PILLAR 3 **DISCLOSURE**
As at 31 December 2021

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.

	2021		2020	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	**272,140,328**	**21,771,226**	266,754,650	21,340,372
Market Risk	**5,194,182**	**415,535**	4,719,681	377,574
Operational Risk	**20,990,969**	**1,679,278**	20,141,735	1,611,339
Large Exposure Risk	**564,253**	**45,140**	668,423	53,474
Total	**298,889,732**	**23,911,179**	292,284,489	23,382,759
Bank				
Credit Risk	**213,170,425**	**17,053,634**	212,310,530	16,984,842
Market Risk	**5,119,006**	**409,521**	4,741,815	379,345
Operational Risk	**14,177,493**	**1,134,199**	13,689,994	1,095,200
Large Exposure Risk	**543,334**	**43,467**	641,027	51,282
Total	**233,010,258**	**18,640,821**	231,383,366	18,510,669

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 – INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

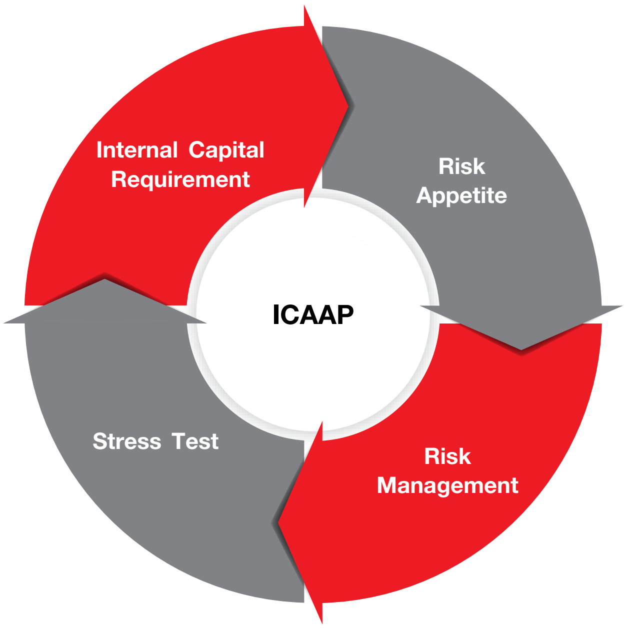
The objective of the Group's capital management is to protect the interests of its depositors, creditors and shareholders. To achieve this, the capital management is subject to ongoing review and the Board's approval on the level and composition of the Group's total capital, assessed against the following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

This is executed 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 – ICAAP (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:

Set Risk Appetite

- Set the desired risk appetite considering:
  - Strategic business directions
  - Risk taking capacity
  - Current risk profile
- Articulate risk appetite using:
  - Risk Appetite Metrics

Cascade Risk Appetite

- Cascade the applicable risk appetite via:
  - Financial budgeting process to:
    - Entity level
    - Business units/ control units level
- Assimilation of the risk appetite into policies, frameworks and procedures
- Implementation of Key Risk Indicators

Monitor Risk Appetite

- Regular monitoring of the risk profile against the risk appetite
- Identify the underlying reason for the non-achievements of the risk appetite and develop action plans to address the non-achievements

Review/Revise Risk Appetite

- Review/revise risk appetite in the light of:
  - Changing business and economic condition
  - Evolving strategic business directions

2. CAPITAL MANAGEMENT – ICAAP (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. Risk limits established to manage the size of the risk exposures are aligned to the overall Risk Appetite. The key principles and components of the Framework are discussed in item 3.

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

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

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

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

(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 Processes.

(a) Risk Governance Structure

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

<table>
<tr><td rowspan="4">ESTABLISH RISK APPETITE & POLICY</td><td>1. Board of Directors</td><td rowspan="13">10. COMPLIANCE COMMITTEE
(supported by Compliance Function)</td><td rowspan="13">11. AUDIT COMMITTEE
(supported by Internal Audit Function)</td></tr>
<tr><td>2. Risk Management Committee</td></tr>
<tr><td>3. Credit Risk Management Committee</td></tr>
<tr><td>4. Shariah Committee</td></tr>
<tr><td rowspan="5">ENSURE IMPLEMENTATION OF RISK AND COMPLIANCE POLICY</td><td>5. Dedicated Risk Committees</td></tr>
<tr><td>Assets & Liabilities Management Committee
Operational Risk Management Committee
Internal Capital Adequacy Assessment Process Working Group</td></tr>
<tr><td>6. Credit Committee</td></tr>
<tr><td>7. Risk Management and Control Functions</td></tr>
<tr><td>Risk Management Function
Compliance Function
Shariah Compliance Function</td></tr>
<tr><td rowspan="4">IMPLEMENT AND COMPLY WITH RISK POLICY</td><td>8. Support Functions</td></tr>
<tr><td>Human Resource
Information Technology
Finance
Banking Operations
Credit Control, Administration & Supervision
Property
Security</td></tr>
<tr><td>9. Business Functions</td></tr>
<tr><td>Corporate Lending
Investment Banking
Islamic Banking
Retail Banking and Financing Operations
Share Broking
Fund Management
Treasury and Capital Market Operations</td></tr>
</table>

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure (continued)

Board of Directors

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

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

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

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

(iv) Provides direction and guidance to the senior management on the management of the material risks.

Risk Management Committee

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

Credit Risk Management Committee

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

Compliance Committee

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

Audit Committee

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

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

Dedicated Risk Committees

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

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

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

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

(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;

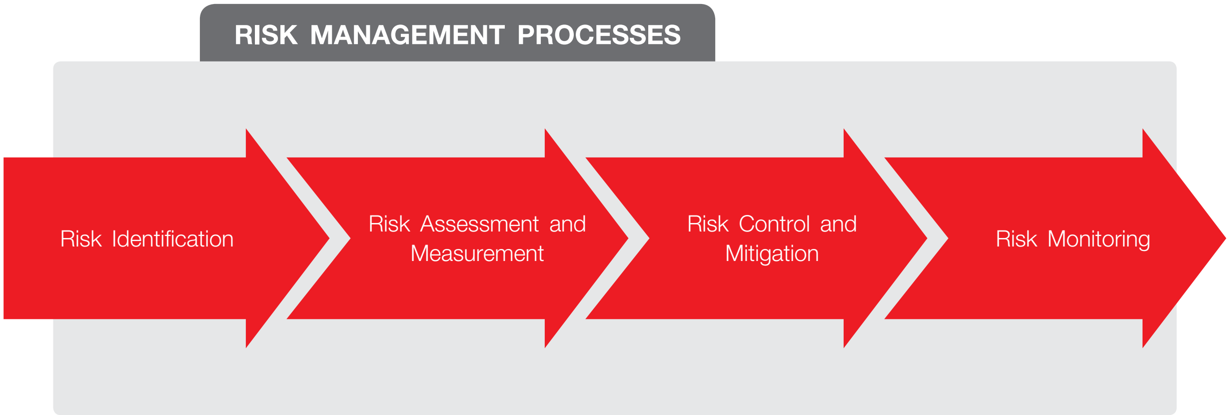
(vi) Clear policies, procedures and guidelines; and

(vii) Continuous training.

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Risk Management Processes

The risk management processes are as follows:



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

(i) Item 5: Credit Risk

(ii) Item 6: Market Risk

(iii) Item 8: Liquidity and Funding Risk

(iv) Item 9: Operational Risk

(v) Item 10: Shariah Non-Compliance Risk

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE

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

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

	Group		Bank	
	2021	2020	**2021**	2020
Before deducting interim dividends*:				
Common Equity Tier I ("CET I") capital ratio	**15.030%**	14.815%	**13.954%**	13.702%
Tier I capital ratio	**15.083%**	14.869%	**13.997%**	13.745%
Total capital ratio	**18.192%**	18.011%	**17.287%**	17.053%
After deducting interim dividends*:				
CET I capital ratio	**14.530%**	13.313%	**12.913%**	12.611%
Tier I capital ratio	**14.583%**	13.356%	**12.956%**	12.654%
Total capital ratio	**17.692%**	16.645%	**16.245%**	15.962%

* *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.

Regulatory capital requirements

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"), countercyclical capital buffer ("CCyB") and higher loss absorbency ("HLA") requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the 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. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Effective from 31 January 2021, HLA requirement is applicable to financial institutions designated as domestic systemically important banks ("D-SIBs"). Arising from this, the Group which is designated as a D-SIB by BNM is required to maintain an additional capital buffer of 0.5% to the regulatory capital requirements in line with the BNM's D-SIB Framework.

Prudential buffers and transitional arrangements

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

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CET I/Tier I capital				
Share capital	**9,417,653**	9,417,653	**9,417,653**	9,417,653
Other reserves	**1,241,935**	1,518,824	**575,320**	793,110
Retained profits	**36,766,601**	34,290,480	**29,775,928**	28,373,510
Qualifying non-controlling interests	**702,435**	682,379	**–**	–
Less: Goodwill and other intangible assets	**(2,459,434)**	(2,417,727)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(519,009)**	(81,637)	**(273,782)**	-
Less: Defined benefit pension fund assets	**(79,906)**	(2,748)	**(78,762)**	(2,059)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	**(147,349)**	(105,998)	**(6,205,741)**	(6,183,241)
Total CET I capital	**44,922,926**	43,301,226	**32,515,223**	31,703,580
Additional Tier I capital securities	**99,822**	99,702	**99,822**	99,702
Qualifying CET I and additional Tier I capital instruments held by third parties	**58,956**	57,785	**–**	–
Total Tier I capital	**45,081,704**	43,458,713	**32,615,045**	31,803,282
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances#	**3,401,754**	2,664,293	**2,664,630**	1,966,983
Qualifying regulatory reserves	**–**	670,140	**–**	686,899
Subordinated notes	**4,999,998**	4,999,992	**4,999,998**	4,999,992
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**756,381**	718,503	**–**	–
Others	**133,121**	130,972	**–**	–
Total Tier II capital	**9,291,254**	9,183,900	**7,664,628**	7,653,874
Total capital	**54,372,958**	52,642,613	**40,279,673**	39,457,156

Excludes expected credit loss allowances restricted from Tier II capital of the Group and of the Bank of RM423,592,000 and RM179,895,000 respectively (2020: Nil).

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:

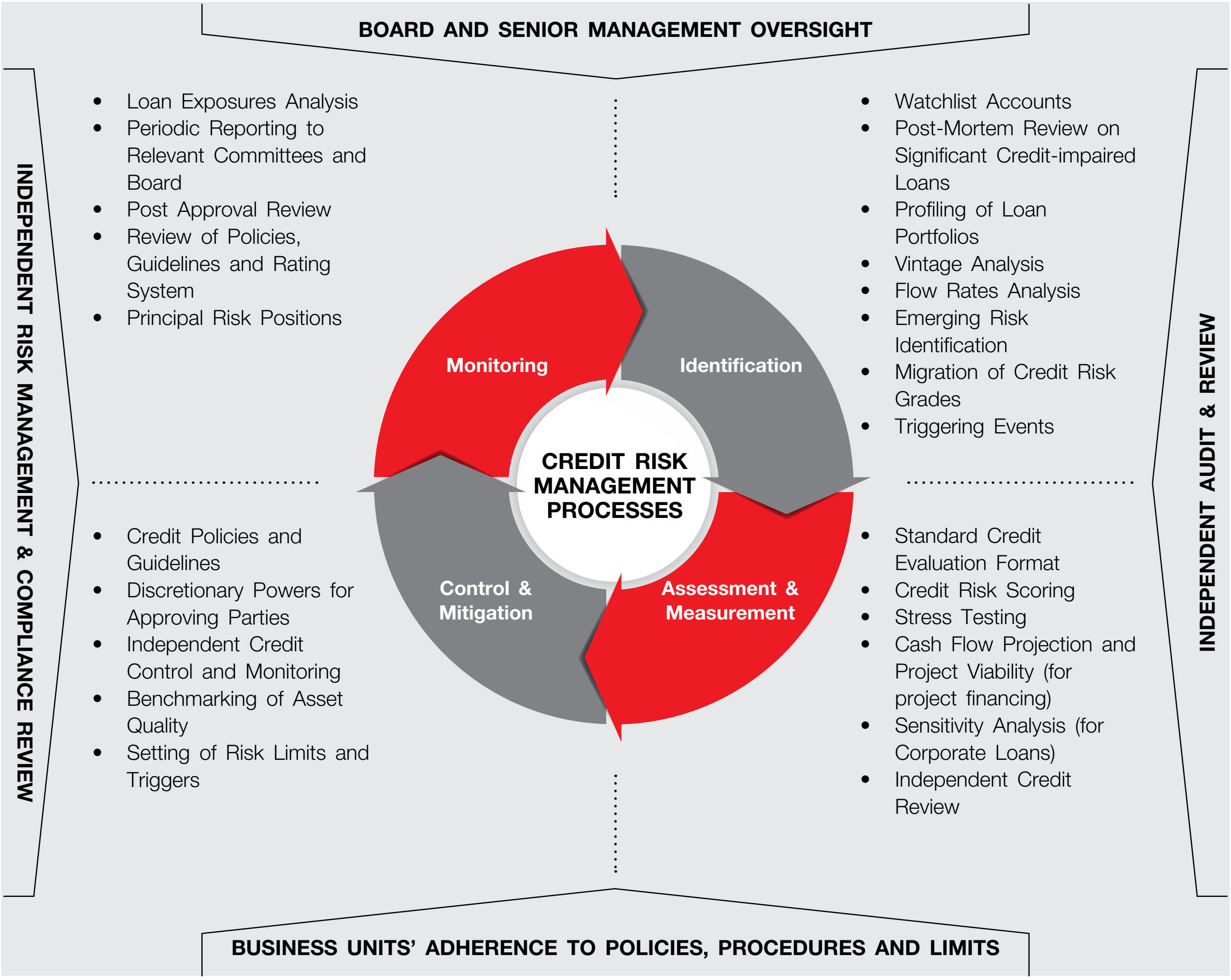
Capital Instruments	Capital Component	Main Features
Issued by the Bank:		
(a) Basel III-Compliant Additional Tier I capital securities ("Basel III-ATICS")	Tier I Capital	• Subordinated to all liabilities, including depositors and Subordinated Notes/Sukuk Murabahah • Unsecured • Perpetual, with optional 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
2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	**60,090,045**	**60,090,045**	**1,293,851**	**103,508**
Public Sector Entities	**1,742,348**	**1,742,348**	**60,758**	**4,861**
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	**20,208,996**	**20,208,996**	**6,971,656**	**557,732**
Insurance Companies, Securities Firms and Fund Managers	**533,168**	**533,031**	**454,556**	**36,364**
Corporates	**89,205,674**	**85,999,072**	**66,494,139**	**5,319,531**
Regulatory Retail	**143,101,891**	**141,914,201**	**108,518,734**	**8,681,499**
Residential Mortgages	**137,825,276**	**137,548,856**	**63,054,001**	**5,044,320**
Higher Risk Assets	**79,759**	**79,739**	**119,608**	**9,569**
Other Assets	**7,956,639**	**7,956,639**	**4,347,105**	**347,768**
Equity Exposures	**720,651**	**720,651**	**720,651**	**57,652**
Defaulted Exposures	**861,604**	**861,418**	**1,107,469**	**88,598**
	462,326,051	**457,654,996**	**253,142,528**	**20,251,402**
Off-Balance Sheet Exposures				
Credit-related Exposures	**23,864,328**	**23,205,933**	**18,667,872**	**1,493,430**
Derivative Financial Instruments	**785,053**	**785,053**	**291,707**	**23,336**
Other Treasury-related Exposures	**153,293**	**153,293**	**30,659**	**2,453**
Defaulted Exposures	**5,642**	**5,642**	**7,562**	**605**
	24,808,316	**24,149,921**	**18,997,800**	**1,519,824**
Total Credit Exposures	**487,134,367**	**481,804,917**	**272,140,328**	**21,771,226**

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**
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, DFIs and 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).

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
2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	39,565,020	39,565,020	170,171	13,614
Public Sector Entities	404,900	404,900	2,625	210
Banks, DFIs and MDBs	13,678,207	13,678,207	4,537,297	362,984
Insurance Companies, Securities Firms and Fund Managers	33,715	33,715	33,230	2,658
Corporates	71,738,771	68,944,777	52,862,404	4,228,992
Regulatory Retail	108,936,654	107,969,800	81,135,702	6,490,856
Residential Mortgages	105,503,597	105,281,522	47,361,206	3,788,897
Higher Risk Assets	68,102	68,102	102,152	8,172
Other Assets	6,678,726	6,678,726	4,575,841	366,067
Equity Exposures	6,785,194	6,785,194	6,785,194	542,816
Defaulted Exposures	611,451	611,296	788,110	63,049
	354,004,337	350,021,259	198,353,932	15,868,315
Off-Balance Sheet Exposures				
Credit-related Exposures	18,773,324	18,147,960	14,477,077	1,158,166
Derivative Financial Instruments	1,004,153	1,004,153	332,000	26,560
Other Treasury-related Exposures	7,333	7,333	1,467	117
Defaulted Exposures	4,295	4,295	5,949	476
	19,789,105	19,163,741	14,816,493	1,185,319
Total Credit Exposures	373,793,442	369,185,000	213,170,425	17,053,634

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)

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
2021									
On-Balance Sheet Exposures									
Cash and balances with banks	3,183,262	14,347,349	–	–	–	–	–	–	17,530,611
Financial assets at fair value through profit or loss*	650,436	–	–	–	–	–	–	–	650,436
Derivative financial assets	–	140,434	–	–	–	–	–	–	140,434
Financial investments at fair value through other comprehensive income*	44,951,546	7,004,647	153,822	618,679	146,183	–	–	–	52,874,877
Financial investments at amortised cost (Gross)	11,082,460	11,106,527	981,297	1,364,511	1,615,662	–	–	–	26,150,457
Gross loans, advances and financing	1,015,333	14,403,888	11,158,395	47,217,378	43,284,408	149,891,905	46,147,854	44,907,591	358,026,752
Statutory deposits with Central Banks	1,222,165	–	–	–	–	–	–	–	1,222,165
	62,105,202	47,002,845	12,293,514	49,200,568	45,046,253	149,891,905	46,147,854	44,907,591	456,595,732
Commitments and Contingencies									
Contingent liabilities	1,832	57,232	418,988	375,910	528,392	–	–	1,764,598	3,146,952
Commitments	517,718	1,925,902	3,861,753	12,743,730	8,193,624	19,778,392	16,033	17,255,109	64,292,261
	519,550	1,983,134	4,280,741	13,119,640	8,722,016	19,778,392	16,033	19,019,707	67,439,213
Total Credit Exposures	62,624,752	48,985,979	16,574,255	62,320,208	53,768,269	169,670,297	46,163,887	63,927,298	524,034,945

* *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
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)

(b) Geographical Analysis

Group	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2021					
On-Balance Sheet Exposures					
Cash and balances with banks	8,469,177	3,526,498	2,287,899	3,247,037	17,530,611
Financial assets at fair value through profit or loss*	650,436	–	–	–	650,436
Derivative financial assets	99,232	8,887	–	32,315	140,434
Financial investments at fair value through other comprehensive income*	52,391,048	–	–	483,829	52,874,877
Financial investments at amortised cost (Gross)	21,667,438	2,630,460	917,510	935,049	26,150,457
Gross loans, advances and financing	334,123,543	14,041,917	4,919,034	4,942,258	358,026,752
Statutory deposits with Central Banks	523,737	3,598	577,919	116,911	1,222,165
	417,924,611	20,211,360	8,702,362	9,757,399	456,595,732
Commitments and Contingencies					
Contingent liabilities	2,438,677	96,870	28,097	583,308	3,146,952
Commitments	61,168,947	1,396,255	995,474	731,585	64,292,261
	63,607,624	1,493,125	1,023,571	1,314,893	67,439,213
Total Credit Exposures	481,532,235	21,704,485	9,725,933	11,072,292	524,034,945

* *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
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)

(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
2021					
On-Balance Sheet Exposures					
Cash and balances with banks	**17,530,611**	**–**	**–**	**–**	**17,530,611**
Financial assets at fair value through profit or loss*	**119,493**	**530,943**	**–**	**–**	**650,436**
Derivative financial assets	**93,556**	**6,140**	**34,738**	**6,000**	**140,434**
Financial investments at fair value through other comprehensive income*	**8,925,712**	**22,617,956**	**17,066,580**	**4,264,629**	**52,874,877**
Financial investments at amortised cost (Gross)	**13,061,677**	**10,265,068**	**2,390,001**	**433,711**	**26,150,457**
Gross loans, advances and financing	**29,747,301**	**25,422,156**	**34,016,248**	**268,841,047**	**358,026,752**
Statutory deposits with Central Banks	**–**	**–**	**–**	**1,222,165**	**1,222,165**
Total On-Balance Sheet Exposures	**69,478,350**	**58,842,263**	**53,507,567**	**274,767,552**	**456,595,732**

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)

Approximately 15% (2020: 14%) of the Group's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 75% (2020: 74%) 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 55% (2020: 54%) 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.

5.2 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 (2020: 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
2021				
Contingent Liabilities				
Direct credit substitutes	891,923		891,923	513,693
Transaction-related contingent items	1,664,588		832,294	444,934
Short-term self-liquidating trade-related contingencies	590,441		118,088	110,261
	3,146,952		1,842,305	1,068,888
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	30,666,767		15,333,224	12,253,352
– not exceeding one year	24,830,576		4,966,116	4,056,950
Unutilised credit card lines	8,641,625		1,728,325	1,296,244
Forward asset purchases	153,293		153,293	30,659
	64,292,261		22,180,958	17,637,205
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	25,806,073	93,553	414,097	149,602
– more than one year to five years	3,095,975	7,836	205,968	102,984
Interest/profit rate related contracts:				
– up to one year	3,047,185	–	4,423	1,822
– more than one year to five years	2,479,447	33,042	113,550	25,637
– more than five years	775,115	6,000	47,007	11,654
Commodity related contracts:				
– up to one year	453	3	8	8
	35,204,248	140,434	785,053	291,707
Total Off-Balance Sheet Exposures	102,643,461	140,434	24,808,316	18,997,800

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
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).

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2021				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	848,101		848,101	481,080
Transaction-related contingent items	1,377,248		688,624	335,291
Short-term self-liquidating trade-related contingencies	122,482		24,496	21,595
	2,347,831		1,561,221	837,966
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	22,987,311		11,493,503	9,176,664
– not exceeding one year	20,108,246		4,021,649	3,188,051
Unutilised credit card lines	8,334,502		1,666,900	1,250,175
Forward asset purchases	7,333		7,333	1,467
	51,437,392		17,189,385	13,616,357
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	24,699,330	89,873	405,370	144,329
– more than one year to five years	3,095,975	7,836	205,968	102,984
Interest rate related contracts:				
– up to one year	3,547,185	4,823	10,496	3,037
– more than one year to five years	4,775,000	106,125	268,875	53,775
– more than five years	1,250,000	31,670	96,170	19,235
Commodity related contracts:				
– up to one year	453	3	8	8
	37,367,943	240,330	986,887	323,368
Total	91,153,166	240,330	19,737,493	14,777,691

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
2021				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	10,426		10,426	6,256
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	18,944		9,472	9,472
– not exceeding one year	72,240		14,448	14,442
	91,184		23,920	23,914
Derivative Financial Instruments				
Interest rate related contracts:				
– more than one year to five years	304,447	–	9,759	4,879
– more than five years	125,115	–	7,507	3,753
	429,562	–	17,266	8,632
Total	531,172	–	51,612	38,802
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	91,684,338	240,330	19,789,105	14,816,493

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)

5.3 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
2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	60,090,045	–	–	–
Public Sector Entities	1,742,348	1,438,560	–	–
Banks, DFIs and MDBs	20,208,996	187,604	–	–
Insurance Companies, Securities Firms and Fund Managers	533,168	485	137	–
Corporates	89,205,674	11,007,885	3,206,602	–
Regulatory Retail	143,101,891	1,246,031	1,187,690	–
Residential Mortgages	137,825,276	–	276,420	–
Higher Risk Assets	79,759	–	20	–
Other Assets	7,956,639	–	–	–
Equity Exposures	720,651	–	–	–
Defaulted Exposures	861,604	–	186	–
	462,326,051	13,880,565	4,671,055	–
Off-Balance Sheet Exposures				
Credit-related Exposures	23,864,328	69,442	658,395	–
Derivative Financial Instruments	785,053	–	–	–
Other Treasury-related Exposures	153,293	–	–	–
Defaulted Exposures	5,642	–	–	–
	24,808,316	69,442	658,395	–
Total Credit Exposures	487,134,367	13,950,007	5,329,450	–

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
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)

5.4 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
2021								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	15,979,900	1,547,876	145,421	–	–	–		17,673,197
– Regulatory Retail	44,150	–	–	–	–	–		44,150
	16,024,050	1,547,876	145,421	–	–	–		17,717,347
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	998,714	56,466,833	–	254,190	2,251,499	118,808		60,090,044
– Public Sector Entities	–	1,728,166	–	–	–	–		1,728,166
– Banks, DFIs and MDBs	–	187,605	–	–	–	–		187,605
– Insurance Companies, Securities Firms and Fund Managers	–	485	–	–	–	–		485
– Corporates	–	5,562,363	–	–	–	–		5,562,363
– Regulatory Retail	–	1,192,044	–	–	–	–		1,192,044
	998,714	65,137,496	–	254,190	2,251,499	118,808		68,760,707
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	7,677,103	5,724,996	3,568,759	610,708	338,900	–		17,920,466
– Corporates	668,079	56,477	–	–	–	–		724,556
– Regulatory Retail	4,280	3,226	–	–	–	–		7,506
	8,349,462	5,784,699	3,568,759	610,708	338,900	–		18,652,528
(iv) Exposures risk-weighted using ratings of Insurance Companies, Securities Firms and Fund Managers								
– Insurance Companies, Securities Firms and Fund Managers	97,488	–	–	–	–	–		97,488
Total Rated Exposures	25,469,714	72,470,071	3,714,180	864,898	2,590,399	118,808		105,228,070
(b) Total Unrated Exposures							357,097,981	357,097,981
	25,469,714	72,470,071	3,714,180	864,898	2,590,399	118,808	357,097,981	462,326,051

 # 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
2021								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	52,033	8,730	–	–	–	–		60,763
– Regulatory Retail	20	–	–	–	–	–		20
	52,053	8,730	–	–	–	–		60,783
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	–	20,644	–	–	–	–		20,644
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	266,621	123,886	44,461	2,856	1,532	–		439,356
– Corporates	12,968	446	–	–	–	–		13,414
– Regulatory Retail	131	–	–	–	–	–		131
	279,720	124,332	44,461	2,856	1,532	–		452,901
Total Rated Exposures	331,773	153,706	44,461	2,856	1,532	–		534,328
(b) Total Unrated Exposures							24,273,988	24,273,988
	331,773	153,706	44,461	2,856	1,532	–	24,273,988	24,808,316
Total Credit Exposures before Credit Risk Mitigation	25,801,487	72,623,777	3,758,641	867,754	2,591,931	118,808	381,371,969	487,134,367

 # 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							Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated 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 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.

Group Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2021												
0%	58,663,968	1,438,560	187,605	485	5,545,426	1,192,044	–	–	3,594,218	–	70,622,306	–
20%	373,135	307,463	13,367,632	97,488	16,710,567	48,581	–	–	19,145	–	30,924,011	6,184,802
35%	–	–	–	–	–	–	90,751,498	–	–	–	90,751,498	31,763,024
50%	2	–	6,572,485	–	1,634,443	23,688	33,454,937	–	–	–	41,685,555	20,842,778
75%	–	–	–	–	–	140,531,695	558,777	–	–	–	141,090,472	105,817,854
100%	1,074,089	–	564,938	456,771	66,897,733	14,517,531	16,554,496	–	4,343,276	720,651	105,129,485	105,129,485
150%	99,509	–	524,033	–	577,859	283,360	23,342	93,487	–	–	1,601,590	2,402,385
Total	60,210,703	1,746,023	21,216,693	554,744	91,366,028	156,596,899	141,343,050	93,487	7,956,639	720,651	481,804,917	272,140,328
Risk-Weighted Assets by Exposures	1,297,981	61,493	7,310,756	476,269	71,923,856	120,362,902	65,499,085	140,230	4,347,105	720,651	272,140,328	
Average Risk Weights	2.2%	3.5%	34.5%	85.9%	78.7%	76.9%	46.3%	150.0%	54.6%	100.0%	56.5%	
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).

Group Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation											
	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											
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**
2021												
0%	39,460,987	391,777	182,417	485	4,880,669	1,102,775	–	–	3,142,692	–	49,161,802	–
20%	125,180	16,798	11,235,368	–	13,602,521	48,581	–	–	–	–	25,028,448	5,005,690
35%	–	–	–	–	–	–	71,139,879	–	–	–	71,139,879	24,898,958
50%	2	–	2,055,663	–	1,091,413	12,093	25,056,666	–	–	–	28,215,837	14,107,919
75%	–	–	–	–	–	112,610,001	338,977	–	–	–	112,948,978	84,711,733
100%	–	–	893,555	59,310	52,783,336	5,967,718	11,232,384	–	3,445,616	6,785,194	81,167,113	81,167,113
150%	99,509	–	524,033	–	512,131	213,820	4,356	78,676	–	–	1,432,525	2,148,787
1250%	–	–	–	–	–	–	–	–	90,418	–	90,418	1,130,225
Total	39,685,678	408,575	14,891,036	59,795	72,870,070	119,954,988	107,772,262	78,676	6,678,726	6,785,194	369,185,000	213,170,425
Risk-Weighted Assets by Exposures	174,301	3,360	4,954,510	59,310	56,817,743	90,761,711	48,920,441	118,014	4,575,841	6,785,194	213,170,425	
Average Risk Weights	0.4%	0.8%	33.3%	99.2%	78.0%	75.7%	45.4%	150.0%	68.5%	100.0%	57.7%	
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)

5.5 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 ninety (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	2021 RM'000	2020 RM'000
Purchase of securities	**5,181**	22,898
Purchase of transport vehicles	**7,059,567**	7,319,975
Purchase of landed properties	**4,473,037**	8,784,735
(Of which: – residential	**3,460,853**	6,611,930
– non-residential)	**1,012,184**	2,172,805
Purchase of fixed assets (excluding landed properties)	**2,472**	1,594
Personal use	**342,667**	577,225
Credit card	**171,229**	225,606
Purchase of consumer durables	**–**	211
Construction	**126,805**	52,637
Working capital	**545,861**	687,758
Other purpose	**56,582**	22,975
	12,783,401	17,695,614

(ii) Geographical

Group	2021 RM'000	2020 RM'000
Malaysia	**11,969,610**	16,944,899
Hong Kong & China	**299,572**	286,005
Cambodia	**292,524**	216,454
Other countries	**221,695**	248,256
	12,783,401	17,695,614

(iii) Aging

Group	2021 RM'000	2020 RM'000
1 day to 30 days	**9,404,567**	11,276,992
31 to 59 days	**2,818,157**	4,460,311
60 to 89 days	**560,677**	1,958,311
	12,783,401	17,695,614

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
2021							
Purchase of securities	33,996	–	8,040	–	8,040	1,900	9,940
Purchase of transport vehicles	151,752	6,359	7,356	37	13,752	1,287,144	1,300,896
Purchase of landed properties	514,620	5,564	10,390	(4,596)	11,358	1,233,319	1,244,677
(Of which: – residential	336,453	1,301	5,363	(1,229)	5,435	425,297	430,732
– non-residential)	178,167	4,263	5,027	(3,367)	5,923	808,022	813,945
Purchase of fixed assets (excluding landed properties)	10,655	2,176	2,467	(404)	4,239	3,273	7,512
Personal use	87,462	22,469	92,777	(97,244)	18,002	109,200	127,202
Credit card	8,048	–	–	–	–	47,039	47,039
Purchase of consumer durables	1	–	–	–	–	1	1
Construction	14,835	93	789	(852)	30	113,666	113,696
Working capital	275,638	16,632	9,033	(1,651)	24,014	304,752	328,766
Other purpose	4,916	30	1,011	(856)	185	794,375	794,560
	1,101,923	53,323	131,863	(105,566)	79,620	3,894,669	3,974,289

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
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):

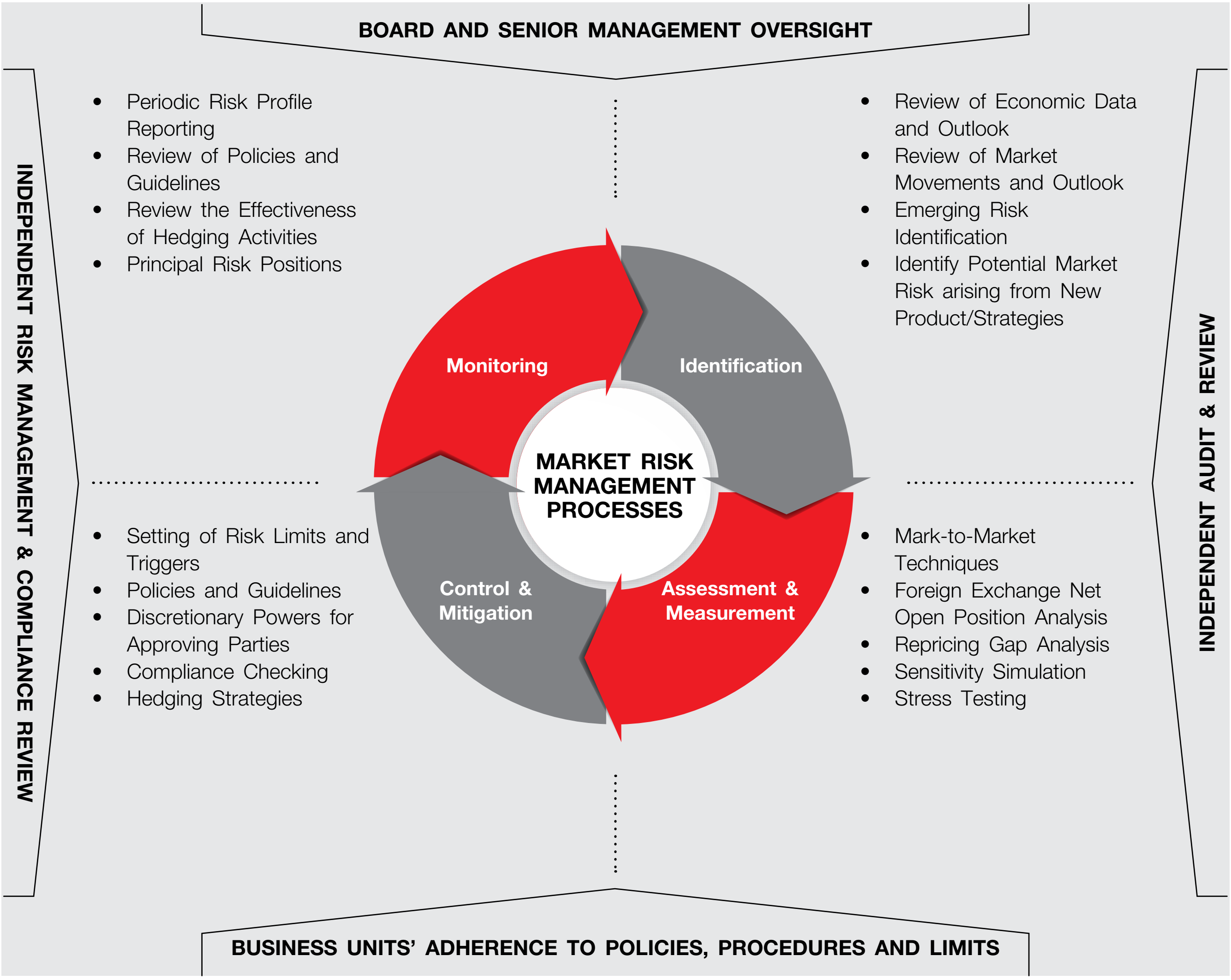
(ii) Geographical

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
2021							
Malaysia	**827,687**	**10,884**	**20,700**	**(6,694)**	**24,890**	**3,668,557**	**3,693,447**
Hong Kong & China	**132,655**	**31,103**	**100,812**	**(96,744)**	**35,171**	**114,321**	**149,492**
Cambodia	**28,751**	**–**	**–**	**–**	**–**	**73,672**	**73,672**
Other countries	**112,830**	**11,336**	**10,351**	**(2,128)**	**19,559**	**38,119**	**57,678**
	1,101,923	**53,323**	**131,863**	**(105,566)**	**79,620**	**3,894,669**	**3,974,289**
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

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
2021				
Interest rate/rate of return risk	**27,905,688**	**(27,574,102)**	**1,832,843**	**146,628**
Foreign exchange risk	**3,361,339**	**(778,669)**	**3,361,339**	**268,907**
Total	**31,267,027**	**(28,352,771)**	**5,194,182**	**415,535**
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

Bank	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2021				
Interest rate risk	**26,931,238**	**(26,599,651)**	**1,830,721**	**146,458**
Foreign exchange risk	**1,860,746**	**(3,288,285)**	**3,288,285**	**263,063**
Total	**28,791,984**	**(29,887,936)**	**5,119,006**	**409,521**
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

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	2021 Gross Credit Exposure RM'000	2021 Risk-Weighted Assets RM'000	2020 Gross Credit Exposure RM'000	2020 Risk-Weighted Assets RM'000
Publicly traded				
Holdings of equity investments	**1,614**	**1,614**	1,382	1,382
Privately held				
For socio-economic purposes	**719,036**	**719,036**	821,495	821,495
Not for socio-economic purposes	**39,333**	**59,000**	36,302	54,453
	758,369	**778,036**	857,797	875,948
Total	**759,983**	**779,650**	859,179	877,330

(i) Publicly Traded

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.

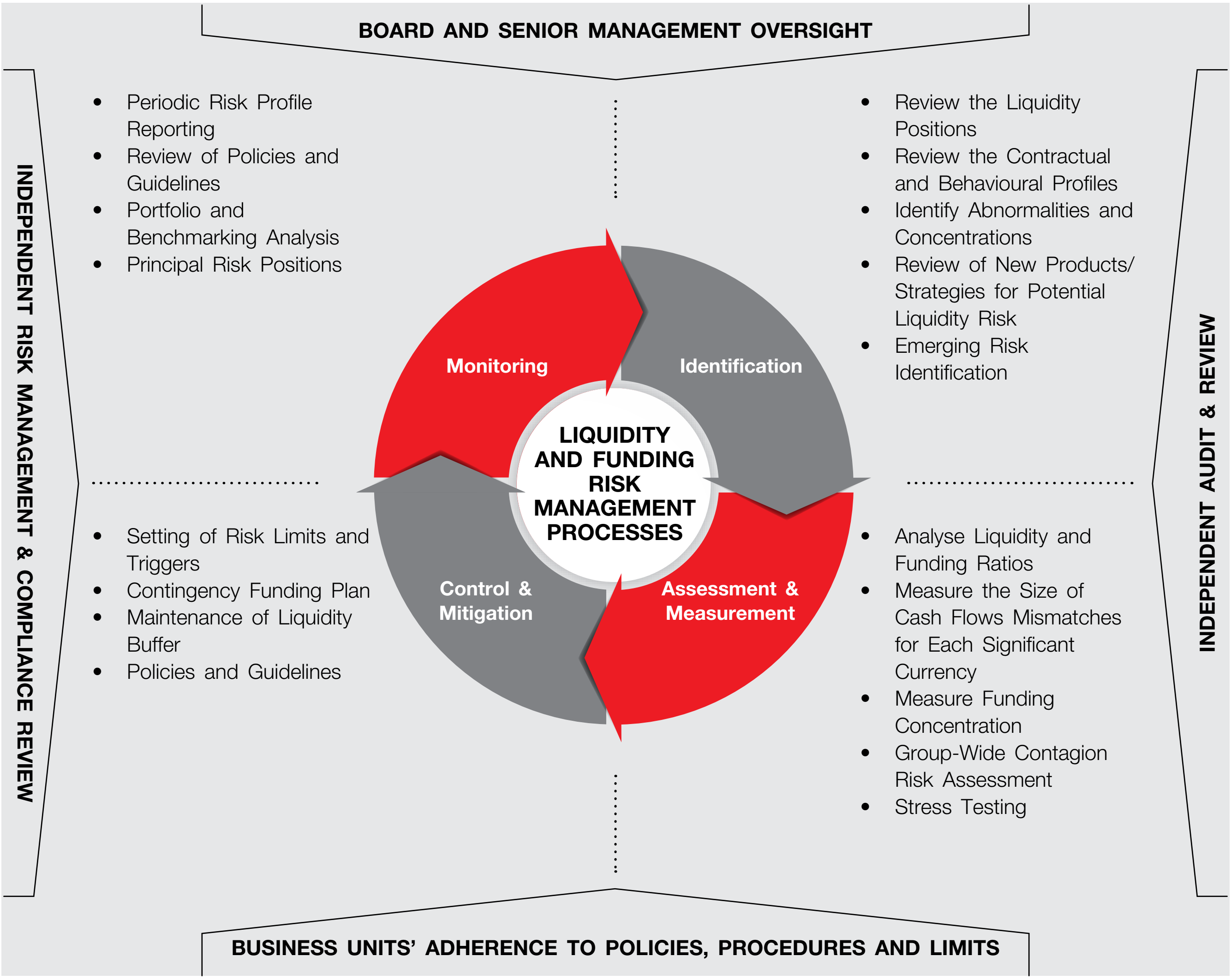
(b) Gains and Losses on Equity Exposures in the Banking Book

Group	2021 RM'000	2020 RM'000
Realised loss recognised in profit or loss		
– Investments in unit trust funds	**–**	(17)
Realised gain recognised in other comprehensive income		
– Privately held equity investments	**319**	–
Unrealised revaluation (loss)/gain recognised in profit or loss		
– Privately held equity investments	**(113,204)**	33,344
Unrealised revaluation gain/(loss) recognised in other comprehensive income		
– Privately held equity investments	**12,974**	28,150
– Publicly traded equity investments	**232**	(174)
	13,206	27,976

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.

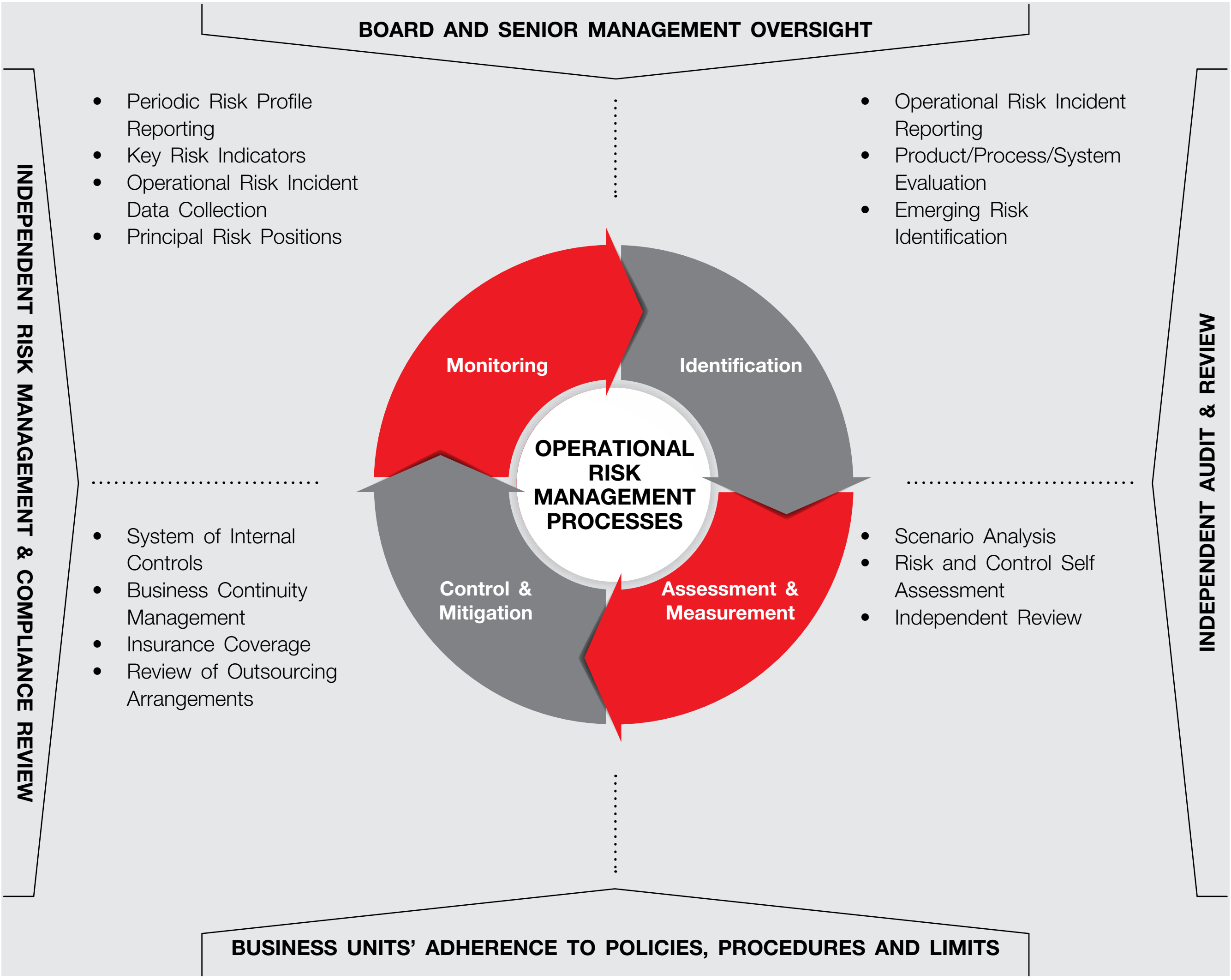


The risk governance and risk management approach for liquidity and funding risk are set out in the liquidity and funding risk section of Note 45 to the financial statements.

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.

	2021		2020	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	**20,990,969**	**1,679,278**	20,141,735	1,611,339
Bank	**14,177,493**	**1,134,199**	13,689,994	1,095,200

10. SHARIAH NON-COMPLIANCE RISK

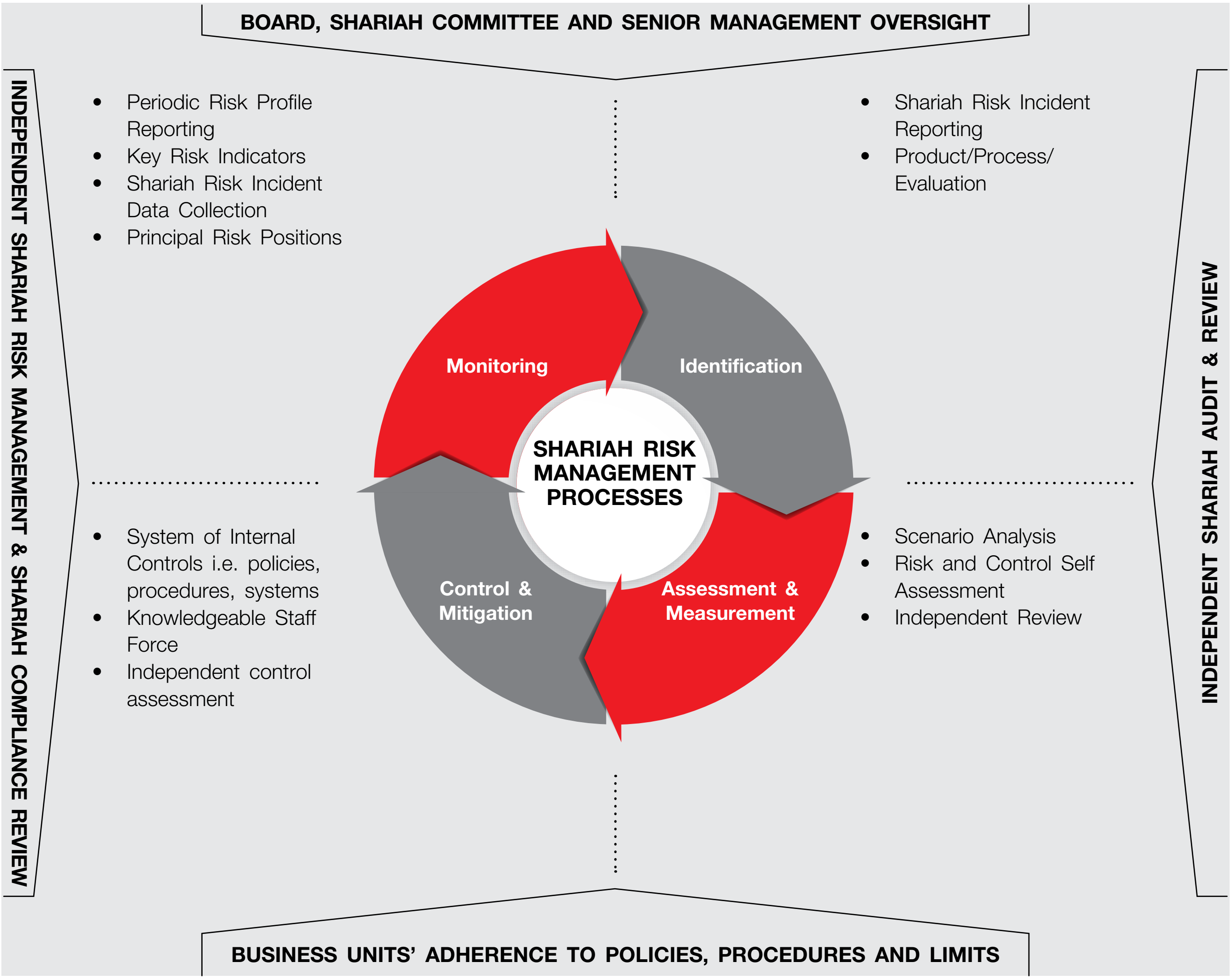
Shariah non-compliance ("SNC") risk is risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the entities may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and/or the SAC of Securities 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.