

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

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PILLAR 3 DISCLOSURE
As at 30 June 2022

1. Overview

The information of Public Islamic Bank Berhad ("the Bank") below is disclosed pursuant to the requirements of the Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements (Pillar 3). Certain information is presented on a voluntary basis to provide additional information to users.

Minimum Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirements to support the Bank's risk-weighted assets.

	30 June 2022		31 December 2021	
	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	46,849,411	3,747,953	43,791,293	3,503,303
Market Risk	47	4	59	5
Operational Risk	2,325,898	186,072	2,194,784	175,583
Total	49,175,356	3,934,029	45,986,136	3,678,891

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.

2. Capital Management

Capital Adequacy Ratios and Capital Structure

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

(a) Capital Adequacy Ratios

	30 June 2022	31 December 2021
Before deducting interim dividends*:		
Common Equity Tier I ("CET I") capital ratio	11.942%	11.777%
Tier I capital ratio	11.942%	11.777%
Total capital ratio	15.167%	15.142%
After deducting interim dividends*:		
CET I capital ratio	11.942%	11.777%
Tier I capital ratio	11.942%	11.777%
Total capital ratio	15.167%	15.142%

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

The total risk-weighted assets of the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk; and
- (iii) Basic Indicator Approach for Operational Risk.

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.

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. The Bank has not applied the said transitional arrangements.

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2. Capital Management (Cont'd.)

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

(b) Capital Structure

	30 June 2022	31 December 2021
	RM'000	RM'000
CET I/Tier I capital		
Share capital	3,032,717	2,732,717
Other reserves	(217,241)	(94,385)
Retained profits	3,346,029	3,040,798
Less: Deferred tax assets, net	(220,480)	(194,892)
Less: Defined benefit pension fund assets	(912)	(935)
Less: Investment in an associated company deducted from CET I capital	(67,500)	(67,500)
Total CET I/Tier I capital	5,872,613	5,415,803
Tier II capital		
Stage 1 and Stage 2 expected credit loss allowances ¹	585,618	547,391
Subordinated Sukuk Murabahah	1,000,000	1,000,000
Total Tier II capital	1,585,618	1,547,391
Total capital	7,458,231	6,963,194

¹ Excludes expected credit loss allowances restricted from Tier II capital of the Bank of RM144,993,000 (31 December 2021 : RM152,804,000).

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3. Credit Risk

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
30 June 2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	17,218,948	17,218,948	-	-
Public Sector Entities	1,001,815	1,001,815	193	15
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	434,034	434,034	87,045	6,964
Insurance Companies, Securities Firms and Fund Managers	5,152	4,975	4,975	398
Corporates	10,127,967	10,054,588	7,990,410	639,233
Regulatory Retail	24,583,879	24,430,372	18,760,458	1,500,837
Residential Mortgages	28,209,914	28,152,813	14,548,930	1,163,914
Higher Risk Assets	6,082	6,061	9,093	727
Other Assets	136,278	136,278	128,900	10,312
Equity Exposures	583,046	583,046	583,046	46,644
Defaulted Exposures	835,937	834,922	1,175,803	94,064
	83,143,052	82,857,852	43,288,853	3,463,108
Off-Balance Sheet Exposures				
Credit-related Exposures	4,428,423	4,413,933	3,524,635	281,971
Derivative Financial Instruments	164,022	164,022	32,805	2,624
Defaulted Exposures	2,408	2,408	3,118	250
	4,594,853	4,580,363	3,560,558	284,845
Total Credit Exposures	87,737,905	87,438,215	46,849,411	3,747,953

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3. 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
31 December 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, DFIs and 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

3. Credit Risk (Cont'd.)

3.1 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

	Government and Central Banks	Financial Services	Transport & Business Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction & Real Estate	Residential Mortgages	Motor Vehicle Financing	Other Consumer Financing	Total
30 June 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	1,300,198	441,391	-	-	-	-	-	-	1,741,589
Derivative financial assets	-	50,522	-	-	-	-	-	-	50,522
Financial investments at fair value through other comprehensive income	11,256,060	-	-	-	-	-	-	-	11,256,060
Financial investments at amortised cost (Gross)	4,350,656	1,103,389	-	-	211,898	-	-	-	5,665,943
Gross financing and advances	1,001,815	1,155,619	1,973,255	5,520,294	6,217,825	30,761,569	10,008,429	6,849,620	63,488,426
Statutory deposits with Bank Negara Malaysia	200,000	-	-	-	-	-	-	-	200,000
	18,108,729	2,750,921	1,973,255	5,520,294	6,429,723	30,761,569	10,008,429	6,849,620	82,402,540
Commitments and Contingencies									
Contingent liabilities	-	648	1,383	1,084	6,517	-	-	100,450	110,082
Commitments	2,000	45,604	226,135	1,688,072	1,749,110	5,134,274	253	1,664,558	10,510,006
	2,000	46,252	227,518	1,689,156	1,755,627	5,134,274	253	1,765,008	10,620,088
Total Credit Exposures	18,110,729	2,797,173	2,200,773	7,209,450	8,185,350	35,895,843	10,008,682	8,614,628	93,022,628

3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

31 December 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
	<u>16,078,162</u>	<u>2,494,804</u>	<u>1,777,742</u>	<u>5,440,650</u>	<u>6,260,612</u>	<u>28,602,576</u>	<u>9,324,392</u>	<u>6,655,766</u>	<u>76,634,704</u>
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
	<u>2,470</u>	<u>86,231</u>	<u>517,962</u>	<u>1,680,529</u>	<u>1,793,525</u>	<u>4,853,470</u>	<u>235</u>	<u>1,626,930</u>	<u>10,561,352</u>
Total Credit Exposures	<u>16,080,632</u>	<u>2,581,035</u>	<u>2,295,704</u>	<u>7,121,179</u>	<u>8,054,137</u>	<u>33,456,046</u>	<u>9,324,627</u>	<u>8,282,696</u>	<u>87,196,056</u>

3. Credit Risk (Cont'd.)

3.1 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
30 June 2022					
On-Balance Sheet Exposures					
Cash and balances with banks	1,741,589	-	-	-	1,741,589
Derivative financial assets	-	-	46,633	3,889	50,522
Financial investments at fair value through other comprehensive income	291,627	6,403,090	3,302,254	1,259,089	11,256,060
Financial investments at amortised cost (Gross)	434,436	3,293,388	945,077	993,042	5,665,943
Gross financing and advances	2,251,394	4,721,585	3,630,449	52,884,998	63,488,426
Statutory deposits with Bank Negara Malaysia	-	-	-	200,000	200,000
Total On-Balance Sheet Exposures	4,719,046	14,418,063	7,924,413	55,341,018	82,402,540
31 December 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

Approximately 6% (31 December 2021: 5%) of the Bank's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 83% (31 December 2021: 83%) 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 63% (31 December 2021: 62%) 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 RM0.8 million (31 December 2021: RM0.7 million), gross financing and advances of RM54.1 million (31 December 2021: RM56.9 million) and commitments and contingencies of RM13.4 million (31 December 2021: RM14.1 million) which are located in other countries.

3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures

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
30 June 2022				
Contingent Liabilities				
Direct credit substitutes	34,332		34,332	24,791
Transaction-related contingent items	69,691		34,845	23,882
Short-term self-liquidating trade-related contingencies	6,059		1,212	1,079
	110,082		70,389	49,752
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	7,528,147		3,764,070	3,000,848
- not exceeding one year	2,752,871		550,574	442,805
Unutilised credit card lines	228,988		45,798	34,348
	10,510,006		4,360,442	3,478,001
Derivative Financial Instruments				
Foreign exchange related contracts:				
- up to one year	12	-	-	-
Profit rate related contracts:				
- up to one year	500,000	-	500	100
- more than one year to five years	3,100,000	46,633	153,633	30,727
- more than five years	100,000	3,889	9,889	1,978
	3,700,012	50,522	164,022	32,805
Total Off-Balance Sheet Exposures	14,320,100	50,522	4,594,853	3,560,558

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3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures (Cont'd.)

Composition of Off-Balance Sheet Exposures (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
31 December 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
	<u>109,810</u>		<u>69,034</u>	<u>49,178</u>
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
	<u>10,451,542</u>		<u>4,309,455</u>	<u>3,442,697</u>
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
	<u>3,700,000</u>	<u>14,587</u>	<u>138,837</u>	<u>27,767</u>
Total Off-Balance Sheet Exposures	<u>14,261,352</u>	<u>14,587</u>	<u>4,517,326</u>	<u>3,519,642</u>

3. Credit Risk (Cont'd.)

3.3 Credit Risk Mitigation

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
30 June 2022				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	17,218,948	-	-	-
Public Sector Entities	1,001,815	1,000,848	-	-
Banks, DFIs and MDBs	434,034	-	-	-
Insurance Companies, Securities Firms and Fund Managers	5,152	-	177	-
Corporates	10,127,967	921,279	73,379	-
Regulatory Retail	24,583,879	82,861	153,507	-
Residential Mortgages	28,209,914	-	57,101	-
Higher Risk Assets	6,082	-	21	-
Other Assets	136,278	-	-	-
Equity Exposures	583,046	-	-	-
Defaulted Exposures	835,937	-	1,015	-
	83,143,052	2,004,988	285,200	-
Off-Balance Sheet Exposures				
Credit-related Exposures	4,428,423	-	14,490	-
Derivative Financial Instruments	164,022	-	-	-
Defaulted Exposures	2,408	-	-	-
	4,594,853	-	14,490	-
Total Credit Exposures	87,737,905	2,004,988	299,690	-

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3. Credit Risk (Cont'd.)

3.3 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 Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
31 December 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	-
	<u>77,376,650</u>	<u>2,114,133</u>	<u>263,306</u>	<u>-</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	4,377,142	-	13,988	-
Derivative Financial Instruments	138,837	-	-	-
Defaulted Exposures	1,347	-	-	-
	<u>4,517,326</u>	<u>-</u>	<u>13,988</u>	<u>-</u>
Total Credit Exposures	<u>81,893,976</u>	<u>2,114,133</u>	<u>277,294</u>	<u>-</u>

3. Credit Risk (Cont'd.)

3.4 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 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	Standard & Poor's	Moody's Investors Service	Fitch Ratings	RAM Rating Services Berhad	Malaysian Rating Corporation Berhad
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

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.

3. Credit Risk (Cont'd.)

3.4 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		
30 June 2022								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	2,303,773	-	-	-	-	-		2,303,773
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	17,218,948	-	-	-	-		17,218,948
- Public Sector Entities	-	1,000,848	-	-	-	-		1,000,848
- Corporates	-	221,159	-	-	-	-		221,159
- Regulatory Retail	-	82,862	-	-	-	-		82,862
	-	18,523,817	-	-	-	-		18,523,817
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	142,016	263,408	-	-	-	-		405,424
Total Rated Exposures	2,445,789	18,787,225	-	-	-	-		21,233,014
(b) Total Unrated Exposures							61,910,038	61,910,038
	2,445,789	18,787,225	-	-	-	-	61,910,038	83,143,052
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	164,022	-	-	-	-	-		164,022
Total Rated Exposures	164,022	-	-	-	-	-		164,022
(b) Total Unrated Exposures							4,430,831	4,430,831
	164,022	-	-	-	-	-	4,430,831	4,594,853
Total Credit Exposures before Credit Risk Mitigation	2,609,811	18,787,225	-	-	-	-	66,340,869	87,737,905

3. Credit Risk (Cont'd.)

3.4 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		
31 December 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

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%.

3. Credit Risk (Cont'd.)

3.4 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		
30 June 2022												
0%	17,218,948	1,000,848	-	-	221,159	82,862	-	-	7,378	-	18,531,195	-
20%	-	967	597,260	-	2,303,773	-	-	-	-	-	2,902,000	580,400
35%	-	-	-	-	-	-	14,568,177	-	-	-	14,568,177	5,098,862
50%	-	-	796	-	300	982	9,004,386	-	-	-	9,006,464	4,503,232
75%	-	-	-	-	-	24,247,420	198,093	-	-	-	24,445,513	18,334,135
100%	-	-	-	6,145	8,159,723	2,600,334	5,810,885	-	128,900	583,046	17,289,033	17,289,033
150%	-	-	-	-	116,626	514,575	55,600	9,032	-	-	695,833	1,043,749
Total	17,218,948	1,001,815	598,056	6,145	10,801,581	27,446,173	29,637,141	9,032	136,278	583,046	87,438,215	46,849,411
Risk-Weighted Assets by Exposures	-	193	119,850	6,145	8,795,567	21,558,252	15,643,910	13,548	128,900	583,046	46,849,411	
Average Risk Weights	0.0%	0.0%	20.0%	100.0%	81.4%	78.5%	52.8%	150.0%	94.6%	100.0%	53.6%	
Deduction from Total Capital			-							-		-

3. Credit Risk (Cont'd.)

3.4 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		
31 December 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			-							-	-	

3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Financing and Advances

(a) Past Due But Not Credit-impaired

The following table presents an analysis of the past due but not credit-impaired financing and advances by economic purpose.

Economic Purpose

	30 June 2022	31 December 2021
	RM'000	RM'000
Purchase of transport vehicles	1,925,152	1,732,274
Purchase of landed properties	2,236,968	895,847
(Of which: - residential	1,802,597	729,279
- non-residential)	434,371	166,568
Personal use	137,263	74,708
Credit Card	6,114	4,053
Construction	3,215	473
Working capital	58,381	33,573
Other purpose	992	1,221
	4,368,085	2,742,149

3. Credit Risk (Cont'd.)

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

(b) Credit-impaired Financing and Advances

Tables (i)-(ii) present the analyses of credit-impaired financing and advances and the impairment allowance by the following:

- (i) Economic purpose
- (ii) Reconciliation of loss allowance for financing and advances

(i) Economic Purpose

	Credit-impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January 2022 RM'000	Net Charge for the Period RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 30 June 2022 RM'000	Collective Assessment Allowance at 30 June 2022¹ RM'000	Total Impairment Allowances for Financing and Advances RM'000
30 June 2022							
Purchase of transport vehicles	21,539	-	-	-	-	294,554	294,554
Purchase of landed properties	68,709	1,055	22	(791)	286	199,362	199,648
(Of which: - residential	37,902	791	-	(791)	-	84,074	84,074
- non-residential)	30,807	264	22	-	286	115,288	115,574
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	13	13
Personal use	14,870	-	-	-	-	28,525	28,525
Credit card	367	-	-	-	-	1,480	1,480
Construction	-	-	-	-	-	14,826	14,826
Working capital	3,265	24	33	-	57	42,351	42,408
Other purpose	15	-	-	-	-	167,427	167,427
	108,765	1,079	55	(791)	343	748,538	748,881

¹ Includes collective assessment allowance of RM0.1 million with credit exposures in United Kingdom.

3. Credit Risk (Cont'd.)

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

(b) Credit-impaired Financing and Advances (Cont'd.)

(i) Economic Purpose (Cont'd.)

	Credit-impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January 2021 RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December 2021 RM'000	Collective Assessment Allowance at 31 December 2021¹ RM'000	Total Impairment Allowances for Financing and Advances RM'000
31 December 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

¹ Includes collective assessment allowance of RM 0.1 million with credit exposures in United Kingdom.

3. Credit Risk (Cont'd.)

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

(b) Credit-impaired Financing and Advances (Cont'd.)

(ii) Reconciliation of Loss Allowance for Financing and Advances

Movements in loss allowance for financing which reflect the Expected Credit Losses ("ECL") model on impairment are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit- impaired (Stage 2) RM'000	Credit- impaired (Stage 3) RM'000	Total RM'000
At 1 January 2022	401,495	283,903	41,963	727,361
Changes due to financing and advances recognised as at 1 January 2022:				
- Transfer to Stage 1: 12-Month ECL	36,065	(32,628)	(3,437)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	39,861	(37,612)	(2,249)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(3,754)	6,374	(2,620)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(42)	(1,390)	1,432	-
New financing and advances originated	6,618	1,248	-	7,866
Net remeasurement due to changes in credit risk	(36,953)	36,158	14,498	13,703
Financing and advances derecognised (other than write-off)	(3,150)	(2,918)	(2,830)	(8,898)
Modifications to contractual cash flows of financing and advances	(57)	25,938	1,444	27,325
Amount written off	-	-	(18,476)	(18,476)
At 30 June 2022	404,018	311,701	33,162	748,881
At 1 January 2021	249,018	175,333	49,648	473,999
Changes due to financing and advances recognised as at 1 January 2021:				
- Transfer to Stage 1: 12-Month ECL	35,289	(27,761)	(7,528)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	40,343	(36,853)	(3,490)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(4,904)	10,447	(5,543)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(150)	(1,355)	1,505	-
New financing and advances originated	13,100	7,603	492	21,195
Net remeasurement due to changes in credit risk	147,856	36,301	32,412	216,569
Financing and advances derecognised (other than write-off)	(5,340)	(22,846)	(5,754)	(33,940)
Modifications to contractual cash flows of financing and advances	(1,338)	50,529	3,980	53,171
Changes in models / risk parameters	(36,319)	64,744	1	28,426
Amount written off	(771)	-	(31,288)	(32,059)
At 31 December 2021	401,495	283,903	41,963	727,361

4. Market Risk

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
30 June 2022				
Rate of return risk	12	(12)	-	-
Foreign Exchange risk	47	-	47	4
Total	59	(12)	47	4
31 December 2021				
Rate of return risk	-	-	-	-
Foreign Exchange risk	59	-	59	5
Total	59	-	59	5

4.1 Rate of Return Risk in the Banking Book

Rate of Return Risk Sensitivity Analysis

The following table presents the projected Bank's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Bank's rate of return sensitivity gap as at the reporting date, taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing rate of return.

	30 June 2022		31 December 2021	
	-100 bps	+100 bps	-100 bps	+100 bps
	Increase/(Decrease)			
	RM'000	RM'000	RM'000	RM'000
Impact on Net Profit				
Income ("NPI")	(113,213)	98,464	(132,803)	113,191
Impact on Economic				
Value of Equity ("EVE")	518,371	(280,821)	450,160	(233,046)

4. Market Risk (Cont'd.)

4.1 Rate of Return Risk in the Banking Book (Cont'd.)

Rate of Return Risk Sensitivity Analysis (Cont'd)

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the Assets & Liabilities Management Committee ("ALCO") seeks to proactively change the rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statement of financial position and that all positions run to maturity.

The repricing profile of financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, financing prepayments are generally estimated based on past statistics and trends. The impact on the NPI and EVE are measured on a monthly basis, both of which are reported to the ALCO and the Risk Management Committee.

5. Equity Exposures in the Banking Book

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

	30 June 2022		31 December 2021	
	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	583,046	583,046	577,254	577,254

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

During the financial period/year, there were no realised gains or losses on disposal of equity exposures in the banking book (31 December 2021: nil). As at 30 June 2022, there were no unrealised gains or losses (31 December 2021: nil) arising from the mark-to-market of equity exposures in the banking book.

6. Operational Risk

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.

	30 June 2022		31 December 2021	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational Risk	2,325,898	186,072	2,194,784	175,583

7. Shariah Non-Compliance Risk

There were three (3) Shariah Non-Compliance events detected during the period under review. The nature of the three (3) Shariah Non-Compliance events are as follows:

- (i) Non-execution of Islamic legal documentations for Cash Line Facility-i;
- (ii) Inaccurate charging of Late Payment Charges; and
- (iii) Wrong Islamic financing product offered to a customer against purpose of financing.

There was a total of RM757 Shariah Non-Compliant income identified as at 30 June 2022 (31 December 2021: RM2,800).