Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)
(Incorporated in Malaysia)

Risk-Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures as at 30 June 2015

OFFICER-IN-CHARGE'S ATTESTATION

I, Yuan Bin, being the Chief Executive Officer of Industrial and Commercial Bank of China (Malaysia) Berhad, do hereby state that, in my opinion, the Pillar 3 Disclosures set out on pages 1 to 21 have been prepared in accordance with the Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), and are accurate and complete.

Yuan Bin
Chief Executive Officer

Date: 30 July 2015

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

1.0 Overview

The Pillar 3 Disclosure for financial reporting beginning 1 January 2011 is required under the Bank Negara Malaysia (“BNM”)’s Risk-Weighted Capital Adequacy Framework (“RWCAF”). This is equivalent to Basel II issued by the Basel Committee on Banking Supervision. Basel II consists of the following Pillars:

(i) Pillar 1
Outlines the minimum regulatory capital that banking institutions must hold against the credit, market and operational risks assumed.

(ii) Pillar 2
Focuses on strengthening the supervisory review process in developing more rigorous risk management framework and techniques. The purpose of this Pillar is for banking institutions to implement an effective and rigorous internal capital adequacy assessment process that commensurates with the scale, nature and complexity of its operations. It sets out the requirements to assess risks in a holistic manner and beyond the capital requirements for Pillar 1 risks.

(iii) Pillar 3
Outlines the minimum disclosure requirements of information on the risk management practices and capital adequacy of banking institutions. The Pillar’s aim is to enhance transparency and market discipline in regulating the risk-taking behaviours of banking institutions. In turn, this will contribute to BNM’s supervisory monitoring efforts and strengthen incentives for the banking institutions to implement robust risk management systems.

The approaches adopted by Industrial and Commercial Bank of China (Malaysia) Berhad (“the Bank”), are shown in table below:

	Risk Type	Approach Adopted	Capital Requirement Assessment
1	Credit	Standardised Approach	Standard risk-weights
2	Market	Standardised Approach	Standard risk-weights
3	Operational	Basic Indicator Approach (BIA)	Fixed percentage over average gross income for a fixed number of years

The Bank is principally engaged in the provision of conventional banking and other related financial services. The Bank’s Pillar 3 Disclosure is in compliance with the BNM’s Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3). The information provided herein has been reviewed and certified by the Bank’s Chief Executive Officer.

2.0 Capital Management and Capital Adequacy

The Bank’s lead regulator, BNM, sets and monitors capital requirement for the Bank. The Bank is required to comply with the provisions of the Basel II framework in respect of regulatory capital adequacy.

The Bank adopts a prudent and forward-looking capital management approach to ensure it has adequate capital to support its operations at all times. On top of the minimum regulatory capital requirements, a buffer is added on to arrive at the Bank’s internal capital target to ensure adequacy of capital to support the current and anticipated business growth. Internal Capital Adequacy Assessment Process (“ICAAP”) is formulated to identify the material risks in the business. The material risk areas that are taken into consideration are credit risk, market risk, operational risk, credit concentration risk, liquidity risk, interest rate risk in banking book, compliance risk, legal risk, strategic risk as well as reputation risk.

2.0 Capital Management and Capital Adequacy *(continued)*

Internal capital assessment is carried out to determine the level of internal capital required by the Bank based on the Pillar 1 and 2 requirements as well as actual results of the preceding financial year (as the base case). Capital plan, business plan and budget are approved by the Board of Director on annual basis. The business plan in particular would set out the Bank's risk appetite to be in line with the lending direction and business strategies for the coming year. Senior Management is responsible in ensuring a smooth development and implementation of the ICAAP policy as well as effective systems and processes are in place. The Bank's performance against the internal capital levels is reviewed on a regular basis by the Senior Management. Should there be a need for capital raising exercise, it will be presented to the Board of Directors for approval.

The Bank undertakes stress test exercise on half yearly basis to assess the Bank's capability to withstand the adverse environment. The stress test will at least cover the exceptional but plausible event and the worst case scenario. The possible impact to the Bank due to occurrence of adverse events, i.e. significant deterioration in borrowers' credit profile, decline in collateral value, erosion in the Bank's net interest margin and sizeable foreign exchange loss will be examined. The results of the stress test together with the proposed mitigating actions shall be tabled to the Senior Management and the Board of Directors for deliberations.

The Bank's regulatory capital are analysed as follows:

(i) Tier 1 Capital, which comprises the followings:

- Common Equity Tier 1 ("CET1") Capital, which includes ordinary share capital, share premium, retained earnings (net of dividends declared), statutory reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purpose.

- Additional Tier 1 Capital, which consists of instruments that are issued and paid-up, subordinated to depositors and perpetual in nature (amongst all other criteria) which are not included in CET1 Capital, the share premium arising from issuance of such instruments as well as the regulatory adjustments in relation to the calculation of Additional Tier 1 Capital.

(ii) Tier 2 Capital includes collective impairment allowances (excluding collective impairment allowances attributable to financing classified as impaired) and regulatory reserve.

Capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework. The minimum regulatory capital adequacy requirement is 8% on the risk-weighted assets ("RWA") for total capital at all times. Commencing 1 January 2015, the minimum CET1 Capital and Tier 1 Capital ratio will be set at 4.5% and 6.0% respectively (excluding conservation buffer). The following information presents the capital adequacy ratios of the Bank and the breakdown of RWA:

(a) **Capital Adequacy Ratio**	**30 Jun 2015**	31 Dec 2014
CET1 capital ratio	**17.861%**	17.895%
Tier 1 capital ratio	**17.861%**	17.895%
Total capital ratio	**19.333%**	18.968%

2.0 Capital Management and Capital Adequacy *(continued)*

(b) The breakdown of RWA by exposures in each major risk category under standardised approach are as follows:

Risk type			30 Jun 2015			
		Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirement RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereigns/Central Banks		**764,081**	**764,081**	**-**	**-**
Banks, Development Financial Institutions and MDBs		**720,072**	**720,072**	**153,163**	**12,253**
Corporates		**2,387,209**	**2,387,209**	**1,251,196**	**100,096**
Regulatory Retail		**73,289**	**73,289**	**63,664**	**5,093**
Residential Mortgages		**43,480**	**43,480**	**16,164**	**1,293**
Other Assets		**15,789**	**15,789**	**10,633**	**851**
Total On-Balance Sheet Exposures		**4,003,920**	**4,003,920**	**1,494,820**	**119,586**
Off-Balance Sheet Exposures					
Credit-related off-balance sheet exposures		**590,764**	**590,764**	**399,818**	**31,985**
OTC derivatives		**11,604**	**11,604**	**4,635**	**371**
Total Off-Balance Sheet Exposures		**602,368**	**602,368**	**404,453**	**32,356**
Total On and Off-Balance Sheet Exposures		**4,606,288**	**4,606,288**	**1,899,273**	**151,942**
Large exposure risk requirement*		**-**	**-**	**-**	**-**
Market Risk	**Long Position**	**Short Position**			
Foreign currency risk	**706**	**2,877**	**2,877**	**2,877**	**230**
Operational Risk	**-**	**-**	**-**	**135,451**	**10,836**
Total RWA and Capital Requirements				**2,037,601**	**163,008**

Note:
MDBs - Multilateral Development Banks
OTC - Over the counter

**The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.*

2.0 Capital Management and Capital Adequacy *(continued)*

Risk type		31 Dec 2014 Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirement RM'000
Credit Risk					
On-Balance Sheet Exposures					
Sovereigns/Central Banks		845,321	845,321	-	-
Banks, Development Financial Institutions and MDBs		957,163	957,163	191,433	15,315
Corporates		2,179,278	2,179,278	1,324,467	105,957
Regulatory Retail		11,069	11,069	10,468	837
Residential Mortgages		36,596	36,596	13,596	1,088
Other Assets		17,947	17,947	12,811	1,025
Total On-Balance Sheet Exposures		4,047,374	4,047,374	1,552,775	124,222
Off-Balance Sheet Exposures					
Credit-related off-balance sheet exposures		555,831	555,831	391,408	31,313
OTC derivatives		13,647	13,647	3,589	287
Total Off-Balance Sheet Exposures		569,478	569,478	394,997	31,600
Total On and Off-Balance Sheet Exposures		4,616,852	4,616,852	1,947,772	155,822
Large exposure risk requirement*		-	-	-	-
Market Risk	**Long Position**	**Short Position**			
Foreign currency risk	592	1,968	1,968	1,968	157
Operational Risk	-	-	-	123,544	9,884
Total RWA and Capital Requirements				2,073,284	165,863

Note:
MDBs - Multilateral Development Banks
OTC - Over the counter

**The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.*

3.0 Capital Structure

The bank's total capital according to Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) are as follows:

Common Equity Tier 1 ("CET1") Capital	30 Jun 2015 RM'000	31 Dec 2014 RM'000
Paid-up share capital	**331,000**	331,000
Retained earnings	**11,160**	18,346
Statutory reserve	**26,227**	26,227
Regulatory reserve	**18,237**	11,051
Unrealised losses on financial investments available-for-sale	**(439)**	(278)
	386,185	386,346
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	**(1,084)**	(1,344)
- Deferred tax assets	**(2,930)**	(2,930)
- Regulatory reserve attributable to loans, advances and financing	**(18,237)**	(11,051)
	(22,251)	(15,325)
Total CET1 Capital	**363,934**	371,021
Tier 2 Capital		
Collective impairment allowance	**11,766**	11,189
Regulatory reserve	**18,237**	11,051
Total Tier 2 Capital	**30,003**	22,240
Total Capital	**393,937**	393,261

4.0 Risk Management Framework

The Board of Directors establishes the Bank's risk appetite and risk principles. The Board Risk Management Committee ("BRMC") is the principal board committee that oversees the Bank's risk management. It reviews the Bank's overall risk management frameworks and major risk policies. The BRMC is supported by both Management Risk Management Committee ("MRMC") at management level and Risk Management Department.

MRMC has been established for active Senior Management oversight, understanding, and dialogue on policies, profiles, and activities pertaining to the relevant risk types. All major risk policies have to be deliberated at MRMC level prior to escalation to BRMC and Board of Directors for approval.

The Bank's risk management policies are established to identify the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Unsecured exposures are managed in a prudent manner and collaterals are taken whenever required as risk mitigation measures. The Bank's unsecured exposures are diversified to a larger pool of clients to promote a more effective use of capital. Risk management policies and systems are reviewed regularly to reflect changes in the market condition, products and services offered. Periodic credit review is performed on the Bank's loan portfolio to assess the impact of changes in economic environment to the Bank's exposures and the collaterals taken. The Bank, through its training and management standards and procedures, aims to develope a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit Committee, supported by Internal Audit Department, provides an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

The Bank has exposure to the following risks, amongst others, from financial instruments:

• Credit risk
• Market risk
• Operational risk
• Liquidity risk

5.0 Credit Risk

Credit risk is the risk of financial loss to the Bank due to failure of the Bank's customers or counterparties in meeting their contractual financial obligation. The credit risk comes primarily from the Bank's cash and deposits/placements, direct lending, trade finance and funding activities.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit Committee and MRMC. Both committees are supervised by the Senior Management Committee.

The functions of the Credit Committee are as follows:
• Ensuring prudent underwriting standards/lending direction
• Recommending approval on credit requests

The functions of the MRMC are as follows:
• Formulating and reviewing credit policies
• Review and recommend credit risk appetite of the Bank
• Ensure effective credit risk management is in place
• Monitoring and controlling exposures.

The Bank employs a credit risk grading system as a tool for determining the credit risk profile of borrowers using appropriate form of scorecards. The credit grades are used as a basis to support the underwriting of credit and are mapped accordingly to the credit rating scales of major international credit rating agencies.

A collective impairment allowance is performed on "collective basis" on the Bank's loan portfolio using statistical techniques with the necessary adjustments to the credit grades and probability of defaults of the respective credit grade band of the loans in order to guard against the risk of judgement error in the credit grading process. Although the credit grading process would involve qualitative assessment which is subject to judgement error, the loans within the same credit grade band generally share the similar credit risk characteristics for collective assessment. Given the lack of historical loss experience, the relevant market data will be taken for consideration to derive the model risk adjustment.

In the case of individual assessment, a loan is deemed as impaired if there is objective evidence of impairment which is triggered by certain events. In general, loans that are not repaid on time as they come due, be it the principal or interest, will be monitored closely as the likelihood of impairment from these past due loans is expected to be higher. Individual impairment allowances are made for loans, advances and financing which have been individually reviewed and specifically identified as impaired. Individual impairment allowances are provided if the recoverable amount (present value of estimated future cash flows discounted at original effective interest rate) is lower than the carrying value of the loans, advances and financing (outstanding amount of loans, advances and financing, net of individual impairment allowance). The expected cash flows are based on projections of liquidation proceeds, realisation of assets or estimates of future operating cash flows.

The methodology adopted for collective impairment assessment and the list of trigger events for individual impairment assessment will be reviewed on a regular basis to suit with the Bank's policy and the traits of its loan portfolio.

5.1 Distribution of Credit Exposures

The following tables present the credit exposures of financial assets broken down by relevant category and class against the relevant industry, geography and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals to their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(i) Industry Analysis

The following tables present the credit exposures of financial assets of the Bank analysed by industrial distribution.

	As at 30 Jun 2015											
On-Balance Sheet Exposures	**Central Bank RM'000**	**Financial Services RM'000**	**Manufacturing RM'000**	**Construction RM'000**	**Real Estate RM'000**	**Wholesale & Retail Trade and Restaurant & Hotels RM'000**	**Transport, Storage and Communication RM'000**	**Finance, Insurance and Business Services RM'000**	**Primary Agriculture RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
Cash and short-term funds	697,351	414,348	-	-	-	-	-	-	-	-	-	1,111,699
Deposits and placements with banks and other financial institutions	-	220,976	-	-	-	-	-	-	-	-	-	220,976
Financial investments available-for-sale	50,600	88,643	-	-	4,973	-	-	-	-	-	-	144,216
Loans, advances and financing	-	1,260	52,775	34,341	205,245	1,105,697	479,814	413,080	34,095	59,937	114,022	2,500,266
Overdrafts	-	-	3,656	453	8,888	36,791	878	82,876	-	637	-	134,179
Term loans												
- Housing loans	-	-	-	-	-	-	-	-	-	41,576	-	41,576
- Syndicated term loans	-	-	-	-	-	-	36,926	94,412	34,095	-	-	165,433
- Other term loans	-	-	4,212	699	102,084	155,545	63,375	10,308	-	14,633	19,957	370,813
Bills receivable	-	1,260	5,963	-	-	5,815	-	-	-	-	-	13,038
Revolving credit	-	-	22,899	31,188	94,273	851,671	378,016	220,483	-	-	94,065	1,692,595
Bankers' acceptances	-	-	16,045	2,001	-	55,875	619	5,001	-	-	-	79,541
Staff loans	-	-	-	-	-	-	-	-	-	2,043	-	2,043
Credit card loans	-	-	-	-	-	-	-	-	-	1,048	-	1,048
Statutory deposits with Bank Negara Malaysia	16,130	-	-	-	-	-	-	-	-	-	-	16,130
	764,081	725,227	52,775	34,341	210,218	1,105,697	479,814	413,080	34,095	59,937	114,022	3,993,287
Commitments and Contingencies												
Contingent liabilities	-	226,597	37,300	8,369	15,928	45,845	397	7,340	-	-	4	341,780
Commitments	-	11,434	44,046	23,137	43,501	64,933	6,759	25,795	13,704	26,237	1,042	260,588
	-	238,031	81,346	31,506	59,429	110,778	7,156	33,135	13,704	26,237	1,046	602,368
Total Credit Exposures	764,081	963,258	134,121	65,847	269,647	1,216,475	486,970	446,215	47,799	86,174	115,068	4,595,655

5.1 Distribution of Credit Exposures *(continued)*

(i) Industry Analysis *(continued)*

	As at 31 Dec 2014											
On-Balance Sheet Exposures	Central Bank RM'000	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Transport, Storage and Communication RM'000	Finance, Insurance and Business Services RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	784,796	854,699	-	-	-	-	-	-	-	-	-	1,639,495
Deposits and placements with banks and other financial institutions	-	107,600	-	-	-	-	-	-	-	-	-	107,600
Financial investments available-for-sale	50,185	-	-	-	4,971	-	-	-	-	-	-	55,156
Loans, advances and financing	-	-	41,460	41,337	221,591	970,045	416,813	396,749	23,481	47,666	62,831	2,221,973
Overdrafts	-	-	3,607	3,009	11,097	22,030	-	77,817	-	592	-	118,152
Term loans												
- Housing loans	-	-	-	-	-	-	-	-	-	34,895	-	34,895
- Syndicated term loans	-	-	-	-	-	-	34,221	87,484	23,481	-	-	145,186
- Other term loans	-	-	5,544	607	111,098	348,079	31,804	99,479	-	9,128	17,779	623,518
Bills receivable	-	-	2,156	-	-	-	-	-	-	-	-	2,156
Trust receipt	-	-	-	320	-	-	-	-	-	-	-	320
Revolving credit	-	-	18,276	35,904	99,396	553,184	349,722	121,969	-	-	45,052	1,223,503
Bankers' acceptances	-	-	11,877	1,497	-	46,752	1,066	10,000	-	-	-	71,192
Staff loans	-	-	-	-	-	-	-	-	-	1,867	-	1,867
Credit card loans	-	-	-	-	-	-	-	-	-	1,184	-	1,184
Statutory deposits with Bank Negara Malaysia	10,340	-	-	-	-	-	-	-	-	-	-	10,340
	845,321	962,299	41,460	41,337	226,562	970,045	416,813	396,749	23,481	47,666	62,831	4,034,564
Commitments and Contingencies												
Contingent liabilities	-	-	78,469	45,404	12,392	43,846	82,662	47,995	-	-	-	310,768
Commitments	-	13,584	33,836	22,849	38,588	86,256	6,636	22,762	1,424	24,220	8,555	258,710
	-	13,584	112,305	68,253	50,980	130,102	89,298	70,757	1,424	24,220	8,555	569,478
Total Credit Exposures	845,321	975,883	153,765	109,590	277,542	1,100,147	506,111	467,506	24,905	71,886	71,386	4,604,042

5.1 Distribution of Credit Exposures *(continued)*

(ii) Geographical Analysis

The following tables present the credit exposures of financial assets analysed by geographical distribution based on the geographical location where the credit risk resides.

	As at 30 Jun 2015		
On-Balance Sheet Exposures	**Within Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Cash and short-term funds	**844,889**	**266,810**	**1,111,699**
Deposits and placements with banks and other financial institutions	**182,653**	**38,323**	**220,976**
Financial investments available-for-sale	**55,573**	**88,643**	**144,216**
Loans, advances and financing	**1,359,946**	**1,140,320**	**2,500,266**
Overdrafts	**134,179**	**-**	**134,179**
Term loans			
- Housing loans	**41,576**	**-**	**41,576**
- Syndicated term loans	**-**	**165,433**	**165,433**
- Other term loans	**132,265**	**238,548**	**370,813**
Bills receivable	**11,778**	**1,260**	**13,038**
Revolving credit	**957,516**	**735,079**	**1,692,595**
Bankers' acceptances	**79,541**	**-**	**79,541**
Staff loans	**2,043**	**-**	**2,043**
Credit card loans	**1,048**	**-**	**1,048**
Statutory deposits with Bank Negara Malaysia	**16,130**	**-**	**16,130**
	2,459,191	**1,534,096**	**3,993,287**
Commitments and Contingencies			
Contingent liabilities	**105,379**	**236,401**	**341,780**
Commitments	**196,539**	**64,049**	**260,588**
	301,918	**300,450**	**602,368**
Total Credit Exposures	**2,761,109**	**1,834,546**	**4,595,655**

	As at 31 Dec 2014		
On-Balance Sheet Exposures	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	1,050,366	589,129	1,639,495
Deposits and placements with banks and other financial institutions	-	107,600	107,600
Financial investments available-for-sale	55,156	-	55,156
Loans, advances and financing	1,097,753	1,124,220	2,221,973
Overdrafts	118,152	-	118,152
Term loans			
- Housing loans	34,895	-	34,895
- Syndicated term loans	-	145,186	145,186
- Other term loans	98,656	524,862	623,518
Bills receivable	2,156	-	2,156
Trust receipt	320	-	320
Revolving credit	769,331	454,172	1,223,503
Bankers' acceptances	71,192	-	71,192
Staff loans	1,867	-	1,867
Credit card loans	1,184	-	1,184
Statutory deposits with Bank Negara Malaysia	10,340	-	10,340
	2,213,615	1,820,949	4,034,564
Commitments and Contingencies			
Contingent liabilities	114,034	196,734	310,768
Commitments	188,722	69,988	258,710
	302,756	266,722	569,478
Total Credit Exposures	2,516,371	2,087,671	4,604,042

5.1 Distribution of Credit Exposures *(continued)*

(iii) Maturity Analysis

The following tables present the residual contractual maturity for major types of gross credit exposures for on and off-balance sheet exposures of financial assets.

	As at 30 Jun 2015					
On-Balance Sheet Exposures	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Cash and short-term funds	**1,111,699**	**-**	**-**	**-**	**-**	**1,111,699**
Deposits and placements with banks and other financial institutions	**-**	**215,313**	**5,663**	**-**	**-**	**220,976**
Financial investments available-for-sale	**-**	**59,407**	**29,236**	**55,573**	**-**	**144,216**
Loans, advances and financing	**894,152**	**405,989**	**609,069**	**472,083**	**118,973**	**2,500,266**
Overdrafts	**134,179**	**-**	**-**	**-**	**-**	**134,179**
Term loans						
- Housing loans	**279**	**243**	**1,140**	**7,042**	**32,872**	**41,576**
- Syndicated term loans	**26**	**290**	**-**	**131,173**	**33,944**	**165,433**
- Other term loans	**10,575**	**156,661**	**80,972**	**72,053**	**50,552**	**370,813**
Bills receivable	**3,047**	**7,606**	**2,385**	**-**	**-**	**13,038**
Revolving credit	**718,837**	**207,624**	**504,643**	**261,491**	**-**	**1,692,595**
Bankers' acceptances	**26,145**	**33,546**	**19,850**	**-**	**-**	**79,541**
Staff loans	**16**	**19**	**79**	**324**	**1,605**	**2,043**
Credit card loans	**1,048**	**-**	**-**	**-**	**-**	**1,048**
Statutory deposits with Bank Negara Malaysia	**-**	**-**	**-**	**-**	**16,130**	**16,130**
	2,005,851	**680,709**	**643,968**	**527,656**	**135,103**	**3,993,287**
Commitments and Contingencies						
Contingent liabilities	**57,346**	**4,564**	**72,505**	**207,365**	**-**	**341,780**
Commitments	**1,590**	**3,810**	**188,569**	**66,619**	**-**	**260,588**
	58,936	**8,374**	**261,074**	**273,984**	**-**	**602,368**
Total Credit Exposures	**2,064,787**	**689,083**	**905,042**	**801,640**	**135,103**	**4,595,655**

	As at 31 Dec 2014					
On-Balance Sheet Exposures	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Cash and short-term funds	1,639,495	-	-	-	-	1,639,495
Deposits and placements with banks and other financial institutions	-	65,023	42,577	-	-	107,600
Financial investments available-for-sale	-	-	-	55,156	-	55,156
Loans, advances and financing	1,068,050	500,088	319,333	236,973	97,529	2,221,973
Overdrafts	118,152	-	-	-	-	118,152
Term loans						
- Housing loans	230	210	925	5,305	28,225	34,895
- Syndicated term loans	177	152	-	121,482	23,375	145,186
- Other term loans	106,039	122,769	240,349	109,839	44,522	623,518
Bills receivable	188	1,158	810	-	-	2,156
Trust receipt	-	320	-	-	-	320
Revolving credit	823,953	342,019	57,531	-	-	1,223,503
Bankers' acceptances	18,112	33,442	19,638	-	-	71,192
Staff loans	15	18	80	347	1,407	1,867
Credit card loans	1,184	-	-	-	-	1,184
Statutory deposits with Bank Negara Malaysia	-	-	-	-	10,340	10,340
	2,707,545	565,111	361,910	292,129	107,869	4,034,564
Commitments and Contingencies						
Contingent liabilities	11,877	41,909	72,906	184,077	-	310,769
Commitments	100	9,605	196,660	52,344	-	258,709
	11,977	51,514	269,566	236,421	-	569,478
Total Credit Exposures	2,719,522	616,625	631,476	528,550	107,869	4,604,042

5.2 Credit Quality of Loans, Advances and Financing

(i) Impaired loans, advances and financing

	30 Jun 2015 RM'000	31 Dec 2014 RM'000
Wholesale & retail trade and restaurant & hotels	2,029	2,029
Household	51	51

(ii) Past due but not impaired loans

	30 Jun 2015 RM'000	31 Dec 2014 RM'000
Household	65	176

All impaired loans and past due loans were from customers residing in Malaysia.

(iii) Collective impairment provision broken down by geographical location

The following tables present the collective impairment provision of loans, advances and financing analysed by geographical distribution based on the geographical location where the credit risk resides.

	30 Jun 2015		
	Within Malaysia RM'000	**Outside Malaysia RM'000**	**Total RM'000**
Loans, advances and financing	**6,684**	**5,082**	**11,766**
Overdrafts	**707**	**-**	**707**
Term loans			
- Housing loans	**182**	**-**	**182**
- Syndicated term loans	**-**	**2,089**	**2,089**
- Other term loans	**1,077**	**680**	**1,757**
Bills receivable	**14**	**-**	**14**
Revolving credit	**3,736**	**2,313**	**6,049**
Bankers' acceptances	**939**	**-**	**939**
Staff loans	**11**	**-**	**11**
Credit card loans	**18**	**-**	**18**
	6,684	**5,082**	**11,766**

	31 Dec 2014		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	4,969	6,220	11,189
Overdrafts	646	-	646
Term loans			
- Housing loans	153	-	153
- Syndicated term loans	-	1,869	1,869
- Other term loans	724	2,284	3,008
Bills receivable	5	-	5
Trust receipt	3	-	3
Revolving credit	2,637	2,067	4,704
Bankers' acceptances	783	-	783
Staff loans	11	-	11
Credit card loans	7	-	7
	4,969	6,220	11,189

5.2 Credit Quality of Loans, advances and Financing *(continued)*

(iv) Collective impairment provision broken down by sector

The following tables present the collective impairment provision of loans, advances and financing of the Bank analysed by industrial distribution.

	As at 30 Jun 2015									
On-Balance Sheet Exposures	**Manufacturing RM'000**	**Construction RM'000**	**Real Estate RM'000**	**Wholesale & Retail Trade and Restaurant & Hotels RM'000**	**Transport, Storage and Communication RM'000**	**Finance, Insurance and Business Services RM'000**	**Primary Agriculture RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
Loans, advances and financing	**622**	**330**	**1,247**	**4,683**	**1,352**	**2,735**	**281**	**315**	**201**	**11,766**
Overdrafts	**78**	**13**	**73**	**305**	**16**	**221**	**-**	**1**	**-**	**707**
Term loans										
- Housing loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**182**	**-**	**182**
- Syndicated term loans	**-**	**-**	**-**	**-**	**1,029**	**779**	**281**	**-**	**-**	**2,089**
- Other term loans	**35**	**4**	**497**	**607**	**307**	**169**	**-**	**103**	**35**	**1,757**
Bills receivable	**14**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**
Revolving credit	**152**	**257**	**677**	**3,272**	**-**	**1,525**	**-**	**-**	**166**	**6,049**
Bankers' acceptances	**343**	**56**	**-**	**499**	**-**	**41**	**-**	**-**	**-**	**939**
Staff loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**-**	**11**
Credit card loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18**	**-**	**18**
	622	**330**	**1,247**	**4,683**	**1,352**	**2,735**	**281**	**315**	**201**	**11,766**

	As at 31 Dec 2014									
On-Balance Sheet Exposures	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Transport, Storage and Communication RM'000	Finance, Insurance and Business Services RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000
Loans, advances and financing	428	428	1,345	4,964	1,009	2,480	194	231	110	11,189
Overdrafts	72	84	92	173	-	224	-	1	-	646
Term loans										
- Housing loans	-	-	-	-	-	-	-	153	-	153
- Syndicated term loans	-	-	-	-	953	722	194	-	-	1,869
- Other term loans	46	3	534	1,458	56	821	-	59	31	3,008
Bills receivable	5	-	-	-	-	-	-	-	-	5
Trust receipt	-	3	-	-	-	-	-	-	-	3
Revolving credit	117	296	719	2,863	-	630	-	-	79	4,704
Bankers' acceptances	188	42	-	470	-	83	-	-	-	783
Staff loans	-	-	-	-	-	-	-	11	-	11
Credit card loans	-	-	-	-	-	-	-	7	-	7
	428	428	1,345	4,964	1,009	2,480	194	231	110	11,189

5.2 Credit Quality of Loans, advances and Financing *(continued)*

(v) Movements in allowance for impairment on loans, advances and financing

	30 Jun 2015 RM'000	31 Dec 2014 RM'000
Collective allowance for impairment		
At beginning of the financial period/year	**11,189**	8,466
Allowance made during the financial period/year	**2,204**	6,082
Allowance written back during the financial period/year	**(1,627)**	(3,359)
At end of the financial period/year	**11,766**	11,189
Individual allowance for impairment		
At beginning of the financial period/year	**2,080**	-
Allowance made during the financial period/year	**-**	2,080
At end of the financial period/year	**2,080**	2,080

5.3 Off-Balance Sheet Exposures and Counterparty Credit Risk

Off-balance sheet exposures of the Bank arise mainly from the following:

- Bank guarantee which represents the Bank's undertaking to make payment to the beneficiary in the event the customer unable to meet its obligations to the latter.
- Undrawn credit commitment represents the Bank's commitment to extend credit for approved credit facilities which have yet to be fully utilised within the availability period.
- Documentary letter of credit is the Bank's undertaking on behalf of customer to make payment in relation to trade transaction.
- Derivative financial instruments.

Counterparty credit risk on derivative financial instruments is the risk that the Bank's counterparty in a derivative contract is unable to meet the terms of the contract upon maturity. To mitigate the risk, the creditworthiness of the counterparty is thoroughly assessed and depending on a case to case basis, collateral may be required.

(i) Composition of Off-Balance Sheet Exposures

The off-balance sheet exposures and their related counterparty credit risk of the Bank as at the respective reporting dates are as follows:

	30 Jun 2015			
	Principal Amount RM'000	**Positive Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk-Weighted Assets RM'000**
Credit-related exposures				
Transaction-related contingent items	**669,496**	**-**	**334,748**	**193,164**
Short term self-liquidating trade-related contingencies	**35,161**	**-**	**7,032**	**1,502**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	**133,237**	**-**	**66,619**	**55,403**
- Not exceeding one year	**886,779**	**-**	**177,356**	**145,992**
Unutilised credit card lines	**25,044**	**-**	**5,009**	**3,757**
Derivative financial contracts				
Foreign exchange related contracts:				
- Less than one year	**491,179**	**3,159**	**11,604**	**4,635**
Total	**2,240,896**	**3,159**	**602,368**	**404,453**

5.3 Off-Balance Sheet Exposures and Counterparty Credit Risk *(continued)*

(i) Composition of Off-Balance Sheet Exposures *(continued)*

	31 Dec 2014			
	Principal Amount RM'000	Positive Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Credit-related exposures				
Transaction-related contingent items	620,391	-	310,196	177,732
Short term self-liquidating trade-related contingencies	2,864	-	573	147
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	104,691	-	52,346	40,744
- Not exceeding one year	942,825	-	188,565	169,671
Unutilised credit card lines	20,757	-	4,151	3,114
Derivative financial contracts				
Foreign exchange related contracts:				
- Less than one year	806,800	592	13,647	3,589
Total	2,498,328	592	569,478	394,997

5.4 Credit Risk Mitigation

The Bank takes prudent approach in granting credit facilities to customers. The main considerations in the credit assessment process are assessing customer's credit-worthiness, reliability of source of repayment and debt servicing ability. Credit Risk Mitigates ("CRM") such as collateral and guarantee provide further comfort to the Bank's exposures but these are deemed as the secondary safeguard measure. Depending on the credit standing of the customer, the Bank may provide facilities to customer on a clean basis. It is the interest of the Bank to diversify its unsecured exposures to a larger pool of clients that carry good credit grade.

As at the respective reporting dates, the main types of collateral obtained to mitigate credit risks are in the form of cash deposit, bank guarantee, standby letter of credit, quoted shares and property. Corporate guarantee and personal guarantee are often taken to enhance the risk profile of the customer.

Prior to accepting the CRM, proper assessment on the aspect of legal enforceability and guarantor's credibility will be undertaken to arrive at reasonable security coverage. Valuation on the property taken as CRM is required prior to the loan's drawdown.

Proper legal documentations are in place to ensure that the Bank's interests are protected and CRM are enforceable in the event of default by the customer. The value and status of CRM will be reviewed periodically (at least once a year) to ensure the Bank's exposures remain adequately covered. For collateral that its value fluctuates in a more frequent and volatile manner, such as quoted securities, the collateral value is marked to market on weekly basis for close monitoring. Top up of collataral may be required to bring the loan-to-value ratio back to satisfactory level in the event of sharp deterioration in the collateral value.

In order to manage any potential concentration risk within the mitigation taken, there is a credit risk management report which is prepared on a monthly basis, and any undue CRM concentration will be reported to the Board Risk Management Committee. Thus, the CRM concentration risk is appropriately managed whilst the Bank's loan portfolio continues growing and diversifying.

There is no netting arrangement in place for the Bank's existing on and off-balance sheet exposures. The netting arrangement will be considered on as-and-when basis to minimise the Bank's risk exposures.

5.4 Credit Risk Mitigation *(continued)*

The following tables present the credit exposures covered by guarantee (bank guarantees) and eligible financial collateral (fixed deposits) as at the respective reporting dates:

	30 Jun 2015		
Credit Risk	**Total Exposures Before CRM RM'000**	**Total Exposures Covered by Guarantees RM'000**	**Total Exposures Covered by Eligible Financial Collateral RM'000**
On-Balance Sheet Exposures			
Sovereigns/Central Banks	**764,081**	**-**	**-**
Banks, Development Financial Institutions and MDBs	**720,072**	**-**	**-**
Corporates	**2,387,209**	**720,982**	**728,877**
Regulatory Retail	**73,289**	**19,957**	**1,555**
Residential Mortgages	**43,480**	**-**	**270**
Other Assets	**15,789**	**-**	**-**
Total On-Balance Sheet Exposures	**4,003,920**	**740,939**	**730,702**
Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposures	**590,764**	**229,764**	**67,931**
OTC derivatives	**11,604**	**-**	**-**
Total Off-Balance Sheet Exposures	**602,368**	**229,764**	**67,931**
Total On and Off-Balance Sheet Exposures	**4,606,288**	**970,703**	**798,633**

	31 Dec 2014		
Credit Risk	Total Exposures Before CRM RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	845,321	-	-
Banks, Development Financial Institutions and MDBs	957,163	-	-
Corporates	2,179,278	823,040	479,079
Regulatory Retail	11,069	-	264
Residential Mortgages	36,596	-	552
Other Assets	17,947	-	-
Total On-Balance Sheet Exposures	4,047,374	823,040	479,895
Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposures	555,831	203,454	47,012
OTC derivatives	13,647	-	-
Total Off-Balance Sheet Exposures	569,478	203,454	47,012
Total On and Off-Balance Sheet Exposures	4,616,852	1,026,494	526,907

Note:
MDBs - Multilateral Development Banks
OTC - Over the counter

5.5 Assignment of Risk Weights for Portfolios Under The Standardised Approach

The Bank refers to the credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the External Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the RWCAF:

(a) Standard & Poor's Rating Services ("S&P")
(b) Moody's Investors Service ("Moody's")
(c) Fitch Ratings ("Fitch")
(d) RAM Rating Services Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")
(f) Rating and Investment Information, Inc. ("R&I").

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns/Central Banks
(b) Banking institutions
(c) Corporates

Rated and Unrated Counterparties

The issue rating i.e. the rating specific to the credit exposure is used. If there is no specific rating available, the credit rating assigned to the issuer or counterparty of the particular credit exposure is used. In cases where an exposure has neither an issue nor issuer rating, it is deemed as unrated.

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

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

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

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

Sovereigns/Central Banks

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

Banking Institutions

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

Banking Institutions

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

Corporate

Rating Category	S&P	Moody's	Fitch	R&I	RAM	MARC	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA3	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-	A1 to A3	A+ to A-	50%
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	100%
4	B+ to D	B1 to C	B+ to D	B+ to D	B1 to D	B+ to D	150%
Unrated							100%

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

(i) Rated Exposures As Per ECAIs

The following tables present the credit exposures, categorised according to the credit quality rating as at 30 June 2015:

	Ratings of Sovereigns/Central Banks						
	1	**2**	**3**	**4**	**5**	**Unrated**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks	**-**	**-**	**-**	**-**	**-**	**764,081**	**764,081**

	Ratings of Banking Institutions						
	1	**2**	**3**	**4**	**5**	**Unrated**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures							
Banks, MDBs and DFIs	**-**	**782,718**	**64,694**	**24,581**	**-**	**86,109**	**958,102**

	Ratings of Corporates					
	1	**2**	**3**	**4**	**Unrated**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Corporates	**124,528**	**138,173**	**248,730**	**67,580**	**2,132,695**	**2,711,706**

	Ratings of Regulatory Retail					
	1	**2**	**3**	**4**	**Unrated**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Regulatory Retail	**-**	**-**	**19,957**	**-**	**75,229**	**95,186**

	Ratings of Residential Mortgages					
	1	**2**	**3**	**4**	**Unrated**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Residential Mortgages	**-**	**-**	**-**	**-**	**61,424**	**61,424**

The following tables present the credit exposures, categorised according to the credit quality rating as at 31 December 2014:

	Ratings of Sovereigns/Central Banks						
	1	2	3	4	5	Unrated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks	-	-	-	-	-	845,321	845,321

	Ratings of Banking Institutions						
	1	2	3	4	5	Unrated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, MDBs and DFIs	-	970,747	-	-	-	-	970,747

	Ratings of Corporates					
	1	2	3	4	Unrated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Corporates	114,132	301,434	275,618	257,287	1,762,481	2,710,952

	Ratings of Regulatory Retail					
	1	2	3	4	Unrated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Regulatory Retail	-	-	-	-	17,024	17,023

	Ratings of Residential Mortgages					
	1	2	3	4	Unrated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Residential Mortgages	-	-	-	-	54,862	54,863

Note:
MDBs - Multilateral Development Banks
DFIs - Development Financial Institutions

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

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

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

30 Jun 2015 Risk Weights	**Exposures after Netting and Credit Risk Mitigation** Sovereign/ Central Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	**Total Exposures After Netting & Credit Risk Mitigation RM'000**	**Total Risk-Weighted Assets RM'000**
0%	**764,081**	**-**	**793,453**	**4,911**	**270**	**5,156**	**1,567,871**	**-**
20%	**-**	**689,576**	**132,078**	**-**	**-**	**4,178**	**825,832**	**165,166**
35%	**-**	**-**	**-**	**-**	**52,999**	**-**	**52,999**	**18,550**
50%	**-**	**30,496**	**819,628**	**19,957**	**7,624**	**7,255**	**884,960**	**442,480**
75%	**-**	**-**	**-**	**6,196**	**-**	**-**	**6,196**	**4,647**
100%	**-**	**-**	**1,192,973**	**64,122**	**531**	**10,804**	**1,268,430**	**1,268,430**
Total Exposures	**764,081**	**720,072**	**2,938,132**	**95,186**	**61,424**	**27,393**	**4,606,288**	**1,899,273**
Risk-Weighted Assets by Exposures	**-**	**153,163**	**1,629,203**	**78,747**	**22,893**	**15,267**	**1,899,273**	
Average Risk Weight	**0.0%**	**21.3%**	**55.5%**	**82.7%**	**37.3%**	**55.7%**	**41.2%**	
Deduction from Capital Base	**-**	**-**	**-**	**-**	**-**	**-**	**-**	

31 Dec 2014 Risk Weights	Exposures after Netting and Credit Risk Mitigation Sovereign/ Central Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	Total Exposures After Netting & Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
0%	845,321	-	525,817	538	552	5,137	1,377,365	-
20%	-	957,163	121,126	-	-	10,886	1,089,175	217,835
35%	-	-	-	-	46,740	-	46,740	16,359
50%	-	-	767,505	-	7,037	2,697	777,239	388,620
75%	-	-	-	5,501	-	-	5,501	4,126
100%	-	-	1,296,440	10,985	533	12,874	1,320,832	1,320,832
Total Exposures	845,321	957,163	2,710,888	17,024	54,862	31,594	4,616,852	1,947,772
Risk-Weighted Assets by Exposures	-	191,433	1,704,418	15,110	20,411	16,400	1,947,772	
Average Risk Weight	0.0%	20.0%	62.9%	88.8%	37.2%	51.9%	42.2%	
Deduction from Capital Base	-	-	-	-	-	-	-	

Note:
MDBs - Multilateral Development Banks
DFIs - Development Financial Institutions

6.0 Market Risk

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads and foreign exchange rates. The Bank's market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardising the measurement approaches, limit management indicators and market risk reports, controlling and mitigating market risk and improving the level of market risk management. The objective of market risk management is to manage and control market risk exposures within a tolerable level and maximise risk-adjusted return according to the Bank's risk preference.

The types of market risk faced by the Bank mainly include interest rate risk and exchange rate risk. For derivative contracts that the Bank enters into with its counterparty, the Bank will square its position by entering into offsetting trades with other financial institutions. The netting arrangements, if required and to be considered on case-to-case basis, will be in place to minimise the credit risk of its derivative counterparties as the cash flows are netted on the settlement date. For interest rate risk, the Bank conducts gap analysis through sensitivity testing and seeks to minimise the interest rate sensitivity gap. The Asset and Liabilities Committee ("ALCO") plays a critical role in monitoring the Bank's overall interest rate risk profile and the Bank's earnings sensitivity in an interest rate changing environment.

The Bank does not engage in any proprietary trading activities. Exposures arising from normal banking activities (deposits, loans, foreign exchange, etc) are hedged accordingly to minimise and preferably eliminate exposure to market risk. All risks related to treasury money market activities will be managed according to, and within the authorised risk limits.

The minimum regulatory capital requirement on market risk exposures for the financial period is disclosed in note 2.0 (b).

6.1 Interest Rate Risk in the Banking Book (IRRBB)

The projection, by using the repricing gap method, assumes that interest rate moves up and down parallelly by 100 basis points ("bps") across all maturities for all the interest bearing assets and liabilities. It is further assumed that all positions are repriced at the mid-point of each time band and will run to maturity. The repricing profile of loan that does not have maturity is based on the earliest possible repricing dates. The impact on earnings and economic value is measured on a quarterly basis.

The table below illustrates the impact under a 100 bps parallel upward interest rate shock on the Bank's earnings and economic value.

	30 Jun 2015		31 Dec 2014	
	-100 bps	**+100 bps**	-100 bps	+100 bps
	RM'000	**RM'000**	RM'000	RM'000
Impact on net interest income				
Ringgit Malaysia	**(6,658)**	**6,658**	(6,817)	6,817
United States Dollar	**(4,115)**	**4,115**	(2,644)	2,644
Chinese Renminbi	**363**	**(363)**	64	(64)
Others	**496**	**(496)**	57	(57)
Total	**(9,914)**	**9,914**	(9,340)	9,340
Impact on economic value				
Ringgit Malaysia	**(3,172)**	**3,172**	(2,715)	2,715
United States Dollar	**(3,952)**	**3,952**	(2,321)	2,321
Chinese Yuan Renminbi	**220**	**(220)**	41	(41)
Others	**(166)**	**166**	(112)	112
Total	**(7,070)**	**7,070**	(5,107)	5,107

7.0 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management within each department. The responsibility is supported by the development of a Bank-wide standard for the management of operational risk in the following areas:

• requirement for appropriate segregation of duties, including the independent authorisation of transactions
• requirements for the reconciliation and monitoring of transactions
• compliance with regulatory and other legal requirements
• documentation of controls and procedures
• development of contingency plans
• training and professional development
• ethical and business standards
• risk mitigation, including insurance where applicable

The minimum regulatory capital requirement on operational risk exposures for the financial period is disclosed in note 2.0 (b).

8.0 Liquidity Risk

Liquidity risks are the risks when the Bank fails to raise funds to meet the present or future demand of customers or counterparties at a reasonable cost. The potential liquidity risks of the Bank include mainly customers' premature and collective withdrawal, overdue payment of the debtors, mismatched asset-liability maturity structure and difficulties in realisation of assets.

The management of liquidity and funding is mainly carried out in compliance with BNM's liquidity coverage ratio; and practices and limits set by parent company, and the Assets and Liabilities Committee ("ALCO"). The Bank maintains a strong liquidity position and constantly manage the liquidity profile of its assets, liabilities and commitments to ensure that cash flow requirements are appropriately balanced and all obligations are met accordingly.

It is imperative for the Bank to continuously seek and maintain new sources of funding to increase and diversify its funding base. The Bank also endeavours to maintain an optimum liquidity position at all times in order to meet the requirement on Basel III's liquidity standards imposed by BNM over the coming years.