

Industrial and Commercial Bank of China (Malaysia) Berhad

Registration No. 201001000001 (839839M)

(Incorporated in Malaysia)

Risk-Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 30 June 2020

OFFICER-IN-CHARGE'S ATTESTATION

I, Wang Qiang, being the Chief Executive Officer / Managing Director of Industrial and Commercial Bank of China (Malaysia) Berhad, do hereby state that, in my opinion, the Pillar 3 Disclosures set out on pages 1 to 25 have been prepared in accordance with the Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), are accurate and complete.

Wang Qiang
Chief Executive Officer / Managing Director

Date: 27 July 2020

Risk-Weighted Capital Adequacy Framework (Basel II)**Pillar 3 Disclosure****1.0 Overview**

The Pillar 3 Disclosure for financial reporting beginning 1 January 2011 is required under the Bank Negara Malaysia (“BNM”)’s Risk-Weighted Capital Adequacy Framework (“RWCAF”). This is equivalent to Basel II issued by the Basel Committee on Banking Supervision. Basel II consists of the following Pillars:

(i) Pillar 1

Outlines the minimum regulatory capital that banking institutions must hold against the credit, market and operational risks assumed.

(ii) Pillar 2

Focuses on strengthening the supervisory review process in developing more rigorous risk management framework and techniques. The purpose of this Pillar is for banking institutions to implement an effective and rigorous internal capital adequacy assessment process that is commensurate with the scale, nature and complexity of its operations. It sets out the requirements to assess risks in a holistic manner and beyond the capital requirements for Pillar 1 risks.

(iii) Pillar 3

Outlines the minimum disclosure requirements of information on the risk management practices and capital adequacy of banking institutions. The Pillar’s aim is to enhance transparency and market discipline in regulating the risk-taking behaviours of banking institutions. In turn, this will contribute to BNM’s supervisory monitoring efforts and strengthen incentives for the banking institutions to implement robust risk management systems.

The approaches adopted by Industrial and Commercial Bank of China (Malaysia) Berhad (“the Bank”), are shown in table below:

	Risk Type	Approach Adopted	Capital Requirement Assessment
1	Credit	Standardised Approach	Standard risk-weights
2	Market	Standardised Approach	Standard risk-weights
3	Operational	Basic Indicator Approach (BIA)	Fixed percentage over average gross income for a fixed number of years

The Bank is principally engaged in the provision of conventional banking and other related financial services. The Bank’s Pillar 3 Disclosure is in compliance with the BNM’s Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3). The information provided herein has been reviewed and certified by the Bank’s Chief Executive Officer.

2.0 Capital Management and Capital Adequacy

The Bank’s lead regulator, BNM, sets and monitors capital requirement for the Bank. The Bank is required to comply with the provisions of the Basel II framework in respect of regulatory capital adequacy.

The Bank adopts a prudent and forward-looking capital management approach to ensure it has adequate capital to support its operations at all times. On top of the minimum regulatory capital requirements, a buffer is added on to arrive at the Bank’s internal capital target to ensure adequacy of capital to support the current and anticipated business growth. Internal Capital Adequacy Assessment Process (“ICAAP”) is formulated to identify the material risks in the business. The material risk areas that are taken into consideration are credit risk, market risk, operational risk, credit concentration risk, liquidity risk, interest rate risk in banking book, compliance risk, legal risk, strategic risk as well as reputation risk.

2.0 Capital Management and Capital Adequacy (*continued*)

Internal capital assessment is carried out to determine the level of internal capital required by the Bank based on the Pillar 1 and 2 requirements as well as the assessment of the 3-year financial projection. Capital plan, business plan and budget are approved by the Board of Directors on an annual basis. The business plan in particular would set out the Bank's risk appetite to be in line with the lending direction and business strategies for the coming year. Senior Management is responsible in ensuring a smooth development and implementation of the ICAAP policy as well as effective systems and processes are in place. The Bank's performance against the internal capital levels is reviewed on a regular basis by the Senior Management. Should there be a need for capital raising exercise, it will be presented to the Board of Directors for approval.

The Bank undertakes stress test exercise on a half yearly basis to assess the Bank's capability to withstand the adverse environment. The stress test will at least cover the exceptional but plausible event and the worst case scenario. The possible impact to the Bank due to occurrence of adverse events, i.e. significant deterioration in borrowers' credit profile, decline in collateral value, erosion in the Bank's net interest margin and sizeable foreign exchange loss will be examined. The Bank also performs reverse stress testing to identify potential stressed scenario that could threaten the viability of the Bank. The results of the stress test together with the proposed mitigating actions shall be tabled to the Senior Management and the Board of Directors for deliberations.

The Bank's regulatory capital are analysed as follows:

(i) Tier 1 Capital, which comprises the following:

- Common Equity Tier 1 ("CET1") Capital, which includes ordinary share capital, share premium, retained earnings (net of dividends declared), statutory reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purpose.
- Additional Tier 1 Capital, which consists of instruments that are issued and paid-up, subordinated to depositors and perpetual in nature (amongst all other criteria) which are not included in CET1 Capital, the share premium arising from issuance of such instruments as well as the regulatory adjustments in relation to the calculation of Additional Tier 1 Capital.

(ii) Tier 2 Capital includes expected credit loss allowance (excluding expected credit loss allowances attributable to financing classified as impaired) and regulatory reserve.

Capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework. For the year 2020, the minimum regulatory CET1 capital ratio, Tier 1 capital ratio and total capital ratio requirement are 7.000%, 8.500% and 10.500% on the risk-weighted assets ("RWA") respectively. The following information presents the capital adequacy ratios of the Bank and the breakdown of RWA:

(a) Capital Adequacy Ratio	30 Jun 2020	31 Dec 2019
CET1 capital ratio	31.664%	29.937%
Tier 1 capital ratio	31.664%	29.937%
Total capital ratio	32.797%	31.073%

2.0 Capital Management and Capital Adequacy (continued)

(b) The breakdown of RWA by exposures in each major risk category under standardised approach is as follows:

Risk type	30 Jun 2020			
	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirement RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns / Central Banks	574,594	574,594	-	-
Banks, Development Financial Institutions and MDBs	504,849	504,849	125,488	10,039
Corporates	2,995,222	2,995,222	2,522,446	201,796
Regulatory Retail	179,601	179,601	176,415	14,113
Residential Mortgages	95,037	95,037	36,435	2,915
Other Assets	47,353	47,353	39,803	3,184
Total On-Balance Sheet Exposures	4,396,656	4,396,656	2,900,587	232,047
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	511,593	511,593	345,030	27,602
OTC derivatives	14,110	14,110	6,582	527
Total Off-Balance Sheet Exposures	525,703	525,703	351,612	28,129
Total On and Off-Balance Sheet Exposures	4,922,359	4,922,359	3,252,199	260,176
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Foreign currency risk	10,843	25	10,843	867
<i>Operational Risk</i>	-	-	-	323,423
Total RWA and Capital Requirements			3,586,465	286,917

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

*The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

2.0 Capital Management and Capital Adequacy (continued)

Risk type	31 Dec 2019			
	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirement RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns / Central Banks	729,916	729,916	-	-
Banks, Development Financial Institutions and MDBs	1,233,265	1,233,265	268,026	21,442
Corporates	2,816,685	2,816,685	2,411,632	192,931
Regulatory Retail	179,250	179,250	175,888	14,071
Residential Mortgages	91,342	91,342	34,985	2,799
Other Assets	46,398	46,398	37,962	3,037
Total On-Balance Sheet Exposures	5,096,856	5,096,856	2,928,493	234,280
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	697,037	697,037	498,188	39,855
OTC derivatives	6,643	6,643	2,741	219
Total Off-Balance Sheet Exposures	703,680	703,680	500,929	40,074
Total On and Off-Balance Sheet Exposures	5,800,536	5,800,536	3,429,422	274,354
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	Long Position	Short Position		
Foreign currency risk	14,229	34	14,229	1,138
<i>Operational Risk</i>	-	-	328,538	26,283
Total RWA and Capital Requirements			3,772,189	301,775

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

*The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

3.0 Capital Structure

The bank's total capital according to Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) is as follows:

	30 Jun 2020 RM'000	31 Dec 2019 RM'000
Common Equity Tier 1 ("CET1") Capital		
Paid-up share capital	832,609	832,609
Retained earnings	304,399	304,399
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	1,009	(261)
Unrealised gains on financial investments measured at FVOCI	16,462	9,841
	1,172,123	1,164,232
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	(9,814)	(11,905)
- 55% of cumulative gains of financial investments measured at FVOCI	(9,054)	(5,412)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(36,512)	(34,961)
Total CET1 Capital	1,135,611	1,129,271
Tier 2 Capital		
Allowance for credit loss	23,008	25,223
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	40,652	42,867
Total Capital	1,176,263	1,172,138

4.0 Risk Management Framework

The Board of Directors establishes the Bank's risk appetite and risk principles. The Board Risk Management Committee ("BRMC") is the principal board committee that oversees the Bank's risk management. It reviews the Bank's overall risk management frameworks and major risk policies. The BRMC is supported by Senior Management Committee, Management Risk Management Committee ("MRMC"), various functional committees at management level and Risk Management Department.

MRMC has been established for active Senior Management oversight, deliberating on policies, profiles and activities pertaining to integrated risk management. All major risk policies have to be deliberated at relevant functional management committees (including MRMC) prior to escalation to BRMC and Board of Directors for approval.

The Bank's risk management policies are established to guide the risk governance activities that cover identification, measurement, assessment, monitoring and controlling of risks. Risk management policies and systems are reviewed regularly to suit the evolving operating environment and requirements. The Bank, through its training, communications, standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit Committee, supported by Internal Audit Department, provides an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

The Bank has exposure to the following risks, amongst others, from financial instruments:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk

5.0 Credit Risk

Credit risk is the risk of financial loss to the Bank due to failure of the Bank's customers or counterparties in meeting their contractual financial obligations. The credit risk comes primarily from the Bank's placements, direct lending, trade finance and funding activities. Credit exposures are managed in a prudent manner and collaterals are taken whenever required as risk mitigation measures. Periodic credit reviews are performed to assess the on-going quality of the Bank's credit portfolio, the impact of pertinent factors on the credit profile of the counterparties / customers and the collaterals taken.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit Committee and MRMC. These committees are supervised by the Senior Management Committee.

The functions of the Credit Committee are as follows:

- To ensure prudent underwriting standards that are consistent with the Bank's risk appetite and lending direction
- To deliberate lending propositions and credit related requests
- To review credit exposures periodically to ensure prudent and effective credit risk management

The functions of the MRMC are as follows:

- Reviewing and tracking of the Bank's credit risk management profile
- Reviewing and deliberation of credit policies
- Reviewing and tracking of the credit risk appetite of the Bank

The Bank employs a credit grading system as a tool for determining the credit risk profile of borrowers / counterparties using appropriate form of scorecards.

MFRS 9 accounting standard requires banks to determine an expected credit loss (ECL) amount on a probability-weighted basis as the difference between cash flows that are due to the Bank in accordance with the contractual terms of financial assets and the cash flows that the Bank expects to receive. The ECL model adopted by the Bank covers the on and off balance sheet credit exposures to sovereign, financial institutions, corporate / commercial and retail loans.

Under the ECL Model, the credit exposures will be segregated into three stages, namely:

Stage 1: Ordinary / Performing Credit Exposure. (12-Month ECL)

Stage 2: Exposure with Significant Increase in Credit Risk. (Life Time ECL)

Stage 3: Impaired Credit Exposure. (Life Time ECL)

The general provision / impairment for the credit exposures of the Bank will be equivalent to 12-Month ECL or Life Time ECL, depending on the category of the stages.

Individual assessment is required for an impaired credit exposure (Stage 3). Individually assessed expected credit loss is required to be provided if the recoverable amount of the loan asset is less than its net carrying amount. Recoverable amount is the present value of the estimated future cash flows discounted at the original effective interest rate, or at the current interest rate if it carries variable interest rate.

The ECL Model methodology adopted for provision purposes will be reviewed and monitored on a regular basis to suit the internal and regulatory requirements.

5.1 Distribution of Credit Exposures

The following tables present the credit exposures of financial assets broken down by relevant category and class against the relevant industry, geography and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals to their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(i) Industry Analysis

The following tables present the credit exposures of financial assets of the Bank analysed by industrial distribution.

As at 30 Jun 2020													
	Central Bank RM'000	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Retail Trade and Restaurant & Hotels RM'000	Transport, Storage and Communication RM'000	Finance, Insurance and Business Services RM'000	Electricity, Gas and Supply RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures													
Cash and short-term funds	38,415	423,983	-	-	-	-	-	-	-	-	-	-	462,398
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial investments	470,922	30,310	-	-	20,516	-	-	15,096	60,986	-	-	-	597,830
Financial investments measured at FVOCI	32,168	15,414	-	-	65,036	-	-	20,000	-	61,415	-	-	194,033
Financial investments measured at amortised cost	-	42,691	290,051	185,167	445,065	558,306	303,013	660,984	-	-	115,185	469,039	3,069,501
Loans, advances and financing	-	-	2,037	45	8,413	381	3,982	15,547	-	-	554	-	30,959
Overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	42,839	100,969	207,355	255,677	-	-	-	-	97,048	-	97,048
- Syndicated term loans	-	-	13,716	58,962	132,026	36,374	-	146,311	-	-	753,151	-	753,151
- Other term loans	-	-	150,296	-	-	-	-	116,811	-	-	14,528	-	372,417
Bridging loans	-	-	-	-	-	-	-	-	-	-	-	-	150,296
Bills receivable	-	6,688	8,377	5,157	-	29,243	227,548	-	-	-	-	-	277,013
Revolving credits	-	36,003	67,887	20,034	97,271	125,770	71,483	377,315	-	-	-	-	1,264,802
Bankers' acceptances	-	-	4,899	-	-	110,861	-	5,000	-	-	-	-	120,760
Staff loans	-	-	-	-	-	-	-	-	-	-	1,830	-	1,830
Credit card loans	-	-	-	-	-	-	-	-	-	-	1,225	-	1,225
Statutory deposits	33,089	-	-	-	-	-	-	-	-	-	-	-	33,089
with Bank Negara Malaysia	574,594	512,398	290,051	185,167	530,617	558,306	303,013	696,080	60,986	61,415	115,185	469,039	4,356,851
Commitments and Contingencies													
Contingent liabilities	-	181,053	9,794	39,784	36,069	6,174	2,377	8,325	16,507	-	-	603	300,686
Commitments	-	-	28,102	29,101	2,926	25,613	17,706	79,086	5,396	-	13,892	13,732	215,554
	-	181,053	37,896	68,885	38,995	31,787	20,083	87,411	21,903	-	13,892	14,335	516,240
Total Credit Exposures	574,594	693,451	327,947	254,052	569,612	590,093	323,096	783,491	82,889	61,415	129,077	483,374	4,873,091

5.1 Distribution of Credit Exposures (continued)

(i) Industry Analysis (continued)

As at 31 Dec 2019													
	Central Bank RM'000	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Retail Trade and Restaurant & Hotels RM'000	Transport, Storage and Communication RM'000	Finance, Insurance and Business Services RM'000	Electricity, Gas and Supply RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures													
Cash and short-term funds	187,818	990,049	-	-	-	-	-	-	-	-	-	-	1,177,867
Deposits and placements with banks and other financial institutions	-	171,563	-	-	-	-	-	-	-	-	-	-	171,563
Financial investments measured at FVOCI	468,574	29,638	-	-	20,440	-	-	15,113	61,023	-	-	-	594,788
Financial investments measured at amortised cost	32,207	-	-	-	65,049	-	-	20,000	-	-	-	-	117,256
Loans, advances and financing	-	50,451	287,228	188,240	465,811	671,778	127,928	558,905	-	52,700	112,122	440,940	2,956,103
Overdrafts	-	-	4,558	47	6,845	1,092	3,965	15,609	-	-	547	-	32,663
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	-	-	229,122	303,519	33,069	111,980	-	52,700	92,228	-	92,228
- Syndicated term loans	-	-	40,959	100,505	132,204	113,801	-	134,806	-	-	15,137	-	871,854
- Other term loans	-	-	15,292	56,792	-	-	-	-	-	-	-	-	468,032
Bridging loans	-	-	150,360	-	-	-	-	-	-	-	-	-	150,360
Bills receivable	-	8,846	-	10,183	-	17,852	7,231	-	-	-	-	-	44,112
Revolving credits	-	41,605	70,202	18,545	97,640	119,467	83,663	291,510	-	-	-	440,940	1,163,572
Bankers' acceptances	-	-	5,857	2,168	-	116,047	-	5,000	-	-	-	-	129,072
Staff loans	-	-	-	-	-	-	-	-	-	-	1,881	-	1,881
Credit card loans	-	-	-	-	-	-	-	-	-	-	2,329	-	2,329
Statutory deposits with Bank Negara Malaysia	41,317	-	-	-	-	-	-	-	-	-	-	-	41,317
	729,916	1,241,701	287,228	188,240	551,300	671,778	127,928	594,018	61,023	52,700	112,122	440,940	5,058,894
Commitments and Contingencies													
Contingent liabilities	-	218,220	12,926	61,453	35,818	12,738	4,032	9,093	8,545	-	-	603	363,428
Commitments	-	5,079	28,280	91,202	3,313	30,863	40,591	109,882	16,013	-	12,897	2,132	340,252
	-	223,299	41,206	152,655	39,131	43,601	44,623	118,975	24,558	-	12,897	2,735	703,680
Total Credit Exposures	729,916	1,465,000	328,434	340,895	590,431	715,379	172,551	712,993	85,581	52,700	125,019	443,675	5,762,574

5.1 Distribution of Credit Exposures (continued)**(ii) Geographical Analysis**

The following tables present the credit exposures of financial assets analysed by geographical distribution based on the geographical location where the credit risk resides.

	As at 30 Jun 2020		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	268,436	193,963	462,399
Deposits and placements with banks and other financial institutions	-	-	-
Financial investments measured at FVOCI	597,830	-	597,830
Financial investments measured at amortised cost	194,033	-	194,033
Loans, advances and financing	2,567,023	502,478	3,069,501
Overdrafts	30,959	-	30,959
Term loans			
- Housing loans	97,048	-	97,048
- Syndicated term loans	381,044	372,107	753,151
- Other term loans	298,488	73,929	372,417
Bridging loans	150,296	-	150,296
Bills receivable	270,325	6,688	277,013
Revolving credits	1,215,053	49,749	1,264,802
Bankers' acceptances	120,760	-	120,760
Staff loans	1,830	-	1,830
Credit card loans	1,220	5	1,225
Statutory deposits with Bank Negara Malaysia	33,089	-	33,089
	3,660,411	696,441	4,356,852
Commitments and Contingencies			
Contingent liabilities	119,633	181,053	300,686
Commitments	217,918	7,099	225,017
	337,551	188,152	525,703
Total Credit Exposures	3,997,962	884,593	4,882,555

5.1 Distribution of Credit Exposures (continued)**(ii) Geographical Analysis (continued)**

	As at 31 Dec 2019		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	971,515	206,352	1,177,867
Deposits and placements with banks and other financial institutions	171,563	-	171,563
Financial investments measured at FVOCI	594,788	-	594,788
Financial investments measured at amortised cost	117,256	-	117,256
Loans, advances and financing	2,300,052	656,051	2,956,103
Overdrafts	32,663	-	32,663
Term loans			
- Housing loans	92,228	-	92,228
- Syndicated term loans	404,749	467,105	871,854
- Other term loans	294,339	173,693	468,032
Bridging loans	150,360	-	150,360
Bills receivable	35,266	8,846	44,112
Revolving credits	1,157,175	6,397	1,163,572
Bankers' acceptances	129,072	-	129,072
Staff loans	1,881	-	1,881
Credit card loans	2,319	10	2,329
Statutory deposits with Bank Negara Malaysia	41,317	-	41,317
	4,196,491	862,403	5,058,894
Commitments and Contingencies			
Contingent liabilities	145,208	218,220	363,428
Commitments	327,300	12,952	340,252
	472,508	231,172	703,680
Total Credit Exposures	4,668,999	1,093,575	5,762,574

5.1 Distribution of Credit Exposures (continued)**(iii) Maturity Analysis**

The following tables present the residual contractual maturity for major types of gross credit exposures for on and off-balance sheet exposures of financial assets.

	As at 30 Jun 2020				
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000
On-Balance Sheet Exposures					Total RM'000
Cash and short-term funds	462,399	-	-	-	462,399
Deposits and placements with banks and other financial institutions	-	-	-	-	-
Financial investments measured at FVOCI	-	40,317	45,618	511,895	597,830
Financial investments measured at amortised cost	-	-	20,000	174,033	194,033
Loans, advances and financing	847,702	843,748	594,523	562,275	221,253
Overdrafts	30,959	-	-	-	30,959
Term loans					
- Housing loans	170	157	1,636	8,102	86,983
- Syndicated term loans	20,781	192,602	296,623	174,900	68,245
- Other term loans	1,955	15,389	127,482	162,865	64,726
Bridging loans	-	-	-	150,296	-
Bills receivable	102,683	89,128	53,927	31,275	-
Revolving credits	658,054	479,360	92,966	34,422	-
Bankers' acceptances	31,861	67,095	21,804	-	-
Staff loans	14	17	85	415	1,299
Credit card loans	1,225	-	-	-	1,830
Statutory deposits with Bank Negara Malaysia	-	-	-	-	33,089
Commitments and Contingencies					
Contingent liabilities	1,310,101	884,065	660,141	1,248,203	254,342
Commitments	24,634	22,416	47,514	206,122	-
	4,258	6,239	174,888	39,632	-
	28,892	28,655	222,402	245,754	-
Total Credit Exposures		912,720	882,543	1,493,957	254,342
					4,882,555

5.1 Distribution of Credit Exposures (continued)

(iii) Maturity Analysis (continued)

	As at 31 Dec 2019					Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	
On-Balance Sheet Exposures						
Cash and short-term funds	1,177,867	-	-	-	-	1,177,867
Deposits and placements with banks and other financial institutions	-	171,563	-	-	-	171,563
Financial investments measured at FVOCI	-	20,036	54,814	519,938	-	594,788
Financial investments measured at amortised cost	-	-	-	117,256	-	117,256
Loans, advances and financing	802,090	580,001	375,572	989,444	208,996	2,956,103
Overdrafts	32,663	-	-	-	-	32,663
Term loans						
- Housing loans	673	684	3,060	16,059	71,752	92,228
- Syndicated term loans	25,111	121,940	206,422	442,919	75,462	871,854
- Other term loans	2,895	15,017	69,203	320,488	60,429	468,032
Bridging loans	-	-	-	150,360	-	150,360
Bills receivable	1,485	10,120	29,515	2,992	-	44,112
Revolving credits	700,759	367,657	38,945	56,211	-	1,163,572
Bankers' acceptances	36,160	64,565	28,347	-	-	129,072
Staff loans	15	18	80	415	1,353	1,881
Credit card loans	2,329	-	-	-	-	2,329
Statutory deposits with Bank Negara Malaysia	-	-	-	-	41,317	41,317
	1,979,957	771,600	430,386	1,626,638	250,313	5,058,894
Commitments and Contingencies						
Contingent liabilities	38,003	54,356	64,782	206,287	-	363,428
Commitments	1,360	4,220	231,336	103,336	-	340,252
	39,363	58,576	296,118	309,623	-	703,680
Total Credit Exposures	2,019,320	830,176	726,504	1,936,261	250,313	5,762,574

5.2 Credit Quality of Loans, Advances and Financing

(i) Impaired loans, advances and financing analysed by:

	30 Jun 2020 RM'000	31 Dec 2019 RM'000
a) <i>Sector</i>		
Wholesale & retail trade and restaurant & hotels	1,156	1,105
Household	58	12
	<u>1,214</u>	<u>1,117</u>
b) <i>By geographical distributions</i>		
Within Malaysia	58	12
Outside Malaysia	1,156	1,105
	<u>1,214</u>	<u>1,117</u>

(ii) Past due but not impaired loans

Household	213	158
All past due but not impaired loans were from customers residing in Malaysia.		

(iii) Expected Credit Loss Allowance broken down by geographical location

The following tables present the expected credit loss allowance of loans, advances and financing analysed by geographical distribution based on the geographical location where the credit risk resides.

	30 Jun 2020		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	43,995	5,681	49,676
Overdrafts	894	-	894
Term loans			
- Housing loans	141	-	141
- Syndicated term loans	9,105	2,761	11,866
- Other term loans	4,525	486	5,011
Bridging loans	987	-	987
Bills receivable	4,736	3	4,739
Revolving credits	22,248	2,431	24,679
Bankers' acceptances	1,349	-	1,349
Staff loans	3	-	3
Credit card loans	7	-	7
	<u>43,995</u>	<u>5,681</u>	<u>49,676</u>

	31 Dec 2019		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	35,813	5,751	41,564
Overdrafts	982	-	982
Term loans			
- Housing loans	133	-	133
- Syndicated term loans	9,306	4,093	13,399
- Other term loans	4,628	1,175	5,803
Bridging loans	988	-	988
Bills receivable	659	3	662
Revolving credits	17,479	480	17,959
Bankers' acceptances	1,622	-	1,622
Staff loans	3	-	3
Credit card loans	13	-	13
	<u>35,813</u>	<u>5,751</u>	<u>41,564</u>

5.2 Credit Quality of Loans, advances and Financing (continued)

(iv) Expected Credit Loss Allowance broken down by sector

The following tables present the expected credit loss allowance of loans, advances and financing of the Bank analysed by industrial distribution.

		As at 30 Jun 2020									
		Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Retail Trade and Restaurant & Hotels RM'000	Transport, Storage and Communication RM'000	Finance, Insurance and Business Services RM'000	Electricity, gas and water supply RM'000	Primary Agriculture RM'000	Total RM'000
On-Balance Sheet Exposures		21	7,211	2,642	10,987	4,952	7,715	13,593	-	-	49,676
Loans, advances and financing		-	12	-	257	5	41	576	-	-	894
Overdrafts		-	-	-	-	-	-	-	-	-	-
Term loans		-	-	-	-	-	-	-	-	-	-
- Housing loans		-	-	-	-	-	-	-	-	-	-
- Syndicated term loans		-	999	2,354	6,445	787	-	1,281	-	-	141
- Other term loans		-	154	39	2,412	432	-	1,643	-	-	11,866
Bridging loans		-	987	-	-	-	-	-	-	-	5,011
Bills receivable		3	161	34	-	892	3,649	-	-	-	987
Revolving credits		18	4,801	215	1,873	1,660	4,025	10,017	-	-	4,739
Bankers' acceptances		-	97	-	-	1,176	-	76	-	-	24,679
Staff loans		-	-	-	-	-	-	-	-	-	1,349
Credit card loans		-	-	-	-	-	-	-	-	-	3
		21	7,211	2,642	10,987	4,952	7,715	13,593	-	-	49,676

		As at 31 Dec 2019									
		Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Retail Trade and Restaurant & Hotels RM'000	Transport, Storage and Communication RM'000	Finance, Insurance and Business Services RM'000	Electricity, gas and water supply RM'000	Primary Agriculture RM'000	Total RM'000
On-Balance Sheet Exposures		24	2,686	2,708	11,098	5,332	5,013	12,020	-	111	41,564
Loans, advances and financing		-	94	-	209	9	42	625	-	-	982
Overdrafts		-	-	-	-	-	-	-	-	-	-
Term loans		-	-	-	-	-	-	-	-	-	-
- Housing loans		-	-	-	-	-	-	-	-	-	-
- Syndicated term loans		-	789	2,397	6,589	870	819	1,824	-	111	133
- Other term loans		-	86	31	2,419	975	-	1,945	-	-	13,399
Bridging loans		-	988	-	-	-	-	-	-	-	5,803
Bills receivable		3	-	67	-	545	47	-	-	-	988
Revolving credits		21	550	180	1,881	1,599	4,105	7,550	-	-	662
Bankers' acceptances		-	179	33	-	1,334	-	76	-	-	17,959
Staff loans		-	-	-	-	-	-	-	-	-	1,622
Credit card loans		-	-	-	-	-	-	-	-	-	3
		24	2,686	2,708	11,098	5,332	5,013	12,020	-	111	41,564

5.2 Credit Quality of Loans, advances and Financing (continued)**(v) Movements in allowance for impairment on loans, advances and financing**

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January 2020	27,460	14,104	1,117	42,681
New assets originated	5,180	3,475	2	8,657
Assets derecognised or repaid	(4,050)	(1,595)	(4)	(5,649)
Transfer to Stage 1	23	(5)	(18)	-
Transfer to Stage 2	(3)	3	-	-
Transfer to Stage 3	-	(1)	1	-
Changes due to change in credit risk	(576)	5,369	61	4,854
Changes in model/risk parameter	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange adjustments	292	-	55	347
As at 30 Jun 2020	28,326	21,350	1,214	50,890

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January 2019	15,954	11,640	1,188	28,782
New assets originated	21,171	1,859	9	23,039
Assets derecognised or repaid	(10,151)	(13,771)	(1)	(23,923)
Transfer to Stage 1	489	(468)	(21)	-
Transfer to Stage 2	(3,064)	3,064	-	-
Transfer to Stage 3	-	(1)	1	-
Changes due to change in credit risk	2,923	12,085	31	15,039
Changes in model / risk parameter	195	(304)	-	(109)
Write-offs	-	-	(73)	(73)
Foreign exchange adjustments	(57)	-	(17)	(74)
As at 31 December 2019	27,460	14,104	1,117	42,681

5.3 Off-Balance Sheet Exposures and Counterparty Credit Risk

Off-balance sheet exposures of the Bank arise mainly from the following:

- Bank guarantee which represents the Bank's undertaking to make payment to the beneficiary in the event the customer being unable to meet its obligations to the latter.
- Undrawn credit commitment represents the Bank's commitment to extend credit for approved credit facilities which have yet to be fully utilised within the availability period.
- Documentary letter of credit is the Bank's undertaking on behalf of customer to make payment in relation to trade transaction.
- Derivative financial instruments.

Counterparty credit risk on derivative financial instruments is the risk that the Bank's counterparty in a derivative contract is unable to meet the terms of the contract upon maturity. To mitigate the risk, the creditworthiness of the counterparty is thoroughly assessed and on a case to case basis, collateral may be required.

5.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)**(i) Composition of Off-Balance Sheet Exposures**

The off-balance sheet exposures and their related counterparty credit risk of the Bank as at the respective reporting dates are as follows:

	30 Jun 2020			
	Principal	Positive	Credit	Risk-
	Amount	Value of	Equivalent	Weighted
	RM'000	Derivative	Amount	Assets
		Contracts	RM'000	RM'000
		RM'000		
<u>Credit-related exposures</u>				
Direct credit substitutes	77,085	-	77,085	15,417
Transaction-related contingent items	390,278	-	195,139	125,677
Short term self-liquidating trade-related contingencies	142,309	-	28,462	18,313
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	79,264	-	39,632	38,285
- Not exceeding one year	814,487	-	162,897	141,055
Unutilised credit card lines	41,890	-	8,378	6,283
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,034,806	5,086	14,110	6,582
Total	2,580,119	5,086	525,703	351,612

	31 Dec 2019			
	Principal	Positive	Credit	Risk-
	Amount	Value of	Equivalent	Weighted
	RM'000	Derivative	Amount	Assets
		Contracts	RM'000	RM'000
		RM'000		
<u>Credit-related exposures</u>				
Direct credit substitutes	73,674	-	73,674	14,735
Transaction-related contingent items	528,489	-	264,244	186,131
Short term self-liquidating trade-related contingencies	127,550	-	25,510	21,238
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	206,672	-	103,336	69,814
- Not exceeding one year	1,110,377	-	222,076	200,122
Unutilised credit card lines	40,984	-	8,197	6,148
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	558,715	2,014	6,643	2,741
Total	2,646,461	2,014	703,680	500,929

5.4 Credit Risk Mitigation

The Bank takes prudent approach in granting credit facilities to customers. The main considerations in the credit assessment process include customer's credit-worthiness, reliability of source of repayment and debt servicing ability. Credit Risk Mitigation ("CRM") such as collateral and guarantee provide further comfort to the Bank's exposures but these are deemed as the secondary safeguard measure. Depending on the credit standing of a customer, the Bank may provide facilities to the customer on a clean basis. It is in the interest of the Bank to diversify its unsecured exposures to a larger pool of clients that carry good credit grade.

As at the respective reporting dates, the main types of collateral obtained to mitigate credit risks are in the form of cash deposit, bank guarantee, standby letter of credit, quoted shares and property. Corporate guarantee and personal guarantee are often taken if such credit supports could effectively mitigate the credit risks.

Prior to accepting the CRM, proper assessment on the aspect of legal enforceability of the collateral and guarantor's credibility will be undertaken to arrive at reasonable security coverage. Valuation on the property taken as CRM is required prior to the loan's drawdown.

Proper legal documentations are in place to ensure that the Bank's interests are protected and CRM are enforceable in the event of default by the customer. The value and status of CRM will be reviewed periodically (at least once a year) to ensure the Bank's exposures remain adequately covered. For collateral the value of which fluctuates in a more frequent and volatile manner, such as quoted securities, the collateral value is marked to market periodically for close monitoring. Top up of collateral may be required to bring the loan-to-value ratio back to a satisfactory level in the event of sharp deterioration in the collateral value.

In order to manage any potential concentration risk within the mitigation taken, there is a report prepared on a regular interval to track the concentration level. Thus, the CRM concentration risk is appropriately managed whilst on going efforts are in place to grow the loan portfolio in a diversified manner.

There is no netting arrangement in place for the Bank's existing on and off-balance sheet exposures. The netting arrangement will be considered on an as-and-when basis to minimise the Bank's risk exposures.

The following tables present the credit exposures covered by guarantee (bank guarantees) and eligible financial collateral (fixed deposits) as at the respective reporting dates:

	30 Jun 2020		
	Total Exposures Before CRM RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns / Central Banks	574,594	-	-
Banks, Development Financial Institutions and MDBs	504,849	-	-
Corporates	2,995,222	-	303,517
Regulatory Retail	179,601	-	2,554
Residential Mortgages	95,037	-	559
Other Assets	47,353	-	-
Total On-Balance Sheet Exposures	4,396,656	-	306,630
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	511,593	103,969	5,006
OTC derivatives	14,110	-	-
Total Off-Balance Sheet Exposures	525,703	103,969	5,006
Total On and Off-Balance Sheet Exposures	4,922,359	103,969	311,636

5.4 Credit Risk Mitigation (continued)

	31 Dec 2019		
	Total Exposures Before CRM RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns / Central Banks	729,916	-	-
Banks, Development Financial Institutions and MDBs	1,233,265	-	-
Corporates	2,816,685	-	288,421
Regulatory Retail	179,250	-	4,701
Residential Mortgages	91,342	-	569
Other Assets	46,398	-	-
Total On-Balance Sheet Exposures	5,096,856	-	293,691
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	697,037	209,318	10,260
OTC derivatives	6,643	-	-
Total Off-Balance Sheet Exposures	703,680	209,318	10,260
Total On and Off-Balance Sheet Exposures	5,800,536	209,318	303,951

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach

The Bank refers to the credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the External Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the RWCAF:

- Standard & Poor's Rating Services ("S&P")
- Moody's Investors Service ("Moody's")
- Fitch Ratings ("Fitch")
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")
- Rating and Investment Information, Inc. ("R&I").

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

- Sovereigns / Central Banks
- Banking institutions
- Corporates

Under BNM RWCAF, an exposure would be deemed to have an external rating if the issuer or the issue has a rating provided by ECAI that has been recognised by BNM. In cases where an exposure does not have an issuer or issue rating, the exposure shall be deemed as unrated and shall be accorded a risk weight for unrated exposures in their respective exposure category.

There are cases where a borrower / securities issuer or financial instrument is rated by more than one ECAI. In such cases, all available external ratings of a borrower or an issue from recognised ECAIs must be captured and the following rules must be observed:

- Where 2 recognised external ratings are available, the lower rating is to be applied; or
- Where 3 or more recognised external ratings are available, the lower of the highest 2 ratings will be used for capital adequacy calculation purposes.

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach (continued)

In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantors are assigned.

The following is a summary of the risk weights and rating categories used in assigning credit quality to each exposure under the Standardised Approach.

Sovereigns / Central Banks

Rating Category	S&P	Moody's	Fitch	R&I	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	0%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	CCC+ to C	150%
Unrated					100%

Banking Institutions

Rating Category	S&P	Moody's	Fitch	R&I	RAM	MARC	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB+ to B-	BB1 to B3	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	CCC+ to C	C1 to D	C+ to D	150%
Unrated							50%

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach (continued)

Banking Institutions

Rating Category	Risk Weight (original maturity of ≤ 6 months)	Risk Weight (original maturity of ≤ 3 months)
1	20%	20%
2	20%	
3	20%	
4	50%	
5	150%	
Unrated	20%	

Corporates

Rating Category	S&P	Moody's	Fitch	R&I		MARC	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	100%
4	B+ to D	B1 to C	B+ to D	B+ to D	B1 to D	B+ to D	150%
Unrated							100%

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach (continued)

(i) Rated Exposures As Per ECAs

The following tables present the credit exposures, categorised according to the credit quality rating as at 30 June 2020:

Ratings of Sovereigns / Central Banks						
1	2	3	4	5	Unrated	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
-	-	-	-	-	574,594	574,594

On and Off-Balance Sheet Exposures Sovereigns / Central Banks

Ratings of Banking Institutions						
1	2	3	4	5	Unrated	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
286,926	321,014	-	-	-	-	607,940

On and Off-Balance Sheet Exposures Banks, MDBs and DFIs

Ratings of Corporates						
1	2	3	4	Unrated	Total	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
268,448	124,096	-	-	2,975,038	3,367,582	

On and Off-Balance Sheet Exposures Corporates

Ratings of Regulatory Retail						
1	2	3	4	Unrated	Total	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
-	-	-	-	237,403	237,403	

On and Off-Balance Sheet Exposures Regulatory Retail

Ratings of Residential Mortgages						
1	2	3	4	Unrated	Total	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
-	-	-	-	95,037	95,037	

On and Off-Balance Sheet Exposures Residential Mortgages

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach (continued)

(i) Rated Exposures As Per ECAs (continued)

The following tables present the credit exposures, categorised according to the credit quality rating as at 31 December 2019:

	Ratings of Sovereigns / Central Banks				
	1	2	3	4	5
RM'000		RM'000	RM'000	RM'000	RM'000
Unrated					RM'000
Total					RM'000
On and Off-Balance Sheet Exposures Sovereigns / Central Banks	-	-	-	-	729,916
					729,916

	Ratings of Banking Institutions				
	1	2	3	4	5
RM'000		RM'000	RM'000	RM'000	RM'000
Unrated					RM'000
Total					RM'000
On and Off-Balance Sheet Exposures Banks, MDBs and DFIs	685,240	643,809	-	-	-
					1,329,049

	Ratings of Corporates			
	1	2	3	4
RM'000		RM'000	RM'000	RM'000
Unrated				RM'000
Total				RM'000
On and Off-Balance Sheet Exposures Corporates	206,850	203,974	-	24,581
				2,943,837
				3,379,242

	Ratings of Regulatory Retail			
	1	2	3	4
RM'000		RM'000	RM'000	RM'000
Unrated				RM'000
Total				RM'000
On and Off-Balance Sheet Exposures Regulatory Retail	-	-	-	-
				233,025
				233,025

	Ratings of Residential Mortgages			
	1	2	3	4
RM'000		RM'000	RM'000	RM'000
Unrated				RM'000
Total				RM'000
On and Off-Balance Sheet Exposures Residential Mortgages	-	-	-	-
				91,342
				91,342

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach (continued)

(ii) Assignment of Risk Weights for Portfolios Under The Standardised Approach

The following tables present the breakdown of credit exposures by risk weights as at the respective reporting dates:

	Exposures after Netting and Credit Risk Mitigation						Total Risk-Weighted Assets RM'000
	Sovereign / Central Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	
30 Jun 2020							
Risk Weights							
0%	574,594	8,993	283,431	6,929	560	7,549	-
20%	-	500,208	268,448	-	-	9,320	155,595
35%	-	-	-	-	76,371	-	26,730
50%	-	81,726	124,096	-	16,803	143	111,384
75%	-	-	-	18,791	-	-	14,093
100%	-	-	2,686,960	211,682	1,304	44,451	2,944,397
Total Exposures	574,594	590,927	3,362,935	237,402	95,038	61,463	3,252,199
Risk-Weighted Assets by Exposures	-	140,905	2,802,698	225,775	36,435	46,387	3,252,199
Average Risk Weight	0.0%	23.8%	83.3%	95.1%	38.3%	75.5%	66.1%
Deduction from Capital Base	-	-	-	-	-	-	-
	Exposures after Netting and Credit Risk Mitigation						Total Risk-Weighted Assets RM'000
	Sovereign / Central Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	
31 Dec 2019							
Risk Weights							
0%	729,916	-	264,922	7,217	570	8,436	-
20%	-	1,235,696	206,850	-	-	4,542	289,418
35%	-	-	-	-	73,703	-	25,796
50%	-	79,838	203,974	-	15,760	537	150,054
75%	-	-	-	17,686	-	-	13,265
100%	-	-	2,701,932	208,122	1,309	39,526	2,950,889
Total Exposures	729,916	1,315,534	3,377,678	233,025	91,342	53,041	3,429,422
Risk-Weighted Assets by Exposures	-	287,058	2,845,289	221,387	34,985	40,703	3,429,422
Average Risk Weight	0.0%	21.8%	84.2%	95.0%	38.3%	76.7%	59.1%
Deduction from Capital Base	-	-	-	-	-	-	-

Note:

MDBs - Multilateral Development Banks
DFIs - Development Financial Institutions

6.0 Market Risk

Market risk is the risk of loss arising from movements in market variables, such as interest rates, foreign exchange rates or volatility risk in the prices of any form of instruments. The Bank has established governance process for market risk management that covers the activities of identifying, measuring, monitoring, controlling and reporting market risks on a timely basis. The objective of market risk management is to manage and control the market risk exposures within acceptable range according to the Bank's risk appetite.

The types of market risks mainly include interest rate risk and foreign exchange rate risk. For derivative contracts that the Bank enters into with its counterparties, the Bank will square its position by entering into offsetting trades with other financial institutions. The netting arrangements, if required, will be considered on a case-to-case basis to minimise the credit risk of its derivative counterparties as the cash flows are netted on the settlement date. For interest rate risk, the Bank conducts gap analysis through sensitivity testing and seeks to closely manage the interest rate sensitivity gap. The Asset and Liabilities Committee ("ALCO") plays a critical role in monitoring the Bank's overall interest rate risk profile and the Bank's earnings sensitivity in the changes in interest rate.

The Bank does not engage in any proprietary trading activities. Exposures arising from normal banking activities (deposits, loans, foreign exchange, etc) are managed accordingly to minimise and preferably eliminate exposure to market risk. All risks related to treasury activities will be managed according to, and within the authorised risk limits.

The minimum regulatory capital requirement for market risk exposures for the financial year is disclosed in note 2.0 (b).

6.1 Interest Rate Risk in the Banking Book ("IRRBB")

The projection, by using the repricing gap method, assumes that interest rate moves up and down parallelly by 100 basis points ("bps") across all maturities for all the interest bearing assets and liabilities. It is further assumed that all positions are repriced at the mid-point of each time band and will run to maturity. The repricing profile of loan that does not have maturity is based on the earliest possible repricing dates. The impact on earnings and economic value is measured on a monthly basis.

The table below illustrates the impact under a 100 bps parallel upward / downward interest rate shock on the Bank's earnings and economic value.

	30 Jun 2020		31 Dec 2019	
	-100 bps	+100 bps	-100 bps	+100 bps
	RM'000	RM'000	RM'000	RM'000
Impact on net interest income				
Ringgit Malaysia	(8,987)	8,987	(11,381)	11,381
United States Dollar	(547)	547	(1,340)	1,340
Chinese Renminbi	(805)	805	(441)	441
Others	(143)	143	(127)	127
Total	(10,482)	10,482	(13,289)	13,289
Impact on economic value				
Ringgit Malaysia	13,582	(13,582)	10,060	(10,060)
United States Dollar	(1,186)	1,186	(1,606)	1,606
Chinese Renminbi	(419)	419	(125)	125
Others	(249)	249	(170)	170
Total	11,727	(11,727)	8,159	(8,159)

7.0 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk.

Every department is responsible for understanding the operational risks inherent in its material products, activities, processes and systems. They are responsible for the management of operational risk on a day-to-day basis. The Bank has adopted the following standards and management measures in managing operational risk:

- requirement for appropriate segregation of duties, including independent authorisation of transactions
- requirement for reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where applicable

The minimum regulatory capital requirement on operational risk exposures for the financial period is disclosed in note 2.0 (b).

8.0 Liquidity Risk

Liquidity risks are the risks when the Bank fails to raise funds to meet the present or future obligations due to customers or counterparties. The potential liquidity risks of the Bank mainly include customers' premature and collective withdrawal, overdue repayment from counterparties, mismatch gap in asset-liability maturity structure and difficulties in realisation of assets.

The management of liquidity and funding has been carried out in compliance with regulatory requirement as well as management requirement and limits set by the Assets and Liabilities Committee ("ALCO"). The Bank maintains a strong liquidity position and constantly manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flow requirements are appropriately satisfied and all obligations are met accordingly.

The Bank has been continuously maintaining relationship with new and existing depositors and funding counterparties to grow the funding base in a diversified manner.