Pillar 3 **Disclosure** as at 31 December 2020

OVERVIEW

The Pillar 3 Disclosure is required under the Bank Negara Malaysia ("BNM")'s Risk-Weighted Capital Adequacy Framework ("RWCAF"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision and the Islamic Financial Services Board. Basel II consists of 3 Pillars as follows:

(a) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks they assume;

(b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions to develop and employ more rigorous risk management framework and techniques, including specific oversight by the Board of Directors ("the Board") and senior management on internal controls and corporate governance practices, to ensure that banking institutions maintain adequate capital levels consistent with their risk profile and business plan at all times; and

(c) Pillar 3 aims to harness market discipline through enhanced disclosure to supplement regulatory supervision of banking institutions through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions.

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

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

MINIMUM REGULATORY CAPITAL REQUIREMENTS

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

	2020		2019	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	**266,754,650**	**21,340,372**	252,112,870	20,169,030
Market Risk	**4,719,681**	**377,574**	5,040,545	403,244
Operational Risk	**20,141,735**	**1,611,339**	20,139,900	1,611,192
Large Exposure Risk	**668,423**	**53,474**	612,893	49,031
Total	**292,284,489**	**23,382,759**	277,906,208	22,232,497
Bank				
Credit Risk	**212,310,530**	**16,984,842**	201,778,618	16,142,289
Market Risk	**4,741,815**	**379,345**	5,473,692	437,895
Operational Risk	**13,689,994**	**1,095,200**	14,036,638	1,122,931
Large Exposure Risk	**641,027**	**51,282**	587,405	46,992
Total	**231,383,366**	**18,510,669**	221,876,353	17,750,107

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank and its subsidiary and associated companies. The Group offers Islamic banking financial services via the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("Public Islamic"). Information on subsidiary and associated companies of the Group is available in Notes 15 and 16 to the financial statements respectively.

The basis of consolidation for financial accounting purposes is described in Note 2(iii)(b) to the financial statements, and differs from that used for regulatory capital purposes. The investment in its insurance associated company, which is equity-accounted in the financial accounting consolidation and the investment in the subsidiary company engaged in insurance activities is excluded from the regulatory consolidation and is deducted from the regulatory capital.

There were no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group during the financial year.

All information in the ensuing sections is based on the Group's positions. Certain information on capital adequacy relating to the Bank is presented on a voluntary basis to provide additional information to users. The capital adequacy-related information of the Bank, which is presented on a global basis, includes its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd, as required under the RWCAF.

2. CAPITAL MANAGEMENT

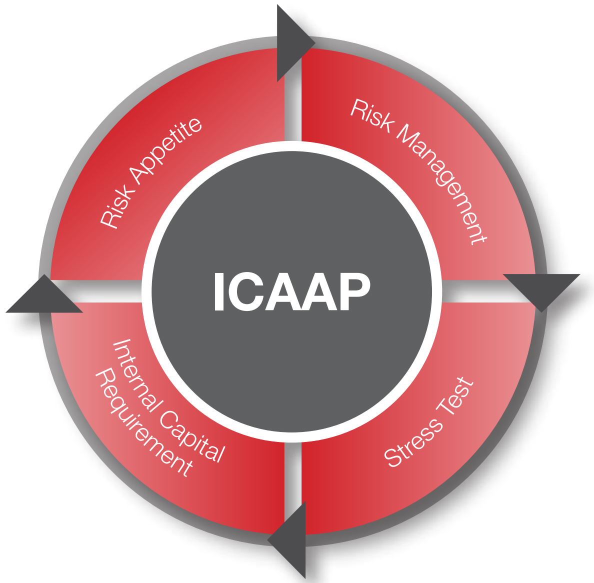
The objective of the Group's capital management is to protect the interests of its depositors, creditors and shareholders. To achieve this, the capital management is subject to ongoing review and the Board's approval on the level and composition of the Group's total capital, assessed against the following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

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

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

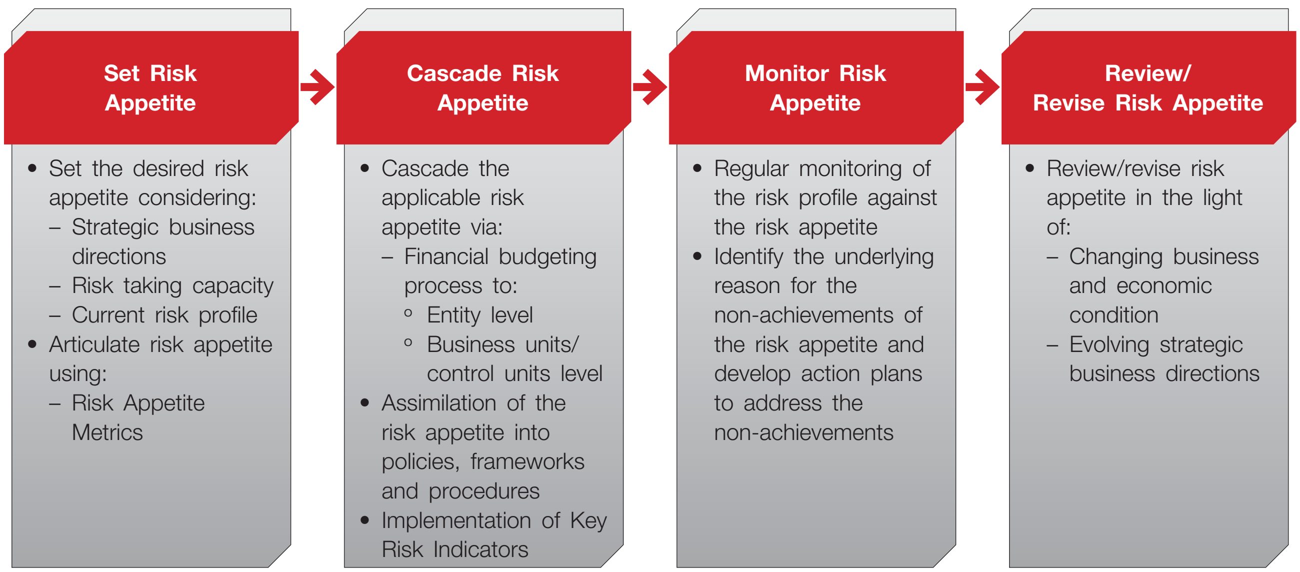
2. CAPITAL MANAGEMENT (CONTINUED)

The key elements of the Group's ICAAP are as follows:



(a) Risk Appetite

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



2. CAPITAL MANAGEMENT (CONTINUED)

(b) Risk Management

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

The key principles and components of the Group's Risk Management Framework are further discussed in item 3 of the Pillar 3 Disclosure.

In addition, an annual comprehensive risk assessment is undertaken across all the banking entities within the Group as part of ICAAP to identify and assess the following risks:

(i) Risks captured under Pillar 1 (credit risk, operational risk and market risk);

(ii) Risks not fully captured under Pillar 1 (e.g. model risk and residual credit risk); and

(iii) Risk types not covered by Pillar 1 (e.g. credit concentration risk, interest rate risk on banking book, reputation risk, amongst others).

Compile a Comprehensive List of Risks

To obtain a comprehensive list of risks inherent to banking business guided by the guidelines issued by:
- BNM or respective Regulators
- Basel Committee and Banking Committees

Identify Risks that are Applicable to the Group

From the comprehensive list of risks, identify the risks that are applicable to the Group/respective entities taking into consideration the current risk taking activities of the Group/respective entities

Assess the Applicable Risks

For risks that are identified to be applicable to the Group/respective entities, ensure the risk assessments are supported by the following:
- consistent and robust risk assessment approaches
- quality data used for risk measurement
- sound techniques and methodologies that commensurate with the banking institution's size, nature of business and complexity of activities

All assessments of risks incorporate both quantitative and/or qualitative assessment.

Qualitative Approach

Risks which may not be easily quantified due to lack of commonly accepted risk measurement techniques.

The focus for such non-quantifiable risks would then be the risk processes put in place to manage these risks including the following:
- Adequate governance process
- Adequate system, procedure and internal controls
- Effective risk mitigation strategies
- Regular monitoring and reporting

Quantitative Approach

Risks which can be quantified based on best practices methodologies which are prescribed by regulators or internal methodologies, capital will be set aside for the amount of quantified risks.

Apart from this, the quantified liquidity risk will be managed through the holdings of high quality liquid assets or identification of alternative funds.

2. CAPITAL MANAGEMENT (CONTINUED)

(c) Stress Test

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

(i) To ensure the establishment of a comprehensive and consistent stress test process in conducting the stress test by all entities within the Group;

(ii) To drive the development of stress test parameters, assumptions and scenarios that are relevant and effective, taking into account the nature, risk profile and complexity of the Group's business as well as the environment in which it operates;

(iii) To ensure all material risks are captured in the stress test including emerging risks;

(iv) To ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management and the relevant committees prior to the execution of the stress test exercise; and

(v) To ensure the adverse unexpected outcomes are identified and that capital buffers are set aside to absorb losses that may be experienced during an economic downturn.

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

(d) Internal Capital Requirement

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

3. RISK MANAGEMENT FRAMEWORK

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

(a) Risk Governance Structure;

(b) Risk Appetite;

(c) Risk Management Culture; and

(d) Risk Management and Internal Controls.

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure

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

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

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure (continued)

Board of Directors

The Board has overall responsibility for the Group's risk management and internal control system. For this purpose, the Board:

(i) Ensures that the corporate objectives are supported by sound risk strategies and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities;

(ii) Responsible for the overall oversight on the soundness of the risk management processes and internal controls;

(iii) Responsible for the remuneration of the senior management and that the remuneration is aligned with prudent risk taking; and

(iv) Provides direction and guidance to the senior management on action plans to be taken to address the material risks identified.

Risk Management Committee

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

Credit Risk Management Committee

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

Compliance Committee

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

Audit Committee

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

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure (continued)

Shariah Committee

The Shariah Committee ("SC") is responsible to provide advice to ensure Public Islamic's operations, business, affairs and activities are Shariah compliant. This includes advising the Board and Management on Shariah matters, endorsing Shariah policies, products and services and the relevant documentation in relation to Islamic banking operations, as well as deliberating and affirming Shariah non-compliance findings and endorsing rectification measures to address any Shariah non-compliance event.

Dedicated Risk Committees

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

(i) Ensuring all relevant and material risks associated with the Group have been identified and assessed and are operating within the Group's risk appetite;

(ii) Implementing, assessing and monitoring the risk management and internal control system in accordance with the Group's risk management strategies and overall risk appetite; and

(iii) Identifying changes in the operating environment which may give rise to risks and taking the appropriate actions followed by the prompt escalation of the identified risks and actions to the Board.

(b) Risk Appetite

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

(c) Risk Management Culture

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

(i) Strong corporate governance;

(ii) Organisational structure with clearly defined roles and responsibilities;

(iii) Effective communication;

(iv) Commitment to compliance with laws, regulations and internal controls;

(v) Integrity in fiduciary responsibilities;

(vi) Clear policies, procedures and guidelines; and

(vii) Continuous training.

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Risk Management and Internal Controls

The Group's risk management and internal control system provide reasonable assurance on the adequacy and effectiveness of the risk management approach in identifying, measuring, continuous monitoring and reporting of all the relevant and material risks on a group and entity-wide basis, including new and emerging risks.

The key elements of risk management and internal controls are as follows:

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE

The following tables present the capital adequacy ratios and the capital structure of the Group and of the Bank.

(a) Capital Adequacy Ratios of the Group and of the Bank

	Group		Bank	
	2020	2019	2020	2019
Before deducting interim dividends*:				
Common Equity Tier I ("CET I") capital ratio	**14.815%**	14.019%	**13.702%**	12.808%
Tier I capital ratio	**14.869%**	14.076%	**13.745%**	12.853%
Total capital ratio	**18.011%**	17.317%	**17.053%**	16.243%
After deducting interim dividends*:				
CET I capital ratio	**13.951%**	13.460%	**12.611%**	12.108%
Tier I capital ratio	**14.005%**	13.517%	**12.654%**	12.153%
Total capital ratio	**17.147%**	16.758%	**15.962%**	15.543%

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

The capital adequacy ratios of the banking subsidiary companies of the Bank are set out in Note 50(d) to the financial statements.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II – 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.

Banking institutions are also required to maintain a CCB of 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. Where the prevailing CCyB rate applied in jurisdictions outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the Group's and the Bank's CCyB, unless specified otherwise by BNM.

The Group's and the Bank's CCyB which are determined based on the weighted average of prevailing CCyB rates of their private sector credit exposures outside Malaysia are insignificant due to their immaterial exposures. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Effective from 25 March 2020, the Group and the Bank are allowed to drawdown the CCB of 2.5% to manage the impact of the COVID-19 pandemic. However, BNM expects the Group and the Bank to rebuild this buffer after 31 December 2020 and to meet the minimum regulatory requirements by 30 September 2021. As at the reporting date, the Group and the Bank continued to maintain CCB of 2.5%.

As allowed under the BNM's Capital Adequacy Frameworks 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 Group and the Bank have not applied the said transitional arrangements.

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CET I/Tier I capital				
Share capital	**9,417,653**	9,417,653	**9,417,653**	9,417,653
Other reserves	**1,518,824**	1,273,513	**793,110**	671,090
Retained profits	**34,290,480**	30,245,351	**28,373,510**	25,267,007
Qualifying non-controlling interests	**682,379**	696,901	**–**	–
Less: Goodwill and other intangible assets	**(2,417,727)**	(2,443,039)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(81,637)**	(83,484)	**–**	(11,307)
Less: Defined benefit pension fund assets	**(2,748)**	(48,430)	**(2,059)**	(47,736)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	**(105,998)**	(99,419)	**(6,183,241)**	(6,183,241)
Total CET I capital	**43,301,226**	38,959,046	**31,703,580**	28,418,073
Additional Tier I capital securities	**99,702**	99,582	**99,702**	99,582
Qualifying CET I and additional Tier I capital instruments held by third parties	**57,785**	58,619	**–**	–
Total Tier I capital	**43,458,713**	39,117,247	**31,803,282**	28,517,655
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances	**2,664,293**	1,685,918	**1,966,983**	1,256,999
Qualifying regulatory reserves	**670,140**	1,465,493	**686,899**	1,265,234
Subordinated notes	**4,999,992**	4,999,986	**4,999,992**	4,999,986
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**718,503**	716,141	**–**	–
Others	**130,972**	139,117	**–**	–
Total Tier II capital	**9,183,900**	9,006,655	**7,653,874**	7,522,219
Total capital	**52,642,613**	48,123,902	**39,457,156**	36,039,874

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure (continued)

The Group has issued various capital instruments which qualify as components of regulatory capital under the BNM's Capital Adequacy Framework (Capital Components), as summarised in the following table:

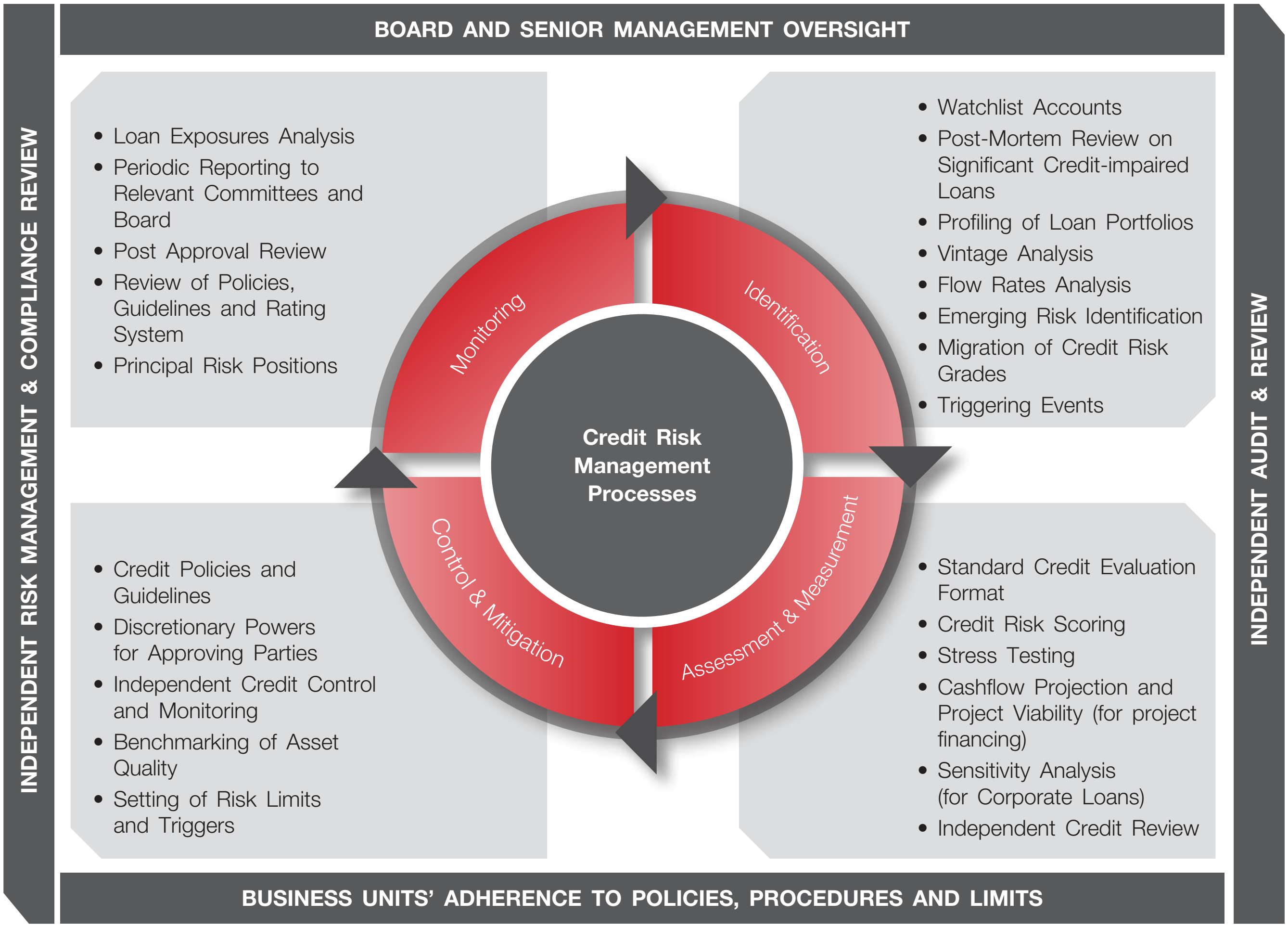
Capital Instruments		Capital Component	Main Features
Issued by the Bank:			
(a)	Basel III-Compliant Additional Tier I capital securities ("Basel III-ATICS")	Tier I Capital	• Subordinated to all liabilities, including depositors and Subordinated Notes/Sukuk Murabahah • Unsecured • Perpetual, with optional redemption after 5 years. No step-up • Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-ATICS may be subject to write-off • The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-ATICS
(b)	Basel III-Compliant Subordinated notes ("Basel III-Compliant Sub Notes")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to Basel III-ATICS • Unsecured • Optional redemption after 5 years. No step-up • Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Notes may be subject to write-off • The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-Compliant Sub Notes
Issued by Public Islamic:			
(a)	Basel III-Compliant Subordinated Sukuk Murabahah ("Basel III-Compliant Sub Sukuk Murabahah")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to Basel III-ATICS • Unsecured • Optional redemption after 5 years. No step-up • Upon occurrence of a Trigger Event at the Bank/Public Islamic as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Sukuk Murabahah may be subject to write-off • The write-off shall not constitute an event of default or trigger any cross-default under the Basel III-Compliant Sub Sukuk Murabahah

The details of the capital instruments are found in Note 25 to the financial statements.

5. CREDIT RISK

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

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



The risk governance and risk management approach for credit risk are set out in the credit risk section of Note 45 to the financial statements.

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank.

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2020				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	63,973,370	63,773,224	1,765,830	141,266
Public Sector Entities	1,861,971	1,861,971	60,177	4,814
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	16,477,631	16,477,631	5,458,732	436,699
Insurance Companies, Securities Firms and Fund Managers	543,103	543,045	462,979	37,038
Corporates	91,155,289	88,015,763	69,105,373	5,528,430
Regulatory Retail	138,252,818	137,162,370	105,589,777	8,447,182
Residential Mortgages	127,906,725	127,670,406	57,691,945	4,615,356
Higher Risk Assets	77,818	77,780	116,670	9,334
Other Assets	7,515,345	7,515,345	4,505,665	360,453
Equity Exposures	822,877	822,877	822,877	65,830
Defaulted Exposures	1,080,657	1,078,851	1,373,339	109,867
	449,667,604	444,999,263	246,953,364	19,756,269
Off-Balance Sheet Exposures				
Credit-related Exposures	24,383,247	23,735,996	19,439,498	1,555,160
Derivative Financial Instruments	938,550	938,550	343,166	27,453
Other Treasury-related Exposures	42,424	42,424	6,413	513
Defaulted Exposures	8,779	8,779	12,209	977
	25,373,000	24,725,749	19,801,286	1,584,103
Total Credit Exposures	475,040,604	469,725,012	266,754,650	21,340,372

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank. (continued)

Group 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
2019				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	59,836,515	59,836,515	1,313,914	105,113
Public Sector Entities	1,709,913	1,709,913	30,712	2,457
Banks, DFIs and MDBs	12,404,531	12,404,531	4,385,345	350,827
Insurance Companies, Securities Firms and Fund Managers	567,296	567,236	567,236	45,379
Corporates	92,379,595	89,194,029	68,496,322	5,479,706
Regulatory Retail	132,937,578	131,841,201	101,664,887	8,133,191
Residential Mortgages	118,060,283	117,855,231	51,026,701	4,082,136
Higher Risk Assets	76,056	76,055	114,083	9,127
Other Assets	7,648,536	7,648,536	4,341,738	347,339
Equity Exposures	774,913	774,913	774,913	61,993
Defaulted Exposures	1,295,287	1,294,748	1,670,835	133,667
	427,690,503	423,202,908	234,386,686	18,750,935
Off-Balance Sheet Exposures				
Credit-related Exposures	21,895,056	21,241,224	17,399,315	1,391,945
Derivative Financial Instruments	787,361	787,361	311,299	24,904
Other Treasury-related Exposures	65,652	65,652	4,669	374
Defaulted Exposures	8,080	8,080	10,901	872
	22,756,149	22,102,317	17,726,184	1,418,095
Total Credit Exposures	450,446,652	445,305,225	252,112,870	20,169,030

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank. (continued)

Bank Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2020				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	42,886,612	42,686,467	125,518	10,041
Public Sector Entities	463,918	463,918	3,169	253
Banks, DFIs and MDBs	8,979,340	8,979,340	3,005,594	240,447
Insurance Companies, Securities Firms and Fund Managers	19,801	19,795	19,795	1,584
Corporates	75,173,738	72,406,475	56,221,796	4,497,744
Regulatory Retail	106,525,774	105,633,406	80,073,736	6,405,899
Residential Mortgages	99,375,010	99,183,094	44,140,522	3,531,242
Higher Risk Assets	65,850	65,832	98,749	7,900
Other Assets	6,301,878	6,301,878	4,747,241	379,779
Equity Exposures	6,717,506	6,717,506	6,717,506	537,400
Defaulted Exposures	816,323	814,606	1,050,908	84,073
	347,325,750	343,272,317	196,204,534	15,696,362
Off-Balance Sheet Exposures				
Credit-related Exposures	19,881,061	19,276,593	15,696,200	1,255,696
Derivative Financial Instruments	1,218,406	1,218,406	394,923	31,594
Other Treasury-related Exposures	42,424	42,424	6,412	513
Defaulted Exposures	6,171	6,171	8,461	677
	21,148,062	20,543,594	16,105,996	1,288,480
Total Credit Exposures	368,473,812	363,815,911	212,310,530	16,984,842

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank. (continued)

Bank 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
2019				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	37,503,871	37,503,871	69,742	5,579
Public Sector Entities	457,980	457,980	2,865	229
Banks, DFIs and MDBs	7,522,814	7,522,814	2,365,922	189,274
Insurance Companies, Securities Firms and Fund Managers	11,872	11,863	11,863	949
Corporates	75,598,466	73,229,552	55,702,916	4,456,233
Regulatory Retail	102,449,301	101,555,104	77,039,676	6,163,174
Residential Mortgages	92,811,722	92,641,007	39,629,837	3,170,387
Higher Risk Assets	64,954	64,954	97,430	7,794
Other Assets	6,456,494	6,456,494	4,671,390	373,711
Equity Exposures	6,458,693	6,458,693	6,458,693	516,696
Defaulted Exposures	982,596	982,213	1,295,747	103,660
	330,318,763	326,884,545	187,346,081	14,987,686
Off-Balance Sheet Exposures				
Credit-related Exposures	17,957,421	17,344,628	14,073,826	1,125,906
Derivative Financial Instruments	982,285	982,285	348,043	27,843
Other Treasury-related Exposures	44,405	44,405	4,669	374
Defaulted Exposures	4,481	4,481	5,999	480
	18,988,592	18,375,799	14,432,537	1,154,603
Total Credit Exposures	349,307,355	345,260,344	201,778,618	16,142,289

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures

Tables (a)-(c) present the analysis of credit exposures of financial assets before the effect of credit risk mitigation of the Group as follows:

(a) Industry analysis

(b) Geographical analysis based on geographical location where the credit risk resides

(c) Maturity analysis based on the residual contractual maturity

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 Group 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

Group	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 Loans RM'000	Total RM'000
2020									
On-Balance Sheet Exposures									
Cash and balances with banks	8,802,205	10,895,927	–	–	–	–	–	–	19,698,132
Reverse repurchase agreements	202,833	–	–	–	–	–	–	–	202,833
Financial assets at fair value through profit or loss*	904,395	200,339	–	–	–	–	–	–	1,104,734
Derivative financial assets	–	287,010	–	–	–	–	–	–	287,010
Financial investments at fair value through other comprehensive income*	41,992,550	5,192,690	162,053	632,232	187,471	–	–	–	48,166,996
Financial investments at amortised cost (Gross)	12,677,336	10,652,922	1,202,526	1,430,335	1,646,076	–	–	–	27,609,195
Gross loans, advances and financing	1,018,166	14,125,885	12,526,548	44,920,155	44,742,906	139,028,229	45,003,439	44,285,899	345,651,227
Statutory deposits with Central Banks	1,134,924	–	–	–	–	–	–	–	1,134,924
	66,732,409	41,354,773	13,891,127	46,982,722	46,576,453	139,028,229	45,003,439	44,285,899	443,855,051
Commitments and Contingencies									
Contingent liabilities	1,994	86,367	419,730	408,934	689,575	–	–	1,377,997	2,984,597
Commitments	524,559	3,321,205	3,611,767	12,893,591	10,225,945	18,424,278	21,661	16,820,830	65,843,836
	526,553	3,407,572	4,031,497	13,302,525	10,915,520	18,424,278	21,661	18,198,827	68,828,433
Total Credit Exposures	67,258,962	44,762,345	17,922,624	60,285,247	57,491,973	157,452,507	45,025,100	62,484,726	512,683,484

** Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(a) Industry Analysis (continued)

Group	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 Loans RM'000	Total RM'000
2019									
On-Balance Sheet Exposures									
Cash and balances with banks	5,096,678	8,979,021	–	–	–	–	–	–	14,075,699
Reverse repurchase agreements	8,208	–	–	–	–	–	–	–	8,208
Financial assets at fair value through profit or loss*	3,480,322	284,515	–	–	–	–	–	–	3,764,837
Derivative financial assets	–	152,330	–	–	–	–	–	–	152,330
Financial investments at fair value through other comprehensive income*	34,377,662	4,224,811	324,591	660,344	212,991	–	–	–	39,800,399
Financial investments at amortised cost (Gross)	11,753,724	11,071,528	1,383,470	1,798,699	1,635,293	–	–	–	27,642,714
Gross loans, advances and financing	1,020,101	13,519,318	12,136,869	43,843,317	45,086,053	128,542,790	42,165,530	44,154,463	330,468,441
Statutory deposits with Central Banks	10,044,185	–	–	–	–	–	–	–	10,044,185
	65,780,880	38,231,523	13,844,930	46,302,360	46,934,337	128,542,790	42,165,530	44,154,463	425,956,813
Commitments and Contingencies									
Contingent liabilities	2,016	138,823	434,156	698,826	881,334	–	–	1,108,293	3,263,448
Commitments	557,059	1,703,589	3,779,416	11,784,677	10,457,652	16,197,137	17,532	14,954,165	59,451,227
	559,075	1,842,412	4,213,572	12,483,503	11,338,986	16,197,137	17,532	16,062,458	62,714,675
Total Credit Exposures	66,339,955	40,073,935	18,058,502	58,785,863	58,273,323	144,739,927	42,183,062	60,216,921	488,671,488

** Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(b) Geographical Analysis

Group	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2020					
On-Balance Sheet Exposures					
Cash and balances with banks	11,181,929	4,169,389	1,808,186	2,538,628	19,698,132
Reverse repurchase agreements	200,145	–	–	2,688	202,833
Financial assets at fair value through profit or loss*	1,104,734	–	–	–	1,104,734
Derivative financial assets	138,564	55,041	–	93,405	287,010
Financial investments at fair value through other comprehensive income*	47,821,997	–	–	344,999	48,166,996
Financial investments at amortised cost (Gross)	22,611,832	2,373,801	1,390,630	1,232,932	27,609,195
Gross loans, advances and financing	323,238,019	13,607,461	4,606,971	4,198,776	345,651,227
Statutory deposits with Central Banks	436,044	31,735	591,237	75,908	1,134,924
	406,733,264	20,237,427	8,397,024	8,487,336	443,855,051
Commitments and Contingencies					
Contingent liabilities	2,468,791	166,413	31,887	317,506	2,984,597
Commitments	62,753,927	1,273,938	1,183,281	632,690	65,843,836
	65,222,718	1,440,351	1,215,168	950,196	68,828,433
Total Credit Exposures	471,955,982	21,677,778	9,612,192	9,437,532	512,683,484

** Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(b) Geographical Analysis (continued)

Group	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2019					
On-Balance Sheet Exposures					
Cash and balances with banks	7,043,362	3,311,934	2,142,464	1,577,939	14,075,699
Reverse repurchase agreements	–	–	–	8,208	8,208
Financial assets at fair value through profit or loss*	3,764,837	–	–	–	3,764,837
Derivative financial assets	69,920	32,807	–	49,603	152,330
Financial investments at fair value through other comprehensive income*	39,497,323	–	–	303,076	39,800,399
Financial investments at amortised cost (Gross)	23,448,580	2,049,263	941,505	1,203,366	27,642,714
Gross loans, advances and financing	306,810,560	15,164,688	4,720,804	3,772,389	330,468,441
Statutory deposits with Central Banks	8,763,996	59,455	1,132,483	88,251	10,044,185
	389,398,578	20,618,147	8,937,256	7,002,832	425,956,813
Commitments and Contingencies					
Contingent liabilities	2,547,900	184,779	20,000	510,769	3,263,448
Commitments	55,897,829	1,699,854	1,264,933	588,611	59,451,227
	58,445,729	1,884,633	1,284,933	1,099,380	62,714,675
Total Credit Exposures	447,844,307	22,502,780	10,222,189	8,102,212	488,671,488

** Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(c) Maturity Analysis

Group	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
2020					
On-Balance Sheet Exposures					
Cash and balances with banks	19,698,132	–	–	–	19,698,132
Reverse repurchase agreements	202,833	–	–	–	202,833
Financial assets at fair value through profit or loss*	494,567	610,167	–	–	1,104,734
Derivative financial assets	229,524	47,416	10,070	–	287,010
Financial investments at fair value through other comprehensive income*	5,451,124	18,245,284	16,873,335	7,597,253	48,166,996
Financial investments at amortised cost (Gross)	7,202,569	13,321,305	6,283,012	802,309	27,609,195
Gross loans, advances and financing	29,828,393	27,587,328	31,575,192	256,660,314	345,651,227
Statutory deposits with Central Banks	–	–	–	1,134,924	1,134,924
Total On-Balance Sheet Exposures	63,107,142	59,811,500	54,741,609	266,194,800	443,855,051

** Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(c) Maturity Analysis (continued)

Group	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
2019					
On-Balance Sheet Exposures					
Cash and balances with banks	14,075,699	–	–	–	14,075,699
Reverse repurchase agreements	8,208	–	–	–	8,208
Financial assets at fair value through profit or loss*	2,605,819	968,792	148,203	42,023	3,764,837
Derivative financial assets	98,932	46,394	6,306	698	152,330
Financial investments at fair value through other comprehensive income*	2,845,271	14,085,052	12,983,365	9,886,711	39,800,399
Financial investments at amortised cost (Gross)	6,568,307	11,323,033	7,639,746	2,111,628	27,642,714
Gross loans, advances and financing	30,074,737	28,380,117	33,530,946	238,482,641	330,468,441
Statutory deposits with Central Banks	–	–	–	10,044,185	10,044,185
Total On-Balance Sheet Exposures	56,276,973	54,803,388	54,308,566	260,567,886	425,956,813

** Excluding equity securities which do not have any credit risk.*

Approximately 14% (2019: 13%) of the Group's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 74% (2019: 72%) of the Group's gross loans, advances and financing has residual maturity of more than five years. The longer maturity is from the housing loans/financing and hire purchase which made up 54% (2019: 52%) 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 Group 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.

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

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

(i) Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans even though they are contingent in nature;

(ii) Documentary and commercial letters of credit, which are undertakings by the Group on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;

(iii) Commitments to extend credit including the unutilised or undrawn portions of credit facilities;

(iv) Unutilised credit card lines; and

(v) Principal/notional amount of derivative financial instruments.

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

(b) Counterparty Credit Risk on Derivative Financial Instruments

The risk management approach on counterparty credit risk on derivative financial instruments are set out in the credit risk section of Note 45 to the financial statements.

Credit Ratings Downgrade

As at reporting date, there were no requirements to post additional collateral in the event of a one-notch downgrade in rating (2019: nil) as the ISDA/CSA agreements entered with the majority of the counterparties had removed the threshold limit for posting of additional collateral whereby any shortfalls in value, cash collateral were posted immediately. For ISDA/CSA with threshold limits, no collateral was required to be posted as the shortfalls were well within the threshold limits for one-notch downgrade.

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures

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

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2020				
Contingent Liabilities				
Direct credit substitutes	914,667		914,667	524,362
Transaction-related contingent items	1,668,612		834,306	461,422
Short-term self-liquidating trade-related contingencies	401,318		80,264	73,257
	2,984,597		1,829,237	1,059,041
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	31,342,568		15,671,021	12,872,586
– not exceeding one year	26,297,443		5,259,488	4,295,870
Unutilised credit card lines	8,161,401		1,632,280	1,224,210
Forward asset purchases	42,424		42,424	6,413
	65,843,836		22,605,213	18,399,079
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	28,020,406	229,521	528,239	170,865
– more than one year to five years	2,978,728	55,058	255,466	127,845
Interest/profit rate related contracts:				
– up to one year	1,507,160	–	1,532	533
– more than one year to five years	4,718,304	2,428	101,353	30,088
– more than five years	880,810	–	51,951	13,826
Commodity related contracts:				
– up to one year	606	3	9	9
	38,106,014	287,010	938,550	343,166
Total Off-Balance Sheet Exposures	106,934,447	287,010	25,373,000	19,801,286

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2019				
Contingent Liabilities				
Direct credit substitutes	949,669		949,669	526,348
Transaction-related contingent items	1,745,471		872,736	496,559
Short-term self-liquidating trade-related contingencies	568,308		113,662	99,777
	3,263,448		1,936,067	1,122,684
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	26,968,879		13,483,731	11,075,340
– not exceeding one year	24,753,060		4,950,611	4,062,646
Unutilised credit card lines	7,663,636		1,532,727	1,149,546
Forward asset purchases	65,652		65,652	4,669
	59,451,227		20,032,721	16,292,201
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	22,157,757	98,932	344,652	97,933
– more than one year to five years	3,446,350	45,596	324,949	162,871
Interest/profit rate related contracts:				
– up to one year	930,000	–	600	119
– more than one year to five years	4,494,515	7,104	82,081	35,745
– more than five years	571,631	698	35,078	14,630
Commodity related contracts:				
– up to one year	120	–	1	1
	31,600,373	152,330	787,361	311,299
Total Off-Balance Sheet Exposures	94,315,048	152,330	22,756,149	17,726,184

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2020				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	870,920		870,920	492,804
Transaction-related contingent items	1,390,714		695,357	361,844
Short-term self-liquidating trade-related contingencies	208,040		41,608	39,597
	2,469,674		1,607,885	894,245
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	24,724,600		12,362,104	10,194,378
– not exceeding one year	21,594,955		4,318,990	3,413,337
Unutilised credit card lines	7,910,938		1,582,188	1,186,641
Forward asset purchases	42,424		42,424	6,412
	54,272,917		18,305,706	14,800,768
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	26,902,244	215,729	504,060	161,815
– more than one year to five years	2,978,728	55,058	255,466	127,845
Interest rate related contracts:				
– up to one year	1,426,800	–	1,452	494
– more than one year to five years	6,185,260	106,615	249,218	56,864
– more than five years	1,700,000	91,848	187,348	37,469
Commodity related contracts:				
– up to one year	606	3	9	9
	39,193,638	469,253	1,197,553	384,496
Total	95,936,229	469,253	21,111,144	16,079,509

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2020				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	6,027		6,027	6,027
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	50,184		10,038	10,033
Derivative Financial Instruments				
Interest rate related contracts:				
– up to one year	80,360	–	80	40
– more than one year to five years	233,044	–	9,322	4,661
– more than five years	180,810	–	11,451	5,726
	494,214	–	20,853	10,427
Total	550,425	–	36,918	26,487
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	96,486,654	469,253	21,148,062	16,105,996

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2019				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	912,117		912,117	499,754
Transaction-related contingent items	1,435,577		717,789	378,051
Short-term self-liquidating trade-related contingencies	117,703		23,541	19,466
	2,465,397		1,653,447	897,271
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	21,583,171		10,791,108	8,880,729
– not exceeding one year	20,165,155		4,033,031	3,185,035
Unutilised credit card lines	7,346,453		1,469,291	1,101,968
Forward asset purchases	44,405		44,405	4,669
	49,139,184		16,337,835	13,172,401
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	21,117,858	89,119	324,446	91,651
– more than one year to five years	3,446,350	45,596	324,949	162,871
Interest rate related contracts:				
– up to one year	1,060,000	19	619	123
– more than one year to five years	4,912,645	10,975	95,135	37,993
– more than five years	2,150,000	86,545	210,545	42,109
Commodity related contracts:				
– up to one year	120	–	1	1
	32,686,973	232,254	955,695	334,748
Total	84,291,554	232,254	18,946,977	14,404,420

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2019				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	2,047		2,047	2,047
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	64,889		12,978	12,775
Derivative Financial Instruments				
Interest rate related contracts:				
– more than one year to five years	81,870	393	1,210	605
– more than five years	421,631	–	25,380	12,690
	503,501	393	26,590	13,295
Total	570,437	393	41,615	28,117
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	84,861,991	232,647	18,988,592	14,432,537

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation

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

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

(a) for residential mortgages – charges over residential properties;

(b) for commercial property loans/financing – charges over the properties being financed;

(c) for motor vehicle financing – ownership claims over the vehicles financed;

(d) for share margin financing – pledges over securities from listed exchange; and

(e) for other loans/financing – charges over business assets such as premises, inventories, trade receivables or deposits.

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

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

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

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

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (continued)

Credit Risk Mitigation Analysis

The following tables present the credit risk mitigation analysis of the Group 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 Group does not have any credit exposure which is reduced through the application of other eligible collateral.

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2020				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	63,973,370	–	200,146	–
Public Sector Entities	1,861,971	1,561,084	–	–
Banks, DFIs and MDBs	16,477,631	380,296	–	–
Insurance Companies, Securities Firms and Fund Managers	543,103	–	58	–
Corporates	91,155,289	11,090,667	3,139,526	–
Regulatory Retail	138,252,818	201,689	1,090,448	–
Residential Mortgages	127,906,725	–	236,319	–
Higher Risk Assets	77,818	–	38	–
Other Assets	7,515,345	–	–	–
Equity Exposures	822,877	–	–	–
Defaulted Exposures	1,080,657	–	1,806	–
	449,667,604	13,233,736	4,668,341	–
Off-Balance Sheet Exposures				
Credit-related Exposures	24,383,247	66,668	647,251	–
Derivative Financial Instruments	938,550	–	–	–
Other Treasury-related Exposures	42,424	–	–	–
Defaulted Exposures	8,779	–	–	–
	25,373,000	66,668	647,251	–
Total Credit Exposures	475,040,604	13,300,404	5,315,592	–

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (continued)

Credit Risk Mitigation Analysis (continued)

The following tables present the credit risk mitigation analysis of the Group 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 Group does not have any credit exposure which is reduced through the application of other eligible collateral. (continued)

Group 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
2019				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	59,836,515	–	–	–
Public Sector Entities	1,709,913	1,556,354	–	–
Banks, DFIs and MDBs	12,404,531	374,832	–	–
Insurance Companies, Securities Firms and Fund Managers	567,296	–	60	–
Corporates	92,379,595	11,217,476	3,185,566	–
Regulatory Retail	132,937,578	–	1,096,377	–
Residential Mortgages	118,060,283	–	205,052	–
Higher Risk Assets	76,056	–	1	–
Other Assets	7,648,536	–	–	–
Equity Exposures	774,913	–	–	–
Defaulted Exposures	1,295,287	–	539	–
	427,690,503	13,148,662	4,487,595	–
Off-Balance Sheet Exposures				
Credit-related Exposures	21,895,056	112,704	653,832	–
Derivative Financial Instruments	787,361	–	–	–
Other Treasury-related Exposures	65,652	–	–	–
Defaulted Exposures	8,080	–	–	–
	22,756,149	112,704	653,832	–
Total Credit Exposures	450,446,652	13,261,366	5,141,427	–

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

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

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

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

(a) Sovereigns and Central Banks
(b) Banking Institutions
(c) Corporates

Unrated and Rated Counterparties

In general, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the RWCAF. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

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

5. CREDIT RISK (CONTINUED)

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

Unrated and Rated Counterparties (continued)

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

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

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

5. CREDIT RISK (CONTINUED)

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

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

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

Group Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2020								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	15,087,741	874,813	144,837	–	–	–		16,107,391
– Regulatory Retail	49,504	–	–	–	–	–		49,504
	15,137,245	874,813	144,837	–	–	–		16,156,895
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	1,029,376	60,037,565	–	252,038	2,554,785	99,606		63,973,370
– Public Sector Entities	–	1,844,746	–	–	–	–		1,844,746
– Banks, DFIs and MDBs	–	380,297	–	–	–	–		380,297
– Corporates	–	5,922,092	–	–	–	–		5,922,092
– Regulatory Retail	–	147,049	–	–	–	–		147,049
	1,029,376	68,331,749	–	252,038	2,554,785	99,606		72,267,554
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	7,597,625	4,579,970	929,232	547,569	216,676	–		13,871,072
– Corporates	719,820	205,427	–	–	–	–		925,247
	8,317,445	4,785,397	929,232	547,569	216,676	–		14,796,319
(iv) Exposures risk-weighted using ratings of Insurance Companies, Securities Firms and Fund Managers								
– Insurance Companies, Securities Firms and Fund Managers	100,083	–	–	–	–	–		100,083
Total Rated Exposures	24,584,149	73,991,959	1,074,069	799,607	2,771,461	99,606		103,320,851
(b) Total Unrated Exposures							346,346,753	346,346,753
	24,584,149	73,991,959	1,074,069	799,607	2,771,461	99,606	346,346,753	449,667,604

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

5. CREDIT RISK (CONTINUED)

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

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

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

Group Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2020								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	132,734	–	9,908	–	–	–		142,642
– Regulatory Retail	20	–	–	–	–	–		20
	132,754	–	9,908	–	–	–		142,662
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	–	22,415	–	–	–	–		22,415
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	309,122	102,862	94,414	4,572	57	–		511,027
– Corporates	4,566	863	–	–	–	–		5,429
	313,688	103,725	94,414	4,572	57	–		516,456
Total Rated Exposures	446,442	126,140	104,322	4,572	57	–		681,533
(b) Total Unrated Exposures							24,691,467	24,691,467
	446,442	126,140	104,322	4,572	57	–	24,691,467	25,373,000
Total Credit Exposures before Credit Risk Mitigation	25,030,591	74,118,099	1,178,391	804,179	2,771,518	99,606	371,038,220	475,040,604

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

5. CREDIT RISK (CONTINUED)

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

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

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

Group Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2019								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	16,786,938	525,746	138,557	–	–	–		17,451,241
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	1,088,702	55,866,470	–	288,626	2,558,892	–		59,802,690
– Public Sector Entities	–	1,690,662	–	–	–	–		1,690,662
– Banks, DFIs and MDBs	–	664,048	–	–	–	–		664,048
– Corporates	–	6,260,934	–	–	–	–		6,260,934
	1,088,702	64,482,114	–	288,626	2,558,892	–		68,418,334
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	6,043,240	3,063,420	22,718	262,419	286,185	–		9,677,982
– Corporates	454,568	160,048	33,345	–	–	–		647,961
	6,497,808	3,223,468	56,063	262,419	286,185	–		10,325,943
Total Rated Exposures	24,373,448	68,231,328	194,620	551,045	2,845,077	–		96,195,518
(b) Total Unrated Exposures							331,494,985	331,494,985
	24,373,448	68,231,328	194,620	551,045	2,845,077	–	331,494,985	427,690,503

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

5. CREDIT RISK (CONTINUED)

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

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

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

Group Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2019								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	151,613	–	–	–	–	–		151,613
– Regulatory Retail	20	–	–	–	–	–		20
	151,633	–	–	–	–	–		151,633
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	–	89,588	–	–	–	–		89,588
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	212,834	106,622	53,510	5,875	1,596	–		380,437
– Corporates	4,189	5,778	429	–	–	–		10,396
	217,023	112,400	53,939	5,875	1,596	–		390,833
Total Rated Exposures	368,656	201,988	53,939	5,875	1,596	–		632,054
(b) Total Unrated Exposures							22,124,095	22,124,095
	368,656	201,988	53,939	5,875	1,596	–	22,124,095	22,756,149
Total Credit Exposures before Credit Risk Mitigation	24,742,104	68,433,316	248,559	556,920	2,846,673	–	353,619,080	450,446,652

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

5. CREDIT RISK (CONTINUED)

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

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

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

	Credit Exposures after the Effect of Credit Risk Mitigation											
Group Risk Weights	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	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2020												
0%	61,893,314	1,561,084	380,297	-	5,922,092	147,049	-	-	3,004,535	-	72,908,371	-
20%	335,972	303,989	11,325,616	100,083	15,944,860	49,524	-	-	6,431	-	28,066,475	5,613,295
35%	-	-	-	-	-	-	86,319,595	-	-	-	86,319,595	30,211,858
50%	7	-	5,008,450	-	1,083,430	24,133	29,692,552	-	-	-	35,808,572	17,904,286
75%	-	-	-	-	-	137,121,517	646,319	-	-	-	137,767,836	103,325,877
100%	1,597,005	-	340,760	465,005	71,361,761	13,890,715	14,181,319	-	4,504,379	822,877	107,163,821	107,163,821
150%	69,361	-	474,205	-	636,024	395,491	24,450	90,811	-	-	1,690,342	2,535,513
Total	63,895,659	1,865,073	17,529,328	565,088	94,948,167	151,628,429	130,864,235	90,811	7,515,345	822,877	469,725,012	266,754,650
Risk-Weighted Assets by Exposures	1,768,244	60,798	5,821,415	485,022	76,046,484	117,347,061	59,760,867	136,217	4,505,665	822,877	266,754,650	
Average Risk Weights	2.8%	3.3%	33.2%	85.8%	80.1%	77.4%	45.7%	150.0%	60.0%	100.0%	56.8%	
Deduction from Total Capital			-							-	-	

5. CREDIT RISK (CONTINUED)

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

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights. (continued)

	Credit Exposures after the Effect of Credit Risk Mitigation											
Group Risk Weights	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	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2019												
0%	58,288,631	1,556,354	380,049	–	6,544,933	–	–	–	3,293,187	–	70,063,154	–
20%	517,643	157,517	8,162,015	–	17,397,308	20	–	–	17,014	–	26,251,517	5,250,303
35%	–	–	–	–	–	–	82,921,285	–	–	–	82,921,285	29,022,450
50%	2	–	3,299,577	–	735,694	8,316	27,257,130	–	–	–	31,300,719	15,650,360
75%	–	–	–	–	–	131,461,488	593,626	–	–	–	132,055,114	99,041,335
100%	1,219,841	–	1,433,382	587,516	70,587,939	13,474,519	9,427,019	–	4,338,335	774,913	101,843,464	101,843,464
150%	–	–	–	–	182,728	565,039	35,674	86,531	–	–	869,972	1,304,958
Total	60,026,117	1,713,871	13,275,023	587,516	95,448,602	145,509,382	120,234,734	86,531	7,648,536	774,913	445,305,225	252,112,870
Risk-Weighted Assets by Exposures	1,323,371	31,503	4,715,573	587,516	74,709,340	112,922,355	52,576,764	129,797	4,341,738	774,913	252,112,870	
Average Risk Weights	2.2%	1.8%	35.5%	100.0%	78.3%	77.6%	43.7%	150.0%	56.8%	100.0%	56.6%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

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

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights. (continued)

	Credit Exposures after the Effect of Credit Risk Mitigation											
Bank Risk Weights	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	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2020												
0%	42,620,095	448,074	288,766	-	4,978,453	144,278	-	-	2,589,580	-	51,069,246	-
20%	119,438	18,946	7,843,893	-	14,050,887	49,524	-	-	-	-	22,082,688	4,416,538
35%	-	-	-	-	-	-	68,455,732	-	-	-	68,455,732	23,959,506
50%	7	-	1,260,592	-	549,642	16,280	22,522,322	-	-	-	24,348,843	12,174,421
75%	-	-	-	-	-	111,229,500	392,893	-	-	-	111,622,393	83,716,795
100%	-	-	594,679	46,021	57,751,753	5,886,167	9,985,949	-	3,622,303	6,717,506	84,604,378	84,604,378
150%	69,361	-	474,206	-	586,275	326,481	10,493	75,820	-	-	1,542,636	2,313,954
1250%	-	-	-	-	-	-	-	-	89,995	-	89,995	1,124,938
Total	42,808,901	467,020	10,462,136	46,021	77,917,010	117,652,230	101,367,389	75,820	6,301,878	6,717,506	363,815,911	212,310,530
Risk-Weighted Assets by Exposures	127,933	3,789	3,505,063	46,021	61,716,164	89,816,058	45,517,025	113,730	4,747,241	6,717,506	212,310,530	
Average Risk Weights	0.3%	0.8%	33.5%	100.0%	79.2%	76.3%	44.9%	150.0%	75.3%	100.0%	58.4%	
Deduction from Total Capital			–							–	-	

5. CREDIT RISK (CONTINUED)

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

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights. (continued)

	Credit Exposures after the Effect of Credit Risk Mitigation											
Bank Risk Weights	**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**	**Total Exposures after Credit Risk Mitigation RM'000**	**Total Risk-Weighted Assets RM'000**
2019												
0%	37,473,348	443,655	288,746	–	5,476,640	–	–	–	2,820,058	–	46,502,447	–
20%	149,597	18,283	6,135,942	–	14,906,985	20	–	–	–	–	21,210,827	4,242,165
35%	–	–	–	–	–	–	66,381,159	–	–	–	66,381,159	23,233,406
50%	2	–	1,447,296	–	514,656	4,038	20,760,666	–	–	–	22,726,658	11,363,329
75%	–	–	–	–	–	107,183,852	398,868	–	–	–	107,582,720	80,687,040
100%	49,279	–	849,634	31,162	56,952,756	5,387,145	6,769,046	–	3,546,440	6,458,693	80,044,155	80,044,155
150%	–	–	–	–	152,082	475,047	21,704	73,549	–	–	722,382	1,083,573
1250%	–	–	–	–	–	–	–	–	89,996	–	89,996	1,124,950
Total	37,672,226	461,938	8,721,618	31,162	78,003,119	113,050,102	94,331,443	73,549	6,456,494	6,458,693	345,260,344	201,778,618
Risk-Weighted Assets by Exposures	79,199	3,657	2,800,470	31,162	60,419,604	86,489,628	40,714,492	110,323	4,671,390	6,458,693	201,778,618	
Average Risk Weights	0.2%	0.8%	32.1%	100.0%	77.5%	76.5%	43.2%	150.0%	72.4%	100.0%	58.4%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing

Gross Loans, Advances and Financing by Credit Quality

All loans, advances and financing are categorised as either:

(a) neither past due nor credit-impaired;

(b) past due but not credit-impaired; or

(c) credit-impaired.

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

The loans, advances and financing of the Group and of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

(a) principal or interest/profit or both are past due for ninety (90) days or more; or

(b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or

(c) where the loans, advances and financing are in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the loans, advances and financing exhibits indications of significant credit weaknesses; or

(d) where credit-impaired loans, advances and financing are rescheduled and restructured ("R&R"), the loans, advances and financing will remain as credit-impaired until repayments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months and the account is less than 90 days past due upon compliance of their required nursing period; or

(e) for repayments scheduled on intervals of ninety (90) days or more including bullet repayment as soon as default occurs.

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

The gross loans, advances and financing analysed by credit quality are set out in the credit risk section of Note 45 (ii) to the financial statements.

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

(a) Past Due But Not Credit-impaired

Tables (i)-(iii) present the analyses of past due but not credit-impaired loans, advances and financing of the Group by the following:

(i) Economic purpose

(ii) Geographical

(iii) Aging

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(a) Past Due But Not Credit-impaired (continued)

(i) Economic Purpose

Group	2020 RM'000	2019 RM'000
Purchase of securities	**22,898**	36,773
Purchase of transport vehicles	**7,319,975**	9,086,702
Purchase of landed properties	**8,784,735**	13,727,663
(Of which: – residential	**6,611,930**	10,209,427
– non-residential)	**2,172,805**	3,518,236
Purchase of fixed assets (excluding landed properties)	**1,594**	12,408
Personal use	**577,225**	780,839
Credit card	**225,606**	240,513
Purchase of consumer durables	**211**	209
Construction	**52,637**	33,150
Working capital	**687,758**	799,651
Other purpose	**22,975**	41,859
	17,695,614	24,759,767

(ii) Geographical

Group	2020 RM'000	2019 RM'000
Malaysia	**16,944,899**	23,996,874
Hong Kong & China	**286,005**	285,166
Cambodia	**216,454**	224,717
Other countries	**248,256**	253,010
	17,695,614	24,759,767

(iii) Aging

Group	2020 RM'000	2019 RM'000
1 day to 30 days	**11,276,992**	14,964,494
31 to 59 days	**4,460,311**	6,818,278
60 to 89 days	**1,958,311**	2,976,995
	17,695,614	24,759,767

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following:

(i) Economic purpose

(ii) Geographical

(i) Economic Purpose

Group	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2020							
Purchase of securities	–	–	–	–	–	6,052	6,052
Purchase of transport vehicles	175,309	4,304	2,296	(241)	6,359	646,269	652,628
Purchase of landed properties	647,802	10,220	6,400	(11,056)	5,564	1,059,339	1,064,903
(Of which: – residential	440,544	284	1,246	(229)	1,301	413,315	414,616
– non-residential)	207,258	9,936	5,154	(10,827)	4,263	646,024	650,287
Purchase of fixed assets (excluding landed properties)	12,779	1,091	1,395	(310)	2,176	3,110	5,286
Personal use	106,756	32,948	150,465	(160,944)	22,469	102,947	125,416
Credit card	13,812	–	–	–	–	36,007	36,007
Purchase of consumer durables	1	–	–	–	–	3	3
Construction	15,077	8,884	(200)	(8,591)	93	61,566	61,659
Working capital	274,330	8,670	13,400	(5,438)	16,632	273,681	290,313
Other purpose	5,352	3,072	1,948	(4,990)	30	606,149	606,179
	1,251,218	69,189	175,704	(191,570)	53,323	2,795,123	2,848,446

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following: (continued)

(i) Economic Purpose (continued)

Group	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2019							
Purchase of securities	724	–	–	–	–	4,548	4,548
Purchase of transport vehicles	241,765	2,592	4,448	(2,736)	4,304	409,607	413,911
Purchase of landed properties	856,891	16,903	11,306	(17,989)	10,220	738,523	748,743
(Of which: – residential	629,565	3,242	2,729	(5,687)	284	333,661	333,945
– non-residential)	227,326	13,661	8,577	(12,302)	9,936	404,862	414,798
Purchase of fixed assets (excluding landed properties)	8,523	2,264	1,505	(2,678)	1,091	3,105	4,196
Personal use	153,351	30,839	158,311	(156,202)	32,948	130,842	163,790
Credit card	17,983	–	–	–	–	39,598	39,598
Purchase of consumer durables	1	–	–	–	–	2	2
Construction	57,119	6,013	3,235	(364)	8,884	56,485	65,369
Mergers and acquisitions	–	–	–	–	–	62	62
Working capital	256,412	46,876	11,301	(49,507)	8,670	201,431	210,101
Other purpose	12,150	2,758	4,091	(3,777)	3,072	338,555	341,627
	1,604,919	108,245	194,197	(233,253)	69,189	1,922,758	1,991,947

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following: (continued)

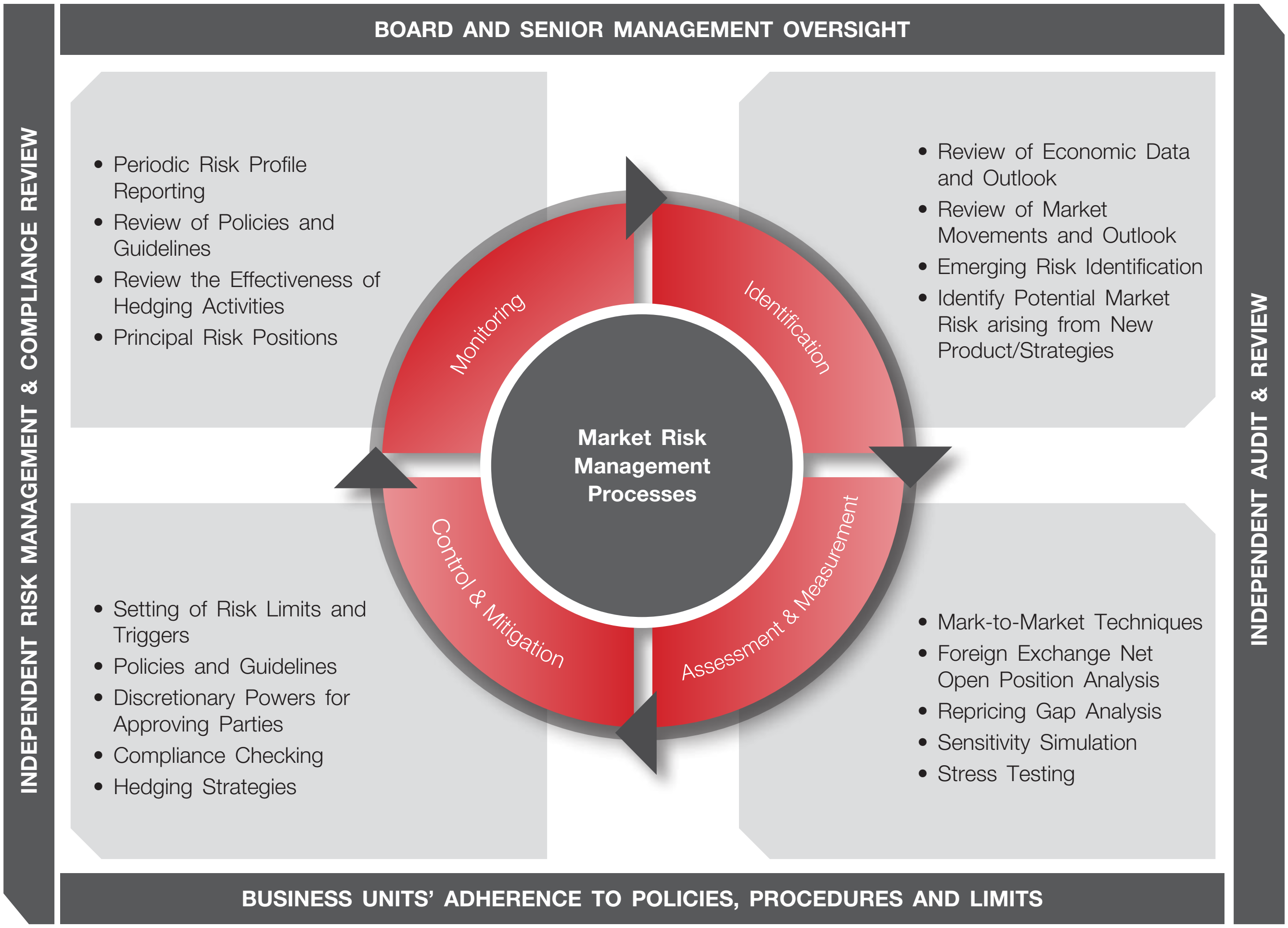
(ii) Geographical

Group	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2020							
Malaysia	**995,962**	**24,625**	**10,166**	**(23,907)**	**10,884**	**2,585,180**	**2,596,064**
Hong Kong & China	**120,136**	**36,313**	**156,176**	**(161,386)**	**31,103**	**113,280**	**144,383**
Cambodia	**28,801**	**–**	**–**	**–**	**–**	**64,266**	**64,266**
Other countries	**106,319**	**8,251**	**9,362**	**(6,277)**	**11,336**	**32,397**	**43,733**
	1,251,218	**69,189**	**175,704**	**(191,570)**	**53,323**	**2,795,123**	**2,848,446**
2019							
Malaysia	1,310,329	29,294	16,113	(20,782)	24,625	1,706,006	1,730,631
Hong Kong & China	103,643	29,635	161,137	(154,459)	36,313	129,223	165,536
Cambodia	45,233	40,640	–	(40,640)	–	55,140	55,140
Other countries	145,714	8,676	16,947	(17,372)	8,251	32,389	40,640
	1,604,919	108,245	194,197	(233,253)	69,189	1,922,758	1,991,947

6. MARKET RISK

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

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



The risk governance and risk management approach for market risk are set out in the market risk section of Note 45 to the financial statements.

6. MARKET RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Market Risk

The following tables present the minimum regulatory capital requirements for market risk of the Group and of the Bank.

Group	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2020				
Interest rate/rate of return risk	**30,363,238**	**(29,426,279)**	**1,268,088**	**101,447**
Foreign exchange risk	**3,451,593**	**(1,399,130)**	**3,451,593**	**276,127**
Total	**33,814,831**	**(30,825,409)**	**4,719,681**	**377,574**
2019				
Interest rate/rate of return risk	28,248,902	(24,764,830)	1,927,554	154,204
Foreign exchange risk	3,112,991	(1,550,146)	3,112,991	249,040
Total	31,361,893	(26,314,976)	5,040,545	403,244

Bank	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2020				
Interest rate risk	**29,380,457**	**(28,443,503)**	**1,270,253**	**101,620**
Foreign exchange risk	**2,015,199**	**(3,471,562)**	**3,471,562**	**277,725**
Total	**31,395,656**	**(31,915,065)**	**4,741,815**	**379,345**
2019				
Interest rate risk	26,849,458	(23,681,759)	1,905,491	152,439
Foreign exchange risk	1,963,324	(3,568,201)	3,568,201	285,456
Total	28,812,782	(27,249,960)	5,473,692	437,895

7. EQUITY EXPOSURES IN THE BANKING BOOK

The following tables present the equity exposures in the banking book and the gains and losses on equity exposures in the banking book of the Group.

(a) Equity Exposures in the Banking Book

Group	2020 Gross Credit Exposure RM'000	2020 Risk-Weighted Assets RM'000	2019 Gross Credit Exposure RM'000	2019 Risk-Weighted Assets RM'000
Publicly traded				
Investments in unit trust funds	–	–	12,853	12,853
Holdings of equity investments	**1,382**	**1,382**	1,556	1,556
	1,382	**1,382**	14,409	14,409
Privately held				
For socio-economic purposes	**821,495**	**821,495**	760,504	760,504
Not for socio-economic purposes	**36,302**	**54,453**	36,462	54,693
	857,797	**875,948**	796,966	815,197
Total	**859,179**	**877,330**	811,375	829,606

(i) Publicly Traded

The investment in unit trust funds comprises bond fund and wholesale income funds, are held for yield purposes. Holdings of equity investments comprise mainly of shares listed in an exchange, are held for dividend yield purpose and to take advantage of favourable movements in equity prices. Decisions concerning investing in equities are made by the Share Investment Committee. Equity positions are monitored against pre-determined cut-loss limits. All publicly traded equity exposures are stated at fair value.

(ii) Privately Held

The privately held equity investments are stated at fair value.

7. EQUITY EXPOSURES IN THE BANKING BOOK (CONTINUED)

The following tables present the equity exposures in the banking book and the gains and losses on equity exposures in the banking book of the Group. (continued)

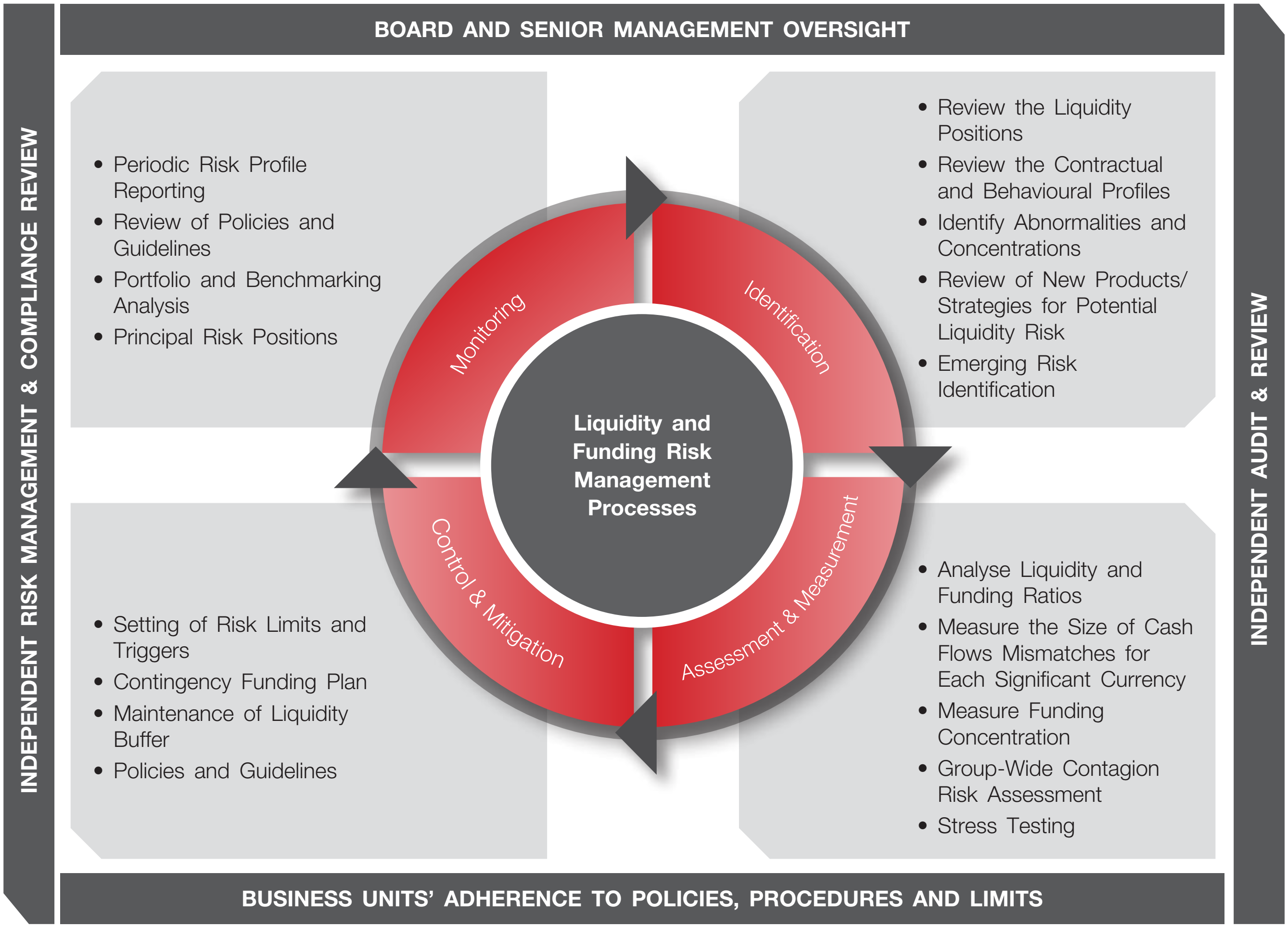
(b) Gains and Losses on Equity Exposures in the Banking Book

Group	2020 RM'000	2019 RM'000
Realised loss recognised in profit or loss		
– Investments in unit trust funds	**(17)**	(11)
Realised gain recognised in other comprehensive income		
– Privately held equity investments	**–**	5
Unrealised revaluation gain recognised in profit or loss		
– Privately held equity investments	**33,344**	21,479
Unrealised revaluation gain/(loss) recognised in other comprehensive income		
– Privately held equity investments	**28,150**	6,993
– Publicly traded equity investments	**(174)**	(652)
– Investments in unit trust funds	**–**	(3)
	27,976	6,338

8. LIQUIDITY AND FUNDING RISK

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

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

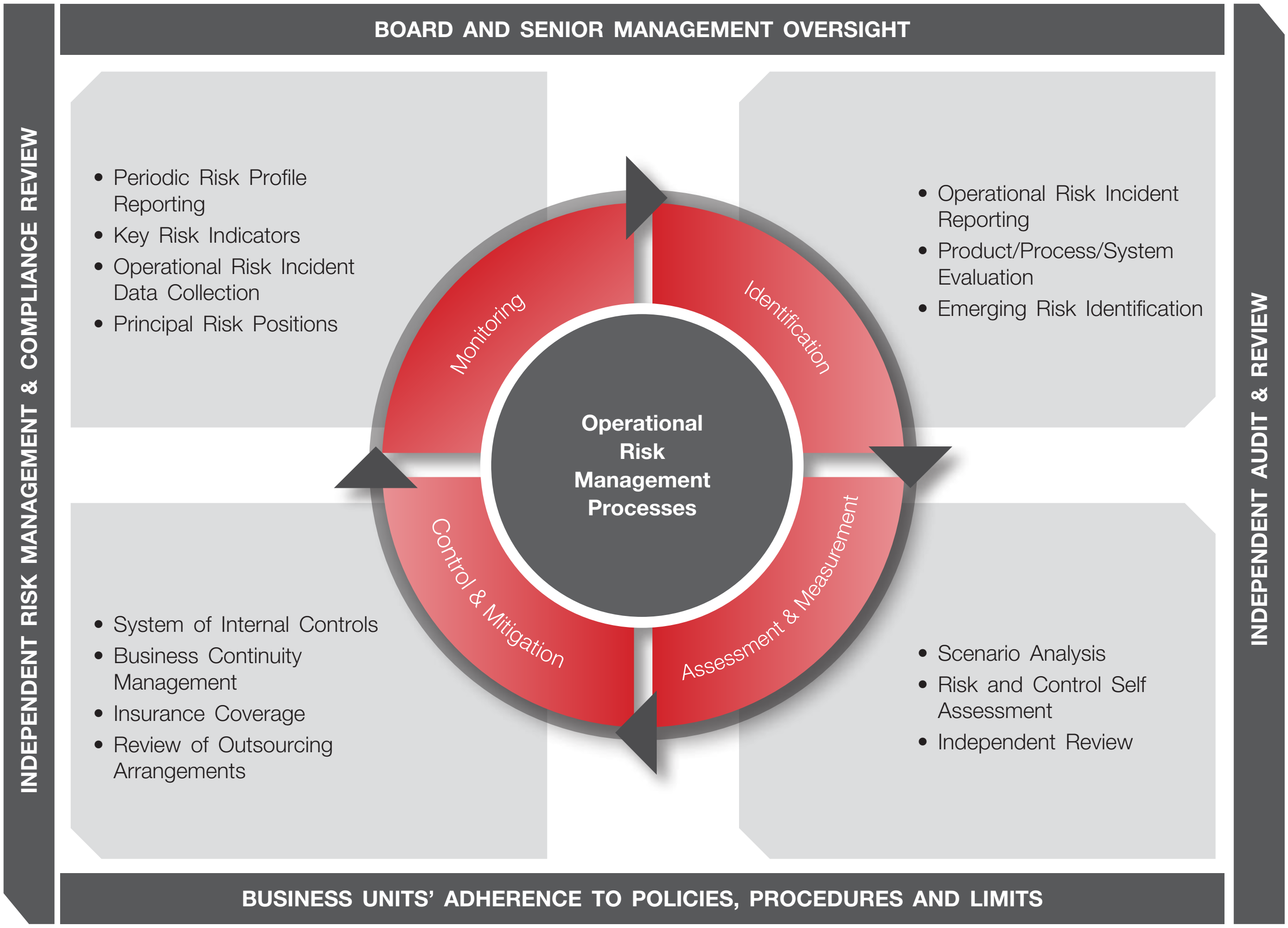


The risk governance and risk management approach for liquidity and funding risk are set out in the liquidity and funding risk section of Note 45 to the financial statements.

9. OPERATIONAL RISK

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

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



The risk governance and risk management approach for operational risk are set out in the operational risk section of Note 45 to the financial statements.

9. OPERATIONAL RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Operational Risk

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

	2020		2019	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	**20,141,735**	**1,611,339**	20,139,900	1,611,192
Bank	**13,689,994**	**1,095,200**	14,036,638	1,122,931

10. SHARIAH NON-COMPLIANCE RISK

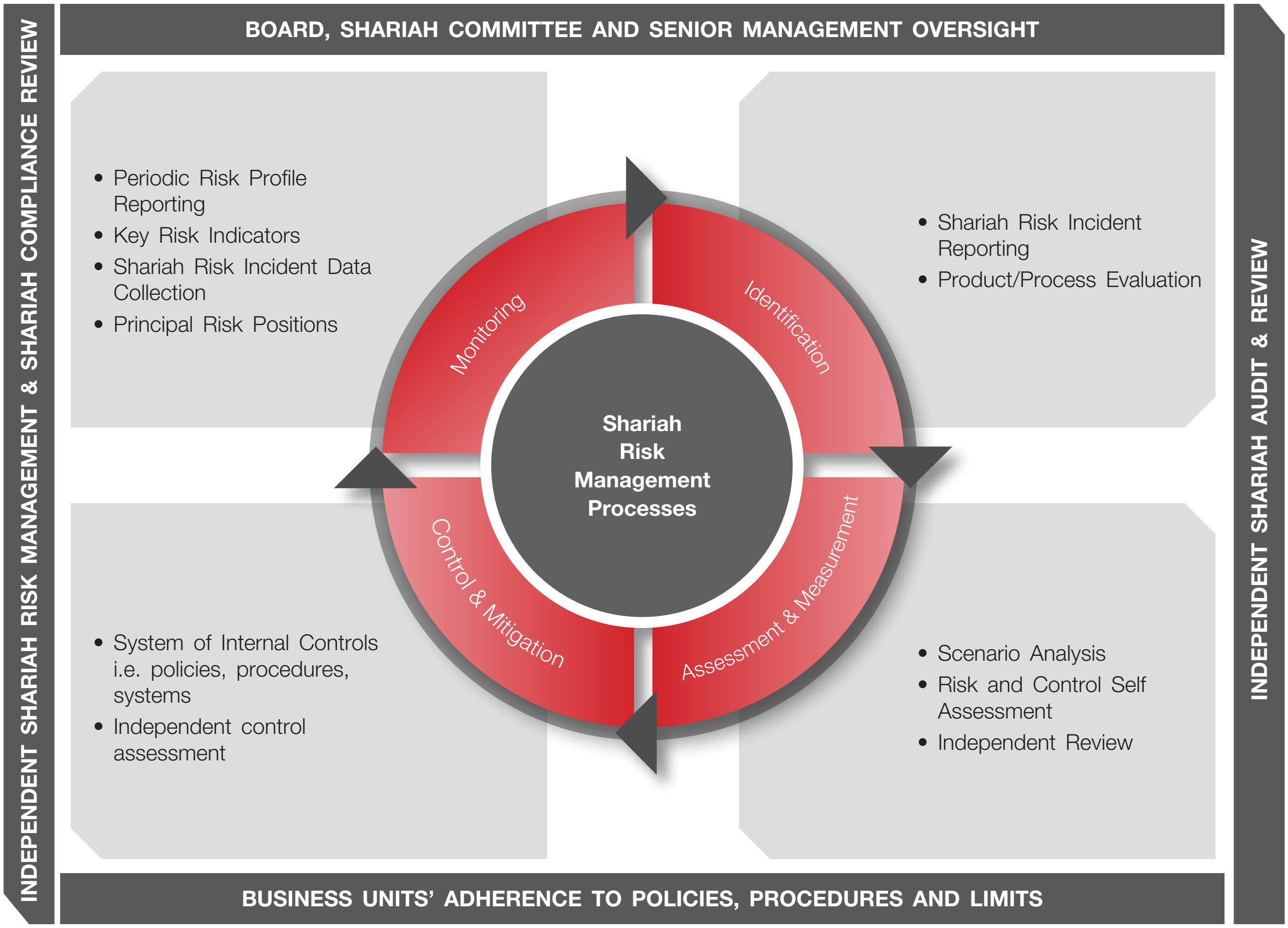
Shariah non-compliance ("SNC") risk is risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the entities may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and/or the SAC of Securities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

SNC risk of the Group may emanate from the Islamic banking operations, business, affairs and activities of Public Islamic, the management of Shariah-based funds by Public Mutual Berhad and the Islamic capital market activities of Public Investment Bank Berhad.

10. SHARIAH NON-COMPLIANCE RISK (CONTINUED)

Islamic Banking Operations

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



The following disclosures on SNC risk are set out in the Shariah non-compliance risk section of Note 45 to the financial statements:

(a) Description of the Shariah governance structure, systems, processes and controls employed for the purpose of ensuring Shariah compliance;

(b) Description on rectification process of non-Shariah compliant income occurring during the year; and

(c) The amount of non-Shariah compliant income and the number of non-Shariah compliant events occurring during the year.