Bank of China (Malaysia) Berhad

Risk Weighted Capital Adequacy Framework (Basel II)
-Disclosure Requirements (Pillar 3)
31 December 2021

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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, endorsed by Senior Management and approved by Board.

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 objectives, principles, process and roles & 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 major stakeholders, including shareholders, investors and rating agencies. The Bank set trigger and internal capital targets for the Common Equity Tier 1 Capital Ratio (CET1), Tier 1 Capital Adequacy Ratio (Tier 1) and Total Capital Adequacy Ratio.

The objective of the Bank's capital management is to ensure the Bank has sufficient capital to support business development, safeguard the capability to withstand unexpected loss on an on-going basis, and achieve the required level of return on shareholders' investment; maintain adequate capital ratio level by considering the minimum statutory and regulatory requirements on capital adequacy and internal management requirements, maintain current credit rating and enhance stakeholders' confidence; outline the capital management measures to be taken in the event of Capital Adequacy Ratio (CAR) levels fall below the targeted level.

The Bank's capital management is mainly guided by the following principles, among others which covers, comply with statutory regulations, and satisfy all regulatory requirements; identify, measure, monitor, mitigate, and control various major risks, to ensure capital level is in line with business development, risk profile and the Bank's Risk Appetite Statement (RAS); allocate capital effectively to ensure sustainable and healthy growth of the Bank, and to facilitate implementation of business strategy, as well as achieving reasonable returns to meet shareholders' expectation; enhance internal accumulation of capital through asset optimization, and fullfil capital requirements through various means, so as to manage the cost and efficiency of capital issuance. 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 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 and ensure an effective capital management infrastructure to facilitate the implementation of capital management strategies. Meanwhile, the Senior Management is 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, relevance and effective.

The Bank's capital management includes various aspects such as capital planning, capital monitoring and reporting, capital management remedial actions and procedures, capital injection or reduction mechanism and etc. In developing the capital plan, the Bank consider the regulatory requirements, make reference to the business strategy of the Bank, take into account both short-term and medium to long term capital demand, and ensure a long-term stable capital level is maintained. Annual capital plan starts with annual financial budget and include, but not limited to, RWA forecast, capital base forecast, CAR forecast, as well as major parameters and assumptions. It is reported to the Senior Management and approved by the BOD accordingly on the annual basis.

The Bank has through capital monitoring mechanism to regularly monitor the level and any variation in capital adequacy so as to ensure proper and timely execution of capital management measures. The control procedures include the monitoring of capital structure and its optimization, enhance the quality of capital, and improve shareholders' return by fully utilizing the leverage effect while fulfilling regulatory compliance. Capital adequacy and regulatory capital ratio are closely monitored by Senior Management. The information is reported to Senior Management and BOD on a regular 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 2021:

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%

In addition, the Bank has adopted BNM's guidelines on 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 2021 (after transitional)	Dec 2021 (before transitional)	Dec 2020 (after transitional)	Dec 2020 (before transitional)
Capital ratios				
CET 1 capital ratio	17.658%	16.994%	17.448%	17.158%
Tier 1 capital ratio	17.658%	16.994%	17.448%	17.158%
Total capital ratio	31.778%	31.201%	31.695%	31.441%

There was no dividend declared and payout in financial year 2021.

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	3,681,481	3,681,481	-	-
Banks, Development Financial Institutions (DFIs) & Multilateral Development Banks (MDBs)	2,176,819	2,176,819	491,720	39,338
Insurance Cos, Securities Firm & Fund Managers	16,041	-	-	-
Corporate	8,068,298	7,781,010	7,189,717	575,177
Regulatory Retail	280,091	278,077	240,414	19,233
Residential mortgages	352,512	351,392	131,724	10,538
Other assets	139,585	139,585	116,776	9,342
Total on-balance sheet	14,714,827	14,408,364	8,170,351	653,628
Off Balance Sheet Exposure				
Credit-related off-balance exposure	1,845,192	1,794,391	1,194,026	95,522
Total credit risk	16,560,019	16,202,755	9,364,377	749,150
Market Risk:				
Foreign exchange risk	5,385		5,385	431
Operational Risk:				
Total risk weighted assets and capital requirement			529,162	42,333
Total			9,898,924	791,914

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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

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 2021 (after transitional)	Dec 2021 (before transitional)	Dec 2020 (after transitional)	Dec 2020 (before transitional)
	RM'000	RM'000	RM'000	RM'000
CET 1 capital:				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	945,401	945,401	867,881	867,881
Regulatory reserves	14,800	14,800	14,800	14,800
Fair value through other comprehensive reserve	11,925	11,925	35,391	35,391
Foreign exchange reserve	27	27	-	-
	1,732,671	1,732,671	1,678,590	1,678,590
Regulatory adjustments applied in CET1 capital:				
Deferred tax assets	(29,021)	(29,021)	(15,467)	(15,467)
55% of cumulative gains of debt instruments at FVOCI	(6,559)	(6,559)	(19,465)	(19,465)
Regulatory reserve attributable to financial assets	(14,800)	(14,800)	(14,800)	(14,800)
Transitional Arrangement [1]	65,672	-	27,456	-
Total CET 1 capital/ Total Tier 1 capital	1,747,963	1,682,291	1,656,314	1,628,858
Tier-2 capital:				
General Provision [2]	108,523	117,055	108,523	111,899
Subordinated loan	1,290,220	1,290,220	1,244,960	1,244,960
Less: Investment in subsidiary	(1,000)	(1,000)	(1,000)	(1,000)
Total tier-2 capital	1,397,743	1,406,275	1,352,483	1,355,859
Total capital base	3,145,706	3,088,566	3,008,797	2,984,717

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:

Approve the risk appetite and business plans, and oversee the effectiveness of bank-wide integrated risk management as well as the implementation of the Bank's governance framework and internal control policy. Ensure risk-taking activities remain within the risk appetite and promote a sound risk culture for the Bank.	Board of Directors (BOD) Board Risk Management Committee (BRMC) Board Audit Committee (BAC)
Monitor the formulation and implementation status of bank-wide integrated risk management practices and oversee the risk strategy, frameworks and policies, and practices to identify, measure, monitor, manage and report the Bank's material risks to the BOD to facilitate deliberation and decision-making on risk taking and mitigation strategies.	Management Level Committee
Manage the Bank's various types of risks and ensure the day-to-day management of the Bank's activities is consistent with the risk strategy, including the risk appetite, and policies approved by the Board.	Senior Management
Adopt three lines of defence model to improve the effectiveness of risk management systems. Responsible for the effective management of various risks that in line with the Bank's risk strategy and compliance with policies and procedures.	All 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 BOD also oversees the embedding of sustainability principles encompassing environmental, social and governance (ESG) considerations in business strategy, risk management, decision making process and operations.

The BRMC, a risk committee of the BOD, assists the BOD to oversee:

- the establishment of a robust risk management system and an effective framework to identify, monitor, control and report risk.
- the Management Level Committee and Senior Management's activities in managing material risks (including climate risk) and the contagion effects among the different risks to ensure that the integrated risk management functions within the Bank are in place and effectively discharged.

BRMC shall refer any specific transaction to the BOD if BOD-level deliberation and approval is desirable.

The BAC assists the BOD in fulfilling its role on overseeing internal control systems and processes. BAC also reviews the reports submitted by external auditors to Management in connection with the annual audit as well as the recommendations made by regulatory bodies on risk management and internal control.

Management Level Committee assists the BRMC and BOD to:

- manage enterprise-wide risk and implement the Bank's overall risk strategies and risk appetite set by the BOD and continuously monitor the implementation of the risk appetite through risk limits management to ensure that the risk-taking activities remain consistent with the overall risk appetite approved by the BOD.
- ensure adequate measures are in place to manage the use of models for identifying and measuring risk by overseeing the model development and implementation process, establishing guidance on model use and monitoring model performance including independent model validation.
- continuously monitor the adequacy of the Bank's internal controls function, ensure that robust internal systems and infrastructure, resources, risk measurement systems and methodologies are put in place for effective risk management activities.
- oversee the Bank's climate risk management and its implementation to promote sustainability and ensure that the material climate-related risks are well managed.
- ensure the Bank's activities are in compliance with relevant laws and regulations as well as to promote sound risk and compliance culture.

The Bank has established and implemented a comprehensive risk management framework through the establishment of the Three Lines of Defence Concept which outlines the roles and responsibilities of three units in the Bank: risk-taking units, risk control units and internal audit. The risk-taking units undertake the day to day management of risks inherent in their business activities and ensure proper implementation and execution of its policy while the risk control units are responsible for the identification, measurement, monitoring and escalation of the risk. Internal audit provides independent assurance of the effectiveness of the risk management framework and independent review to ensure adequacy, effectiveness and robustness of the risk management policies. The key internal controls are summarized as follows:

(i) Establish a rational organisational structure with appropriate personnel whose responsibility, authority and accountability are clearly defined. The Bank has formulated policies and procedures to embed reasonable checks and balances for all operating units, safeguard the Bank's assets and ensure adhere to relevant laws and regulations and risk management in its operations.

(ii) The Management formulates and continuously monitors the implementation of the Bank's overall strategies, business plans and financial budgets. The accounting and management systems are in place to provide basis for evaluating financial and operational performance.

(iii) The Bank has set up mechanisms to identify, evaluate and manage all major risks and has established corresponding internal control procedures and processes for internal control. The policies and procedures cover major aspects of risks including Credit, Operational, Market, Legal, Compliance, Liquidity, Interest Rate, Reputation, Strategy, IT and Climate related risk. There are also procedures established for handling and dissemination of information.

(iv) The Bank has established robust information technology infrastructure to enable the relevant risk information to be generated accurately and timely. Such information facilitates the Management, business units and the regulatory bodies in assessing and monitoring the Bank's risk position and performance. Proper communication channels and reporting mechanisms are in place to facilitate management of information.

(v) The Bank's internal audit, as 3rd line of defence, conducts independent review on Risk Management Framework and assess the soundness and adequacy of internal controls including policies, structure and process of the Bank. They follow up closely on the items that require attention and reports implementation status to the Management and the BOD through BAC in a timely manner.

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-plan, independent review, and etc. The Bank has undertaken self-assessment to evaluate its 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 e.g. Covid-19 pandemic impact. The stress testing approach mainly applies 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 that are 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 mitigation, 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 (or delegate) for final decision. Experienced and competent key personnel are appointed to the CEP to assist in assessing the credit application and to provide recommendation for final decision. CEO (or delegate) has the discretion to reject or modify terms and conditions of the loans passed by CEP.

- 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 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, 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.

The Bank applies the Management Overlay methodology as disclosed in the Financial Statement dated 31 December 2021 to ensure sufficient level of provisioning.

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	3,681,481	-	-	-	3,681,481
Banks, DFIs & MDBs	1,309,766	680,496	349,408	175,366	2,515,036
Insurance Cos, Securities Firm & Fund Managers	22,341	-	-	-	22,341
Corporates	6,013,090	465,714	606,579	2,449,028	9,534,411
Regulatory retails	158,174	109,994	17,610	15,016	300,794
Residential mortgages	228,090	107,087	13,519	17,675	366,371
Other assets	139,585	-	-	-	139,585
Total	11,552,528	1,363,291	987,116	2,657,085	16,560,019

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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

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	-	-	-	340,636	1,356	-	-	341,992
Mining & Quarrying	-	-	-	608,832	-	-	-	608,832
Manufacturing	-	-	-	2,156,269	4,582	-	-	2,160,851
Electricity, gas & water supply	-	-	-	1,073,792	-	-	-	1,073,792
Construction	-	-	-	773,415	1,445	-	-	774,860
Real Estate	-	-	-	2,055,685	9,054	-	-	2,064,739
Wholesale & retail trade & restaurant & hotels	-	-	-	603,777	1,879	-	-	605,656
Transport, storage & communication	-	-	-	124,855	10	-	-	124,865
Finance, insurance & business services	-	2,515,036	22,341	1,153,069	786	-	-	3,691,232
Household	-	-	-	315,261	281,682	366,371	-	963,314
Government & government agencies	3,681,481	-	-	-	-	-	-	3,681,481
Education, health & others	-	-	-	328,820	-	-	-	328,820
Others*	-	-	-	-	-	-	139,585	139,585
Total	3,681,481	2,515,036	22,341	9,534,411	300,794	366,371	139,585	16,560,019

**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	-	-	-	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.*

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	2,127,205	193,330	1,360,946	3,681,481
Banks, DFIs & MDBs	2,077,997	295,017	142,022	2,515,036
Insurance Cos, Securities Firm & Fund Managers	22,341	-	-	22,341
Corporates	2,750,681	3,200,184	3,583,546	9,534,411
Regulatory retails	9,638	378	290,778	300,794
Residential mortgages	149	-	366,222	366,371
Other assets	14,690	-	124,895	139,585
Total	7,002,702	3,688,909	5,868,409	16,560,019

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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

5.5 Loan and Advances and ECL by sector

(a) Loan and Advances -Impaired:

	Dec 2021	Dec 2020
	RM’000	RM’000
Manufacturing	58,575	57,969
Construction	2,719	2,871
Primary Agriculture	5,081	9,809
Real estate	11,422	10,535
Household	21,018	20,193
Wholesale, Retail Trade, Restaurant & Hotel	-	-
Electricity, Gas & Water Supply	23,869	23,049
Education, Health & Others	75,307	75,522
Total	197,991	199,948

(b) Loan and Advances-Past due loans:

	Dec 2021	Dec 2020
	RM’000	RM’000
Primary agriculture	31,401	-
Manufacturing	73,997	-
Construction	-	-
Real estate	713	-
Household	94,814	17,599
Transport, Storage and Communication	600	-
Wholesale & Retail Trade and Restaurant & Hotels	16,025	1,224
Total	217,550	18,823

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

	Dec 2021	Dec 2020
	RM’000	RM’000
Primary agriculture	277,654	317,948
Manufacturing	1,583,253	1,486,880
Construction	336,105	461,744
Real Estate	1,990,279	2,268,704
Household	811,093	759,350
Electricity, Gas and Water Supply	842,069	622,299
Education, health & Others	248,546	231,209
Finance, Insurance & Business Activities	1,407,342	1,291,909
Mining and Quarrying	601,082	731,064
Transport, Storage & Communication	81,668	70,563
Wholesale & Retail Trade and Restaurant & Hotels	534,350	152,816
Total	8,713,441	8,394,486

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

	Dec 2021	Dec 2020
	RM'000	RM'000
Manufacturing	55,758	55,545
Real Estate	903	785
Household	9,185	6,776
Primary Agriculture	5,081	9,809
Wholesale & Retail Trade and Restaurant & Hotels	-	-
Construction	1,905	2,011
Electricity, Gas & Water Supply	23,869	23,049
Total	96,701	97,975

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

	Dec 2021	Dec 2020
	RM'000	RM'000
Primary agriculture	12,630	14,409
Manufacturing	57,025	19,623
Construction	3,414	3,931
Real Estate	33,965	38,374
Household	8,217	12,385
Electricity, Gas and Water Supply	8,038	3,944
Education, health & Others	6,518	6,298
Finance, Insurance & Business Activities	1,340	1,349
Mining and Quarrying	6,801	7,516
Transport, Storage & Communication	289	934
Wholesale & Retail Trade and Restaurant & Hotels	11,527	3,104
Total	149,764	111,867

5.6 Loan and Advances and ECL by geographical

(a) Loan and Advances -Impaired:

	Dec 2021	Dec 2020
	RM'000	RM'000
Malaysia	160,538	163,328
China	7,170	7,416
Hong Kong	-	-
Other	30,283	29,204
Total	197,991	199,948

(b) Loan and Advances-Past due loans:

	Dec 2021	Dec 2020
	RM’000	RM’000
Malaysia	206,351	3,130
China	7,550	13,352
Hong Kong	-	-
Other	3,649	2,341
Total	217,550	18,823

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

	Dec 2021	Dec 2020
	RM’000	RM’000
Malaysia	5,019,173	4,679,226
China	592,918	330,551
Hong Kong	624,879	800,979
Other	2,476,471	2,583,730
Total	8,713,441	8,394,486

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

	Dec 2021	Dec 2020
	RM’000	RM’000
Malaysia	68,267	71,256
China	2,925	2,826
Hong Kong	-	-
Other	25,509	23,893
Total	96,701	97,975

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

	Dec 2021	Dec 2020
	RM’000	RM’000
Malaysia	129,878	93,499
China	1,665	4,379
Hong Kong	2,407	3,205
Other	15,814	10,784
Total	149,764	111,867

5.7 Movement in credit impaired loans and advances

	Dec 2021	Dec 2020
	RM'000	RM'000
As at 1 Jan	199,948	241,978
Classified as credit impaired during the year	9,388	7,154
Reclassified as non-credit impaired/performing during the year	-	(1,927)
Amount recovered	(10,611)	(38,661)
Amount written-off/ write-down	(734)	(8,596)
Gross Impaired Loan and advances	197,991	199,948
Minus: Lifetime ECL (credit impaired) (Stage 3)	96,701	97,975
Net Impaired Loan and advances	101,290	101,973

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 2021	62,750	49,117	97,975	209,842
Transferred to 12 months ECL	958	(958)	-	-
Transferred to lifetime ECL not credit impaired	(4,397)	4,397	-	-
Transferred to lifetime ECL credit impaired	(4)	(737)	741	-
New loans ECL	12,722	35,813	-	48,535
Provision/reversal during the year	(17,286)	9,333	(273)	(8,226)
Full settlement	(1,506)	(438)	(1,008)	(2,952)
Amounts written off	-	-	(734)	(734)
Total ECL amount as at 31 Dec 2021	53,237	96,527	96,701	246,465

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 2021

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%	3,681,481	-	-	-	-	-	22,808	3,704,289	-
20%	-	1,993,218	-	664,853	-	-	-	2,658,071	531,614
35%	-	-	-	-	-	307,186	-	307,186	107,515
50%	-	508,626	-	1,046,854	1,233	57,990	-	1,614,703	807,352
75%	-	-	-	-	183,561	-	-	183,561	137,670
100%	-	13,192	3,500	7,404,603	106,235	75	116,777	7,644,382	7,644,382
150%	-	-	-	82,961	7,602	-	-	90,563	135,844
	Grand Total							16,202,755	9,364,377

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

6.2 Rated Exposures according to Ratings by ECAIs

31 Dec 2021

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		-	3,681,481	-	-	-	-
Total		-	3,681,481	-	-	-	-

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		152,419	2,310,987	32,609	18,991	-	30
Total		152,419	2,310,987	32,609	18,991	-	30

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		691,840	623,003	644,911	-	7,574,657
Total		691,840	623,003	644,911	-	7,574,657

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
On and Off Balance Sheet Exposures							
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
<u>On and Off Balance Sheet Exposures</u>						
Corporate		530,906	730,634	716,768	-	7,347,511
Total		530,906	730,634	716,768	-	7,347,511

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 2021

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	3,681,481	-	-	-
Banks, DFIs & MDBs	2,176,819	-	-	-
Insurance Cos, Securities Firm & Fund Managers	16,041	-	18,842	-
Corporates	7,981,349	421,786	333,217	-
Regulatory Retail	267,782	-	2,163	-
Residential Mortgages	348,484	-	1,120	-
Other Assets	139,584	-	-	-
Defaulted Exposures	103,287	-	1,923	-
Total for On-Balance Sheet Exposure	14,714,827	421,786	357,265	-
Off-Balance Sheet Exposure:				
Off-balance sheet exposures included OTC derivatives or credit derivatives	1,845,192	-	-	-
Total for Off-Balance Sheet Exposure	1,845,192	-	-	-
Total On and Off Balance Sheet Exposure	16,560,019	421,786	357,265	-

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	-

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 2021

Description	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	16,519	16,519	6,519
Transaction related contingent items	2,154,394	1,077,197	546,561
Short Term Self Liquidating trade related contingencies	53,228	10,646	10,022
Foreign exchange related contracts			
-One year or less	702,774	17,655	8,936
Interest/Profit rate related contracts			
-One year or less	299,858	4,858	4,552
-Over one year to five year	206,199	10,876	8,815
-Over five year	84,423	5,211	3,661
Other commitments , such as formal standby facilities and credit lines, with an original maturity of up to one year	2,239,884	447,977	374,097
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	508,505	254,253	230,863
Unutilised credit card lines	-	-	-
Total	6,265,784	1,845,192	1,194,026

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

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 2021 Standardised Approach	31 Dec 2020 Standardised Approach
	RM'000	RM'000
Interest Rate risk	-	-
Equity Position Risk	-	-
Foreign Exchange Risk	431	482
Commodity Risk	-	-
Others	-	-
Total Risk Weighted Assets Equivalent for Market Risk	5,385	6,021

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 key 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 2021	31 Dec 2020
	RM'000	RM'000
Minimum Capital required for Operational Risk	42,333	42,810
Total Risk Weighted Assets Equivalent for Operational Risk	529,162	535,135

11. Interest Rate Risk in Banking Book (IRRBB)

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

The table below illustrates the Bank's IRRBB under a 200 basis point parallel interest rate shock from earning and economic value perspective.

As at 31 Dec 2021:

Currency	Earnings	Economic Value
	RM'000	RM'000
All Currencies (in MYR)	+/- 51,824	+/- 8,680
USD	+/- 8,057	+/- 15,321
CNY/CNH	+/- 1,075	+/- 2,112

As at 31 Dec 2020:

Currency	Earnings	Economic Value
	RM'000	RM'000
All Currencies (in MYR)	+/- 49,203	+/- 16,527
USD	+/- 4,352	+/- 6,899
CNY/CNH	+/- 1,116	+/- 4,272

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