

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 31 December 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: 24 March 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 a 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 is 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 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	31 Dec 2022	31 Dec 2021
CET1 capital ratio	38.771%	39.521%
Tier 1 capital ratio	38.771%	39.521%
Total capital ratio	39.926%	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	31 Dec 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	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>				
	<u>Long Position</u>	<u>Short Position</u>		
Foreign currency risk	8,245	-	8,245	660
Interest Rate Risk	150,140	150,140	-	30
<i>Operational Risk</i>	-	-	-	
			241,056	19,284
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.

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>				
	Long <u>Position</u>	Short <u>Position</u>		
Foreign currency risk	9,887	-	9,887	791
Interest Rate Risk	208,837	208,837	-	42
<i>Operational Risk</i>	-	-	-	
			248,676	19,894
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:

	31 Dec 2022 RM'000	31 Dec 2021 RM'000
Common Equity Tier 1 ("CET1") Capital/Tier 1 Capital		
Paid-up share capital	832,609	832,609
Retained earnings	447,454	390,870
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	3,379	1,186
Unrealised gains on financial investments measured at FVOCI	3,206	6,416
	1,304,292	1,248,725
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	(10,051)	(10,485)
- 55% of cumulative gains of financial investments measured at FVOCI	(1,762)	(3,529)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(29,457)	(31,658)
Total CET1 Capital/Tier 1 Capital	1,274,835	1,217,067
Tier 2 Capital		
Allowance for credit loss	20,336	17,612
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	37,980	35,256
Total Capital	1,312,815	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 the Board of Directors for approval.

The Bank's risk management policies are established to guide the risk governance activities that cover the 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 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 an appropriate form of scorecards.

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 banks in accordance with the contractual terms of financial assets and the cash flows that the banks expect 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 31 Dec 2022															
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
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	-	-	-	-	-	-	-	-	-	-	-	-	109,794	-	109,794
- 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	22,595	-	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)**(i) Industry Analysis (continued)**

As at 31 Dec 2021															
						Wholesale & Retail Trade and Repair of Motor									
	Central Bank	Financial	Manufacturing	Construction	Real Estate	Vehicles &	Information &	Finance &	Mining and	Electricity,	Agriculture,				
On-Balance Sheet Exposures	RM'000	Services RM'000	RM'000	RM'000	Activities RM'000	Motorcycles RM'000	Communication RM'000	Insurance RM'000	Quarrying RM'000	Gas and water RM'000	Forestry and Fishing RM'000	Education RM'000	Household RM'000	Others RM'000	Total RM'000
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	294,624	199,031	499,555	-	57,307	30,850	199,081	128,326	29,262	2,280,680
Overdrafts	-	-	-	-	3,720	310	3,948	13,044	-	-	-	-	665	-	21,687
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	112,281	-	112,281
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	-	163,555	98,232	60,219	-	-	71,065	-	57,307	-	-	-	-	450,378
- Other term loans	-	-	-	102,416	85,582	27,385	-	165,292	-	-	-	-	11,981	506	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	250,154	-	-	28,350	199,081	-	28,756	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	294,624	361,112	579,842	-	62,368	131,725	199,081	128,326	29,262	4,099,280
Commitments and Contingencies															
Contingent liabilities	-	103,419	73,671	15,670	-	34,703	5,084	30,936	4	21,933	-	-	-	7	285,427
Commitments	-	17,441	37,436	35,596	1,261	18,926	45,219	30,162	8	3,063	1,000	455	15,052	5,074	210,693
	-	120,860	111,107	51,266	1,261	53,629	50,303	61,098	12	24,996	1,000	455	15,052	5,081	496,120
Total Credit Exposures	626,387	1,076,303	380,163	277,424	237,157	348,253	411,415	640,940	12	87,364	132,725	199,536	143,378	34,343	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 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)**(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 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

5.1 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:

	31 Dec 2022 RM'000	31 Dec 2021 RM'000
<i>a) Sector</i>		
Wholesale & retail trade, repair of motor vehicles & Motorcycles	1,186	1,125
Household	93	87
	<u>1,279</u>	<u>1,212</u>
<i>b) By geographical distributions</i>		
Within Malaysia	93	87
Outside Malaysia	1,186	1,125
	<u>1,279</u>	<u>1,212</u>

(ii) Past due but not impaired loans

Household	196	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.

	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>

	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.

As at 31 Dec 2022														
On-Balance Sheet Exposures	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
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

As at 31 Dec 2021														
On-Balance Sheet Exposures	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
Loans, advances and financing	67	4,109	4,442	6,866	1,998	1,792	10,985	-	1,129	609	2,114	451	910	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	134	-	2,113	-	-	-	-	273	12	7,397
Bills receivable	42	7	-	-	495	1,409	-	-	-	-	-	-	-	1,953
Revolving credits	25	1,364	361	1,810	808	260	5,743	-	-	560	2,114	-	898	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	1,998	1,792	10,985	-	1,129	609	2,114	451	910	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	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

	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:

	31 Dec 2022			
	Principal	Positive	Credit	Risk-
	Amount	Value of	Equivalent	Weighted
	RM'000	Derivative	Amount	Assets
		Contracts	RM'000	RM'000
		RM'000		
<u>Credit-related exposures</u>				
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

	31 Dec 2021			
	Principal	Positive	Credit	Risk-
	Amount	Value of	Equivalent	Weighted
	RM'000	Derivative	Amount	Assets
		Contracts	RM'000	RM'000
		RM'000		
<u>Credit-related exposures</u>				
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 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 grades.

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 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 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 ongoing 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:

	31 Dec 2022		
	Total Exposures Before CRM	Total Exposures Covered by Guarantees	Total Exposures Covered by Eligible Financial 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

5.4 Credit Risk Mitigation (continued)

	31 Dec 2021		
	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	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
<u>Off-Balance Sheet Exposures</u>			
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 ECAIs must be captured and the following rules must be observed:

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

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

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

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

Sovereigns / Central Banks

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

Banking Institutions

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

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

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

Corporates

Rating Category	S&P	Moody's	Fitch	R&I	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 BB-	Baa1 to Ba3	BBB+ to BB-	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	100%
4	B+ to D	B1 to C	B+ to D	B+ to D	B1 to D	B+ to D	150%
Unrated							100%

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

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
	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
	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					Total
	1	2	3	4	Unrated	RM'000
	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					Total
	1	2	3	4	Unrated	RM'000
	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					Total
	1	2	3	4	Unrated	RM'000
	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

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:

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	-	-	-	-	-	-	-	

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 an 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.

	31 Dec 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	(8,200)	8,200	(8,843)	8,843
United States Dollar	(1,473)	1,473	(787)	787
Chinese Renminbi	(261)	261	(689)	689
Others	(78)	78	(127)	127
Total	(10,012)	10,012	(10,446)	10,446
Impact on economic value				
Ringgit Malaysia	17,695	(17,695)	9,025	(9,025)
United States Dollar	(1,456)	1,456	(1,359)	1,359
Chinese Renminbi	(455)	455	(255)	255
Others	(97)	97	(148)	148
Total	15,687	(15,687)	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 the 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.