

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 2022

OFFICER-IN-CHARGE'S ATTESTATION

I, Xie Shaoxiong, being the Managing Director/Chief Executive Officer 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), and are accurate and complete.

Xie Shaoxiong
Managing Director/Chief Executive Officer

Date: 27 July 2022

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 the 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 Pillar 2 requirements as well as the assessment of the Bank's 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 sets out the Bank's lending direction and business strategies for the coming year to be in line with the risk appetite set. Senior Management is responsible for 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 a stress test exercise periodically to assess the Bank's capability to withstand an adverse economic 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 adverse movement of foreign exchange rate 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 2022, 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 2022	31 Dec 2021
CET1 capital ratio	38.674%	39.521%
Tier 1 capital ratio	38.674%	39.521%
Total capital ratio	39.825%	40.665%

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 2022			
	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	637,701	637,701	-	-
Banks, Development Financial Institutions and MDBs	608,932	608,932	152,290	12,183
Corporates	2,480,797	2,480,797	2,194,946	175,596
Regulatory Retail	127,023	128,023	123,604	9,888
Residential Mortgages	111,410	111,410	44,799	3,584
Other Assets	40,683	40,683	33,737	2,699
Total On-Balance Sheet Exposures	4,006,546	4,007,546	2,549,376	203,950
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	441,760	441,760	319,576	25,566
OTC derivatives	43,211	43,211	28,221	2,258
Total Off-Balance Sheet Exposures	484,971	484,971	347,797	27,824
Total On and Off-Balance Sheet Exposures	4,491,517	4,492,517	2,897,173	231,774
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Foreign currency risk	9,176	-	9,176	734
Interest Rate Risk	214,874	214,874	-	43
<i>Operational Risk</i>	-	-	-	19,123
Total RWA and Capital Requirements			3,145,919	251,674

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 2021			
	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	626,387	626,387	-	-
Banks, Development Financial Institutions and MDBs	949,045	949,045	218,751	17,500
Corporates	2,292,953	2,292,953	2,065,357	165,229
Regulatory Retail	118,378	118,378	114,213	9,137
Residential Mortgages	106,120	106,120	41,203	3,296
Other Assets	43,124	43,124	36,727	2,938
Total On-Balance Sheet Exposures	4,136,007	4,136,007	2,476,251	198,100
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	461,871	461,871	319,810	25,585
OTC derivatives	34,249	34,249	24,430	1,954
Total Off-Balance Sheet Exposures	496,120	496,120	344,240	27,539
Total On and Off-Balance Sheet Exposures	4,632,127	4,632,127	2,820,491	225,639
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Foreign currency risk	9,887	-	9,887	9,887
Interest Rate Risk	208,837	208,837	-	522
<i>Operational Risk</i>	-	-	-	248,676
Total RWA and Capital Requirements			3,079,576	246,366

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 2022	31 Dec 2021
	RM'000	RM'000
Common Equity Tier 1 ("CET1") Capital/Tier 1 Capital		
Paid-up share capital	832,609	832,609
Retained earnings	390,870	390,870
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	3,465	1,186
Unrealised gains on financial investments measured at FVOCI	1,551	6,416
	1,246,139	1,248,725
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	(10,996)	(10,485)
- 55% of cumulative gains of financial investments measured at FVOCI	(853)	(3,529)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(29,493)	(31,658)
Total CET1 Capital/Tier 1 Capital	1,216,646	1,217,067
Tier 2 Capital		
Allowance for credit loss	18,571	17,612
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	36,215	35,256
Total Capital	1,252,861	1,252,323

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 framework 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 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 the 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.

According to standard MFRS 9 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 were 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 2022													
	Central Bank	Financial	Manufacturing	Construction	Real Estate	Wholesale & Retail Trade and Restaurant & Hotels	Transport, Storage and Communication	Finance, Insurance and Business Services	Electricity, Gas and Water Supply	Primary Agriculture	Household	Others	Total
On-Balance Sheet Exposures	RM'000	Services RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	34,441	477,520	-	-	-	-	-	-	-	-	-	-	511,961
Deposits and placements with banks and other financial institutions	-	63,076	-	-	-	-	-	-	-	-	-	-	63,076
Financial investments measured at FVOCI	554,029	-	-	-	-	-	-	-	5,004	-	-	-	559,033
Financial investments measured at amortised cost	32,002	61,681	-	-	-	-	160,601	200,219	-	100,225	-	-	554,728
Loans, advances and financing	-	13,601	306,627	281,129	194,248	289,879	179,073	497,424	155,573	22,068	128,039	199,121	2,266,782
Overdrafts	-	-	2,818	1	6,661	1,152	3,842	13,132	-	-	571	-	28,177
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	-	-	-	-	-	-	-	-	114,183	-	114,183
- Syndicated term loans	-	-	209,181	97,346	60,227	-	-	62,487	55,573	-	-	-	484,814
- Other term loans	-	-	-	102,194	43,362	-	-	183,537	-	-	10,001	-	365,708
Bills receivable	-	-	1,005	-	-	-	68,268	175,231	-	-	-	-	244,504
Revolving credits	-	13,601	87,624	75,450	83,998	96,034	-	238,268	-	22,068	-	199,121	816,164
Bankers' acceptances	-	-	5,999	6,138	-	97,811	-	-	100,000	-	-	-	209,948
Staff loans	-	-	-	-	-	-	-	-	-	-	1,591	-	1,591
Credit card loans	-	-	-	-	-	-	-	-	-	-	1,693	-	1,693
Statutory deposits with Bank Negara Malaysia	17,229	-	-	-	-	-	-	-	-	-	-	-	17,229
	637,701	615,878	306,627	281,129	194,248	289,879	339,674	697,643	160,577	122,293	128,039	199,121	3,972,809
Commitments and Contingencies													
Contingent liabilities	-	63,074	77,795	16,420	-	35,295	5,578	29,855	25,509	-	-	5	253,531
Commitments	-	28,162	38,250	36,025	675	32,506	47,007	31,500	935	3,000	12,917	463	231,440
	-	91,236	116,045	52,445	675	67,801	52,585	61,355	26,444	3,000	12,917	468	484,971
Total Credit Exposures	637,701	707,114	422,672	333,574	194,923	357,680	392,259	758,998	187,021	125,293	140,956	199,589	4,457,780

5.1 Distribution of Credit Exposures (continued)

(i) Industry Analysis (continued)

As at 31 Dec 2021													
	Central Bank	Financial	Manufacturing	Construction	Real Estate	Wholesale & Retail Trade and Restaurant & Hotels	Transport, Storage and Communication	Finance, Insurance and Business Services	Electricity, Gas and Water Supply	Primary Agriculture	Household	Others	Total
	RM'000	Services RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures													
Cash and short-term funds	115,518	620,827	-	-	-	-	-	-	-	-	-	-	736,345
Deposits and placements with banks and other financial institutions	-	145,809	-	-	-	-	-	-	-	-	-	-	145,809
Financial investments measured at FVOCI	460,024	-	-	-	-	-	-	-	5,061	-	-	-	465,085
Financial investments measured at amortised cost	32,039	77,273	-	-	-	-	162,081	80,287	-	100,875	-	-	452,555
Loans, advances and financing	-	111,534	269,056	226,158	235,896	295,130	199,031	528,311	57,307	30,850	128,326	199,081	2,280,680
Overdrafts	-	-	-	-	3,720	310	3,948	13,044	-	-	665	-	21,687
Term loans													
- Housing loans	-	-	-	-	-	-	-	-	-	-	112,281	-	112,281
- Syndicated term loans	-	-	163,555	98,232	60,219	-	-	71,065	57,307	-	-	-	450,378
- Other term loans	-	-	-	102,416	85,582	27,891	-	165,292	-	-	11,981	-	393,162
Bills receivable	-	92,332	313	-	-	73,789	186,754	-	-	-	-	-	353,188
Revolving credits	-	19,202	99,667	16,026	86,375	92,765	8,329	278,910	-	28,350	-	199,081	828,705
Bankers' acceptances	-	-	5,521	9,484	-	100,375	-	-	-	2,500	-	-	117,880
Staff loans	-	-	-	-	-	-	-	-	-	-	1,641	-	1,641
Credit card loans	-	-	-	-	-	-	-	-	-	-	1,758	-	1,758
Statutory deposits with Bank Negara Malaysia	18,806	-	-	-	-	-	-	-	-	-	-	-	18,806
	626,387	955,443	269,056	226,158	235,896	295,130	361,112	608,598	62,368	131,725	128,326	199,081	4,099,280
Commitments and Contingencies													
Contingent liabilities	-	103,419	73,671	15,670	-	34,703	5,084	30,943	21,933	-	-	4	285,427
Commitments	-	17,441	37,436	35,596	1,261	18,926	45,219	35,236	3,063	1,000	15,052	463	210,693
	-	120,860	111,107	51,266	1,261	53,629	50,303	66,179	24,996	1,000	15,052	467	496,120
Total Credit Exposures	626,387	1,076,303	380,163	277,424	237,157	348,759	411,415	674,777	87,364	132,725	143,378	199,548	4,595,400

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 2022		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	316,670	195,291	511,961
Deposits and placements with banks and other financial institutions	4,554	58,522	63,076
Financial investments measured at FVOCI	559,034	-	559,034
Financial investments measured at amortised cost	554,728	-	554,728
Loans, advances and financing	2,080,268	186,514	2,266,782
Overdrafts	28,177	-	28,177
Term loans			
- Housing loans	114,183	-	114,183
- Syndicated term loans	361,599	123,215	484,814
- Other term loans	365,708	-	365,708
Bills receivable	244,504	-	244,504
Revolving credits	752,871	63,293	816,164
Bankers' acceptances	209,948	-	209,948
Staff loans	1,591	-	1,591
Credit card loans	1,687	6	1,693
Statutory deposits with Bank Negara Malaysia	17,229	-	17,229
	3,532,483	440,327	3,972,810
Commitments and Contingencies			
Contingent liabilities	190,457	63,074	253,531
Commitments	224,872	6,568	231,440
	415,329	69,642	484,971
Total Credit Exposures	3,947,812	509,969	4,457,781

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

	As at 31 Dec 2021		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	564,484	171,861	736,345
Deposits and placements with banks and other financial institutions	145,809	-	145,809
Financial investments measured at FVOCI	465,085	-	465,085
Financial investments measured at amortised cost	452,555	-	452,555
Loans, advances and financing	1,991,374	289,306	2,280,680
Overdrafts	21,687	-	21,687
Term loans			
- Housing loans	112,281	-	112,281
- Syndicated term loans	316,256	134,122	450,378
- Other term loans	393,162	-	393,162
Bills receivable	260,856	92,332	353,188
Revolving credits	765,859	62,846	828,705
Bankers' acceptances	117,880	-	117,880
Staff loans	1,641	-	1,641
Credit card loans	1,752	6	1,758
Statutory deposits with Bank Negara Malaysia	18,806	-	18,806
	3,638,113	461,167	4,099,280
Commitments and Contingencies			
Contingent liabilities	182,008	103,419	285,427
Commitments	206,489	4,204	210,693
	388,497	107,623	496,120
Total Credit Exposures	4,026,610	568,790	4,595,400

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 2022					
	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	Total RM'000
On-Balance Sheet Exposures						
Cash and short-term funds	511,961	-	-	-	-	511,961
Deposits and placements with banks and other financial institutions	-	4,554	58,522	-	-	63,076
Financial investments measured at FVOCI	35,017	-	-	464,388	59,629	559,034
Financial investments measured at amortised cost	32,002	100,225	75,394	347,107	-	554,728
Loans, advances and financing	514,705	660,480	246,436	459,977	385,184	2,266,782
Overdrafts	28,177	-	-	-	-	28,177
Term loans						
- Housing loans	703	706	3,219	19,760	89,795	114,183
- Syndicated term loans	10,280	6,799	30,705	233,076	203,954	484,814
- Other term loans	2,439	40,163	29,544	203,222	90,340	365,708
Bills receivable	9,829	65,704	165,441	3,530	-	244,504
Revolving credits	423,467	392,697	-	-	-	816,164
Bankers' acceptances	38,104	154,394	17,450	-	-	209,948
Staff loans	13	17	77	389	1,095	1,591
Credit card loans	1,693	-	-	-	-	1,693
Statutory deposits with Bank Negara Malaysia	-	-	-	-	17,229	17,229
	1,093,685	765,259	380,352	1,271,472	462,042	3,972,810
Commitments and Contingencies						
Contingent liabilities	30,537	46,860	121,712	46,874	7,548	253,531
Commitments	1,140	3,648	175,847	50,805	-	231,440
	31,677	50,508	297,559	97,679	7,548	484,971
Total Credit Exposures	1,125,362	815,767	677,911	1,369,151	469,590	4,457,781

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

	As at 31 Dec 2021					
	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	Total RM'000
On-Balance Sheet Exposures						
Cash and short-term funds	736,345	-	-	-	-	736,345
Deposits and placements with banks and other financial institutions	-	145,809	-	-	-	145,809
Financial investments measured at FVOCI	-	-	35,337	429,748	-	465,085
Financial investments measured at amortised cost	-	-	147,996	304,559	-	452,555
Loans, advances and financing	471,644	714,623	257,826	480,283	356,304	2,280,680
Overdrafts	21,687	-	-	-	-	21,687
Term loans						
- Housing loans	586	888	2,833	17,746	90,228	112,281
- Syndicated term loans	10,007	6,416	30,681	219,461	183,813	450,378
- Other term loans	1,292	19,852	57,056	233,842	81,120	393,162
Bills receivable	42,838	229,275	72,234	8,841	-	353,188
Revolving credits	358,377	395,526	74,802	-	-	828,705
Bankers' acceptances	35,086	62,649	20,145	-	-	117,880
Staff loans	13	17	75	393	1,143	1,641
Credit card loans	1,758	-	-	-	-	1,758
Statutory deposits with Bank Negara Malaysia	-	-	-	-	18,806	18,806
	1,207,989	860,432	441,159	1,214,590	375,110	4,099,280
Commitments and Contingencies						
Contingent liabilities	18,141	101,582	102,922	53,220	9,562	285,427
Commitments	2,733	2,933	149,637	55,390	-	210,693
	20,874	104,515	252,559	108,610	9,562	496,120
Total Credit Exposures	1,228,863	964,947	693,718	1,323,200	384,672	4,595,400

5.2 Credit Quality of Loans, Advances and Financing

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

	30 Jun 2022 RM'000	31 Dec 2021 RM'000
<i>a) Sector</i>		
Wholesale & retail trade and restaurant & hotels	1,190	1,125
Household	84	87
	<u>1,274</u>	<u>1,212</u>
<i>b) By geographical distributions</i>		
Within Malaysia	84	87
Outside Malaysia	1,190	1,125
	<u>1,274</u>	<u>1,212</u>

(ii) Past due but not impaired loans

Household	94	107
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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 2022		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	29,700	2,606	32,306
Overdrafts	749	-	749
Term loans			
- Housing loans	166	-	166
- Syndicated term loans	8,182	2,499	10,681
- Other term loans	5,501	-	5,501
Bills receivable	1,514	-	1,514
Revolving credits	12,390	107	12,497
Bankers' acceptances	1,187	-	1,187
Staff loans	2	-	2
Credit card loans	9	-	9
	<u>29,700</u>	<u>2,606</u>	<u>32,306</u>

	31 Dec 2021		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	32,819	2,653	35,472
Overdrafts	687	-	687
Term loans			
- Housing loans	163	-	163
- Syndicated term loans	7,992	2,408	10,400
- Other term loans	7,397	-	7,397
Bills receivable	1,911	42	1,953
Revolving credits	13,740	203	13,943
Bankers' acceptances	917	-	917
Staff loans	2	-	2
Credit card loans	10	-	10
	<u>32,819</u>	<u>2,653</u>	<u>35,472</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.

On-Balance Sheet Exposures	As at 30 Jun 2022											Total RM'000
	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Wholesale & 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	Household RM'000	Others RM'000	
Loans, advances and financing	18	4,116	4,633	4,671	1,849	1,154	11,590	1,325	434	401	2,115	32,306
Overdrafts	-	67	-	158	14	120	388	-	-	2	-	749
Term loans	-	-	-	-	-	-	-	-	-	166	-	166
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	2,805	2,783	1,175	-	-	2,593	1,325	-	-	-	10,681
- Other term loans	-	-	1,093	1,585	110	-	2,491	-	-	222	-	5,501
Bills receivable	-	24	-	-	456	1,034	-	-	-	-	-	1,514
Revolving credits	18	1,077	640	1,753	725	-	5,735	-	434	-	2,115	12,497
Bankers' acceptances	-	143	117	-	544	-	383	-	-	-	-	1,187
Staff loans	-	-	-	-	-	-	-	-	-	2	-	2
Credit card loans	-	-	-	-	-	-	-	-	-	9	-	9
	18	4,116	4,633	4,671	1,849	1,154	11,590	1,325	434	401	2,115	32,306

On-Balance Sheet Exposures	As at 31 Dec 2021											Total RM'000
	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Wholesale & 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	Household RM'000	Others RM'000	
Loans, advances and financing	67	4,109	4,442	6,866	2,010	1,792	11,883	1,129	609	451	2,114	35,472
Overdrafts	-	-	-	112	4	123	445	-	-	3	-	687
Term loans	-	-	-	-	-	-	-	-	-	163	-	163
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	2,606	2,806	1,175	-	-	2,684	1,129	-	-	-	10,400
- Other term loans	-	-	1,096	3,769	146	-	2,113	-	-	273	-	7,397
Bills receivable	42	7	-	-	495	1,409	-	-	-	-	-	1,953
Revolving credits	25	1,364	361	1,810	808	260	6,641	-	560	-	2,114	13,943
Bankers' acceptances	-	132	179	-	557	-	-	-	49	-	-	917
Staff loans	-	-	-	-	-	-	-	-	-	2	-	2
Credit card loans	-	-	-	-	-	-	-	-	-	10	-	10
	67	4,109	4,442	6,866	2,010	1,792	11,883	1,129	609	451	2,114	35,472

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 2022	24,251	11,221	1,212	36,684
New assets originated	3,933	94	3	4,030
Assets derecognised or repaid	(4,291)	(2,925)	-	(7,216)
Transfer to Stage 1	28	(6)	(22)	-
Transfer to Stage 2	-	20	(20)	-
Transfer to Stage 3	-	(1)	1	-
Changes due to change in credit risk	(192)	19	32	(141)
Changes in model / risk parameter	-	-	-	-
Foreign exchange adjustments	193	-	68	261
As at 30 Jun 2022	23,922	8,422	1,274	33,618

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January 2021	35,616	17,070	1,133	53,819
New assets originated	12,332	3,038	7	15,377
Assets derecognised or repaid	(13,300)	(8,145)	(1)	(21,446)
Transfer to Stage 1	2,862	(2,809)	(53)	-
Transfer to Stage 2	(4,002)	4,002	-	-
Transfer to Stage 3	-	(2)	2	-
Changes due to change in credit risk	(7,434)	(1,459)	84	(8,809)
Changes in model / risk parameter	(1,997)	(474)	-	(2,471)
Foreign exchange adjustments	174	-	40	214
As at 31 December 2021	24,251	11,221	1,212	36,684

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 is 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 2022			
	Principal Amount RM'000	Positive Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	-	-	-	-
Transaction-related contingent items	406,207	-	203,103	97,751
Short term self-liquidating trade-related contingencies	252,137	-	50,427	37,673
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	34,585	-	17,292	16,066
- Not exceeding one year	815,065	-	163,013	162,144
Unutilised credit card lines	39,621	-	7,924	5,943
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	400,263	2,778	9,698	5,254
Interest rate related contracts:				
- One year to five years	414,873	416	33,513	22,967
Total	2,362,751	3,194	484,970	347,798

	31 Dec 2021			
	Principal Amount RM'000	Positive Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	-	-	-	-
Transaction-related contingent items	489,683	-	244,841	120,015
Short term self-liquidating trade-related contingencies	202,929	-	40,586	29,384
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	56,359	-	28,179	26,446
- Not exceeding one year	701,349	-	140,270	137,968
Unutilised credit card lines	39,971	-	7,994	5,996
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	393,064	2,778	7,039	4,107
Interest rate related contracts:				
- One year to five years	408,837	416	27,211	20,323
Total	2,292,192	3,194	496,120	344,239

5.4 Credit Risk Mitigation

The Bank takes a 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 repayments and debt servicing ability. Credit Risk Mitigation ("CRM") such as collateral and guarantee provides 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 examine the extent of mitigations. 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 a customer. The value and status of CRM will be reviewed periodically to ensure the Bank's exposures remain adequately covered. For collateral with value that 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 2022		
	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	637,701	-	-
Banks, Development Financial Institutions and MDBs	608,932	-	-
Corporates	2,480,797	-	2,641
Regulatory Retail	128,023	-	1,905
Residential Mortgages	111,410	-	364
Other Assets	40,683	-	-
Total On-Balance Sheet Exposures	4,007,546	-	4,910
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	441,760	156,453	77,625
OTC derivatives	43,211	-	-
Total Off-Balance Sheet Exposures	484,971	156,453	77,625
Total On and Off-Balance Sheet Exposures	4,492,517	156,453	82,535

5.4 Credit Risk Mitigation (continued)

	31 Dec 2021		
	Total Exposures Before CRM	Total Exposures Covered by Guarantees	Total Exposures Covered by Eligible Financial Collateral
<i>Credit Risk</i>	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Sovereigns / Central Banks	626,387	-	-
Banks, Development Financial Institutions and MDBs	949,045	-	-
Corporates	2,292,953	-	2,885
Regulatory Retail	118,378	-	1,776
Residential Mortgages	106,120	-	559
Other Assets	43,124	-	-
Total On-Balance Sheet Exposures	4,136,007	-	5,220
Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposures	461,871	109,353	74,121
OTC derivatives	34,249	-	-
Total Off-Balance Sheet Exposures	496,120	109,353	74,121
Total On and Off-Balance Sheet Exposures	4,632,127	109,353	79,341

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 ECAs 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)**(i) Rated Exposures As Per ECAIs**

The following tables present the credit exposures, categorised according to the credit quality rating as at 30 June 2022:

	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
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns / Central Banks	-	-	-	-	-	637,701	637,701

	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
<u>On and Off-Balance Sheet Exposures</u>							
Banks, MDBs and DFIs	23	585,495	-	-	-	65,338	650,856

	Ratings of Corporates						
	1	2	3	4	Unrated	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>							
Corporates	162,202	386,550	-	-	2,351,132	2,899,884	

	Ratings of Regulatory Retail						
	1	2	3	4	Unrated	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>							
Regulatory Retail	-	-	-	-	157,928	157,928	

	Ratings of Residential Mortgages						
	1	2	3	4	Unrated	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>							
Residential Mortgages	-	-	-	-	111,410	111,410	

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach (continued)**(i) Rated Exposures As Per ECAIs (continued)**

The following tables present the credit exposures, categorised according to the credit quality rating as at 31 December 2021:

		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
<u>On and Off-Balance Sheet Exposures</u>								
Sovereigns / Central Banks		-	-	-	-	-	626,387	626,387
		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
<u>On and Off-Balance Sheet Exposures</u>								
Banks, MDBs and DFIs		166,666	764,557	41,660	-	-	-	972,883
		Ratings of Corporates						
		1	2	3	4	Unrated	Total	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>								
Corporates		163,443	313,276	-	-	2,253,763	2,730,482	
		Ratings of Regulatory Retail						
		1	2	3	4	Unrated	Total	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>								
Regulatory Retail		-	-	-	-	159,527	159,527	
		Ratings of Residential Mortgages						
		1	2	3	4	Unrated	Total	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>								
Residential Mortgages		-	-	-	-	106,120	106,120	

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:

30 Jun 2022 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures After Netting & Credit Risk Mitigation RM'000	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		
0%	637,701	-	76,790	6,905	365	6,945	728,706	-
20%	-	507,255	162,202	-	-	3,028	672,485	134,497
35%	-	-	-	-	79,992	-	79,992	27,997
50%	-	101,678	386,550	-	28,504	25,135	541,867	270,934
75%	-	-	-	18,887	-	-	18,887	14,165
100%	-	6,816	2,259,294	132,136	2,549	48,785	2,449,580	2,449,580
Total Exposures	637,701	615,749	2,884,836	157,928	111,410	83,893	4,491,517	2,897,173
Risk-Weighted Assets by Exposures	-	159,106	2,485,009	146,301	44,798	61,959	2,897,173	
Average Risk Weight	0.0%	25.8%	86.1%	92.6%	40.2%	73.9%	64.5%	
Deduction from Capital Base	-	-	-	-	-	-	-	

31 Dec 2021 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures After Netting & Credit Risk Mitigation RM'000	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		
0%	626,387	-	73,531	6,776	560	6,397	713,651	-
20%	-	852,571	163,443	-	-	3,664	1,019,678	203,936
35%	-	-	-	-	82,638	-	82,638	28,923
50%	-	96,474	313,277	-	21,285	13,777	444,813	222,407
75%	-	-	-	24,487	-	-	24,487	18,365
100%	-	-	2,163,424	128,264	1,637	53,535	2,346,860	2,346,860
Total Exposures	626,387	949,045	2,713,675	159,527	106,120	77,373	4,632,127	2,820,491
Risk-Weighted Assets by Exposures	-	218,751	2,352,751	146,629	41,203	61,157	2,820,491	
Average Risk Weight	0.0%	23.0%	86.7%	91.9%	38.8%	79.0%	60.9%	
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 a 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 Bank does not engage in any proprietary trading activities. Exposures arising from the normal banking activities (deposits, loans, foreign exchange, etc) are managed accordingly to minimise the 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 2022		31 Dec 2021	
	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000
Impact on net interest income				
Ringgit Malaysia	(9,684)	9,684	(8,843)	8,843
United States Dollar	31	(31)	(787)	787
Chinese Renminbi	(912)	912	(689)	689
Others	(104)	104	(127)	127
Total	(10,669)	10,669	(10,446)	10,446
Impact on economic value				
Ringgit Malaysia	9,829	(9,829)	9,025	(9,025)
United States Dollar	(702)	702	(1,359)	1,359
Chinese Renminbi	(473)	473	(255)	255
Others	(113)	113	(148)	148
Total	8,541	(8,541)	7,263	(7,263)

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 year 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 its present or future obligations due to customers or counterparties. The potential liquidity risks of the Bank mainly include customers' premature and collective withdrawals, overdue repayments 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.