Bank of China (Malaysia) Berhad

Risk Weighted Capital Adequacy Framework (Basel II)
-Disclosure Requirements (Pillar 3)
30 June 2022

CONTENTS

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 under Pillar 1 of 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 an average of a fixed percentage of positive annual income over the three preceding 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 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 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 are to provide Chinese visa application services. The investment in subsidiary has been deducted from the Bank's 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 herein 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, governance and roles & responsibilities. 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; 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 fulfill 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 (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 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 consistent 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, relevant 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 considers the regulatory requirements, makes reference to the business strategy of the Bank, takes into account both short-term and medium to long term capital demand, and ensures a long-term stable capital level is maintained. Annual capital plan starts with annual financial budget and includes, 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, through capital monitoring mechanism, regularly monitors the level and any variation in capital adequacy so as to ensure proper and timely execution of capital management measures. The Bank sets triggers 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 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 2022:

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:

	Jun 2022 (after transitional)	Jun 2022 (before transitional)	Dec 2021 (after transitional)	Dec 2021 (before transitional)
<u>Capital ratios</u>				
CET 1 capital ratio	16.580%	16.386%	17.658%	16.994%
Tier 1 capital ratio	16.580%	16.386%	17.658%	16.994%
Total capital ratio	31.097%	30.958%	31.778%	31.201%

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	3,761,676	3,761,676	-	-
Banks, Development Financial Institutions (DFIs) & Multilateral Development Banks (MDBs)	1,866,070	1,866,070	438,494	35,080
Insurance Cos, Securities Firm & Fund Managers	30,025	-	-	-
Corporate	8,102,298	7,886,837	7,386,892	590,951
Regulatory Retail	334,258	332,199	285,171	22,814
Residential mortgages	414,270	413,157	158,620	12,690
Other assets	133,538	133,538	113,129	9,050
Total on-balance sheet	14,642,135	14,393,477	8,382,306	670,585
Off Balance Sheet Exposure				
Credit-related off-balance exposure	1,928,556	1,871,228	1,275,597	102,048
Total credit risk	16,570,691	16,264,705	9,657,903	772,633
Market Risk:				
Foreign exchange risk	3,200		3,200	256
Operational Risk:				
Total risk weighted assets and capital requirement			533,572	42,686
Total			10,194,675	815,575

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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

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.

	Jun 2022 (after transitional)	Jun 2022 (before transitional)	Dec 2021 (after transitional)	Dec 2021 (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	945,401	945,401
Regulatory reserves	14,800	14,800	14,800	14,800
Fair value through other comprehensive reserve	(4,926)	(4,926)	11,925	11,925
Foreign exchange reserve	32	32	27	27
	1,715,825	1,715,825	1,732,671	1,732,671
Regulatory adjustments applied in CET1 capital:				
Deferred tax assets	(33,176)	(33,176)	(29,021)	(29,021)
55% of cumulative gains of debt instruments at FVOCI	2,709	2,709	(6,559)	(6,559)
Regulatory reserve attributable to financial assets	(14,800)	(14,800)	(14,800)	(14,800)
Transitional Arrangement [1]	19,787	-	65,672	-
Total CET 1 capital/ Total Tier 1 capital	1,690,345	1,670,558	1,747,963	1,682,291
Tier-2 capital:				
General Provision [2]	115,118	120,724	108,523	117,055
Subordinated loan	1,365,860	1,365,860	1,290,220	1,290,220
Less: Investment in subsidiary	(1,000)	(1,000)	(1,000)	(1,000)
Total tier-2 capital	1,479,978	1,485,584	1,397,743	1,406,275
Total capital base	3,170,323	3,156,142	3,145,706	3,088,566

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
4.1 Risk Management Framework

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

Approve the risk appetite and business plans, and oversee the effectiveness of enterprise-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 and effective risk management and internal control system for the Bank.	Board of Directors (BOD) Board Risk Management Committee (BRMC) Board Audit Committee (BAC)
Monitor the formulation and implementation of enterprise-wide integrated risk management practices to ensure holistic risk management 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 comprehensive risk management strategy, including the risk appetite, and policies approved by the BOD. In addition, promote enterprise-wide awareness of risk and ensure enterprise-wide integrated risk management is embedded into the Bank's business practices and decision-making.	Senior Management
Adopt three lines of defence model to improve the effectiveness of risk management system. Responsible for the effective management of various risks that is 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 required.

The BAC assists the BOD in fulfilling its roles on overseeing internal control systems and compliance processes. BAC reviews and evaluates the appropriateness of the Bank's control culture, effectiveness of risk management and internal control system, which including financial, operational and compliance controls, and risk management matters that may have a significant impact to the Bank's financial standing and reputation. BAC also reviews the whistleblowing arrangements for the Bank's employees and other stakeholders who, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. In addition, 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:

- promote strong risk management culture, establish and implement effective risk management controls within the Bank and proactively and timely monitor risk-related matters.
- manage enterprise-wide integrated 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/ indicators management to ensure that the risk-taking activities remain consistent with the overall risk appetite approved by the BOD and, where necessary, recommend the changes for BOD's approval.
- 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.
- ensure adequate and effective IT policies and procedures, and proper risk management framework to identify, measure, monitor and control IT risks are formulated. To provide BOD with management reports pertinent to IT performance indicators and, where necessary, recommend actions to respond to key IT risk incidents.
- review and recommend specific actions/ correspondence with regard to regulatory assessment, significant issues arising from internal and/ or external audit matters (including the remediation plans).
- oversee the Bank's climate risk management and its implementation to promote sustainability and ensure that material climate-related risks are well managed.
- ensure the Bank's activities are 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 Three Lines of Defence model which outlines the roles and responsibilities of 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. Risk control units are responsible for the identification, measurement, monitoring and escalation of the risk matters to Senior Management and BOD. Internal audit provides independent assurance of the effectiveness of the risk management framework and conduct independent review to ensure risk management policies are adequate, effective and robust. 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 in all operating units, safeguard the Bank's assets and ensure adherence to relevant laws and regulations and risk management practices.

(ii) The Management formulates and continuously monitors the implementation of the Bank's overall strategies, business plans and financial budgets. Accounting and management systems are in place to evaluate 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 and Compliance, Liquidity, Interest Rate, Reputation, Strategic, Technology, Anti-Bribery and Corruption and Climate related risk. There are also procedures for handling and dissemination of information.

(iv) The Bank has established robust information technology infrastructure to generate relevant risk information accurately and timely. Such information facilitates the Management, business units and the regulatory bodies to assess and monitor 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 the Bank's Risk Management Framework and assess the soundness, adequacy and compliance 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, Ukraine-Russia conflict, severe climate risks, inflationary pressure and etc. 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 impacts on Bank's capital adequacy.

The Bank continuously monitors emerging risks and put in place measurements and controls to mitigate those risks. The Bank employs regular risk assessment and stress testing to ensure capital remain adequate to cover the 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 by placing appropriate thresholds 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 applications. 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. Should any credit proposal exceed the highest delegated credit authority of the approvers, upon completing due diligence, the CAD will recommend the credit proposal to Credit Evaluation Panel (CEP) for deliberation, after which 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 applications 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 regular 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 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 loans 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; or

v. Occurrence of a material adverse events/ circumstances such as significant financial difficulties including concession granted, breach of contract (default or delinquency in principal or interest payment), high possibilities of being wound up/ adjourned bankrupt or decreasing cash flow in near future.

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

Stage 1 - 12 months ECL

- For non-impaired credit exposures where there have not been any significant increase in credit risk since initial recognition and the exposures 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 have been a significant increase in credit risk since initial recognition but 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 external 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	3,761,676	-	-	-	3,761,676
Banks, DFIs & MDBs	1,129,178	475,716	415,439	173,464	2,193,797
Insurance Cos, Securities Firm & Fund Managers	35,025	-	-	-	35,025
Corporates	6,146,756	420,833	628,838	2,464,527	9,660,954
Regulatory retails	188,086	127,994	26,855	17,144	360,079
Residential mortgages	290,048	99,734	17,367	18,473	425,622
Other assets	133,538	-	-	-	133,538
Total	11,684,307	1,124,277	1,088,499	2,673,608	16,570,691

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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

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	-	-	-	334,575	2,090	-	-	336,665
Mining & Quarrying	-	-	-	598,311	-	-	-	598,311
Manufacturing	-	-	-	2,352,638	3,969	-	-	2,356,607
Electricity, gas & water supply	-	-	-	1,112,085	-	-	-	1,112,085
Construction	-	-	-	774,038	2,472	-	-	776,510
Real Estate	-	-	-	1,871,090	8,514	-	-	1,879,604
Wholesale & retail trade & restaurant & hotels	-	-	-	676,300	2,379	-	-	678,679
Transport, storage & communication	-	-	-	119,546	10	-	-	119,556
Finance, insurance & business services	-	2,193,797	35,025	1,191,810	1,269	-	11,740	3,433,641
Household	-	-	-	287,552	339,372	425,622	-	1,052,546
Government & government agencies	3,761,676	-	-	-	-	-	-	3,761,676
Education, health & others	-	-	-	342,652	-	-	-	342,652
Others*	-	-	-	357	4	-	121,798	122,159
Total	3,761,676	2,193,797	35,025	9,660,954	360,079	425,622	133,538	16,570,691

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	-	-	-	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.*

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	2,019,311	191,177	1,551,188	3,761,676
Banks, DFIs & MDBs	1,769,321	270,229	154,247	2,193,797
Insurance Cos, Securities Firm & Fund Managers	35,025	-	-	35,025
Corporates	2,791,201	3,356,428	3,513,325	9,660,954
Regulatory retails	10,749	895	348,435	360,079
Residential mortgages	283	-	425,339	425,622
Other assets	18,017	-	115,521	133,538
Total	6,643,907	3,818,729	6,108,055	16,570,691

31 Dec 2021

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

5.5 Loan and Advances and ECL by sector

(a) Loan and Advances -Impaired:

	Jun 2022	Dec 2021
	RM'000	RM'000
Manufacturing	128,045	58,575
Construction	810	2,719
Primary Agriculture	4,213	5,081
Real estate	3,251	11,422
Household	32,969	21,018
Electricity, Gas & Water Supply	26,769	23,869
Education, Health & Others	75,606	75,307
Total	271,663	197,991

(b) Loan and Advances-Past due loans:

	Jun 2022	Dec 2021
	RM'000	RM'000
Primary agriculture	-	31,401
Manufacturing	-	73,997
Real estate	88,259	713
Household	21,095	94,814
Transport, Storage and Communication	-	600
Wholesale & Retail Trade and Restaurant & Hotels	1,062	16,025
Total	110,416	217,550

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

	Jun 2022	Dec 2021
	RM'000	RM'000
Primary agriculture	305,749	277,654
Manufacturing	1,877,493	1,583,253
Construction	298,226	336,105
Real Estate	1,671,396	1,990,279
Household	960,063	811,093
Electricity, Gas and Water Supply	859,455	842,069
Education, health & Others	266,247	248,546
Finance, Insurance & Business Activities	1,416,149	1,407,342
Mining and Quarrying	591,659	601,082
Transport, Storage & Communication	61,774	81,668
Wholesale & Retail Trade and Restaurant & Hotels	609,434	534,350
Total	8,917,645	8,713,441

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

	Jun 2022	Dec 2021
	RM'000	RM'000
Manufacturing	111,213	55,758
Real Estate	1,012	903
Household	9,553	9,185
Primary Agriculture	4,204	5,081
Construction	-	1,905
Electricity, Gas & Water Supply	26,699	23,869
Total	152,681	96,701

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

	Jun 2022	Dec 2021
	RM'000	RM'000
Primary agriculture	12,167	12,630
Manufacturing	21,824	57,025
Construction	2,764	3,414
Real Estate	30,416	33,965
Household	9,800	8,217
Electricity, Gas and Water Supply	6,217	8,038
Education, health & Others	5,406	6,518
Finance, Insurance & Business Activities	1,800	1,340
Mining and Quarrying	7,653	6,801
Transport, Storage & Communication	223	289
Wholesale & Retail Trade and Restaurant & Hotels	8,563	11,527
Total	106,833	149,764

5.6 Loan and Advances and ECL by Geographical Location

(a) Loan and Advances -Impaired:

	Jun 2022	Dec 2021
	RM'000	RM'000
Malaysia	226,234	160,538
China	7,203	7,170
Hong Kong	-	-
Other	38,226	30,283
Total	271,663	197,991

(b) Loan and Advances-Past due loans:

	Jun 2022	Dec 2021
	RM'000	RM'000
Malaysia	100,918	206,351
China	7,338	7,550
Hong Kong	320	-
Other	1,840	3,649
Total	110,416	217,550

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

	Jun 2022	Dec 2021
	RM'000	RM'000
Malaysia	5,259,465	5,019,173
China	399,812	592,918
Hong Kong	755,460	624,879
Other	2,502,908	2,476,471
Total	8,917,645	8,713,441

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

	Jun 2022	Dec 2021
	RM'000	RM'000
Malaysia	120,052	68,267
China	2,072	2,925
Hong Kong	-	-
Other	30,557	25,509
Total	152,681	96,701

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

	Jun 2022	Dec 2021
	RM'000	RM'000
Malaysia	89,028	129,878
China	1,511	1,665
Hong Kong	2,042	2,407
Other	14,252	15,814
Total	106,833	149,764

5.7 Movement in credit impaired loans and advances

	Jun 2022	Dec 2021
	RM'000	RM'000
As at 1 Jan	197,991	199,948
Classified as credit impaired during the year	90,541	9,388
Reclassified as non-credit impaired/performing during the year	(9,793)	-
Amount recovered	(3,949)	(10,611)
Amount written-off/ write-down	(3,127)	(734)
Gross Impaired Loan and advances	271,663	197,991
Minus: Lifetime ECL (credit impaired) (Stage 3)	152,681	96,701
Net Impaired Loan and advances	118,982	101,290

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 2022	53,237	96,527	96,701	246,465
Transferred to 12 months ECL	3,415	(3,415)	-	-
Transferred to lifetime ECL not credit impaired	(1,785)	3,968	(2,183)	-
Transferred to lifetime ECL credit impaired	(245)	(33,608)	33,853	-
New loans ECL	1,346	-	-	1,346
Allowance during the financial period	(8,254)	(3,064)	6,300	(5,018)
Full settlement	(753)	(536)	(251)	(1,540)
Amounts written off	-	-	(3,127)	(3,127)
Other movement	-	-	21,388	21,388
Total ECL amount as at 30 Jun 2022	46,961	59,872	152,681	259,514

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

30 Jun 2022

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%	3,761,676	-	-	-	-	-	20,408	3,782,084	-
20%	-	1,669,051	-	562,018	-	-	-	2,231,069	446,214
35%	-	-	-	-	-	331,319	-	331,319	115,961
50%	-	502,110	-	1,028,662	901	93,116	-	1,624,789	812,395
75%	-	-	-	-	225,614	-	-	225,614	169,211
100%	-	22,636	5,000	7,717,590	122,812	74	113,130	7,981,242	7,981,241
150%	-	-	-	81,107	7,481	-	-	88,588	132,881
	Grand Total							16,264,705	9,657,903

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

6.2 Rated Exposures according to Ratings by ECAIs

30 Jun 2022

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		-	3,761,676	-	-	-	-
Total		-	3,761,676	-	-	-	-

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		107,090	1,774,548	284,628	27,531	-	-
Total		107,090	1,774,548	284,628	27,531	-	-

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		588,286	627,609	653,726	-	7,791,333
Total		588,286	627,609	653,726	-	7,791,333

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
On and Off Balance Sheet Exposures							
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
On and Off Balance Sheet Exposures							
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

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

30 Jun 2022

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	3,761,676	-	-	-
Banks, DFIs & MDBs	1,866,070	-	-	-
Insurance Cos, Securities Firm & Fund Managers	30,025	-	30,025	-
Corporates	8,006,172	387,125	271,578	-
Regulatory Retail	317,548	-	3,270	-
Residential Mortgages	406,938	-	1,113	-
Other Assets	133,538	-	-	-
Defaulted Exposures	120,168	-	-	-
Total for On-Balance Sheet Exposure	14,642,135	387,125	305,986	-
Off-Balance Sheet Exposure:				
Off-balance sheet exposures included OTC derivatives or credit derivatives	1,928,556	-	-	-
Total for Off-Balance Sheet Exposure	1,928,556	-	-	-
Total On and Off Balance Sheet Exposure	16,570,691	387,125	305,986	-

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	-

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 – 30 Jun 2022

Description	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000
Direct Credit Substitutes	2,755	2,755	2,755
Transaction related contingent items	2,225,051	1,112,525	578,573
Short Term Self Liquidating trade related contingencies	69,724	13,945	12,855
Foreign exchange related contracts			
-One year or less	1,682,933	36,777	16,542
Interest/Profit rate related contracts			
-One year or less	367,499	5,380	2,670
-Over one year to five year	192,156	7,280	5,081
-Over five year	82,784	7,219	4,644
Other commitments , such as formal standby facilities and credit lines, with an original maturity of up to one year	2,375,950	475,190	404,851
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	534,969	267,485	247,626
Unutilised credit card lines	-	-	-
Total	7,533,821	1,928,556	1,275,597

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

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.

The Bank's Management Level Committee 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 Management Level Committee and BOD on a regular 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 :	30 Jun 2022 Standardised Approach	31 Dec 2021 Standardised Approach
	RM'000	RM'000
Interest Rate risk	-	-
Equity Position Risk	-	-
Foreign Exchange Risk	256	431
Commodity Risk	-	-
Others	-	-
Total Risk Weighted Assets Equivalent for Market Risk	3,200	5,385

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.

Management Level Committee 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 an average of a fixed percentage of positive annual gross income over the three preceding years.

	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Minimum Capital required for Operational Risk	42,686	42,333
Total Risk Weighted Assets Equivalent for Operational Risk	533,572	529,162

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 30 Jun 2022:

Currency	Earnings	Economic Value
	RM'000	RM'000
All Currencies (in MYR)	+/-63,032	+/-7,212
USD	+/-8,497	+/-17,131
CNY/CNH	+/-80	+/-1,003

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

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