

PUBLIC ISLAMIC BANK BERHAD
Company No.: 197301001433 (14328-V)

PILLAR 3 DISCLOSURE
As at 31 December 2021

Overview

The Pillar 3 Disclosure is required under the Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks ("CAFIB"), which is the equivalent to Basel II issued by the Islamic Financial Services Board. Basel II consists of 3 Pillars as follows:

- (a) Pillar 1 sets out the minimum amount of regulatory capital that Islamic banks must hold against credit, market and operational risks they assume;
- (b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages Islamic banks to develop and employ more rigorous risk management framework and techniques, including specific oversight by the Board of Directors ("the Board") and senior management on internal controls and corporate governance practices, to ensure that Islamic banks maintain adequate capital levels consistent with their risk profile and business plan at all times; and
- (c) Pillar 3 aims to harness market discipline through enhanced disclosure to supplement regulatory supervision of Islamic banks through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of Islamic banks that will enhance comparability amongst Islamic banks.

Public Islamic Bank Berhad ("the Bank") adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of the Pillar 1 under BNM's CAFIB. Under the Standardised Approach, the Bank applied the standard risk weights prescribed by BNM to assess the capital requirements for exposures in credit risk and market risk. The assessment of the capital required for operational risk under the Basic Indicator Approach however, is based on a percentage fixed by BNM over the Bank's average gross income for a fixed number of quarterly periods.

The Bank's Pillar 3 Disclosure is governed by the Public Bank Group ("the Group")'s Disclosure Policy on Basel II Risk-Weighted Capital Adequacy Framework/Capital Adequacy Framework for Islamic Banks - Pillar 3 which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been reviewed and verified by the internal auditors and certified by the Bank's Chief Executive Officer. Under the BNM's CAFIB, the information disclosed herein is not required to be audited by external auditors. The Pillar 3 Disclosure will be published in the Bank's website, www.publicislamicbank.com.my

PUBLIC ISLAMIC BANK BERHAD
Company No.: 197301001433 (14328-V)

Overview (Cont'd.)

Minimum Regulatory Capital Requirements

The Bank's principal business activity is Islamic banking which focuses mainly on retail banking and financing operations. The following tables present the minimum regulatory capital requirements to support the Bank's risk-weighted assets.

	2021		2020	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	43,791,293	3,503,303	39,956,669	3,196,533
Market Risk	59	5	120	10
Operational Risk	2,194,784	175,583	1,986,509	158,921
Total	45,986,136	3,678,891	41,943,298	3,355,464

The Bank 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 the BNM's CAFIB.

PUBLIC ISLAMIC BANK BERHAD
Company No.: 197301001433 (14328-V)

Table of Contents

Contents	Page Number
1. Scope of Application	4
2. Capital Management - Internal Capital Adequacy Assessment Process ("ICAAP")	4
3. Risk Management Framework	8
4. Capital Adequacy Ratios and Capital Structure	11
5. Credit Risk	13
5.1 Distribution of Credit Exposures	16
5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk	19
5.3 Credit Risk Mitigation	21
5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach	24
5.5 Credit Quality of Gross Financing and Advances	30
6. Market Risk	33
7. Equity Exposures in the Banking Book	34
8. Liquidity and Funding Risk	35
9. Operational Risk	36
10. Shariah Non-Compliance Risk	37

1. Scope of Application

The Pillar 3 Disclosure provided in this document is in respect of the Bank, which is involved in Islamic banking financial services and all the activities are mainly denominated in Ringgit Malaysia.

There were no restrictions or impediments on the transfer of funds or regulatory capital between the Bank and its holding company, Public Bank Berhad ("PBB").

There were no capital deficiencies in the Bank during the financial year.

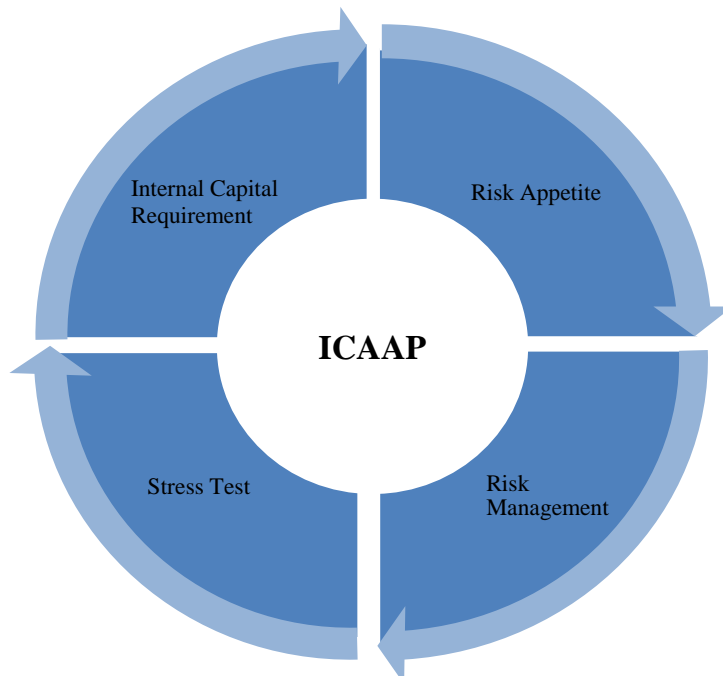
2. Capital Management - Internal Capital Adequacy Assessment Process ("ICAAP")

The objective of the Bank's capital management is to protect the interests of its depositors, creditors and shareholders. To achieve this, the capital management is subject to ongoing review and the Board's approval on the level and composition of the Bank's total capital, assessed against the following key objectives:

- Regulatory requirements on minimal capital required
- Capital levels maintained are adequate to support all material risks and to meet the strategic and business plans
- Capital levels maintained are adequate to support the strong external rating for domestic and international rating agencies
- An appropriate balance between maximising shareholders returns and prudent capital management

This is executed through the Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP requires the Bank to identify and assess all material risks, maintain sufficient capital to support these risks and apply the appropriate risk management techniques to manage and mitigate these risks within the given level of capital, on an ongoing and forward looking basis. The ICAAP is supported by a strong risk governance structure with clear roles and responsibilities to ensure the effectiveness of the ICAAP with the Board being ultimately responsible for the overall oversight of the ICAAP. In discharging its duty, the Board is assisted by the Risk Management Committee ("RMC") and ICAAP Working Group. Senior management together with the management committees are responsible to ensure the effective implementation of the capital management directions of the Board. The Internal Audit Division ("IAD") is responsible to conduct reviews of processes relating to the ICAAP to ensure their integrity, objectivity and consistency in application.

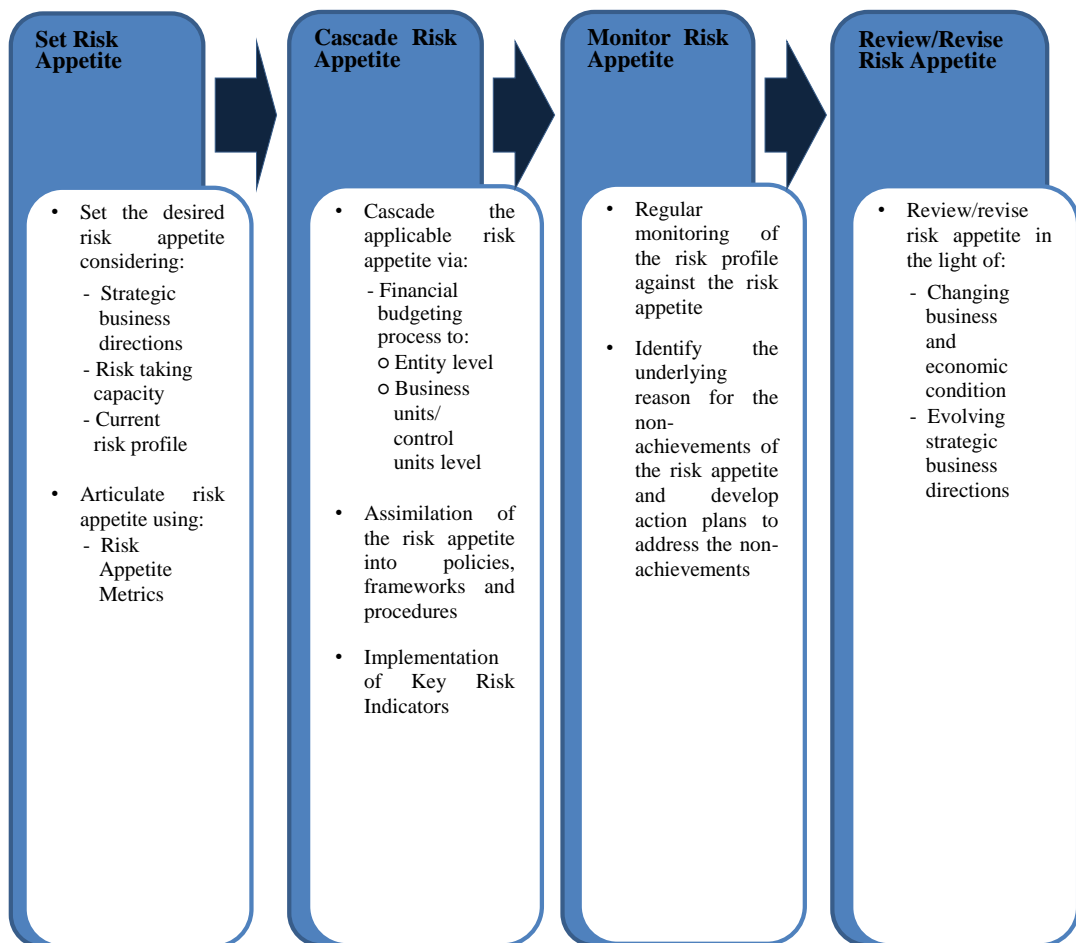
The key elements of the ICAAP are as follows:



2. Capital Management (Cont'd.)

(a) Risk Appetite

The Bank’s Risk Appetite expresses the level of risk which the Bank is willing to assume within the Bank’s capacity in order to achieve the Bank’s objectives, as defined by a set of minimum quantitative metrics and qualitative standards. The key elements applied in setting the Bank’s Risk Appetite are the strategic business directions, the risk taking capacity and the level of risk currently assumed by the Bank. The Board reviews and approves the Risk Appetite on an annual basis, or more frequently in the event of unexpected changes in the risk environment, with the aim of ensuring the Risk Appetite is consistent with the Bank’s strategic directions, business and regulatory environment and stakeholders’ requirements. The setting, cascading, monitoring and the review/revision of the Risk Appetite is set out in the Group’s Risk Appetite Framework and is as follows:



2. Capital Management (Cont'd.)

(b) Risk Management

The Group's Risk Management Framework sets out the principles applied in managing the material risks that the Bank is exposed to. The Framework serves to drive the development of a consistent risk management practices which enable the continuous identification, measurement, control, monitoring and reporting of all applicable and material risks and this includes the continuous identification of emerging risks followed by the assessment of the risks on the Bank's business and capital positions. Risk limits established to manage the size of the risk exposures are aligned to the overall Risk Appetite. The key principles and components of the Framework are discussed in item 3.

Annual comprehensive risk assessment is undertaken across all the banking entities within the Group as part of ICAAP to identify and assess the following risks:

- (i) Risks captured under Pillar 1 (credit risk, operational risk and market risk);
- (ii) Risks not fully captured under Pillar 1 (e.g. model risk and residual credit risk); and
- (iii) Risks types not covered by Pillar 1 (e.g. credit concentration risk, rate of return risk on banking book, reputation risk, amongst others).

(c) Stress Test

The Bank's stress testing process is guided by the Group's Stress Test Policy ("Stress Test Policy"). The objectives of the Stress Test Policy are as follows:

- (i) To ensure the establishment of a comprehensive and consistent stress test process in conducting the stress
- (ii) To drive the development of stress test parameters, assumptions and scenarios that are relevant and
- (iii) To ensure all material risks are captured in the stress test including emerging risks;
- (iv) To ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management
- (v) To ensure the adverse unexpected outcomes are identified and that capital buffers are set aside to absorb

The key focus of the stress test is to identify the potential adverse impact on the Bank's capital, profitability, asset quality and liquidity positions followed by the identification of the appropriate actions to mitigate the risk of such possibilities. The results of the stress test are reviewed and deliberated by the ICAAP Working Group and the RMC and are applied to recalibrate the Bank's Internal Capital Targets.

(d) Internal Capital Requirement

The Bank's internal capital requirement is articulated through its capital plans which are drawn up annually, covering a three-year horizon, and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of different components of capital are maintained to support the Bank's strategic directions and business plans. In formulating the Bank's capital plans, the Bank considers the current regulatory requirements, the demands for capital arising from the business outlooks and potential market stresses and the available supply of capital including the sources of the capital. The Bank's capital plans are reviewed regularly by the Board against the Bank's Internal Capital Targets.

3. Risk Management Framework

As approved by BNM, the risk management functions of the Bank are undertaken by its holding company, PBB and is governed by the Group's Risk Management Framework.

The key principles and components of the Group's Risk Management Framework are as follows:

- (a) Risk Governance Structure;
- (b) Risk Appetite;
- (c) Risk Management Culture; and
- (d) Risk Management Processes.

(a) Risk Governance Structure

The risk governance structure sets out the roles and responsibilities of the respective parties involved in the risk management and internal control system as follows:

ESTABLISH RISK APPETITE & POLICY	1. Board of Directors	10. COMPLIANCE COMMITTEE (supported by Compliance Function)	11. AUDIT COMMITTEE (supported by Internal Audit Function)
	2. Risk Management Committee		
	3. Credit Risk Management Committee		
	4. Shariah Committee		
ENSURE IMPLEMENTATION OF RISK AND COMPLIANCE POLICY	5. Dedicated Risk Committees Assets & Liabilities Management Committee Operational Risk Management Committee Internal Capital Adequacy Assessment Process Working Group		
	6. Credit Committee		
	7. Risk Management and Control Functions Risk Management Function Compliance Function Shariah Compliance Function		
	8. Support Functions Human Resource Information Technology Finance Banking Operations Credit Control, Administration & Supervision Property Security		
IMPLEMENT AND COMPLY WITH RISK POLICY	9. Business Functions Corporate Lending Investment Banking Islamic Banking Retail Banking and Financing Operations Share Broking Fund Management Treasury and Capital Market Operations		

Board of Directors

The Board is overall responsible for the risk management and internal control system. For this purpose, the Board:

- (i) Ensures the corporate objectives are supported by sound risk strategies and an effective risk management framework that is appropriate to the nature, scale and complexity of the Group's activities;
- (ii) Is responsible for the overall oversight on the soundness of the risk management processes and internal controls;
- (iii) Is responsible for the remuneration of the senior management and that the remuneration is aligned with prudent risk taking; and
- (iv) Provides direction and guidance to the senior management on the management of the material risks.

3. Risk Management Framework (Cont'd.)

(a) Risk Governance Structure (Cont'd.)

Risk Management Committee

The RMC assists the Board to oversee the management of all material risks including inter-alia reviewing risk management frameworks and policies, reviewing risk management limits, risk exposures and portfolio composition and ensuring risk infrastructure, resources and systems are put in place for effective risk management oversight.

Credit Risk Management Committee

The Credit Risk Management Committee assists the Board in discharging its oversight role over the management of credit risk including inter-alia in ensuring the risk infrastructures and systems are able to manage and control the risk taking activities within the risk appetite and credit risk strategy.

Compliance Committee

The Compliance Committee maintains overall responsibility to oversee the design and implementation of sound compliance management system in assessing the compliance profile, and evaluating the effectiveness of the overall management of compliance risks. The Compliance Committee also deliberates on compliance issues identified regularly to ensure such issues are resolved effectively, and ensures appropriate infrastructure, resources, processes and systems are in place for effective compliance risk management.

Audit Committee

The Audit Committee assists the Board to review and evaluate the adequacy, effectiveness and integrity of the governance processes, system of risk management and internal controls across all the first and second lines of defence. In performing this role, the Audit Committee reviews the internal control issues reported, the root causes and impacts identified by the internal and external auditors as well as regulatory authorities during their periodic audits. The Audit Committee also reviews and ensures the Management has taken appropriate and adequate remedial actions in a timely manner to address and resolve the control weaknesses, non-compliance with laws, regulatory requirements, policies and other operational lapses highlighted by the internal and external auditors, and regulators. In addition, the Audit Committee also reviews the performance and effectiveness of the Internal Audit function, with particular focus on the achievement of its key performance indicators, audit methodology applied, adequacy of audit scope and coverage, adequacy of resources and knowledge as well as competency of the internal audit personnel.

Shariah Committee

The Shariah Committee ("SC") is responsible to provide advice to ensure the Bank's operations, business, affairs and activities are in accordance with Shariah principles. This includes advising the Board and Management on the application of any Shariah Advisory Council's rulings or standards on Shariah matters, endorsing Shariah related policies, products and services and the relevant documentation in relation to Islamic banking operations. The SC is also responsible to deliberate and affirm the status of a potential Shariah Non-Compliance event and endorse rectification measures to address the actual Shariah Non-Compliance events.

Dedicated Risk Committees

The dedicated risk committees assist the RMC in the management of all material risks. The committees are responsible for the effective implementation of the risk management strategies and policies as approved by the Board or RMC. The key responsibilities of the dedicated risk committees are as follows:

- (i) Ensuring all relevant and material risks associated with the Public Bank Group's business operations have been identified and assessed, and are operating within the Group's risk appetite;
- (ii) Implementing, assessing and monitoring the risk management and internal control system in accordance with the Group's risk management strategies and overall risk appetite; and
- (iii) Identifying changes in the operating environment which may give rise to risks and taking the appropriate actions followed by the prompt escalation of the identified risks and actions to the Board.

3. Risk Management Framework (Cont'd.)

(b) Risk Appetite

The Bank's risk appetite defines the amount and the types of risk that the Bank is able and willing to accept in pursuit of its business objectives. It also sets out the level of risk tolerance and limits to govern, manage and control the Bank's risk taking activities. The strategic objectives, business plans, desired risk profile and capital plans are aligned to the risk appetite.

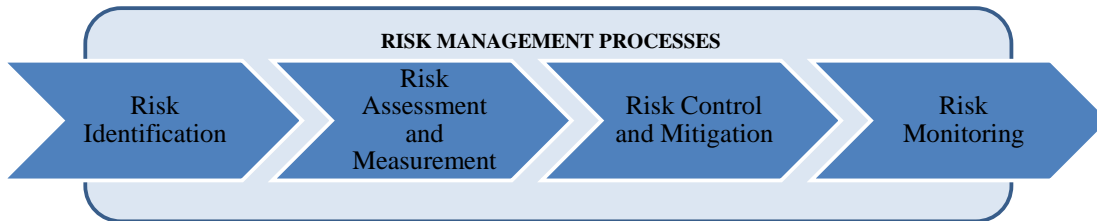
(c) Risk Management Culture

The culture of managing risk is embedded into the day-to-day operations and decision-making process through the following:

- (i) Strong corporate governance;
- (ii) Organisational structure with clearly defined roles and responsibilities;
- (iii) Effective communication;
- (iv) Commitment to compliance with laws, regulations and internal controls;
- (v) Integrity in fiduciary responsibilities;
- (vi) Clear policies, procedures and guidelines; and
- (vii) Continuous training.

(d) Risk Management Processes

The risk management management processes are as follows:



The detailed risk management processes for the respective key risks are set out in the following sections:

- (i) Item 5: Credit Risk
- (ii) Item 6: Market Risk
- (iii) Item 8: Liquidity and Funding Risk
- (iv) Item 9: Operational Risk
- (v) Item 10: Shariah Non-Compliance Risk

4. Capital Adequacy Ratios and Capital Structure

The following tables present the capital adequacy ratios and the capital structure.

(a) Capital Adequacy Ratios

	2021	2020 (Restated)
Before deducting interim dividends*:		
Common Equity Tier I ("CET I") capital ratio	11.777%	12.176%
Tier I capital ratio	11.777%	12.176%
Total capital ratio	15.142%	15.751%
After deducting interim dividends*:		
CET I capital ratio	11.777%	12.176%
Tier I capital ratio	11.777%	12.176%
Total capital ratio	15.142%	15.751%

* Refer to interim dividends declared subsequent to the financial year end.

Regulatory capital requirements

The capital adequacy ratios of the Bank are computed in accordance with BNM's CAFIB on Capital Components and Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB") and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Bank has exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Bank has applied CCyB on its private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Prudential buffers and transitional arrangements

Prior to the COVID-19 pandemic, banking institutions are required to maintain a CCB of 2.5%. However, effective from 25 March 2020, banking institutions are allowed to drawdown the CCB of 2.5% to manage the impact of the COVID-19 pandemic but are required to rebuild this buffer after 31 December 2020 as well as to meet the minimum regulatory requirements by 30 September 2021. The Bank has not drawn down any of the prudential buffers.

As allowed under the BNM's CAFIB on Capital Components, financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. As at the reporting date, the Bank has not applied the said transitional arrangements.

4. Capital Adequacy Ratios and Capital Structure (Cont'd.)

(b) Capital Structure

	2021	2020
	RM'000	RM'000
		(Restated)
CET I/Tier I capital		
Share capital	2,732,717	2,732,717
Other reserves	(94,385)	91,425
Retained profits	3,040,798	2,327,859
Less: Deferred tax assets, net	(194,892)	-
Less: Defined benefit pension fund assets	(935)	(24)
Less: Investment in an associated company deducted from CET I capital	(67,500)	(45,000)
Total CET I/Tier I capital	<u>5,415,803</u>	<u>5,106,977</u>
Tier II capital		
Stage 1 and Stage 2 expected credit loss allowances #	547,391	437,149
Qualifying regulatory reserves	-	62,309
Subordinated Sukuk Murabahah	1,000,000	1,000,000
Total Tier II capital	<u>1,547,391</u>	<u>1,499,458</u>
Total capital	<u><u>6,963,194</u></u>	<u><u>6,606,435</u></u>

Excludes expected credit loss allowances restricted from Tier II capital of the Bank of RM152,804,000 (2020: nil).

The Bank has issued capital instrument which qualify as component of regulatory capital under the BNM's CAFIB (Capital Components), as summarised in the following table:

Capital Instrument	Capital Component	Main Features
Basel III-Compliant Subordinated Sukuk Murabahah ("Basel III-Compliant Sub Sukuk Murabahah")	Tier II Capital	<ul style="list-style-type: none"> ● Subordinated to all liabilities, including depositors ● Unsecured ● Optional redemption after 5 years. No step-up ● Upon occurrence of a Trigger Event at PBB/the Bank as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Sukuk Murabahah may be subject to write-off ● The write-off shall not constitute an event of default or trigger any cross-default under the Basel III-Compliant Sub Sukuk Murabahah

The details of the capital instrument are found in Note 20 to the financial statements.

5. Credit Risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Bank's primary business is in Islamic banking, the Bank's exposure to credit risk is primarily from its financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Bank, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Bank to credit risk and counterparty credit risk ("CCR").

The following diagram presents the risk management processes over credit risk.



The risk governance and risk management approach for credit risk are set out in the credit risk section of Note 39 to the financial statements.

5. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	15,187,745	15,187,745	-	-
Public Sector Entities	1,001,906	1,001,906	212	17
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	92,607	92,607	18,718	1,497
Insurance Companies, Securities Firms and Fund Managers	1,910	1,774	1,774	142
Corporates	10,113,680	10,032,906	7,816,853	625,348
Regulatory Retail	23,492,966	23,359,649	17,938,469	1,435,077
Residential Mortgages	26,695,656	26,646,629	13,690,707	1,095,257
Higher Risk Assets	5,878	5,857	8,786	703
Other Assets	116,046	116,046	109,232	8,739
Equity Exposures	577,254	577,254	577,254	46,180
Defaulted Exposures	91,002	90,971	109,646	8,772
	77,376,650	77,113,344	40,271,651	3,221,732
Off-Balance Sheet Exposures				
Credit-related Exposures	4,377,142	4,363,154	3,490,261	279,221
Derivative Financial Instruments	138,837	138,837	27,767	2,221
Defaulted Exposures	1,347	1,347	1,614	129
	4,517,326	4,503,338	3,519,642	281,571
Total Credit Exposures	81,893,976	81,616,682	43,791,293	3,503,303

5. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2020				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	15,818,836	15,818,836	-	-
Public Sector Entities	1,058,038	1,058,038	277	22
Banks, DFIs and MDBs	295,381	295,381	42,045	3,364
Insurance Companies, Securities Firms and Fund Managers	1,536	1,484	1,484	119
Corporates	9,250,046	9,180,110	7,742,618	619,409
Regulatory Retail	21,722,914	21,600,021	16,671,362	1,333,709
Residential Mortgages	22,990,802	22,951,727	11,580,144	926,411
Higher Risk Assets	5,878	5,858	8,786	703
Other Assets	104,638	104,638	101,483	8,119
Equity Exposures	565,504	565,504	565,504	45,240
Defaulted Exposures	127,637	127,548	149,812	11,985
	<u>71,941,210</u>	<u>71,709,145</u>	<u>36,863,515</u>	<u>2,949,081</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	3,816,616	3,800,164	3,067,545	245,403
Derivative Financial Instruments	109,317	109,317	21,863	1,749
Defaulted Exposures	2,607	2,607	3,746	300
	<u>3,928,540</u>	<u>3,912,088</u>	<u>3,093,154</u>	<u>247,452</u>
Total Credit Exposures	<u>75,869,750</u>	<u>75,621,233</u>	<u>39,956,669</u>	<u>3,196,533</u>

5. Credit Risk (Cont'd.)

5.1 Distribution of Credit Exposures

Analysis of credit exposures of financial assets before the effect of credit risk mitigation are presented as follows:

- (a) Industry analysis
- (b) Maturity analysis based on the residual contractual maturity
- (c) Geographical analysis

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the full amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(a) Industry Analysis

2021	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real & Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Financing RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	560,208	99,398	-	-	-	-	-	-	659,606
Derivative financial assets	-	14,587	-	-	-	-	-	-	14,587
Financial investments at fair value through other comprehensive income	10,241,995	-	-	-	-	-	-	-	10,241,995
Financial investments at amortised cost (Gross)	4,092,251	1,103,390	-	86,428	211,934	-	-	-	5,494,003
Gross financing and advances	1,002,208	1,277,429	1,777,742	5,354,222	6,048,678	28,602,576	9,324,392	6,655,766	60,043,013
Statutory deposits with Bank Negara Malaysia	181,500	-	-	-	-	-	-	-	181,500
	16,078,162	2,494,804	1,777,742	5,440,650	6,260,612	28,602,576	9,324,392	6,655,766	76,634,704
Commitments and Contingencies									
Contingent liabilities	-	113	5,816	4,295	23,648	-	-	75,938	109,810
Commitments	2,470	86,118	512,146	1,676,234	1,769,877	4,853,470	235	1,550,992	10,451,542
	2,470	86,231	517,962	1,680,529	1,793,525	4,853,470	235	1,626,930	10,561,352
Total Credit Exposures	16,080,632	2,581,035	2,295,704	7,121,179	8,054,137	33,456,046	9,324,627	8,282,696	87,196,056

PUBLIC ISLAMIC BANK BERHAD
Company No.: 197301001433 (14328-V)

5. Credit Risk (Cont'd.)

5.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

2020	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Financing RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	1,900,384	212,444	-	-	-	-	-	-	2,112,828
Derivative financial assets	-	1,317	-	-	-	-	-	-	1,317
Financial investments at fair value through other comprehensive income	9,717,771	-	-	-	-	-	-	-	9,717,771
Financial investments at amortised cost (Gross)	3,935,295	257,838	-	86,434	242,163	-	-	-	4,521,730
Gross financing and advances	1,002,319	1,288,555	1,310,075	5,512,526	6,055,153	24,684,931	8,543,784	6,253,011	54,650,354
Statutory deposits with Bank Negara Malaysia	168,200	-	-	-	-	-	-	-	168,200
	<u>16,723,969</u>	<u>1,760,154</u>	<u>1,310,075</u>	<u>5,598,960</u>	<u>6,297,316</u>	<u>24,684,931</u>	<u>8,543,784</u>	<u>6,253,011</u>	<u>71,172,200</u>
Commitments and Contingencies									
Contingent liabilities	-	80	12,335	6,982	32,444	-	-	54,374	106,215
Commitments	2,111	6,885	265,956	1,645,993	1,879,310	3,956,271	720	1,383,251	9,140,497
	<u>2,111</u>	<u>6,965</u>	<u>278,291</u>	<u>1,652,975</u>	<u>1,911,754</u>	<u>3,956,271</u>	<u>720</u>	<u>1,437,625</u>	<u>9,246,712</u>
Total Credit Exposures	<u>16,726,080</u>	<u>1,767,119</u>	<u>1,588,366</u>	<u>7,251,935</u>	<u>8,209,070</u>	<u>28,641,202</u>	<u>8,544,504</u>	<u>7,690,636</u>	<u>80,418,912</u>

5. Credit Risk (Cont'd.)

5.1 Distribution of Credit Exposures (Cont'd.)

(b) Maturity Analysis

	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
2021					
On-Balance Sheet Exposures					
Cash and balances with banks	659,606	-	-	-	659,606
Derivative financial assets	-	-	14,587	-	14,587
Financial investments at fair value through other comprehensive income	132,710	5,818,720	3,382,272	908,293	10,241,995
Financial investments at amortised cost (Gross)	796,283	3,715,715	948,451	33,554	5,494,003
Gross financing and advances	2,619,719	3,173,331	4,597,363	49,652,600	60,043,013
Statutory deposits with Bank Negara Malaysia	-	-	-	181,500	181,500
Total On-Balance Sheet Exposures	4,208,318	12,707,766	8,942,673	50,775,947	76,634,704
2020					
On-Balance Sheet Exposures					
Cash and balances with banks	2,112,828	-	-	-	2,112,828
Derivative financial assets	-	-	1,317	-	1,317
Financial investments at fair value through other comprehensive income	356,171	2,868,719	4,574,530	1,918,351	9,717,771
Financial investments at amortised cost (Gross)	698,514	2,274,326	1,096,583	452,307	4,521,730
Gross financing and advances	2,705,318	2,847,751	5,234,002	43,863,283	54,650,354
Statutory deposits with Bank Negara Malaysia	-	-	-	168,200	168,200
Total On-Balance Sheet Exposures	5,872,831	7,990,796	10,906,432	46,402,141	71,172,200

Approximately 5% (2020: 8%) of the Bank's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 83% (2020: 80%) of the Bank's gross financing and advances has residual maturity of more than five years. The longer maturity is from the house financing and hire purchase which made up 62% (2020: 59%) of the portfolio and are traditionally longer term in nature and well secured.

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future cash requirements since the Bank expects many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

(c) Geographical Analysis

All credit exposures are located in Malaysia except for cash and balances with banks of RM0.7 million (2020: RM0.6 million), gross financing and advances of RM56.9 million (2020: RM109.9 million) and commitments and contingencies of RM14.1 million (2020: RM60.4 million) which are located in other countries.

5. Credit Risk (Cont'd.)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Bank are mainly from the following:

- (i) Financial guarantees and standby letters of credit, which represent undertakings that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as financing even though they are contingent in nature;
- (ii) Documentary and commercial letters of credit, which are undertakings by the Bank on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- (iii) Commitments to extend credit including the unutilised or undrawn portions of credit facilities;
- (iv) Unutilised credit card lines; and
- (v) Principal/notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance with the credit risk management approach as set out in item 5 of the Pillar 3 Disclosure.

(b) Counterparty Credit Risk on Derivative Financial Instruments

The risk management approach on counterparty credit risk on derivative financial instruments are set out in the credit risk section of Note 39 to the financial statements.

5. Credit Risk (Cont'd.)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

Composition of Off-Balance Sheet Exposures

The following tables present the composition of off-balance sheet exposures. All derivative financial instruments are at their notional amounts.

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2021				
Contingent Liabilities				
Direct credit substitutes	32,517		32,517	23,661
Transaction-related contingent items	70,194		35,097	24,325
Short term self-liquidating trade-related contingencies	7,099		1,420	1,192
	109,810		69,034	49,178
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	7,397,178		3,698,582	2,950,026
- not exceeding one year	2,844,610		568,922	461,208
Unutilised credit card lines	209,754		41,951	31,463
	10,451,542		4,309,455	3,442,697
Derivative Financial Instruments				
Profit rate related contracts:				
- up to one year	500,000	-	1,250	250
- more than one year to five years	2,600,000	14,587	106,587	21,317
- more than five years	600,000	-	31,000	6,200
	3,700,000	14,587	138,837	27,767
Total Off-Balance Sheet Exposures	14,261,352	14,587	4,517,326	3,519,642
2020				
Contingent Liabilities				
Direct credit substitutes	33,408		33,408	23,206
Transaction-related contingent items	68,691		34,346	21,667
Short term self-liquidating trade-related contingencies	4,116		823	656
	106,215		68,577	45,529
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	6,408,715		3,204,290	2,587,756
- not exceeding one year	2,575,280		515,056	414,531
Unutilised credit card lines	156,502		31,300	23,475
	9,140,497		3,750,646	3,025,762
Derivative Financial Instruments				
Foreign exchange related contracts:				
- up to one year	7	-	-	-
Profit rate related contracts:				
- more than one year to five years	1,700,000	1,317	54,317	10,863
- more than five years	1,000,000	-	55,000	11,000
	2,700,007	1,317	109,317	21,863
Total Off-Balance Sheet Exposures	11,946,719	1,317	3,928,540	3,093,154

5. Credit Risk (Cont'd.)

5.3 Credit Risk Mitigation

The Bank's approach in granting credit facilities is based on the credit standing of the customer, source of payment and debt servicing ability rather than placing primary reliance on credit risk mitigants ("CRM"). Depending on a customer's credit standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

The main types of collateral obtained by the Bank to mitigate credit risk are as follows:

- (a) for residential mortgages - charges over residential properties;
- (b) for commercial property financing - charges over the properties being financed;
- (c) for motor vehicle financing - ownership claims over the vehicles financed; and
- (d) for other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and the ease of realising the CRM. Policies and procedures are in place to govern the protection of the Bank's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon during documentation to ensure the legal enforceability of the CRM.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. In mortgage financing, the collateral is required to be covered at all times against major risks, for instance, against fire, with the Bank as the loss payee under the takaful policy. In addition, customers are generally covered against major risks, such as, death and permanent disability.

The Bank also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk, subject to internal guidelines on eligibility. Currently, the Bank does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Bank's credit exposures. In addition, the Bank enters into master netting arrangements with its derivative counterparties to reduce the credit risk, all amounts with the counterparty are settled on a net basis.

PUBLIC ISLAMIC BANK BERHAD
Company No.: 197301001433 (14328-V)

5. Credit Risk (Cont'd.)

5.3 Credit Risk Mitigation (Cont'd.)

Credit Risk Mitigation Analysis

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

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	15,187,745	-	-	-
Public Sector Entities	1,001,906	1,000,848	-	-
Banks, DFIs and MDBs	92,607	-	-	-
Insurance Companies, Securities Firms and Fund Managers	1,910	-	136	-
Corporates	10,113,680	1,024,016	80,774	-
Regulatory Retail	23,492,966	89,269	133,317	-
Residential Mortgages	26,695,656	-	49,027	-
Higher Risk Assets	5,878	-	21	-
Other Assets	116,046	-	-	-
Equity Exposures	577,254	-	-	-
Defaulted Exposures	91,002	-	31	-
	77,376,650	2,114,133	263,306	-
Off-Balance Sheet Exposures				
Credit-related Exposures	4,377,142	-	13,988	-
Derivative Financial Instruments	138,837	-	-	-
Defaulted Exposures	1,347	-	-	-
	4,517,326	-	13,988	-
Total Credit Exposures	81,893,976	2,114,133	277,294	-

PUBLIC ISLAMIC BANK BERHAD
Company No.: 197301001433 (14328-V)

5. Credit Risk (Cont'd.)

5.3 Credit Risk Mitigation (Cont'd.)

Credit Risk Mitigation Analysis (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2020				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	15,818,836	-	-	-
Public Sector Entities	1,058,038	1,056,655	-	-
Banks, DFIs and MDBs	295,381	86,092	-	-
Insurance Companies, Securities Firms and Fund Managers	1,536	-	52	-
Corporates	9,250,046	1,084,020	69,936	-
Regulatory Retail	21,722,914	2,771	122,893	-
Residential Mortgages	22,990,802	-	39,075	-
Higher Risk Assets	5,878	-	20	-
Other Assets	104,638	-	-	-
Equity Exposures	565,504	-	-	-
Defaulted Exposures	127,637	-	89	-
	71,941,210	2,229,538	232,065	-
Off-Balance Sheet Exposures				
Credit-related Exposures	3,816,616	-	16,452	-
Derivative Financial Instruments	109,317	-	-	-
Defaulted Exposures	2,607	-	-	-
	3,928,540	-	16,452	-
Total Credit Exposures	75,869,750	2,229,538	248,517	-

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

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

- (a) Standard & Poor's ("S&P")
- (b) Moody's Investors Service ("Moody's")
- (c) Fitch Ratings ("Fitch")
- (d) RAM Rating Services 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

In general, 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 or 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. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then 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 following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

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	Caal and below	CCC+ and below	C1 and below	C+ and below

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The Bank uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a summarised risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
	Sovereigns and Central Banks	Corporates	Banking Institutions	
			For Exposure Greater Than Six Months Original Maturity	For Exposure Less Than Six Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of three months or less which are denominated and funded in Ringgit Malaysia, are all risk-weighted at 20% regardless of credit rating.

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories

The following tables present the credit exposures before the effect of credit risk mitigation by credit quality rating categories.

Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
2021								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	2,490,278	-	-	-	-	-		2,490,278
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	15,187,745	-	-	-	-		15,187,745
- Public Sector Entities	-	1,000,848	-	-	-	-		1,000,848
- Corporates	-	223,830	-	-	-	-		223,830
- Regulatory Retail	-	89,269	-	-	-	-		89,269
	-	16,501,692	-	-	-	-		16,501,692
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	-	42,079	-	-	-	-		42,079
Total Rated Exposures	2,490,278	16,543,771	-	-	-	-		19,034,049
(b) Total Unrated Exposures							58,342,601	58,342,601
	2,490,278	16,543,771	-	-	-	-	58,342,601	77,376,650
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	138,837	-	-	-	-	-		138,837
Total Rated Exposures	138,837	-	-	-	-	-		138,837
(b) Total Unrated Exposures							4,378,489	4,378,489
	138,837	-	-	-	-	-	4,378,489	4,517,326
Total Credit Exposures before Credit Risk Mitigation	2,629,115	16,543,771	-	-	-	-	62,721,090	81,893,976

PUBLIC ISLAMIC BANK BERHAD
Company No.: 197301001433 (14328-V)

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Cont'd.)

Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
2020								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	1,317,261	-	-	-	-	-		1,317,261
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	15,818,836	-	-	-	-		15,818,836
- Public Sector Entities	-	1,056,655	-	-	-	-		1,056,655
- Banks, DFIs and MDBs	-	86,092	-	-	-	-		86,092
- Corporates	-	383,683	-	-	-	-		383,683
- Regulatory Retail	-	2,771	-	-	-	-		2,771
	-	17,348,037	-	-	-	-		17,348,037
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	-	163,316	-	-	-	-		163,316
Total Rated Exposures	1,317,261	17,511,353	-	-	-	-		18,828,614
(b) Total Unrated Exposures							53,112,596	53,112,596
	1,317,261	17,511,353	-	-	-	-	53,112,596	71,941,210
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	109,317	-	-	-	-	-		109,317
Total Rated Exposures	109,317	-	-	-	-	-		109,317
(b) Total Unrated Exposures							3,819,223	3,819,223
	109,317	-	-	-	-	-	3,819,223	3,928,540
Total Credit Exposures before Credit Risk Mitigation	1,426,578	17,511,353	-	-	-	-	56,931,819	75,869,750

Under the CAFIB, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights

The following tables present the credit exposures after the effect of credit risk mitigation by risk weights.

Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2021												
0%	15,187,745	1,000,848	-	-	223,830	89,269	-	-	6,814	-	16,508,506	-
20%	-	1,058	230,788	-	2,490,278	-	-	-	-	-	2,722,124	544,425
35%	-	-	-	-	-	-	14,100,428	-	-	-	14,100,428	4,935,150
50%	-	-	656	-	300	2,221	8,324,584	-	-	-	8,327,761	4,163,880
75%	-	-	-	-	-	23,123,882	219,800	-	-	-	23,343,682	17,507,761
100%	-	-	-	2,754	8,101,195	2,489,576	5,282,379	-	109,232	577,254	16,562,390	16,562,390
150%	-	-	-	-	18,865	23,477	416	9,033	-	-	51,791	77,687
Total	15,187,745	1,001,906	231,444	2,754	10,834,468	25,728,425	27,927,607	9,033	116,046	577,254	81,616,682	43,791,293
Risk-Weighted Assets by Exposures	-	212	46,486	2,754	8,627,698	19,868,813	14,545,295	13,549	109,232	577,254	43,791,293	
Average Risk Weights	0.0%	0.0%	20.1%	100.0%	79.6%	77.2%	52.1%	150.0%	94.1%	100.0%	53.7%	
Deduction from Total Capital			-							-		-

5. Credit Risk (Cont'd.)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Cont'd.)

Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2020												
0%	15,818,836	1,056,655	86,092	-	383,683	2,771	-	-	3,155	-	17,351,192	-
20%	-	1,383	317,984	-	1,317,261	-	-	-	-	-	1,636,628	327,326
35%	-	-	-	-	-	-	12,449,651	-	-	-	12,449,651	4,357,378
50%	-	-	622	-	-	1,998	7,080,072	-	-	-	7,082,692	3,541,346
75%	-	-	-	-	-	21,356,167	253,427	-	-	-	21,609,594	16,207,195
100%	-	-	-	2,484	8,233,748	2,365,585	4,158,776	-	101,483	565,504	15,427,580	15,427,580
150%	-	-	-	-	6,270	48,018	707	8,901	-	-	63,896	95,844
Total	15,818,836	1,058,038	404,698	2,484	9,940,962	23,774,539	23,942,633	8,901	104,638	565,504	75,621,233	39,956,669
Risk-Weighted Assets by Exposures	-	277	63,908	2,484	8,506,605	18,455,736	12,247,321	13,351	101,483	565,504	39,956,669	
Average Risk Weights	0.0%	0.0%	15.8%	100.0%	85.6%	77.6%	51.2%	150.0%	97.0%	100.0%	52.8%	
Deduction from Total Capital			-							-	-	

5. Credit Risk (Cont'd.)

5.5 Credit Quality of Gross Financing and Advances

Gross Financing and Advances by Credit Quality

All financing and advances are categorised as either :

- (a) neither past due nor credit-impaired;
- (b) past due but not credit-impaired; or
- (c) credit-impaired.

Financing and advances are considered past due when any payment (whether principal and/or profit) due under the contractual terms are received late or missed.

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

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

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

The gross financing and advances analysed by credit quality are set out in the credit risk section of Note 39(ii) to the financial statements.

The description of the approaches adopted for the determination of individual and collective impairment allowance are set out in Note 2(iii)(f)(ii) to the financial statements.

5. Credit Risk (Cont'd.)

5.5 Credit Quality of Gross Financing and Advances (Cont'd.)

(a) Past Due But Not Credit-impaired

Tables (i)-(ii) present the analyses of past due but not credit-impaired financing and advances of the Bank by the following:

- (i) Economic purpose
- (ii) Aging

(i) Economic Purpose

	2021	2020
	RM'000	RM'000
Purchase of transport vehicles	1,732,274	1,776,442
Purchase of landed properties	895,847	1,839,887
(Of which - residential	729,279	1,467,069
- non-residential)	166,568	372,818
Personal use	74,708	160,955
Credit card	4,053	4,050
Purchase of consumer durables	-	211
Construction	473	-
Working capital	33,573	41,161
Other purpose	1,221	1,765
	2,742,149	3,824,471

(ii) Aging

	2021	2020
	RM'000	RM'000
1 day to 30 days	1,997,216	2,442,655
31 to 59 days	617,172	921,514
60 to 89 days	127,761	460,302
	2,742,149	3,824,471

5. Credit Risk (Cont'd.)

5.5 Credit Quality of Gross Financing and Advances (Cont'd.)

(b) Credit-impaired Financing and Advances

The following tables present the analyses of credit-impaired financing and advances and the impairment allowances of the Bank by the economic purpose.

Economic Purpose

	Credit-impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December¹ RM'000	Total Impairment Allowances for Financing and Advances RM'000
2021							
Purchase of transport vehicles	29,141	-	-	-	-	299,058	299,058
Purchase of landed properties	84,414	249	1,016	(210)	1,055	181,325	182,380
(Of which: - residential	48,885	-	888	(97)	791	66,091	66,882
- non-residential)	35,529	249	128	(113)	264	115,234	115,498
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	2	2
Personal use	15,350	-	-	-	-	29,704	29,704
Credit card	150	-	-	-	-	1,215	1,215
Construction	-	-	-	-	-	12,346	12,346
Working capital	3,187	126	(102)	-	24	38,006	38,030
Other purpose	18	-	-	-	-	164,626	164,626
	132,260	375	914	(210)	1,079	726,282	727,361
2020							
Purchase of transport vehicles	38,903	-	-	-	-	139,997	139,997
Purchase of landed properties	111,636	184	274	(209)	249	156,849	157,098
(Of which: - residential	86,075	-	-	-	-	58,440	58,440
- non-residential)	25,561	184	274	(209)	249	98,409	98,658
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	3	3
Personal use	14,229	-	-	-	-	27,503	27,503
Credit card	120	-	-	-	-	649	649
Purchase of consumer durables	-	-	-	-	-	2	2
Construction	-	-	-	-	-	7,378	7,378
Working capital	4,513	-	126	-	126	35,609	35,735
Other purpose	20	-	-	-	-	105,634	105,634
	169,421	184	400	(209)	375	473,624	473,999

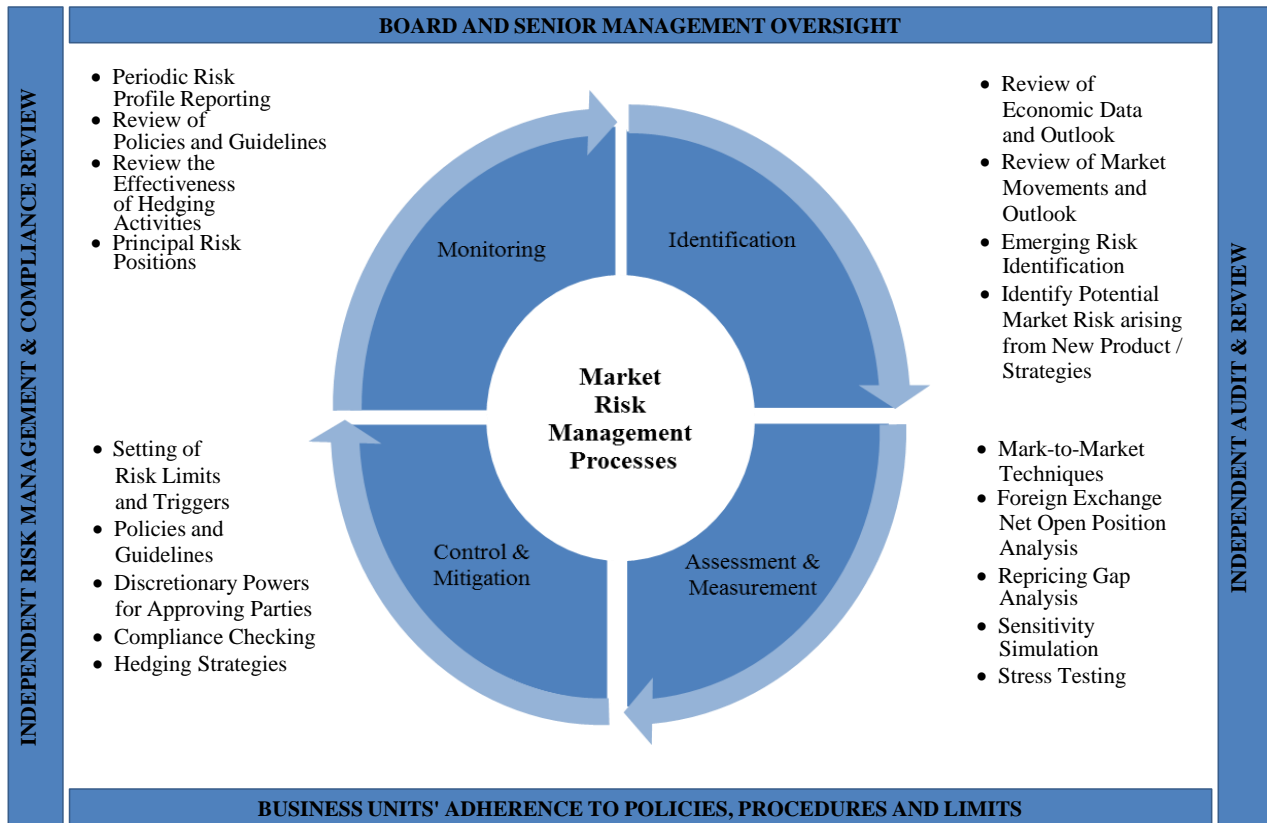
Notes:

¹ Includes collective assessment allowance of RM0.1 million (2020: RM0.2 million) which are located in United Kingdom.

6. Market Risk

Market risk is the risk that movements in market variables, including rate of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Bank.

The following diagram presents the risk management processes over market risk.



The risk governance and risk management approach for market risk are set out in the market risk section of Note 39 to the financial statements.

Minimum Regulatory Capital Requirements for Market Risk

The following table presents the minimum regulatory capital requirements for market risk.

	Long Position RM'000	Short Position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2021				
Rate of return risk	-	-	-	-
Foreign Exchange risk	59	-	59	5
Total	59	-	59	5
2020				
Rate of return risk	7	(7)	-	-
Foreign Exchange risk	120	(1)	120	10
Total	127	(8)	120	10

7. Equity Exposures in the Banking Book

The following table presents the equity exposures in the banking book.

	2021		2020	
	Gross Credit Exposure RM'000	Risk- Weighted Assets RM'000	Gross Credit Exposure RM'000	Risk- Weighted Assets RM'000
<u>Publicly traded</u>				
Investments in unit trust funds	577,254	577,254	565,504	565,504

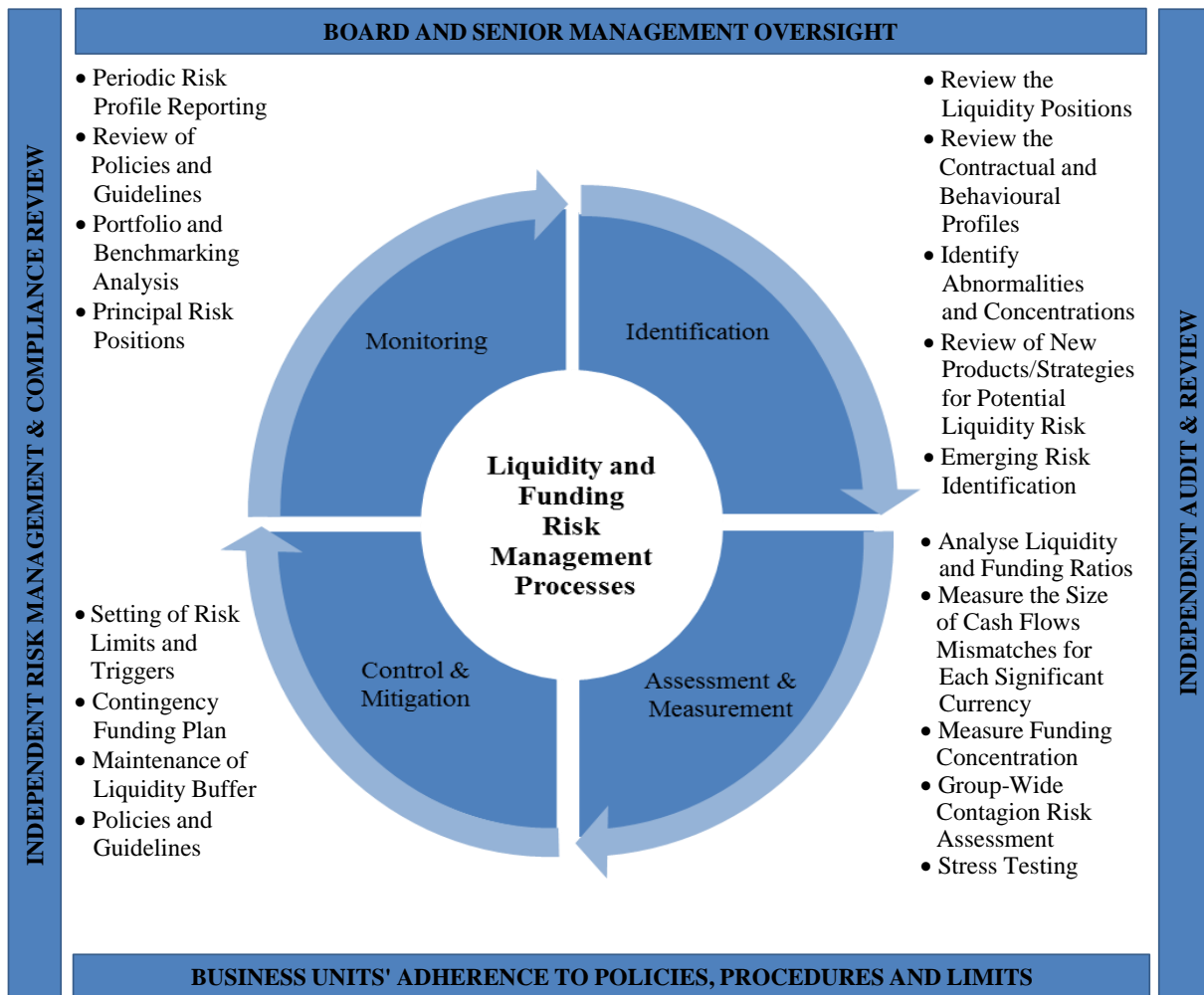
The publicly traded investment in unit trust funds comprises wholesale income fund which is held for yield purposes.

During the financial year, there were no realised gains or losses on disposal of equity exposures in the banking book (2020: nil). As at 31 December 2021, there were no unrealised gains or losses (2020: nil) arising from the mark-to-market of equity exposures in banking book.

8. Liquidity and Funding Risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its expected or unexpected cash flows/commitments, or can secure the financial resources only at excessive cost. Funding risk is the risk that the Bank does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

The following diagram presents the risk management processes over liquidity and funding risk.

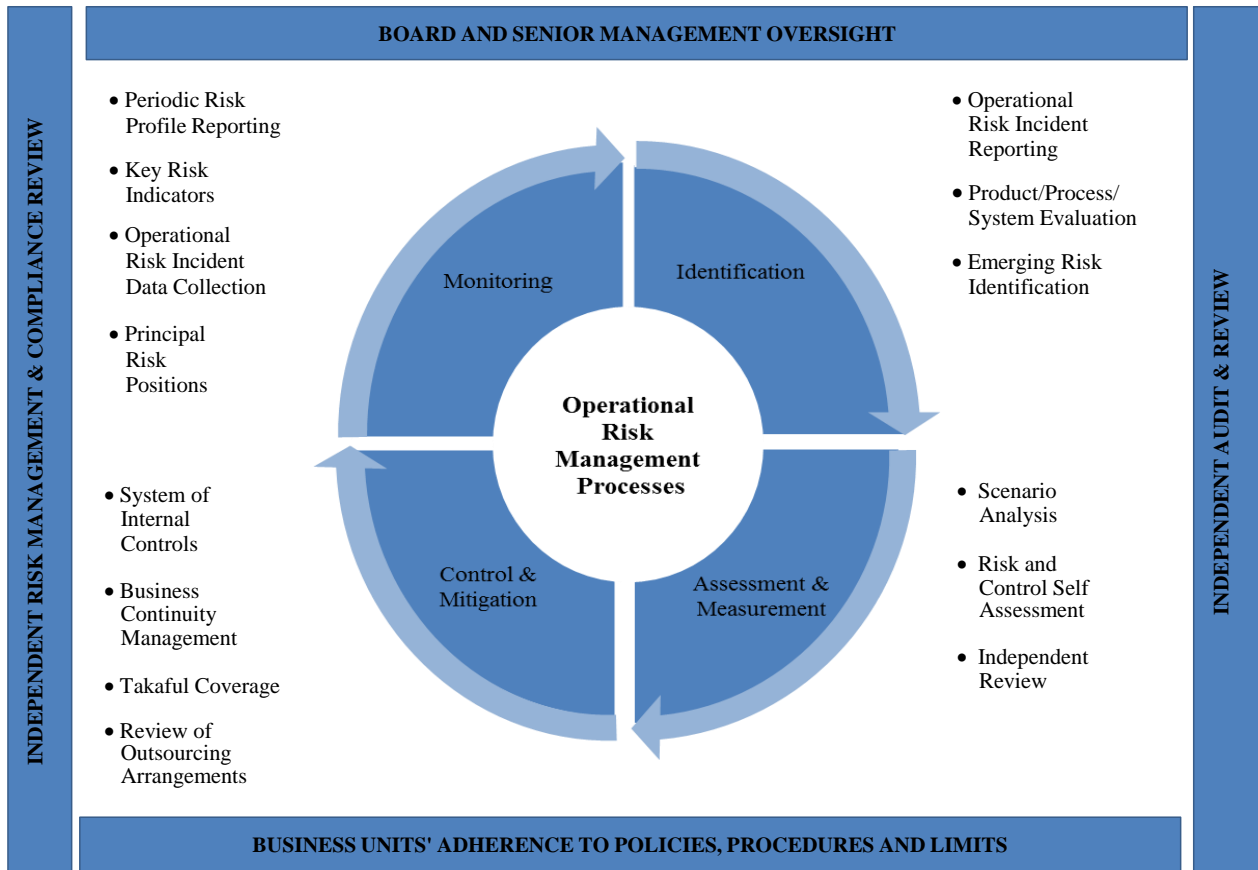


The risk governance and risk management approach for liquidity and funding risk are set out in the liquidity and funding risk section of Note 39 to the financial statements.

9. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is unavoidable as it is inherent in all banking businesses. The objective of the operational risk management of the Bank is to manage its operational risk within an acceptable level.

The following diagram presents the risk management processes over operational risk.



The risk governance and risk management approach for operational risk are set out in the operational risk section of Note 39 to the financial statements.

Minimum Regulatory Capital Requirements for Operational Risk

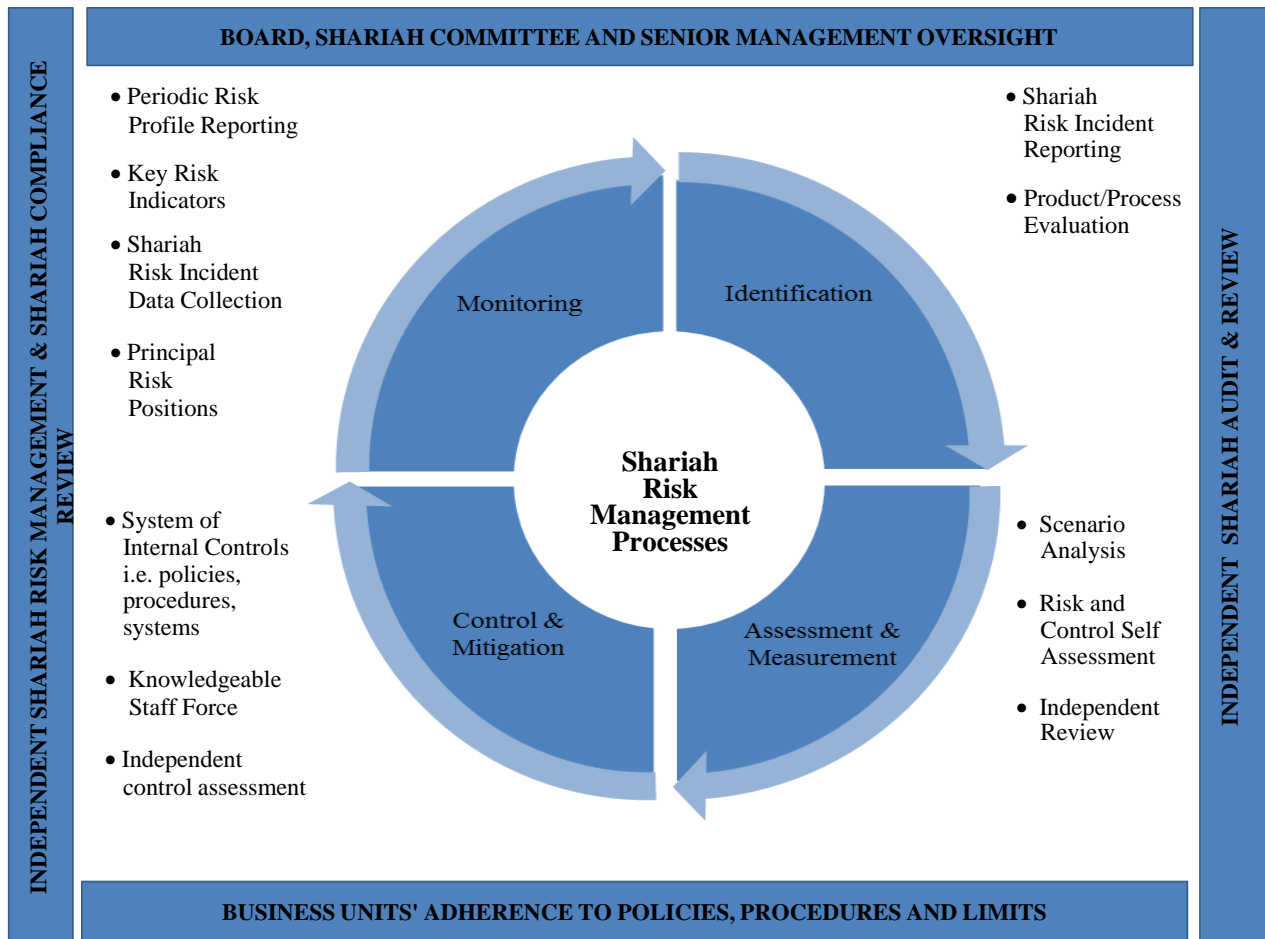
The following table presents the minimum regulatory capital requirements for operational risk of the Bank, computed using the Basic Indicator Approach.

	2021	Minimum Capital Requirement at 8% RM'000	2020	Minimum Capital Requirement at 8% RM'000
Operational Risk	2,194,784	175,583	1,986,509	158,921

10. Shariah Non-Compliance Risk

Shariah non-compliance ("SNC") risk is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Bank may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act 2013 ("IFSA"), or decisions or advice of the SC of the Bank.

The following diagram presents the risk management processes over SNC risk.



The following disclosures on SNC risk are set out in the Shariah non-compliance risk section of Note 39 to the financial statements:

- Description of the Shariah governance structure, systems, processes and controls employed for the purpose of ensuring Shariah compliance;
- Description on rectification process of non-Shariah compliant income occurring during the year; and
- The amount of non-Shariah compliant income and the number of non-Shariah compliant events occurring during the year.