

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

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PILLAR 3 DISCLOSURE
As at 30 June 2021

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 2021		31 December 2020	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	41,623,318	3,329,865	39,956,669	3,196,533
Market Risk	10,683	855	120	10
Operational Risk	2,096,424	167,714	1,986,509	158,921
Total	43,730,425	3,498,434	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.

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 2021	31 December 2020 (Restated)
Before deducting interim dividends*:		
Common Equity Tier I ("CET I") capital ratio	12.308%	12.176%
Tier I capital ratio	12.308%	12.176%
Total capital ratio	15.785%	15.751%
After deducting interim dividends*:		
CET I capital ratio	12.308%	12.176%
Tier I capital ratio	12.308%	12.176%
Total capital ratio	15.785%	15.751%

* 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.

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. As at the reporting date, the Bank continued to maintain CCB of 2.5%.

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.

2. Capital Management (Cont'd.)

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

(b) Capital Structure

	30 June 2021	31 December 2020
	RM'000	RM'000
		(Restated)
CET I/Tier I capital		
Share capital	2,732,717	2,732,717
Other reserves	21,345	91,425
Retained profits	2,723,454	2,327,859
Less: Deferred tax assets, net	(27,518)	-
Less: Defined benefit pension fund assets	-	(24)
Less: Investment in an associated company deducted from CET I capital	(67,500)	(45,000)
Total CET I/Tier I capital	<u>5,382,498</u>	<u>5,106,977</u>
Tier II capital		
Stage 1 and Stage 2 expected credit loss allowances ¹	520,291	437,149
Qualifying regulatory reserves	-	62,309
Subordinated Sukuk Murabahah	1,000,000	1,000,000
Total Tier II capital	<u>1,520,291</u>	<u>1,499,458</u>
Total capital	<u>6,902,789</u>	<u>6,606,435</u>

¹ Excludes expected credit loss allowances restricted from Tier II capital of the Bank of RM34,267,000 (31 December 2020 : nil).

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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 2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	14,350,599	14,350,599	-	-
Public Sector Entities	1,057,490	1,057,490	172	14
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	262,774	262,774	35,530	2,842
Insurance Companies, Securities Firms and Fund Managers	1,850	1,798	1,798	144
Corporates	8,989,142	8,903,616	7,519,771	601,582
Regulatory Retail	22,669,424	22,527,529	17,306,972	1,384,558
Residential Mortgages	24,754,922	24,710,132	12,525,924	1,002,074
Higher Risk Assets	5,921	5,901	8,851	708
Other Assets	113,221	113,221	105,400	8,432
Equity Exposures	571,691	571,691	571,691	45,735
Defaulted Exposures	108,587	108,494	122,941	9,835
	72,885,621	72,613,245	38,199,050	3,055,924
Off-Balance Sheet Exposures				
Credit-related Exposures	4,277,486	4,262,510	3,393,712	271,497
Derivative Financial Instruments	128,864	128,864	25,773	2,062
Defaulted Exposures	3,294	3,294	4,783	382
	4,409,644	4,394,668	3,424,268	273,941
Total Credit Exposures	77,295,265	77,007,913	41,623,318	3,329,865

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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 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>

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 2021	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	300,137	184,521	-	-	-	-	-	-	484,658
Financial assets at fair value through profit or loss	31,494	-	-	-	-	-	-	-	31,494
Derivative financial assets	-	5,864	-	-	-	-	-	-	5,864
Financial investments at fair value through other comprehensive income	9,822,752	-	-	-	-	-	-	-	9,822,752
Financial investments at amortised cost (Gross)	4,053,816	217,452	-	86,404	211,902	-	-	-	4,569,574
Gross financing and advances	1,001,833	1,360,418	1,346,185	5,296,150	6,190,239	26,465,758	9,064,615	6,432,628	57,157,826
Statutory deposits with Bank Negara Malaysia	118,000	-	-	-	-	-	-	-	118,000
	15,328,032	1,768,255	1,346,185	5,382,554	6,402,141	26,465,758	9,064,615	6,432,628	72,190,168
Commitments and Contingencies									
Contingent liabilities	-	187	8,815	4,234	25,298	-	-	68,973	107,507
Commitments	2,295	16,382	252,927	1,731,510	1,749,472	4,769,318	195	1,543,365	10,065,464
	2,295	16,569	261,742	1,735,744	1,774,770	4,769,318	195	1,612,338	10,172,971
Total Credit Exposures	15,330,327	1,784,824	1,607,927	7,118,298	8,176,911	31,235,076	9,064,810	8,044,966	82,363,139

3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

31 December 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 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>

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 2021					
On-Balance Sheet Exposures					
Cash and balances with banks	484,658	-	-	-	484,658
Financial assets at fair value through profit or loss	-	-	31,494	-	31,494
Derivative financial assets	-	-	5,864	-	5,864
Financial investments at fair value through other comprehensive income	-	2,941,673	5,287,267	1,593,812	9,822,752
Financial investments at amortised cost (Gross)	1,100,411	1,897,875	1,386,682	184,606	4,569,574
Gross financing and advances	3,165,363	2,363,947	4,997,815	46,630,701	57,157,826
Statutory deposits with Bank Negara Malaysia	-	-	-	118,000	118,000
Total On-Balance Sheet Exposures	4,750,432	7,203,495	11,709,122	48,527,119	72,190,168
31 December 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 7% (31 December 2020: 8%) of the Bank's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 82% (31 December 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 61% (31 December 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 RM0.6 million (31 December 2020: RM0.6 million), gross financing and advances of RM58.0 million (31 December 2020: RM109.9 million) and commitments and contingencies of RM14.4 million (31 December 2020: RM60.4 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 2021				
Contingent Liabilities				
Direct credit substitutes	37,408		37,408	26,766
Transaction-related contingent items	65,278		32,639	21,851
Short-term self-liquidating trade-related contingencies	4,821		964	878
	107,507		71,011	49,495
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	7,323,001		3,661,276	2,909,790
- not exceeding one year	2,549,479		509,896	410,262
Unutilised credit card lines	192,984		38,597	28,948
	10,065,464		4,209,769	3,349,000
Derivative Financial Instruments				
Profit rate related contracts:				
- more than one year to five years	2,200,000	5,864	78,864	15,773
- more than five years	1,000,000	-	50,000	10,000
	3,200,000	5,864	128,864	25,773
Total Off-Balance Sheet Exposures	13,372,971	5,864	4,409,644	3,424,268

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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 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
	<u>106,215</u>		<u>68,577</u>	<u>45,529</u>
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
	<u>9,140,497</u>		<u>3,750,646</u>	<u>3,025,762</u>
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
	<u>2,700,007</u>	<u>1,317</u>	<u>109,317</u>	<u>21,863</u>
Total Off-Balance Sheet Exposures	<u>11,946,719</u>	<u>1,317</u>	<u>3,928,540</u>	<u>3,093,154</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 2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	14,350,599	-	-	-
Public Sector Entities	1,057,490	1,056,631	-	-
Banks, DFIs and MDBs	262,774	86,074	-	-
Insurance Companies, Securities Firms and Fund Managers	1,850	-	52	-
Corporates	8,989,142	1,054,595	85,526	-
Regulatory Retail	22,669,424	82,856	141,895	-
Residential Mortgages	24,754,922	-	44,790	-
Higher Risk Assets	5,921	-	20	-
Other Assets	113,221	-	-	-
Equity Exposures	571,691	-	-	-
Defaulted Exposures	108,587	-	93	-
	72,885,621	2,280,156	272,376	-
Off-Balance Sheet Exposures				
Credit-related Exposures	4,277,486	-	14,976	-
Derivative Financial Instruments	128,864	-	-	-
Defaulted Exposures	3,294	-	-	-
	4,409,644	-	14,976	-
Total Credit Exposures	77,295,265	2,280,156	287,352	-

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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 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	-
	<u>71,941,210</u>	<u>2,229,538</u>	<u>232,065</u>	<u>-</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	3,816,616	-	16,452	-
Derivative Financial Instruments	109,317	-	-	-
Defaulted Exposures	2,607	-	-	-
	<u>3,928,540</u>	<u>-</u>	<u>16,452</u>	<u>-</u>
Total Credit Exposures	<u>75,869,750</u>	<u>2,229,538</u>	<u>248,517</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 2021								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	1,286,912	-	-	-	-	-		1,286,912
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	14,350,599	-	-	-	-		14,350,599
- Public Sector Entities	-	1,056,631	-	-	-	-		1,056,631
- Banks, DFIs and MDBs	-	86,074	-	-	-	-		86,074
- Corporates	-	354,315	-	-	-	-		354,315
- Regulatory Retail	-	82,856	-	-	-	-		82,856
	-	15,930,475	-	-	-	-		15,930,475
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	-	151,540	-	-	-	-		151,540
Total Rated Exposures	1,286,912	16,082,015	-	-	-	-		17,368,927
(b) Total Unrated Exposures							55,516,694	55,516,694
	1,286,912	16,082,015	-	-	-	-	55,516,694	72,885,621
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	128,864	-	-	-	-	-		128,864
Total Rated Exposures	128,864	-	-	-	-	-		128,864
(b) Total Unrated Exposures							4,280,780	4,280,780
	128,864	-	-	-	-	-	4,280,780	4,409,644
Total Credit Exposures before Credit Risk Mitigation	1,415,776	16,082,015	-	-	-	-	59,797,474	77,295,265

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 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%.

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 2021												
0%	14,350,599	1,056,631	86,074	-	354,315	82,856	-	-	7,821	-	15,938,296	-
20%	-	859	304,929	-	1,286,912	-	-	-	-	-	1,592,700	318,540
35%	-	-	-	-	-	-	13,133,206	-	-	-	13,133,206	4,596,622
50%	-	-	635	-	-	2,082	8,024,142	-	-	-	8,026,859	4,013,430
75%	-	-	-	-	-	22,336,088	243,379	-	-	-	22,579,467	16,934,600
100%	-	-	-	2,797	7,977,168	2,427,414	4,607,433	-	105,400	571,691	15,691,903	15,691,903
150%	-	-	-	-	1,630	33,725	1,039	9,088	-	-	45,482	68,223
Total	14,350,599	1,057,490	391,638	2,797	9,620,025	24,882,165	26,009,199	9,088	113,221	571,691	77,007,913	41,623,318
Risk-Weighted Assets by Exposures	-	172	61,303	2,797	8,236,995	19,231,109	13,400,219	13,632	105,400	571,691	41,623,318	
Average Risk Weights	0.0%	0.0%	15.7%	100.0%	85.6%	77.3%	51.5%	150.0%	93.1%	100.0%	54.1%	
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 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			-							-		-

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 2021	31 December 2020
	RM'000	RM'000
Purchase of transport vehicles	1,989,978	1,776,442
Purchase of landed properties	1,922,562	1,839,887
(Of which: - residential	1,530,164	1,467,069
- non-residential)	392,398	372,818
Personal use	150,460	160,955
Credit Card	4,169	4,050
Purchase of consumer durables	-	211
Construction	995	-
Working capital	55,296	41,161
Other purpose	1,483	1,765
	4,124,943	3,824,471

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 2021 RM'000	Net Charge for the Period RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 30 June 2021 RM'000	Collective Assessment Allowance at 30 June 2021¹ RM'000	Total Impairment Allowances for Financing and Advances RM'000
30 June 2021							
Purchase of transport vehicles	50,703	-	-	-	-	192,183	192,183
Purchase of landed properties	89,443	249	729	(8)	970	164,122	165,092
(Of which: - residential	73,431	-	866	-	866	60,671	61,537
- non-residential)	16,012	249	(137)	(8)	104	103,451	103,555
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	3	3
Personal use	19,771	-	-	-	-	29,528	29,528
Credit card	346	-	-	-	-	974	974
Purchase of consumer durables	-	-	-	-	-	2	2
Construction	-	-	-	-	-	9,530	9,530
Working capital	2,991	126	(126)	-	-	34,227	34,227
Other purpose	20	-	-	-	-	165,609	165,609
	163,274	375	603	(8)	970	596,178	597,148

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 2020 RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December 2020 RM'000	Collective Assessment Allowance at 31 December 2020¹ RM'000	Total Impairment Allowances for Financing and Advances RM'000
31 December 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
	<u>169,421</u>	<u>184</u>	<u>400</u>	<u>(209)</u>	<u>375</u>	<u>473,624</u>	<u>473,999</u>

¹ Includes collective assessment allowance of RM0.2 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 2021	249,018	175,333	49,648	473,999
Changes due to financing and advances recognised as at 1 January 2021:	26,597	(21,081)	(5,516)	-
- Transfer to Stage 1: 12-Month ECL	32,453	(30,475)	(1,978)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(5,736)	11,267	(5,531)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(120)	(1,873)	1,993	-
New financing and advances originated	5,452	3,897	63	9,412
Net remeasurement due to changes in credit risk	36,026	42,613	24,993	103,632
Financing and advances derecognised (other than write-off)	(2,215)	(16,288)	(2,597)	(21,100)
Modifications to contractual cash flows of financing and advances	(1,783)	37,692	3,136	39,045
Changes in models / risk parameters	(42,134)	47,596	-	5,462
Amount written off	-	-	(13,302)	(13,302)
At 30 June 2021	270,961	269,762	56,425	597,148
At 1 January 2020	129,065	90,576	85,922	305,563
Changes due to financing and advances recognised as at 1 January 2020:	32,883	(15,175)	(17,708)	-
- Transfer to Stage 1: 12-Month ECL	37,228	(30,490)	(6,738)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(4,253)	16,831	(12,578)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(92)	(1,516)	1,608	-
New financing and advances originated	15,026	6,880	163	22,069
Net remeasurement due to changes in credit risk	54,749	29,819	45,544	130,112
Financing and advances derecognised (other than write-off)	(6,356)	(3,361)	(4,945)	(14,662)
Modifications to contractual cash flows of financing and advances	(7,399)	40,016	1,071	33,688
Changes in models / risk parameters	31,050	26,578	218	57,846
Amount written off	-	-	(60,617)	(60,617)
At 31 December 2020	249,018	175,333	49,648	473,999

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 2021				
Rate of return risk	31,494	-	10,629	851
Foreign Exchange risk	54	-	54	4
Total	31,548	-	10,683	855
31 December 2020				
Rate of return risk	7	(7)	-	-
Foreign Exchange risk	120	(1)	120	10
Total	127	(8)	120	10

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 2021		31 December 2020	
	-100 bps	+100 bps	-100 bps	+100 bps
	Increase/(Decrease)			
	RM'000	RM'000	RM'000	RM'000
Impact on Net Profit Income ("NPI")	(106,299)	86,895	(83,120)	63,714
Impact on Economic Value of Equity ("EVE")	481,252	(289,028)	490,377	(314,679)

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 2021		31 December 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	571,691	571,691	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 period/year, there were no realised gains or losses on disposal of equity exposures in the banking book (31 December 2020: nil). As at 30 June 2021, there were no unrealised gains or losses (31 December 2020: 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 2021		31 December 2020	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational Risk	2,096,424	167,714	1,986,509	158,921

7. Shariah Non-Compliance Risk

There were two Shariah non-compliance events detected during the period under review. The nature of the two Shariah non-compliance events are as follows:

- (i) Financing Conventional Mortgage Reducing Personal Accident for Islamic Financing; and
- (ii) Granting of Cash Line Facility-i (CLF-i) to non-individual customer which falls under PIBB's Negative List for Islamic Banking Activities.

The amount of RM2,799 (2020: RM4,434) has been identified as Shariah non-compliance income which will be disposed in accordance with the method as determined by the Shariah Committee.