



BANK MUAMALAT MALAYSIA BERHAD

Company No. 196501000376 (6175-W)
(Incorporated in Malaysia)

**BASEL II PILLAR 3 DISCLOSURES
31 DECEMBER 2021**

Bank Muamalat Malaysia Berhad
Basel II Pillar 3 Disclosure

Statement by Chief Executive Officer

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

In accordance with the requirement of BNM's Guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation on the Pillar 3 disclosures of the Group and the Bank for year ended 31 December 2021.



Khairul Kamarudin
President / Chief Executive Officer

Bank Muamalat Malaysia Berhad
Basel II Pillar 3 Disclosure

Pillar 3 Disclosure Content

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Bank Muamalat Malaysia Berhad
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BASEL II

PILLAR 3 DISCLOSURE

Abbreviations

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

Bank Muamalat Malaysia Berhad
Basel II Pillar 3 Disclosure

Abbreviations (cont'd.)

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

Basel II - Pillar 3 Disclosure

Overview

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

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

This Pillar 3 disclosure is published for the financial year ended 31 December 2021 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 December 2021.

Basel II - Pillar 3 Disclosure

1.0 Scope of Application

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

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

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

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

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

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

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

Scope of disclosure

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

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

Basel II - Pillar 3 Disclosure

2.0 Capital Management

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

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

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

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

2.1 Internal Capital Adequacy Assessment Process ("ICAAP")

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

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

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

Basel II - Pillar 3 Disclosure

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

Stress Test

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

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

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

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

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

Table 1: Capital adequacy ratios

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Core Capital Ratio	13.708%	15.486%	13.590%	15.385%
Risk-weighted capital ratio	17.349%	17.955%	17.237%	17.858%

The following table represents the Group's and Bank's capital position as at 31 December 2021. 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 December 2021	31 December 2020	31 December 2021	31 December 2020
	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	1,569,073	1,392,969	1,554,572	1,384,855
Other Reserves				
Regulatory reserve	28,079	45,411	28,079	45,411
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	(40,014)	18,240	(40,014)	18,240
Foreign exchange translation reserve	649	(968)	650	(968)
Regulatory Adjustment				
Less: Regulatory reserve	(28,079)	(45,411)	(28,079)	(45,411)
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	-	(10,032)	-	(10,032)
Less: Investment property gain	(8,171)	(7,496)	(8,171)	(7,496)
Less: Deferred tax assets	(58,170)	(39,422)	(58,170)	(39,070)
Less: Investment in subsidiaries	-	-	(13,159)	(13,159)
Less: Cumulative gains of financing measured at FVTPL	(19,354)	-	(19,354)	-
Less: Intangible Asset (net of deferred tax liabilities)	(61,002)	(14,293)	(60,701)	(14,080)
Total Tier-I Capital	2,578,011	2,533,998	2,550,653	2,513,290
Tier-II capital				
Subordinated sukuk	500,000	250,000	500,000	250,000
Collective assessment allowance for non-impaired financing and regulatory reserve	180,990	150,659	180,990	150,659
Add: Investment property gain	3,677	3,373	3,677	3,373
Total Tier-II Capital	684,667	404,032	684,667	404,032
Total Capital	3,262,678	2,938,030	3,235,320	2,917,322

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 9 December 2020 and 3 May 2019, 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 (December 2020: 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's and the Bank's risk-weighted assets:

Table 3: Minimum capital requirement and risk-weighted assets

	31 December 2021		31 December 2020	
	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	17,566,888	1,405,351	15,081,238	1,206,499
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	98,453	-	-	-
Market Risk	16,225	1,298	22,546	1,804
Operational Risk	1,321,435	105,715	1,259,314	100,745
Total	18,806,095	1,512,364	16,363,098	1,309,048
	31 December 2021		31 December 2020	
	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	17,549,202	1,403,936	15,063,327	1,205,066
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	98,453	-	-	-
Market Risk	16,225	1,298	22,546	1,803
Operational Risk	1,302,128	104,170	1,250,046	100,004
Total	18,769,102	1,509,404	16,335,919	1,306,873

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

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

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

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

Group	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2021				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,576,883	5,576,883	-	-
Public Sector Entities	944,437	944,417	188,883	15,111
Banks, Development Financial Institution & MDBs	154,038	154,038	59,067	4,725
Takaful Cos, Securities Firms & Fund Managers	52,758	52,758	10,552	844
Corporates	6,331,648	6,179,355	5,519,176	441,534
Regulator Retail	9,475,555	9,468,994	8,489,137	679,131
Residential Real Estate	4,610,191	4,610,191	1,901,060	152,085
Higher Risk Assets	75,444	75,444	113,166	9,053
Other Assets	269,709	269,710	132,882	10,630
Defaulted Exposures	95,860	95,860	87,171	6,974
	27,586,523	27,427,650	16,501,094	1,320,087
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,160,991	1,160,991	1,042,399	83,392
Islamic derivative financial instruments	72,443	72,443	23,395	1,872
	1,233,434	1,233,434	1,065,794	85,264
Total Credit Exposures	28,819,957	28,661,084	17,566,888	1,405,351
(c) Credit Risk Absorb by PSIA	98,453	98,453	98,453	-
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,319	1,384	4,977	398
Foreign Currency Risk	7,011	19,928	11,248	900
Equity Position Risk	-	-	-	-
			16,225	1,298
(iii) Operational Risk (Basic Indicators Approach)			1,321,435	105,715
(iv) Total RWA and Capital Requirements			18,806,095	1,512,364

* 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 December 2020				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,058,325	6,058,325	-	-
Public Sector Entities	251,982	251,793	50,359	4,029
Banks, Development Financial Institution & MDBs	669,900	669,900	164,563	13,165
Corporates	6,517,329	6,409,389	5,078,644	406,292
Regulator Retail	7,106,909	7,095,842	6,390,952	511,276
Residential Real Estate	4,640,167	4,640,167	1,926,428	154,114
Higher Risk Assets	826	826	1,239	99
Other Assets	447,352	447,351	304,027	24,321
Defaulted Exposures	107,289	107,289	83,954	6,716
	25,800,079	25,680,882	14,000,166	1,120,012
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,115,215	1,115,215	1,029,179	82,334
Islamic derivative financial instruments	148,181	148,181	51,893	4,151
	1,263,396	1,263,396	1,081,072	86,485
Total Credit Exposures	27,063,475	26,944,278	15,081,238	1,206,497
	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,432	(1,817)	14,850	1,190
Foreign Currency Risk	7,695	(6,075)	7,695	616
Equity Position Risk	-	-	-	-
			22,545	1,806
(iii) Operational Risk (Basic Indicators Approach)			1,259,315	100,745
(iv) Total RWA and Capital Requirements			16,363,098	1,309,048

* 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 December 2021					
(i) Credit Risk (Standardised Approach)					
(a) On Balance Sheet Exposures					
Sovereign/Central Banks		5,576,883	5,576,883	-	-
Public Sector Entities		944,437	944,417	188,883	15,111
Banks, Development Financial Institution & MDBs		154,038	154,038	59,067	4,725
Takaful Cos, Securities Firms & Fund Managers		52,758	52,758	10,552	844
Corporates		6,319,455	6,167,162	5,502,138	440,173
Regulator Retail		9,475,555	9,468,994	8,489,137	679,131
Residential Real Estate		4,610,191	4,610,191	1,901,060	152,085
Higher Risk Assets		75,444	75,444	113,166	9,053
Other Assets		269,060	269,061	132,234	10,577
Defaulted Exposures		95,860	95,860	87,171	6,974
		27,573,681	27,414,808	16,483,408	1,318,673
(b) Off-Balance Sheet Exposures**					
Credit-related off-balance sheet exposure		1,160,991	1,160,991	1,042,399	83,392
Islamic derivative financial instruments		72,443	72,443	23,395	1,872
		1,233,434	1,233,434	1,065,794	85,264
Total Credit Exposures		28,807,115	28,648,242	17,549,202	1,403,937
(c) Credit Risk Absorb by PSIA					
		98,453	98,453	98,453	-
(ii) Market Risk (Standardised Approach)					
		Long Position	Short Position	Risk Weighted Assets	Capital Requirement
Benchmark Rate Risk		1,319	1,384	4,977	398
Foreign Currency Risk		7,011	19,928	11,248	900
Equity Position Risk		-	-	-	-
				16,225	1,298
(iii) Operational Risk (Basic Indicators Approach)					
				1,302,128	104,169
(iv) Total RWA and Capital Requirements					
				18,769,102	1,509,404

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

**Basel II -
Pillar 3 Disclosure**

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

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

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

Bank	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2020				
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,058,325	6,058,325	-	-
Public Sector Entities	251,982	251,793	50,359	4,029
Banks, Development Financial Institution & MDBs	669,900	669,900	164,563	13,165
Corporates	6,509,247	6,401,307	5,067,754	405,420
Regulator Retail	7,106,909	7,095,842	6,390,952	511,276
Residential Real Estate	4,640,167	4,640,167	1,926,428	154,114
Other Assets	440,330	440,330	297,006	23,758
Defaulted Exposures	107,289	107,289	83,954	6,716
	25,784,975	25,665,779	13,982,255	1,118,577
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,115,215	1,115,215	1,029,179	82,334
Islamic derivative financial instruments	148,181	148,181	51,893	4,151
	1,263,396	1,263,396	1,081,073	86,485
Total Credit Exposures	27,048,371	26,929,175	15,063,327	1,205,062
			Risk	Capital
(ii) Market Risk (Standardised Approach)	Long Position	Short Position	Weighted Assets	Requirement
Benchmark Rate Risk	1,432	(1,817)	14,851	1,190
Foreign Currency Risk	7,695	(6,075)	7,695	616
Equity Position Risk	-	-	-	-
			22,546	1,806
(iii) Operational Risk (Basic Indicators Approach)			1,250,046	100,004
(iv) Total RWA and Capital Requirements			16,335,919	1,306,872

* 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

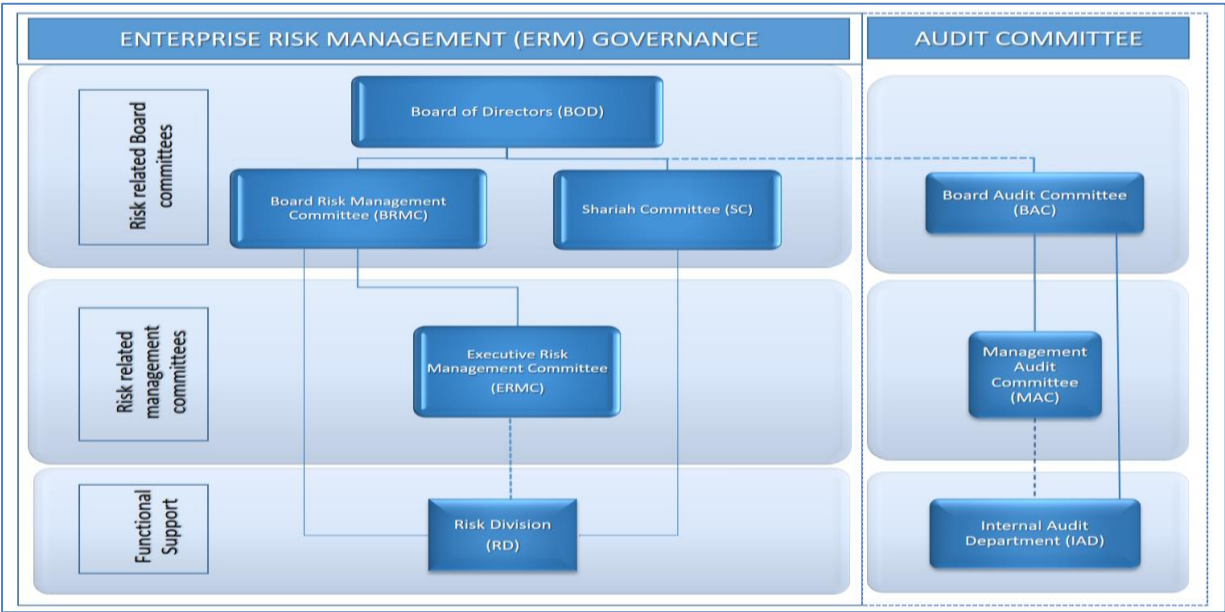
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank’s risk management framework and structure are built on formal governance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



Basel II - Pillar 3 Disclosure

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

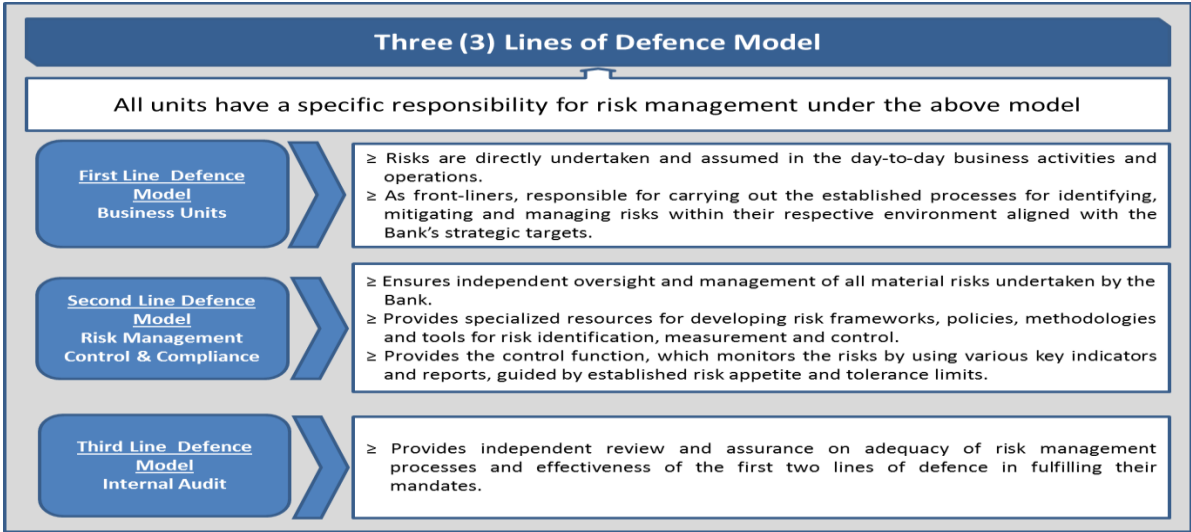
A dedicated and independent Risk Management Department ("RMD") supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the Management's and the Board's decision-making.

3.0 Risk Management (cont'd)

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

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

Table 7: Risk Management Model



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

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

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

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

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

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

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

Credit Risk Exposures and Credit Risk Concentration

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

Group 31 December 2021	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	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,142,291	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	31,184	-	-	-	-	-	31,184
Financial investments at fair value through profit and loss	152,891	168,385	-	-	-	-	-	321,276
Financial investments at fair value through other comprehensive income	4,354,427	46,046	53,080	5,118	-	-	408,099	4,866,770
Financial assets at amortised cost	-	-	107,109	-	-	-	-	107,109
Islamic derivative financial assets	-	5,437	-	-	-	-	-	5,437
Financing of customers	992,353	1,361,404	1,980,056	1,698,795	66,666	13,890,033	681,999	20,671,306
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	130,148
Other assets	-	-	-	-	-	-	17,606	17,606
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,107,704	27,293,127
Commitments and contingencies								
Contingent liabilities	38,285	165,515	134,003	374,182	11,957	5,518	92,810	822,270
Commitments	18,210	265,013	326,423	149,305	15,070	335,323	503,798	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	-	240	1,669	21,518	855	1,357	134	25,773
Islamic derivative financial instruments	-	2,051,516	779,081	-	-	-	-	2,830,597
	56,495	2,482,284	1,241,176	545,005	27,882	342,198	596,742	5,291,782
Total credit exposures	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,704,446	32,584,909

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

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

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

Group 31 December 2020	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	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	520,055	3,798,965
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,648	2,136,502	1,753,798	59,420	11,662,015	403,610	18,115,817
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	95,760	95,760
	4,032,513	4,671,737	2,305,129	1,785,848	59,420	11,662,015	1,019,425	25,536,087
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Islamic derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,877	2,869,478	2,490,621	64,907	11,833,226	1,202,152	32,453,571

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

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

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

Bank 31 December 2021	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	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,142,291	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	31,184	-	-	-	-	-	31,184
Financial investments at fair value through profit and loss	152,891	168,385	-	-	-	-	-	321,276
Financial investments at fair value through other comprehensive income	4,354,427	46,046	53,080	5,118	-	-	405,593	4,864,264
Financial assets at amortised cost	-	-	107,109	-	-	-	-	107,109
Islamic derivative financial assets	-	5,437	-	-	-	-	-	5,437
Financing of customers	992,353	1,361,404	1,980,056	1,698,795	66,666	13,890,033	672,311	20,661,618
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	130,148
Other assets	-	-	-	-	-	-	17,058	17,058
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,094,962	27,280,385
Commitments and contingencies								
Contingent liabilities	38,285	165,515	134,003	374,182	11,957	5,518	92,810	822,270
Commitments	18,210	265,013	326,423	149,305	15,070	335,323	503,798	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	-	240	1,669	21,518	855	1,357	134	25,773
Islamic derivative financial instruments	-	2,051,516	779,081	-	-	-	-	2,830,597
	56,495	2,482,284	1,241,176	545,005	27,882	342,198	596,742	5,291,782
Total credit exposures	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,691,704	32,572,167

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

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

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

Bank 31 December 2020	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	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	517,588	3,796,498
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,649	2,136,502	1,753,798	59,420	11,662,015	397,994	18,110,202
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	94,984	94,984
	4,032,513	4,671,738	2,305,129	1,785,848	59,420	11,662,015	1,010,566	25,527,229
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Islamic derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,878	2,869,478	2,490,621	64,907	11,833,226	1,193,293	32,444,713

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

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

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

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

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
31 December 2021				
On Balance Sheet				
Exposures				
Cash and short-term funds	1,088,191	54,100	1,088,191	54,100
Cash and placements with financial institutions	31,184	-	31,184	-
Financial investment at fair value through profit and loss	152,891	168,385	152,891	168,385
Financial investments at fair value through other comprehensive income	4,866,770	-	4,864,264	-
Financial investments amortised cost	107,109	-	107,109	-
Islamic derivative financial assets	5,437	-	5,437	-
Financing of customers	20,671,306	-	20,661,618	-
Statutory deposits with Bank Negara Malaysia	130,148	-	130,148	-
Other assets	17,603	3	17,055	3
	27,070,639	222,488	27,057,897	222,488
Commitments and contingencies				
Contingent liabilities	822,270	-	822,270	-
Commitments	1,613,142	-	1,613,142	-
Other Miscellaneous Commitment and Contingent Liabilities	25,773	-	25,773	-
Islamic derivative financial instruments	2,830,597	-	2,830,597	-
	5,291,782	-	5,291,782	-
Total credit exposures	32,362,421	222,488	32,349,679	222,488

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

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

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

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

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
31 December 2020				
On Balance Sheet				
Exposures				
Cash and short-term funds	2,794,518	138,654	2,794,518	138,654
Cash and placements with financial institutions	30,417	-	30,417	-
Financial investment at fair value through profit and loss	148,084	165,252	148,084	165,252
Financial investments at fair value through other comprehensive income	3,798,965	-	3,796,498	-
Financial investments amortised cost	105,544	-	105,544	-
Islamic derivative financial assets	47,820	-	47,820	-
Financing of customers	18,115,817	-	18,110,202	-
Statutory deposits with Bank Negara Malaysia	95,255	-	95,255	-
Other assets	113,167	3	112,343	3
	25,249,587	303,909	25,240,681	303,909
Commitments and contingencies				
Contingent liabilities	731,381	-	731,381	-
Commitments	1,652,479	-	1,652,479	-
Other Miscellaneous Commitment and Contingent Liabilities	7,102	-	7,102	-
Islamic derivative financial instruments	4,526,523	-	4,526,523	-
	6,917,485	-	6,917,485	-
Total credit exposures	32,167,072	303,909	32,158,166	303,909

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

Credit Risk Exposures of Financial Assets by Maturity Distribution

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

Group	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
31 December 2021					
On-Balance Sheet Exposures					
Cash and short-term funds	1,142,291	-	-	-	1,142,291
Cash and placements with financial institutions	31,184	-	-	-	31,184
Financial investments at fair value through profit and loss	114,928	58,508	147,840	-	321,276
Financial investments at fair value through other comprehensive income	502,428	669,885	3,587,562	106,895	4,866,770
Financial investments amortised cost	-	-	-	107,109	107,109
Islamic derivative financial assets	5,437	-	-	-	5,437
Financing of customers	3,529,987	2,005,708	6,809,225	8,326,386	20,671,306
Statutory deposits with Bank Negara Malaysia	-	-	-	130,148	130,148
Other assets	400	16,706	500	-	17,606
Total On-Balance Sheet Exposures	5,326,655	2,750,807	10,545,127	8,670,538	27,293,127
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 December 2020					
On-Balance Sheet Exposures					
Cash and short-term funds	2,933,172	-	-	-	2,933,172
Cash and placements with financial institutions	30,417	-	-	-	30,417
Financial investments at fair value through profit and loss	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	917,316	123,899	2,607,258	150,492	3,798,965
Financial investments amortised cost	-	-	-	105,544	105,544
Islamic derivative financial assets	46,901	919	-	-	47,820
Financing of customers	3,132,750	1,898,467	6,046,320	7,038,280	18,115,817
Statutory deposits with Bank Negara Malaysia	-	-	-	95,255	95,255
Other assets	646	94,614	500	-	95,760
Total On-Balance Sheet Exposures	7,073,378	2,117,899	8,955,239	7,389,571	25,536,087

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

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

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

Bank	Up to 6	> 6 - 12	> 1 - 5	Over 5	Total
31 December 2021	months	months	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	
On-Balance Sheet Exposures					
Cash and short-term funds	1,142,291	-	-	-	1,142,291
Cash and placements with financial institutions	31,184	-	-	-	31,184
Financial investments at fair value through profit and loss	114,928	58,508	147,840	-	321,276
Financial investments at fair value through other comprehensive income	502,428	669,885	3,585,057	106,894	4,864,264
Financial investments amortised cost	-	-	-	107,109	107,109
Islamic derivative financial assets	5,437	-	-	-	5,437
Financing of customers	3,529,987	2,005,708	6,809,225	8,316,698	20,661,618
Statutory deposits with Bank Negara Malaysia	-	-	-	130,148	130,148
Other assets	395	16,163	500	-	17,058
Total On-Balance Sheet Exposures	5,326,650	2,750,264	10,542,622	8,660,849	27,280,385
Bank	Up to 6	> 6 - 12	> 1 - 5	Over 5	Total
31 December 2020	months	months	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	
On-Balance Sheet Exposures					
Cash and short-term funds	2,933,172	-	-	-	2,933,172
Cash and placements with financial institutions	30,417	-	-	-	30,417
Financial investments at fair value through profit and loss	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	917,316	123,899	2,604,791	150,492	3,796,498
Financial investments amortised cost	-	-	-	105,544	105,544
Islamic derivative financial assets	46,901	919	-	-	47,820
Financing of customers	3,132,750	1,898,467	6,046,320	7,032,665	18,110,202
Statutory deposits with Bank Negara Malaysia	-	-	-	95,255	95,255
Other assets	649	93,835	500	-	94,984
Total On-Balance Sheet Exposures	7,073,381	2,117,120	8,952,772	7,383,956	25,527,229

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

Credit Risk Management Approach

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

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

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

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

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

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

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

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

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

Credit Risk Management Approach (cont'd.)

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

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

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

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

Credit Quality Financing of Customers

Table 11: Credit quality of financing of customers

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

Financing of customers are analysed as follows:

Group	Neither past due nor impaired		Past due	Impaired	Total
31 December 2021	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	5,579,616	132,386	18,714	68,345	5,799,061
- Syndicated financing	561,017	-	-	-	561,017
- Hire purchase receivables	636,718	8,013	4,360	1,384	650,475
- Other term financing	9,660,937	101,443	16,301	60,821	9,839,502
Other financing	3,975,628	30,669	379	41,523	4,048,199
	20,413,916	272,511	39,754	172,073	20,898,254
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(116,768)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(34,046)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(76,134)	(76,134)
Total net financing	20,413,916	272,511	39,754	95,939	20,671,306

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

Credit Quality Financing of Customers (cont'd)

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

Financing of customers are analysed as follows:

Group	Neither past due nor impaired		Past due	Impaired	Total
31 December 2020	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Other term financing	8,120,932	26,053	56,289	56,067	8,259,341
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	<u>17,736,703</u>	<u>121,417</u>	<u>254,475</u>	<u>194,711</u>	<u>18,307,306</u>
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(94,984)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(8,561)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	<u>17,736,703</u>	<u>121,417</u>	<u>254,475</u>	<u>106,767</u>	<u>18,115,817</u>

**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	Impaired	
	Good	Satisfactory	but not	financing	Total
31 December 2021	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	5,579,616	132,386	18,714	68,345	5,799,061
- Syndicated financing	561,017	-	-	-	561,017
- Hire purchase receivables	636,718	8,013	4,360	1,384	650,475
- Other term financing	9,651,249	101,443	16,301	60,821	9,829,814
Other financing	3,975,628	30,669	379	41,523	4,048,199
	20,404,228	272,511	39,754	172,073	20,888,566
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(116,768)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(34,046)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(76,134)	(76,134)
Total net financing	20,404,228	272,511	39,754	95,939	20,661,618

**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 December 2020					
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Other term financing	8,115,317	26,053	56,289	56,067	8,253,726
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	<u>17,731,088</u>	<u>121,417</u>	<u>254,475</u>	<u>194,711</u>	<u>18,301,691</u>
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(94,984)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(8,561)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	<u>17,731,088</u>	<u>121,417</u>	<u>254,475</u>	<u>106,767</u>	<u>18,110,202</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) 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 12: Past due but not impaired

Group and Bank	Less than	1 - 2	>2 - 3	Total
31 December 2021	1 month	months	months	RM'000
	RM'000	RM'000	RM'000	
Term financing				
- Home financing	-	14,430	4,284	18,714
- Hire purchase receivables	-	2,807	1,553	4,360
- Other term financing	-	9,309	6,992	16,301
Other financing	-	160	219	379
Total	-	26,706	13,048	39,754

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

Credit Quality Financing of Customers (cont'd)

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

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

Table 12: Past due but not impaired (cont'd)

Group and Bank 31 December 2020	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	102,958	81,928	184,886
- Hire purchase receivables	-	5,055	3,831	8,886
- Other term financing	-	33,732	22,557	56,289
Other financing	-	634	3,780	4,414
Total	-	142,379	112,096	254,475

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

Group and Bank	31 December 2021 RM'000	31 December 2020 RM'000
Purchase of transport vehicles	4,360	8,886
Purchase of landed properties of which:		
– residential	18,498	178,297
– non-residential	515	15,644
Personal use	14,890	50,518
Construction	1,092	-
Purchase of securities	-	106
Working capital	160	199
Other purpose	239	825
	39,754	254,475

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

Group and Bank	31 December 2021 RM'000	31 December 2020 RM'000
Domestic	39,754	254,475

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

Credit Quality Financing of Customers (cont'd)

(iii) Impaired financing

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

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

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

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

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

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

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose

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

Group	31 December 2021					
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December	Total Impairment Allowances for Financing
Purchase of securities	4	-	-	-	145	145
Purchase of transport vehicles	1,384	-	23	23	1,673	1,696
Purchase of landed properties of which:						
– residential	67,385	8,450	4,646	13,096	55,707	68,803
– non-residential	22,955	1,511	(58)	1,454	1,989	3,443
Purchase of fixed assets (excluding landed properties)	-	-	-	-	1,090	1,090
Personal use	38,085	671	(269)	402	75,956	76,358
Construction	-	-	-	-	1,879	1,879
Working capital	41,797	19,586	(820)	18,771	40,042	58,813
Other purpose	463	-	-	-	14,721	14,721
	172,073	30,218	3,522	33,746	193,202	226,948

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

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose (cont'd)

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

Group	31 December 2020					
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	297	297
Purchase of transport vehicles	1,880	14	(14)	-	3,547	3,547
Purchase of landed properties of which:						
– residential	89,146	9,479	(1,029)	8,450	52,667	61,117
– non-residential	27,109	2,306	(795)	1,511	2,975	4,486
Purchase of fixed assets (excluding landed properties)	-	-	-	-	358	358
Personal use	32,772	448	224	671	71,599	72,270
Construction	-	-	-	-	1,816	1,816
Working capital	41,122	13,298	6,287	19,586	26,792	46,378
Other purpose	2,682	-	-	-	1,220	1,220
	194,711	25,545	4,673	30,218	161,271	191,489

**Basel II -
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4.0 Credit Risk (General Disclosure) (cont'd)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose (cont'd)

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

Bank	31 December 2021					
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	4	-	-	-	145	145
Purchase of transport vehicles	1,384	-	23	23	1,673	1,696
Purchase of landed properties of which:						
– residential	67,385	8,450	4,646	13,096	55,707	68,803
– non-residential	22,955	1,511	(58)	1,454	1,989	3,443
Purchase of fixed assets (excluding landed properties)	-	-	-	-	1,090	1,090
Personal use	38,085	671	(269)	402	75,956	76,358
Construction	-	-	-	-	1,879	1,879
Working capital	41,797	19,586	(820)	18,771	40,042	58,813
Other purpose	463	-	-	-	14,721	14,721
	172,073	30,218	3,522	33,746	193,202	226,948

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

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose (cont'd)

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

Bank	31 December 2020						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	-	297	297
Purchase of transport vehicles	1,880	-	-	-	-	3,547	3,547
Purchase of landed properties of which:							
– residential	89,146	8,594	3,870	4,014	8,450	52,667	61,117
– non-residential	27,109	2,409	(898)	-	1,511	2,975	4,486
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	358	358
Personal use	32,772	614	58	-	671	71,599	72,270
Construction	-	-	-	-	-	1,816	1,816
Working capital	41,122	15,118	16,718	12,250	19,586	26,792	46,378
Other purpose	2,682	-	-	-	-	1,220	1,220
	194,711	26,735	19,748	16,264	30,218	161,271	191,489

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

Credit Quality Financing of Customers (cont'd)

Table 14: Impaired financing by geographical distribution

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

Group	31 December 2021					
	Impaired Financing	Individual Assessment Allowance at 1 January	Net Charge for the Year	Individual Assessment Allowance at 31 December	Collective Assessment Allowance at 31 December	Total Impairment Allowances for Financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Domestic	172,073	30,218	3,522	33,746	193,202	226,948

Group	31 December 2020					
	Impaired Financing	Individual Assessment Allowance at 1 January	Net Charge for the Year	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Domestic	194,711	25,545	4,674	30,219	161,270	191,489

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

Credit Quality Financing of Customers (cont'd)

Table 14: Impaired financing by geographical distribution (cont'd)

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

	31 December 2021					
	Individual Assessment Impaired Financing RM'000	Allowance at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Bank						
Domestic	172,073	30,218	3,522	33,746	193,202	226,948

	31 December 2020						
	Individual Assessment Impaired Financing RM'000	Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing RM'000
Bank							
Domestic	194,711	26,735	19,748	16,264	30,219	161,270	191,489

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 **82.4 and 82.5%** respectively as at 31 December 2021 (The Group and the Bank are at 87.2% and 87.2% respectively as at 31 December 2020). The financial effect of collateral held for other financial assets is not significant.

As at 31 December 2021, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM55,757,689 as compared against 31 December 2020 total amount of RM58,150,345. 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 pay the outstanding balance of financing and securities. Collateral's repossessed by the Bank are subject to disposal as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank do not occupy repossessed properties for its own business use.

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

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

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

Table 15: Rating distribution on credit exposures

Group

31 December 2021

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000			
<u>On and Off Balance-Sheet Exposures</u>											
<u>Credit Exposures - Standardised Approach</u>											
Sovereigns/Central Banks	5,592,032	-	-	-	-	-	-	-	-	-	5,592,032
Public Sector Entities	-	-	-	-	-	-	-	-	948,552	-	948,552
Banks, Development Financial Institutions & MDBs	29,992	-	22,200	-	94,199	-	-	14,311	54,647	-	215,349
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	52,758	-	52,758
Corporates	382,643	15,260	73,191	24,377	159,278	107,109	-	53,106	6,224,725	280,859	7,320,548
Regulatory Retail	-	-	-	-	-	-	-	-	9,711,064	-	9,711,064
Residential Mortgages	-	-	-	-	-	-	-	-	4,634,870	-	4,634,870
Higher Risk Assets	-	-	-	-	-	-	-	-	75,722	-	75,722
Other Assets	-	-	-	-	-	-	-	-	269,062	-	269,062
Total	6,004,667	15,260	95,391	24,377	253,477	107,109	-	67,417	21,971,400	280,859	28,819,957

Group

31 December 2020

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA	AA+	AA	AA-	A	BBB	BB+ TO BB-	P1/MARC1			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
<u>On and Off Balance-Sheet Exposures</u>											
<u>Credit Exposures - Standardised Approach</u>											
Sovereigns/Central Banks	6,073,117	-	-	-	-	-	-	-	-	-	6,073,117
Public Sector Entities	-	-	-	-	-	-	-	-	264,268	-	264,268
Banks, Development Financial Institutions & MDBs	5,283	-	349,370	-	101,944	-	-	-	333,275	-	789,872
Corporates	714,438	12,640	137,102	-	293,375	105,544	-	-	6,295,998	-	7,559,097
Regulatory Retail	-	-	-	-	-	-	-	-	7,259,287	-	7,259,287
Residential Mortgages	-	-	-	-	-	-	-	-	4,676,399	-	4,676,399
Higher Risk Assets	-	-	-	-	-	-	-	-	1,105	-	1,105
Other Assets	-	-	-	-	-	-	-	-	440,330	-	440,330
Total	6,792,838	12,640	486,472	-	395,319	105,544	-	-	19,270,662	-	27,063,475

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

Table 15: Rating distribution on credit exposures (cont'd)

Bank

31 December 2021

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000			
<u>On and Off Balance-Sheet Exposures</u>											
<u>Credit Exposures - Standardised Approach</u>											
Sovereigns/Central Banks	5,592,032	-	-	-	-	-	-	-	-	-	5,592,032
Public Sector Entities	-	-	-	-	-	-	-	-	948,552	-	948,552
Banks, Development Financial Institutions & MDBs	29,992	-	22,200	-	94,199	-	-	14,311	54,647	-	215,349
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	52,758	-	52,758
Corporates	382,643	15,260	73,191	24,377	159,278	107,109	-	53,106	6,211,884	280,859	7,307,707
Regulatory Retail	-	-	-	-	-	-	-	-	9,711,064	-	9,711,064
Residential Mortgages	-	-	-	-	-	-	-	-	4,634,870	-	4,634,870
Higher Risk Assets	-	-	-	-	-	-	-	-	75,723	-	75,723
Other Assets	-	-	-	-	-	-	-	-	269,060	-	269,060
Total	6,004,667	15,260	95,391	24,377	253,477	107,109	-	67,417	21,958,558	280,859	28,807,115

Bank

31 December 2020

Exposure Class	Rating by Approved ECAIS								Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA	AA+	AA	AA-	A	BBB	BB+ TO BB-	P1/MARC1			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
<u>On and Off Balance-Sheet Exposures</u>											
<u>Credit Exposures - Standardised Approach</u>											
Sovereigns/Central Banks	6,073,117	-	-	-	-	-	-	-	-	-	6,073,117
Public Sector Entities	-	-	-	-	-	-	-	-	264,268	-	264,268
Banks, Development Financial Institutions & MDBs	5,283	-	349,370	-	101,944	-	-	-	333,275	-	789,872
Corporates	714,438	12,640	137,102	-	293,375	105,544	-	-	6,280,894	-	7,543,993
Regulatory Retail	-	-	-	-	-	-	-	-	7,259,287	-	7,259,287
Residential Mortgages	-	-	-	-	-	-	-	-	4,676,399	-	4,676,399
Higher Risk Assets	-	-	-	-	-	-	-	-	1,105	-	1,105
Other Assets	-	-	-	-	-	-	-	-	440,330	-	440,330
Total	6,792,838	12,640	486,472	-	395,319	105,544	-	-	19,255,558	-	27,048,371

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

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Corporate by Approved ECAs					
	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 December 2021

Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	948,552
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	495,471	159,278	107,109	-	6,492,743
Total	495,471	159,278	107,109	-	7,441,295

Group and Bank
31 December 2020

Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	264,268
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	864,180	293,375	105,544	-	6,280,894
Total	864,180	293,375	105,544	-	6,545,162

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

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	2	3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	RII Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Group and Bank						
31 December 2021						
Banks, MDBs and FDIs		14,311	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates		53,106				
Total		67,417	-	-	-	-
Group and Bank						
31 December 2020						
Banks, MDBs and FDIs		-	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates		-	-	-	-	-
Total		-	-	-	-	-

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

Table 15: Rating distribution on credit exposures (cont'd)

Group and Bank
31 December 2021

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII Inc	AAA to AA- RM'000	A+ to A- RM'000	BBB+ to BBB- RM'000	BB+ to B- RM'000	CCC+ to C RM'000	Unrated RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		5,592,032	-	-	-	-	-
Total		5,592,032	-	-	-	-	-

Group and Bank
31 December 2020

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RII Inc	AAA to AA- RM'000	A+ to A- RM'000	BBB+ to BBB- RM'000	BB+ to B- RM'000	CCC+ to C RM'000	Unrated RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		6,073,117	-	-	-	-	-
Total		6,073,117	-	-	-	-	-

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

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Banking Institutions by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

On and Off Balance-Sheet Exposures

Group and Bank

31 December 2021

Banks, MDBs and FDIs	52,192	94,199	-	-	-	54,647
Total	52,192	94,199	-	-	-	54,647

Group and Bank

31 December 2020

Banks, MDBs and FDIs	354,653	101,944	-	-	-	333,275
Total	354,653	101,944	-	-	-	333,275

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 16: Credit risk disclosure by risk weights

31 December 2021

Group	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Residential Real Estate	Fund Managers Exposures	Equity Exposures	Higher Risk Assets	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk-Weights												
0%	5,592,032	-	-	134,609	-	-	-	-	-	136,827	5,863,468	-
20%	-	948,532	121,150	426,384	230,239	706,388	52,758	-	-	-	2,485,451	497,089
35%	-	-	-	-	-	2,787,359	-	-	-	-	2,787,359	975,576
50%	-	-	94,199	442,424	1,974	631,847	-	-	-	-	1,170,444	585,222
75%	-	-	-	-	3,456,207	108,487	-	-	-	-	3,564,694	2,673,520
100%	-	-	-	6,154,503	6,010,010	400,650	-	-	-	132,882	12,698,045	12,698,046
150%	-	-	-	9,688	6,074	139	-	-	75,722	-	91,623	137,435
Total	5,592,032	948,532	215,349	7,167,608	9,704,504	4,634,870	52,758	-	75,722	269,709	28,661,084	17,566,888

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 16: Credit risk disclosure by risk weights (cont'd)

31 December 2020

Group	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Residential Real Estate	Equity Exposures	Higher Risk Assets	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk-Weights											
0%	6,073,117	-	-	308,116	-	-	-	-	143,325	6,524,558	-
20%	-	264,078	687,928	958,636	-	-	-	-	-	1,910,642	382,127
35%	-	-	-	-	-	3,732,543	-	-	-	3,732,543	1,306,390
50%	-	-	101,944	606,308	1,626	600,357	-	-	-	1,310,235	655,118
75%	-	-	-	-	2,924,445	16,733	-	-	-	2,941,178	2,205,884
100%	-	-	-	5,565,460	4,315,795	326,647	-	-	304,027	10,511,929	10,511,929
150%	-	-	-	5,615	6,353	120	-	1,105	-	13,193	19,790
Total	6,073,117	264,078	789,872	7,444,135	7,248,219	4,676,400	-	1,105	447,352	26,944,278	15,081,238

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 16: Credit risk disclosure by risk weights (cont'd)

31 December 2021

Risk- Weights	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	Fund Managers Exposures RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	RM'000	RM'000
0%	5,592,032	-	-	134,609	-	-	-	-	-	136,827	5,863,468	-
20%	-	948,532	121,150	426,384	230,239	706,388	52,758	-	-	-	2,485,451	497,090
35%	-	-	-	-	-	2,787,359	-	-	-	-	2,787,359	975,576
50%	-	-	94,199	442,424	1,974	631,847	-	-	-	-	1,170,444	585,222
75%	-	-	-	-	3,456,207	108,487	-	-	-	-	3,564,694	2,673,520
100%	-	-	-	6,151,997	6,010,010	400,650	-	-	-	132,234	12,694,891	12,694,891
150%	-	-	-	-	6,074	139	-	-	75,722	-	81,935	122,903
Total	5,592,032	948,532	215,349	7,155,414	9,704,504	4,634,870	52,758	-	75,722	269,061	28,648,242	17,549,202

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 16: Credit risk disclosure by risk weights (cont'd)

31 December 2020

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%	6,073,117	-	-	308,116	-	-	-	-	143,325	6,524,558	-
20%	-	264,078	687,928	958,636	-	-	-	-	-	1,910,642	382,128
35%	-	-	-	-	-	3,732,543	-	-	-	3,732,543	1,306,390
50%	-	-	101,944	606,308	1,626	600,357	-	-	-	1,310,235	655,118
75%	-	-	-	-	2,924,445	16,733	-	-	-	2,941,178	2,205,884
100%	-	-	-	5,562,993	4,315,795	326,647	-	-	297,006	10,502,441	10,502,441
150%	-	-	-	-	6,353	120	-	1,105	-	7,578	11,366
Total	6,073,117	264,078	789,872	7,436,053	7,248,219	4,676,400	-	1,105	440,331	26,929,175	15,063,327

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

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

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

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

Table 17: Credit risk mitigation on credit exposures

	Total Exposures Covered by		
	Gross Exposures	Eligible Financial Collateral	*Net Exposures
	RM'000	RM'000	RM'000
Group			
31 December 2021			
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	5,576,883	-	5,576,883
Public sector entities	944,437	20	944,417
Banks, Development Financial Institution & MDBs	154,038	-	154,038
Takaful Cos, Securities Firms & Fund Managers	52,758	-	52,758
Corporates	6,331,648	152,293	6,179,355
Regulatory retail	9,475,555	6,560	9,468,995
Residential real estate	4,610,191	-	4,610,191
Higher risk assets	75,444	-	75,444
Other assets	269,709	-	269,709
Defaulted exposure	95,860	-	95,860
	27,586,523	158,873	27,427,650
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,160,991	-	1,160,991
Islamic derivative financial instruments	72,443	-	72,443
	1,233,434	-	1,233,434
Total Credit Exposures	28,819,957	158,873	28,661,084

Note:

* After netting and credit risk mitigation

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

Table 17: Credit risk mitigation on credit exposures (cont'd)

Group	Total Exposures Covered by Eligible Financial Collateral		
	Gross Exposures	Eligible Financial Collateral	*Net Exposures
31 December 2020	RM'000	RM'000	RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	6,058,325	-	6,058,325
Public sector entities	251,982	190	251,792
Banks, Development Financial Institution & MDBs	669,900	-	669,900
Corporates	6,517,329	107,940	6,409,389
Regulatory retail	7,106,909	11,067	7,095,842
Residential real estate	4,640,167	-	4,640,167
Higher risk assets	826	-	826
Other assets	447,352	-	447,352
Defaulted exposure	107,289	-	107,289
	25,800,076	119,197	25,680,882
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,115,215	-	1,115,215
Islamic derivative financial instruments	148,181	-	148,181
	1,263,396	-	1,263,396
Total Credit Exposures	27,063,474	119,197	26,944,278

Note:

* After netting and credit risk mitigation

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

Table 17: 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 December 2021			
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central Banks	5,576,883	-	5,576,883
Public Sector Entities	944,437	20	944,417
Banks, Development Financial Institution & MDBs	52,758	-	52,758
Takaful Cos, Securities Firms & Fund Managers	154,038	-	154,038
Corporates	6,319,455	152,293	6,167,162
Regulatory Retail	9,475,555	6,560	9,468,995
Residential Real Estate	4,610,191	-	4,610,191
Higher Risk Assets	75,444	-	75,444
Other Assets	269,060	-	269,060
Defaulted Exposures	95,860	-	95,860
	27,573,681	158,873	27,414,808
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,160,991	-	1,160,991
Islamic derivative financial instruments	72,443	-	72,443
	1,233,434	-	1,233,434
Total Credit Exposures	28,807,115	158,873	28,648,242

Note:

* After netting and credit risk mitigation

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

Table 17: 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 December 2020			
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central Banks	6,058,325	-	6,058,325
Public Sector Entities	251,982	190	251,792
Banks, Development Financial Institution & MDBs	669,900	-	669,900
Corporates	6,509,247	107,939	6,401,308
Regulatory Retail	7,106,909	11,067	7,095,842
Residential Real Estate	4,640,167	-	4,640,167
Higher Risk Assets	826	-	826
Other Assets	440,330	-	440,330
Defaulted Exposures	107,289	-	107,289
	25,784,975	119,196	25,665,779
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,115,215	-	1,115,215
Islamic derivative financial instruments	148,181	-	148,181
	1,263,396	-	1,263,396
Total Credit Exposures	27,048,371	119,196	26,929,175

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 18: Commitments and contingencies

	Group and Bank					
	31 December 2021			31 December 2020		
	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	292,802	292,802	268,848	298,114	298,114	277,009
Trade-related contingencies	41,953	8,391	712	29,755	5,951	208
Transaction related contingencies	487,515	243,758	233,215	403,511	201,755	187,023
Commitments						
Credit extension commitment:						
- Maturity within one year	635,148	127,029	125,609	722,818	144,564	137,659
- Maturity exceeding one year	977,994	488,997	414,004	929,662	464,831	427,279
Other miscellaneous commitments & contingencies	25,773	14	11	7,102	-	-
Islamic derivative financial instruments						
Foreign exchange related contracts	1,630,597	25,443	13,995	3,326,522	89,181	40,093
- Maturity within one year	1,630,597	25,443	13,995	3,326,522	89,181	40,093
- Maturity exceeding one year	-	-	-	-	-	-
Profit rate related contract	1,200,000	47,000	9,400	1,200,000	59,000	11,800
- Maturity within one year	-	-	-	-	-	-
- Maturity exceeding one year	1,200,000	47,000	9,400	1,200,000	59,000	11,800
Total off-balance sheet exposures	5,291,782	1,233,434	1,065,794	6,917,484	1,263,396	1,081,071

**Basel II -
Pillar 3 Disclosure**

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

Islamic derivative financial assets/(liabilities)

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

Table 19: Islamic derivative financial assets/(liabilities)

Group and Bank	31 December 2021			31 December 2020		
	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	778,535	1,362	(3,463)	1,509,931	4,084	(43,920)
- Currency swaps						
Less than one year	841,155	4,074	(697)	1,679,710	40,343	(15,826)
- Currency spot						
Less than one year	10,907	1	(7)	136,881	3,393	(73)
- Dual currency investment option	-	-	-	-	-	-
	<u>1,630,597</u>	<u>5,437</u>	<u>(4,167)</u>	<u>3,326,522</u>	<u>47,820</u>	<u>(59,819)</u>
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	-	-	-	-	-	-
Hedged IPRS	1,200,000	-	(57,376)	1,200,000	-	(107,516)
Total	<u>2,830,597</u>	<u>5,437</u>	<u>(61,543)</u>	<u>4,526,522</u>	<u>47,820</u>	<u>(167,335)</u>

**Basel II -
Pillar 3 Disclosure**

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

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

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

Table 19: Islamic derivative financial assets/(liabilities)

	31 December 2021			31 December 2020		
	Contract/ Notional Amount RM'000	Fair value		Contract/ Notional Amount RM'000	Fair value	
		Assets	Liabilities		Assets	Liabilities
		RM'000	RM'000		RM'000	RM'000
IPRS	<u>1,200,000</u>	<u>-</u>	<u>(57,376)</u>	<u>1,200,000</u>	<u>-</u>	<u>(107,516)</u>

Fair Value hedges

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

For the year ended 31 December 2021, the Group and the Bank:

(i) recognised a net gain of RM50,139,069 (31 December 2020: net loss of RM54,337,986) on the hedging instrument. The total net loss on the hedged items attributable to the hedged risk amounted to RM57,692,261 (31 December 2020: net gain of RM59,900,904); and

(ii) There is no recorded gain from derecognition of fair value of hedged items attributable to hedged risk (31 December 2020: Nil) as a result of derecognition of the hedged items.

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

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

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

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

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

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

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

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

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

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

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

Market Risk Measurement

1. Value at Risk

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

2. Sensitivity Analysis

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

3. Stress Testing and Scenario Analyses

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

Valuation Policy

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

• Systems and Controls

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

• Valuation Methodologies

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

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

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

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

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

The Group and the Bank use 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 20: Minimum regulatory requirement for market risk

Group and Bank
31 December 2021

	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	1,319	1,384	4,977	398
Foreign Currency Risk	7,011	19,928	11,248	900
Total	8,330	21,312	16,225	1,298

Group and Bank
31 December 2020

	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	1,432	(1,817)	14,851	1,190
Foreign Currency Risk	7,695	(6,075)	7,695	616
Total	9,127	(7,892)	22,546	1,806

8.2 Disclosure for Equities

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

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

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

Table 21: Equity exposures

Group and Bank

31 December 2021

	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	107,103	107,103	(53,077)
Total	107,103	107,103	(53,077)

Cumulative realised gains arising from
sales and liquidations in the reporting period

(287)

31 December 2020

	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	105,537	105,537	(37,772)
Total	105,537	105,537	(37,772)

Cumulative realised gains arising from
sales and liquidations in the reporting period

9,583

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 22: Rate of return risks

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

Rate of Return Risk Measurement

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

1. Earning at Risk ("EaR")

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

2. Economic Value of Equity ("EVE")

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

3. Value at Risk ("VaR")

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

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

Rate of Return Risk Measurement (cont'd)

4. Repricing Gap Analysis

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

5. Other Risk Assessment

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

Table 23: Sensitivity analysis of rate of return risk

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

Increase/(decrease) in basis points	Group		Bank	
	-50 Basis Points	+50 Basis Points	-50 Basis Points	+50 Basis Points
	RM'000	RM'000	RM'000	RM'000

Impact on Earnings:

31 December 2021

MYR	(22,711)	22,711	(22,657)	22,657
USD	560	(560)	560	(560)
Others*	9	(9)	9	(9)

31 December 2020

MYR	(21,994)	21,994	(21,937)	21,937
USD	1,851	(1,851)	1,851	(1,851)
Others*	35	(35)	35	(35)

Impact on Equity:

31 December 2021

MYR	35,896	(35,896)	35,893	(35,893)
USD	(66)	66	(66)	66
Others*	(2)	2	(2)	2

31 December 2020

MYR	(30,292)	30,292	(30,284)	30,284
USD	417	(417)	417	(417)
Others*	63	(63)	63	(63)

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

8.4 Liquidity Risk

Liquidity and Funding Risk

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

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

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

- **Funding Liquidity Risk**

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

- **Market Liquidity Risk**

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

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

Table 24: Liquidity risk indicators

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

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

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

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

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

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

- Management under normal condition:

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

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

- Management under crisis condition:

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

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

The Bank's Liquidity Crisis Management is outlined in the Liquidity Crisis Contingency Plan ("LCCP") Policy. Further, as required under the Basel 3 guidelines, the Bank has put in place the relevant measures and monitoring processes on liquidity management through the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") computations. The Bank has put in place a buffer above minimum regulatory requirement to ensure the LCR and NSFR level is maintained in compliance with the regulation.

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	1,119,053	23,238	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	-	31,184	-	-	-	-	31,184
Financial investments at fair value through profit and loss	67,734	-	34,726	12,468	58,508	147,840	-	321,276
Financial investments at fair value through other comprehensive income	-	-	215,530	286,898	669,885	3,587,562	106,895	4,866,770
Financial investments at amortised cost	-	-	-	-	-	-	107,109	107,109
Islamic derivative financial assets	424	1,375	2,523	1,115	-	-	-	5,437
Financing of customers	79,347	772,577	1,375,858	1,302,205	2,005,708	6,809,225	8,326,386	20,671,306
Other assets	-	404	-	-	32,796	72,427	315,391	421,018
TOTAL ASSETS	1,266,558	797,594	1,659,821	1,602,686	2,766,897	10,617,054	8,855,781	27,566,391
LIABILITIES AND EQUITY								
Deposits from customers	10,347,655	3,685,222	3,241,319	3,741,358	875,146	1,141,056	81,410	23,113,166
Investment accounts of customers	216,978	-	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	50,753	240,816	291,866
Bills and acceptances payable	-	-	7,755	-	-	-	-	7,755
Islamic derivative financial liabilities	426	451	2,399	891	-	12,563	44,813	61,543
Other liabilities	-	75,855	876	1,844	91,943	24,436	-	194,954
Recourse obligation on financing sold to Cagamas	-	-	-	427,466	-	-	-	427,466
Subordinated sukuk	-	-	-	1,051	-	498,825	-	499,876
Total Liabilities	10,565,059	3,761,574	3,252,403	4,172,694	967,202	1,727,633	367,039	24,813,604
Equity attributable to shareholders of the Bank							2,752,787	2,752,787
NET MATURITY MISMATCH	(9,298,501)	(2,963,980)	(1,592,582)	(2,570,008)	1,799,695	8,889,421	5,735,955	-
Commitments and contingencies								
Contingent liabilities	-	-	2,404	6,492	25,406	676,724	111,244	822,270
Commitments	156,323	916	143,837	121,514	11,459	269,774	909,319	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	72	-	-	-	-	24,096	1,605	25,773
Islamic derivative financial instruments	52,567	13,233	198,705	381,249	984,843	500,000	700,000	2,830,597
Total commitments and contingencies	208,962	14,149	344,946	509,255	1,021,708	1,470,594	1,722,168	5,291,782

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

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 December 2020								
ASSETS								
Cash and short-term funds	2,369,462	563,710	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	-	30,417	-	-	-	-	30,417
Financial investments at fair value through profit and loss	-	-	-	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,607,258	150,491	3,798,964
Financial investments at amortised cost	-	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	-	47,820
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	6,046,320	7,038,278	18,115,815
Other assets	-	646	-	-	112,027	38,598	271,529	422,800
TOTAL ASSETS	2,435,706	1,399,321	1,959,881	1,278,470	2,135,312	8,993,337	7,565,842	25,767,869
LIABILITIES AND EQUITY								
Deposits from customers	9,509,884	4,662,369	3,232,770	2,894,806	725,795	423,546	52,196	21,501,366
Deposits and placements of banks and other financial institutions	-	25	28	283	485	3,062	94,463	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	25,447	82,066	167,331
Other liabilities	-	23,084	5,367	943	76,516	40,479	-	146,389
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	444,141	-	444,141
Subordinated sukuk	-	-	-	250,642	-	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	-	502,692
Total Liabilities	9,513,656	4,710,212	3,263,752	3,161,312	1,302,885	936,675	228,725	23,117,217
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,650,652	2,650,652
NET MATURITY MISMATCH	(7,077,950)	(3,310,891)	(1,303,871)	(1,882,842)	832,427	8,056,662	4,686,465	-
Commitments and contingencies								
Contingent liabilities	7,439	4,187	31,617	46,925	76,100	563,753	1,358	731,379
Commitments	65,182	93,499	199,988	74,779	433,772	245,644	539,616	1,652,480
Other Miscellaneous Commitment and Contingent Liabilities	6,455	88	-	161	2	136	260	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	500,000	700,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	1,309,533	1,241,234	6,917,484

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2021	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
ASSETS								
Cash and short-term funds	1,119,053	23,238	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	-	31,184	-	-	-	-	31,184
Financial investments designated at fair value through profit and loss	67,734	-	34,726	12,468	58,508	147,840	-	321,276
Financial investments at fair value through other comprehensive income	-	-	215,530	286,898	669,885	3,585,057	106,894	4,864,264
Financial investments at amortised cost	-	-	-	-	-	-	107,109	107,109
Islamic derivative financial assets	424	1,375	2,523	1,115	-	-	-	5,437
Financing of customers	79,347	772,577	1,375,858	1,302,205	2,005,708	6,809,225	8,316,698	20,661,618
Other assets	-	395	-	-	32,207	72,427	328,199	433,228
TOTAL ASSETS	1,266,558	797,585	1,659,821	1,602,686	2,766,308	10,614,549	8,858,900	27,566,407
LIABILITIES AND EQUITY								
Deposits from customers	10,355,435	3,693,089	3,241,297	3,741,324	875,129	1,141,034	81,409	23,128,717
Investment accounts of customers	216,978	-	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	50,753	240,816	291,866
Bills and acceptances payable	-	-	7,755	-	-	-	-	7,755
Islamic derivative financial liabilities	426	451	2,399	891	-	12,563	44,813	61,543
Other liabilities	-	75,581	876	1,844	91,182	24,436	-	193,919
Recourse obligation on financing sold to Cagamas	-	-	-	427,466	-	-	-	427,466
Subordinated sukuk	-	-	-	1,051	-	498,825	-	499,876
Total Liabilities	10,572,839	3,769,167	3,252,381	4,172,660	966,424	1,727,611	367,038	24,828,120
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,738,287	2,738,287
NET MATURITY MISMATCH	(9,306,281)	(2,971,582)	(1,592,560)	(2,569,974)	1,799,884	8,886,938	5,753,575	-
Commitments and contingencies								
Contingent liabilities	-	-	2,404	6,492	25,406	676,724	111,244	822,270
Commitments	156,323	916	143,837	121,514	11,459	269,774	909,319	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	72	-	-	-	-	24,096	1,605	25,773
Islamic derivative financial instruments	52,567	13,233	198,705	381,249	984,843	500,000	700,000	2,830,597
Total commitments and contingencies	208,962	14,149	344,946	509,255	1,021,708	1,470,594	1,722,168	5,291,782

8.4 Liquidity Risk (cont'd)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2020	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
ASSETS								
Cash and short-term funds	2,369,462	563,710	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	-	30,417	-	-	-	-	30,417
Financial investments designated at fair value through profit and loss	-	-	-	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,604,791	150,491	3,796,497
Financial investments at amortised cost	-	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	-	47,819
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	6,046,320	7,032,662	18,110,198
Other assets	3	646	-	-	111,198	32,088	284,438	428,375
TOTAL ASSETS	2,435,709	1,399,321	1,959,881	1,278,470	2,134,483	8,984,360	7,573,135	25,765,359
LIABILITIES AND EQUITY								
Deposits from customers	9,514,409	4,670,742	3,232,737	2,894,773	725,772	423,529	52,196	21,514,158
Deposits and placements of banks and other financial institutions	-	25	28	283	485	3,062	94,463	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	25,447	82,068	167,333
Other liabilities	-	23,865	5,367	1,305	76,167	32,494	-	139,198
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	444,141	-	444,141
Subordinated sukuk	-	-	-	250,642	-	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	-	502,693
Total Liabilities	9,518,181	4,719,366	3,263,719	3,161,641	1,302,513	928,673	228,727	23,122,820
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,642,539	2,642,539
NET MATURITY MISMATCH	(7,082,472)	(3,320,045)	(1,303,838)	(1,883,171)	831,970	8,055,687	4,701,869	-
Commitments and contingencies								
Contingent liabilities	7,439	4,187	31,617	46,925	76,100	563,753	1,358	731,379
Commitments	65,182	93,499	199,988	74,779	433,772	245,644	539,616	1,652,480
Other Miscellaneous Commitment and Contingent Liabilities	6,455	88	-	161	2	136	260	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	500,000	700,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	1,309,533	1,241,234	6,917,484

9.0 Operational Risk Management ("ORM") Disclosures

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

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

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

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

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

The Muamalat Operational Risk Solution ("MORiS")

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

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

Business Continuity Management ("BCM")

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

BCM Methodology

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

**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's and the Bank's minimum capital is presented in table below:

Table 26: ORM minimum capital requirement

	31 December 2021		31 December 2020	
	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	1,321,435	105,715	1,259,314	100,745
Bank	1,302,128	104,170	1,250,046	100,004

10.0 Shariah Governance Disclosures

Overview

BMMB's shariah governance structure are governed by BNM's guidelines on Shariah Governance Policy Document ("SGPD"), 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 Islamic financial institutions (IFI).

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

Shariah risk management and governance in BMMB are in accordance with the Shariah Governance Policy ("Policy"), which was endorsed by the Shariah Committee and approved by the Board. The policy is drawn up in accordance to the SGPD issued by BNM on 20 September 2019.

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

Shariah Governance Structure

Internal Shariah Control

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

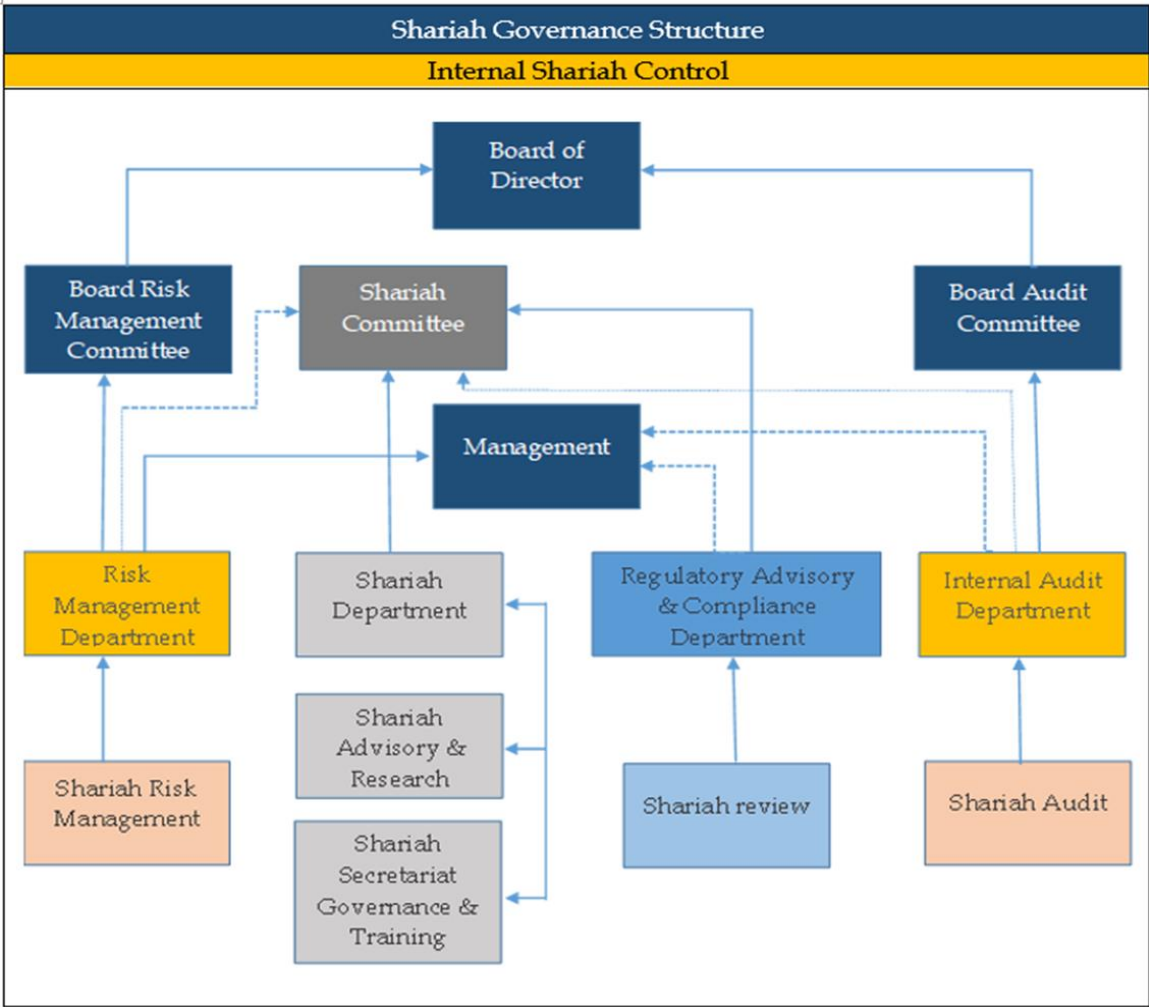
The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the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

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

10.0 Shariah Governance Disclosures (cont'd)

Shariah Governance Structure (cont'd)

Table 27: 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 Policy Document on Shariah Governance, which defines the principles and practices to be applied by the Bank in managing its SNCI.

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

The SA are as follows:

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

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

31 December 2021	31 December 2020
Event - 6	Event - 2
Nostro interest received - nil	Nostro interest received - nil

There were a total of six (6) Shariah non-compliant events recorded and deliberated in SC meeting. The total SNCI arising from SNCE throughout the year were recorded at RM3.92.

All of the events together with the rectification plans were presented to the Board of Directors and SC and reported to BNM in accordance with the Shariah non-compliance reporting requirement prescribed by BNM.

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

Unidentified fund / *Shubhah*

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

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

The total earnings prohibited by Shariah and the unidentified funds during the financial year were recorded at Nil (31 December 2020: RM408,927).