and availability of liquid investments, the Bank is able to ensure sufficient liquidity.

The Asset & Liability Working Committee (ALCO) meets on a monthly basis to review the Bank's liquidity gap profile and deliberates on appropriate strategies to manage and mitigate the risk exposure. In addition, liquidity stress test is periodically conducted to address strategic issues concerning liquidity risk.

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

To effectively manage its liquidity, the Bank has the following policies and strategies in place:

- Management under normal condition:

Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.

The Bank monitors its liquidity positions through liquidity controls such as maximum cumulative outflows, deposits concentration, financing to deposits ratio, and controlled financing draw down level.

- Management under crisis condition:

Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due. The crisis can be classified into three levels as follows:

Contingency Level	Trigger / Status
Level 1	Abnormal event that interrupts normal business operations at a minimal level.
Level 2	Disruption event tantamount or escalate to a crisis e.g. massive or continuous withdrawal of deposits in a particular branch or area, difficulties in borrowing from interbank market.
Level 3	Critically threatens the operations, staff, shareholders value, stakeholders, brand, reputation of which a crisis management is necessary to be put in place

The Bank's Liquidity Crisis Management is outlined in the Liquidity Crisis Contingency Plan ("LCCP") Policy. Further, as required under the Basel 3 guidelines, the Bank has put in place the relevant measures and monitoring processes on liquidity management through the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") computations. The Bank has implemented minimum levels to ensure the LCR and NSFR level is maintained in compliance with minimum threshold and timelines on implementation are as below:

Ratio	Minimum Level	Full Implementation - Effective Date
LCR	100%	1st January 2019
NSFR	100%	1st July 2019

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	981,202	30,290	-	-	-	-	-	1,011,492
Cash and placements with financial institutions	-	-	53,925	-	-	-	-	53,925
Financial investments at fair value through profit and loss	-	-	-	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,528,637	301,843	4,604,824
Financial investments at amortised cost	-	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	5,155,270	6,267,703	15,861,239
Other assets	-	1,381	-	-	39,688	62,256	760,459	863,784
TOTAL ASSETS	1,030,586	672,491	1,363,318	1,823,515	2,620,154	7,885,847	7,433,167	22,829,078
LIABILITIES AND EQUITY								
Deposits from customers	8,217,263	4,214,031	3,520,052	1,396,715	1,499,877	51,927	40,687	18,940,552
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	-	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	10,279	42,898	77,546
Other liabilities	-	15,122	2,577	2,564	52,997	41,209	-	114,469
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	459,633	-	459,633
Subordinated sukuk	-	-	-	637	-	249,895	-	250,532
Senior sukuk	-	-	-	2,765	-	499,752	-	502,517
Total Liabilities	8,218,800	4,237,655	3,533,321	1,414,293	1,554,807	1,317,535	83,585	20,359,996
Equity attributable to shareholders of the Bank							2,468,815	2,468,815
NET MATURITY MISMATCH	(7,188,214)	(3,565,164)	(2,170,003)	409,222	1,065,347	6,568,312	4,880,767	267
Commitments and contingencies								
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	520,220	802	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	126,883	92,103	1,657,539
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	500,000	700,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,147,103	792,904	6,596,494

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 March 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	772,807	57,764	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	-	11,937	-	-	-	-	11,937
Financial investments at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	151,266	5,189	660,799
Financial investments at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	2,920,420	1,715,111	4,936,032
Financial investments at amortised cost	-	-	273	-	441	-	102,596	103,310
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	-	24,853
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	4,909,639	6,359,828	15,330,895
Other assets	-	1,922	-	-	79,102	18,343	887,846	987,213
TOTAL ASSETS	893,108	852,872	1,228,011	1,166,213	1,675,168	7,999,668	9,070,570	22,885,610
LIABILITIES AND EQUITY								
Deposits from customers	7,563,601	4,626,866	2,385,657	1,931,167	2,323,382	279,829	33,617	19,144,119
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,310	-	6,747
Bills and acceptances payable	-	-	15,678	-	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	5,308	19,114	48,162
Other liabilities	-	27,552	-	-	57,568	-	65	85,185
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	471,102	-	471,102
Subordinated sukuk	-	-	-	4,183	-	249,842	-	254,025
Senior sukuk	-	-	-	9,519	-	499,655	-	509,174
Total Liabilities	7,565,902	4,664,210	2,409,045	1,947,278	2,382,915	1,512,046	52,796	20,534,192
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,351,418	2,351,418
NET MATURITY MISMATCH	(6,672,794)	(3,811,338)	(1,181,034)	(781,065)	(707,747)	6,487,622	6,666,356	-
Commitments and contingencies								
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	466,527	1,630	711,863
Commitments	63,430	113,633	181,356	54,568	484,306	1,589,287	370,535	2,857,115
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	575,000	700,000	5,695,493
Total commitments and contingencies	909,242	1,184,904	995,270	1,482,075	990,000	2,630,814	1,072,164	9,264,471

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	980,935	30,290	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	-	53,925	-	-	-	-	53,925
Financial investments designated at fair value through profit and loss	-	-	-	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,526,212	301,843	4,602,399
Financial investments at amortised cost	-	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	5,155,269	6,263,808	15,857,343
Other assets	(53)	1,381	-	-	38,851	55,317	773,481	868,977
TOTAL ASSETS	1,030,266	672,491	1,363,318	1,823,515	2,619,317	7,876,482	7,442,294	22,827,683
LIABILITIES AND EQUITY								
Deposits from customers	8,224,917	4,220,831	3,520,052	1,396,715	1,499,877	51,927	40,687	18,955,006
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	-	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	10,279	42,898	77,546
Other liabilities	-	14,480	2,577	3,062	52,415	32,877	-	105,411
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	459,633	-	459,633
Subordinated sukuk	-	-	-	637	-	249,895	-	250,532
Senior sukuk	-	-	-	2,765	-	499,752	-	502,517
Total Liabilities	8,226,454	4,243,813	3,533,321	1,414,791	1,554,225	1,309,203	83,585	20,365,392
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,462,291	2,462,291
NET MATURITY MISMATCH	(7,196,188)	(3,571,322)	(2,170,003)	408,724	1,065,092	6,567,279	4,896,418	-
Commitments and contingencies								
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	520,220	802	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	126,883	92,102	1,657,538
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	500,000	700,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,147,103	792,904	6,596,494

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 March 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	772,807	57,764	-	-	-	-	-	830,571
Cash and placements with financial institutions	-	-	11,937	-	-	-	-	11,937
Investment accounts due from designated financial institution	-	-	-	-	-	-	-	-
Financial investments designated at fair value through profit and loss	39,985	196,694	182,161	31,847	53,657	149,334	5,189	658,867
Financial investments at fair value through other comprehensive income	3,343	10,188	82,776	110,726	93,468	2,918,155	1,715,110	4,933,766
Financial investments at amortised cost	-	-	273	-	441	-	102,597	103,311
Islamic derivative financial assets	4,020	10,293	8,480	2,060	-	-	-	24,852
Financing of customers	72,953	576,011	942,384	1,021,580	1,448,500	4,909,639	6,362,214	15,333,280
Other assets	(27)	6,855	-	-	76,101	18,343	900,279	1,001,553
TOTAL ASSETS	893,081	857,805	1,228,011	1,166,213	1,672,167	7,995,471	9,085,389	22,898,137
LIABILITIES AND EQUITY								
Deposits from customers	7,574,122	4,637,723	2,388,144	1,931,131	2,323,342	279,827	33,616	19,167,905
Deposits and placements of banks and other financial institutions	-	-	35	16	386	6,312	-	6,749
Bills and acceptances payable	-	-	15,678	-	-	-	-	15,678
Islamic derivative financial liabilities	2,301	9,792	7,675	2,393	1,579	5,308	19,114	48,162
Other liabilities	-	23,779	-	-	56,974	-	-	80,753
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	471,101	-	471,101
Subordinated sukuk	-	-	-	4,183	-	249,842	-	254,025
Senior sukuk	-	-	-	9,519	-	499,655	-	509,175
Total Liabilities	7,576,423	4,671,294	2,411,532	1,947,242	2,382,281	1,512,045	52,730	20,553,547
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,344,590	2,344,590
NET MATURITY MISMATCH	(6,683,342)	(3,813,489)	(1,183,521)	(781,029)	(710,114)	6,483,426	6,688,069	-
Commitments and contingencies								
Contingent liabilities	12,249	55,909	15,210	29,644	130,694	466,527	1,630	711,863
Commitments	63,430	113,633	181,356	54,568	484,306	1,589,287	370,535	2,857,115
Islamic derivative financial instruments	833,563	1,015,362	798,705	1,397,864	375,000	575,000	700,000	5,695,493
Total commitments and contingencies	909,242	1,184,904	995,270	1,482,075	990,000	2,630,814	1,072,164	9,264,471

9.0 Operational Risk Management ("ORM") Disclosures

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which includes wide spectrum of risks such as fraud, physical damage, business disruption, transaction failures, legal, regulatory breaches including fiduciary breaches and Shariah non-compliance as well as employee health and safety hazards.

The objective of operational risk management is to effectively manage these risks in order to avoid or reduce any possible financial or non-financial losses arising from operational lapses.

In relation to operational risk management, the Operational and Shariah Risk Management Section ("OSRMS"), Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, as well as the business and support units play a significant role in the overall integrated risk management framework.

The management of operational risks is targeted at preventing and managing loss events and potential risks by using operational risk tools, namely, Risk and Control Self Assessment ("RCSA"), Key Risk Indicator (KRI), Incident Management and Data Collection ("IMDC"), Scenario Analysis ("SA") and Stress Test ("ST").

The risk management processes and controls are established in line with the Bank's operational risk management framework, internal policies, regulatory requirements and standard operating procedures as guidance.

The Muamalat Operational Risk Solution ("MORiS")

The MORiS is a web-based application that is used as a tool in risk identification and assessment. It also acts as a centralized loss incidents database by capturing and storing loss-related data and is used to track risk exposures against established key risk indicators ("KRI") overtime.

Its key objective is to improve monitoring and reporting of risk activities in branches and the head office through the Risk & Control Self-Assessment ("RCSA"), Incident Management Data Collection ("IMDC"), and Key Risk Indicator ("KRI").

Business Continuity Management ("BCM")

The Bank adopts the BNM's Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that would enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

BCM Methodology

The Bank develops the Business Continuity Plan ("BCP") by way of completing the Risk Assessment ("RA") and Business Impact Analysis ("BIA"). RA is a tool used to identify potential threats for all business functions. A BIA will be carried out to identify critical business functions' recovery time objective ("RTO") and maximum tolerable downtime ("MTD") taking into account the Bank's resources and infrastructures. The RA and BIA sessions are conducted annually with the business units.

9.0 Operational Risk Management ("ORM") Disclosures (cont'd.)

ORM Minimum Capital Requirement

The Group and the Bank adopt the Basic Indicator Approach ("BIA") to determine the minimum capital requirement for its operational risk. Under this approach, the Group and the Bank set aside a fixed percentage (α or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group's and the Bank's minimum capital is presented in table below:

Table 27: ORM minimum capital requirement

	31 December 2019		31 March 2019	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	1,218,544	97,484	1,190,113	95,209
Bank	1,206,121	96,490	1,176,241	94,099

10.0 Shariah Governance Disclosures

Overview

BMMB's shariah governance structure is governed by BNM's guidelines on "Shariah Governance Framework for Islamic Financial Institutions ("IFIs")", and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

Shariah governance system as defined by the IFSB Guiding Principles on Shariah Governance System on Institutions Offering Islamic Financial Services ("IFSB-10") refers to a set of institutional and organizational arrangements to oversee Shariah compliance aspects in IFIs.

In this context, Shariah non-compliance risk has been defined as "the risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee ("SC") of BMMB and relevant Shariah Authorities ("SA") committees."

Shariah risk management and governance in BMMB are in accordance with the Shariah Governance Framework ("the Framework"), which is endorsed by the Shariah Committee and approved by the Board. The Framework is drawn up in accordance to the Shariah Governance Framework for Islamic Financial Institutions issued by BNM on 22 October 2010.

In ensuring the operations and business activities of the Bank remain consistent with Shariah principles and regulatory requirements, the Bank has established its own internal Shariah Committee and internal Shariah Organs, which consist of Shariah Department, Shariah Audit, Shariah Review and Compliance, and Shariah Risk Management.

Shariah Governance Structure

Internal Shariah Control

Shariah compliance management is driven top down from the Board through the Shariah Committee ("SC") who has the responsibility of understanding Shariah-related matters in the activities assumed by the Group and the Bank.

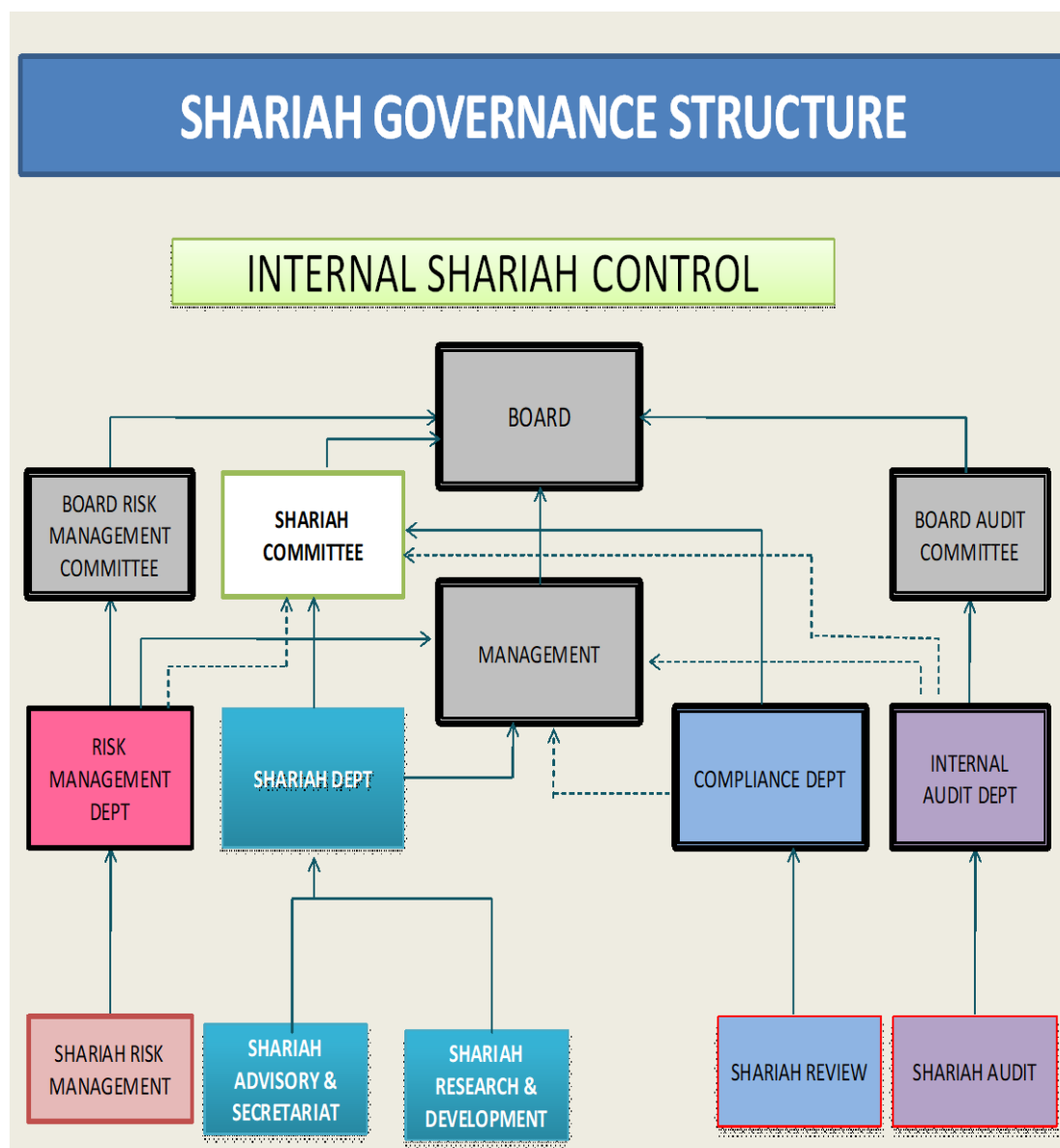
The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the integration of compliance management.

In ensuring that the compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions are segregated to the business operating units.

10.0 Shariah Governance Disclosures (cont'd)

Shariah Governance Structure (cont'd)

Table 28: Shariah governance structure



10.0 Shariah Governance Disclosures (cont'd)

Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

Earning and Expenditure Prohibited by Shariah

Policy on Management of Shariah Non-Compliant Income was formulated pursuant to the BNM's Shariah Governance Framework for IFI, which defines the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transaction(s) that breaches the governing Shariah principles and requirements as determined by the Bank's SC and/or other Shariah Authorities (SA).

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

The amount of SNCI and events decided by SC is as follows:

31 December 2019	31 March 2019
Event - 5 plus monthly Nostro interest received (31 December 2019: RM 61.79)	Event - NIL plus monthly Nostro interest received (31 March 2019: RM286.03)

There were a total of five (5) Shariah non-compliant events recorded and deliberated in SC meeting, of which two (2) events were with financial impact, while the other three (3) events have no financial impact. The Shariah non-compliant events with financial impact are recorded with insignificant amount and do not tantamount to Shariah non-compliant income.

The Bank has taken its corrective as well as preventive measures in order to avoid recurrence in the future. All of the events together with the rectification plans were presented to the Board of Directors and SC and reported to BNM in accordance with the Shariah non-compliance reporting requirement prescribed by BNM.

Any financial amount reported as SNCI will be utilised to fund approved charitable activities as guided by SC of the Bank.

Unidentified fund / *Shubhah*

During the Bank's daily operations, there are certain funds received by the Bank where the source is not clear or uncertain. These funds cannot be recognised as income and must be retained in the Maslahah Ammah account. The utilisation of these funds follows similar procedures set for the SNCI funds.

Example's of unidentified funds are cash excess identified at teller and automated teller machines ("ATM"), and unidentified credit balance in the General Ledger.

The total earnings prohibited by Shariah and the unidentified funds during the financial year were recorded at RM710,864 (31 March 2019: RM55,165).