HSBC AMANAH MALAYSIA BERHAD
(Company No. 200801006421 (807705-X))
(Incorporated in Malaysia)
Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures
As at 31 December 2021

CHIEF EXECUTIVE OFFICER'S ATTESTATION

I, Raja Amir Shah bin Raja Azwa, being the Chief Executive Officer of HSBC Amanah Malaysia Berhad, do hereby state that, in my opinion, the Pillar 3 Disclosures set out on pages 2 to 27 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.

………………………………………...……..
RAJA AMIR SHAH BIN RAJA AZWA

CHIEF EXECUTIVE OFFICER
09 February 2022

(a) Introduction

HSBC Amanah Malaysia Berhad (the Bank) is principally engaged in the provision of Islamic banking business. At the reporting date, the Bank does not have any subsidiaries.

(b) Basel II

The Bank's lead regulator, Bank Negara Malaysia (BNM) sets and monitors capital requirements for the Bank. The Bank is required to comply with the provisions of the Basel II framework in respect of regulatory capital. The Bank adopts the Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

Basel II is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline. Pillar 3 aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess certain specific information on the capital management processes, and risk assessment processes, and hence the capital adequacy of the Bank. Disclosures consist of both quantitative and qualitative information. Banks are required to disclose all their material risks as part of the Pillar 3 framework. All material and non-proprietary information required by Pillar 3 is included in the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 31 December 2021. BNM permits certain Pillar 3 requirements to be satisfied by inclusion within the financial statements. Where this is the case, references are provided to relevant sections in the Financial Statements as at 31 December 2021.

(c) Transferability of capital and funds

HSBC Bank Malaysia Berhad, the holding company, is the primary provider of equity capital to the Bank. The Bank manages its own capital to support its planned business growth.

(d) Internal assessment of capital adequacy

The Bank assesses the adequacy of its capital by considering the resources necessary to cover unexpected losses arising from discretionary risks, such as credit risk and market risk, or non-discretionary risks, such as operational and reputational risk.

The key objective of Internal Capital Adequacy Assessment Process (ICAAP) is to ensure that sufficient capital is maintained, given the risk profile of the Bank on an ongoing and forward looking basis. ICAAP permits the setting of target amounts for internal capital consistent to the Bank's risk profile and the environment in which it pursues business.

The ICAAP is an internal assessment of the Bank's capital adequacy given its risk appetite, risk profile and regulatory minimum requirements. The Bank assesses the adequacy of its capital by considering the resources necessary to cover unexpected losses arising from discretionary risks, such as credit risk and market risk, or non-discretionary risks, such as operational and reputational risk. On a forward looking basis, the ICAAP ensures that the Bank's capital position:

- exceeds the minimum regulatory capital requirements as prescribed by the BNM;
- remains sufficient to support the Bank's Risk Appetite and business strategies;
- remains sufficient to support the underlying and projected risk profile; and
- remains sufficient to sustain business growth and in adverse business or economic conditions.

(d) Internal assessment of capital adequacy (Cont'd)

In order to achieve this, the Bank has a robust ICAAP framework in place which underlines the foundation of its risk and capital management process. It has the following key features:

- a strong and encompassing governance framework;
- a forward-looking risk appetite framework to ensure our business and risk profiles are in line with the Board of Directors' (BOD) expectations;
- a robust capital management, planning and forecasting framework; and
- an internal risk assessment process based on the economic capital and stress testing frameworks to support the Bank's capital adequacy positions.

Refer to Note 36 of the financial statements as at 31 December 2021 for the total capital ratio and Tier 1 capital ratio, and risk weighted assets and capital requirements for credit risk, market risk and operational risk.

Stress Testing

The Bank operates a wide-ranging stress testing programme that supports risk management and capital planning. Stress testing provides management with key insights into the impact of severely adverse events, and provides confidence to regulators on financial stability.

As well as undertaking regulatory-driven stress tests, we conduct our own internal stress tests, in order to understand the nature and level of all material risks, quantify the impact of such risks and develop plausible business as usual mitigating actions.

The stress testing programme assesses capital and liquidity strength through a rigorous examination of resilience to external shocks from a range of stress scenarios. They include potential adverse macroeconomic, geopolitical and operational risk events, and other potential events that are specific to the Bank. Stress testing analysis helps management understand the nature and extent of vulnerabilities to which the Bank is exposed and informs decisions about preferred capital or liquidity levels.

Separately, reverse stress tests are conducted at the Bank in order to understand which potential extreme conditions would make the business model non-viable. Reverse stress testing identifies potential stresses and vulnerabilities which the Bank might face, and helps inform early warning triggers, management actions and contingency plans designed to mitigate risks.

Governance

The Stress Test Working Group (STWG) will actively manage and drive cohesion and consistency across all stress testing activities, including the execution of enterprise wide stress tests and enhancements to stress testing and data capability. Stress test results and the proposed mitigating actions will be recommended by Risk Management Meeting (RMM) and Risk Committee (RC) to the Board for approval.

Risk Appetite

Risk appetite is a key component of our management of risk. It describes the aggregate level and risk types that we are willing to accept in achieving our medium and long-term strategic goals. At HSBC, risk appetite is managed through a global risk appetite framework and articulated in a Risk Appetite Statement (RAS).

The Bank's risk appetite informs our strategic and financial planning process, defining the desired forward-looking risk profile of the group. It is also integrated within other risk management tools, such as the top and emerging risks report and stress testing, to ensure consistency in risk management.

The Risk Appetite Framework as well as the RAS will be reviewed by all relevant stakeholders namely Risk, Finance and Global Businesses. It will be tabled to the Risk Management Meeting (RMM) for endorsement, and subsequently tabled to the Risk Committee (RC) for recommendation to the Board of Directors (BOD) for review and / or approval on bi-annual basis.

(e) Capital structure

For regulatory purposes, the Bank's regulatory capital is divided into two categories, or tiers. These are Tier 1 and Tier 2. The main features of capital securities issued by the Bank are disclosed below:

- Tier 1 capital [1] is divided into Common Equity Tier 1 (CET1) Capital and Additional Tier 1 Capital. CET1 Capital includes ordinary share capital [2], retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. The Bank does not have any Additional Tier 1 Capital as at 31 December 2021.

- Tier 2 capital [1], which includes qualifying subordinated term financing [3], impairment allowances equal to 12-months and lifetime expected credit losses for non-credit impaired financing (commonly known as Stage 1 and 2 provisions) and regulatory reserve.

Pursuant to BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Capital Component) issued on the 9 December 2020, the Bank has elected to apply the transitional arrangement as specified in paragraph 39.

Under the transitional arrangements, the expected credit loss (ECL) allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are related to non-credit-impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions), are allowed to be added back to CET-1, subject to a capping. The transitional arrangement commenced from financial year beginning 1 January 2020, with an add-back factor that will gradually reduce over a four-year transitional duration.

As required by the Guideline, below is the disclosure on the capital ratios with comparison of:
(i) the Capital Ratios computed in accordance with the transitional arrangement
(ii) the Capital Ratios, had the transitional arrangement not been applied.

31 Dec 2021
(RM'000)

Regulatory Capital	**With Transitional Arrangement**		**Without Transitional Arrangement**	
	Amount	**%**	**Amount**	**%**
CET1 Capital	**1,924,187**	**15.172**	**1,913,163**	**15.085**
Tier 1 Capital	**1,924,187**	**15.172**	**1,913,163**	**15.085**
Tier 2 Capital	**561,078**		**561,078**	
Total Capital	**2,485,265**	**19.596**	**2,474,241**	**19.509**

31 Dec 2020
(RM'000)

Regulatory Capital	With Transitional Arrangement		Without Transitional Arrangement	
	Amount	%	Amount	%
CET1 Capital	2,035,167	16.210	1,985,117	15.811
Tier 1 Capital	2,035,167	16.210	1,985,117	15.811
Tier 2 Capital	636,897	-	660,010	-
Total Capital	2,672,064	21.282	2,645,128	21.068

[1] *Refer to Note 36 of the financial statements as at 31 December 2021 for the amount and breakdown of capital components.*

[2] *Refer to Note 25 of the financial statements as at 31 December 2021 for further details on ordinary share capital. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.*

[3] *Refer to Note 24 of the financial statements as at 31 December 2021 for terms and conditions of the subordinated financing.*

(f) Risk management

Risk management framework

We use the Group's risk management framework in managing risk across the organisation and across all risk types. It is underpinned by our risk culture and is reinforced by the HSBC Values. The framework fosters continuous monitoring of the risk environment, and promotes risk awareness and sound operational and strategic decision making. It also ensures we have a consistent approach to monitoring, managing and mitigating the risks we accept and incur in our activities.

Culture

HSBC has long recognised the importance of a strong culture. Our culture is reinforced by our Values. It is instrumental in aligning the behaviours of individuals with our attitude to assuming and managing risk, which helps to ensure that our risk profile remains in line with our risk appetite. The fostering of a strong culture is a key responsibility of our senior executives. Our culture is further reinforced by our approach to remuneration. Individual awards, including those for senior executives, are based on compliance with our Values and the achievement of financial and non-financial objectives that are aligned to our risk appetite and strategy.

Risk governance

The Board has ultimate responsibility for the effective management of risk and approves HSBC’s risk appetite. It is advised on risk-related matters by the group's Risk Committee. Executive accountability for the ongoing monitoring, assessment and management of the risk environment, and the effectiveness of the risk management framework resides with the group’s Chief Risk Officer, supported by the RMM. Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All employees have a role to play in risk management. These roles are defined using the Three Lines of Defence model, which takes into account our business and functional structures. We use a defined executive risk governance structure to ensure appropriate oversight and accountability for risk, which facilitates reporting and escalation to the RMM.

Refer to Note 4 of the financial statements as at 31 December 2021 for the Bank's risk managements policies on the above mentioned risks.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

1) RWA and Capital Requirement

The table below discloses the gross and net exposures, RWA and capital requirements for credit risk, market risk and operational risk of the Bank at balance sheet date.

31 Dec 2021
(RM'000)

Exposure Class		Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)					
On-Balance Sheet Exposures					
Sovereigns/Central Banks		6,012,322	6,012,322	137,618	11,009
PSEs		678,358	678,358	317,528	25,402
Banks, DFIs & MDBs		638,026	638,026	319,824	25,586
Corporates		5,453,918	5,275,318	4,735,754	378,860
Regulatory Retail		2,143,547	2,130,890	1,735,288	138,823
House Financing		3,802,947	3,802,947	1,441,540	115,323
Higher Risk Assets		5,053	4,903	7,355	588
Other Assets		369,802	369,802	69,554	5,564
Defaulted Exposures		313,479	312,310	311,340	24,907
Total for On-Balance Sheet Exposures		19,417,452	19,224,876	9,075,801	726,062
Off-Balance Sheet Exposures					
OTC Derivatives		355,953	158,222	117,400	9,392
Off balance sheet exposures other than OTC derivatives or credit derivatives		3,432,360	3,341,377	2,417,936	193,435
Defaulted Exposures		6,180	3,921	9,036	723
Total for Off-Balance Sheet Exposures		3,794,493	3,503,520	2,544,372	203,550
Total On and Off-Balance Sheet Exposures [1]		23,211,945	22,728,396	11,620,173	929,612
Market Risk (Standardised Approach)	Long position	Short position			
Profit Rate Risk	1,505,993	2,695,449	(1,189,456)	56,887	4,551
Foreign Currency Risk	3,917	339	3,917	3,917	313
	1,509,910	2,695,788	(1,185,539)	60,804	4,864
Operational Risk (Basic Indicator Approach)	-	-	-	1,001,279	80,102
Total RWA and Capital Requirement	-	-	-	12,682,256	1,014,578

[1] *The variance between Gross Exposures and Net Exposures represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (f) (3) (ii) Credit risk mitigation (CRM) within this disclosure document.*

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

1) RWA and Capital Requirement (Cont'd)

31 Dec 2020
(RM'000)

Exposure Class		Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
Credit Risk (Standardised Approach)					
On-Balance Sheet Exposures					
Sovereigns/Central Banks		4,455,205	4,455,205	62,665	5,013
PSEs		480,465	480,465	280,440	22,435
Banks, DFIs & MDBs		775,567	578,706	273,181	21,854
Corporates		5,874,370	5,759,605	5,226,121	418,090
Regulatory Retail		2,277,374	2,265,686	1,866,232	149,299
House Financing		4,013,725	4,013,725	1,496,942	119,755
Higher Risk Assets		5,894	5,744	8,616	689
Other Assets		166,392	166,392	43,323	3,466
Defaulted Exposures		296,254	294,717	324,088	25,927
Total for On-Balance Sheet Exposures		18,345,246	18,020,245	9,581,608	766,528
Off-Balance Sheet Exposures					
OTC Derivatives		480,884	280,884	135,720	10,858
Off balance sheet exposures other than OTC derivatives or credit derivatives		2,852,691	2,785,603	1,776,361	142,109
Defaulted Exposures		3,055	3,055	4,348	348
Total for Off-Balance Sheet Exposures		3,336,630	3,069,542	1,916,429	153,315
Total On and Off-Balance Sheet Exposures [1]		21,681,876	21,089,787	11,498,037	919,843
Market Risk (Standardised Approach)	Long position	Short position			
Profit Rate Risk	904,696	1,988,803	(1,084,107)	42,890	3,431
Foreign Currency Risk	2,802	9,667	9,667	9,667	773
	907,498	1,998,470	(1,074,440)	52,557	4,204
Operational Risk (Basic Indicator Approach)	-	-	-	1,004,660	80,373
Total RWA and Capital Requirement	-	-	-	12,555,254	1,004,420

Note:
MDBs - Multilateral Development Banks
DFIs - Development Financial Institutions
PSEs - Public Sector Entities
OTC - Over the counter

[1] *The variance between Gross Exposures and Net Exposures represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (f) (3) (ii) CRM within this disclosure document.*

Refer to Note 36 of the financial statements as at 31 December 2021 for disclosure on RWA breakdown by various risk categories.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

2) Risk Weight Profile and RWA

The tables below are disclosures on risk weights profile and RWA for credit risk of the Bank at balance sheet date.

31 Dec 2021
(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	House Financing	Higher Risk Assets	Other Assets		
0%	5,341,031	-	-	14,071	6,828	-	-	300,248	5,662,178	-
20%	688,091	530,914	190,171	718,052	-	-	-	-	2,127,228	425,446
35%	-	-	-	-	-	3,853,180	-	-	3,853,180	1,348,613
50%	-	-	631,189	430,012	6,156	269,470	-	-	1,336,827	668,414
75%	-	-	-	-	2,310,857	113,816	-	-	2,424,673	1,818,505
100%	-	311,953	34,972	5,988,722	682,912	166,427	-	69,554	7,254,540	7,254,540
150%	-	-	-	3	26,623	37,517	5,627	-	69,770	104,655
Total									22,728,396	11,620,173
Average Risk Weight	2%	50%	45%	89%	81%	40%	150%	19%	51%	

31 Dec 2020
(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation								Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	House Financing	Higher Risk Assets	Other Assets		
0%	4,141,879	-	-	16,438	8,700	-	-	123,068	4,290,085	-
20%	313,326	420,754	279,928	901,168	612	-	-	-	1,915,788	383,158
35%	-	-	-	-	-	4,114,201	-	-	4,114,201	1,439,970
50%	-	-	616,670	204,431	16,773	227,267	-	-	1,065,141	532,571
75%	-	-	-	-	2,363,596	75,992	-	-	2,439,588	1,829,691
100%	-	298,522	-	5,890,964	780,379	156,471	-	43,323	7,169,659	7,169,659
150%	-	-	-	16,545	37,416	35,092	6,272	-	95,325	142,988
Total									21,089,787	11,498,037
Average Risk Weight	1%	53%	41%	88%	82%	39%	150%	26%	55%	

Note:
MDBs - Multilateral Development Banks
DFIs - Development Financial Institutions

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk

Table 1: Geographical distribution of financing and advances breakdown by type

	31 Dec 2021				
RM'000	**Northern**	**Southern**	**Central**	**Eastern**	**Total**
Cash line-i	**16,112**	**16,643**	**37,338**	**-**	**70,093**
Term financing					
House financing	**497,572**	**466,564**	**2,772,339**	**121,038**	**3,857,513**
Syndicated term financing	**9,786**	**-**	**1,012,456**	**-**	**1,022,242**
Hire purchase receivables	**64,227**	**56,237**	**69,460**	**20,624**	**210,548**
Other term financing	**343,366**	**568,178**	**2,179,686**	**120,661**	**3,211,891**
Bills receivables	**65,924**	**66,284**	**1,015,448**	**66**	**1,147,722**
Trust receipts	**4,321**	**62,547**	**390,922**	**-**	**457,790**
Claims on customers under acceptance credits	**75,434**	**59,727**	**62,880**	**457**	**198,498**
Staff financing-i	**285**	**6**	**1,196**	**-**	**1,487**
Credit cards-i	**193,217**	**178,932**	**647,792**	**53,881**	**1,073,822**
Revolving financing	**38,951**	**51,775**	**2,033,400**	**-**	**2,124,126**
Other financing	**732**	**714**	**2,246**	**24**	**3,716**
	1,309,927	**1,527,607**	**10,225,163**	**316,751**	**13,379,448**

	31 Dec 2020				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	11,944	18,158	40,495	-	70,597
Term financing					
House financing	526,888	502,188	2,883,822	131,103	4,044,001
Syndicated term financing	-	-	1,164,754	-	1,164,754
Hire purchase receivables	50,343	62,665	76,202	17,338	206,548
Other term financing	285,942	625,369	2,612,656	145,519	3,669,486
Bills receivables	39,972	55,450	557,446	-	652,868
Trust receipts	5,230	17,802	424,151	-	447,183
Claims on customers under acceptance credits	73,152	104,918	103,156	868	282,094
Staff financing-i	725	33	1,521	7	2,286
Credit cards-i	190,881	186,467	659,968	53,007	1,090,323
Revolving financing	43,718	108,580	2,054,546	286	2,207,130
Other financing	909	589	2,097	26	3,621
	1,229,704	1,682,219	10,580,814	348,154	13,840,891

Concentration by location for financing and advances is based on the location of branches where facilities were captured.

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Pahang, Kelantan and Terengganu.
The Southern region consists of the states of Johor, Malacca and Negeri Sembilan.
The Central region consists of the states of Selangor, the Federal Territory of Kuala Lumpur and the Federal Territory of Putrajaya.
The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

Table 2: Geographical distribution of impaired financing and advances breakdown by type

	31 Dec 2021				
RM'000	**Northern**	**Southern**	**Central**	**Eastern**	**Total**
Cash line-i	**393**	**2,839**	**3,908**	**-**	**7,140**
Term financing					
House financing	**64,672**	**77,812**	**418,759**	**10,407**	**571,650**
Hire purchase receivables	**-**	**-**	**172**	**-**	**172**
Other term financing	**24,199**	**22,513**	**299,682**	**9,264**	**355,658**
Bills receivables	**-**	**2,128**	**33,446**	**-**	**35,574**
Credit cards-i	**4,047**	**4,595**	**13,948**	**1,346**	**23,936**
Revolving credit	**-**	**-**	**177,420**	**-**	**177,420**
Other financing	**720**	**624**	**2,102**	**15**	**3,461**
	94,031	**110,511**	**949,437**	**21,032**	**1,175,011**

	31 Dec 2020				
RM'000	Northern	Southern	Central	Eastern	Total
Cash line-i	393	4,260	2,044	-	6,697
Term financing					
House financing	30,822	32,922	196,026	4,530	264,300
Hire purchase receivables	-	374	61	-	435
Other term financing	14,517	15,154	250,194	8,285	288,150
Bills receivables	30	4,072	12,007	-	16,109
Credit cards-i	4,806	6,196	14,902	1,576	27,480
Other financing	876	576	2,048	24	3,524
	51,444	63,554	477,282	14,415	606,695

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

Table 3: Residual contractual maturity of financing and advances breakdown by type

	31 Dec 2021				
RM'000	**Maturing within one year**	**One year to three years**	**Three years to five years**	**Over five years**	**Total**
Cash line-i	**70,093**	**-**	**-**	**-**	**70,093**
Term financing					
House financing	**5,182**	**3,230**	**15,550**	**3,833,551**	**3,857,513**
Syndicated term financing	**793,939**	**61,441**	**26,091**	**140,771**	**1,022,242**
Hire purchase receivables	**10,218**	**80,026**	**120,304**	**-**	**210,548**
Other term financing	**349,611**	**445,392**	**891,732**	**1,525,156**	**3,211,891**
Bills receivables	**1,147,722**	**-**	**-**	**-**	**1,147,722**
Trust receipts	**457,790**	**-**	**-**	**-**	**457,790**
Claims on customers under acceptance credits	**198,498**	**-**	**-**	**-**	**198,498**
Staff financing-i	**12**	**125**	**354**	**996**	**1,487**
Credit cards-i	**1,073,822**	**-**	**-**	**-**	**1,073,822**
Revolving financing	**2,124,126**	**-**	**-**	**-**	**2,124,126**
Other financing	**3,716**	**-**	**-**	**-**	**3,716**
	6,234,729	**590,214**	**1,054,031**	**5,500,474**	**13,379,448**

	31 Dec 2020				
RM'000	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Cash line-i	70,597	-	-	-	70,597
Term financing					
House financing	6,109	3,051	15,870	4,018,971	4,044,001
Syndicated term financing	56,917	984,847	34,498	88,492	1,164,754
Hire purchase receivables	11,352	92,216	102,980	-	206,548
Other term financing	335,667	914,985	752,237	1,666,597	3,669,486
Bills receivables	652,868	-	-	-	652,868
Trust receipts	447,183	-	-	-	447,183
Claims on customers under acceptance credits	282,094	-	-	-	282,094
Staff financing-i	49	189	728	1,320	2,286
Credit cards-i	1,090,323	-	-	-	1,090,323
Revolving financing	2,207,130	-	-	-	2,207,130
Other financing	3,621	-	-	-	3,621
	5,163,910	1,995,288	906,313	5,775,380	13,840,891

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

Table 4: Distribution of financing and advances by sector, breakdown by type

31 Dec 2021
RM'000

	Cash line-i	House financing	Syndicated term financing	Hire purchase receivables	Other term financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff financing-i	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	1,715	-	-	-	7,297	-	-	1,596	-	-	-	-	10,608
Mining and quarrying	2,304	-	-	763	52,373	13,362	2,863	1,226	-	-	5,008	-	77,899
Manufacturing	24,617	-	166,862	119,900	687,097	162,052	116,440	103,636	-	-	105,263	583	1,486,450
Electricity, gas and water	171	-	-	-	5,604	204,173	-	619	-	-	134,302	-	344,869
Construction	3,984	-	-	760	252,833	77,365	22,242	10,174	-	-	596,459	-	963,817
Real estate	-	-	295,460	-	374,571	-	-	-	-	-	286,724	-	956,755
Wholesale & retail trade and restaurants & hotels	11,998	-	-	23,652	171,602	260,464	233,848	77,456	-	-	60,084	30	839,134
Transport, storage and communication	684	-	-	25,254	13,627	4,710	39,394	2,491	-	-	60,161	-	146,321
Finance, takaful and business services	10,946	-	-	6,877	80,829	16,492	-	1,300	-	-	783,647	157	900,248
Household-retail	21	3,857,513	-	-	1,259,760	-	-	-	1,487	1,073,822	-	2,944	6,195,547
Others	13,653	-	559,920	33,342	306,298	409,104	43,003	-	-	-	92,478	2	1,457,800
	70,093	3,857,513	1,022,242	210,548	3,211,891	1,147,722	457,790	198,498	1,487	1,073,822	2,124,126	3,716	13,379,448

31 Dec 2020

RM'000

	Cash line-i	House financing	Syndicated term financing	Hire purchase receivables	Other term financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff financing-i	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	1,806	-	-	1,404	9,161	-	-	-	-	-	3,021	-	15,392
Mining and quarrying	2,314	-	-	995	122,161	-	-	1,795	-	-	5,005	-	132,270
Manufacturing	22,037	-	40,782	115,260	804,710	132,127	40,043	142,898	-	-	94,703	494	1,393,054
Electricity, gas and water	3	-	-	-	6,221	14,507	-	1,003	-	-	60,308	-	82,042
Construction	7,140	-	-	2,575	202,089	80,658	21,254	8,917	-	-	733,738	15	1,056,386
Real estate	-	-	291,038	-	442,930	-	-	-	-	-	135,011	-	868,979
Wholesale & retail trade and restaurants & hotels	14,777	-	-	9,543	145,612	133,679	299,510	119,119	-	-	64,474	115	786,829
Transport, storage and communication	710	-	-	29,597	70,077	270	43,061	6,107	-	-	36,154	8	185,984
Finance, takaful and business services	9,047	-	-	12,415	148,058	13,110	-	1,567	-	-	912,053	113	1,096,363
Household-retail	28	4,044,001	-	-	1,379,487	-	-	-	2,286	1,090,323	-	2,859	6,518,984
Others	12,735	-	832,934	34,759	338,980	278,517	43,315	688	-	-	162,663	17	1,704,608
	70,597	4,044,001	1,164,754	206,548	3,669,486	652,868	447,183	282,094	2,286	1,090,323	2,207,130	3,621	13,840,891

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

Table 5: Distribution of impaired financing and advances by sector, breakdown by type

31 Dec 2021
RM'000

	Cash line-i	House financing	Hire purchase receivables	Other term financing	Bills receivables	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	**214**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**214**
Manufacturing	**5,322**	**-**	**172**	**4,549**	**14,876**	**-**	**-**	**583**	**25,502**
Construction	**-**	**-**	**-**	**906**	**-**	**-**	**136,015**	**-**	**136,921**
Wholesale & retail trade and restaurants & hotels	**-**	**-**	**-**	**7,567**	**615**	**-**	**-**	**29**	**8,211**
Finance, takaful and business services	**1,602**	**-**	**-**	**6,276**	**3,835**	**-**	**41,405**	**158**	**53,276**
Household-retail	**2**	**571,650**	**-**	**335,532**	**-**	**23,936**	**-**	**2,689**	**933,809**
Others	**-**	**-**	**-**	**828**	**16,248**	**-**	**-**	**2**	**17,078**
	7,140	**571,650**	**172**	**355,658**	**35,574**	**23,936**	**177,420**	**3,461**	**1,175,011**

31 Dec 2020
RM'000

	Cash line-i	House financing	Hire purchase receivables	Other term financing	Bills receivables	Credit cards-i	Revolving financing	Other financing	Total
Agricultural, hunting, forestry and fishing	319	-	-	-	-	-	-	-	319
Manufacturing	3,171	-	-	5,615	7,843	-	-	494	17,123
Construction	1,039	-	230	1,098	1,328	-	-	15	3,710
Wholesale & retail trade and restaurants & hotels	454	-	-	7,571	3,239	-	-	115	11,379
Transport, storage and communication	-	-	205	-	-	-	-	8	213
Finance, takaful and business services	1,713	-	-	463	3,699	-	-	113	5,988
Household-retail	1	264,300	-	251,804	-	27,480	-	2,762	546,347
Others	-	-	-	21,599	-	-	-	17	21,616
	6,697	264,300	435	288,150	16,109	27,480	-	3,524	606,695

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

Table 6: All past due financing and advances breakdown by sector [1]

	31 Dec 2021	31 Dec 2020
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	**214**	319
Manufacturing	**2,816**	6,817
Construction	**6**	3,562
Real estate	**-**	506
Wholesale & retail trade and restaurants & hotels	**6,451**	17,410
Transport, storage and communication	**648**	213
Finance, takaful and business services	**50,130**	-
Household-retail	**273,925**	635,975
Others	**17,078**	4,003
	351,268	668,805

Table 7: All past due financing and advances breakdown by geographical location [1]

	31 Dec 2021	31 Dec 2020
	RM'000	RM'000
Northern region	**37,138**	80,615
Southern region	**49,130**	91,816
Central region	**257,126**	471,881
Eastern region	**7,874**	24,493
	351,268	668,805

[1] of which the portion of impaired financing and advances breakdown by sector and geographical location is disclosed in Note 11 (iii) and 11 (v) of the financial statements as at 31 December 2021 respectively.

Table 8: Impairment allowance breakdown by sector

	31 Dec 2021	31 Dec 2020
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	**8**	83
Mining and quarrying	**14**	25
Manufacturing	**13,853**	7,995
Electricity, gas and water	**244**	2
Construction	**103,734**	4,845
Real estate	**7,795**	6,266
Wholesale & retail trade and restaurants & hotels	**1,931**	2,605
Transport, storage and communication	**178**	891
Finance, insurance/takaful and business services	**51,994**	66
Household-retail	**325,689**	320,412
Others	**17,942**	5,125
	523,382	348,315

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

Table 9: Impairment allowance breakdown by geographical location

	31 Dec 2021	31 Dec 2020
	RM'000	RM'000
Northern region	**39,209**	35,613
Southern region	**43,689**	39,923
Central region	**429,887**	261,571
Eastern region	**10,597**	11,208
	523,382	348,315

The breakdown of financing impairment provisions during the year is disclosed in Note 12 (i) of the financial statements as at 31 December 2021.

Table 10: Net impairment allowance in profit or loss for the year breakdown by sector

(Release) / Charges	**31 Dec 2021**	31 Dec 2020
	RM'000	RM'000
Agricultural, hunting, forestry and fishing	**(71)**	58
Mining and quarrying	**(11)**	(29)
Manufacturing	**5,126**	3,249
Electricity, gas and water	**238**	(451)
Construction	**98,892**	(339)
Real estate	**5,246**	3,231
Wholesale & retail trade and restaurants & hotels	**(521)**	1,887
Transport, storage and communication	**(578)**	(272)
Finance, insurance/takaful and business services	**48,159**	(481)
Household-retail	**41,086**	155,129
Others	**12,570**	2,483
	210,136	164,465

The breakdown of financing impairment provisions during the year is disclosed in Note 29 (i) of the financial statements as at 31 December 2021.

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

i) External Credit Assessment Institutions (ECAIs)

The standardised approach requires banks to use risk assessments prepared by ECAIs to determine the risk weightings applied to rated counterparties.

ECAIs are used by the Bank as part of the determination of risk weightings for the following classes of exposure:

- Sovereigns and Central Banks
- Multilateral development banks
- Public sector entities
- Corporates
- Banks

For the purpose of Pillar 3 reporting to BNM, the Bank uses the external credit ratings from the following ECAIs:

- Standard & Poor's Rating Services (S&P)
- Moody's Investors Services (Moody's)
- Fitch Ratings (Fitch)
- RAM Rating Services Berhad (RAM)
- Malaysian Rating Corporation Berhad (MARC)

Data files of external ratings from the nominated ECAIs are matched with the customer records in the Bank's centralised credit database. When calculating the risk-weighted value of any exposure under the standardised approach, the customer in question is identified and matched to a rating, according to BNM's selection rules. The relevant risk weight is then derived using BNM's detailed risk weights and rating categories. All other exposure classes are assigned risk weightings as detailed in BNM Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets).

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

Below are the summary tables of long and short term ratings governing the high level assignment of risk weights under the standardised approach:

Long Term Rating Category		1	2	3	4	5	6	7
Rating Agency	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	B1 to B3	Caa1 and below	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to BB3	B1 to B3	C1 and below	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	C+ and below	Unrated

Short Term Rating Category		1	2	3	4	5
Rating Agency	S & P	A-1	A-2	A-3	Others	Unrated
	Moody's	P-1	P-2	P-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated

Risk Weights Based on Credit Rating of the Counterparty Exposure Class						
	Long Term Rating					Short Term Rating
			Banking Institutions			
Rating Category	Sovereigns and Central Banks	Corporates	Risk weight (original maturity greater than 6 months)	Risk weight (original maturity of 6 months or less)	Risk weight (original maturity of 3 months or less)	
1	0%	20%	20%	20%	20%	20%
2	20%	50%	50%	20%	20%	50%
3	50%	100%	50%	20%	20%	100%
4	100%	100%	100%	50%	20%	150%
5	100%	150%	100%	50%	20%	N/A
6	150%	150%	150%	150%	20%	N/A
7	100%	100%	50%	20%	20%	N/A

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

The rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:

31 Dec 2021
RM '000

Exposure Class	Long Term Rating Category 1	2	3	4	5	6	7	Total
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	5,341,031	688,092	-	-	-	-		6,029,123
PSEs								
- Exposures risk-weighted using ratings of Corporates	39,608	-	-	-	-	-		39,608
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	308,463	623,909	-	-	5,414	-		937,786
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	1,500	-	-	-	-	-		1,500
- Exposures risk-weighted using ratings of Corporates	608,490	8,616	42,081	-	-	-		659,187
	6,299,092	1,320,617	42,081	-	5,414	-		7,667,204
(ii) Total unrated exposures							14,702,274	14,702,274
Total Long Term Exposure	6,299,092	1,320,617	42,081	-	5,414	-	14,702,274	22,369,478

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2021
RM '000

Exposure Class	Short Term Rating Category 1	2	3	4	5	Total
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
PSEs						
- Exposures risk-weighted using ratings of Corporates	**241,209**	**-**	**-**	**-**		**241,209**
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	**83,003**	**406**	**-**	**-**		**83,409**
Corporates						
- Exposures risk-weighted using ratings of Corporates	**517,849**	**-**	**-**	**-**		**517,849**
	842,061	**406**	**-**	**-**	**-**	**842,467**
(ii) Total unrated exposures					**-**	**-**
Total Short Term Exposures	**842,061**	**406**	**-**	**-**	**-**	**842,467**

Total Long Term and Short Term Exposures:	**23,211,945**

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2020
RM '000

	Long Term Rating Category							
Exposure Class	1	2	3	4	5	6	7	Total
On and Off Balance Sheet Exposures								
(i) Total rated exposures								
Sovereigns & Central Banks								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	4,141,879	313,326	-	-	-	-		4,455,205
PSEs								
- Exposures risk-weighted using ratings of Corporates	20,420	-	-	-	-	-		20,420
Banks, DFIs & MDBs								
- Exposures risk-weighted using ratings of Banking Institutions	417,244	612,526	196,861	-	-	-		1,226,631
Corporates								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	3,503	-	-	-	-	-		3,503
- Exposures risk-weighted using ratings of Corporates	570,329	80,473	120,127	-	-	-		770,929
	5,153,375	1,006,325	316,988	-	-	-		6,476,688
(ii) Total unrated exposures							14,542,084	14,542,084
Total Long Term Exposures	5,153,375	1,006,325	316,988	-	-	-	14,542,084	21,018,772

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

i) ECAIs (Cont'd)

31 Dec 2020
RM '000

Exposure Class	Short Term Rating Category 1	2	3	4	5	Total
On and Off Balance Sheet Exposures						
(i) Total rated exposures						
PSEs						
- Exposures risk-weighted using ratings of Corporates	150,303	-	-	-		150,303
Banks, DFIs & MDBs						
- Exposures risk-weighted using ratings of Banking Institutions	64,601	1,048	-	-		65,649
Corporates						
- Exposures risk-weighted using ratings of Corporates	447,152	-	-	-		447,152
	662,056	1,048	-	-	-	663,104
(ii) Total unrated exposures					-	-
Total Short Term Exposures	662,056	1,048	-	-	-	663,104

Total Long Term and Short Term Exposures	21,681,876

Note:
MDBs - Multilateral Development Banks
DFIs - Development Financial Institutions
PSEs - Public Sector Entities

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

ii) Credit Risk Mitigation (CRM)

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Bank's policy when granting credit facilities is on the basis of the customer's capacity to repay, rather than placing primary reliance on credit risk mitigants. Depending on the customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is nevertheless a key aspect of effective risk management in the Bank, takes many forms.

The Bank's general policy is to promote the use of CRM, justified by commercial prudence and good practice as well as capital efficiency. Specific, detailed policies cover acceptability, structuring and terms of various types of business with regard to the availability of credit risk mitigants, for example in the form of collateral security, and these policies, together with the determination of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

The most common method of mitigating credit risk is to take collateral. The principal collateral types employed by the Bank are as follows:

- under the residential and real estate business; mortgages over residential and financed properties;
- under certain Islamic specialised financing and leasing transactions (such as machinery financing) where physical assets form the principal source of facility repayment, physical collateral is typically taken;
- in the commercial and industrial sectors, charges over business assets such as premises, stock and debtors;
- facilities provided to small and medium enterprises are commonly granted against guarantees by their owners/directors; or by third party credit guarantee institutions;
- guarantees from third parties can arise where facilities are extended without the benefit of any alternative form of security, e.g. where the Bank issues a bid or performance sukuk in favour of a non-customer at the request of another bank;
- under the institutional sector, certain trading facilities are supported by charges over financial instruments such as cash, debt securities and equities;
- financial collateral in the form of cash and marketable securities are used in much of the over-the-counter (OTC) derivatives activities and in the Bank's securities financing business; and
- netting is used where appropriate, and supported by market standard documentation.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt of cash, securities or equities. Daily settlement limits are established for counterparties to cover the aggregate of all the settlement risk arising from all the transactions involved on a single day. Settlement risk on many transactions, particularly those involving securities and equities, is substantially mitigated by settling through assured payment systems or on a delivery-versus-payment basis.

Policies and procedures govern the protection of the Bank's position from the outset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed documentation permitting the offset of credit balances against debt obligations and through controls over the integrity, current valuation and, if necessary, realisation of collateral security.

The valuation of credit risk mitigants seeks to monitor and ensure that they will continue to provide the secured repayment source anticipated at the time they were taken. The Bank's policy prescribes valuation annually, or more frequently as the need may arise, for impaired accounts. For property taken as collateral for new or additional facilities, a valuation report is required from a panel valuer. For auction purposes, full valuations are compulsory. This is to avoid the risk of the settlement sum being challenged by the customer/charger on the grounds that the correct valuation was not applied.

The appointment of panel valuers is conducted via Vendor Risk Management whereby due diligence is undertaken in accordance with Suppliers Risk Management and Third Party Associated Persons Bribery Risk Assessment and Due Diligence Policy at the origination of the relationship in accordance with Group Third Party Risk Management Policy.

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

The table below shows the on and off balance sheet exposures before and after CRM:

31 Dec 2021
RM'000

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	6,012,322	-	-
PSEs	678,358	-	-
Banks, DFIs & MDBs	638,026	-	-
Corporates	5,453,918	151,390	178,600
Regulatory Retail	2,143,547	5,350	12,657
House Financing	3,802,947	-	-
Higher Risk Assets	5,053	-	150
Other Assets	369,802	-	-
Defaulted Exposures	313,479	5,599	1,169
Total for On-Balance Sheet Exposures	19,417,452	162,339	192,576
Off-Balance Sheet Exposures			
OTC Derivatives	355,953	-	197,731
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,432,360	36,168	90,983
Defaulted Exposures	6,180	-	2,259
Total for Off-Balance Sheet Exposures	3,794,493	36,168	290,973
Total On and Off-Balance Sheet Exposures	23,211,945	198,507	483,549

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures (Cont'd)

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

ii) CRM (Cont'd)

The table below shows the on and off balance sheet exposures before and after CRM:

31 Dec 2020
RM'000

Exposure Class	Exposures Before Credit Risk Mitigation	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	4,455,205	-	-
PSEs	480,465	-	-
Banks, DFIs & MDBs	775,567	-	196,861
Corporates	5,874,370	142,564	114,765
Regulatory Retail	2,277,374	7,219	11,688
House Financing	4,013,725	-	-
Higher Risk Assets	5,894	-	150
Other Assets	166,392	-	-
Defaulted Exposures	296,254	4,068	1,537
Total for On-Balance Sheet Exposures	18,345,246	153,851	325,001
Off-Balance Sheet Exposures			
OTC Derivatives	480,884	-	200,000
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,852,691	39,704	67,088
Defaulted Exposures	3,055	-	-
Total for Off-Balance Sheet Exposures	3,336,630	39,704	267,088
Total On and Off-Balance Sheet Exposures	21,681,876	193,555	592,089

Note:
MDBs - Multilateral Development Banks
DFIs - Development Financial Institutions
PSEs - Public Sector Entities
OTC - Over the Counter

(f) Risk management (Cont'd)

3) Credit Risk (Cont'd)

iii) Counterparty Credit Risk

In respect of counterparty credit risk exposures which arise from OTC derivative transactions, a credit limit for counterparty credit risk (CCR) is assigned, monitored and reported in accordance with the Group risk methodology. The credit limit established takes into account the mark to market and the future potential exposure measured on the basis of 95 percentile potential worst case loss estimates for the product involved. These methods of calculating credit exposures apply to all counterparties and differences in credit quality are reflected in the size of the limits.

The policy for secured collateral on derivatives is guided by the Group's Internal Best Practice Guidelines ensuring the due diligence necessary to fully understand the effectiveness of netting and collateralisation by jurisdiction, counterparty, product and agreement type is fully assessed and that the due-diligence standards are high and consistently applied.

4) Rate of Return Risk

Sensitivity of projected Net Profit/Finance Income

The profit rate sensitivities set out in the table below are illustrative only and are based on simplified scenarios.

Change in projected net finance income in next 12 months arising from a shift in profit rates of:

	RM'000			
	31 Dec 2021		31 Dec 2020	
Basis point parallel shift in yield curves	*+ 100 bps*	*- 100 bps*	*+ 100 bps*	*- 100 bps*
MYR	**(12,186)**	**8,640**	(14,418)	6,671
USD	**2,824**	**(2,466)**	2,380	(256)
Others	**236**	**(42)**	6,554	1,566
	(9,126)	**6,132**	(5,484)	7,981

The increase or decline in economic value for upward and downward rate shocks for measuring profit rate risk/rate of return risk in the banking book are as follows:

Change in projected economic value of equity arising from a shift in profit rates of :

	RM'000			
	31 Dec 2021		31 Dec 2020	
Basis point parallel shift in yield curves	*+ 200 bps*	*- 200 bps*	*+ 200 bps*	*- 200 bps*
MYR	**(101,380)**	**114,487**	(107,964)	124,123
USD	**(4,988)**	**2,450**	(13,375)	6,919
Others	**(1,404)**	**320**	(2,042)	1,113
	(107,772)	**117,257**	(123,381)	132,155

The sensitivity of reported reserves in 'other comprehensive income' to profit rate movements are monitored on a monthly basis by assessing the expected reduction in valuation of financial investments at fair value through other comprehensive income (FVOCI) portfolios to parallel movements of plus or minus 100 basis points in all yield curves.

Sensitivity of reported reserves in 'other comprehensive income' to profit rate movements:

	RM'000			
	31 Dec 2021		31 Dec 2020	
Basis point parallel shift in yield curves	*+ 100bps*	*- 100bps*	*+ 100bps*	*- 100bps*
MYR	**(29,565)**	**29,565**	(23,675)	23,675
	(29,565)	**29,565**	(23,675)	23,675

(f) Risk management (Cont'd)

5) Shariah Governance

Overview

Shariah compliance is a cornerstone and is integral to the stability of Islamic banking and finance's industry. An effective Shariah governance policy enhances the diligent oversight accountabilities of the BOD, the Shariah Committee and the Management to ensure that the operations and business activities of the Bank remains consistent with Shariah principles and its requirements.

To ensure Shariah compliance in all aspects of day-to-day Islamic finance activities, the Malaysian regulatory bodies such as BNM and Securities Commission have outlined several provisions in relation to the establishment of a Shariah Committee and an internal Shariah Department in an Islamic Financial Institution (IFI). The Shariah Committee is an independent Shariah advisory body which plays a vital role in providing Shariah views and decisions pertaining to Islamic finance. The Shariah Committee also performs an oversight role on Shariah decisions/advice related to the Bank's business operations and activities. At the institutional level, the Shariah Department acts as a delegated authority of the Shariah Committee in providing Shariah advisory to the Management team of the IFI. The Shariah Department together with the Shariah Committee has the role to assist the Management in ensuring that all activities of the IFI are in compliance with the Shariah rules and principles, and expectations for effective Shariah governance arrangements in accordance with the guidelines laid down by Shariah-Regulatory Framework Policy Document (PD) and Shariah Governance Policy Document (SGPD) of BNM, respectively. However, the accountability to ensure Shariah compliance remains with the IFI's BOD.

Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per the SGPD

The governance structure of the Bank and the primary responsibilities of each function are set out below:

a. **Board of Directors**
To have the ultimate oversight accountability for the institutionalisation of overall Shariah governance framework and Shariah compliance of the Bank.

b. **Shariah Committee**
To have the oversight responsibility and accountability in providing objective and sound advice or decisions to ensure on the operations, affairs and business activities of the Bank are in compliance with Shariah.

c. **CEO and Management**
To be primarily responsible over the day-to-day management of the Bank in ensuring compliance with Shariah in all aspects of its operations, affairs and business activities by observing and implementing the Shariah rulings by the Shariah Advisory Council of BNM (SAC) and decisions of the Shariah Committee, and to identify and refer any Shariah issues to the Shariah Committee for its decisions, views and opinions.

d. **Shariah Audit**
To provide independent assessment on the quality and effectiveness of the Bank's internal control, risk management systems, governance processes as well as the overall compliance of the Bank's operations, businesses, affairs and activities with Shariah.

e. **Shariah Risk Management**
To identify, measure, monitor and report Shariah non-compliance risks in the operations, businesses, affairs and activities of the Bank as well as to formulate and recommend appropriate Shariah non-compliance risk management policies and procedures and risk awareness programmes.

(f) Risk management (Cont'd)

5) Shariah Governance (Cont'd)

Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per the SGPD (Cont'd)

f. Shariah Department

i) Shariah Review

To conduct regular assessment on the compliance of the operations, businesses, affairs and activities of the Bank with Shariah requirements.

To ensure that all procedural guidelines, rules and regulations issued by BNM and other regulatory bodies relating to Shariah as well as internal guidelines, policies and procedures, manuals and all Shariah rules and principles issued by the Shariah Committee and Shariah Department are adhered to, with due regard to the business needs and Shariah requirements.

ii) Shariah Advisory

To perform in-depth research and studies on Shariah issues and to provide day-to-day Shariah advice and approval on Shariah matters based on the rulings of the SAC and decisions or advice of the Shariah committee to relevant parties, including the Management, product development and business teams as well as the supporting functions.

iii) Shariah Secretariat

To coordinate, communicate and disseminate information among the Shariah committee, the board and senior management, and to ensure proper dissemination of decisions or advice of the Shariah Committee within the Bank.

iv) Knowledge and Skills Monitoring

To develop content and learning materials on knowledge relevant to HBMS Products and to run the training programmes and monitor the level of Shariah related knowledge and skills by the staff involved in the cycle of the Bank's products.

Quantitative Disclosure

a. Shariah Non-Compliance Events:

During the financial year ended 31 December 2021, no actual Shariah non-compliance event has been identified.

b. Shariah Non-Compliance Income:

During the financial year ended 31 December 2021 the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

i) The amount of RM944 in the Account was carried forward from 2020 to 2021.

ii) Income from inadvertent Shariah non-compliance activities identified by the Bank's management amounted to RM4,290 as at 31 December 2021 received from transactions via Nostro Accounts has been reversed to the Account.

iii) Income from other inadvertent activities identified by the Bank to be distributed to charity amounted to RM254 was received from a refund exercise by Business that couldn't be completed due to non-identification of the owner of the amount/account.

iv) RM4,715 was donated to Pertiwi Soup Kitchen.

The balance of RM773 in the Account is pending distribution in 2022.

Other than the above, there were no other Shariah non-compliance income or other amounts recorded during the financial year ended 31 December 2021.