

**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 2024**

**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 26 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: 26 July 2024

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

The Pillar 3 Disclosure for financial reporting beginning 1 January 2010 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:

	<b>Risk Type</b>	<b>Approach Adopted</b>	<b>Capital Requirement Assessment</b>
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 the 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, climate-related risk, 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 and stress testing. 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 according to the approved 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 a 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 for a 3-year period. The possible impact on 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 the potential stressed scenario that could threaten the viability of the Bank. The results of the stress test together with the proposed mitigating actions are 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 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 2024, 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 2024	31 Dec 2023
CET1 capital ratio	35.120%	35.618%
Tier 1 capital ratio	35.120%	35.618%
Total capital ratio	36.273%	36.776%

**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 follows:

Risk type	30 Jun 2024			
	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	1,531,830	1,531,830	-	-
Banks, Development Financial Institutions and MDBs	1,010,173	1,010,173	249,474	19,957
Corporates	2,928,102	2,928,102	2,744,132	219,531
Regulatory Retail	124,231	124,231	121,438	9,715
Residential Mortgages	125,111	125,111	47,301	3,784
Other Assets	51,255	51,255	43,246	3,460
<b>Total On-Balance Sheet Exposures</b>	<b>5,770,702</b>	<b>5,770,702</b>	<b>3,205,591</b>	<b>256,447</b>
<u>Off-Balance Sheet Exposures</u>				
Credit-Related Off-Balance Sheet Exposures	611,414	611,414	324,316	25,945
OTC Derivatives	12,960	12,960	5,786	463
<b>Total Off-Balance Sheet Exposures</b>	<b>624,374</b>	<b>624,374</b>	<b>330,102</b>	<b>26,408</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>6,395,076</b>	<b>6,395,076</b>	<b>3,535,693</b>	<b>282,855</b>
Large Exposure Risk Requirement*	-	-	-	-
<i>Market Risk</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Foreign Currency Risk	17,419	-	17,419	1,394
Interest Rate Risk	89,069	89,069	-	18
<i>Operational Risk</i>	-	-	-	22,575
<b>Total RWA and Capital Requirements</b>			<b>3,835,528</b>	<b>306,842</b>

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 2023			
	Gross	Net	Risk-	Capital
	Exposures	Exposures	Weighted	Requirement
	RM'000	RM'000	Assets	RM'000
			RM'000	
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns / Central Banks	783,631	783,631	-	-
Banks, Development Financial Institutions and MDBs	736,039	736,039	174,151	13,932
Corporates	3,013,126	3,013,126	2,610,544	208,844
Regulatory Retail	271,725	271,725	267,778	21,422
Residential Mortgages	106,381	106,381	40,061	3,205
Other Assets	40,385	40,385	34,063	2,725
<b>Total On-Balance Sheet Exposures</b>	<b>4,951,287</b>	<b>4,951,287</b>	<b>3,126,597</b>	<b>250,128</b>
<u>Off-Balance Sheet Exposures</u>				
Credit-Related Off-Balance Sheet Exposures	642,174	642,174	363,927	29,114
OTC Derivatives	16,535	16,535	9,589	767
<b>Total Off-Balance Sheet Exposures</b>	<b>658,709</b>	<b>658,709</b>	<b>373,516</b>	<b>29,881</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>5,609,996</b>	<b>5,609,996</b>	<b>3,500,113</b>	<b>280,009</b>
Large Exposure Risk Requirement*	-	-	-	-
<i>Market Risk</i>				
	Long	Short		
	Position	Position		
Foreign Currency Risk	12,315	-	12,315	985
Interest Rate Risk	87,774	87,774	-	18
<i>Operational Risk</i>	-	-	-	21,269
<b>Total RWA and Capital Requirements</b>			<b>3,778,515</b>	<b>302,281</b>

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:

	<b>30 Jun 2024</b>	31 Dec 2023
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 ("CET1") Capital/Tier 1 Capital</b>		
Paid-up share capital	<b>832,609</b>	832,609
Retained earnings	<b>515,304</b>	515,304
Regulatory reserve	<b>17,644</b>	17,644
Foreign currency translation reserve	<b>7,132</b>	5,571
Unrealised gains on financial investments measured at FVOCI	<b>5,384</b>	6,495
	<b>1,378,073</b>	1,377,623
Less: Regulatory adjustments applied in the calculation of CET1 Capital		
- Deferred tax assets	<b>(10,419)</b>	(10,585)
- 55% of cumulative gains of financial investments measured at FVOCI	<b>(2,961)</b>	(3,572)
- Regulatory reserve attributable to loans, advances and financing	<b>(17,644)</b>	(17,644)
	<b>(31,024)</b>	(31,801)
Total CET1 Capital/Tier 1 Capital	<b>1,347,049</b>	1,345,822
<b>Tier 2 Capital</b>		
Allowance for credit loss	<b>26,552</b>	26,107
Regulatory reserve	<b>17,644</b>	17,644
Total Tier 2 Capital	<b>44,196</b>	43,751
Total Capital	<b>1,391,245</b>	1,389,573

### 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 the Senior Management Committee ("SMC") and various functional committees at the management level and Risk Management Department.

Management Risk Management Committee ("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 MRMC and/or such other committees prior to escalation to the SMC and the BRMC for deliberation, 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 the 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.

#### 4.0 Risk Management Framework *(continued)*

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 SMC.

The functions of the Credit Committee are as follows:

- Deliberation of credit ratings, lending propositions, and other credit businesses, as delegated by Board.
- Deliberation of classification, impairment and write-off of non-performing loans.
- Provide oversight on the overall implementation of the board-approved framework that governs the process of credit decision making, credit risk management and control.

The functions of the MRMC are as follows:

- Review and deliberation of the Bank's credit risk exposures, credit risk portfolio and credit risk management activities.
- Review and deliberation of credit risk policies.
- Review and recommend the credit risk appetite of the Bank for Board's approval.

The Bank employs a credit rating system as a tool for determining the credit risk profile of borrowers / counterparties using an appropriate form of scorecard. The credit ratings are used as a basis to support the underwriting of credit.

Accounting standard MFRS 9 requires banks to determine the quantified amount of 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.

ECL are generally measured based on the risk of default over one of three (3) different stages, depending on whether the credit risk of the borrower/counterparty has increased significantly since the initial recognition. Below are the categories of staging criteria for ECL measurement under MFRS 9:-

**5.0 Credit Risk (continued)**

Category	Stage 1	Stage 2	Stage 3
	12-month ECL	Lifetime ECL	Lifetime ECL
Description	Performing credit assets	Under-performing credit assets: Credit exposures that show Significant Increase in Credit Risk (“SICR”) since the initial recognition	Non-performing credit assets: Credit impaired exposures
Staging Criteria	i) Days Past Due (“DPD”) ≤30 days; ii) Not SICR; and iii) Not credit-impaired	i) SICR, where: • DPD>30 days and ≤90 days; or • Watch List account; or • Significant downgrade in credit rating; and ii) Not credit-impaired	i) DPD>90 days; or ii) Credit-impaired

Upon implementation of the ECL Model, the provision/impairment for the credit exposures of the Bank is equivalent to 12-Month ECL or Lifetime ECL, depending on the category of the stages as tabulated above, which are to be computed in the following manner:-

Individual assessment is required for impaired loans. 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. Expected Discounted Cash Flows (or the recoverable amount) is the present value of the estimated future cash flows discounted at the effective interest rate. The individual impairment assessment shall consider forward-looking factors appropriate to the subject impaired credit exposure/counterparty.



**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 2024																
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	Transportation and Storage RM'000	Education RM'000	Household RM'000	Others RM'000	Total RM'000
Deposits and placements with banks and other financial institutions	-	68,436	-	-	-	-	-	-	-	-	-	-	-	-	-	68,436
Financial investments measured at FVOCI	1,221,317	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,221,317
Financial investments measured at amortised cost	-	-	-	-	-	-	-	180,055	-	-	5,019	-	-	-	-	185,074
Loans, advances and financing	-	25,842	647,380	170,425	445,264	295,210	24,205	700,783	244,178	37,723	5,014	173,159	199,670	135,876	32,863	3,137,592
Overdrafts	-	-	2,898	1,803	-	714	-	24	-	-	-	-	-	329	-	5,768
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	124,836	-	124,836
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	-	388,721	24,139	-	-	-	290,054	114,206	37,723	-	-	-	-	-	854,843
- Other term loans	-	-	-	51,251	361,225	23,646	-	47,219	129,972	-	-	162,185	-	6,247	257	782,002
Bills receivable	-	25,842	-	-	-	3,088	24,205	-	-	-	-	10,974	-	-	-	64,109
Revolving credits	-	-	249,762	83,608	84,039	158,045	-	363,486	-	-	5,014	-	199,670	-	32,606	1,176,230
Bankers' acceptances	-	-	5,999	9,624	-	109,717	-	-	-	-	-	-	-	-	-	125,340
Staff loans	-	-	-	-	-	-	-	-	-	-	-	-	-	1,776	-	1,776
Credit card loans	-	-	-	-	-	-	-	-	-	-	-	-	-	2,688	-	2,688
Statutory deposits with Bank Negara Malaysia	35,843	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,843
	<b>1,531,829</b>	<b>898,804</b>	<b>647,380</b>	<b>170,425</b>	<b>445,264</b>	<b>295,210</b>	<b>24,205</b>	<b>880,838</b>	<b>244,178</b>	<b>37,723</b>	<b>10,033</b>	<b>173,159</b>	<b>199,670</b>	<b>135,876</b>	<b>32,863</b>	<b>5,727,457</b>
<b>Commitments and Contingencies</b>																
Contingent liabilities	-	185,913	4,009	6,034	-	22,639	4,944	92,617	-	14,261	-	-	-	-	-	330,417
Commitments	-	10,761	40,456	13,391	2,000	75,043	26,025	20,104	40	34,055	6,720	48,583	100	11,076	5,603	293,957
	-	196,674	44,465	19,425	2,000	97,682	30,969	112,721	40	48,316	6,720	48,583	100	11,076	5,603	624,374
Total Credit Exposures	<b>1,531,829</b>	<b>1,095,478</b>	<b>691,845</b>	<b>189,850</b>	<b>447,264</b>	<b>392,892</b>	<b>55,174</b>	<b>993,559</b>	<b>244,218</b>	<b>86,039</b>	<b>16,753</b>	<b>221,742</b>	<b>199,770</b>	<b>146,952</b>	<b>38,466</b>	<b>6,351,831</b>

## 5.1 Distribution of Credit Exposures (continued)

## (i) Industry Analysis (continued)

		As at 31 Dec 2023															
		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	Transportation and Storage	Education	Household	Others	Total
		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	RM'000
<b>On-Balance Sheet Exposures</b>																	
Cash and short-term funds		69,816	512,102	-	-	-	-	-	-	-	-	-	-	-	-	-	581,918
Deposits and placements with banks and other financial institutions		-	127,124	-	-	-	-	-	-	-	-	-	-	-	-	-	127,124
Financial investments measured at FVOCI		683,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	683,548
Financial investments measured at amortised cost		-	45,292	-	-	-	-	155,980	200,073	-	-	5,027	-	-	-	-	406,372
Loans, advances and financing		-	57,843	739,292	258,181	467,769	215,246	22,370	500,836	254,168	42,110	5,014	172,512	199,668	120,973	32,013	3,087,995
Overdrafts		-	-	44	2,031	1,489	817	6	2,796	-	-	-	-	-	387	-	7,570
Term loans																	
- Housing loans		-	-	-	-	-	-	-	-	-	-	-	-	-	108,740	-	108,740
- Syndicated term loans		-	-	407,713	67,905	8,849	-	-	191,886	124,956	42,110	-	-	-	-	-	843,419
- Other term loans		-	-	-	101,646	373,379	23,774	-	45,923	129,212	-	-	165,294	-	7,108	313	846,649
Bills receivable		-	57,843	-	-	-	-	22,364	-	-	-	-	7,218	-	-	-	87,425
Revolving credits		-	-	325,536	86,378	84,052	100,577	-	260,231	-	-	5,014	-	199,668	-	31,700	1,093,156
Bankers' acceptances		-	-	5,999	221	-	90,078	-	-	-	-	-	-	-	-	-	96,298
Staff loans		-	-	-	-	-	-	-	-	-	-	-	-	-	1,835	-	1,835
Credit card loans		-	-	-	-	-	-	-	-	-	-	-	-	-	2,903	-	2,903
Statutory deposits with Bank Negara Malaysia		30,266	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,266
		783,630	742,361	739,292	258,181	467,769	215,246	178,350	700,909	254,168	42,110	10,041	172,512	199,668	120,973	32,013	4,917,223
<b>Commitments and Contingencies</b>																	
Contingent liabilities		-	183,269	2,566	12,291	-	35,687	4,966	93,328	-	24,146	-	-	-	-	2	356,255
Commitments		-	11,916	25,331	18,024	1,703	63,308	61,469	15,173	40	23,394	6,590	50,436	100	19,369	5,601	302,454
		-	195,185	27,897	30,315	1,703	98,995	66,435	108,501	40	47,540	6,590	50,436	100	19,369	5,603	658,709
Total Credit Exposures		783,630	937,546	767,189	288,496	469,472	314,241	244,785	809,410	254,208	89,650	16,631	222,948	199,768	140,342	37,616	5,575,932

**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.

	<b>As at 30 Jun 2024</b>		
	<b>Within Malaysia RM'000</b>	<b>Outside Malaysia RM'000</b>	<b>Total RM'000</b>
<b>On-Balance Sheet Exposures</b>			
Cash and short-term funds	956,812	122,383	1,079,195
Deposits and placements with banks and other financial institutions	50,000	18,436	68,436
Financial investments measured at FVOCI	1,221,317	-	1,221,317
Financial investments measured at amortised cost	185,074	-	185,074
Loans, advances and financing	2,514,925	622,667	3,137,592
Overdrafts	5,768	-	5,768
Term loans			
- Housing loans	124,836	-	124,836
- Syndicated term loans	529,802	325,041	854,843
- Other term loans	553,244	228,758	782,002
Bills receivable	38,267	25,842	64,109
Revolving credits	1,133,210	43,020	1,176,230
Bankers' acceptances	125,340	-	125,340
Staff loans	1,776	-	1,776
Credit card loans	2,682	6	2,688
Statutory deposits with Bank Negara Malaysia	35,843	-	35,843
	<b>4,963,971</b>	<b>763,486</b>	<b>5,727,457</b>
<b>Commitments and Contingencies</b>			
Contingent liabilities	262,490	67,927	330,417
Commitments	293,795	162	293,957
	<b>556,285</b>	<b>68,089</b>	<b>624,374</b>
<b>Total Credit Exposures</b>	<b>5,520,256</b>	<b>831,575</b>	<b>6,351,831</b>

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

	As at 31 Dec 2023		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<b>On-Balance Sheet Exposures</b>			
Cash and short-term funds	421,141	160,777	581,918
Deposits and placements with banks and other financial institutions	75,000	52,124	127,124
Financial investments measured at FVOCI	683,548	-	683,548
Financial investments measured at amortised cost	406,372	-	406,372
Loans, advances and financing	2,519,482	568,513	3,087,995
Overdrafts	7,570	-	7,570
Term loans			
- Housing loans	108,740	-	108,740
- Syndicated term loans	610,134	233,285	843,419
- Other term loans	619,310	227,339	846,649
Bills receivable	29,582	57,843	87,425
Revolving credits	1,043,118	50,038	1,093,156
Bankers' acceptances	96,298	-	96,298
Staff loans	1,835	-	1,835
Credit card loans	2,895	8	2,903
Statutory deposits with Bank Negara Malaysia	30,266	-	30,266
	<b>4,135,809</b>	<b>781,414</b>	<b>4,917,223</b>
<b>Commitments and Contingencies</b>			
Contingent liabilities	292,576	63,679	356,255
Commitments	300,189	2,265	302,454
	<b>592,765</b>	<b>65,944</b>	<b>658,709</b>
<b>Total Credit Exposures</b>	<b>4,728,574</b>	<b>847,358</b>	<b>5,575,932</b>

**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.

	<b>As at 30 Jun 2024</b>					
	<b>Up to 1 month RM'000</b>	<b>&gt;1 - 3 months RM'000</b>	<b>&gt;3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>On-Balance Sheet Exposures</b>						
Cash and short-term funds	1,079,195	-	-	-	-	1,079,195
Deposits and placements with banks and other financial institutions	-	65,845	2,591	-	-	68,436
Financial investments measured at FVOCI	105,031	110,099	-	588,227	417,960	1,221,317
Financial investments measured at amortised cost	5,000	-	80,006	100,068	-	185,074
Loans, advances and financing	930,658	423,026	140,848	1,233,642	409,418	3,137,592
Overdrafts	5,768	-	-	-	-	5,768
Term loans						
- Housing loans	830	746	3,475	20,226	99,559	124,836
- Syndicated term loans	4,914	3,252	30,814	664,524	151,339	854,843
- Other term loans	4,223	51,053	46,683	522,758	157,285	782,002
Bills receivable	2,080	14,884	21,429	25,716	-	64,109
Revolving credits	887,251	288,979	-	-	-	1,176,230
Bankers' acceptances	22,889	64,093	38,358	-	-	125,340
Staff loans	15	19	89	418	1,235	1,776
Credit card loans	2,688	-	-	-	-	2,688
Statutory deposits with Bank Negara Malaysia	-	-	-	-	35,843	35,843
	<b>2,119,884</b>	<b>598,970</b>	<b>223,445</b>	<b>1,921,937</b>	<b>863,221</b>	<b>5,727,457</b>
<b>Commitments and Contingencies</b>						
Contingent liabilities	28,743	8,919	123,532	168,998	225	330,417
Commitments	2,254	479	286,194	5,030	-	293,957
	<b>30,997</b>	<b>9,398</b>	<b>409,726</b>	<b>174,028</b>	<b>225</b>	<b>624,374</b>
<b>Total Credit Exposures</b>	<b>2,150,881</b>	<b>608,368</b>	<b>633,171</b>	<b>2,095,965</b>	<b>863,446</b>	<b>6,351,831</b>

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

	As at 31 Dec 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
<b>On-Balance Sheet Exposures</b>						
Cash and short-term funds	581,918	-	-	-	-	581,918
Deposits and placements with banks and other financial institutions	-	90,396	36,728	-	-	127,124
Financial investments measured at FVOCI	-	-	266,113	345,770	71,665	683,548
Financial investments measured at amortised cost	-	55,243	186,041	165,088	-	406,372
Loans, advances and financing	883,860	436,494	109,491	1,235,223	422,927	3,087,995
Overdrafts	7,570	-	-	-	-	7,570
Term loans						
- Housing loans	806	840	2,987	16,928	87,179	108,740
- Syndicated term loans	11,737	2,318	24,562	653,049	151,753	843,419
- Other term loans	4,355	54,089	62,801	542,699	182,705	846,649
Bills receivable	32,577	23,039	9,685	22,124	-	87,425
Revolving credits	791,202	301,954	-	-	-	1,093,156
Bankers' acceptances	32,695	54,235	9,368	-	-	96,298
Staff loans	15	19	88	423	1,290	1,835
Credit card loans	2,903	-	-	-	-	2,903
Statutory deposits with Bank Negara Malaysia	-	-	-	-	30,266	30,266
	1,465,778	582,133	598,373	1,746,081	524,858	4,917,223
<b>Commitments and Contingencies</b>						
Contingent liabilities	45,303	24,653	104,233	181,841	225	356,255
Commitments	220	4,333	281,177	16,724	-	302,454
	45,523	28,986	385,410	198,565	225	658,709
<b>Total Credit Exposures</b>	<b>1,511,301</b>	<b>611,119</b>	<b>983,783</b>	<b>1,944,646</b>	<b>525,083</b>	<b>5,575,932</b>

## 5.2 Credit Quality of Loans, Advances and Financing

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

	30 Jun 2024 RM'000	31 Dec 2023 RM'000
<i>a) Sector</i>		
Wholesale & retail trade and restaurant & hotels	1,274	1,239
Household	151	117
	<u>1,425</u>	<u>1,356</u>
<i>b) By geographical distributions</i>		
Within Malaysia	151	117
Outside Malaysia	1,274	1,239
	<u>1,425</u>	<u>1,356</u>

### (ii) Past due but not impaired loans

Household	<u>135</u>	<u>137</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 2024		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	26,492	6,083	32,575
Overdrafts	95	-	95
Term loans			
- Housing loans	225	-	225
- Syndicated term loans	5,338	5,105	10,443
- Other term loans	7,794	297	8,091
Bills receivable	471	232	703
Revolving credits	11,453	449	11,902
Bankers' acceptances	1,095	-	1,095
Staff loans	3	-	3
Credit card loans	18	-	18
	<u>26,492</u>	<u>6,083</u>	<u>32,575</u>

	31 Dec 2023		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	27,589	5,576	33,165
Overdrafts	82	-	82
Term loans			
- Housing loans	190	-	190
- Syndicated term loans	7,084	3,996	11,080
- Other term loans	8,400	296.00	8,696
Bills receivable	342	517	859
Revolving credits	10,789	767	11,556
Bankers' acceptances	679	-	679
Staff loans	3	-	3
Credit card loans	20	-	20
	<u>27,589</u>	<u>5,576</u>	<u>33,165</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 2024															
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	Transportation and Storage	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	RM'000
Loans, advances and financing	232	3,940	3,814	5,072	1,866	321	6,977	2,809	1,179	34	1,602	3,108	588	1,033	32,575
Overdrafts	-	69	19	-	5	-	-	-	-	-	-	-	2	-	95
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	225	-	225
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	3,384	1,311	-	-	-	3,792	777	1,179	-	-	-	-	-	10,443
- Other term loans	-	-	205	3,803	119	-	103	2,032	-	-	1,485	-	340	4	8,091
Bills receivable	232	-	-	-	33	321	-	-	-	-	117	-	-	-	703
Revolving credits	-	344	2,049	1,269	987	-	3,082	-	-	34	-	3,108	-	1,029	11,902
Bankers' acceptances	-	143	230	-	722	-	-	-	-	-	-	-	-	-	1,095
Staff loans	-	-	-	-	-	-	-	-	-	-	-	-	3	-	3
Credit card loans	-	-	-	-	-	-	-	-	-	-	-	-	18	-	18
	232	3,940	3,814	5,072	1,866	321	6,977	2,809	1,179	34	1,602	3,108	588	1,033	32,575

As at 31 Dec 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	Transportation and Storage	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	RM'000
Loans, advances and financing	517	4,434	5,386	5,543	872	293	5,562	2,844	1,316	1,679	34	3,108	575	1,002	33,165
Overdrafts	-	1	22	36	7	-	15	-	-	-	-	-	1	-	82
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	190	-	190
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	3,622	2,852	127	-	-	2,315	848	1,316	-	-	-	-	-	11,080
- Other term loans	-	-	398	4,111	94	-	100	1,996	-	1,630	-	-	361	6	8,696
Bills receivable	517	-	-	-	-	293	-	-	-	49	-	-	-	-	859
Revolving credits	-	668	2,109	1,269	240	-	3,132	-	-	-	34	3,108	-	996	11,556
Bankers' acceptances	-	143	5	-	531	-	-	-	-	-	-	-	-	-	679
Staff loans	-	-	-	-	-	-	-	-	-	-	-	-	3	-	3
Credit card loans	-	-	-	-	-	-	-	-	-	-	-	-	20	-	20
	517	4,434	5,386	5,543	872	293	5,562	2,844	1,316	1,679	34	3,108	575	1,002	33,165



**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 2024	26,145	7,020	1,356	34,521
New assets originated	3,719	459	4	4,182
Assets derecognised or repaid	(3,852)	(1,280)	-	(5,132)
Transfer to Stage 1	173	(116)	(57)	-
Transfer to Stage 2	(2)	2	(28)	-
Transfer to Stage 3	-	(1)	1	-
Changes due to change in credit risk	152	10	86	248
Changes in model / risk parameter	-	-	-	-
Foreign exchange adjustments	(8)	155	35	182
As at 30 June 2024	<u>26,327</u>	<u>6,249</u>	<u>1,397</u>	<u>34,001</u>
	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	8,708	984	9	9,701
Assets derecognised or repaid	(6,361)	(1,529)	-	(7,890)
Transfer to Stage 1	943	(907)	(36)	-
Transfer to Stage 2	(1,106)	1,134	(28)	-
Transfer to Stage 3	-	(2)	2	-
Changes due to change in credit risk	2,020	1,853	125	3,998
Changes in model / risk parameter	2,960	1,309	-	4,269
Write-offs	-	-	(48)	(48)
Foreign exchange adjustments	110	-	53	163
As at 31 December 2023	<u>26,145</u>	<u>7,020</u>	<u>1,356</u>	<u>34,521</u>

**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.



#### 5.4 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 rating.

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 unless prior approval is obtained for waiver.

Proper legal documentation is 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. Alternatively, the amount of credit facility is to be reduced accordingly to reinstate the original loan-to-value ratio.

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 while 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:

	30 Jun 2024		
	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	1,531,830	-	-
Banks, Development Financial Institutions and MDBs	1,010,173	-	-
Corporates	2,928,102	-	21,637
Regulatory Retail	124,231	-	1,746
Residential Mortgages	125,111	-	80
Other Assets	51,255	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>5,770,702</b>	<b>-</b>	<b>23,463</b>
<u>Off-Balance Sheet Exposures</u>			
Credit-Related Off-Balance Sheet Exposures	611,414	59,102	88,492
OTC Derivatives	12,960	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>624,374</b>	<b>59,102</b>	<b>88,492</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>6,395,076</b>	<b>59,102</b>	<b>111,955</b>

**5.4 Credit Risk Mitigation (continued)**

	31 Dec 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	783,631	-	-
Banks, Development Financial Institutions and MDBs	736,039	-	-
Corporates	3,013,126	-	2,713
Regulatory Retail	271,725	-	2,173
Residential Mortgages	106,381	-	105
Other Assets	40,385	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>4,951,287</b>	<b>-</b>	<b>4,991</b>
<u>Off-Balance Sheet Exposures</u>			
Credit-Related Off-Balance Sheet Exposures	642,174	59,601	86,463
OTC Derivatives	16,535	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>658,709</b>	<b>59,601</b>	<b>86,463</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>5,609,996</b>	<b>59,601</b>	<b>91,454</b>

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 issuer from recognised ECAIs must be captured and the following rules must be observed:

- Where a particular security has issue-specific rating(s), the issue-specific rating(s) are to be applied; else, the issuer rating(s) are to be applied to senior exposures on that counterparty; and
- 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 those 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 2024:

	<b>Ratings of Sovereigns / Central Banks</b>						
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Unrated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns / Central Banks	-	-	-	-	-	<b>1,531,830</b>	<b>1,531,830</b>

	<b>Ratings of Banking Institutions</b>						
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Unrated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>On and Off-Balance Sheet Exposures</u>							
Banks, MDBs and DFIs	<b>648,369</b>	<b>439,502</b>	-	-	-	<b>67,884</b>	<b>1,155,755</b>

	<b>Ratings of Corporates</b>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Unrated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>On and Off-Balance Sheet Exposures</u>						
Corporates	<b>314,364</b>	<b>9,402</b>	-	-	<b>3,076,349</b>	<b>3,400,115</b>

	<b>Ratings of Regulatory Retail</b>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Unrated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>On and Off-Balance Sheet Exposures</u>						
Regulatory Retail	-	-	-	-	<b>139,019</b>	<b>139,019</b>

	<b>Ratings of Residential Mortgages</b>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Unrated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>On and Off-Balance Sheet Exposures</u>						
Residential Mortgages	-	-	-	-	<b>125,111</b>	<b>125,111</b>

**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 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	-	-	-	-	-	783,630	783,630

	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	472,947	261,974	-	-	-	147,868	882,789

	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	574,153	5,946	-	-	2,927,764	3,507,863	

	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	-	-	-	-	295,269	295,269	

	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	-	-	-	-	106,381	106,381	

Note:

*MDBs - Multilateral Development Banks*

*DFIs - Development Financial Institutions*



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

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

	Exposures after Netting and Credit Risk Mitigation						Total 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		
<b>30 Jun 2024</b>								
Risk Weights								
0%	1,531,830	-	88,880	1,746	80	8,009	1,630,545	-
20%	-	970,029	313,864	-	-	5,146	1,289,039	257,808
35%	-	-	-	-	103,031	-	103,031	36,061
50%	-	166,955	59,102	-	21,519	6,116	253,692	126,846
75%	-	-	-	15,164	-	-	15,164	11,373
100%	-	-	2,936,070	122,109	481	44,945	3,103,605	3,103,605
Total Exposures	1,531,830	1,136,984	3,397,916	139,019	125,111	64,216	6,395,076	3,535,693
Risk-Weighted Assets by Exposures	-	277,483	3,028,394	133,482	47,301	49,031	3,535,693	
Average Risk Weight	0.0%	24.4%	89.1%	96.0%	37.8%	76.4%	55.3%	
Deduction from Capital Base	-	-	-	-	-	-	-	

	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		
<b>31 Dec 2023</b>								
Risk Weights								
0%	783,631	-	89,160	2,188	105	6,322	881,406	-
20%	-	765,818	574,153	-	-	3,295	1,343,266	268,653
35%	-	-	-	-	88,792	-	88,792	31,077
50%	-	98,733	54,758	-	17,000	8,621	179,112	89,556
75%	-	-	-	26,371	-	-	26,371	19,778
100%	-	-	2,785,172	266,711	484	38,682	3,091,049	3,091,049
Total Exposures	783,631	864,551	3,503,243	295,270	106,381	56,920	5,609,996	3,500,113
Risk-Weighted Assets by Exposures	-	202,530	2,927,382	286,489	40,061	43,651	3,500,114	
Average Risk Weight	0.0%	23.4%	83.6%	97.0%	37.7%	76.7%	62.4%	
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 the 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 2024		31 Dec 2023	
	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000
<b>Impact on net interest income</b>				
Ringgit Malaysia	(13,123)	13,123	(12,868)	12,868
United States Dollar	1,222	(1,222)	(2,423)	2,423
Chinese Renminbi	(2,478)	2,478	(2,596)	2,596
Others	1,558	(1,558)	(97)	97
<b>Total</b>	<b>(12,821)</b>	<b>12,821</b>	<b>(17,984)</b>	<b>17,984</b>
<b>Impact on economic value</b>				
Ringgit Malaysia	33,178	(33,178)	10,430	(10,430)
United States Dollar	2,714	(2,714)	(2,189)	2,189
Chinese Renminbi	(1,348)	1,348	(5,228)	5,228
Others	2,379	(2,379)	(37)	37
<b>Total</b>	<b>36,923</b>	<b>(36,923)</b>	<b>2,976</b>	<b>(2,976)</b>

## 7.0 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. This includes the risks that may result in disruption to operations (which should be mitigated by a business continuity plan), and erosion of income and capital funds. Operational risk also includes legal risks, but excludes strategic and reputational risks.

Operational risk is embedded in all the Bank's business and management practices. Potential operational risks inherent in products, practices, procedures and information systems should therefore be identified for effective management.

The Bank has established relevant internal policies, procedures and processes to control and mitigate material or potential operational risk. The Bank promotes risk ownership and adopts the following principles in management of operational risks, including but are not limited to:

- a) clear operational risk management strategy and objectives;
- b) clear roles and responsibilities of relevant parties;
- c) comprehensive policies and procedures;
- d) check and balance between front, middle and back offices;
- e) develop and apply scientific tools or methodologies to prevent improper human manipulations;
- f) implement effective control to achieve dynamic equilibrium in managing business and risks; and
- g) promote enterprise-wide risk management culture to create awareness of risk culture among the staff of the Bank.

The Bank has also implemented "Three Lines of Defence" concept so that the Bank could carry out the management of operational risk effectively. Business Departments and Branches as the First Line of Defence are primarily responsible for operational risk management under respective scopes of the business functions. The Second Line of Defence which consists of functional departments, compliance and internal control, as well as risk management functions takes charge of managing the pertinent operational risk of the respective subject matters. The Internal Audit Department will be acting as the Third Line of Defence to conduct an independent review and assessment of the effectiveness of the Bank's internal control environment and operational risk management.

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 arise when the Bank encounters challenges in securing funds to fulfil its current or future obligations. This can be attributed to premature and collective withdrawals by customers, overdue repayments from counterparties, mismatch in asset-liability maturity structure and difficulties in realisation of assets.

The liquidity and funding management has been carried out in compliance with regulatory standards as well as in accordance with the specific requirements and thresholds set by the Assets and Liabilities Committee ("ALCO"). The Bank maintains a strong liquidity position and constantly manages the liquidity composition of its assets, liabilities and commitments. This is to ensure that cash flow needs are adequately addressed and all obligations are met accordingly.

The Bank has continuously maintained relationships with new and existing depositors and funding counterparties. This strategy approach is aimed at growing the Bank's diversified funding base.