BANK ISLAM MALAYSIA BERHAD
PILLAR 3 DISCLOSURE
AS AT 31 DECEMBER 2021

Overview

The Pillar 3 Disclosure for financial year ended 31 December 2021 for Bank Islam Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") describes the risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements governed by Bank Negara Malaysia's ("BNM") "Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3")".

The Group adopts the following approaches in determining the capital requirements of Pillar 1 in accordance with BNM's Guidelines on CAFIB (Basel II – Risk Weighted Assets ("RWA")) since January 2008:

- Credit and Market Risk – the Standardised Approach ("SA"); and
- Operational Risk – the Basic Indicator Approach ("BIA").

Under the Standardised Approach, standard risk weights are used to assess the capital requirements whilst under the Basic Indicator Approach, the capital requirements are computed based on a fixed percentage over the Group's average gross income for a fixed number of quarterly periods.

As required under Pillar 2, the Group has also developed an Internal Capital Adequacy Assessment Process ("ICAAP") framework which closely integrates the risk and capital assessment processes and ensures that adequate levels of capital are maintained to support the Group's current and projected demand for capital under expected and stressed conditions. The ICAAP was adopted in 2012 and has been fully implemented since 2013. The ICAAP is updated and approved on an annual basis by the Management Committee, Board Risk Committee ("BRC") and Board of Directors ("Board").

Basis of Disclosure

The Pillar 3 Disclosure is prepared in accordance with BNM's Pillar 3 Disclosure Guidelines issued in July 2010 and the Group's internal policy on Pillar 3 Disclosure; which aims to enhance transparency on the risk management practices and capital adequacy of the Bank and the Group. The disclosures include both qualitative and quantitative disclosures with respect to capital adequacy, credit risk, market risk, liquidity risk, operational risk, management of Investment Account (IA) and key aspects of Shariah governance.

Whilst this document discloses the Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the Full-Year Financial Statements 2021 published by the Group.

These disclosures have been reviewed and verified by the Group Internal Auditor and attested by the Group Chief Executive Officer.

Medium and Location of Disclosure

The Group's Pillar 3 Disclosure is made available at **www.bankislam.com.**

Minimum Regulatory Capital Requirements

The Group's main activity is Islamic banking business which focuses on retail banking and financing operations. The following tables show the minimum regulatory capital requirement to support the Group's and the Bank's risk weighted assets.

	31.12.2021		31.12.2020	
GROUP	**RISK-WEIGHTED ASSETS RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8% RM'000**	**RISK-WEIGHTED ASSETS RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8% RM'000**
Credit Risk	50,180,739	4,014,459	46,862,577	3,749,006
Less: Credit Risk absorbed by IA	(7,423,579)	(593,886)	(9,082,114)	(726,569)
Market Risk	489,559	39,165	638,925	51,114
Operational Risk	3,847,886	307,831	3,719,636	297,571
Total	**47,094,605**	**3,767,569**	**42,139,024**	**3,371,122**

	31.12.2021		31.12.2020	
BANK	**RISK-WEIGHTED ASSETS RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8% RM'000**	**RISK-WEIGHTED ASSETS RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8% RM'000**
Credit Risk	50,080,971	4,006,478	46,842,825	3,747,426
Less: Credit Risk absorbed by IA	(7,513,437)	(601,075)	(9,082,416)	(726,593)
Market Risk	489,559	39,165	638,925	51,114
Operational Risk	3,797,811	303,825	3,675,867	294,069
Total	**46,854,904**	**3,748,393**	**42,075,201**	**3,366,016**

The Group does 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 BNM's CAFIB (Risk-Weighted Assets) Guideline.

1. Scope of Application

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank (including the offshore banking operations in the Federal Territory of Labuan) and its subsidiaries.

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.

2. Capital Adequacy

2.1 Capital Management

The Group's primary objectives when managing capital are to maintain a strong capital position to support business growth and to maintain investors, depositors, customers, and market confidence. In line with this, the Group manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Group, are above the regulatory minimum requirement.

To ensure that the Group has sufficient capital to support all its business and risk-taking activities, the Group has implemented a sound capital management process in its management systems and processes. A comprehensive capital management framework has been adopted by the Group as a key enabler for value creation which is important to the long-term survival of the Group. This comprehensive capital management process includes thorough risk assessment and risk management techniques that are embedded within the Group's risk governance.

The assessment is based on the approved business plan, its estimation of current risks inherent in the Group and the impact of capital stress tests on the Group's capital plan. The Group aims to achieve the following capital management objectives:

- Meeting regulatory capital requirements;
- Optimising returns to shareholders;
- Maintaining adequate levels and an optimum mix of different sources of capital to support the underlying risks of its business;
- Ensuring adequate capital to withstand shocks and stress;
- Ensuring sufficient capital to expand its business ventures and inorganic growth; and
- Allocating an appropriate amount of capital to business units to optimise return on capital.

2. Capital Adequacy (continued)

2.1 Capital Management (continued)

The Group's capital management is guided by the Capital Management Plan, approved by the Board, to ensure the management of capital is consistent and aligned with the Group's Risk Appetite Statement and ICAAP Document Policy.

The Group's capital management processes comprise:

- Capital Structuring – ensuring that the amount of regulatory and statutory capital available is consistent with the Group's growth plan, risk appetite, and desired level of capital adequacy. Capital structuring focuses on selecting appropriate, most cost-effective mix of capital instruments;
- Capital Allocation – ensuring that the capital is employed efficiently across the Group based on risk-adjusted return on capital; and
- Capital Optimisation – seeking an optimal level of capital by facilitating the optimisation of the risk profile of the balance sheet. This will be done through:
  - reshaping of the balance sheet;
  - capital planning, allocation and optimisation; and
  - a sound management of the capital buffer.

As such, the four fundamental components of a sound capital planning process include:

- Internal control and governance;
- Capital policy and risk capture;
- Forward-looking view; and
- Management framework for preserving capital.

The Group's Capital Management Plan is updated annually and approved by the Board for implementation at the beginning of each financial year. The capital plan is drawn up to cover at least a three-year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, capital benchmarking against the industry, available supply of capital and capital raising options, performance of business sectors based on a Risk Adjusted Return on Capital ("RAROC") approach, as well as ICAAP and stress testing results.

2. Capital Adequacy (continued)

2.1 Capital Management (continued)

The Group has fully issued Subordinated Sukuk Murabahah under its Subordinated Sukuk Murabahah Programme of up to RM1.0 billion in nominal value ("Subordinated Sukuk Murabahah Programme") which was approved by the Securities Commission Malaysia ("SC") on 7 October 2014. On 6 September 2018, the Group successfully lodged with SC under Lodge and Launch Framework a new Sukuk Murabahah Programme of up to RM10.0 billion in nominal value, which allows issuances of Subordinated Sukuk Murabahah and Senior Sukuk Murabahah. The purpose of the Subordinated Sukuk Murabahah issuance under both programmes is to enhance the capital adequacy of the Group, in line with the requirements under the Basel III capital framework. Table below depicts a summary of the Subordinated Sukuk Murabahah under both programmes which are qualified as Tier 2 regulatory capital of the Bank and the Group in accordance with BNM's CAFIB (Capital Components) Guideline.

<table>
<tr><th>Capital Instrument</th><th>Capital Component</th><th>Main Features</th></tr>
<tr><td colspan="2">1) <u>Subordinated Sukuk Murabahah Programme of up to RM1.0 billion (Programme 1)</u></td><td rowspan="8">• The tenure of both programmes are as follows:
i. Programme 1 – up to thirty (30) years from the date of the first issue under the Subordinated Sukuk Murabahah Programme.
ii. Programme 2 – perpetual.
• The tenure of each issuance of the Subordinated Sukuk Murabahah under both programmes are as follows:
i. Programme 1 – shall be not less than five (5) years and up to thirty (30) years from the issue date and provided that the Subordinated Sukuk Murabahah matures on or prior to the expiry of the tenure of the Subordinated Sukuk Murabahah Programme.
ii. Programme 2 – shall be not less than five (5) years from the issue date.
• Each of the Subordinated Sukuk Murabahah may have a call option to allow the Bank to redeem the relevant tranche of the Subordinated Sukuk Murabahah (in whole or in part) on any periodic profit payment date after a minimum period of five (5) years from the issue date of that tranche, subject to the relevant early redemption conditions being satisfied.
• Unsecured.
• Subordinated Sukuk Murabahah shall be utilised to finance the Bank's Islamic banking activities, working capital requirements and other corporate purposes and/or, if required, to redeem any outstanding Sukuk Murabahah issued under both programmes. All utilisation shall be Shariah Compliant.
• Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah, to be written off.
• No Conversion into Equity.</td></tr>
<tr><td>a) <u>Tranche 1: RM300million at 5.75%</u>
▪ Issued on 22 April 2015
▪ Mature on 22 April 2025

Note: Tranche 1 was called on 22 April 2020</td><td rowspan="3">Tier 2 Capital</td></tr>
<tr><td>b) <u>Tranche 2: RM400million at 5.50%</u>
▪ Issued on 15 December 2015
▪ Mature on 15 December 2025

Note: Tranche 2 was called on 15 December 2020</td></tr>
<tr><td>c) <u>Tranche 3: RM300million at 5.08%</u>
▪ Issued on 13 November 2017
▪ Mature on 12 November 2027</td></tr>
<tr><td colspan="2">2) <u>Sukuk Murabahah Programme of up to RM10.0 billion (Programme 2)</u></td></tr>
<tr><td>a) <u>Tranche 1: RM300million at 5.15%</u>
▪ Type: Subordinated Sukuk Murabahah
▪ Issued on 7 November 2018
▪ Mature on 7 November 2028</td><td rowspan="2">Tier 2 Capital</td></tr>
<tr><td>b) <u>Tranche 2: RM400million at 3.75%</u>
▪ <u>Type: Subordinated Sukuk Murabahah</u>
▪ <u>Issued on 26 March 2020</u>
▪ <u>Mature on 26 March 2030</u></td></tr>
</table>

2. Capital Adequacy (continued)

2.1 Capital Management (continued)

Capital Instrument	Capital Component	Main Features
2) Sukuk Murabahah Programme of up to RM10.0 billion (Programme 2) (continued)		
c) RM700million at 3.60% ▪ Type: Subordinated Sukuk Murabahah ▪ Issued on 21 October 2020 ▪ Mature on 21 October 2030		
d) RM300million at 4.10% ▪ Type: Subordinated Sukuk Murabahah ▪ Issued on 12 November 2021 ▪ Mature on 12 November 2031		

Total outstanding Subordinated Sukuk Murabahah issued under both programmes which are qualified as Tier 2 regulatory capital of the Bank and the Group as of 31 December 2021 is RM2.0 billion.

2.2 Internal Capital Adequacy Assessment Process ("ICAAP")

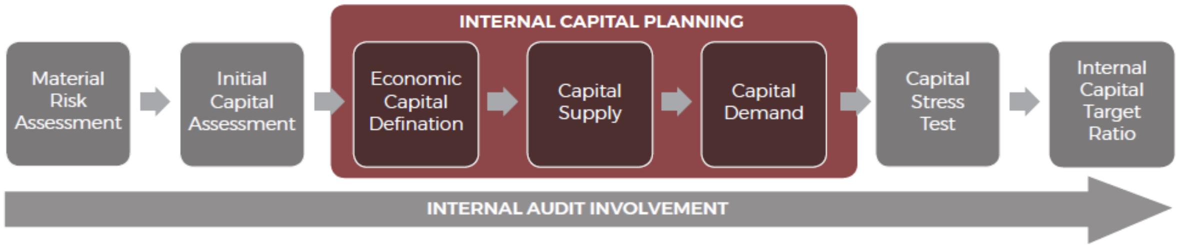
The Group has carried out the internal assessment process on capital as prescribed in BNM's CAFIB - ICAAP ("Pillar 2") to complement its current capital management practices. The first ICAAP Document Policy was formalised and approved by the Board in March 2013 and is being reviewed on an annual basis. The Group's ICAAP helps to suggest the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process on its portfolio risk exposures, its risk management practices towards its material risks and potential capital planning buffer required in the event of stress.

The Group's ICAAP is conducted on a consolidated basis covering all the Bank's legal entities as suggested by BNM's Pillar 2 Guideline.

The Group's ICAAP methodology can be summarised as follows:

2. Capital Adequacy (continued)

2.2 Internal Capital Adequacy Assessment Process ("ICAAP") (continued)



Under ICAAP, the following risk types are identified and measured:

- Risks captured under Pillar 1 (i.e., Credit Risk, Market Risk, and Operational Risk);
- Risk not fully captured under Pillar 1 (e.g., Migration and Residual Risk); and
- Risk not covered under Pillar 1 (e.g., Credit Concentration Risk, Profit Rate in the Banking Book, Shariah Non-Compliance Risk, Regulatory/ Compliance Risk, Contagion Risk, and IT Risk).

2. Capital Adequacy (continued)

2.3 Stress Testing

Regular stress testing (including reverse stress testing) is performed to assess the Group's ability to maintain adequate capital under both normal business cycle and unfavourable economic conditions. The stress testing is embedded within the risk and capital management process of the Group and is a key function of capital planning and business planning processes. Stress Testing also plays an important role in:

- Identifying the possible events or future changes in the financial and economic conditions of the country and globally that could potentially have unfavourable effects on the Group's exposures;
- Identifying the different portfolios response to changes in key economic variables (profit rate, foreign exchange rate, GDP, etc);
- Evaluating the Group's ability to withstand such changes, i.e., its capacity in terms of its capital and earnings, to absorb potentially significant losses; and
- Analysing the Group's ability to meet the minimum regulatory capital requirement at all times throughout a reasonably severe economic crisis.

The Group has put in place a stress testing programme (including reverse stress testing) which has taken into account all risks deemed material to the Group, namely credit risk, market risk, liquidity risk and operational risk including shariah non-compliance risk, regulatory compliance risk, contagion risk and IT risk.

In line with the Group's Stress Testing Policy, ad-hoc and more frequent stress testing has been conducted to assess the impact of deterioration on specific risk areas, in line with stressed macroeconomic variables. The impact of COVID-19 pandemic outbreak such as repayment assistance, vulnerable portfolio and liquidity risk to the Group were assessed to ensure the Group's ability to maintain adequate capital under stressed condition.

2.4 Capital Adequacy Ratios

The Group is required to comply with the Common Equity Tier 1 ("CET 1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio ("TCR") as prescribed by BNM. The Group has been in compliance with all prescribed capital adequacy ratios throughout the period.

Total capital and capital adequacy ratios of the Group have been computed based on the updated BNM's CAFIB - Capital Components Guideline issued on 9 December 2020 and BNM's CAFIB – RWA Guideline issued on 3 May 2019. The minimum regulatory capital adequacy ratios requirement for CET 1 capital ratio, Tier 1 capital ratio and TCR including capital buffers i.e., Capital Conservation Buffers ("CCB") are 7.0%, 8.5% and 10.5% respectively.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

The CCB is intended to encourage the build-up of capital buffers by individual Islamic banking institutions during normal times that can be drawn down during stress periods.

The table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2021, determined by the requirements of the CAFIB. The capital adequacy ratios of the Group and Bank are set as per below:

(a) The capital adequacy ratios of the Group and of the Bank:

	GROUP		BANK	
Before effect of IA	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Before deducting proposed dividends				
CET 1 Capital Ratio	**11.39%**	12.07%	**11.03%**	12.04%
Tier 1 Capital Ratio	**11.39%**	12.07%	**11.03%**	12.04%
Total Capital Ratio	**16.03%**	16.53%	**15.69%**	16.51%
After deducting proposed dividends				
CET 1 Capital Ratio	**10.82%**	11.79%	**10.45%**	11.77%
Tier 1 Capital Ratio	**10.82%**	11.79%	**10.45%**	11.77%
Total Capital Ratio	**15.47%**	16.26%	**15.11%**	16.24%

	GROUP		BANK	
After effect of IA	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Before deducting proposed dividends				
CET 1 Capital Ratio	**13.18%**	14.67%	**12.80%**	14.64%
Tier 1 Capital Ratio	**13.18%**	14.67%	**12.80%**	14.64%
Total Capital Ratio	**18.56%**	19.82%	**18.20%**	19.80%
After deducting proposed dividends				
CET 1 Capital Ratio	**12.53%**	14.34%	**12.13%**	14.31%
Tier 1 Capital Ratio	**12.53%**	14.34%	**12.13%**	14.31%
Total Capital Ratio	**17.91%**	19.49%	**17.53%**	19.47%

(b) CET I, Tier I and Tier II capital components of the Group and of the Bank:

	31.12.2021 GROUP RM'000	BANK RM'000
Tier I Capital		
Paid-up share capital	3,445,757	3,445,757
Share Premium	-	-
Retained earnings	2,965,080	2,965,659
Other reserves	(10,899)	(121,843)
Less: Deferred tax assets	(193,214)	(191,773)
Less: 55% of fair value	-	-
Less: Regulatory reserve attributable to financing	-	-
Less: Investment in subsidiaries	-	(100,905)
Total Common Equity Tier I Capital	**6,206,724**	**5,996,895**
Total Additional Tier I Capital	**-**	**-**
Total Tier I Capital	**6,206,724**	**5,996,895**
Subordinated Sukuk	2,000,000	2,000,000
Collective assessment allowance ^	534,465	532,094
Total Tier II Capital	2,534,465	2,532,094
Total Capital	**8,741,189**	**8,528,989**

^ Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(b) CET 1, Tier I and Tier II capital components of the Group and of the Bank (continued):

	31.12.2020	
	GROUP	**BANK**
	RM'000	**RM'000**
Tier I Capital		
Paid-up share capital	3,306,118	3,306,118
Share Premium	-	-
Retained earnings	2,797,307	2,791,044
Other reserves	182,274	182,423
Less: Deferred tax assets	(1,511)	-
Less: 55% of fair value	(103,564)	(103,564)
Less: Regulatory reserve attributable to financing	-	-
Less: Investment in subsidiaries	-	(15,525)
Total Common Equity Tier I Capital	**6,180,624**	**6,160,496**
Total Additional Tier I Capital	**-**	**-**
Total Tier I Capital	**6,180,624**	**6,160,496**
Subordinated Sukuk	1,700,000	1,700,000
Collective assessment allowance ^	472,256	472,005
Total Tier II Capital	2,172,256	2,172,005
Total Capital	**8,352,880**	**8,332,501**

^ Collective assessment allowance on non-impaired financing and regulatory reserve subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

(i) Group

31 DECEMBER 2021 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK-WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	9,052,249	9,052,249	-	-
Public Sector Entities	1,701,095	1,690,995	461,944	36,955
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,026,027	1,026,027	206,060	16,485
Corporate	19,388,649	19,013,390	10,336,801	826,944
Regulatory Retail	20,743,307	20,708,120	20,057,433	1,604,595
Residential Mortgages	23,669,331	23,662,639	15,511,861	1,240,949
Higher Risk Assets	3,173	3,173	4,760	381
Other Assets	1,937,277	1,937,277	991,753	79,340
Defaulted Exposures	1,128,766	1,089,559	1,013,545	81,084
Total for On-Balance Sheet Exposures	78,649,874	78,183,429	48,584,157	3,886,733
Off-Balance Sheet Exposures				
Credit-related Exposures	1,623,839	1,614,088	1,478,572	118,286
Derivative Financial Instruments	116,795	116,795	68,005	5,440
Defaulted Exposures	36,288	36,278	50,005	4,000
Total for Off-Balance Sheet Exposures	1,776,922	1,767,161	1,596,582	127,726
Total On and Off-Balance Sheet Exposures	**80,426,796**	**79,950,590**	**50,180,739**	**4,014,459**
Less: Credit Risk absorbed by IA			(7,423,579)	(593,886)

	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	8,792,939	(7,505,740)	1,287,199	99,335	7,947
Foreign Exchange Risk	28,311	(390,224)	(361,914)	390,224	31,218
Inventory Risk			-	-	-
Total Market Risk	8,821,250	(7,895,964)	925,285	489,559	39,165
Operational Risk				3,847,886	307,831
Total RWA and Capital Requirements				**47,094,605**	**3,767,569**

Note: As at 31 December 2021, the Group did not have any exposures under securitisation.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(i) Group (continued)

31 DECEMBER 2020 EXPOSURE CLASS			GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK-WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks			8,165,933	8,165,933	-	-
Public Sector Entities			1,600,640	1,587,966	430,688	34,455
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")			510,976	510,976	103,179	8,254
Corporate			19,584,934	19,226,882	10,505,419	840,434
Regulatory Retail			19,456,154	19,416,328	18,879,252	1,510,340
Residential Mortgages			21,610,415	21,604,144	13,735,734	1,098,859
Higher Risk Assets			3,783	3,783	5,674	454
Other Assets			1,802,897	1,802,897	939,663	75,173
Defaulted Exposures			895,404	860,147	839,948	67,196
Total for On-Balance Sheet Exposures			73,631,136	73,179,056	45,439,557	3,635,165
Off-Balance Sheet Exposures						
Credit-related Exposures			1,461,127	1,454,525	1,329,221	106,338
Derivative Financial Instruments			148,631	148,632	64,632	5,171
Defaulted Exposures			25,822	25,822	29,167	2,333
Total for Off-Balance Sheet Exposures			1,635,580	1,628,979	1,423,020	113,842
Total On and Off-Balance Sheet Exposures			**75,266,716**	**74,808,035**	**46,862,577**	**3,749,006**
Less: Credit Risk absorbed by IA					(9,082,114)	(726,569)
	Long Position	Short Position				
Market Risk						
Benchmark Rate Risk	9,461,133	(8,518,693)		942,439	313,417	25,073
Foreign Exchange Risk	23,673	(325,509)		(301,836)	325,509	26,041
Inventory Risk				-	-	-
Total Market Risk	9,484,806	(8,844,202)		640,603	638,926	51,114
Operational Risk					3,719,636	297,571
Total RWA and Capital Requirements					**42,139,024**	**3,371,122**

Note: As at 31 December 2020, the Group did not have any exposures under securitisation.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(ii) Bank

31 DECEMBER 2021 **EXPOSURE CLASS**	**GROSS EXPOSURE** **RM'000**	**NET EXPOSURE** **RM'000**	**RISK-WEIGHTED ASSET** **RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8%** **RM'000**
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	9,052,249	9,052,249	-	-
Public Sector Entities	1,701,095	1,690,995	461,944	36,956
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,007,556	1,007,556	202,366	16,189
Corporate	19,388,649	19,013,389	10,336,801	826,944
Regulatory Retail	20,743,307	20,708,121	20,057,433	1,604,595
Residential Mortgages	23,669,331	23,662,639	15,511,861	1,240,949
Higher Risk Assets	3,173	3,173	4,760	381
Other Assets	1,846,888	1,846,888	895,679	71,654
Defaulted Exposures	1,128,766	1,089,559	1,013,545	81,084
Total for On-Balance Sheet Exposures	78,541,014	78,074,569	48,484,389	3,878,752
Off-Balance Sheet Exposures				
Credit-related Exposures	1,623,839	1,614,088	1,478,572	118,286
Derivative Financial Instruments	116,795	116,795	68,005	5,440
Defaulted Exposures	36,288	36,278	50,005	4,000
Total for Off-Balance Sheet Exposures	1,776,922	1,767,161	1,596,582	127,726
Total On and Off-Balance Sheet Exposures	**80,317,936**	**79,841,730**	**50,080,971**	**4,006,478**
Less: Credit Risk absorbed by IA			(7,513,437)	(601,075)

	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	8,792,939	(7,505,740)	1,287,199	99,335	7,947
Foreign Exchange Risk	28,311	(390,224)	(361,914)	390,224	31,218
Inventory Risk			-	-	-
Total Market Risk	8,821,250	(7,895,964)	925,285	489,559	39,165
Operational Risk				3,797,811	303,825
Total RWA and Capital Requirements				**46,854,904**	**3,748,393**

Note: As at 31 December 2021, the Bank did not have any exposures under securitisation.

2. Capital Adequacy (continued)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(ii) Bank (continued)

31 DECEMBER 2020 **EXPOSURE CLASS**	**GROSS EXPOSURE** **RM'000**	**NET EXPOSURE** **RM'000**	**RISK-WEIGHTED ASSET** **RM'000**	**MINIMUM CAPITAL REQUIREMENT AT 8%** **RM'000**
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	8,165,933	8,165,933	-	-
Public Sector Entities	1,600,640	1,587,966	430,688	34,455
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	510,893	510,893	103,163	8,253
Corporate	19,584,934	19,226,882	10,505,419	840,434
Regulatory Retail	19,456,154	19,416,328	18,879,252	1,510,340
Residential Mortgages	21,610,415	21,604,144	13,735,734	1,098,859
Higher Risk Assets	3,783	3,783	5,674	454
Other Assets	1,786,255	1,786,255	919,927	73,594
Defaulted Exposures	895,404	860,147	839,948	67,196
Total for On-Balance Sheet Exposures	73,614,411	73,162,332	45,419,804	3,633,584
Off-Balance Sheet Exposures				
Credit-related Exposures	1,461,127	1,454,525	1,329,221	106,338
Derivative Financial Instruments	148,631	148,632	64,632	5,171
Defaulted Exposures	25,822	25,822	29,167	2,333
Total for Off-Balance Sheet Exposures	1,635,580	1,628,979	1,423,020	113,842
Total On and Off-Balance Sheet Exposures	**75,249,991**	**74,791,311**	**46,842,824**	**3,747,426**
Less: Credit Risk absorbed by IA			(9,082,416)	(726,593)

	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	9,461,133	(8,518,693)	942,439	313,417	25,073
Foreign Exchange Risk	23,673	(325,509)	(301,836)	325,509	26,041
Inventory Risk	-	-	-	-	-
Total Market Risk	9,484,806	(8,844,202)	640,603	638,926	51,114
Operational Risk				3,675,867	294,069
Total RWA and Capital Requirements				**42,075,201**	**3,366,016**

Note: As at 31 December 2020, the Bank did not have any exposures under securitisation.

3. Risk Management

3.1 Overview

The Group's mission, with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

In that regard, the specific objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Group;
- Establish a standard approach and methodology in managing risks namely credit, market, liquidity, operational, IT & cyber risk, compliance risks and contagion risk across the Group;
- Clarify functional structures including objectives, roles and responsibilities;
- Implement and use a risk management information system that meets the international standards on confidentiality, integrity and its availability;
- Develop and use tools, such as economic capital, value at risk, and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets; and
- Ensure that the Group's capital can support current and planned business needs in terms of risk exposures.

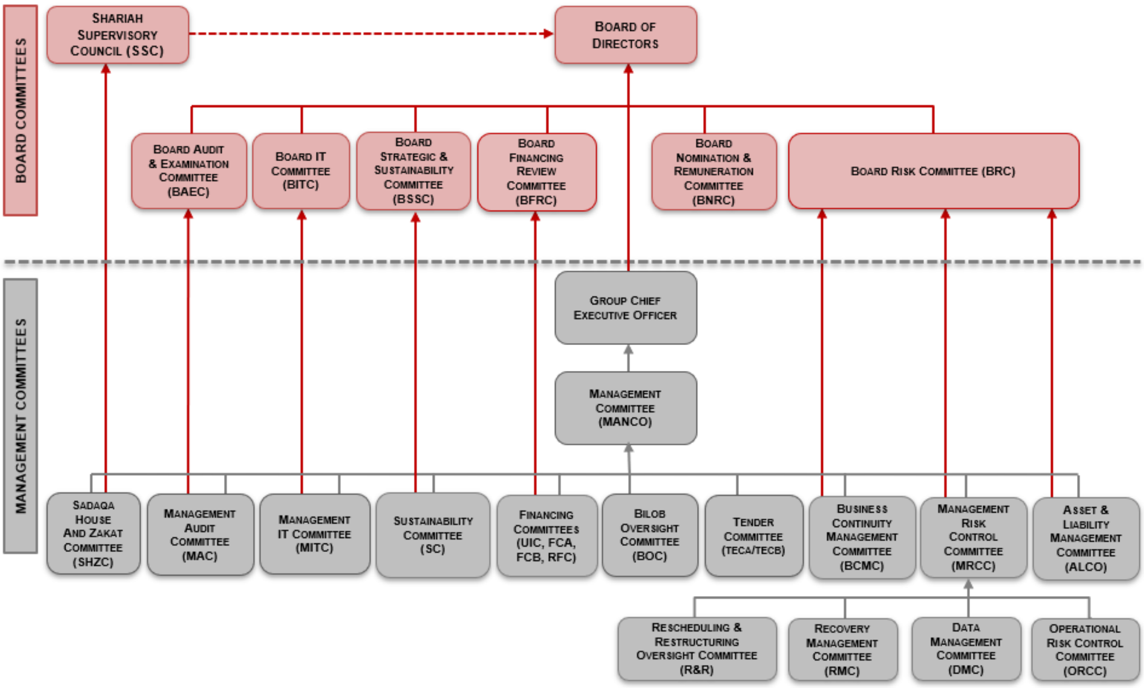
3.2 Risk Management Functional and Governance Structure

The Group has aligned its organisational responsibilities with the objective of ensuring a common view of risks across the Group. As a matter of prudence and good governance, the Group's core risk management functions, which report to the Board Risk Committee ("BRC"), are independent and segregated from the business divisions and centralized at head office.

3. Risk Management (continued)

3.2 Risk Management Functional and Governance Structure (continued)

The following illustrates the Group's governance structure:



The Group recognises the fact that the essence of banking and financial services is centred on risk taking activities. The Group therefore:

- Recognises that it has to manage risks effectively to achieve its business targets;
- Reaches an optimum level of risk-return in order to maximise stakeholders' value; and
- Ensures effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Group within its risk appetite and tolerance.

The Group has established the Group Risk Appetite Statement Policy that forms an integral part of the Group's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Group is prepared to accept in support of a stated strategy, impacting all businesses from a credit, market and operational risk viewpoint.

4. Credit Risk

4.1 Overview

Credit risk is the risk of a customer or counterparty failing to fulfil its financial obligations in accordance with agreed terms. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor (collectively referred to as counterparties). The types of credit risks that the Group considers to be material include: Default Risk, Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk and Migration Risk.

4.2 Credit Risk Governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the Management Risk Control Committee ("MRCC") and/or BRC, guided by the Boards' approved Group Risk Appetite Statement Policy.

The Group has several levels of Financing Committees, which assess and approve credits at their specified authority levels.

MRCC is responsible under the authority delegated by BRC for managing credit risk at strategic level. MRCC reviews the Group's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Group's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

4.3 Management of Credit Risk

The management of credit risk is being performed by the Group Credit Management Division ("CMD") and Group Risk Management Division ("RMD") and two other units outside of CMD and RMD domain, namely, Credit Administration Department and Recovery & Rehabilitation Division. The combined objectives are, amongst others:

- To build a high quality credit portfolio which is in line with the Group's overall strategy and risk appetite;
- To ensure that the Group is compensated for the risk taken, balancing/ optimising the risk/ return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

4. Credit Risk (continued)

4.3 Management of Credit Risk (continued)

The Group monitors its credit exposures either on a portfolio basis or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (a certain part of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration on a single customer, sector, product, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparty limits and permissible acquisition of private entities' instruments, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

4.4 Capital Treatment for Credit Risk

The Group adopts the Standardized Approach to compute the credit risk capital requirement under BNM's CAFIB.

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances

The table below presents the Group's and the Bank's gross financing and advances analysed by credit quality:

	GROUP AND BANK	
	31.12.2021 RM'000	31.12.2020 RM'000
Neither past due nor impaired	58,234,986	54,596,595
Past due but not impaired	414,366	628,767
Impaired	568,383	373,234
	59,217,735	**55,598,596**
Gross Impaired Financing as a percentage of Gross Financing and Advances	**0.96%**	**0.67%**

(a) Neither Past Due nor Impaired

Financings classified as neither past due nor impaired are financings of which the customers have not missed contractual payments (profit or principal) when contractually due and are not impaired as there is no objective evidence of impairment in the financings.

The credit quality of gross financing and advances which are neither past due nor impaired is as follows:

	GROUP AND BANK	
	31.12.2021 RM'000	31.12.2020 RM'000
Excellent to Good	52,111,710	47,226,265
Satisfactory	5,813,008	6,995,181
Fair	310,268	375,149
	58,234,986	**54,596,595**

Internal rating definition:

- **Excellent to Good**: Sound financial position of the customer with no difficulty in meeting its obligations.
- **Satisfactory**: Adequate safety of the customer meeting its current obligations but more time is required to meet the entire obligations in full.
- **Fair**: High risks on payment obligations. Financial performance may continue to deteriorate.

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances (continued)

(b) Past Due but Not Impaired

Financings classified as past due but not impaired are financings of which their contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

Analysis of the past due but not impaired financing and advances by ageing:

	GROUP AND BANK	
	31.12.2021	**31.12.2020**
By ageing	**RM'000**	**RM'000**
Month-in-arrears 1	217,722	429,323
Month-in-arrears 2	196,644	199,444
	414,366	**628,767**

Analysis of the past due but not impaired financing and advances by sector:

	GROUP AND BANK	
	31.12.2021	**31.12.2020**
	RM'000	**RM'000**
Primary agriculture	-	-
Mining and quarrying	-	3,615
Manufacturing (including agro-based)	9,910	761
Electricity, gas and water	-	-
Wholesale & retail trade, and hotels & restaurants	667	23,195
Construction	342	8,215
Real estate	-	136
Transport, storage and communications	25,536	38,370
Finance, insurance and business activities	183	8,228
Education, health and others	27	2,424
Household sectors	377,701	543,823
Other sectors	-	-
	414,366	**628,767**

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances

A financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The financing or group of financings is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financing (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financing or group of financings that can be reliably estimated.

The Group and the Bank first assess individually whether the objective evidence of impairment exists individually for financings which are individually significant, and collectively for financings which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financings with similar credit risk characteristic and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

Impaired financing by assessment type:

	GROUP AND BANK	
	31.12.2021 RM'000	**31.12.2020 RM'000**
Individually Assessed	423,603	219,160
of which:		
Month-in-Arrears 0	*268,316*	*23,780*
Month-in-Arrears 1	*3,478*	*6,659*
Month-in-Arrears 2	*1,479*	*17,010*
Month-in-Arrears 3 and above	*150,330*	*171,711*
Collectively Assessed	144,780	154,074
	568,383	**373,234**

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 DECEMBER 2021 RM '000	IMPAIRED FINANCING AT 31.12.2021	INDIVIDUAL ASSESSMENT ALLOWANCE INDIVIDUAL ASSESSMENT AS AT 01.01.2021	NET CHARGE FOR THE FINANCIAL YEAR	AMOUNTS WRITTEN OFF/OTHER MOVEMENTS	INDIVIDUAL ASSESSMENT AS AT 31.12.2021	COLLECTIVE ASSESSMENT ALLOWANCE AT 31.12.2021	TOTAL IMPAIRMENT ALLOWANCES FOR FINANCING AT 31.12.2021
Primary Agriculture	-	-	-	-	-	14,579	14,579
Mining and Quarrying	-	-	-	-	-	2,887	2,887
Manufacturing (including Agro-based)	10,307	6,775	1,578	(6,439)	1,914	104,621	106,535
Electricity, Gas and Water	-	-	-	-	-	43,233	43,233
Wholesale & Retail Trade and Restaurants & Hotels	76,992	23,765	5,868	(23,116)	6,517	48,216	54,733
Construction	285,246	14,432	187,722	(5,810)	196,344	74,274	270,618
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	15,311	4,567	55	(3,210)	1,412	35,947	37,359
Finance, Insurance and Business Services	5,932	258	(257)	-	-	92,613	92,613
Education, Health and Others	1,391	519	(369)	-	150	19,286	19,436
Household Sectors	173,204	14,879	482	(745)	14,617	407,356	421,973
Other Sectors	-	-	-	-	-	-	-
Total	568,383	65,195	195,079	(39,320)	220,954	843,012	1,063,966

4. Credit Risk (continued)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 DECEMBER 2020 RM '000	IMPAIRED FINANCING AT 31.12.2020	INDIVIDUAL ASSESSMENT ALLOWANCE INDIVIDUAL ASSESSMENT AS AT 01.01.2020	NET CHARGE FOR THE FINANCIAL YEAR	AMOUNTS WRITTEN OFF/OTHER MOVEMENTS	INDIVIDUAL ASSESSMENT AS AT 31.12.2020	COLLECTIVE ASSESSMENT ALLOWANCE AT 31.12.2020	TOTAL IMPAIRMENT ALLOWANCES FOR FINANCING AT 31.12.2020
Primary Agriculture	-	-	-	-	-	18,882	18,882
Mining and Quarrying	-	-	-	-	-	2,411	2,411
Manufacturing (including Agro-based)	28,329	25,797	(3,555)	(15,469)	6,775	32,316	39,091
Electricity, Gas and Water	-	-	-	-	-	65,708	65,708
Wholesale & Retail Trade and Restaurants & Hotels	89,812	23,494	3,335	(3,064)	23,765	29,556	53,321
Construction	36,220	11,133	5,358	(2,059)	14,432	89,865	104,297
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	17,801	4,349	218	-	4,567	34,248	38,815
Finance, Insurance and Business Services	6,140	-	258	-	258	106,156	106,414
Education, Health and Others	3,969	3,676	(1,394)	(1,763)	519	15,631	16,150
Household Sectors	190,963	19,598	(3,694)	(1,024)	14,879	467,993	482,872
Other Sectors	-	-	-	-	-	-	-
Total	**373,234**	**88,047**	**526**	**(23,379)**	**65,195**	**862,766**	**927,961**

4. Credit Risk (continued)

(d) Gross Financing and Advances – Exposures by Geographical Areas

31 DECEMBER 2021 RM '000	GROSS FINANCING	*OF WHICH:* PAST DUE BUT NOT IMPAIRED FINANCING	*OF WHICH:* IMPAIRED FINANCING	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES
Central Region	26,946,146	215,749	395,781	210,034	436,151
Eastern Region	9,368,591	58,516	68,146	10,063	157,554
Northern Region	8,066,342	43,096	74,751	-	93,755
Southern Region	10,247,330	73,033	17,458	857	105,491
East Malaysia Region	4,589,326	23,972	12,247	-	50,061
Grand Total	**59,217,735**	**414,366**	**568,383**	**220,954**	**843,012**

31 DECEMBER 2020 RM '000	GROSS FINANCING	*OF WHICH:* PAST DUE BUT NOT IMPAIRED FINANCING	*OF WHICH:* IMPAIRED FINANCING	INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES
Central Region	25,745,132	326,811	174,617	47,606	496,983
Eastern Region	8,757,468	80,907	86,291	15,481	94,975
Northern Region	7,431,066	93,699	78,220	-	93,343
Southern Region	9,416,361	88,776	19,167	2,108	89,166
East Malaysia Region	4,248,569	38,574	14,939	-	88,299
Grand Total	**55,598,596**	**628,767**	**373,234**	**65,195**	**862,766**

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4. Credit Risk (continued)

4.6 Gross Credit Exposures

(a) Geographic Distribution of Credit Exposures

(i) Group

31 DECEMBER 2021 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM '000	TOTAL RM '000
<u>Credit Risk</u>						
On-Balance Sheet Exposures						
Sovereign/Central Banks	9,052,249	-	-	-	-	9,052,249
Public Sector Entities	1,128,435	128,848	87,712	329,923	26,177	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	1,025,652	299	-	75	-	1,026,026
Corporate	16,303,740	1,080,165	728,181	1,464,805	783,541	20,360,432
Regulatory Retail	8,208,436	3,790,825	3,296,613	3,285,672	2,244,038	20,825,584
Residential Mortgages	8,764,194	4,344,115	3,924,785	5,174,453	1,536,322	23,743,869
Higher Risk Assets	1,921	438	217	98	668	3,342
Other Assets	1,936,666	-	-	-	611	1,937,277
Total for On-Balance Sheet Exposures	46,421,293	9,344,690	8,037,508	10,255,026	4,591,357	78,649,874
Off-Balance Sheet Exposures						
Credit-related Exposures	1,255,100	81,379	70,193	109,475	143,976	1,660,123
Derivative Financial Instruments	116,799	-	-	-	-	116,799
Total for Off-Balance Sheet Exposures	1,371,899	81,379	70,193	109,475	143,976	1,776,922
Total On and Off-Balance Sheet Exposures	**47,793,192**	**9,426,069**	**8,107,701**	**10,364,501**	**4,735,333**	**80,426,796**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(i) Group (continued)

31 DECEMBER 2020 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM '000	TOTAL RM '000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	8,165,933	-	-	-	-	8,165,933
Public Sector Entities	1,060,099	143,574	46,935	344,404	5,628	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	510,556	330	-	90	-	510,976
Corporate	16,313,849	1,058,669	703,735	1,469,709	789,298	20,335,260
Regulatory Retail	7,778,636	3,565,676	3,034,206	3,072,934	2,082,322	19,533,774
Residential Mortgages	8,184,067	3,965,812	3,627,072	4,534,191	1,366,731	21,677,873
Higher Risk Assets	2,083	620	141	118	821	3,783
Other Assets	1,800,176	-	-	-	2,721	1,802,897
Total for On-Balance Sheet Exposures	43,815,399	8,734,681	7,412,089	9,421,446	4,247,521	73,631,136
Off-Balance Sheet Exposures						
Credit-related Exposures	1,217,355	60,569	40,546	120,305	48,174	1,486,949
Derivative Financial Instruments	148,631	-	-	-	-	148,631
Total for Off-Balance Sheet Exposures	1,365,986	60,569	40,546	120,305	48,174	1,635,580
Total On and Off-Balance Sheet Exposures	**45,181,385**	**8,795,250**	**7,452,635**	**9,541,751**	**4,295,695**	**75,266,716**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank

31 DECEMBER 2021 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM '000	TOTAL RM '000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	9,052,249	-	-	-	-	9,052,249
Public Sector Entities	1,128,435	128,848	87,712	329,923	26,177	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	1,007,181	299	-	75	-	1,007,555
Corporate	16,303,740	1,080,165	728,182	1,464,805	783,541	20,360,433
Regulatory Retail	8,208,436	3,790,825	3,296,612	3,285,672	2,244,038	20,825,583
Residential Mortgages	8,764,194	4,344,115	3,924,785	5,174,453	1,536,322	23,743,869
Higher Risk Assets	1,921	438	217	98	668	3,342
Other Assets	1,846,277	-	-	-	611	1,846,888
Total for On-Balance Sheet Exposures	46,312,433	9,344,690	8,037,508	10,255,026	4,591,357	78,541,014
Off-Balance Sheet Exposures						
Credit-related Exposures	1,255,100	81,379	70,193	109,475	143,976	1,660,123
Derivative Financial Instruments	116,799	-	-	-	-	116,799
Total for Off-Balance Sheet Exposures	1,371,899	81,379	70,193	109,475	143,976	1,776,922
Total On and Off-Balance Sheet Exposures	**47,684,332**	**9,426,069**	**8,107,701**	**10,364,501**	**4,735,333**	**80,317,936**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank (continued)

31 DECEMBER 2020 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM '000	TOTAL RM '000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	8,165,933	-	-	-	-	8,165,933
Public Sector Entities	1,060,099	143,574	46,935	344,404	5,628	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	510,473	330	-	90	-	510,893
Corporate	16,313,849	1,058,669	703,735	1,469,709	789,298	20,335,260
Regulatory Retail	7,778,636	3,565,676	3,034,206	3,072,934	2,082,322	19,533,774
Residential Mortgages	8,184,067	3,965,812	3,627,072	4,534,191	1,366,731	21,677,873
Higher Risk Assets	2,083	620	141	118	821	3,783
Other Assets	1,783,533	-	-	-	2,722	1,786,255
Total for On-Balance Sheet Exposures	43,798,673	8,734,681	7,412,089	9,421,446	4,247,522	73,614,411
Off-Balance Sheet Exposures						
Credit-related Exposures	1,217,355	60,569	40,546	120,305	48,174	1,486,949
Derivative Financial Instruments	148,631	-	-	-	-	148,631
Total for Off-Balance Sheet Exposures	1,365,986	60,569	40,546	120,305	48,174	1,635,580
Total On and Off-Balance Sheet Exposures	**45,164,659**	**8,795,250**	**7,452,635**	**9,541,751**	**4,295,696**	**75,249,991**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(i) Group

31 DECEMBER 2021 EXPOSURE CLASS	PRIMARY AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	ELECTRICITY, GAS AND WATER	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS	CONSTRUCTION	REAL ESTATE	TRANSPORT, STORAGE & COMMUNICATION	FINANCE, INSURANCE AND BUSINESS SERVICES	EDUCATION, HEALTH AND OTHERS	HOUSEHOLD SECTOR	OTHER SECTORS	TOTAL
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,789,685	-	-	5,262,565	9,052,250
Public Sector Entities	1,162	-	-	-	-	58,695	8,832	-	234,644	1,397,518	244	-	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	943,022	-	374	82,629	1,026,025
Corporate	1,079,683	64,205	966,355	2,793,913	702,350	3,739,417	1,885,932	1,956,311	4,093,785	834,970	143,296	2,100,216	20,360,433
Regulatory Retail	6,426	3,945	52,606	1,023	157,189	103,232	42,637	29,645	81,752	48,037	20,294,212	4,880	20,825,584
Residential Mortgages	-	-	1,005	-	-	-	-	-	-	-	23,742,863	-	23,743,868
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	3,342	-	3,342
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,937,277	1,937,277
Total for On-Balance Sheet Exposures	1,087,271	68,150	1,019,966	2,794,936	859,539	3,901,344	1,937,401	1,985,956	9,142,888	2,280,525	44,184,331	9,387,567	78,649,874
Off-Balance Sheet Exposures													-
Credit-related Exposures	25,443	7,189	110,873	70,971	103,172	409,607	10,372	89,420	109,493	184,349	381,302	157,932	1,660,123
Derivative Financial Instruments	-	-	361	-	24,175	37	-	-	27,773	50,613	-	13,840	116,799
Total for Off-Balance Sheet Exposures	25,443	7,189	111,234	70,971	127,347	409,644	10,372	89,420	137,266	234,962	381,302	171,772	1,776,922
Total On and Off-Balance Sheet Exposures	**1,112,714**	**75,339**	**1,131,200**	**2,865,907**	**986,886**	**4,310,988**	**1,947,773**	**2,075,376**	**9,280,154**	**2,515,487**	**44,565,633**	**9,559,339**	**80,426,796**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(i) Group (continued)

31 DECEMBER 2020 EXPOSURE CLASS	PRIMARY AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	ELECTRICITY, GAS AND WATER	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS	CONSTRUCTION	REAL ESTATE	TRANSPORT, STORAGE & COMMUNICATION	FINANCE, INSURANCE AND BUSINESS SERVICES	EDUCATION, HEALTH AND OTHERS	HOUSEHOLD SECTOR	OTHER SECTORS	TOTAL
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	5,246,069	-	-	2,919,864	8,165,933
Public Sector Entities	955	-	112,118	-	-	5,019	-	-	197,842	1,284,423	283	-	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	358,688	100,010	421	51,857	510,976
Corporate	1,119,668	64,577	1,099,232	3,315,698	660,832	3,539,328	2,015,830	2,024,878	3,869,984	598,072	135,552	1,891,609	20,335,260
Regulatory Retail	1,348	3,086	32,791	866	63,850	62,219	35,318	19,599	72,750	44,918	19,193,791	3,238	19,533,774
Residential Mortgages	-	353	523	-	-	111	-	-	-	-	21,676,886	-	21,677,873
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	3,783	-	3,783
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,802,897	1,802,897
Total for On-Balance Sheet Exposures	1,121,971	68,016	1,244,664	3,316,564	724,682	3,606,677	2,051,148	2,044,477	9,745,333	2,027,423	41,010,716	6,669,465	73,631,136
Off-Balance Sheet Exposures													-
Credit-related Exposures	25,804	12,986	99,159	58,429	81,990	383,333	64,459	64,311	89,116	177,241	259,166	170,955	1,486,949
Derivative Financial Instruments	-	-	72	-	64,886	600	-	-	15,854	37,795	-	29,424	148,631
Total for Off-Balance Sheet Exposures	25,804	12,986	99,231	58,429	146,876	383,933	64,459	64,311	104,970	215,036	259,166	200,379	1,635,580
Total On and Off-Balance Sheet Exposures	**1,147,775**	**81,002**	**1,343,895**	**3,374,993**	**871,558**	**3,990,610**	**2,115,607**	**2,108,788**	**9,850,303**	**2,242,459**	**41,269,882**	**6,869,844**	**75,266,716**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(ii) Bank

31 DECEMBER 2021 EXPOSURE CLASS	PRIMARY AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	ELECTRICITY, GAS AND WATER	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS	CONSTRUCTION	REAL ESTATE	TRANSPORT, STORAGE & COMMUNICATION	FINANCE, INSURANCE AND BUSINESS SERVICES	EDUCATION, HEALTH AND OTHERS	HOUSEHOLD SECTOR	OTHER SECTORS	TOTAL
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
__Credit Risk__													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,789,685	-	-	5,262,565	9,052,250
Public Sector Entities	1,162	-	-	-	-	58,695	8,832	-	234,643	1,397,518	244	-	1,701,094
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	943,023	-	374	64,158	1,007,555
Corporate	1,079,683	64,205	966,355	2,793,913	702,350	3,739,417	1,885,932	1,956,311	4,093,785	834,969	143,296	2,100,216	20,360,432
Regulatory Retail	6,426	3,945	52,606	1,023	157,190	103,232	42,637	29,645	81,752	48,037	20,294,212	4,880	20,825,585
Residential Mortgages	-	-	1,005	-	-	-	-	-	-	-	23,742,863	-	23,743,868
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	3,342	-	3,342
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,846,888	1,846,888
Total for On-Balance Sheet Exposures	1,087,271	68,150	1,019,966	2,794,936	859,540	3,901,344	1,937,401	1,985,956	9,142,888	2,280,524	44,184,331	9,278,707	78,541,014
Off-Balance Sheet Exposures													-
Credit-related Exposures	25,443	7,189	110,873	70,971	103,172	409,607	10,372	89,420	109,493	184,349	381,302	157,932	1,660,123
Derivative Financial Instruments	-	-	361	-	24,175	37	-	-	27,773	50,613	-	13,840	116,799
Total for Off-Balance Sheet Exposures	25,443	7,189	111,234	70,971	127,347	409,644	10,372	89,420	137,266	234,962	381,302	171,772	1,776,922
Total On and Off-Balance Sheet Exposures	**1,112,714**	**75,339**	**1,131,200**	**2,865,907**	**986,887**	**4,310,988**	**1,947,773**	**2,075,376**	**9,280,154**	**2,515,486**	**44,565,633**	**9,450,479**	**80,317,936**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(ii) Bank (continued)

31 DECEMBER 2020 EXPOSURE CLASS	PRIMARY AGRICULTURE	MINING AND QUARRYING	MANUFACTURING	ELECTRICITY, GAS AND WATER	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS	CONSTRUCTION	REAL ESTATE	TRANSPORT, STORAGE & COMMUNICATION	FINANCE, INSURANCE AND BUSINESS SERVICES	EDUCATION, HEALTH AND OTHERS	HOUSEHOLD SECTOR	OTHER SECTORS	TOTAL
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	5,246,069	-	-	2,919,864	8,165,933
Public Sector Entities	955	-	112,118	-	-	5,019	-	-	197,842	1,284,423	283	-	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	-		-	-	-	-	-	-	358,688	100,010	421	51,774	510,893
Corporate	1,119,668	64,577	1,099,232	3,315,698	660,832	3,539,328	2,015,830	2,024,878	3,869,985	598,072	135,552	1,891,608	20,335,260
Regulatory Retail	1,348	3,086	32,791	866	63,850	62,219	35,318	19,599	72,750	44,918	19,193,791	3,238	19,533,774
Residential Mortgages	-	353	523	-	-	111	-	-	-	-	21,676,886	-	21,677,873
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	3,783	-	3,783
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,786,255	1,786,255
Total for On-Balance Sheet Exposures	1,121,971	68,016	1,244,664	3,316,564	724,682	3,606,677	2,051,148	2,044,477	9,745,334	2,027,423	41,010,716	6,652,739	73,614,411
Off-Balance Sheet Exposures													-
Credit-related Exposures	25,805	12,986	99,159	58,429	81,990	383,333	64,458	64,311	89,116	177,241	259,166	170,955	1,486,949
Derivative Financial Instruments	-	-	72	-	64,886	600	-	-	15,854	37,795	-	29,424	148,631
Total for Off-Balance Sheet Exposures	25,805	12,986	99,231	58,429	146,876	383,933	64,458	64,311	104,970	215,036	259,166	200,379	**1,635,580**
Total On and Off-Balance Sheet Exposures	**1,147,776**	**81,002**	**1,343,895**	**3,374,993**	**871,558**	**3,990,610**	**2,115,606**	**2,108,788**	**9,850,304**	**2,242,459**	**41,269,882**	**6,853,118**	**75,249,991**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown

(i) Group

31 DECEMBER 2021 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	4,574,778	2,811,303	1,666,169	9,052,250
Public Sector Entities	106,851	814,612	779,632	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	823,210	200,384	2,432	1,026,026
Corporate	5,152,471	6,005,414	9,202,547	20,360,432
Regulatory Retail	134,369	3,018,105	17,673,110	20,825,584
Residential Mortgages	17,442	136,540	23,589,887	23,743,869
Higher Risk Assets	-	34	3,307	3,341
Other Assets	457,052	-	1,480,225	1,937,277
Total for On-Balance Sheet Exposures	11,266,173	12,986,392	54,397,309	78,649,874
Off-Balance Sheet Exposures				
Credit-related Exposures	656,789	448,316	555,018	1,660,123
Derivative Financial Instruments	114,431	2,368	-	116,799
Total for Off-Balance Sheet Exposures	771,220	450,684	555,018	1,776,922
Total On and Off-Balance Sheet Exposures	**12,037,393**	**13,437,076**	**54,952,327**	**80,426,796**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(I) Group (continued)

31 DECEMBER 2020 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
<u>**Credit Risk**</u>				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,025,763	1,307,472	1,832,698	8,165,933
Public Sector Entities	126,850	672,694	801,096	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	307,302	201,040	2,634	510,976
Corporate	3,418,150	6,616,986	10,300,124	20,335,260
Regulatory Retail	60,071	3,035,247	16,438,456	19,533,774
Residential Mortgages	10,535	136,323	21,531,015	21,677,873
Higher Risk Assets	-	14	3,769	3,783
Other Assets	351,256	-	1,451,641	1,802,897
Total for On-Balance Sheet Exposures	9,299,927	11,969,776	52,361,433	73,631,136
Off-Balance Sheet Exposures				
Credit-related Exposures	512,097	581,139	393,713	1,486,949
Derivative Financial Instruments	143,217	5,414	-	148,631
Total for Off-Balance Sheet Exposures	655,314	586,553	393,713	1,635,580
Total On and Off-Balance Sheet Exposures	**9,955,241**	**12,556,329**	**52,755,146**	**75,266,716**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(ii) Bank

31 DECEMBER 2021 **EXPOSURE CLASS**	**UP TO 1 YEAR** **RM'000**	**> 1 – 5 YEARS** **RM'000**	**OVER 5 YEARS** **RM'000**	**TOTAL** **RM'000**
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	4,574,778	2,811,303	1,666,169	9,052,250
Public Sector Entities	106,851	814,612	779,632	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	804,739	200,384	2,432	1,007,555
Corporate	5,152,471	6,005,414	9,202,547	20,360,432
Regulatory Retail	134,369	3,018,105	17,673,110	20,825,584
Residential Mortgages	17,442	136,540	23,589,887	23,743,869
Higher Risk Assets	-	34	3,307	3,341
Other Assets	366,663	-	1,480,225	1,846,888
Total for On-Balance Sheet Exposures	11,157,313	12,986,392	54,397,309	78,541,014
Off-Balance Sheet Exposures				
Credit-related Exposures	656,789	448,316	555,018	1,660,123
Derivative Financial Instruments	114,431	2,368	-	116,799
Total for Off-Balance Sheet Exposures	771,220	450,684	555,018	1,776,922
Total On and Off-Balance Sheet Exposures	**11,928,533**	**13,437,076**	**54,952,327**	**80,317,936**

4. Credit Risk (continued)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(ii) Bank (continued)

31 DECEMBER 2020 **EXPOSURE CLASS**	**UP TO 1 YEAR** **RM'000**	**> 1 – 5 YEARS** **RM'000**	**OVER 5 YEARS** **RM'000**	**TOTAL** **RM'000**
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,025,763	1,307,472	1,832,698	8,165,933
Public Sector Entities	126,850	672,694	801,096	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	307,219	201,040	2,634	510,893
Corporate	3,418,150	6,616,986	10,300,124	20,335,260
Regulatory Retail	60,071	3,035,247	16,438,456	19,533,774
Residential Mortgages	10,535	136,323	21,531,015	21,677,873
Higher Risk Assets	-	14	3,769	3,783
Other Assets	334,615	-	1,451,640	1,786,255
Total for On-Balance Sheet Exposures	9,283,203	11,969,776	52,361,432	73,614,411
Off-Balance Sheet Exposures				
Credit-related Exposures	512,097	581,139	393,713	1,486,949
Derivative Financial Instruments	143,217	5,414	-	148,631
Total for Off-Balance Sheet Exposures	655,314	586,553	393,713	1,635,580
Total On and Off-Balance Sheet Exposures	**9,938,517**	**12,556,329**	**52,755,145**	**75,249,991**

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in the calculation of credit risk-weighted assets. The following are the rating agencies or External Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM as per the CAFIB Guideline:

(a) Standard & Poor's ("S&P")
(b) Moody's Investors Services ("MOODY'S")
(c) Fitch Ratings ("FITCH")
(d) Rating Agency Malaysia Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns and central banks
(b) Banking institutions
(c) Corporates

Unrated and Rated Counterparties

As a general rule, the rating specific to the credit exposure is used, i.e., the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor an issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least *pari passu* with the obligation that is rated, as stipulated in the CAFIB Guideline.

Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The below table summarises the rules governing the assignment of risk weights under the Standardised Approach:

Rating Category	S & P	MOODY'S	FITCH	RAM	MARC
1	AAA TO AA-	Aaa to Aa3	AAA to AA-	AAA TO AA3	AAA to AA-
2	A+ TO A-	A1 to A3	A+ to A-	A1 TO A3	A+ to A-
3	BBB+ TO BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ TO BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ TO B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The below table summarises risk weight mapping matrix for each credit quality rating category:

<table>
<tr><th rowspan="3">Rating Category</th><th colspan="5">Risk Weights Based on Credit Rating of the Counterparty Exposure Class</th></tr>
<tr><th rowspan="2">Sovereign and Central Banks</th><th rowspan="2">Corporate</th><th colspan="3">Banking Institutions</th></tr>
<tr><th>Maturity > 6 month</th><th>Maturity <= 6 month</th><th>Maturity <= 3month</th></tr>
<tr><td>1</td><td>0%</td><td>20%</td><td>20%</td><td>20%</td><td rowspan="7">20%</td></tr>
<tr><td>2</td><td>20%</td><td>50%</td><td>50%</td><td>20%</td></tr>
<tr><td>3</td><td>50%</td><td>100%</td><td>50%</td><td>20%</td></tr>
<tr><td>4</td><td>100%</td><td>100%</td><td>100%</td><td>50%</td></tr>
<tr><td>5</td><td>100%</td><td>150%</td><td>100%</td><td>50%</td></tr>
<tr><td>6</td><td>150%</td><td>150%</td><td>150%</td><td>150%</td></tr>
<tr><td>Unrated</td><td>100%</td><td>100%</td><td>50%</td><td>20%</td></tr>
</table>

Under CAFIB, exposures to and/or guaranteed by the Federal Government of Malaysia and Bank Negara Malaysia are accorded a preferential sovereign risk weight of 0%.

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group:

(i) As at 31 December 2021

	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									
RISK WEIGHTS	SOVEREIGNS / CENTRAL BANKS	PUBLIC SECTOR ENTITIES	BANKS, DFIS & MDBS	CORPORATE	REGULATORY RETAIL	RESIDENTIAL MORTGAGES	HIGHER RISK ASSETS	OTHER ASSETS	TOTAL EXPOSURES AFTER NETTING & CRM	TOTAL RISK WEIGHTED ASSET
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	9,052,249	826,833	-	3,904,705	196,450	-	-	945,524	14,925,761	-
20%	-	170,004	1,076,679	3,768,647	97	-	-	-	5,015,427	1,003,085
35%	-	-	-	-	-	6,996,669	-	-	6,996,669	2,448,834
50%	-	547,870	7,322	3,841,980	398,237	5,098,127	-	-	9,893,536	4,946,768
75%	-	-	-	571,402	1,120,993	4,575,502	-	-	6,267,898	4,700,924
100%	-	230,234	-	8,755,974	19,047,746	7,365,935	-	991,753	36,391,642	36,391,642
150%	-	-	-	359,641	28,089	60,084	11,843	-	459,657	689,486
Total Exposures	9,052,249	1,774,941	1,084,001	21,202,349	20,791,612	24,096,317	11,843	1,937,277	79,950,590	50,180,739
RWA by Exposures	-	538,170	218,997	12,398,706	20,129,762	15,885,585	17,765	991,753	50,180,738	
Average Risk Weight	0.0%	30.3%	20.2%	58.5%	96.8%	65.9%	150.0%	51.2%	62.8%	
Deduction from Capital Base										

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group (continued):

(ii) As at 31 December 2020

	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									
RISK WEIGHTS	SOVEREIGNS / CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIS & MDBS RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000	TOTAL EXPOSURES AFTER NETTING & CRM RM'000	TOTAL RISK WEIGHTED ASSET RM'000
0%	8,165,933	720,449	-	3,434,129	60,926	-	-	863,234	13,244,671	-
20%	-	204,553	609,193	4,392,176	231	-	-	-	5,206,153	1,041,231
35%	-	-	-	-	-	6,319,435	-	-	6,319,435	2,211,802
50%	-	561,814	5,761	3,860,407	403,363	4,555,665	-	-	9,387,010	4,693,505
75%	-	-	-	449,350	1,180,029	6,169,930	-	-	7,799,309	5,849,482
100%	-	167,431	-	8,693,848	17,817,354	4,802,963	-	939,663	32,421,259	32,421,259
150%	-	-	-	324,094	33,964	59,547	12,594	-	430,199	645,299
Total Exposures	8,165,933	1,654,247	614,954	21,154,004	19,495,867	21,907,540	12,594	1,802,897	74,808,036	46,862,578
RWA by Exposures	-	489,248	124,719	12,325,640	18,955,049	14,009,366	18,891	939,663	46,862,577	
Average Risk Weight	0.0%	29.6%	20.3%	58.3%	97.2%	63.9%	150.0%	52.1%	62.6%	
Deduction from Capital Base										

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank:

(i) As at 31 December 2021

	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									
RISK WEIGHTS	SOVEREIGNS / CENTRAL BANKS	PUBLIC SECTOR ENTITIES	BANKS, DFIS & MDBS	CORPORATE	REGULATORY RETAIL	RESIDENTIAL MORTGAGES	HIGHER RISK ASSETS	OTHER ASSETS	TOTAL EXPOSURES AFTER NETTING & CRM	TOTAL RISK WEIGHTED ASSET
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	9,052,249	826,833	-	3,904,705	196,450	-	-	951,209	14,931,446	-
20%	-	170,004	1,058,208	3,768,647	97	-	-	-	4,996,956	999,391
35%	-	-	-	-	-	6,996,669	-	-	6,996,669	2,448,834
50%	-	547,870	7,322	3,841,980	398,237	5,098,127	-	-	9,893,536	4,946,768
75%	-	-	-	571,402	1,120,993	4,575,502	-	-	6,267,898	4,700,924
100%	-	230,234	-	8,755,974	19,047,746	7,365,935	-	895,679	36,295,568	36,295,568
150%	-	-	-	359,641	28,089	60,084	11,843	-	459,657	689,486
Total Exposures	9,052,249	1,774,941	1,065,530	21,202,349	20,791,612	24,096,317	11,843	1,846,888	79,841,730	50,080,971
RWA by Exposures	-	538,170	215,303	12,398,706	20,129,762	15,885,585	17,765	895,679	50,080,970	
Average Risk Weight	0.0%	30.3%	20.2%	58.5%	96.8%	65.9%	150.0%	48.5%	62.7%	
Deduction from Capital Base										

4. Credit Risk (continued)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank (continued):

(ii) As at 31 December 2020

	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									
RISK WEIGHTS	SOVEREIGNS / CENTRAL BANKS	PUBLIC SECTOR ENTITIES	BANKS, DFIS & MDBS	CORPORATE	REGULATORY RETAIL	RESIDENTIAL MORTGAGES	HIGHER RISK ASSETS	OTHER ASSETS	TOTAL EXPOSURES AFTER NETTING & CRM	TOTAL RISK WEIGHTED ASSET
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	8,165,934	720,449	-	3,434,128	60,926	-	-	866,328	13,247,765	-
20%	-	204,553	609,110	4,392,176	231	-	-	-	5,206,070	1,041,214
35%	-	-	-	-	-	6,319,435	-	-	6,319,435	2,211,802
50%	-	561,814	5,761	3,860,407	403,363	4,555,665	-	-	9,387,010	4,693,505
75%	-	-	-	449,350	1,180,029	6,169,930	-	-	7,799,309	5,849,482
100%	-	167,431	-	8,693,848	17,817,354	4,802,963	-	919,927	32,401,523	32,401,523
150%	-	-	-	324,094	33,964	59,547	12,594	-	430,199	645,299
Total Exposures	8,165,934	1,654,247	614,871	21,154,003	19,495,867	21,907,540	12,594	1,786,255	74,791,311	46,842,825
RWA by Exposures	-	489,249	124,703	12,325,640	18,955,049	14,009,366	18,891	919,927	46,842,825	
Average Risk Weight	0.0%	29.6%	20.3%	58.3%	97.2%	63.9%	150.0%	51.5%	62.6%	
Deduction from Capital Base										

4. Credit Risk (continued)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI

a) Ratings of Sovereigns and Central Banks by Approved ECAIs

	RATINGS OF SOVEREIGNS AND CENTRAL BANKS BY APPROVED ECAIs						
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Caa1 to C**	**Unrated**
31 DECEMBER 2021	**S&P**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
Exposure Class	**Fitch**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
On and Off Balance-Sheet Credit Exposures							
Sovereign and Central Banks*		-	9,052,249	-	-	-	-
Total		**-**	**9,052,249**	**-**	**-**	**-**	**-**

	RATINGS OF SOVEREIGNS AND CENTRAL BANKS BY APPROVED ECAIs						
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Baa3**	**Ba1 to B3**	**Caa1 to C**	**Unrated**
31 DECEMBER 2020	**S&P**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
Exposure Class	**Fitch**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**CCC+ to D**	**Unrated**
On and Off Balance-Sheet Credit Exposures							
Sovereign and Central Banks*		-	8,165,933	-	-	-	-
Total		**-**	**8,165,933**	**-**	**-**	**-**	**-**

* These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.

b) Ratings of Corporate by Approved ECAIs

	RATINGS OF CORPORATE BY APPROVED ECAIs					
	Moodys	**Aaa to Aa3**	**A1 to A3**	**Baa1 to Ba3**	**B+ to C**	**Unrated**
	S&P	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
31 DECEMBER 2021	**Fitch**	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
Exposure Class	**RAMs**	**AAA to AA3**	**A to A3**	**BBB to BB**	**B to D**	**Unrated**
	MARC	**AAA to AA-**	**A+ to A-**	**BBB+ to BB-**	**B+ to D**	**Unrated**
On and Off Balance-Sheet Credit Exposures						
Public Sector Entities		170,004	-	-	-	1,604,937
Insurance Cos, Securities Firms & Fund Manager						
Corporate		3,757,659	27,107	77,480	-	17,334,814
Total		**3,927,663**	**27,107**	**77,480**	**-**	**18,939,751**

4. Credit Risk (continued)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI (continued)

		RATINGS OF CORPORATE BY APPROVED ECAIs				
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
31 DECEMBER 2020	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class	RAMs	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Credit Exposures						
Public Sector Entities		204,552	-	-	-	1,449,694
Insurance Cos, Securities Firms & Fund Manager						
Corporate		4,069,429	27,707	83,259	-	16,968,321
Total		**4,273,981**	**27,707**	**83,259**	**-**	**18,418,015**

c) Ratings of Banking Institutions by Approved ECAIs

		RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs					
	Moodys	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
31 DECEMBER 2021	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	RAMs	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
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		743,371	151,728	-	-	-	188,903
Total		**743,371**	**151,728**	**-**	**-**	**-**	**188,903**

		RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs					
	Moodys	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
31 DECEMBER 2020	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	RAMs	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
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		450,463	5,526	-	-	-	158,965
Total		**450,463**	**5,526**	**-**	**-**	**-**	**158,965**

Note: There are no exposures under Short-term ratings for the period under review.

4. Credit Risk (continued)

4.9 Credit Risk Mitigation (CRM)

As a first way out, the assessment of credit when granting a financing facility is based on a particular customer's cash flow as the main source of payment and not on the collateral offered. However, the acceptance of tangible security as collateral would offer a second way out in the event of business failure thereby improving recovery rates.

The types of collaterals accepted by the Group would have an impact on the calculation of the Group's capital adequacy as the quality and the type of collaterals determine whether the Group is able to obtain capital relief and the extent of such relief. Capital relief is defined as the assignment of a lower or zero risk weight to the counterparty exposure by setting off or reducing the counterparty exposure against the collateral value.

The main types of collaterals obtained by the Group to mitigate credit risks are as follows:

(a) Cash on lien
(b) Landed property
(c) Shariah compliant quoted shares and unit trusts
(d) Malaysian Federal Government Securities
(e) Rated/ Unrated Islamic Securities/ Sukuk
(f) Guarantee

The reliance that can be placed on CRM is carefully assessed in light of issues such as compliance with Shariah rules and principles, legal enforceability, market value and counterparty credit risk of the guarantor. The Group has put in place policies and procedures which govern the determination of eligibility of various collaterals to protect the Group's position from the onset of a customer relationship on the CRM, for instance, in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

In order to obtain a fair assessment of collateral securing the financing facility, a valuation is performed periodically ranging from weekly to annually, depending on the type, liquidity and volatility of the collateral value.

In mitigating the counterparty credit risks arising from foreign exchange and derivatives transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between the two parties, creates a greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

4. Credit Risk (continued)

4.9 Credit Risk Mitigation (CRM) (continued)

The Group manages its credit risk concentrations by diversifying its portfolios through several measures. The Group monitors credit risk limits via, among others, sector limits, program limits, deviation limits and Single Counterparty Exposure Limits (SCEL). The following tables disclose the extent to which exposures are covered by eligible credit risk mitigants.

Disclosure of Credit Risk Mitigation (CRM):

31 DECEMBER 2021 EXPOSURE CLASS	EXPOSURES BEFORE CRM RM'000	EXPOSURES COVERED BY GUARANTEES RM'000	EXPOSURES COVERED BY ELIGIBLE FINANCIAL AND NON-FINANCIAL COLLATERAL RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	9,052,249	-	-
Public Sector Entities	1,701,095	-	10,101
Banks, DFIs and MDBs	1,007,555	-	-
Corporates	19,388,649	706,085	1,224,343
Regulatory Retail	20,743,307	194,327	136,111
Residential Mortgages	23,669,331	452	100,983
Higher Risk Assets	3,173	-	-
Other Assets	1,846,888	-	-
Defaulted Exposures	1,128,766	384,941	69,715
Total for On-Balance Sheet Exposures	78,541,013	1,285,805	1,541,253
Off-Balance Sheet Exposures			
Credit-related Exposures	1,623,840	4,805	56,026
Derivative Financial Instruments	116,795	-	-
Defaulted Exposures	36,288	4,752	10
Total for Off-Balance Sheet Exposures	1,776,923	9,557	56,036
Total On and Off-Balance Sheet Exposures	**80,317,936**	**1,295,362**	**1,597,289**

4. Credit Risk (continued)

4.9 Credit Risk Mitigation (CRM) (continued)

Disclosure of Credit Risk Mitigation (CRM) (continued):

31 DECEMBER 2020 EXPOSURE CLASS	EXPOSURES BEFORE CRM RM'000	EXPOSURES COVERED BY GUARANTEES RM'000	EXPOSURES COVERED BY ELIGIBLE FINANCIAL AND NON-FINANCIAL COLLATERAL RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	8,165,933	-	-
Public Sector Entities	1,600,640	-	26,565
Banks, DFIs and MDBs	510,893	-	-
Corporates	19,584,934	540,901	1,226,255
Regulatory Retail	19,456,153	56,341	100,260
Residential Mortgages	21,610,415	453	100,804
Higher Risk Assets	3,783	-	-
Other Assets	1,786,255	-	-
Defaulted Exposures	895,405	121,080	81,717
Total for On-Balance Sheet Exposures	73,614,411	718,775	1,535,601
Off-Balance Sheet Exposures			
Credit-related Exposures	1,461,127	13,733	10,523
Derivative Financial Instruments	148,631	-	-
Defaulted Exposures	25,822	-	-
Total for Off-Balance Sheet Exposures	1,635,580	13,733	10,523
Total On and Off-Balance Sheet Exposures	**75,249,991**	**732,508**	**1,546,124**

4. Credit Risk (continued)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank

(i) As at 31 December 2021

NATURE OF ITEM	PRINCIPAL AMOUNT RM'000	POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
Credit related Exposures				
Direct credit substitutes	501,511		501,511	503,088
Assets sold with recourse	-		-	-
Transaction related contingent items	903,458		451,729	438,976
Short term self-liquidating trade related contingencies	417,940		83,588	83,012
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	-		-	-
- exceeding one year	1,246,592		623,295	503,494
Unutilised credit card lines	-		-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	8,110,490		-	-
	11,179,991		1,660,123	1,528,570
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	7,505,850	25,120	114,431	66,277
- one year to less than five years				
- Five years and above	-	-	-	-
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	79,153	917	2,368	1,735
- five years and above	-	-	-	-
Equity related contracts				
- less than one year	-	-	-	-
- one year to less than five years	-	-	-	-
- Five years and above	-	-	-	-
	7,585,003	26,037	116,799	68,012
Total	**18,764,994**	**26,037**	**1,776,922**	**1,596,582**

4. Credit Risk (continued)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank (continued)

(ii) As at 31 December 2020

NATURE OF ITEM	PRINCIPLE AMOUNT RM'000	POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
Credit related Exposures				
Direct credit substitutes	449,506		449,506	442,426
Assets sold with recourse	-		-	-
Transaction related contingent items	899,541		449,770	436,481
Short term self-liquidating trade related contingencies	592,744		118,549	117,165
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	-		-	-
- exceeding one year	938,247		469,124	362,317
Unutilised credit card lines	-		-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	8,676,980		-	-
	11,557,018		1,486,949	1,358,389
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	8,518,422	59,494	143,217	60,587
- one year to less than five years	-	-	-	-
- Five years and above	-	-	-	-
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	114,056	2,171	5,414	4,045
- five years and above	-	-	-	-
Equity related contracts				
- less than one year	-	-	-	-
- one year to less than five years	-	-	-	-
- Five years and above	-	-	-	-
	8,632,478	61,665	148,631	64,632
Total	**20,189,496**	**61,665**	**1,635,580**	**1,423,021**

5. Market Risk

5.1 Overview

All the Group's financial instruments are subject to the risk that market prices and rates will move, resulting in profit or losses to the Group. The following are the main market risk factors that the Group is exposed to:

- **Profit Rate Risk**: also known as the Rate of Return Risk is the potential impact on the Group's profitability and capital caused by changes in the rate of return, due to general market movements or issuer/customer specific reasons;
- **Foreign Exchange Risk**: the impact of exchange rate movements on the Group's currency positions;
- **Equity Investment Risk**: the profitability impact on the Group's equity positions or investments caused by changes in equity prices or values;

The Group separates the market risk exposures into either trading book or banking book portfolios. Trading book portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions as per the Board approved Trading Book Policy Statements. Banking book portfolios primarily arise from the Group's profit rate management of the Group's asset & liabilities and investment portfolio mainly for liquidity management.

5.2 Market Risk Governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by Asset & Liability Committee ("ALCO") and/or BRC, guided by the Board's approved Group Risk Appetite Statement Policy.

ALCO is responsible under the authority delegated by BRC for managing market risk at strategic level.

5.3 Management of Market Risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's approved risk appetite.

All market risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

Market Risk Management Department ("MRMD") is an independent risk control function and is responsible for ensuring effective implementation of market risk management framework. MRMD is also responsible for developing and reviewing the Group's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/or BRC. In addition, the market risk exposures and limits are regularly reported to ALCO and BRC.

5. Market Risk (continued)

5.3 Management of Market Risk (continued)

Other controls to ensure that market risk exposures remain within tolerable levels include regular stress testing, ad-hoc simulations, and rigorous new product approval procedures. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's profitability, capital adequacy and liquidity. The stress test provides the Management and BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group.

a) Profit rate risk in the banking book portfolio

Profit rate risk in the banking book portfolio is managed and controlled using measurement tools known as Earnings-at-Risk ("EaR") and Economic Value of Equity ("EVE"). The Group monitors the sensitivity of EaR and EVE under varying profit rate scenarios (i.e., simulation modelling). The model is a combination of standard and non-standard scenarios relevant to the local market. The standard scenarios include the parallel fall or rise in the profit rate curve and historical simulation. These scenarios assume no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively manage and strategize to change the profit rate exposure profile to minimise losses and to optimise net revenues. The Group's hedging and risk mitigation strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the Group's and Bank's profit rate sensitivity to a 150[1] basis points parallel shift as at reporting date.

	31 December 2021		31 December 2020	
	(Decrease) / Increase		(Decrease) / Increase	
	-150bps	+150bps	-100bps	+100bps
Group	RM million	RM million	RM million	RM million
Impact on EaR	(206.6)	206.6	(131.4)	131.4
Impact on EVE	294.0	(294.0)	241.0	(241.0)

[1] Based on BNM's revised RORBB reporting requirements, the Group's and the Bank's reporting were revised from 100bps to 150bps parallel shock effective 1 January 2021.

5. Market Risk (continued)

5.3 Management of Market Risk (continued)

a) Profit rate risk in the banking book portfolio (continued)

	31 December 2021		31 December 2020	
	(Decrease) / Increase		(Decrease) / Increase	
	-150bps	+150bps	-100bps	+100bps
Bank	RM million	RM million	RM million	RM million
Impact on EaR	(204.7)	204.7	(131.4)	131.4
Impact on EVE	293.6	(293.6)	240.9	(240.9)

b) Market Risk in the trading book portfolio

Market risk in the trading book portfolio is monitored and managed using Value-at-Risk ("VaR"). It is a technique that estimates the potential losses that could occur as a result of market rates movements over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on historical simulation which derives plausible future scenarios from the past series of recorded market rates and prices. The historical simulation model used by the Bank incorporates the following features:

- Potential market movements are calculated with reference to data from the past two years;
- Historical market rates are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank's trading book portfolios as at the reporting date is as follows:

	As at 31.12.2021	1.1.2021 to 31.12.2021		
		Average	Maximum	Minimum
Bank	RM million	RM million	RM million	RM million
Profit Rate Risk	0.14	1.05	2.39	0.14
Foreign Exchange Risk	0.36	0.66	1.19	0.34
Overall	0.50	1.71	2.78	0.50

	As at 31.12.2020	1.1.2020 to 31.12.2020		
Bank	RM million	RM million	RM million	RM million
Profit Rate Risk	2.76	1.88	3.32	0.01
Foreign Exchange Risk	0.42	0.47	1.02	0.23
Overall	3.18	2.36	3.89	0.36

5. Market Risk (continued)

5.3 Management of Market Risk (continued)

c) Foreign Exchange Risk

The Bank manages and controls the trading book portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. For the Bank-wide (trading and banking portfolios) foreign exchange risk, the Bank manages and controls by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

The Bank has a sensitivity limit for managing the foreign exchange risk in place. The foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as "Others"):

	31 December 2021		**31 December 2020**	
	-1% Depreciation	**+1% Appreciation**	**-1% Depreciation**	**+1% Appreciation**
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**
US Dollar	12,136	(12,136)	8,844	(8,844)
Euro	4,576	(4,576)	5,072	(5,072)
Others	(193)	193	(194)	194

5.4 Capital Treatment for Market Risk

The Group adopts the Standardised Approach to compute the market risk capital requirement under BNM's CAFIB.

6. Liquidity Risk

6.1 Overview

Liquidity risk is the risk of adverse impact to the financial condition of the Group, or the soundness of the Group being adversely affected by an inability (or perceived inability) to meet its contractual obligations. This risk can arise from mismatches in the timing of cash flows.

The Group maintains a diversified and stable funding base comprising retail and corporate customer deposits. This is augmented by wholesale funding and highly liquid assets portfolios.

The objectives of the Group's liquidity management are to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

Savings accounts, current accounts, investment accounts (IA) and term deposits form a critical part of the Group's funding profile and the Group places considerable importance on maintaining their stability. The stability depends upon preserving depositors' confidence in the Group and the Group's capital strength and liquidity, and on competitive and transparent pricing.

The Group's liquidity management is primarily carried out in accordance with Bank Negara Malaysia's requirements and the internal limits approved by ALCO and/or BRC. The limits vary, taking into account the depth and liquidity of the market in which the Group operates. The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities, and commitments to ensure that cash flows are appropriately balanced, and all obligations are met when due.

The Group's liquidity management process includes:

- Daily projection of cash flows and ensuring that the Group has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

6. Liquidity Risk (continued)

6.2 Liquidity Risk Governance

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by ALCO and/or BRC, guided by the Board's approved Group Risk Appetite Statement Policy. ALCO is responsible under the authority delegated by BRC for managing liquidity risk at strategic level.

6.3 Management of Liquidity Risk

All liquidity risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated on a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

MRMD is an independent risk control function and is responsible for ensuring efficient implementation of liquidity risk framework. It is also responsible for developing the Group's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/or BRC, with proper authorities to ratify or approve the excess. In addition, the liquidity risk exposures and limits are regularly reported to ALCO and BRC.

Stress testing and scenario analysis are important tools used by the Group to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress-testing provides the Management and BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Group.

Another key control feature of the Group's liquidity risk management is the liquidity contingency management plans. These plans identify the pre-emptive quantitative and qualitative indicators of stress conditions arising from systemic or other crises and provide guidance on actions to be taken in order to minimize the adverse implications to the Group.

7. Operational Risk

7.1 Overview

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 legal risk and Shariah non-compliance risk but excludes strategic and reputational risk".

It is inherent in all banking products, activities, processes and systems and the effective management of operational risk has always been a fundamental element of a bank's risk management programme.

7.2 Operational Risk Governance

The Group's operational risk management ("ORM") is guided by its ORM Policy, Guideline and Enterprise-Wide Risk Management Policy, as well as its Group Risk Appetite Statement Policy which are designed to provide a sound and well-controlled operational environment within the Group.

BRC is a committee of Board to oversee the Management's activities in managing risks for the Group, including operational risk. Its roles, with regard to ORM, include reviewing and recommending ORM Policy, strategies and risk appetite for Board's approval.

MRCC, under the authority delegated by BRC is responsible to perform the oversight function and to ensure effective management of issues relating to operational risk at strategic level. Operational Risk Control Committee ("ORCC") which is a sub-committee of MRCC is primarily responsible in ensuring effective implementation and maintenance of policies, processes, and systems for managing operational risk for the Group.

Notwithstanding the above, the various Business & Support Units ("BU/SU") are responsible for managing operational risk within their respective domains on a day-to-day basis and ensuring that their business & operational activities are carried out within the established ORM policies, guidelines, procedures and limits. To reinforce accountability and ownership of risk & control at BU/SU level, a Risk Controller ("RC") for each BU/SU is appointed and Embedded Risk and Compliance Unit ("ERU") is established at selected BU/SU to assist in driving the risk & control programme for the Group.

Ultimately, all staff of the Group are to ensure they properly discharge their day-to-day responsibilities and are well-equipped with the necessary knowledge including the policies and procedures in executing their job functions. This is in line with our Risk Management Tagline, i.e., "Managing Risk is Everyone's Business".

7. Operational Risk (continued)

7.3 Management of Operational Risk

The Group recognises and emphasises the importance of ORM and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored, and business activities are carried out within the established ORM policies, guidelines, procedures, and limits.

The Group's overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

a) **1st Line of Defence** – The risk owner or risk-taking unit i.e., BU/SU is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk. To reinforce accountability and ownership of risk and control within 1st Line of Defence, the RC is appointed at each BU/SU and ERU is established at selected BU/SU.

2nd Line of Defence – Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM Policy and its supporting guidelines/ manuals, developing methodologies and various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM, assessing operational risk issues from the risk owner and escalating operational risk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group. Shariah Risk Management Unit ("SRMU"), which forms part of ORMD, is responsible for managing the Shariah non-compliance risk ("SNCR") by establishing and maintaining appropriate guidelines on Shariah Risk Management (SRM) by facilitating the process of identifying, assessing, controlling, and monitoring SNCR and promoting SNCR awareness.

Group Compliance Division, which includes Shariah Compliance Department and Group Information Security & Governance Division ("ISGD") complement the role of ORMD as the 2nd Line of Defence.

Group Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk, corruption risk, money laundering and terrorism financing risks through proper classification of risks and developing, reviewing, and enhancing compliance-related training programmes, as well as conducting trainings that promote awareness creation. Shariah Compliance Department under Group Compliance Division is responsible for reviewing and monitoring Shariah compliance of the Group's operations, activities, and services at BU/ SU level.

7. Operational Risk (continued)

7.3 Management of Operational Risk (continued)

ISGD is responsible in managing information technology risk by establishing, maintaining, and enforcing information technology risk policies/ guidelines and it works closely with Group Technology Division in identifying, assessing, mitigating, and monitoring of information technology risk in the Group.

b) **3rd Line of Defence** – Group Internal Audit including Shariah Audit Department provides independent assurance to the Board and senior management on the effectiveness of the ORM and SRM process.

7.4 ORM Tools & Mitigation Strategies

The Group employs ORM tools comprising proactive and reactive tools which are in line with the best practices in managing and mitigating operational risks, namely:

Overview of ORM Tools				
Proactive Tools				Reactive Tools
Risk Control Self-Assessment	**Key Risk Indicator**	**Operational Risk Review**	**New Product Services Approval Process**	**Risk Loss Event Management & Reporting**
• Self-assessment to identify and assess operational risks by Risk Owners; • The tool creates ownership and increases operational risk awareness.	• A forward-looking tool to identify potential risks and to enable counter measures and risk mitigation actions before an incident occurs (early warning system); • To assist management to focus on high-risk issues.	• End- to-end review of activities to identify risks and ensure appropriate controls are in place and are effective; • To ensure controls are aligned with RCSA and able to mitigate the identified risk.	• To ensure risks are identified and adequate controls are in place prior to launching of new product/ services.	• Centralised group-wide loss database which provides line of business loss reporting overview, tracks frequency of events and facilitates detailed reviews of the incident and its impact.
Risk Analysis & Reporting				
• Analysis and reporting of qualitative and quantitative results from various ORM tools.				
Scenario Analysis				
• A systematic and forward-looking tool of obtaining expert opinions to derive new risks, test the efficiency of existing controls and highlights unexpected risks.				

In addition, a comprehensive Business Continuity Management ("BCM") function has been established within the Group to ensure that in the event of material disruptions from internal or external events, critical business functions can be maintained or restored in a timely manner. This ensures minimal adverse impact on customers, staff and products and services. BCM constitutes an essential component of the Group's risk management process by providing a controlled response to potential operational risk that could have a significant impact on the Group's critical processes and revenue

7. Operational Risk (continued)

7.4 ORM Tools & Mitigation Strategies (continued)

streams. The Group is also continuously reviewing its critical business operations' resilience through regular testing and dependencies assessment on its assets (systems, data, third parties, facilities, processes and people) in order to ensure it has the required capability and resources to effectively prepare for different disruption events.

As part of the risk transfer strategy, the Group obtains a 3rd party Takaful coverage to cover for the Group's high impact loss events.

The Group also ensures that the group-wide Operational Risk awareness programme is conducted on an ongoing basis. This training programme emphasises on inculcating an operational risk culture among staff, effective implementation of ORM tools, fraud awareness, BCM and other aspects of ORM.

7.5 Capital Treatment for Operational Risk

Operational Risk capital charge is calculated using the BIA as per BNM's CAFIB. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).

8. Shariah Governance

8.1 Overview

By virtue of BNM's Shariah Governance Policy Document ("SGPD"), the Group has established a sound and robust Shariah governance framework with the emphasis placed on the roles of its key functionalities, which include having in place an effective and responsible Board and Management and an independent Shariah Supervisory Council ("SSC") that is supported by strong and competent internal Shariah functions.

As part of the robust Shariah governance framework, to date, the Group has put in place the Shariah Compliance Policy, Shariah Compliance Guideline, Business Zakat Guideline and Charity Fund Management Guideline. These help to ensure the Group's business activities and behaviors are in compliance with Shariah rules and principles, provisions of the Islamic Financial Services Act ("IFSA") 2013, BNM's SGPD and its other rules and regulations, and the resolutions of BNM and Securities Commission ("SC")'s Shariah Advisory Council and the SSC.

8.2 Shariah Risk Management

The Group's Shariah risk management as part of operational risk management is guided by Operational Risk Management ("ORM") Policy and Guidelines which set out the high-level framework supporting the Shariah Compliance Policy and detail out the Shariah risk management processes and tools. The policy and guidelines serve to provide a consistent group-wide framework for managing SNCR across the Group.

In addition to this, the Risk Loss Event Management and Reporting (''RLEMR") Guideline provides sound mechanism on Shariah non-compliance ("SNC") management and reporting, in order to ensure the Group strictly complies with Shariah rules and principles, as well as the regulatory requirements. The guideline has been established to be in line with the mechanism set out by BNM's Operational Risk Reporting Requirement – Operational Risk Integrated Online Network ("ORION") and to ensure compliance with section 28(3) of the IFSA 2013 which requires any SNC event to be immediately reported to BNM. Additionally, pursuant to this guideline, any actual SNC events caused by operational lapses including negligence, breach of policies and lack of due care by staff may be subject to disciplinary action.

Being part of operational risk, Shariah risk management leverages on the same ORM principles, processes, and tools. The responsibility of managing SNCR is spearheaded by the Group's Shariah Risk Management Unit ("SRMU"). In general, all ORM tools are extended to the process of managing SNCR. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SNCR.

8. Shariah Governance (continued)

8.2 Shariah Risk Management (continued)

Extensive and continuous Shariah risk awareness initiatives have been conducted for the Group's staff and Risk Controllers ("RC") to ensure understanding towards Shariah requirements/ rulings, effective identification of SNC risks, establishment of controls to prevent SNC event, and to keep updated on the latest Shariah requirements/ rulings issued by Shariah Division, SSC and regulators, and any occurrence of Shariah non – compliance event. In the year 2021, 8 Shariah risk awareness sessions were conducted involving all RCs from HQ and branches. In addition, it is compulsory for all staff to participate in Shariah training via e-Learning as a refresher course.

8.3 Shariah Non-Compliance ("SNC") Events

An SNC event is a result of the Group's failure to comply with the Shariah rules and principles as determined by the Bank's Shariah Supervisory Council, as well as other relevant body or institution such as the Shariah Advisory Council of BNM and Securities Commission.

Throughout the year 2021, there were five (5) incidents confirmed as SNC events by the SSC. In brief, the SNC events were related to non-execution of aqad for deposit-based product, outdated form used for account opening and incomprehensive product structure for the purpose of vehicle refinancing. None of these events have financial impact that contributed to SNC Income. To prevent similar recurrence, the Group is continuously improving its Shariah compliance culture through the issuance of reminders, conducting on-going awareness trainings, as well as establishing additional controls to ensure compliance with Shariah requirements.

8.4 Shariah Non-Compliant Income

31 December 2021	31 December 2020
RM 41,182.96	RM 59,960.47

The main contributors of the SNC income for 2021 were commissions from third party investment product offering (RM31,728.68) and commissions from SNC merchants of card business (RM9,454.28). The amount was disposed to charitable causes upon SSC's approval.

All SNC events and rectification plans were presented and approved by the Board/ SSC and reported to BNM in accordance with the prescribed reporting requirement by the regulator.

9. Investment Account

9.1 Overview

Islamic Financial Services Act 2013 ("IFSA") distinguishes investment account (IA) from Islamic deposits, where Shariah contracts that need to be applied for IA products are non-principal guaranteed, while Shariah contracts for deposit products are principal guaranteed.

In line with the implementation of the IFSA, the Group has developed investment account products based on Mudarabah and Wakalah contracts.

Mudarabah is a contract between a customer as capital provider and the Group as an entrepreneur under which the customer provides capital to be managed by the Group and any profit generated is shared according to a mutually agreed profit-sharing ratio (PSR) whilst financial losses are borne by the customer provided that such losses are not due to the Group's misconduct, negligence or breach of specified terms.

Wakalah refers to a contract where a customer, as the principal, authorizes the Group as his agent to perform a particular task on matters that may be delegated i.e., investment, with or without imposition of a fee. In this context, the Shariah contract applied is Wakalah bi al-istithmar (Wakalah for the purpose of investment).

In terms of offering, the Group currently has the following two categories of IA:

Unrestricted Investment Account (UA)	Restricted Investment Account (RA)
Unrestricted Investment Account refers to a type of investment account whereby the customer/Investment Account Holder (IAH), without specifying any particular restrictions or conditions, provides the Group with the mandate to make the ultimate decision to invest.	Restricted Investment Account (RA) refers to an IA where the IAH provides a specific investment mandate to the Group.

IA product is not capital guaranteed and is not protected by the Perbadanan Insurans Deposit Malaysia (PIDM). Among the risks associated with IA include but not limited to the following:

- Market risk – the risk arising from the potential impact of adverse price movements on the economic value of an asset.
- Credit risk – the risk arising from the potential that the Bank fails to meet its obligations to IAH in accordance with agreed terms and conditions.
- Liquidity risk – the risk arising from the potential loss for IAH where there are lesser return and possible capital erosion or loss.

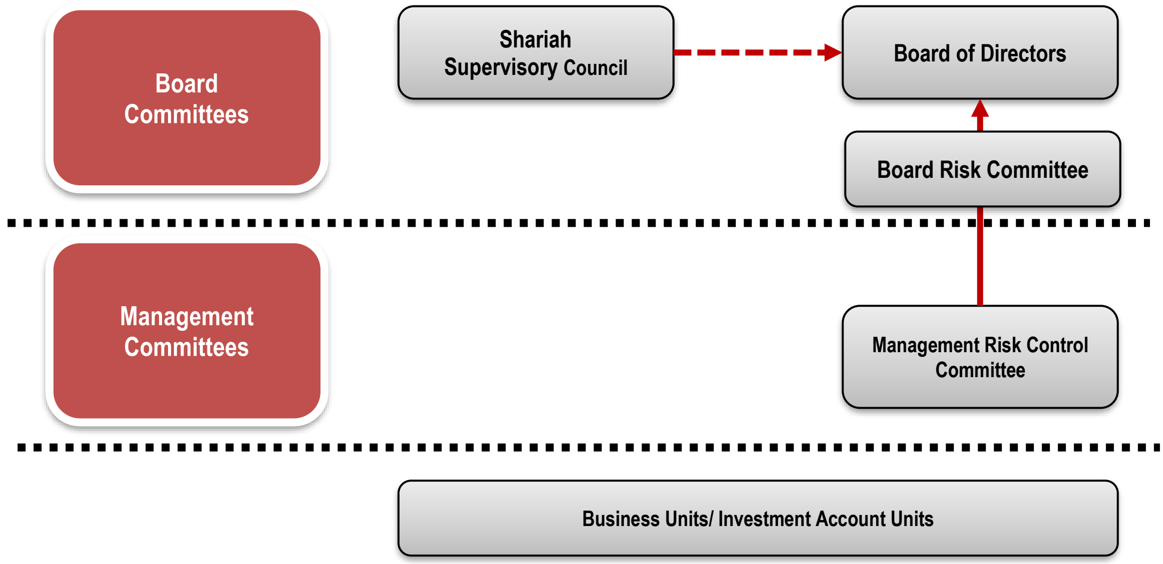
9. Investment Account (continued)

9.1 Overview (continued)

- Operational risk – the risk arising from the potential loss resulting from inadequate or failed internal processes, people and systems or external events.
- Legal risk – IAH should ensure that, in entering into this investment it is not in breach of any laws, regulations, contractual or any other legal limitations that may apply to investors. This investment is issued subject to all applicable laws, regulations and guidelines. In the event of change in such laws, regulations or guidelines, Bank Islam may be obliged to change some or all the terms and conditions of the investment, including the possibility of an early termination.
- Shariah non-compliance risk - the risk arising from possible failures to meet the obligation to Shariah principles or in other words, possible incident of Shariah non-compliances.

9.2 Governance Structure

To safeguard the IAH's interest, the investment mandate, strategy and parameter are carried out in accordance with the Group's governance set-up. The IA governance structure adopted by the Group is as depicted in the following diagram:



9. Investment Account (continued)

9.2 Governance Structure (continued)

The roles and responsibilities of the above respective committees are as follows:

Committee	Responsibility
Board of Directors (Board)	Responsible to establish an effective governance arrangement to facilitate effective monitoring and control of the overall management and conduct of the IA. The adequacy of the governance arrangement shall be commensurate with the nature, scale, complexity, and risk profile associated with the conduct of the IA.
Board Risk Committee (BRC)	Assists the Board in performing independent oversight and provides recommendations in respect of the management, operations, and performance of the IA, as well as to play the role of Board Investment Committee.
Shariah Supervisory Council	Advises and provides clarification on relevant Shariah rulings, decisions, or policies on Shariah matters and endorses the terms and conditions stipulated in IA documentation and ensures that information published is in compliance with Shariah.
Management Risk Control Committee	Assists BRC in performing independent oversight and provides recommendations in respect of the management, operations, and performance of the IA.

9.3 IA Performance

	31 December 2021	31 December 2020
	RM'000	RM'000
Gross Exposure: Financing funded by UA	RM10,561,600,658.98	RM12,368,896,784.16

	%	%
Return on Assets ("ROA")	3.92%	4.42%
Average Net Distributable Income	3.49%	4.06%
Average/Proportion Net Distributable Income Attributable to the IAH	1.28%	1.93%
Average Profit Sharing Ratio/Return to the IAH	36.68%	47.56%

	RM'000	RM'000
Impaired assets/financing funded by UA (bank-wide)	568,382.80	373,233.77
Total allowance for UA	54,648.62	40,354.48
Collective allowance provisions funded by UA	NA	NA
Individual allowance provisions funded by UA	NA	NA

Group Chief Executive Officer Attestation

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB) Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Bank Islam Malaysia Berhad's Pillar 3 Disclosure report for the financial year ended 31 December 2021 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.

Mohd Muazzam Mohamed

Group Chief Executive Officer, Bank Islam Malaysia Berhad