



BANK MUAMALAT MALAYSIA BERHAD

Company No. 6175-W
(Incorporated in Malaysia)

**BASEL II PILLAR 3 DISCLOSURES
31 MARCH 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 March 2019.

Dato' Haji Mohd Redza Shah bin Abdul Wahid
Chief Executive Officer

Bank Muamalat Malaysia Berhad
Basel II Pillar 3 Disclosure

Pillar 3 Disclosure Content

| <u>Table No.</u> | <u>Content</u> | <u>Page</u> |
|-------------------------|---|--------------------|
| Table 1 | Capital adequacy ratios | 4 |
| Table 2 | Capital structure | 5 |
| Table 3 | Minimum capital requirement and risk-weighted assets | 6 |
| Table 4 | Minimum capital requirement and risk-weighted assets by exposures | 7 |
| Table 5 | Risk governance structure | 11 |
| Table 6 | Risk Committee functions | 12 |
| Table 7 | Risk management model | 13 |
| Table 8 | Credit risk exposures and credit risk concentration by sector analysis | 15 |
| Table 9 | Credit risk exposures and credit risk concentration by geographical analysis | 19 |
| Table 10 | Credit risk exposures of financial assets by remaining contractual maturity | 21 |
| Table 11 | Credit quality financing of customers | 25 |
| Table 12 | Rescheduled/ restructured financing | 29 |
| Table 13 | Past due but not impaired | 30 |
| Table 14 | Impaired financing by economic purpose | 33 |
| Table 15 | Impaired financing by geographical distribution | 37 |
| Table 16 | Rating distribution on credit exposures | 40 |
| Table 17 | Credit risk disclosure by risk weights | 46 |
| Table 18 | Credit risk mitigation on credit exposures | 50 |
| Table 19 | Commitments and contingencies | 54 |
| Table 20 | Derivative financial assets & liabilities | 55 |
| Table 21 | Minimum regulatory requirement for market risk | 59 |
| Table 22 | Equity exposures | 60 |
| Table 23 | Rate of return risks | 61 |
| Table 24 | Sensitivity analysis of rate of return risk | 62 |
| Table 25 | Liquidity risk indicators | 63 |
| Table 26 | Maturity analysis of assets and liabilities based on remaining contractual maturity | 65 |
| Table 27 | Operational Risk Management minimum capital requirement | 70 |
| Table 28 | Shariah governance structure | 72 |

Bank Muamalat Malaysia Berhad
Basel II Pillar 3 Disclosure

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 |
| FRS139 | Financial Reporting Standards 139 |
| 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 | Institute Offering Islamic Financial Services |
| IPRS | Islamic Profit Rate Swap |
| IRB Approach | Internal Ratings Based Approach |
| 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's) 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 March 2019 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 March 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 and the Bank 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.

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 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| Core Capital Ratio | 15.80% | 16.04% | 15.68% | 15.92% |
| Risk-weighted capital ratio | 18.59% | 18.38% | 18.47% | 18.27% |

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

**Basel II -
Pillar 3 Disclosure**

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

Table 2: Capital structure

| | Group | | Bank | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| | 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 | 1,094,765 | 1,132,781 | 1,087,937 | 1,123,420 |
| Other Reserves | | | | |
| Regulatory reserve | 63,585 | 1,530 | 63,585 | 1,530 |
| Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments | (1,514) | (27,616) | (1,515) | (29,473) |
| Foreign exchange translation reserve | (418) | (1,779) | (417) | (1,779) |
| Regulatory Adjustment | | | | |
| Less: Regulatory reserve | (63,585) | (1,530) | (63,585) | (1,530) |
| Less: Investment property gain | (7,460) | (5,880) | (7,460) | (5,880) |
| Less: Deferred tax assets | (26,607) | (24,235) | (26,607) | (24,235) |
| Less: Investment in subsidiaries | - | - | (12,559) | (8,559) |
| Less: Intangible Asset (net of deferred tax liabilities) | (75,753) | (85,441) | (75,693) | (85,266) |
| Total Tier-I Capital | 2,178,013 | 2,182,830 | 2,158,686 | 2,163,228 |
| Tier-II capital | | | | |
| Subordinated sukuk | 254,025 | 254,035 | 254,025 | 254,035 |
| Collective assessment allowance for non-impaired financing and regulatory reserve | 126,918 | 62,809 | 126,918 | 62,809 |
| Add: Investment property gain | 3,357 | 2,646 | 3,357 | 2,646 |
| Total Tier-II Capital | 384,300 | 319,490 | 384,300 | 319,490 |
| Total Capital | 2,562,313 | 2,502,320 | 2,542,986 | 2,482,718 |

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 (2018: 4.5%, 6.0% and 8.0% of total RWA).

**Basel II -
Pillar 3 Disclosure**

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

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

Table 3: Minimum capital requirement and risk-weighted assets

| | 31 March 2019 | | 31 March 2018 | |
|------------------|-----------------------------|--|-----------------------------|--|
| | Risk Weighted Assets | Minimum Capital Requirement at 8% | Risk Weighted Assets | Minimum Capital Requirement at 8% |
| | RM’000 | RM’000 | RM’000 | RM’000 |
| Group | | | | |
| Credit Risk | 12,560,246 | 1,004,820 | 12,411,610 | 992,929 |
| Market Risk | 31,022 | 2,482 | 38,159 | 3,053 |
| Operational Risk | 1,190,113 | 95,209 | 1,161,497 | 92,920 |
| Total | 13,781,381 | 1,102,510 | 13,611,266 | 1,088,901 |
| | 31 March 2019 | | 31 March 2018 | |
| | Risk Weighted Assets | Minimum Capital Requirement at 8% | Risk Weighted Assets | Minimum Capital Requirement at 8% |
| | RM’000 | RM’000 | RM’000 | RM’000 |
| Bank | | | | |
| Credit Risk | 12,560,708 | 1,004,857 | 12,404,662 | 992,373 |
| Market Risk | 31,021 | 2,482 | 38,159 | 3,053 |
| Operational Risk | 1,176,241 | 94,099 | 1,143,979 | 91,518 |
| Total | 13,767,970 | 1,101,438 | 13,586,800 | 1,086,944 |

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 -
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:

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 March 2019 | | | | |
| (i) Credit Risk (Standardised Approach) | | | | |
| (a) On Balance Sheet Exposures | | | | |
| Sovereign/Central Banks | 6,171,672 | 6,171,672 | - | - |
| PSEs | 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 | 324,747 | 202,763 | 16,221 |
| Defaulted Exposures | 141,053 | 141,053 | 124,614 | 9,969 |
| | 22,838,913 | 22,753,563 | 11,653,317 | 932,265 |
| (b) Off-Balance Sheet Exposures** | | | | |
| Credit-related off-balance sheet exposure | 1,673,805 | 1,673,805 | 850,508 | 68,041 |
| Derivative financial instruments | 149,879 | 149,879 | 56,422 | 4,514 |
| | 1,823,684 | 1,823,684 | 906,930 | 72,554 |
| Total Credit Exposures | 24,662,597 | 24,577,247 | 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)

| Group | Gross Exposures RM'000 | *Net Exposures RM'000 | Risk Weighted Assets RM'000 | Minimum Capital Requirement at 8% RM'000 |
|---|---------------------------|--------------------------|--------------------------------|--|
| 31 March 2018 | | | | |
| (i) Credit Risk (Standardised Approach) | | | | |
| (a) On Balance Sheet Exposures | | | | |
| Sovereign/Central Banks | 6,747,388 | 6,747,388 | - | - |
| PSEs | 839,266 | 839,045 | 167,809 | 13,425 |
| Banks, Development Financial Institution & MDBs | 460,602 | 460,602 | 131,960 | 10,557 |
| Corporates | 6,022,001 | 5,932,715 | 4,423,249 | 353,860 |
| Regulator Retail | 4,883,585 | 4,873,919 | 4,465,385 | 357,231 |
| Residential Real Estate | 4,403,799 | 4,403,799 | 1,855,903 | 148,472 |
| Higher Risk Assets | 2,861 | 2,861 | 4,292 | 343 |
| Other Assets | 373,726 | 373,726 | 253,546 | 20,284 |
| Defaulted Exposures | 156,185 | 156,185 | 159,285 | 12,743 |
| | 23,889,414 | 23,790,241 | 11,461,430 | 916,914 |
| (b) Off-Balance Sheet Exposures** | | | | |
| Credit-related off-balance sheet exposure | 1,767,196 | 1,767,196 | 917,166 | 73,373 |
| Derivative financial instruments | 109,406 | 109,406 | 33,014 | 2,641 |
| | 1,876,602 | 1,876,602 | 950,180 | 76,014 |
| Total Credit Exposures | 25,766,015 | 25,666,843 | 12,411,610 | 992,929 |
| | | | | |
| (ii) Market Risk (Standardised Approach) | | | | |
| Benchmark Rate Risk | 811 | (802) | 9,711 | 777 |
| Foreign Currency Risk | 6,421 | (26,550) | 28,448 | 2,276 |
| Equity Position Risk | - | - | - | - |
| | | | 38,159 | 3,053 |
| (iii) Operational Risk (Basic Indicators Approach) | | | 1,161,497 | 92,920 |
| (iv) Total RWA and Capital Requirements | | | 13,611,266 | 1,088,901 |

* 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 | - | - |
| | PSEs | 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 | 326,794 | 204,810 | 16,385 |
| | Defaulted Exposures | 141,053 | 141,053 | 124,614 | 9,969 |
| | | 22,839,148 | 22,753,797 | 11,653,778 | 932,302 |
| (b) Off-Balance Sheet Exposures** | | | | | |
| | Credit-related off-balance sheet exposure | 1,673,805 | 1,673,805 | 850,508 | 68,041 |
| | Derivative financial instruments | 149,879 | 149,879 | 56,422 | 4,514 |
| | | 1,823,684 | 1,823,684 | 906,930 | 72,555 |
| Total Credit Exposures | | 24,662,832 | 24,577,481 | 12,560,708 | 1,004,857 |
| | | | | | |
| (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) | | | | 1,176,241 | 94,099 |
| (iv) Total RWA and Capital Requirements | | | | 13,767,970 | 1,101,438 |

* 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 2018 | | | | | |
| (i) Credit Risk (Standardised Approach) | | | | | |
| (a) On Balance Sheet Exposures | | | | | |
| | Sovereign/Central Banks | 6,747,388 | 6,747,388 | - | - |
| | PSEs | 839,266 | 839,045 | 167,809 | 13,425 |
| | Banks, Development Financial Institution & MDBs | 460,602 | 460,602 | 131,960 | 10,557 |
| | Corporates | 6,021,792 | 5,932,506 | 4,423,040 | 353,843 |
| | Regulator Retail | 4,883,585 | 4,873,919 | 4,465,385 | 357,231 |
| | Residential Real Estate | 4,403,799 | 4,403,799 | 1,855,903 | 148,472 |
| | Higher Risk Assets | - | - | - | - |
| | Other Assets | 371,279 | 371,279 | 251,099 | 20,088 |
| | Defaulted Exposures | 156,185 | 156,185 | 159,285 | 12,743 |
| | | 23,883,896 | 23,784,723 | 11,454,481 | 916,358 |
| (b) Off-Balance Sheet Exposures** | | | | | |
| | Credit-related off-balance sheet exposure | 1,767,196 | 1,767,196 | 917,167 | 73,373 |
| | Derivative financial instruments | 109,406 | 109,406 | 33,014 | 2,641 |
| | | 1,876,602 | 1,876,602 | 950,181 | 76,014 |
| Total Credit Exposures | | 25,760,498 | 25,661,325 | 12,404,662 | 992,373 |
| | | | | | |
| (ii) Market Risk (Standardised Approach) | | | | | |
| | Benchmark Rate Risk | 811 | (802) | 9,711 | 777 |
| | Foreign Currency Risk | 6,421 | (26,550) | 28,448 | 2,276 |
| | Equity Position Risk | - | - | - | - |
| | | | | 38,159 | 3,053 |
| (iii) Operational Risk (Basic Indicators Approach) | | | | 1,143,979 | 91,518 |
| (iv) Total RWA and Capital Requirements | | | | 13,586,800 | 1,086,944 |

* 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

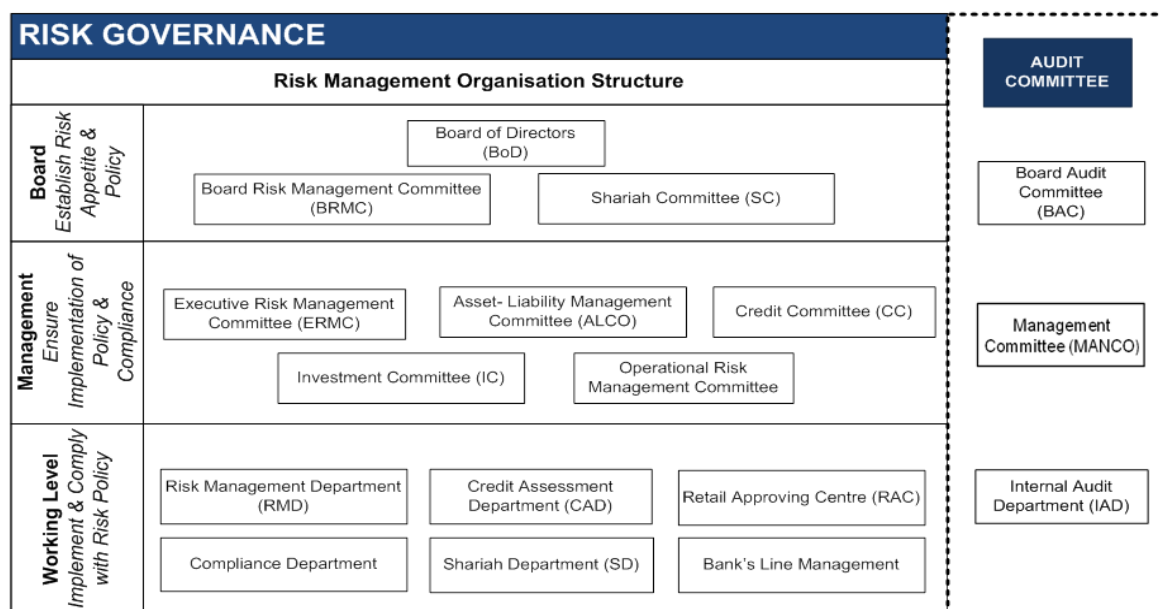
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance 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 and 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 · 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· 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 ERMCM 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.

Basel II - Pillar 3 Disclosure

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 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 |
| 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 | 1,453,422 | 445,509 | 463,118 | 212,101 | 3,529 | 50,203 | 229,233 | 2,857,115 |
| Islamic derivative financial instruments | - | 5,695,493 | - | - | - | - | - | 5,695,493 |
| | 1,497,863 | 6,234,149 | 595,714 | 553,737 | 26,982 | 56,744 | 299,281 | 9,264,470 |
| Total credit exposures | 6,730,643 | 7,701,010 | 3,575,374 | 2,071,774 | 27,684 | 9,928,884 | 1,908,398 | 31,943,767 |

Basel II - Pillar 3 Disclosure

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 2018 | 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 | - | 1,579,923 | - | - | - | - | - | 1,579,923 |
| Cash and placements with financial institutions | - | 7,758 | - | - | - | - | - | 7,758 |
| Investment accounts due from designated financial institution | - | 146 | - | - | - | - | - | 146 |
| Financial investments designated at fair value through profit and loss | - | 161,274 | - | - | - | - | - | 161,274 |
| Financial investment available-for-sale | 4,232,765 | 302,598 | 686,821 | 126,720 | - | - | 970,509 | 6,319,413 |
| Islamic derivative financial assets | - | 72,770 | - | - | - | - | - | 72,770 |
| Financing of customers | 752,535 | 666,164 | 1,688,051 | 1,619,699 | 14,233 | 9,259,428 | 687,736 | 14,687,846 |
| Statutory deposits with Bank Negara Malaysia | 674,500 | - | - | - | - | - | - | 674,500 |
| Other assets | - | - | - | - | - | - | 91,978 | 91,978 |
| | 5,803,530 | 2,790,633 | 2,374,872 | 1,746,419 | 14,233 | 9,259,428 | 1,750,223 | 23,739,338 |
| Commitments and contingencies | | | | | | | | |
| Contingent liabilities | 21,907 | 50,016 | 142,830 | 343,163 | 6,257 | 3,836 | 36,833 | 604,842 |
| Commitments | 1,478,093 | 234,876 | 538,018 | 827,977 | 3,181 | 54,620 | 127,930 | 3,264,695 |
| Derivative financial instruments | - | 2,907,391 | - | - | - | - | - | 2,907,391 |
| | 1,500,000 | 3,192,283 | 680,848 | 1,171,140 | 9,438 | 58,456 | 164,763 | 6,776,928 |
| Total credit exposures | 7,303,530 | 5,982,916 | 3,055,720 | 2,917,559 | 23,671 | 9,317,884 | 1,914,986 | 30,516,266 |

Basel II - Pillar 3 Disclosure

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 | 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 |
|---|---|--|--|--|--|---------------------|------------------|-------------------|
| 31 March 2019 | | | | | | | | |
| 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 | 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 | 1,453,422 | 445,509 | 463,118 | 212,101 | 3,529 | 50,203 | 229,233 | 2,857,115 |
| Derivative financial instruments | - | 5,695,493 | - | - | - | - | - | 5,695,493 |
| | 1,497,863 | 6,234,149 | 595,714 | 553,737 | 26,982 | 56,744 | 299,281 | 9,264,470 |
| Total credit exposures | 6,730,643 | 7,701,010 | 3,575,826 | 2,071,774 | 26,982 | 9,928,884 | 1,908,742 | 31,943,861 |

Basel II - Pillar 3 Disclosure

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 2018 | 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 | - | 1,579,923 | - | - | - | - | - | 1,579,923 |
| Cash and placements with financial institutions | - | 7,758 | - | - | - | - | - | 7,758 |
| Investment accounts due from designated financial institution | - | 146 | - | - | - | - | - | 146 |
| Financial investments designated at fair value through profit and loss | - | 161,274 | - | - | - | - | - | 161,274 |
| Financial investment available-for-sale | 4,232,765 | 302,598 | 686,821 | 126,720 | - | - | 967,855 | 6,316,759 |
| Financial investment held-to-maturity | 143,730 | - | - | - | - | - | - | 143,730 |
| Islamic derivative financial assets | - | 72,770 | - | - | - | - | - | 72,770 |
| Financing of customers | 752,535 | 666,164 | 1,688,051 | 1,619,699 | 14,234 | 9,259,428 | 687,318 | 14,687,429 |
| Statutory deposits with Bank Negara Malaysia | 674,500 | - | - | - | - | - | - | 674,500 |
| Other assets | - | - | - | - | - | - | 89,543 | 89,543 |
| | 5,803,530 | 2,790,633 | 2,374,872 | 1,746,419 | 14,234 | 9,259,428 | 1,744,716 | 23,733,832 |
| Commitments and contingencies | | | | | | | | |
| Contingent liabilities | 21,907 | 50,016 | 142,830 | 343,163 | 6,257 | 3,836 | 36,833 | 604,842 |
| Commitments | 1,478,093 | 234,876 | 538,018 | 827,977 | 3,181 | 54,620 | 127,930 | 3,264,695 |
| Derivative financial instruments | - | 2,907,391 | - | - | - | - | - | 2,907,391 |
| | 1,500,000 | 3,192,283 | 680,848 | 1,171,140 | 9,438 | 58,456 | 164,763 | 6,776,928 |
| Total credit exposures | 7,303,530 | 5,982,916 | 3,055,720 | 2,917,559 | 23,672 | 9,317,884 | 1,909,479 | 30,510,760 |

**Basel II -
Pillar 3 Disclosure**

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 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 | - |
| 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> |

**Basel II -
Pillar 3 Disclosure**

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:

| 31 March 2018 | Group | | Bank | |
|---|--------------------|------------------|--------------------|------------------|
| | Domestic RM'000 | Labuan RM'000 | Domestic RM'000 | Labuan RM'000 |
| On Balance Sheet | | | | |
| Exposures | | | | |
| Cash and short-term funds | 1,490,563 | 89,360 | 1,490,563 | 89,360 |
| Cash and placements with financial institutions | 7,758 | - | 7,758 | - |
| Investment accounts due from designated financial institution | 146 | - | 146 | - |
| Financial investment designated at fair value through profit and loss | - | 161,274 | - | 161,274 |
| Financial investment available-for-sale | 6,300,136 | 19,277 | 6,297,482 | 19,277 |
| Financial investment held-to-maturity | 143,730 | - | 143,730 | - |
| Islamic derivative financial assets | 72,770 | - | 72,770 | - |
| Financing of customers | 14,687,846 | - | 14,687,429 | - |
| Statutory deposits with Bank Negara Malaysia | 674,500 | - | 674,500 | - |
| Other assets | 91,975 | 3 | 89,540 | 3 |
| | <u>23,469,424</u> | <u>269,914</u> | <u>23,463,918</u> | <u>269,914</u> |
| Commitments and contingencies | | | | |
| Contingent liabilities | 604,842 | - | 604,842 | - |
| Commitments | 3,264,695 | - | 3,264,695 | - |
| Derivative financial instruments | 2,907,391 | - | 2,907,391 | - |
| | <u>6,776,928</u> | <u>-</u> | <u>6,776,928</u> | <u>-</u> |
| Total credit exposures | <u>30,246,352</u> | <u>269,914</u> | <u>30,240,846</u> | <u>269,914</u> |

**Basel II -
Pillar 3 Disclosure**

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 RM'000 | > 6 - 12 months RM'000 | > 1 - 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|--|--------------------------------------|--|--|------------------------------------|-------------------------|
| 31 March 2019 | | | | | |
| 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 | 4,138,281 | 1,679,597 | 7,977,128 | 8,884,385 | 22,679,297 |
| Group | Up to 6 months RM'000 | > 6 - 12 months RM'000 | > 1 - 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
| 31 March 2018 | | | | | |
| On-Balance Sheet Exposures | | | | | |
| Cash and short-term funds | 1,579,923 | - | - | - | 1,579,923 |
| Cash and placements with financial institutions | 7,758 | - | - | - | 7,758 |
| Investment accounts due from designated financial institution | - | - | 146 | - | 146 |
| Financial investments designated at fair value through profit and loss | - | - | - | 161,274 | 161,274 |
| Financial investment available-for-sale | 170,815 | 601,802 | 2,612,365 | 2,934,431 | 6,319,413 |
| Financial investment held-to-maturity | - | - | - | 143,730 | 143,730 |
| Islamic derivative financial assets | 63,096 | 9,674 | - | - | 72,770 |
| Financing of customers | 3,668,582 | 792,454 | 4,554,599 | 5,672,211 | 14,687,846 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | 674,500 | 674,500 |
| Other assets | - | 91,978 | - | - | 91,978 |
| Total On-Balance Sheet Exposures | 5,490,174 | 1,495,908 | 7,167,110 | 9,586,146 | 23,739,338 |

**Basel II -
Pillar 3 Disclosure**

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 | |
|--|------------------|--------------------|-------------------|------------------|-------------------|
| 31 March 2019 | months | months | years | years | Total |
| | 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 | 450,686 | 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 |
| | | | | | |
| Bank | Up to 6 | > 6 - 12 | > 1 - 5 | Over 5 | |
| 31 March 2018 | months | months | years | years | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| On-Balance Sheet Exposures | | | | | |
| Cash and short-term funds | 1,579,923 | - | - | - | 1,579,923 |
| Cash and placements with financial institutions | 7,758 | - | - | - | 7,758 |
| Investment accounts due from designated financial institution | - | - | 146 | - | 146 |
| Financial investments designated at fair value through profit and loss | - | - | - | 161,275 | 161,275 |
| Financial investment available-for-sale | 170,606 | 599,357 | 2,609,712 | 2,937,084 | 6,316,759 |
| Financial investment held-to-maturity | - | - | - | 143,730 | 143,730 |
| Islamic derivative financial assets | 63,096 | 9,674 | - | - | 72,770 |
| Financing of customers | 3,668,580 | 792,454 | 4,554,599 | 5,671,795 | 14,687,428 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | 674,500 | 674,500 |
| Other assets | - | 89,543 | - | - | 89,543 |
| Total On-Balance Sheet Exposures | 5,489,963 | 1,491,028 | 7,164,457 | 9,588,384 | 23,733,832 |

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.

**Basel II -
Pillar 3 Disclosure**

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 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 |

**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:

| Group | Neither past due nor impaired | | Past due but not impaired | Impaired financing | Total |
|----------------------------------|--------------------------------------|--------------------------------|--|-------------------------------|---------------|
| 31 March 2018 | Good RM'000 | Satisfactory RM'000 | RM'000 | RM'000 | RM'000 |
| Term financing | | | | | |
| - Home financing | 4,063,791 | 265,306 | 189,049 | 95,747 | 4,613,893 |
| - Syndicated financing | 686,022 | - | - | - | 686,022 |
| - Hire purchase receivables | 564,463 | 24,235 | 16,540 | 17,981 | 623,219 |
| - Leasing receivables | - | - | - | 1,277 | 1,277 |
| - Other term financing | 5,636,624 | 186,346 | 55,208 | 145,843 | 6,024,021 |
| Other financing | 2,753,659 | 134,149 | 20,892 | 24,568 | 2,933,268 |
| | 13,704,559 | 610,036 | 281,689 | 285,416 | 14,881,700 |
| Less: | | | | | |
| - Collective assesment allowance | - | - | - | - | (176,922) |
| - Individual assesment allowance | - | - | - | (16,932) | (16,932) |
| Total net financing | 13,704,559 | 610,036 | 281,689 | 268,484 | 14,687,846 |

**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)

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 March 2019 | Good | Satisfactory | | | |
| | RM'000 | 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 | 6,603,427 | 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 |

**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 Good RM'000 | Satisfactory RM'000 | Past due but not impaired RM'000 | Impaired financing RM'000 | Total RM'000 |
|----------------------------------|--|--------------------------------|---|--|-------------------------|
| 31 March 2018 | | | | | |
| Term financing | | | | | |
| - Home financing | 4,063,791 | 265,306 | 189,049 | 95,747 | 4,613,893 |
| - Syndicated financing | 686,022 | - | - | - | 686,022 |
| - Hire purchase receivables | 564,463 | 24,235 | 16,540 | 17,981 | 623,219 |
| - Leasing receivables | - | - | - | 1,277 | 1,277 |
| - Other term financing | 5,636,207 | 186,346 | 55,208 | 150,776 | 6,028,537 |
| Other financing | 2,753,659 | 134,149 | 20,892 | 24,568 | 2,933,268 |
| | <u>13,704,142</u> | <u>610,036</u> | <u>281,689</u> | <u>290,349</u> | <u>14,886,216</u> |
| Less: | | | | | |
| - Collective assesment allowance | - | - | - | - | (176,922) |
| - Individual assesment allowance | - | - | - | (21,865) | (21,865) |
| Total net financing | <u>13,704,142</u> | <u>610,036</u> | <u>281,689</u> | <u>268,484</u> | <u>14,687,429</u> |

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) Rescheduled/restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amounts by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

Table 12: Rescheduled/ restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amount by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

| Group and Bank | 31 March 2019 RM'000 | 31 March 2018 RM'000 |
|-----------------------------|----------------------------|----------------------------|
| Term financing | | |
| - Home financing | - | - |
| - Hire purchase receivables | - | - |
| - Other term financing | - | - |
| Total | - | - |

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

Credit Quality Financing of Customers (cont'd)

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

(iii) 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 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 |

| Group and Bank 31 March 2018 | Less than 1 month RM'000 | 1 - 2 months RM'000 | >2 - 3 months RM'000 | Total RM'000 |
|---|---|------------------------------------|--|-------------------------|
| Term financing | | | | |
| - Home financing | - | 126,747 | 62,302 | 189,049 |
| - Hire purchase receivables | - | 11,281 | 5,259 | 16,540 |
| - Other term financing | - | 34,409 | 20,799 | 55,208 |
| Other financing | 824 | 14,863 | 5,205 | 20,892 |
| Total | 824 | 187,300 | 93,565 | 281,689 |

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

Credit Quality Financing of Customers (cont'd)

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

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

| Group and Bank | 31 March 2019 RM'000 | 31 March 2018 RM'000 |
|---|----------------------------|----------------------------|
| Purchase of transport vehicles | 11,580 | 16,481 |
| Purchase of landed properties of which: | | |
| – residential | 141,093 | 186,463 |
| – non-residential | 12,882 | 21,893 |
| Purchase of fixed assets (excluding landed properties) | - | 19 |
| Personal use | 25,350 | 51,320 |
| Working capital | 2,515 | 3,887 |
| Other purpose | 289 | 1,626 |
| | 193,709 | 281,689 |

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

| Group and Bank | 31 March 2019 RM'000 | 31 March 2018 RM'000 |
|-----------------|----------------------------|----------------------------|
| Domestic | 193,710 | 281,689 |
| Labuan Offshore | - | - |
| | 193,710 | 281,689 |

(iv) 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

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

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

(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 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 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 | 972 | 2,292 | 652 | 1,640 | (1,235) | 405 | - | 1,191 | 1,191 |
| | 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.

| Group | 31 March 2018 | | | | | | |
|---|---------------------------------|-----------------------------------|--------------------------------------|--|------------------------------------|------------------------------------|--|
| | Individual Assessment | Individual Assessment | Individual Assessment | Individual Assessment | Individual Assessment | Individual Assessment | Total Impairment |
| | Impaired Financing RM'000 | Allowance at 1 April RM'000 | Net Charge for the Year RM'000 | Amounts Written Off/Other Movements RM'000 | Allowance at 31 March RM'000 | Allowance at 31 March RM'000 | Allowances for Financing RM'000 |
| Purchase of securities | 60 | - | - | - | - | 44 | 44 |
| Purchase of transport vehicles | 17,856 | 6,301 | (2,519) | - | 3,782 | 8,891 | 12,673 |
| Purchase of landed properties of which: | | | | | | | |
| – residential | 94,017 | - | - | - | - | 26,907 | 26,907 |
| – non-residential | 10,884 | - | - | - | - | 6,115 | 6,115 |
| Purchase of fixed assets (excluding landed properties) | 1,403 | 111 | (68) | - | 42 | 90 | 132 |
| Personal use | 125,611 | - | (548) | - | (548) | 124,130 | 123,582 |
| Construction | 23 | 19,111 | (19,089) | - | 22 | 980 | 1,002 |
| Working capital | 33,554 | 49,050 | 10,062 | (47,771) | 11,341 | 7,821 | 19,162 |
| Other purpose | 2,008 | 2,292 | - | - | 2,292 | 1,943 | 4,235 |
| | 285,416 | 76,865 | (12,162) | (47,771) | 16,931 | 176,921 | 193,852 |

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 | Individual Assessment Allowance, at 1 April as previously stated | Effect of adopting MFRS 9 | Individual Assessment Allowance, at 1 April as restated | Net Charge for the Year | Amounts Written Off/Other Movements | Individual Assessment Allowance at 31 March | Collective Assessment 31 March | Total Impairment Allowances for Financing |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | 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 | - | 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 | 972 | 2,291 | 651 | 1,640 | (1,235) | 405 | - | 1,191 | 1,191 |
| | 221,216 | 21,864 | (71,222) | 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 March 2018 | | | | | | |
|---|---------------------------------|---|--------------------------------------|--|--|--|--|
| | 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 March RM'000 | Collective Assessment 31 March RM'000 | Total Impairment Allowances for Financing RM'000 |
| Purchase of securities | 60 | - | - | - | - | 44 | 44 |
| Purchase of transport vehicles | 17,856 | 6,301 | (2,519) | - | 3,782 | 8,891 | 12,673 |
| Purchase of landed properties of which: | | | | | | | |
| – residential | 94,017 | - | - | - | - | 26,907 | 26,907 |
| – non-residential | 10,884 | - | - | - | - | 6,115 | 6,115 |
| Purchase of fixed assets (excluding landed properties) | 1,403 | 111 | (68) | - | 42 | 90 | 133 |
| Personal use | 125,611 | - | (548) | - | (548) | 124,130 | 123,582 |
| Construction | 23 | 19,112 | (19,089) | - | 23 | 980 | 1,003 |
| Working capital | 38,486 | 53,982 | 10,063 | (47,771) | 16,274 | 7,822 | 24,096 |
| Other purpose | 2,009 | 2,292 | (1) | - | 2,291 | 1,943 | 4,234 |
| | 290,349 | 81,798 | (12,162) | (47,771) | 21,864 | 176,922 | 198,787 |

**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 March 2019 | | | | | | |
|-----------------|--------------------|--|-------------------------|-------------------------------------|---|---|---|
| | Impaired Financing | Individual Assessment Allowance at 1 April | Net Charge for the Year | Amounts Written Off/Other Movements | Individual Assessment Allowance at 30 September | Collective Assessment Allowance at 30 September | 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 |

| Group | 31 March 2018 | | | | | | |
|-----------------|--------------------|--|-------------------------|-------------------------------------|---|---|---|
| | Impaired Financing | Individual Assessment Allowance at 1 April | Net Charge for the Year | Amounts Written Off/Other Movements | Individual Assessment Allowance at 30 September | Collective Assessment Allowance at 30 September | Total Impairment Allowances for Financing |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| | | | | | | | |
| Domestic | 285,416 | 76,865 | (12,162) | (47,771) | 16,931 | 176,922 | 193,854 |
| Labuan offshore | - | - | - | - | - | - | - |
| | 285,416 | 76,865 | (12,162) | (47,771) | 16,931 | 176,922 | 193,854 |

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.

| Bank | 31 March 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 RM'000 | Collective Assessment Allowance at RM'000 | Total Impairment Allowances for Financing 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 |

| Bank | 31 March 2018 | | | | | | |
|-----------------|------------------------------|--|-----------------------------------|---|--|--|---|
| | 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 RM'000 | Collective Assessment Allowance at RM'000 | Total Impairment Allowances for Financing RM'000 |
| | | | | | | | |
| Domestic | 290,349 | 81,798 | (12,162) | (47,771) | 21,864 | 176,922 | 198,787 |
| Labuan offshore | - | - | - | - | - | - | - |
| | 290,349 | 81,798 | (12,162) | (47,771) | 21,864 | 176,922 | 198,787 |

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 **96.6% and 96.6%** respectively as at 31 March 2019 (Group and the Bank are at 90.1% and 90.0% as at 31 March 2018). The financial effect of collateral held for other financial assets is not significant.

As at 31 March 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 RM50,738,280 as compared against 31 March 2018 total amount of RM60,009,987. 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 repossessed 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 does 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 March 2019

31 March 2019

| Exposure Class | Rating by Approved ECAIS | | | | | | | | | | Grand Total |
|--|--------------------------|---------------|----------------|---------------|----------------|----------------|-----------------|----------------|-------------------|--------------|-------------------|
| | AAA | AA+ | AA | AA- | A | BBB | BB+ TO BB- | P1/MARC1 | Unrated | Others | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| On and Off Balance-Sheet Exposures | | | | | | | | | | | |
| <u>Credit Exposures - Standardised Approach</u> | | | | | | | | | | | |
| Sovereigns/Central Banks | 6,907,271 | - | - | - | - | - | - | - | - | - | 6,907,271 |
| 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 | 8,938,928 | 40,095 | 203,409 | 75,751 | 417,423 | 354,261 | 3,343.44 | 142,892 | 14,485,379 | 1,116 | 24,662,597 |

Group

31 March 2018

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 | | | |
| <u>On and Off Balance-Sheet Exposures</u> | | | | | | | | | | | |
| <u>Credit Exposures - Standardised Approach</u> | | | | | | | | | | | |
| Sovereigns/Central Banks | 7,490,816 | - | - | - | - | - | - | - | - | - | 7,490,816 |
| Public Sector Entities | - | - | - | - | - | - | - | - | 853,183 | - | 853,183 |
| Banks, Development Financial Institutions & MDBs | 30,088 | - | 30,302 | - | 132,798 | - | - | 115,324 | 247,342 | 30 | 555,885 |
| Corporates | 2,104,252 | 99,857 | 361,607 | 91,800 | 179,965 | 144,286 | - | 38,702 | 3,688,206 | 309,091 | 7,017,766 |
| Regulatory Retail | - | - | - | - | - | - | - | - | 5,000,540 | - | 5,000,540 |
| Residential Mortgages | - | - | - | - | - | - | - | - | 4,476,546 | - | 4,476,546 |
| Higher Risk Assets | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | - | - | - | - | - | - | - | - | 371,279 | - | 371,279 |
| Total | 9,625,156 | 99,857 | 391,909 | 91,800 | 312,764 | 144,286 | - | 154,026 | 14,637,096 | 309,122 | 25,766,015 |

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

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

Bank

31 March 2019

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 | | | | | | | | | | | |
| <u>Credit Exposures - Standardised Approach</u> | | | | | | | | | | | |
| Sovereigns/Central Banks | 6,907,271 | - | - | - | - | - | - | - | - | - | 6,907,271 |
| 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 | - | - | - | - | - | - | - | - | 326,791 | - | 326,791 |
| Total | 8,938,928 | 40,095 | 203,409 | 75,751 | 417,423 | 354,261 | 3,343 | 142,892 | 14,485,614 | 1,116 | 24,662,832 |

Bank

31 March 2018

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 | 7,490,816 | - | - | - | - | - | - | - | - | - | 7,490,816 |
| Public Sector Entities | - | - | - | - | - | - | - | - | 853,183 | - | 853,183 |
| Banks, Development Financial Institutions & MDBs | 30,088 | - | 30,302 | - | 132,798 | - | - | 115,324 | 247,342 | 30 | 555,885 |
| Corporates | 2,104,252 | 99,857 | 361,607 | 91,800 | 179,965 | 144,286 | - | 38,702 | 3,682,689 | 309,091 | 7,012,248 |
| Regulatory Retail | - | - | - | - | - | - | - | - | 5,000,540 | - | 5,000,540 |
| Residential Mortgages | - | - | - | - | - | - | - | - | 4,476,546 | - | 4,476,546 |
| Higher Risk Assets | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | - | - | - | - | - | - | - | - | 371,279 | - | 371,279 |
| Total | 9,625,156 | 99,857 | 391,909 | 91,800 | 312,764 | 144,286 | - | 154,026 | 14,631,579 | 309,122 | 25,760,498 |

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 ECAIs | | | | | |
|----------------|--|----------------------|--------------------|-----------------------|-------------------|-------------------|
| | 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 | AAA to AA- | A+ to A- | BBB+ to BB- | B+ to D | Unrated |
| | RII Inc RM'000 | AAA to AA- RM'000 | A+ to A- RM'000 | BBB+ to BB- RM'000 | B+ to D RM'000 | Unrated RM'000 |

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

Group and Bank
31 March 2019

| | | | | | |
|--|------------------|----------------|----------------|--------------|------------------|
| Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates) | - | - | - | - | 255,707 |
| Insurance Cos, 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 |

Group and Bank
31 March 2018

| | | | | | |
|--|------------------|----------------|----------------|----------|------------------|
| Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates) | - | - | - | - | 853,183 |
| Insurance Cos, Securities Firms & Fund Managers | - | - | - | - | - |
| Corporates | 2,696,218 | 179,965 | 144,286 | - | 3,991,780 |
| Total | 2,696,218 | 179,965 | 144,286 | - | 4,844,963 |

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 ECAIs | | | | | |
|--|--|--------------------|---------------|---------------|---------------|-------------------|
| | 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 RM'000 | a-2 RM'000 | a-3 RM'000 | b,c RM'000 | Unrated RM'000 |
| On and Off Balance-Sheet Exposures | | | | | | |
| Group and Bank | | | | | | |
| 31 March 2019 | | | | | | |
| Banks, MDBs and FDIs | | 115,989 | - | - | - | - |
| Credit Exposures (using Corporate Risk Weights) | | | | | | |
| Corporates | | | | | | |
| Total | | 115,989 | - | - | - | - |
| Group and Bank | | | | | | |
| 31 March 2018 | | | | | | |
| Banks, MDBs and FDIs | | 115,324 | - | - | - | - |
| Credit Exposures (using Corporate Risk Weights) | | | | | | |
| Corporates | | | | | | |
| Total | | 115,324 | - | - | - | - |

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 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- | 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 | | | | | | | |
| Sovereigns and Central Banks | | - | - | - | - | - | - |
| Total | | - | - | - | - | - | - |

Group and Bank
31 March 2018

| 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- | 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 | | | | | | | |
| Sovereigns and Central Banks | | - | - | - | - | - | - |
| Total | | - | - | - | - | - | - |

Basel II -
Pillar 3 Disclosure

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 March 2019 | | | | | | | |
| Banks, MDBs and FDIs | | 60,487 | 102,007 | - | - | - | 140,046 |
| Total | | 60,487 | 102,007 | - | - | - | 140,046 |
| Group and Bank | | | | | | | |
| 31 March 2018 | | | | | | | |
| Banks, MDBs and FDIs | | 60,390 | 132,798 | - | - | - | 247,372 |
| Total | | 60,390 | 132,798 | - | - | - | 247,372 |

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 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% | 6,907,271 | - | - | - | - | - | - | - | 121,984 | 7,029,256 | - |
| 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 | 3,338,863 | 178,029 | - | - | 202,760 | 8,148,106 | 8,148,106 |
| 150% | - | - | - | 41,484 | - | - | - | - | - | 41,484 | 62,225 |
| Total | 6,907,271 | 255,563 | 418,529 | 6,650,337 | 6,288,966 | 3,731,834 | - | - | 324,745 | 24,577,245 | 12,560,245 |

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 2018

| 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% | 7,490,816 | - | - | - | - | - | - | - | 120,181 | 7,610,997 | - |
| 20% | - | 852,962 | 423,087 | 1,642,602 | - | - | - | - | - | 2,918,651 | 583,730 |
| 35% | - | - | - | - | - | 3,136,586 | - | - | - | 3,136,586 | 1,097,805 |
| 50% | - | - | 132,798 | 553,578 | 28,196 | 1,009,261 | - | - | - | 1,723,833 | 861,917 |
| 75% | - | - | - | - | 1,693,490 | 17,939 | - | - | - | 1,711,429 | 1,283,572 |
| 100% | - | - | - | 4,702,489 | 3,258,072 | 312,761 | - | - | 253,545 | 8,526,867 | 8,526,867 |
| 150% | - | - | - | 24,502 | 11,116 | - | - | 2,861 | - | 38,480 | 57,719 |
| Total | 7,490,816 | 852,962 | 555,885 | 6,923,171 | 4,990,875 | 4,476,546 | - | 2,861 | 373,726 | 25,666,843 | 12,411,610 |

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

| Bank | 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% | 6,907,271 | - | - | - | - | - | - | - | 121,984 | 7,029,256 | - |
| 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 | - | - | 204,808 | 8,147,888 | 8,147,888 |
| 150% | - | - | - | 41,936 | - | - | - | - | - | 41,937 | 62,906 |
| Total | 6,907,271 | 255,563 | 418,529 | 6,648,525 | 6,288,966 | 3,731,834 | - | - | 326,792 | 24,577,481 | 12,560,708 |

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 2018

| | 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% | 7,490,816 | - | - | - | - | - | - | - | 120,181 | 7,610,997 | - |
| 20% | - | 852,962 | 423,087 | 1,642,602 | - | - | - | - | - | 2,918,651 | 583,730 |
| 35% | - | - | - | - | - | 3,136,586 | - | - | - | 3,136,586 | 1,097,805 |
| 50% | - | - | 132,798 | 553,578 | 28,196 | 1,009,261 | - | - | - | 1,723,833 | 861,917 |
| 75% | - | - | - | - | 1,693,490 | 17,939 | - | - | - | 1,711,429 | 1,283,572 |
| 100% | - | - | - | 4,702,280 | 3,258,072 | 312,761 | - | - | 251,098 | 8,524,211 | 8,524,211 |
| 150% | - | - | - | 24,502 | 11,116 | - | - | - | - | 35,618 | 53,427 |
| Total | 7,490,816 | 852,962 | 555,885 | 6,922,962 | 4,990,875 | 4,476,546 | - | - | 371,279 | 25,661,325 | 12,404,662 |

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 (CRM) 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 does 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 | | |
|---|----------------------------|-------------------------------|-------------------|
| | Gross Exposures | Eligible Financial Collateral | *Net Exposures |
| Group | | | |
| 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 | 5,716,682 |
| 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 |
| | 22,838,913 | 85,353 | 22,753,563 |
| (b) Off-Balance Sheet Exposures | | | |
| Credit-related off-balance sheet exposure | 1,673,805 | - | 1,673,805 |
| Derivative financial instruments | 149,879 | - | 149,879 |
| | 1,823,684 | - | 1,823,684 |
| Total Credit Exposures | 24,662,597 | 85,353 | 24,577,247 |

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 | | |
|---|----------------------------|-------------------------------|-------------------|
| | Gross Exposures | Eligible Financial Collateral | *Net Exposures |
| 31 March 2018 | RM'000 | RM'000 | RM'000 |
| Credit Risk | | | |
| (a) On Balance sheet exposures | | | |
| Sovereign/Central banks | 6,747,388 | - | 6,747,388 |
| Public sector entities | 839,266 | 221 | 839,045 |
| Banks, Development Financial Institution & MDBs | 460,602 | - | 460,602 |
| Corporates | 6,022,001 | 89,286 | 5,932,715 |
| Regulatory retail | 4,883,585 | 9,666 | 4,873,919 |
| Residential real estate | 4,403,799 | - | 4,403,799 |
| Higher risk assets | 2,861 | - | 2,861 |
| Other assets | 373,726 | - | 373,726 |
| Defaulted exposure | 156,185 | - | 156,185 |
| | 23,889,414 | 99,173 | 23,790,241 |
| (b) Off-Balance Sheet Exposures | | | |
| Credit-related off-balance sheet exposure | 1,767,196 | - | 1,767,196 |
| Derivative financial instruments | 109,406 | - | 109,406 |
| | 1,876,602 | - | 1,876,602 |
| Total Credit Exposures | 25,766,015 | 99,173 | 25,666,843 |

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 |
| | 22,839,148 | 85,353 | 22,753,796 |
| (b) Off-Balance Sheet Exposures | | | |
| Credit-related Off-Balance Sheet Exposure | 1,673,805 | - | 1,673,805 |
| Derivative Financial Instruments | 149,879 | - | 149,879 |
| | 1,823,685 | - | 1,823,685 |
| Total Credit Exposures | 24,662,833 | 85,353 | 24,577,481 |

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 2018 | | | |
| Credit Risk | | | |
| (a) On Balance Sheet Exposures | | | |
| Sovereign/Central Banks | 6,747,388 | - | 6,747,388 |
| Public Sector Entities | 839,266 | 221 | 839,045 |
| Banks, Development Financial Institution & MDBs | 460,602 | - | 460,602 |
| Corporates | 6,021,792 | 89,286 | 5,932,506 |
| Regulatory Retail | 4,883,585 | 9,666 | 4,873,919 |
| Residential Real Estate | 4,403,799 | - | 4,403,799 |
| Higher Risk Assets | - | - | - |
| Other Assets | 371,279 | - | 371,279 |
| Defaulted Exposures | 156,185 | - | 156,185 |
| | 23,883,896 | 99,173 | 23,784,723 |
| (b) Off-Balance Sheet Exposures | | | |
| Credit-related Off-Balance Sheet Exposure | 1,767,196 | - | 1,767,196 |
| Derivative Financial Instruments | 109,406 | - | 109,406 |
| | 1,876,602 | - | 1,876,602 |
| Total Credit Exposures | 25,760,498 | 99,173 | 25,661,325 |

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 March 2019 | | | 31 March 2018 | | |
| | Principal amount RM'000 | Credit equivalent amount RM'000 | Total risk weighted amount RM'000 | Principal amount RM'000 | Credit equivalent amount RM'000 | Total risk weighted amount RM'000 |
| The commitments and contingencies constitute the following : | | | | | | |
| Contingent liabilities | | | | | | |
| Direct credit substitutes | 203,424 | 203,424 | 169,198 | 237,010 | 237,010 | 208,603 |
| Trade-related contingencies | 83,279 | 16,656 | 7,763 | 25,603 | 5,121 | 528 |
| Transaction related contingencies | 425,159 | 212,580 | 199,194 | 342,229 | 171,114 | 166,532 |
| Commitments | | | | | | |
| Credit extension commitment: | | | | | | |
| - Maturity within one year | 624,707 | 124,941 | 123,594 | 927,991 | 185,598 | 170,493 |
| - Maturity exceeding one year | 2,232,408 | 1,116,204 | 350,760 | 2,336,704 | 1,168,352 | 371,012 |
| Islamic derivative financial instruments | | | | | | |
| Foreign exchange related contracts | 3,545,493 | 63,942 | 39,235 | 1,707,392 | 98,531 | 30,839 |
| Profit rate related contract | 2,150,000 | 85,938 | 17,188 | 1,200,000 | 10,875 | 2,175 |
| Total off-balance sheet exposures | 9,264,470 | 1,823,687 | 906,930 | 6,776,929 | 1,876,602 | 950,181 |

**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.

| Group and Bank | 2019 | | | 2018 | | |
|-----------------------------------|---|------------------|-----------------------|---|------------------|-----------------------|
| | 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 | 1,322,983 | 13,765 | (7,963) | 777,177 | 1,660 | (71,428) |
| - Currency swaps | | | | | | |
| Less than one year | 1,858,525 | 8,835 | (12,946) | 841,470 | 70,995 | (1,498) |
| - Currency spot | | | | | | |
| Less than one year | 363,985 | 2,253 | (708) | 88,744 | 115 | (55) |
| - Dual currency investment option | - | - | - | - | - | - |
| | 3,545,493 | 24,853 | (21,617) | 1,707,391 | 72,770 | (72,981) |
| Islamic profit rate swap ("IPRS") | | | | | | |
| Unhedged IPRS | 950,000 | - | (2,123) | 325,000 | - | (2,391) |
| Hedged IPRS | 1,200,000 | - | (24,422) | 875,000 | - | (2,551) |
| Total | 5,695,493 | 24,853 | (48,162) | 2,907,391 | 72,770 | (77,923) |

**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:

| | 31 March 2019 | | | 31 March 2018 | | |
|------|---|--------------------------------|-----------------------|---|--------------------------------|-----------------------|
| | Contract/ Notional Amount RM'000 | Fair value Assets RM'000 | Liabilities RM'000 | Contract/ Notional Amount RM'000 | Fair value Assets RM'000 | Liabilities RM'000 |
| IPRS | 1,200,000 | - | (24,422) | 875,000 | - | (2,551) |

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 year ended 31 March 2019, the Group and the Bank:-

- (i) recognised a net loss of RM 22,110,559 (31 March 2018: 3,549,171) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM 33,297,225 (31 March 2018: 5,157,995); and
- (ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM 2,101,533 (31 March 2018: RM 4,810,910) due to the 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 Bank's strategic and business plan.

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 2018/2019 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 Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the Trading Book Policy Statement. The policy covers the definition of trading and banking book for financial instruments, classification, performance and 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 FRS139 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 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 |

Group and Bank
31 March 2018

| | Long Position RM' 000 | Short Position RM' 000 | Risk weighted Assets RM' 000 | Minimum Capital Requirement at 8% RM' 000 |
|-----------------------|-----------------------------|------------------------------|---------------------------------------|---|
| Benchmark Rate Risk | 811 | (802) | 9,711 | 777 |
| Foreign Currency Risk | 6,421 | (26,550) | 28,448 | 2,276 |
| Total | 7,232 | (27,351) | 38,159 | 3,053 |

**Basel II -
Pillar 3 Disclosure**

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 prior BNM 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 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) |

31 March 2018

| | 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 | 116,016 | 116,016 | (13,289) |
| Total | 116,016 | 116,016 | (13,289) |

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.

**Basel II -
Pillar 3 Disclosure**

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.

Rate of Return Risk in the Banking Book ("RORBB")

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:

| | | Group | | Bank | |
|--|----------|----------------------------|----------------------------|----------------------------|----------------------------|
| Increase/(decrease) in basis points | Tax rate | -50 Basis Points RM'000 | +50 Basis Points RM'000 | -50 Basis Points RM'000 | +50 Basis Points RM'000 |
| 31 March 2019 | | | | | |
| Effect on profit after tax | 24% | (4,046) | 4,046 | (4,046) | 4,046 |
| Effect on other comprehensive income, net of tax | 24% | 79,816 | (79,816) | 78,392 | (78,392) |
| Effect on equity | | 93,409 | (93,409) | 91,435 | (91,435) |
| 31 March 2018 | | | | | |
| Effect on profit after tax | 24% | (2,179) | 2,179 | (2,125) | 2,125 |
| Effect on other comprehensive income, net of tax | 24% | 109,102 | (109,102) | 107,682 | (107,682) |
| Effect on equity | | 126,988 | (126,988) | 125,144 | (125,144) |

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 4 levels as follows:

| Contingency Level | Trigger / Status |
|--------------------------|---|
| Level 0 | Business as usual |
| Level 1 | Material change in funding risk, internal or external environment |
| Level 2 | Increasing probability of liquidity crisis – ERM to invoke contingency plan |
| Level 3 | Liquidity crisis – escalated to BRMC for immediate actions |

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. In accordance with the BNM guidelines on LCR issued on 31 March 2015, the Bank shall at all times hold adequate stock of High Quality Liquid Asset (HQLA) to ensure that the LCR level is maintained in compliance with minimum threshold and timeline below:

| With effect from | 1-Jun-15 | 1-Jan-16 | 1-Jan-17 | 1-Jan-18 | 1 January 2019 and thereafter |
|------------------|----------|----------|----------|----------|-------------------------------|
| Minimum LCR | 60% | 70% | 80% | 90% | 100% |

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 RM'000 | >7 Days - 1 Month RM'000 | >1-3 Months RM'000 | >3-6 Months RM'000 | >6-12 Months RM'000 | >1 - 5 Years RM'000 | Over 5 Years RM'000 | Total RM'000 |
|---|---------------------------|--------------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|-------------------|
| 31 March 2019 | | | | | | | | |
| 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 | (0) |
| 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)

| 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 2018 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | | | | | |
| Cash and short-term funds | 1,515,035 | 56,114 | 8,774 | - | - | - | - | 1,579,923 |
| Cash and placements with financial institutions | - | - | 7,758 | - | - | - | - | 7,758 |
| Investment accounts due from designated financial institution | - | - | - | - | - | 146 | - | 146 |
| Financial investments designated at fair value through profit and loss | - | - | - | - | - | - | 161,274 | 161,274 |
| Financial investment available-for-sale | - | 18,934 | 91,360 | 60,521 | 601,802 | 2,612,365 | 2,934,430 | 6,319,412 |
| Financial investment held-to-maturity | - | - | - | - | - | - | 143,730 | 143,730 |
| Islamic derivative financial assets | 100 | 28,088 | 21,013 | 13,895 | 9,674 | - | - | 72,770 |
| Financing of customers | 223,985 | 1,283,979 | 1,437,751 | 722,867 | 792,454 | 4,554,599 | 5,672,211 | 14,687,846 |
| Other assets | - | 7,038 | - | - | 84,341 | 16,208 | 863,245 | 970,832 |
| TOTAL ASSETS | 1,739,120 | 1,394,153 | 1,566,656 | 797,283 | 1,488,271 | 7,183,318 | 9,774,890 | 23,943,691 |
| LIABILITIES AND EQUITY | | | | | | | | |
| Deposits from customers | 7,241,751 | 5,039,176 | 4,307,053 | 1,466,052 | 1,501,273 | 583,814 | 33,408 | 20,172,527 |
| Deposits and placements of banks and other financial institutions | 69 | 161 | 305 | 735 | 244 | 7,340 | - | 8,854 |
| Bills and acceptances payable | - | 9,618 | - | - | - | - | - | 9,618 |
| Islamic derivative financial liabilities | 49 | 28,882 | 20,835 | 13,487 | 10,260 | 4,410 | - | 77,923 |
| Other liabilities | - | 61,151 | - | - | 64,102 | - | 587 | 125,840 |
| Recourse obligation on financing sold to Cagamas | - | - | 186 | - | - | 485,665 | - | 485,851 |
| Subordinated sukuk | - | 4,262 | - | - | - | 249,773 | - | 254,035 |
| Senior sukuk | - | 9,601 | - | - | - | 499,527 | - | 509,128 |
| Total Liabilities | 7,241,869 | 5,152,851 | 4,328,379 | 1,480,274 | 1,575,879 | 1,830,529 | 33,995 | 21,643,776 |
| Equity attributable to shareholders of the Bank | - | - | - | - | - | - | 2,299,916 | 2,299,916 |
| NET MATURITY MISMATCH | (5,502,749) | (3,758,698) | (2,761,723) | (682,991) | (87,608) | 5,352,789 | 7,579,980 | - |
| Commitments and contingencies | | | | | | | | |
| Contingent liabilities | 2,833 | 21,551 | 13,487 | 22,604 | 123,450 | 418,964 | 1,953 | 604,842 |
| Commitments | 45,959 | 79,120 | 152,564 | 78,402 | 60,866 | 2,028,328 | 819,456 | 3,264,695 |
| Islamic derivative financial instruments | 127,470 | 483,609 | 422,090 | 365,143 | 559,080 | 950,000 | - | 2,907,392 |
| Total commitments and contingencies | 176,262 | 584,280 | 588,141 | 466,149 | 743,396 | 3,397,292 | 821,409 | 6,776,929 |

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 |
| 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 | - | - | - | 24,853 |
| Financing of customers | 72,953 | 576,011 | 942,384 | 1,021,580 | 1,448,500 | 4,909,639 | 6,362,214 | 15,333,281 |
| Other assets | (27) | 6,855 | - | - | 76,101 | 18,343 | 900,279 | 1,001,551 |
| 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 | - | 509,174 |
| 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 | 0 |
| 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 March 2018 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | | | | | |
| Cash and short-term funds | 1,515,035 | 56,114 | 8,774 | - | - | - | - | 1,579,923 |
| Cash and placements with financial institutions | - | - | 7,758 | - | - | - | - | 7,758 |
| Investment accounts due from designated financial institution | - | - | - | - | - | 146 | - | 146 |
| Financial investments designated at fair value through profit and loss | - | - | - | - | - | - | 161,274 | 161,274 |
| Financial investment available-for-sale | - | 18,725 | 91,360 | 60,521 | 599,357 | 2,609,712 | 2,937,084 | 6,316,759 |
| Islamic derivative financial assets | 100 | 28,088 | 21,013 | 13,895 | 9,674 | - | - | 72,770 |
| Financing of customers | 223,985 | 1,283,979 | 1,437,751 | 722,867 | 792,454 | 4,554,599 | 5,671,795 | 14,687,429 |
| Other assets | 9 | 7,038 | - | - | 81,896 | 16,208 | 871,619 | 976,772 |
| TOTAL ASSETS | 1,739,129 | 1,393,944 | 1,566,656 | 797,283 | 1,483,381 | 7,180,665 | 9,785,502 | 23,946,561 |
| LIABILITIES AND EQUITY | | | | | | | | |
| Deposits from customers | 7,247,277 | 5,049,476 | 4,309,554 | 1,466,052 | 1,501,273 | 583,814 | 33,408 | 20,190,854 |
| Deposits and placements of banks and other financial institutions | 69 | 161 | 305 | 735 | 244 | 7,340 | - | 8,854 |
| Bills and acceptances payable | - | 9,618 | - | - | - | - | - | 9,618 |
| Islamic derivative financial liabilities | 49 | 28,882 | 20,835 | 13,487 | 10,260 | 4,410 | - | 77,923 |
| Other liabilities | - | 59,984 | - | - | 61,617 | - | - | 121,601 |
| Recourse obligation on financing sold to Cagamas | - | - | 186 | - | - | 485,665 | - | 485,851 |
| Subordinated sukuk | - | 4,262 | - | - | - | 249,773 | - | 254,035 |
| Senior sukuk | - | 9,601 | - | - | - | 499,525 | - | 509,127 |
| Total Liabilities | 7,247,395 | 5,161,984 | 4,330,880 | 1,480,274 | 1,573,394 | 1,830,527 | 33,408 | 21,657,863 |
| Equity attributable to shareholders of the Bank | - | - | - | - | - | - | 2,288,698 | 2,288,698 |
| NET MATURITY MISMATCH | (5,508,266) | (3,768,040) | (2,764,224) | (682,991) | (90,013) | 5,350,138 | 7,620,015 | - |
| Commitments and contingencies | | | | | | | | |
| Contingent liabilities | 2,833 | 21,551 | 13,487 | 22,604 | 123,450 | 418,964 | 1,953 | 604,842 |
| Commitments | 45,959 | 79,120 | 152,564 | 78,402 | 60,866 | 2,028,328 | 819,456 | 3,264,695 |
| Islamic derivative financial instruments | 127,470 | 483,609 | 422,090 | 365,143 | 559,080 | 950,000 | - | 2,907,392 |
| Total commitments and contingencies | 176,262 | 584,280 | 588,141 | 466,149 | 743,396 | 3,397,292 | 821,409 | 6,776,929 |

9.0 Operational Risk Management("ORM") Disclosures

Operational risk is defined as the risk of losses 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 key functions which play a significant role in the overall integrated risk management framework are the Operational and Shariah Risk Management Section ("OSRMS"), Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, as well as the business and support units.

The management of operational risks is targeted at preventing risk events and potential risks through operational risk tools i.e. Risk and Control Self Assessment ("RCSA"), Key Risk Indicator (KRI), Incident Management and Data Collection ("IMDC") and Scenario Analysis ("SA"), handling crisis due to operational failures and natural disaster via contingency plans and business continuity management ("BCM"). These are achieved partly by instituting appropriate controls and implementing clear and comprehensive documented business continuity plans and procedures.

The risk management processes and controls are established in line with the Bank's operational risk management framework and internal policies, regulatory requirements and standard market practices as guidance and benchmarks. The Bank limits its exposure to an acceptable level in accordance with its risk appetite.

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 prepares the Business Continuity Plan ("BCP") by completing the Risk Assessment ("RA") and the Business Impact Analysis ("BIA"). RA is a tool used to identify potential threat to all business function. 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 infrastructure. The RA and BIA session are conducted annually with the business units.

**Basel II -
Pillar 3 Disclosure**

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 and the Bank minimum capital is presented in table below:

Table 27: ORM minimum capital requirement

| | 31 March 2019 | | 31 March 2018 | |
|-------|--------------------------------------|--|--------------------------------------|--|
| | 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 | 1,190,113 | 95,209 | 1,161,497 | 92,920 |
| Bank | 1,176,241 | 94,099 | 1,143,979 | 91,518 |

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 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."

This risk is managed through 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.

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

Shariah Governance Structure

Internal Shariah Control

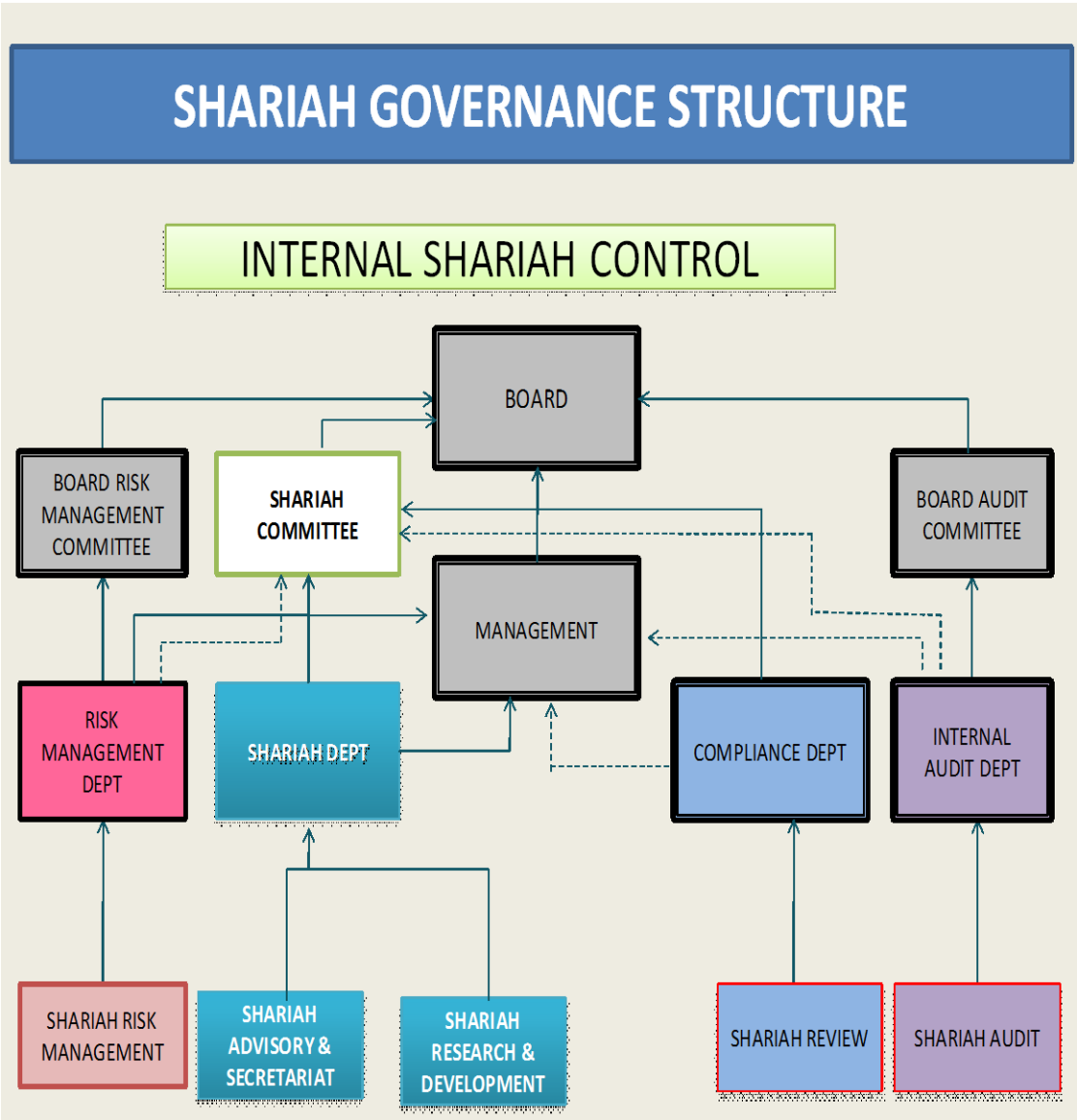
Shariah compliance management is driven top down from the Board through the SC who has the responsibility of understanding Shariah related matters in the activities assumed by the Group and the Bank.

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.

To ensure 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.

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 March 2019 | 31 March 2018 |
|---|---|
| Event - NIL plus monthly Nostro interest received (31 March 2019: RM286.03) | Event - NIL plus monthly Nostro interest received (31 March 2018: RM573.20) |

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

Unidentified fund / *Shubhah*

During the bank's daily operation, there are certain funds received by the bank where the source is not clear or uncertain. These funds are therefore not recognised as income and are retained in the *Maslahah Ammah* account. The utilisation of the fund follows the similar procedure set for the SNCI funds.

Example of unidentified funds are cash excess at teller and ATM machines and unidentified credit balances.

The total earning prohibited by Shariah and the unidentified fund during the year was recorded at RM55,165 (2018: RM80,267).