

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 2023

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 2023

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 requirements 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 the 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 purposes.
- 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 the 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 2023, 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 2023	31 Dec 2022
CET1 capital ratio	38.520%	38.771%
Tier 1 capital ratio	38.520%	38.771%
Total capital ratio	39.670%	39.926%

2.0 Capital Management and Capital Adequacy (continued)

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

Risk type	30 Jun 2023			
	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	882,482	882,482	-	-
Banks, Development Financial Institutions and MDBs	749,059	749,059	186,175	14,894
Corporates	2,583,636	2,583,636	2,256,547	180,524
Regulatory Retail	143,724	143,724	139,958	11,197
Residential Mortgages	106,846	106,846	39,916	3,193
Other Assets	33,753	33,753	26,048	2,084
Total On-Balance Sheet Exposures	4,499,500	4,499,500	2,648,644	211,892
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	688,276	688,276	390,564	31,245
OTC derivatives	30,328	30,328	17,552	1,404
Total Off-Balance Sheet Exposures	718,604	718,604	408,116	32,649
Total On and Off-Balance Sheet Exposures	5,218,104	5,218,104	3,056,760	244,541
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Foreign currency risk	14,555	-	14,555	1,164
Interest Rate Risk	309,664	309,664	-	31
<i>Operational Risk</i>	-	-	-	20,070
Total RWA and Capital Requirements			3,322,579	265,806

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 2022			
	Gross	Net	Risk-Weighted	Capital
	Exposures	Exposures	Assets	Requirement
	RM'000	RM'000	RM'000	RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns / Central Banks	924,642	924,642	-	-
Banks, Development Financial Institutions and MDBs	358,108	358,108	136,630	10,930
Corporates	2,525,889	2,525,889	2,322,337	185,787
Regulatory Retail	147,979	147,979	144,663	11,573
Residential Mortgages	106,612	106,612	43,339	3,467
Other Assets	36,829	36,829	29,735	2,379
Total On-Balance Sheet Exposures	4,100,059	4,100,059	2,676,704	214,136
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	469,607	469,607	337,551	27,004
OTC derivatives	43,359	43,359	24,158	1,933
Total Off-Balance Sheet Exposures	512,966	512,966	361,709	28,937
Total On and Off-Balance Sheet Exposures	4,613,025	4,613,025	3,038,413	243,073
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	Long	Short		
	Position	Position		
Foreign currency risk	8,245	-	8,245	660
Interest Rate Risk	150,140	150,140	-	30
<i>Operational Risk</i>	-	-	-	241,056
Total RWA and Capital Requirements			3,288,089	263,047

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 2023	31 Dec 2022
	RM'000	RM'000
Common Equity Tier 1 ("CET1") Capital/Tier 1 Capital		
Paid-up share capital	832,609	832,609
Retained earnings	447,454	447,454
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	6,146	3,379
Unrealised gains on financial investments measured at FVOCI	6,733	3,206
	1,310,586	1,304,292
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	(9,391)	(10,051)
- 55% of cumulative gains of financial investments measured at FVOCI	(3,703)	(1,762)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(30,738)	(29,457)
Total CET1 Capital/Tier 1 Capital	1,279,848	1,274,835
Tier 2 Capital		
Allowance for credit loss	20,565	20,336
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	38,209	37,980
Total Capital	1,318,057	1,312,815

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 the 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 the 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 the 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 ongoing 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 the Bank's credit risk management profile
- Reviewing and deliberation of credit policies
- Reviewing and tracking 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 an appropriate form of scorecard.

Accounting 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 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 2023															
On-Balance Sheet Exposures	Central Bank RM'000	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate Activities RM'000	Wholesale & Retail Trade and Repair of Motor Vehicles & Motorcycles RM'000	Information & Communication RM'000	Finance & Insurance RM'000	Mining and Quarrying RM'000	Electricity, Gas and water RM'000	Agriculture, Forestry and Fishing RM'000	Education RM'000	Household RM'000	Others RM'000	Total RM'000
Deposits and placements with banks and other financial institutions	-	62,730	-	-	-	-	-	-	-	-	-	-	-	-	62,730
Financial investments measured at FVOCI	816,780	-	-	-	-	-	-	-	-	-	-	-	-	-	816,780
Financial investments measured at amortised cost	-	45,702	-	-	-	-	157,552	140,018	-	-	5,035	-	-	-	348,307
Loans, advances and financing	-	101,442	432,899	271,451	114,213	245,502	130,015	836,782	90,449	48,211	7,516	199,625	122,388	32,550	2,633,043
Overdrafts	-	-	-	353	-	1,026	3,884	11,017	-	-	-	-	321	-	16,601
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	110,171	-	110,171
- Syndicated term loans	-	-	238,930	80,408	20,266	-	-	334,524	-	48,211	-	-	-	-	722,339
- Other term loans	-	-	-	101,826	4,914	21,744	-	232,083	90,449	-	-	-	8,352	367	459,735
Bills receivable	-	99,042	-	-	-	48,823	126,131	-	-	-	-	-	-	-	273,996
Revolving credits	-	2,400	189,416	83,793	89,033	105,670	-	259,158	-	-	7,516	199,625	-	32,183	968,794
Bankers' acceptances	-	-	4,553	5,071	-	68,239	-	-	-	-	-	-	-	-	77,863
Staff loans	-	-	-	-	-	-	-	-	-	-	-	-	871	-	871
Credit card loans	-	-	-	-	-	-	-	-	-	-	-	-	2,673	-	2,673
Statutory deposits with Bank Negara Malaysia	29,959	-	-	-	-	-	-	-	-	-	-	-	-	-	29,959
	882,481	756,765	432,899	271,451	114,213	245,502	287,567	976,800	90,449	48,211	12,551	199,625	122,388	32,550	4,473,452
Commitments and Contingencies															
Contingent liabilities	-	204,664	7,877	18,301	-	35,661	4,682	100,369	2	15,803	-	-	-	6	387,365
Commitments	-	20,845	94,484	20,545	2,000	60,175	41,198	11,842	18,065	32,158	6,160	455	17,912	5,400	331,239
	-	225,509	102,361	38,846	2,000	95,836	45,880	112,211	18,067	47,961	6,160	455	17,912	5,406	718,604
Total Credit Exposures	882,481	982,274	535,260	310,297	116,213	341,338	333,447	1,089,011	108,516	96,172	18,711	200,080	140,300	37,956	5,192,056

5.1 Distribution of Credit Exposures (continued)

(i) Industry Analysis (continued)

As at 31 Dec 2022															
	Central Bank	Financial	Manufacturing	Construction	Real Estate	Wholesale & Retail Trade and Repair of Motor Vehicles & Motorcycles	Information & Communication	Finance & Insurance	Mining and Quarrying	Electricity, Gas and water	Agriculture, Forestry and Fishing	Education	Household	Others	Total
On-Balance Sheet Exposures	RM'000	Services RM'000	RM'000	RM'000	Activities 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	88,741	127,034	-	-	-	-	-	-	-	-	-	-	-	-	215,775
Deposits and placements with banks and other financial institutions	-	124,442	-	-	-	-	-	-	-	-	-	-	-	-	124,442
Financial investments measured at FVOCI	802,808	-	-	-	-	-	-	-	-	-	-	-	-	-	802,808
Financial investments measured at amortised cost	-	61,156	-	-	-	-	159,075	200,105	-	5,043	-	-	-	-	425,379
Loans, advances and financing	-	52,570	346,573	267,449	136,800	370,900	205,296	507,955	70,177	150,582	7,513	199,540	122,698	30,774	2,468,827
Overdrafts	-	-	2,934	779	2,827	1,503	3,902	11,745	-	-	-	-	359	-	24,049
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	109,794	-	109,794
- Syndicated term loans	-	-	251,535	90,599	24,367	-	-	55,462	-	50,582	-	-	-	-	472,545
- Other term loans	-	-	-	102,072	20,576	-	-	232,447	70,177	-	-	-	9,276	421	457,564
Bills receivable	-	44,568	-	-	-	169,647	199,087	-	-	-	-	-	-	-	413,302
Revolving credits	-	8,002	86,105	71,336	89,030	98,035	2,307	208,301	-	-	7,513	199,540	-	30,353	800,522
Bankers' acceptances	-	-	5,999	2,663	-	79,120	-	-	-	100,000	-	-	-	-	187,782
Staff loans	-	-	-	-	-	-	-	-	-	-	-	-	1,541	-	1,541
Credit card loans	-	-	-	-	-	-	-	-	-	-	-	-	1,728	-	1,728
Statutory deposits with Bank Negara Malaysia	33,093	-	-	-	-	-	-	-	-	-	-	-	-	-	33,093
	924,642	365,202	346,573	267,449	136,800	370,900	364,371	708,060	70,177	155,625	7,513	199,540	122,698	30,774	4,070,324
Commitments and Contingencies															
Contingent liabilities	-	73,299	6,246	16,107	-	25,319	5,092	89,309	7	10,295	-	-	-	10	225,684
Commitments	-	29,424	37,298	23,915	1,442	44,629	14,401	68,166	28,026	16,057	5,892	455	11,979	5,598	287,282
	-	102,723	43,544	40,022	1,442	69,948	19,493	157,475	28,033	26,352	5,892	455	11,979	5,608	512,966
Total Credit Exposures	924,642	467,925	390,117	307,471	138,242	440,848	383,864	865,535	98,210	181,977	13,405	199,995	134,677	36,382	4,583,290

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 2023		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	482,078	100,555	582,633
Deposits and placements with banks and other financial institutions	16,035	46,695	62,730
Financial investments measured at FVOCI	816,780	-	816,780
Financial investments measured at amortised cost	348,307	-	348,307
Loans, advances and financing	2,285,085	347,958	2,633,043
Overdrafts	16,601	-	16,601
Term loans			
- Housing loans	110,171	-	110,171
- Syndicated term loans	478,355	243,984	722,339
- Other term loans	459,735	-	459,735
Bills receivable	220,050	53,946	273,996
Revolving credits	918,772	50,022	968,794
Bankers' acceptances	77,863	-	77,863
Staff loans	871	-	871
Credit card loans	2,667	6	2,673
Statutory deposits with Bank Negara Malaysia	29,959	-	29,959
	3,978,244	495,208	4,473,452
Commitments and Contingencies			
Contingent liabilities	304,012	83,353	387,365
Commitments	329,674	1,565	331,239
	633,686	84,918	718,604
Total Credit Exposures	4,611,930	580,126	5,192,056

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

	As at 31 Dec 2022		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	158,501	57,274	215,775
Deposits and placements with banks and other financial institutions	8,730	115,712	124,442
Financial investments measured at FVOCI	802,808	-	802,808
Financial investments measured at amortised cost	425,379	-	425,379
Loans, advances and financing	2,341,954	126,873	2,468,827
Overdrafts	24,049	-	24,049
Term loans			
- Housing loans	109,794	-	109,794
- Syndicated term loans	390,247	82,298	472,545
- Other term loans	457,564	-	457,564
Bills receivable	368,734	44,568	413,302
Revolving credits	800,522	-	800,522
Bankers' acceptances	187,782	-	187,782
Staff loans	1,541	-	1,541
Credit card loans	1,721	7	1,728
Statutory deposits with Bank Negara Malaysia	33,093	-	33,093
	3,770,465	299,859	4,070,324
Commitments and Contingencies			
Contingent liabilities	152,385	73,299	225,684
Commitments	270,536	16,746	287,282
	422,921	90,045	512,966
Total Credit Exposures	4,193,386	389,904	4,583,290

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 2023					
	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	582,633	-	-	-	-	582,633
Deposits and placements with banks and other financial institutions	-	32,606	30,124	-	-	62,730
Financial investments measured at FVOCI	93,009	60,036	50,232	459,435	154,068	816,780
Financial investments measured at amortised cost	-	-	223,254	125,053	-	348,307
Loans, advances and financing	562,171	710,928	219,589	717,749	422,606	2,633,043
Overdrafts	16,601	-	-	-	-	16,601
Term loans						
- Housing loans	815	822	3,650	16,974	87,910	110,171
- Syndicated term loans	11,633	2,208	36,307	447,643	224,548	722,339
- Other term loans	3,193	38,448	66,652	241,900	109,542	459,735
Bills receivable	101,293	75,481	86,190	11,032	-	273,996
Revolving credits	399,432	569,362	-	-	-	968,794
Bankers' acceptances	26,523	24,597	26,743	-	-	77,863
Staff loans	8	10	47	200	606	871
Credit card loans	2,673	-	-	-	-	2,673
Statutory deposits with Bank Negara Malaysia	-	-	-	-	29,959	29,959
	1,237,813	803,570	523,199	1,302,237	606,633	4,473,452
Commitments and Contingencies						
Contingent liabilities	31,952	32,579	140,772	174,565	7,497	387,365
Commitments	851	9,798	273,481	47,109	-	331,239
	32,803	42,377	414,253	221,674	7,497	718,604
Total Credit Exposures	1,270,616	845,947	937,452	1,523,911	614,130	5,192,056

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

	As at 31 Dec 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	215,775	-	-	-	-	215,775
Deposits and placements with banks and other financial institutions	-	85,175	39,267	-	-	124,442
Financial investments measured at FVOCI	-	-	153,735	477,435	171,638	802,808
Financial investments measured at amortised cost	-	-	75,155	350,224	-	425,379
Loans, advances and financing	622,058	585,997	298,252	451,197	511,323	2,468,827
Overdrafts	24,049	-	-	-	-	24,049
Term loans						
- Housing loans	787	828	3,690	16,737	87,752	109,794
- Syndicated term loans	10,737	1,317	14,931	207,214	238,346	472,545
- Other term loans	1,211	4,143	45,316	222,717	184,177	457,564
Bills receivable	49,877	158,859	200,422	4,144	-	413,302
Revolving credits	410,806	387,416	2,300	-	-	800,522
Bankers' acceptances	122,850	33,417	31,515	-	-	187,782
Staff loans	13	17	78	385	1,048	1,541
Credit card loans	1,728	-	-	-	-	1,728
Statutory deposits with Bank Negara Malaysia	-	-	-	-	33,093	33,093
	837,833	671,172	566,409	1,278,856	716,054	4,070,324
Commitments and Contingencies						
Contingent liabilities	21,770	34,716	108,079	53,572	7,547	225,684
Commitments	7,073	15,043	159,780	105,386	-	287,282
	28,843	49,759	267,859	158,958	7,547	512,966
Total Credit Exposures	866,676	720,931	834,268	1,437,814	723,601	4,583,290

5.2 Credit Quality of Loans, Advances and Financing

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

	30 Jun 2023 RM'000	31 Dec 2022 RM'000
<i>a) Sector</i>		
Wholesale & retail trade and restaurant & hotels	1,258	1,186
Household	98	93
	<u>1,356</u>	<u>1,279</u>
<i>b) By geographical distributions</i>		
Within Malaysia	98	93
Outside Malaysia	1,258	1,186
	<u>1,356</u>	<u>1,279</u>

(ii) Past due but not impaired loans

Household	<u>202</u>	<u>196</u>
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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 2023		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	20,990	4,715	25,705
Overdrafts	317	-	317
Term loans			
- Housing loans	184	-	184
- Syndicated term loans	6,174	3,323	9,497
- Other term loans	4,615	-	4,615
Bills receivable	685	736	1,421
Revolving credits	8,412	656	9,068
Bankers' acceptances	583	-	583
Staff loans	2	-	2
Credit card loans	18	-	18
	<u>20,990</u>	<u>4,715</u>	<u>25,705</u>

	31 Dec 2022		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	20,660	2,389	23,049
Overdrafts	502	-	502
Term loans			
- Housing loans	184	-	184
- Syndicated term loans	6,014	1,684	7,698
- Other term loans	4,883	-	4,883
Bills receivable	968	599	1,567
Revolving credits	7,294	106	7,400
Bankers' acceptances	800	-	800
Staff loans	3	-	3
Credit card loans	12	-	12
	<u>20,660</u>	<u>2,389</u>	<u>23,049</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 2023															
On-Balance Sheet Exposures	Financial Services	Manufacturing	Construction	Real Estate Activities	Wholesale & Retail Trade and Repair of Motor Vehicles & Motorcycles	Information & Communication	Finance & Insurance	Mining and Quarrying	Electricity, Gas and water	Agriculture, Forestry and Fishing	Education	Household	Others	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Loans, advances and financing	738	3,321	5,125	1,741	820	700	8,412	520	987	68	1,814	587	872	25,705	
Overdrafts	-	-	4	-	10	105	197	-	-	-	-	1	-	317	
Term loans	-	-	-	-	-	-	-	-	-	-	-	184	-	184	
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Syndicated term loans	-	2,690	2,718	261	-	-	2,841	-	987	-	-	-	-	9,497	
- Other term loans	-	-	597	67	44	-	2,999	520	-	-	-	382	6	4,615	
Bills receivable	735	-	-	-	91	595	-	-	-	-	-	-	-	1,421	
Revolving credits	3	538	1,717	1,413	274	-	2,375	-	-	68	1,814	-	866	9,068	
Bankers' acceptances	-	93	89	-	401	-	-	-	-	-	-	-	-	583	
Staff loans	-	-	-	-	-	-	-	-	-	-	-	2	-	2	
Credit card loans	-	-	-	-	-	-	-	-	-	-	-	18	-	18	
	738	3,321	5,125	1,741	820	700	8,412	520	987	68	1,814	587	872	25,705	

As at 31 Dec 2022															
On-Balance Sheet Exposures	Financial Services	Manufacturing	Construction	Real Estate Activities	Wholesale & Retail Trade and Repair of Motor Vehicles & Motorcycles	Information & Communication	Finance & Insurance	Mining and Quarrying	Electricity, Gas and water	Agriculture, Forestry and Fishing	Education	Household	Others	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Loans, advances and financing	608	3,678	3,343	2,148	938	821	6,417	405	1,359	68	1,814	618	832	23,049	
Overdrafts	-	60	-	58	17	105	261	-	-	-	-	1	-	502	
Term loans	-	-	-	-	-	-	-	-	-	-	-	184	-	184	
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Syndicated term loans	-	2,792	2,230	401	-	-	1,240	-	1,035	-	-	-	-	7,698	
- Other term loans	-	-	599	276	47	-	3,129	405	-	-	-	418	9	4,883	
Bills receivable	599	-	-	-	314	654	-	-	-	-	-	-	-	1,567	
Revolving credits	9	703	474	1,413	247	62	1,787	-	-	68	1,814	-	823	7,400	
Bankers' acceptances	-	123	40	-	313	-	-	-	324	-	-	-	-	800	
Staff loans	-	-	-	-	-	-	-	-	-	-	-	3	-	3	
Credit card loans	-	-	-	-	-	-	-	-	-	-	-	12	-	12	
	608	3,678	3,343	2,148	938	821	6,417	405	1,359	68	1,814	618	832	23,049	

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 2023	18,871	4,178	1,279	24,328
New assets originated	4,211	843	5	5,059
Assets derecognised or repaid	(3,091)	(523)	-	(3,614)
Transfer to Stage 1	38	(2)	(36)	-
Transfer to Stage 2	(1,008)	1,008	-	-
Transfer to Stage 3	-	(1)	1	-
Changes due to change in credit risk	(105)	1,136	82	1,113
Write-offs	-	-	(48)	(48)
Foreign exchange adjustments	150	-	73	223
As at 30 June 2023	19,066	6,639	1,356	27,061

	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	8,895	548	7	9,450
Assets derecognised or repaid	(8,677)	(4,836)	-	(13,513)
Transfer to Stage 1	924	(885)	(39)	-
Transfer to Stage 2	(39)	59	(20)	-
Transfer to Stage 3	-	(1)	1	-
Changes due to change in credit risk	(3,667)	(1,322)	54	(4,935)
Changes in model / risk parameter	(2,996)	(606)	-	(3,602)
Foreign exchange adjustments	180	-	64	244
As at 31 December 2022	18,871	4,178	1,279	24,328

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 that have yet to be fully utilised within the availability period.
- Documentary letter of credit is the Bank's undertaking on behalf of a customer to make payment in relation to a 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 2023			
	Principal	Positive	Credit	Risk-
	Amount	Value of	Equivalent	Weighted
	RM'000	Derivative	Amount	Assets
	RM'000	Contracts	RM'000	RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	116,501	-	116,501	23,300
Transaction-related contingent items	443,342	-	221,671	96,459
Short term self-liquidating trade-related contingencies	245,962	-	49,192	21,668
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	55,419	-	27,710	25,176
- Not exceeding one year	1,327,724	-	265,545	218,218
Unutilised credit card lines	38,286	-	7,657	5,743
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	438,473	6,160	10,929	4,654
Interest rate related contracts:				
- One year to five years	354,832	6,109	19,399	12,898
Total	3,020,539	12,269	718,604	408,116

	31 Dec 2022			
	Principal	Positive	Credit	Risk-
	Amount	Value of	Equivalent	Weighted
	RM'000	Derivative	Amount	Assets
	RM'000	Contracts	RM'000	RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	408,229	-	204,114	92,439
Short term self-liquidating trade-related contingencies	107,852	-	21,570	12,528
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	168,284	-	84,142	83,135
- Not exceeding one year	759,787	-	151,958	143,582
Unutilised credit card lines	39,112	-	7,823	5,867
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	820,657	11,385	22,116	9,838
Interest rate related contracts:				
- One year to five years	350,140	6,235	21,243	14,320
Total	2,654,061	17,620	512,966	361,709

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 the 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 guarantees and personal guarantees are often taken if such credit supports could effectively mitigate the credit risks.

Prior to accepting the CRM, a proper assessment of 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 a 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 2023		
	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	882,482	-	-
Banks, Development Financial Institutions and MDBs	749,059	-	-
Corporates	2,583,636	-	2,888
Regulatory Retail	143,724	-	2,048
Residential Mortgages	106,846	-	105
Other Assets	33,753	-	-
Total On-Balance Sheet Exposures	4,499,500	-	5,041
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	688,276	156,453	94,634
OTC derivatives	30,328	-	-
Total Off-Balance Sheet Exposures	718,604	156,453	94,634
Total On and Off-Balance Sheet Exposures	5,218,104	156,453	99,675

5.4 Credit Risk Mitigation (continued)

	31 Dec 2022		
	Total	Total	Total
	Exposures	Exposures	Exposures
	Covered by	Covered by	Covered by
	Guarantees	Guarantees	Financial
	Collateral	Collateral	Collateral
	RM'000	RM'000	RM'000
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns / Central Banks	924,642	-	-
Banks, Development Financial Institutions and MDBs	358,108	-	-
Corporates	2,525,889	-	3,000
Regulatory Retail	147,979	-	1,703
Residential Mortgages	106,612	-	105
Other Assets	36,829	-	-
Total On-Balance Sheet Exposures	4,100,059	-	4,808
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	469,607	139,314	79,267
OTC derivatives	43,359	-	-
Total Off-Balance Sheet Exposures	512,966	139,314	79,267
Total On and Off-Balance Sheet Exposures	4,613,025	139,314	84,075

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:

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

- (a) Sovereigns / Central Banks
- (b) Banking institutions
- (c) 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 2023:

	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	-	-	-	-	-	882,482	882,482

	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	324,923	462,028	-	-	-	137,029	923,980

	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	416,243	111,838	-	-	2,579,639	3,107,720

	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	-	-	-	-	171,029	171,029

	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	-	-	-	-	106,846	106,846

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 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	-	-	-	-	-	924,642	924,642

	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	62,019	137,612	-	-	-	198,637	398,268

	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		61,465	398,766	-	-	2,533,578	2,993,809

	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	-	-	-	-	159,959	159,959	

	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	-	-	-	-	106,612	106,612	

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 2023 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%	882,482	-	92,493	7,078	1,079	7,705	990,837	-
20%	-	750,059	416,243	-	-	7,843	1,174,145	234,829
35%	-	-	-	-	92,440	-	92,440	32,354
50%	-	145,371	159,975	-	11,532	13,002	329,880	164,940
75%	-	-	-	24,662	-	-	24,662	18,497
100%	-	-	2,429,525	139,289	1,796	35,530	2,606,140	2,606,140
Total Exposures	882,482	895,430	3,098,236	171,029	106,847	64,080	5,218,104	3,056,760
Risk-Weighted Assets by Exposures	-	222,697	2,592,761	157,786	39,916	43,599	3,056,760	
Average Risk Weight	0.0%	24.9%	83.7%	92.3%	37.4%	68.0%	58.6%	
Deduction from Capital Base	-	-	-	-	-	-	-	

31 Dec 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%	924,642	-	82,268	1,703	105	7,094	1,015,812	-
20%	-	141,415	61,465	-	-	14,966	217,846	43,569
35%	-	-	-	-	74,484	-	74,484	26,069
50%	-	220,336	398,766	-	29,507	14,457	663,066	331,533
75%	-	-	-	18,301	-	-	18,301	13,726
100%	-	-	2,437,374	139,955	2,516	43,671	2,623,516	2,623,516
Total Exposures	924,642	361,751	2,979,873	159,959	106,612	80,188	4,613,025	3,038,413
Risk-Weighted Assets by Exposures	-	138,451	2,649,050	153,681	43,339	53,893	3,038,413	
Average Risk Weight	0.0%	38.3%	88.9%	96.1%	40.7%	67.2%	65.9%	
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 an acceptable range according to the Bank's risk appetite.

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 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 a 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 2023		31 Dec 2022	
	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000
Impact on net interest income				
Ringgit Malaysia	(11,696)	11,696	(8,200)	8,200
United States Dollar	(1,282)	1,282	(1,473)	1,473
Chinese Renminbi	(539)	539	(261)	261
Others	(78)	78	(78)	78
Total	(13,595)	13,595	(10,012)	10,012
Impact on economic value				
Ringgit Malaysia	14,001	(14,001)	17,695	(17,695)
United States Dollar	(1,167)	1,167	(1,456)	1,456
Chinese Renminbi	(875)	875	(455)	455
Others	(45)	45	(97)	97
Total	11,914	(11,914)	15,687	(15,687)

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 requirements as well as management requirements 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 relationships with new and existing depositors and funding counterparties to grow the funding base in a diversified manner.