Bank of China (Malaysia) Berhad

Risk Weighted Capital Adequacy Framework (Basel II)
-Disclosure Requirements (Pillar 3)
31 December 2020

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1. Introduction

Pursuant to Bank Negara Malaysia's (BNM) Risk-Weighted Capital Adequacy Framework (RWCAF), banking institutions are to make available Pillar 3 disclosure for financial reporting beginning 1 January 2010.

RWCAF is based around three Pillars:

- Pillar 1 requires banking institutions to define rules for the computation of minimum capital requirement for credit risk, market risk and operational risk.
- Pillar 2 requires banking institutions to implement an Internal Capital Adequacy Assessment Process (ICAAP) for other risks not covered by Pillar 1.
- Pillar 3 requires expanded disclosures to allow market participants to understand the risk profiles of the bank.

The Bank adopts Standardised Approach (SA) in computing the capital requirements for credit risk and market risk and adopts Basic Indicator Approach (BIA) for operational risk of the Pillar 1 under BNM's RWCAF.

Under SA, standard risk weights are used to assess the capital requirements for exposures in credit risk and market risk. The capital requirement for operational risk under BIA is computed based on average of a fixed percentage of positive annual income over the previous 3 years (equivalent to 12 quarters).

The Pillar 3 disclosure will be published in the Bank's website, www.bankofchina.com.my

2. Scope of Application

Bank of China (Malaysia) Berhad (Bank) is a limited liability company, incorporated and domiciled in Malaysia. The immediate holding company of the Bank is Bank of China (Hong Kong) Limited, which was incorporated in Hong Kong whereas the penultimate holding company is Bank of China Limited and the ultimate holding company is Central Huijin Investment Ltd, both were incorporated in China. The principal activities of the Bank are commercial banking and related financial services.

The Bank has a wholly owned subsidiary company where the principal activities is to provide Chinese visa application services and the investment in subsidiary has been deducted from regulatory capital. As the subsidiary company's assets size is not significant in relation to the Bank's assets, there is no separate group consolidation for capital adequacy for regulatory capital reporting. For the purposes of this report, the disclosures presented within will be representative of the Bank entity disclosures only.

The disclosures have been reviewed by internal auditors and certified by the Bank's Chief Executive Officer (CEO).

3 Capital

3.1 Capital Management

The Bank's capital management is guided by the Bank's Capital Management Policy which sets out the key capital management principles, process and responsibilities that the Bank needs to put in place to ensure that the Bank has adequate capital and effective plans to prudently manage the Bank's capital requirement to support the development of business, to meet regulatory capital requirements at all times and to meet the expectations of key stakeholders, including shareholders, investors and rating agencies. Capital Management Actions has been established and clearly specify actions to be taken to address any capital adequacy issue in the event that the capital ratio falls below trigger ratio and Internal Capital Target (ICT) ratio. Both trigger ratio and ICT are defined for Common Equity Tier 1 (CET1) Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio.

The objective of the Bank's capital management is to ensure that the Bank maintains sufficient capital at an appropriate level, meeting the requirement of all applicable regulatory standards and guidelines, risk compensation in line within the Bank's risk appetite, business development and return on capital is sufficient to satisfy the expectations of shareholders. In addition, through effective allocation of capital, and capital investment instruments, the Bank strives to continuously enhance its financial effectiveness, improve capital value, and ultimately maximize shareholders' value while controlling risk.

The Board of Directors (BOD) undertake the ultimate responsibility in ensuring capital is adequate to cover material risks inherent in the Bank while meeting all relevant regulatory standards and guidelines. Meanwhile, the Senior Management shall be responsible for organizing the implementation of capital management in consistency with the Bank's business strategies and risk appetite, ensuring the level of capital commensurate with the trend of business development and risk profile, and that various controls are in place and effective.

The Bank's capital management policy covers capital planning, capital injection or reduction mechanism, capital management remedial actions and procedures, capital reporting and monitoring. The annual budget and three-year business plan together with the capital requirement assessment will be reported to the Senior Management and approved by the BOD accordingly on annual basis.

Capital adequacy and regulatory capital are closely monitored by Management, employing techniques based on the guidelines of Basel II and the BNM's guideline on Capital Adequacy Framework for supervisory purposes. The information is reported to Management on a monthly basis and to BOD via the interim financial statement on a quarterly basis.

3.2 Capital Adequacy Ratio

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) Policy dated 9 December 2020. The Bank has adopted SA for Credit Risk and Market Risk, and BIA for Operational Risk.

Pursuant to BNM's Capital Adequacy Framework (Capital Components), the Bank is required to comply with the capital buffers and minimum capital adequacy ratios.

The capital buffers shall comprise of the following:
a) Capital Conservation Buffer (CCB) of 2.5%
b) Countercyclical Capital Buffer (CCyB), determined as the weighted average of the prevailing CCyB rates applied in the jurisdictions in which the bank has credit exposures. (intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive.) (Maximum is 2.50%)

The minimum capital adequacy and capital buffer requirement for year 2020:

CET 1 Ratio (including CCB and CCyB)	7.000%
Tier 1 Capital Ratio (including CCB and CCyB)	8.500%
Total Capital Ratio (including CCB and CCyB)	10.500%

Notes: The Bank is allowed to draw down on the capital conservation buffer of 2.50% until 31 Dec 2020 and thereafter to restore the buffer to the minimum regulatory requirements by 30 Sept 2021 as per BNM's letter dated 24 March 2020.

In addition, the Bank has adopted BNM's transitional arrangements to add back a portion of the Stage 1 and Stage 2 provisions for Expected Credit Losses (ECL) to Common Equity Tier 1 Capital over a four-year period from financial year beginning 2020. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions – interim approach and transitional arrangement" (March 2017) and "Measures to reflect the impact of Covid-19" dated April 2020.

Total CET 1, Tier 1 and Total capital ratio are as follows:

	Dec 2020 (after transitional)	Dec 2020 (before transitional)	Dec 2019
Capital ratios			
CET 1 capital ratio	17.448%	17.158%	16.872%
Tier 1 capital ratio	17.448%	17.158%	16.872%
Total capital ratio	31.695%	31.441%	32.174%

There was no dividend declared and payout in financial year 2020.

The breakdown of risk-weighted assets by exposure class are as follow:

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	Gross Exposure	Net Exposure	Risk-Weighted Assets	Capital Requirement
	RM'000	RM'000	RM'000	RM'000
Credit Risk:				
On Balance Sheet Exposure				
Sovereigns & central banks	3,782,527	3,782,527	-	-
Banks, Development Financial Institutions (DFIs) & Multilateral Development Banks (MDBs)	1,318,082	1,318,082	326,356	26,108
Insurance Cos, Securities Firm & Fund Managers	5,016	-	-	-
Corporate	7,907,970	7,598,029	7,052,934	564,235
Regulatory Retail	236,901	234,971	203,260	16,261
Residential mortgages	251,731	250,642	92,410	7,393
Other assets	146,310	146,310	122,625	9,810
Total on-balance sheet	13,648,537	13,330,561	7,797,585	623,807
Off Balance Sheet Exposure				
Credit-related off-balance exposure	1,837,473	1,780,523	1,154,353	92,348
Total credit risk	15,486,010	15,111,084	8,951,938	716,155
Market Risk:				
Foreign exchange risk	6,021		6,021	482
Operational Risk:				
Total risk weighted assets and capital requirement			535,135	42,810
Total			9,493,094	759,447

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	Gross Exposure	Net Exposure	Risk-Weighted Assets	Capital Requirement
	RM’000	RM’000	RM’000	RM’000
Credit Risk:				
On Balance Sheet Exposure				
Sovereigns & central banks	2,791,256	2,791,256	-	-
Banks, Development Financial Institutions (DFIs) & Multilateral Development Banks (MDBs)	2,376,492	2,376,492	484,284	38,743
Insurance Cos, Securities Firm & Fund Managers	-	-	-	-
Corporate	7,236,871	6,952,050	6,337,687	507,015
Regulatory Retail	197,748	196,579	168,738	13,499
Residential mortgages	196,031	195,081	70,973	5,678
Other assets	132,806	132,806	107,331	8,586
Total on-balance sheet	12,931,204	12,644,264	7,169,013	573,521
Off Balance Sheet Exposure				
Credit-related off-balance exposure	1,932,124	1,881,266	1,251,209	100,097
Total credit risk	14,863,328	14,525,530	8,420,222	673,618
Market Risk:				
Foreign exchange risk	5,047		5,047	404
Operational Risk:				
Total risk weighted assets and capital requirement			545,542	43,643
Total			8,970,811	717,665

3.3 Capital Structure

The Bank's regulatory capital is divided into CET 1 and Tier 2 capital.

CET 1 capital consists of share capital, capital reserves, reserves created by appropriations of retained earnings and regulatory adjustments. Tier 2 capital consists of loan loss provisions, subordinated loan, revaluation reserves and others. Goodwill, investment in subsidiaries, investments in entities engaged in banking and financial services which are not consolidated in the financial statement, investment properties and investments in commercial corporations are deducted from CET1 and Tier 2 capital to arrive at the regulatory capital.

	Dec 2020 (after transitional)	Dec 2020 (before transitional)	Dec 2019
	RM'000	RM'000	RM'000
CET 1 capital:			
Paid-up ordinary share capital	760,518	760,518	760,518
Retained profits	867,881	867,881	755,391
Regulatory reserves	14,800	14,800	33,607
Fair value through other comprehensive reserve	35,391	35,391	12,539
	1,678,590	1,678,590	1,562,055
Regulatory adjustments applied in the calculation of CET1 capital:			
Deferred tax assets	(15,467)	(15,467)	(8,016)
55% of cumulative unrealised gains of Fair value through other comprehensive income financial instrument	(19,465)	(19,465)	(6,896)
Regulatory reserve attributable to loans and advances	(14,800)	(14,800)	(33,607)
Other CET1 Regulatory Adjustment [1]	27,456	-	-
Total CET 1 capital/ Total Tier 1 capital	1,656,314	1,628,858	1,513,536
Tier-2 capital:			
General Provision [2]	108,523	111,899	105,253
Subordinated loan	1,244,960	1,244,960	1,268,520
Less: Investment in subsidiary	(1,000)	(1,000)	(1,000)
Total tier-2 capital	1,352,483	1,355,859	1,372,773
Total capital base	3,008,797	2,984,717	2,886,309

Note:
1. *Transitional Arrangement to add back a portion of Stage 1 and Stage 2 provisions for expected credit losses (ECL).*
2. *General provision is subject to a maximum of 1.25% of total credit risk-weighted assets determined under SA for credit risk.*

4. Risk Management

The risk governance of the Group and the Bank are as follows:

Establish and Approve Risk Appetite, Risk Tolerance Limit and Policy, Framework & Governance	Board of Directors (BOD)
	Board Risk Management Committee (BRMC)
Implementation of Risk Policy, Oversee the effective management of Regulations and Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT) compliance risk, monitoring of risk tolerance	Risk Management and Internal Control Committee (RMICC)
	Compliance Risk Management Committee (CRMC)
	Information Technology Steering Committee (ITSC)
	Senior Management
	Risk Management Department (RMD), Credit Approval Department (CAD) and Compliance Department (CD)
	Internal Audit Department
Implement and Comply with Risk Policy, assessing and ensuring risk data is correctly retrieved, input, kept current and aligned with the data definitions, monitoring of Risk Tolerance Limit	All the Departments and Branches

The BOD, representing the interest of shareholders, is the highest decision making authority of the Bank and has the ultimate responsibility for overseeing the risk management of the Group and the Bank. The BOD's roles in governing the Bank and its corporate objectives are supported by a sound risk strategy and an effective risk management framework. The BOD promotes a consistent risk management culture within the Bank and uphold the standards of conduct, organizational practices and corporate values that are consistent with the Bank's overall risk appetite.

The BRMC, a risk committee of the BOD, is responsible for overseeing the Bank's risk management, including the implementation of high level risk management policies, processes, and controls within the Bank for the purposes of managing key risks and emerging risks, reviewing and concurring the Bank's risk data aggregation and risk reporting framework. The BRMC shall refer any specific transaction to the BOD if BOD-level deliberation and approval is desirable.

RMICC assists the BRMC and BOD in risk management oversight, responsible for review, endorse, approve and, where relevant recommend to the BRMC and BOD, all key decision and recommendations of RMICC including policies, risk appetite and associated limits setting, aligning risk management framework with business strategies and planning, oversee effective implementation of risk management measures, portfolio exposure monitoring, ensuring that infrastructure, resources and systems are put in place for effective risk management activities.

CRMC is responsible to oversee the effective management and implementation of relevant requirements of the Regulators, BOD and the Management on Regulatory and AML/CFT compliance risk. The committee also responsible in strengthening the regulatory and AML/CFT compliance risk management and ensuring Bank's business operations conforming to all relevant laws and regulations and to create a sound compliance culture for the Bank.

The Internal Audit Department as 3rd line of defence is responsible in providing an independent review on Risk Management Framework and to assess the soundness and adequacy of internal controls including structure, process and policies of the Bank.

The independent RMD, CAD and CD are 2nd line of defence provide crucial support to the RMICC, CRMC and BRMC for implementing the risk policies and overseeing the compliance of the various material risks. They are also responsible for monitoring and reporting of risk.

The Business Units, as the 1st line of defence against risk, is responsible for assessing, identifying, mitigating, reporting and managing risk within their line of business to ensure the day-to-day business activities are carried out within the established risk appetite, policies, tolerance, guidelines and procedures.

The Bank's ICAAP is guided by the ICAAP Policy which details the responsibilities, approaches and methodologies for identifying and measuring risks, stress testing, reporting and review process, capital planning for a 3 year-plans, independent review, and etc. The Bank has undertaken a self-assessment to evaluate the existing capital and risk management practices against the expectations set forth by various stakeholders (e.g. BNM, shareholders and etc) as well as business strategies and risk appetite in a forward-looking approach.

The internal capital adequacy assessment is regularly stress-tested based on specific stress scenarios i.e. Covid-19 pandemic impact in 2020, mainly using quantitative technique, covering key risks across the business lines and taking into consideration macroeconomics changes and other relevant factors to assess their impact on Bank's capital adequacy.

The Bank has identified the key risks and put in place measurements and control to mitigate those risks. The Bank employs regular risk assessment and employs stress testing to ensure that the capital remain adequate to cover these risks captured under Pillar 1, as well as risk types -not fully captured or covered under Pillar 1, such as liquidity risk, Interest Rate Risk in the Banking Book (IRRBB) and concentration risks. Such information allows senior management to identify adverse trend, take preventive and corrective measures and formulate business strategies accordingly.

5 Credit Risk

Credit risk is the risk of financial loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. It arises principally from lending, trade finance and treasury businesses. Credit risk also exists in the trading book and banking book, as well as from on- and off-balance sheet transactions.

The Bank structures the levels of credit risk it undertakes by placing appropriate threshold limits on the amount of risk acceptable in relation to single borrower, group of borrowers, industry segments, country, product in addition to limits set for regulatory compliance purpose. Such risks and compliance are monitored on a regular basis and are subject to annual or more frequent review. Limits set by regulator and Parent Bank are adopted by the Bank in managing credit risks.

Monitor and Mitigation of Material Risk

- Business unit, as the 1st line of defence, is responsible for prudent customer selection. The Bank manages credit risk through well-defined risk appetite, monitoring of key risk threshold limit, established underwriting standards for various type of lending, strengthening loan monitoring and steering loan portfolio to continuously enhance credit rating. Weaker credits are mitigated by credit risk mitigants, such as tangible collaterals and guarantees;

- For both Corporate and Retail loans, the Bank applies independent credit due diligence process on credit requests. Credit proposals are validated, analysed, assessed and proposed by Business Unit. The credit proposals shall then be independently assessed and/or approved by Credit Approval Department (CAD) based on the delegated credit authorities of the approvers. Should any credit proposal be exceeding the highest delegated credit authority of the approvers, upon complete due diligence, the CAD will recommend the credit proposal to Credit Evaluation Panel (CEP). Upon deliberation by CEP, the credit proposal shall be submitted to CEO for final decision. Experienced and competent key personnel are appointed to the CEP to assist the CEO in assessing the credit application and major credit decisions, to provide recommendation to CEO for final decision. CEO has the discretion to reject or modify terms and conditions of the loans passed by CEP. For cases which needs Bank of China (Hong Kong) Limited's (incorporated in Hong Kong) consultation, the BRMC has the veto power to reject credit or modify the terms and conditions which have been approved by the approving authorities.

- The Bank reviews, analyses and monitors its credit exposure portfolio and reports to Management through RMICC and to the BRMC and BOD on a quarterly basis.

5.1 Past Due and Impaired Loan

A loan is considered past due when the borrower / counterparty has failed to make the principal or interest repayment when contractually due. Loans with more than 90 days past due or considered impaired as a result of significant credit events are to be classified as impaired according to the Bank's policies.

The classification of impaired loans or financing and the Bank's provision impairment is consistent with the standard under Malaysian Financial Reporting Standards 9 (MFRS9) and BNM Guidelines on Financial Reporting.

The loan or financing (loan) of the Bank are classified as impaired when they meet the following criteria:

i. Where the principal or interest or both of the loan is past due for more than 90 days or 3 months. In the case of revolving facilities, (e.g. overdraft facilities), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months; or

ii. Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less and the loan exhibits weaknesses in accordance with Bank's Credit Risk Measurement Framework that would render the account as impaired; or

iii. Where repayments are scheduled on intervals of 3 months or longer, the loan or financing is classified as impaired as soon as a default occurs; or

iv. When the loan is classified as rescheduled and restructured in the Central Credit Reference Information System (CCRIS) in accordance with regulatory requirements.

Note: In line with relief measures promulgated by BNM to assist borrowers affected by the Covid-19 pandemic in 2020, the Bank has implemented repayment assistance packages for individual, SME and Corporate borrowers. For borrowers whose loans have been restructured or rescheduled (R&R) under any of the repayment assistance packages, the "days past due" shall be determined based on the new repayment terms and excluding the deferred repayment period for borrowers granted with repayment deferral terms.

With effect from 1 January 2018, the Bank has adopted MFRS9 which introduces a forward-looking expected credit loss (ECL) model on impairment provisioning. The Bank applies a 3 stages approach to measuring ECL as follows:

Stage 1 - 12 months ECL

- For non-impaired credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

Stage 2 – Lifetime ECL

- For non-impaired credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime of the credit exposures will be recognised.

Stage 3 – Lifetime ECL

- Financial assets are assessed as credit impaired when one or more objective evidences of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred.

The MFRS9 ECL Methodology has been independently validated by both external validator and internal validator.

For additional disclosure on the Covid-19 impact, please refer to the Financial Reporting [under section 37(b) Financial Risk Management- Credit Risk].

5.2 Geographical Analysis

Geographic distribution of credit exposures, broken down in geographical location where the credit risk resides by major types of gross credit exposures

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Credit exposure	**Geography**				
Asset Class	**Malaysia**	**China**	**Hong Kong**	**Other**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereigns & central banks	3,782,527	-	-	-	3,782,527
Banks, DFIs & MDBs	800,760	449,450	266,530	199,737	1,716,477
Insurance Cos, Securities Firm & Fund Managers	10,016	-	-	-	10,016
Corporates	5,489,136	579,849	788,350	2,468,484	9,325,819
Regulatory retails	126,507	101,955	5,775	12,716	246,953
Residential mortgages	118,879	111,763	8,725	18,541	257,908
Other assets	146,310	-	-	-	146,310
Total	10,474,135	1,243,017	1,069,380	2,699,478	15,486,010

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Credit exposure	**Geography**				
Asset Class	**Malaysia**	**China**	**Hong Kong**	**Other**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereigns & central banks	2,791,256	-	-	-	2,791,256
Banks, DFIs & MDBs	1,534,987	504,737	390,607	254,699	2,685,030
Insurance Cos, Securities Firm & Fund Managers	-	-	-	-	-
Corporates	5,422,853	757,472	927,041	1,742,670	8,850,036
Regulatory retails	102,223	89,714	2,420	7,222	201,579
Residential mortgages	49,302	118,246	7,144	27,929	202,621
Other assets	132,806	-	-	-	132,806
Total	10,033,427	1,470,169	1,327,212	2,032,520	14,863,328

5.3 Industry Analysis

Distribution of exposures by sector, broken down by major types of gross credit exposures

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Credit exposure	**Category**							**Total**
Sector	**Sovereigns & central banks**	**Banks, DFIs & MDBs**	**Insurance Cos, Securities Firm & Fund Managers**	**Corporates**	**Regulatory Retails**	**Residential mortgages**	**Other assets**	
	RM'000	RM'000	RM’000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	352,803	1,911	-	-	354,714
Mining & Quarrying	-	-	-	751,188	-	-	-	751,188
Manufacturing	-	-	-	2,003,201	2,692	-	-	2,005,893
Electricity, gas & water supply	-	-	-	776,587	-	-	-	776,587
Construction	-	-	-	957,537	1,702	-	-	959,239
Real Estate	-	-	-	2,355,473	7,249	-	-	2,362,722
Wholesale & retail trade & restaurant & hotels	-	-	-	196,438	904	-	-	197,342
Transport, storage & communication	-	-	-	94,171	-	-	-	94,171
Finance, insurance & business services	-	1,716,477	10,016	1,200,521	833	-	-	2,927,847
Household	-	-	-	322,640	230,875	257,908	-	811,423
Government & government agencies	3,782,527	-	-	-	-	-	-	3,782,527
Education, health & others	-	-	-	315,260	787	-	-	316,047
Others*	-	-	-	-	-	-	146,310	146,310
Total	3,782,527	1,716,477	10,016	9,325,819	246,953	257,908	146,310	15,486,010

**Others are exposures which are not elsewhere classified.*

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Credit exposure	**Category**							**Total**
Sector	**Sovereigns & central banks**	**Banks, DFIs & MDBs**	**Insurance Cos, Securities Firm & Fund Managers**	**Corporates**	**Regulatory Retails**	**Residential mortgages**	**Other assets**	
	RM'000	RM'000	RM’000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	403,568	1,735	-	-	405,303
Mining & Quarrying	-	-	-	779,869	-	-	-	779,869
Manufacturing	-	-	-	1,930,864	1,524	-	-	1,932,388
Electricity, gas & water supply	-	-	-	141,367	-	-	-	141,367
Construction	-	-	-	1,017,200	870	-	-	1,018,070
Real Estate	-	-	-	2,259,396	5,324	-	-	2,264,720
Wholesale & retail trade & restaurant & hotels	-	-	-	260,648	1,321	-	-	261,969
Transport, storage & communication	-	-	-	208,373	747	-	-	209,120
Finance, insurance & business services	-	2,685,030	-	1,089,974	-	-	-	3,775,004
Household	-	-	-	356,024	190,058	202,621	-	748,703
Government & government agencies	2,791,256	-	-	-	-	-	-	2,791,256
Education, health & others	-	-	-	402,753	-	-	-	402,753
Others*	-	-	-	-	-	-	132,806	132,806
Total	2,791,256	2,685,030	-	8,850,036	201,579	202,621	132,806	14,863,328

**Others are exposures which are not elsewhere classified.*

5.4 Maturity Analysis

Original contractual maturity breakdown by major types of gross credit exposures

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Credit exposure	**Maturity**			**Total**
Category	**Up to one year**	**1-5 year**	**>5years**	
	RM'000	RM'000	RM'000	RM'000
Sovereigns & central banks	2,532,075	157,683	1,092,769	3,782,527
Banks, DFIs & MDBs	1,291,908	277,398	147,171	1,716,477
Insurance Cos, Securities Firm & Fund Managers	10,016	-	-	10,016
Corporates	2,629,058	3,105,836	3,590,925	9,325,819
Regulatory retails	8,959	809	237,185	246,953
Residential mortgages	109	-	257,799	257,908
Other assets	9,764	-	136,546	146,310
Total	6,481,889	3,541,726	5,462,395	15,486,010

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Credit exposure	**Maturity**			**Total**
Category	**Up to one year**	**1-5 year**	**>5years**	
	RM'000	RM'000	RM'000	RM'000
Sovereigns & central banks	2,028,699	30,314	732,243	2,791,256
Banks, DFIs & MDBs	2,324,906	266,254	93,870	2,685,030
Insurance Cos, Securities Firm & Fund Managers	-	-	-	-
Corporates	2,763,250	2,496,462	3,590,324	8,850,036
Regulatory retails	11,482	272	189,825	201,579
Residential mortgages	39	752	201,830	202,621
Other assets	2,115	-	130,691	132,806
Total	7,130,491	2,794,054	4,938,783	14,863,328

5.5 Loan and Advances and ECL by sector

(a) Loan and Advances -Impaired:

	Dec 2020	Dec 2019
	RM’000	RM’000
Manufacturing	57,969	77,370
Construction	2,871	3,465
Primary Agriculture	9,809	21,678
Real estate	10,535	13,149
Household	20,193	20,503
Wholesale, Retail Trade, Restaurant & Hotel	-	6,633
Electricity, Gas & Water Supply	23,049	23,476
Education, Health & Others	75,522	75,704
Total	199,948	241,978

(b) Loan and Advances-Past due loans:

	Dec 2020	Dec 2019
	RM’000	RM’000
Primary agriculture	-	28,183
Manufacturing	-	13,237
Construction	-	7,018
Real estate	-	16,792
Household	17,599	72,538
Electricity, Gas and Water Supply	-	-
Wholesale & Retail Trade and Restaurant & Hotels	1,224	1,240
Total	18,823	139,008

(c) Loan and Advances –Neither Past Due nor Impaired:

	Dec 2020	Dec 2019
	RM’000	RM’000
Primary agriculture	317,948	338,768
Manufacturing	1,486,880	1,290,437
Construction	461,744	510,577
Real Estate	2,268,704	2,069,577
Household	759,350	648,281
Electricity, Gas and Water Supply	622,299	67,724
Education, health & Others	231,209	290,042
Finance, Insurance & Business Activities	1,291,909	1,014,484
Mining and Quarrying	731,064	752,604
Transport, Storage & Communication	70,563	113,583
Wholesale & Retail Trade and Restaurant & Hotels	152,816	219,647
Total	8,394,486	7,315,724

(d) Lifetime ECL (Credit Impaired) Stage 3 by sector:

	Dec 2020	Dec 2019
	RM'000	RM'000
Manufacturing	55,545	60,002
Real Estate	785	119
Household	6,776	7,310
Primary Agriculture	9,809	21,678
Wholesale & Retail Trade and Restaurant & Hotels	-	6,633
Construction	2,011	2,605
Electricity, Gas & Water Supply	23,049	23,476
Total	97,975	121,823

(e) 12 months ECL (Stage 1) & Lifetime ECL (Non-Credit Impaired) Stage 2 by sector:

	Dec 2020	Dec 2019
	RM'000	RM'000
Primary agriculture	14,409	3,312
Manufacturing	19,623	19,352
Construction	3,931	3,341
Real Estate	38,374	20,354
Household	12,385	5,649
Electricity, Gas and Water Supply	3,944	254
Education, health & Others	6,298	25,003
Finance, Insurance & Business Activities	1,349	871
Mining and Quarrying	7,516	3,053
Transport, Storage & Communication	934	844
Wholesale & Retail Trade and Restaurant & Hotels	3,104	5,446
Total	111,867	87,479

5.6 Loan and Advances and ECL by geographical

(a) Loan and Advances -Impaired:

	Dec 2020	Dec 2019
	RM'000	RM'000
Malaysia	163,328	206,450
China	7,416	7,262
Hong Kong	-	-
Other	29,204	28,266
Total	199,948	241,978

(b) Loan and Advances-Past due loans:

	Dec 2020	Dec 2019
	RM'000	RM'000
Malaysia	3,130	126,584
China	13,352	9,643
Hong Kong	-	-
Other	2,341	2,781
Total	18,823	139,008

(c) Loan and Advances –Neither Past Due nor Impaired:

	Dec 2020	Dec 2019
	RM'000	RM'000
Malaysia	4,679,226	4,473,673
China	330,551	246,473
Hong Kong	800,979	883,255
Other	2,583,730	1,712,323
Total	8,394,486	7,315,724

(d) Lifetime ECL (Credit Impaired) Stage 3 by geographical:

	Dec 2020	Dec 2019
	RM'000	RM'000
Malaysia	71,256	95,673
China	2,826	1,955
Hong Kong	-	-
Other	23,893	24,195
Total	97,975	121,823

(e) 12 months ECL (Stage 1) & Lifetime ECL (Non-Credit Impaired) Stage 2 by geographical:

	Dec 2020	Dec 2019
	RM'000	RM'000
Malaysia	93,499	76,318
China	4,379	1,772
Hong Kong	3,205	1,965
Other	10,784	7,424
Total	111,867	87,479

5.7 Movement in credit impaired loans and advances

	Dec 2020	Dec 2019
	RM'000	RM'000
As at 1 Jan 2020	241,978	68,056
Classified as credit impaired during the year	7,154	183,336
Reclassified as non-credit impaired/performing during the year	(1,927)	(518)
Amount recovered	(38,661)	(7,305)
Amount written-off/ write-down	(8,596)	(1,591)
Gross Impaired Loan and advances	199,948	241,978
Minus: Lifetime ECL (credit impaired) (Stage 3)	97,975	121,823
Net Impaired Loan and advances	101,973	120,155

5.8 Movement in allowance for impairment on loan and advances

	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
	RM'000	RM'000	RM'000	RM'000
Beginning 1 January 2020	20,427	67,052	121,823	209,302
Transferred to 12 months ECL	31,153	(31,105)	(48)	-
Transferred to lifetime ECL not credit impaired	(591)	767	(176)	-
Transferred to lifetime ECL credit impaired	(3)	(762)	765	-
New loans ECL	14,260	4,849	-	19,109
Provision/reversal during the year	(1,433)	15,098	(4,064)	9,601
Full settlement	(1,063)	(6,782)	(11,729)	(19,574)
Amounts written off	-	-	(8,596)	(8,596)
Total ECL amount as at 31 Dec 2020	62,750	49,117	97,975	209,842

6. Credit Rating

Under the standardized comprehensive approach, the Bank applies credit rating assigned by External Credit Assessment Institutions (ECAIs) that are recognized by BNM in its calculation of credit risk weighted assets for capital adequacy purposes.

The following are the eligible ECAIs:
a) Standard & Poor's (S&P)
b) Moody's Investor Service (Moody's)
c) Fitch Rating (Fitch)
d) RAM Rating Services Berhad
e) Malaysian Rating Corporation Berhad (MARC)

Disclosures on Rated Exposures according to Ratings by ECAIs.

6.1 Disclosure on Credit Risk: Disclosure on Risk Weights under SA

31 Dec 2020

Risk Weights	Exposures after Netting and CRM							Total exposures after Netting & CRM	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, DFIs & MDBs	Insurance Cos, Securities Firm & Fund Managers	Corporate	Regulatory Retails	Residential Mortgages	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,782,527	-	-	-	-	-	23,685	3,806,212	-
20%	-	1,122,340	-	495,874	-	-	-	1,618,214	323,643
35%	-	-	-	-	-	232,549	-	232,549	81,392
50%	-	594,137	-	1,214,345	1,453	22,175	-	1,832,110	916,055
75%	-	-	-	-	149,220	-	-	149,220	111,915
100%	-	-	-	7,169,826	85,927	2,095	122,625	7,380,473	7,380,473
150%	-	-	-	84,324	7,982	-	-	92,306	138,460
	Grand Total							15,111,084	8,951,938

31 Dec 2019

Risk Weights	Exposures after Netting and CRM							Total exposures after Netting & CRM	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, DFIs & MDBs	Insurance Cos, Securities Firm & Fund Managers	Corporate	Regulatory Retails	Residential Mortgages	Other Assets		
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
0%	2,791,256	-	-	-	-	-	25,474	2,816,730	-
20%	-	2,354,316	-	553,949	-	-	-	2,908,265	581,653
35%	-	-	-	-	-	194,044	-	194,044	67,916
50%	-	330,714	-	1,366,297	627	4,525	-	1,702,163	851,081
75%	-	-	-	-	124,217	-	-	124,217	93,163
100%	-	-	-	6,507,267	69,814	3,102	107,331	6,687,514	6,687,514
150%	-	-	-	87,164	5,433	-	-	92,597	138,895
	Grand Total							14,525,530	8,420,222

6.2 Rated Exposures according to Ratings by ECAIs

31 Dec 2020

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance Sheet Exposures</u>							
Sovereigns/Central Banks		-	3,782,527	-	-	-	-
Total		-	3,782,527	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB+ to BBB-	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off Balance Sheet Exposures</u>							
Banks, MDBs and FDIs		99,400	1,379,723	235,896	-	-	1,458
Total		99,400	1,379,723	235,896	-	-	1,458

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance Sheet Exposures						
Corporate		530,906	730,634	716,768	-	7,347,511
Total		530,906	730,634	716,768	-	7,347,511

31 Dec 2019

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance Sheet Exposures							
Sovereigns/Central Banks		-	2,791,256	-	-	-	-
Total		-	2,791,256	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB+ to BBB-	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance Sheet Exposures							
Banks, MDBs and FDIs		355,499	1,799,339	528,953	-	-	1,239
Total		355,499	1,799,339	528,953	-	-	1,239

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance Sheet Exposures						
Corporate		506,637	669,694	769,449	-	6,904,256
Total		506,637	669,694	769,449	-	6,904,256

7. Credit Risk Mitigation (CRM)

The Bank grants credit facilities based on the credit standing of the customer, legitimate loan purpose, source of repayment, debt servicing ability and collateral(s)/ guarantees/ etc as CRM. Credit facilities may be granted unsecured premised on the merit of the customer's creditworthiness.

The main types of tangible collateral recognized by the Bank as CRM are as follows:

No	Types of Collaterals
1	Fixed Deposit, Cash Margin
2	Property / Land
3	Quoted Share
4	Bond
5	Standby Letter of Credit by Financial Institution
6	Others (e.g. Machinery, Vessels, Assignment of proceeds, etc.)

The Bank also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk subject to internal guidelines on eligibility.

Property valuation report of by panel valuer is required by the Bank to ensure the value is fair unless it is exempted by the Bank. Generally, the value of the property charged is updated during the periodic credit review to reflect the current market value.

For the computation of capital adequacy requirements for collateralized transactions, the Bank has since in August 2013 applied **comprehensive approach**, which allows greater offset of CRM against exposures, by effectively reducing the exposure amount by the value ascribed to the collateral. This is guided by the minimum conditions for the eligible collaterals set out in the "Risk-Weighted Capital Adequacy Framework (Basel II – Risk-Weighted Assets Computation) issued by BNM.

7.1 Disclosure on CRM

31 Dec 2020

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	RM'000
Credit Risk				
On-Balance Sheet Exposure:				
Sovereigns/Central Bank	3,782,527	-	-	-
Banks, DFIs & MDBs	1,318,082	-	-	-
Insurance Cos, Securities Firm & Fund Managers	5,016	-	10,016	-
Corporates	7,817,905	483,710	358,445	-
Regulatory Retail	225,119	-	2,371	-
Residential Mortgages	248,507	-	1,089	-
Other Assets	146,310	-	-	-
Defaulted Exposures	105,070	-	3,005	-
Total for On-Balance Sheet Exposure	13,648,536	483,710	374,926	-
Off-Balance Sheet Exposure:				
Off-balance sheet exposures included OTC derivatives or credit derivatives	1,837,474	-	-	-
Total for Off-Balance Sheet Exposure	1,837,474	-	-	-
Total On and Off Balance Sheet Exposure	15,486,010	483,710	374,926	-

31 Dec 2019

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM’000	RM’000	RM’000	RM’000
Credit Risk				
On-Balance Sheet Exposure:				
Sovereigns/Central Bank	2,791,256	-	-	-
Banks, DFIs & MDBs	2,376,492	-	-	-
Insurance Cos, Securities Firm & Fund Managers	-	-	-	-
Corporates	7,128,209	727,253	333,454	-
Regulatory Retail	187,398	-	1,488	-
Residential Mortgages	192,929	-	950	-
Other Assets	132,806	-	-	-
Defaulted Exposures	122,114	-	1,906	-
Total for On-Balance Sheet Exposure	12,931,204	727,253	337,798	-
Off-Balance Sheet Exposure:				
Off-balance sheet exposures included OTC derivatives or credit derivatives	1,932,124	-	-	-
Total for Off-Balance Sheet Exposure	1,932,124	-	-	-
Total On and Off Balance Sheet Exposure	14,863,328	727,253	337,798	-

8. Off-Balance Sheet Exposure

Off-Balance Sheet exposures of the Bank are mainly composed of the following:

- Bank Guarantee and Standby Letter of Credit, which represent undertakings that the Bank will make payment in the event that a customer cannot meet its obligations to third parties.
- Documentary Letter of Credit, which are undertaking that the Bank on behalf of the customer for payment of goods purchased.
- Commitments to extend credit including the unutilized or undrawn portion of credit facilities.

Off-Balance Sheet and Counterparty Credit Risk – 31 Dec 2020

Description	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	6,285	6,285	2,842
Transaction related contingent items	2,154,624	1,077,312	558,390
Short Term Self Liquidating trade related contingencies	272,719	54,544	52,728
Foreign exchange related contracts -One year or less	231,536	1,929	1,045
Interest/Profit rate related contracts			
-One year or less	122,889	11,565	2,358
- Over five years	317,373	22,984	18,784
Other commitments , such as formal standby facilities and credit lines, with an original maturity of up to one year	2,517,649	503,530	377,460
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	318,650	159,325	140,747
Unutilised credit card lines	-	-	-
Total	5,941,725	1,837,474	1,154,354

Off-Balance Sheet and Counterparty Credit Risk – 31 Dec 2019

Description	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	2,547	2,547	2,547
Transaction related contingent items	2,383,135	1,191,568	614,304
Short Term Self Liquidating trade related contingencies	55,595	11,119	9,578
Foreign exchange related contracts -One year or less	218,308	2,591	1,274
Interest/Profit rate related contracts - Over five years	250,475	16,913	13,156
Other commitments , such as formal standby facilities and credit lines, with an original maturity of up to one year	2,111,915	422,383	345,813
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	569,998	284,999	264,533
Unutilised credit card lines	20	4	3
Total	5,591,993	1,932,124	1,251,208

9. Market Risk

Market risk is the risk of potential losses resulting from the adverse movement in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in the risk factors such as foreign exchange rates, interest rates, credit spreads, equity prices, commodities prices and their associated volatility.

At Management level, the Bank's RMICC is responsible for the oversight of market risk management of the Bank and executing the BRMC and BOD mandate on market risk management strategies, risk appetite and tolerance level. The Bank has established the Market Risk Management Policy to govern the Bank's market risk governance structure, risk identification, measurement, monitoring and reporting processes. The Bank's market risk is managed by RMD. RMD currently measures and monitors its FX Net Open Position (FX NOP), Value-at-Risk (VaR), Price Value of Basis Point (PVBP) and stop loss limits (Daily, Monthly and Yearly) on daily basis. RMD also reports to RMICC and BOD on monthly and quarterly basis on the Bank's market risk exposures and its compliance to the limits approved for each market risk indicators.

For capital requirement, the Bank adopts SA. The current market risk capital charge is from the Bank's exposures in the foreign exchange risk.

Risk weighted assets and capital requirement for market risk

Capital Charge Requirement for :	31 Dec 2020 Standardised Approach	31 Dec 2019 Standardised Approach
	RM'000	RM'000
Interest Rate risk	-	-
Equity Position Risk	-	-
Foreign Exchange Risk	482	404
Commodity Risk	-	-
Others	-	-
Total Risk Weighted Assets Equivalent for Market Risk	6,021	5,047

10. Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk is inherent in all activities, products and services of financial institutions and can transverse multiple activities and business lines within the bank. It includes a wide spectrum of heterogeneous risk such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches as well as employee health and safety hazards. Operational risk may result in direct financial losses as well as indirect financial losses (e.g. loss of business and market share) due to reputational damage.

To manage operational risk, the Bank has established "Three lines of defence" model to manage operational risk events, where:-

1. First line of defence – Business and functional lines are primarily responsible in managing operational risk of their respective businesses and functions.
2. Second line of defence – Provide advisory to the business and functional lines on the established operational risk management policies/ procedures and perform review on the operational risk management process (on risk based approach) undertaken by the business and functional lines to evaluate the effectiveness of the risk mitigation activities at the business and functional lines.
3. Third line of defence – provide regular independent reviews and assessments of the operational risk management framework, processes and systems.

RMICC, CRMC and BRMC are the Bank's risk governance committees accountable for overseeing the enterprise wide operational risk function. These committees are responsible to monitor and deliberate on operational risk issues specific to the business or functional lines, and promote risk ownership and management by the business and functional lines.

For capital requirement, the Bank has adopted BIA approach. The approach is in line with BNM Guidelines where the calculation is based on average of a fixed percentage of positive annual gross income over the previous three years.

	31 Dec 2020	31 Dec 2019
	RM'000	RM'000
Minimum Capital required for Operational Risk	42,810	43,643
Total Risk Weighted Assets Equivalent for Operational Risk	535,135	545,542

11. Interest Rate Risk in Banking Book (IRRBB)

IRRBB is defined as the current and potential risk to the Bank's earning and economic value arising from movement of interest rates.

The table below illustrates the Bank's IRRBB under a 100 basis point parallel interest rate shock from earning and economic value perspective.

As at 31 Dec 2020:

Currency	Earnings	Economic Value
	RM'000	RM'000
All Currencies (in MYR)	+/-24,601	+/-11,150
USD	+/-2,175	+/-2,828
CNY/CNH	+/-558	+/-2,219

As at 31 Dec 2019:

Currency	Earnings	Economic Value
	RM'000	RM'000
All Currencies (in MYR)	+/- 41,172	+/- 83,230
USD	+/- 14,263	+/- 88,306
CNY/CNH	+/- 769	+/- 3,626

------------------------ The end of Report -----------------------