

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 2017**

OFFICER-IN-CHARGE'S ATTESTATION

I, Wang Qiang, 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.

Wang Qiang
Chief Executive Officer

Date: 27 July 2017

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 Directors 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. For the year 2017, the minimum regulatory CET1 capital ratio, Tier 1 capital ratio and total capital ratio requirement are 5.750%, 7.250% and 9.250% on the risk-weighted assets ("RWA") respectively. The following information presents the capital adequacy ratios of the Bank and the breakdown of RWA:

(a) Capital Adequacy Ratio	30 Jun 2017	31 Dec 2016
CET1 capital ratio	29.472%	37.828%
Tier 1 capital ratio	29.472%	37.828%
Total capital ratio	30.718%	39.120%

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 2017			
	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirement RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	355,748	355,748	-	-
Banks, Development Financial Institutions and MDBs	992,723	992,723	219,234	17,539
Corporates	2,868,617	2,868,617	2,069,983	165,599
Regulatory Retail	68,135	68,135	54,674	4,374
Residential Mortgages	57,430	57,430	21,249	1,700
Other Assets	18,771	18,771	11,665	933
Total On-Balance Sheet Exposures	4,361,424	4,361,424	2,376,805	190,145
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	786,335	786,335	541,823	43,346
OTC derivatives	11,800	11,800	5,775	462
Total Off-Balance Sheet Exposures	798,135	798,135	547,598	43,808
Total On and Off-Balance Sheet Exposures	5,159,559	5,159,559	2,924,403	233,953
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Foreign currency risk	7,660	460	7,660	613
<i>Operational Risk</i>	-	-	-	211,030
Total RWA and Capital Requirements			3,143,093	16,882

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 2016			
	Gross	Net	Risk-	Capital
	Exposures	Exposures	Weighted	Requirement
	RM'000	RM'000	Assets	RM'000
			RM'000	
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	535,538	535,538	-	-
Banks, Development Financial Institutions and MDBs	956,305	956,305	215,169	17,214
Corporates	2,431,858	2,431,858	1,408,703	112,696
Regulatory Retail	69,649	69,649	56,238	4,499
Residential Mortgages	57,429	57,429	21,263	1,701
Other Assets	18,506	18,506	12,104	968
Total On-Balance Sheet Exposures	4,069,285	4,069,285	1,713,477	137,078
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	815,565	815,565	538,119	43,050
OTC derivatives	4,020	4,020	1,834	147
Total Off-Balance Sheet Exposures	819,585	819,585	539,953	43,197
Total On and Off-Balance Sheet Exposures	4,888,870	4,888,870	2,253,430	180,275
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	Long	Short		
	Position	Position		
Foreign currency risk	4,797	1	4,797	384
<i>Operational Risk</i>	-	-	-	15,143
Total RWA and Capital Requirements			2,447,509	195,802

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:

	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Common Equity Tier 1 ("CET1") Capital		
Paid-up share capital	832,609	832,609
Retained earnings	42,739	42,739
Statutory reserve	57,213	57,213
Regulatory reserve	17,644	17,644
Unrealised losses on financial investments available-for-sale	(399)	(573)
	949,806	949,632
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(44)	(304)
- Deferred tax assets	(5,781)	(5,835)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(23,469)	(23,783)
Total CET1 Capital	926,337	925,849
Tier 2 Capital		
Collective impairment allowance	21,511	13,966
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	39,155	31,610
Total Capital	965,492	957,459

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 relevant functional management committees (including MRMC) 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 develop 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. These committees are supervised by the Senior Management Committee.

The functions of the Credit Committee are as follows:

- Ensuring prudent underwriting standards that are consistent with the Bank's risk appetite and lending direction
- Deliberation of lending propositions and credit related requests
- Reviewing and deliberation of the variation requests related to the Bank's standard legal documents for lending business

The functions of the MRMC are as follows:

- Reviewing the Bank's credit risk management profile
- Reviewing and deliberation of credit policies, guidelines, procedures and manuals
- Reviewing the credit risk appetite of the Bank
- Ensure effective credit risk management is in place

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.

On-Balance Sheet Exposures	As at 30 Jun 2017												
	Financial		Manufacturing	Construction	Real Estate	Wholesale & Retail Trade and Restaurant & Hotels	Transport, Storage and Communication	Finance, Insurance and Business	Electricity, Gas and Water Supply	Primary	Others	Total	
	Central Bank RM'000	Services RM'000				RM'000	RM'000	RM'000	RM'000	RM'000			RM'000
Cash and short-term funds	91,105	737,360	-	-	-	-	-	-	-	-	-	-	828,465
Deposits and placements with banks and other financial institutions	-	191,468	-	-	-	-	-	-	-	-	-	-	191,468
Financial investments available-for-sale	250,936	-	-	-	20,024	-	-	19,985	-	-	-	-	290,945
Loans, advances and financing	-	71,000	795,157	169,215	472,389	682,355	42,043	396,702	68,855	78,840	77,517	171,102	3,025,175
Overdrafts	-	-	7,987	593	10,157	43,894	3,959	21,401	-	-	830	-	88,821
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	-	-	-	-	-	-	-	-	54,665	-	54,665
- Syndicated term loans	-	-	-	32,189	64,630	50,048	30,114	68,723	-	63,798	-	-	309,502
- Other term loans	-	-	727,482	86,648	230,007	177,663	1,880	36,683	68,855	-	16,770	20,833	1,366,821
Bills receivable	-	1,393	8,594	-	-	1	-	-	-	-	-	-	9,988
Trust receipt	-	-	-	300	-	-	-	-	-	-	-	-	300
Revolving credit	-	69,607	17,180	30,034	167,595	365,183	6,090	264,895	-	15,042	-	150,269	1,085,895
Bankers' acceptances	-	-	33,914	19,451	-	45,566	-	5,000	-	-	-	-	103,931
Staff loans	-	-	-	-	-	-	-	-	-	-	2,804	-	2,804
Credit card loans	-	-	-	-	-	-	-	-	-	-	2,448	-	2,448
Statutory deposits with Bank Negara Malaysia	13,706	-	-	-	-	-	-	-	-	-	-	-	13,706
	355,747	999,828	795,157	169,215	492,413	682,355	42,043	416,687	68,855	78,840	77,517	171,102	4,349,759
Commitments and Contingencies													
Contingent liabilities	-	345,345	7,531	62,797	25,167	58,228	3,220	22,056	-	-	-	84	524,428
Commitments	-	10,882	42,169	57,587	43,527	30,567	6,619	46,604	3,582	4,193	17,400	10,577	273,707
	-	356,227	49,700	120,384	68,694	88,795	9,839	68,660	3,582	4,193	17,400	10,661	798,135
Total Credit Exposures	355,747	1,356,055	844,857	289,599	561,107	771,150	51,882	485,347	72,437	83,033	94,917	181,763	5,147,894

5.1 Distribution of Credit Exposures (continued)

(i) Industry Analysis (continued)

On-Balance Sheet Exposures	As at 31 Dec 2016												Total RM'000
	Central Bank	Financial	Manufacturing	Construction	Real Estate	Wholesale & Retail Trade and Restaurant & Hotels	Transport, Storage and Communication	Finance, Insurance and Business	Electricity, Gas and Water Supply	Primary	Household	Others	
	RM'000	Services RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cash and short-term funds	295,012	659,444	-	-	-	-	-	-	-	-	-	-	954,456
Deposits and placements with banks and other financial institutions	60,000	228,047	-	-	-	-	-	-	-	-	-	-	288,047
Financial investments available-for-sale	169,946	-	-	-	-	-	-	-	-	-	-	-	169,946
Loans, advances and financing	-	75,217	654,048	149,366	225,859	545,280	46,708	430,357	179,819	79,535	77,002	170,962	2,634,153
Overdrafts	-	-	9,460	590	10,163	51,481	1,974	21,678	-	-	826	-	96,172
Term loans													
- Housing loans	-	-	-	-	-	-	-	-	-	-	54,683	-	54,683
- Syndicated term loans	-	-	-	-	-	-	36,097	80,914	-	64,501	-	-	181,512
- Other term loans	-	-	595,044	104,897	81,330	50,764	2,549	6,331	179,819	-	16,251	21,358	1,058,343
Bills receivable	-	-	7,944	-	-	6,536	-	-	-	-	-	-	14,480
Revolving credit	-	75,217	15,210	20,235	134,366	405,717	6,088	316,434	-	15,034	-	149,604	1,137,905
Bankers' acceptances	-	-	26,390	23,644	-	30,782	-	5,000	-	-	-	-	85,816
Staff loans	-	-	-	-	-	-	-	-	-	-	2,808	-	2,808
Credit card loans	-	-	-	-	-	-	-	-	-	-	2,434	-	2,434
Statutory deposits with Bank Negara Malaysia	10,580	-	-	-	-	-	-	-	-	-	-	-	10,580
	535,538	962,708	654,048	149,366	225,859	545,280	46,708	430,357	179,819	79,535	77,002	170,962	4,057,182
Commitments and Contingencies													
Contingent liabilities	-	404,254	16,051	63,112	29,427	68,634	3,602	16,630	-	-	-	5	601,715
Commitments	-	3,991	36,428	13,223	49,190	44,022	6,653	34,828	-	5,383	18,397	5,755	217,870
	-	408,245	52,479	76,335	78,617	112,656	10,255	51,458	-	5,383	18,397	5,760	819,585
Total Credit Exposures	535,538	1,370,953	706,527	225,701	304,476	657,936	56,963	481,815	179,819	84,918	95,399	176,722	4,876,767

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 2017		
	Within	Outside	Total
	Malaysia	Malaysia	
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	560,087	268,378	828,465
Deposits and placements with banks and other financial institutions	191,468	-	191,468
Financial investments available-for-sale	290,945	-	290,945
Loans, advances and financing	2,318,645	706,530	3,025,175
Overdrafts	88,821	-	88,821
Term loans			
- Housing loans	54,665	-	54,665
- Syndicated term loans	82,238	227,264	309,502
- Other term loans	1,076,518	290,303	1,366,821
Bills receivable	8,595	1,393	9,988
Trust receipt	300	-	300
Revolving credit	898,325	187,570	1,085,895
Bankers' acceptances	103,931	-	103,931
Staff loans	2,804	-	2,804
Credit card loans	2,448	-	2,448
Statutory deposits with Bank Negara Malaysia	13,706	-	13,706
	3,374,851	974,908	4,349,759
Commitments and Contingencies			
Contingent liabilities	172,752	351,676	524,428
Commitments	247,997	25,710	273,707
	420,749	377,386	798,135
Total Credit Exposures	3,795,600	1,352,294	5,147,894
	As at 31 Dec 2016		
	Within	Outside	Total
	Malaysia	Malaysia	
	RM'000	RM'000	RM'000
On-Balance Sheet Exposures			
Cash and short-term funds	703,705	250,751	954,456
Deposits and placements with banks and other financial institutions	260,000	28,047	288,047
Financial investments available-for-sale	169,946	-	169,946
Loans, advances and financing	2,087,795	546,358	2,634,153
Overdrafts	96,172	-	96,172
Term loans			
- Housing loans	54,683	-	54,683
- Syndicated term loans	-	181,512	181,512
- Other term loans	945,318	113,025	1,058,343
Bills receivable	13,104	1,376	14,480
Revolving credit	887,460	250,445	1,137,905
Bankers' acceptances	85,816	-	85,816
Staff loans	2,808	-	2,808
Credit card loans	2,434	-	2,434
Statutory deposits with Bank Negara Malaysia	10,580	-	10,580
	3,232,026	825,156	4,057,182
Commitments and Contingencies			
Contingent liabilities	187,776	413,939	601,715
Commitments	183,893	33,977	217,870
	371,669	447,916	819,585
Total Credit Exposures	3,603,695	1,273,072	4,876,767

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 2017						
	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
On-Balance Sheet Exposures						
Cash and short-term funds	828,465	-	-	-	-	828,465
Deposits and placements with banks and other financial institutions	-	191,468	-	-	-	191,468
Financial investments available-for-sale	-	-	-	160,487	130,458	290,945
Loans, advances and financing	676,921	515,000	149,701	1,489,502	194,051	3,025,175
Overdrafts	88,821	-	-	-	-	88,821
Term loans						
- Housing loans	422	440	2,060	11,528	40,215	54,665
- Syndicated term loans	7,035	562	-	262,749	39,156	309,502
- Other term loans	33,123	2,481	34,183	1,184,725	112,309	1,366,821
Bills receivable	4,269	5,719	-	-	-	9,988
Trust receipt	-	-	300	-	-	300
Revolving credit	513,211	446,665	95,840	30,179	-	1,085,895
Bankers' acceptances	27,574	59,116	17,241	-	-	103,931
Staff loans	18	17	77	321	2,371	2,804
Credit card loans	2,448	-	-	-	-	2,448
Statutory deposits with Bank Negara Malaysia	-	-	-	-	13,706	13,706
	1,505,386	706,468	149,701	1,649,989	338,215	4,349,759
Commitments and Contingencies						
Contingent liabilities	74,144	8,881	182,178	249,263	9,962	524,428
Commitments	2,061	1,336	209,761	60,549	-	273,707
	76,205	10,217	391,939	309,812	9,962	798,135
Total Credit Exposures	1,581,591	716,685	541,640	1,959,801	348,177	5,147,894

As at 31 Dec 2016						
	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
On-Balance Sheet Exposures						
Cash and short-term funds	954,456	-	-	-	-	954,456
Deposits and placements with banks and other financial institutions	-	88,047	200,000	-	-	288,047
Financial investments available-for-sale	-	50,045	-	119,901	-	169,946
Loans, advances and financing	746,583	526,059	261,254	963,688	136,569	2,634,153
Overdrafts	96,172	-	-	-	-	96,172
Term loans						
- Housing loans	408	438	2,172	11,267	40,398	54,683
- Syndicated term loans	539	151	-	150,336	30,486	181,512
- Other term loans	3,167	181,483	8,604	801,749	63,340	1,058,343
Bills receivable	6,961	5,191	2,328	-	-	14,480
Revolving credit	611,424	300,599	225,882	-	-	1,137,905
Bankers' acceptances	25,461	38,177	22,178	-	-	85,816
Staff loans	17	20	90	336	2,345	2,808
Credit card loans	2,434	-	-	-	-	2,434
Statutory deposits with Bank Negara Malaysia	-	-	-	-	10,580	10,580
	1,701,039	664,151	461,254	1,083,589	147,149	4,057,182
Commitments and Contingencies						
Contingent liabilities	19,360	41,804	151,542	379,047	9,962	601,715
Commitments	1,960	2,061	156,293	57,556	-	217,870
	21,320	43,865	307,835	436,603	9,962	819,585
Total Credit Exposures	1,722,359	708,016	769,089	1,520,192	157,111	4,876,767

5.2 Credit Quality of Loans, Advances and Financing

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

	30 Jun 2017 RM'000	31 Dec 2016 RM'000
<i>a) Sector</i>		
Household	5	51
<i>b) By geographical distributions</i>		
Within Malaysia	5	2,080

(ii) Past due but not impaired loans

	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Household	227	201

All past due but not impaired 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 2017		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	16,764	4,747	21,511
Overdrafts	1,923	-	1,923
Term loans			
- Housing loans	94	-	94
- Syndicated term loans	686	1,875	2,561
- Other term loans	4,431	2,252	6,683
Bills receivable	212	2	214
Trust receipt	8	-	8
Revolving credit	8,101	618	8,719
Bankers' acceptances	1,275	-	1,275
Staff loans	6	-	6
Credit card loans	28	-	28
	16,764	4,747	21,511

	31 Dec 2016		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Loans, advances and financing	11,334	2,632	13,966
Overdrafts	2,179	-	2,179
Term loans			
- Housing loans	94	-	94
- Syndicated term loans	-	972	972
- Other term loans	1,774	579	2,353
Bills receivable	340	38	378
Revolving credit	5,805	1,043	6,848
Bankers' acceptances	1,108	-	1,108
Staff loans	6	-	6
Credit card loans	28	-	28
	11,334	2,632	13,966

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 2017												
On-Balance Sheet Exposures	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	Electricity, gas and water supply RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000
Loans, advances and financing	579	2,494	1,442	4,678	5,535	299	3,492	568	553	603	1,268	21,511
Overdrafts	-	82	16	273	1,141	-	406	-	-	5	-	1,923
Term loans	-	-	-	-	-	-	-	-	-	94	-	94
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	-	266	533	419	249	567	-	527	-	-	2,561
- Other term loans	-	1,744	155	1,946	1,390	-	374	568	-	470	36	6,683
Bills receivable	2	212	-	-	-	-	-	-	-	-	-	214
Trust receipt	-	-	8	-	-	-	-	-	-	-	-	8
Revolving credit	577	103	837	1,926	1,962	50	2,006	-	26	-	1,232	8,719
Bankers' acceptances	-	353	160	-	623	-	139	-	-	-	-	1,275
Staff loans	-	-	-	-	-	-	-	-	-	6	-	6
Credit card loans	-	-	-	-	-	-	-	-	-	28	-	28
	579	2,494	1,442	4,678	5,535	299	3,492	568	553	603	1,268	21,511

As at 31 Dec 2016												
On-Balance Sheet Exposures	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	Electricity, gas and water supply RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	Total RM'000
Loans, advances and financing	621	1,302	659	1,984	4,569	348	2,829	315	558	580	201	13,966
Overdrafts	-	101	16	280	1,370	-	407	-	-	5	-	2,179
Term loans	-	-	-	-	-	-	-	-	-	94	-	94
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	-	-	-	-	298	142	-	532	-	-	972
- Other term loans	-	452	281	354	342	-	125	315	-	447	37	2,353
Bills receivable	-	196	-	-	182	-	-	-	-	-	-	378
Revolving credit	621	114	167	1,350	2,242	50	2,114	-	26	-	164	6,848
Bankers' acceptances	-	439	195	-	433	-	41	-	-	-	-	1,108
Staff loans	-	-	-	-	-	-	-	-	-	6	-	6
Credit card loans	-	-	-	-	-	-	-	-	-	28	-	28
	621	1,302	659	1,984	4,569	348	2,829	315	558	580	201	13,966

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

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

	30 Jun 2017 RM'000	31 Dec 2016 RM'000
<u>Collective allowance for impairment</u>		
At beginning of the financial period/year	13,966	17,387
Allowance made during the financial period/ year	8,581	3,631
Allowance written back during the financial period/year	(1,036)	(7,052)
At end of the financial period/year	<u>21,511</u>	<u>13,966</u>
<u>Individual allowance for impairment</u>		
At beginning of the financial period/year	2,080	2,080
Allowance made during the financial period/ year	1,356	5
Allowance written back during the financial period/ year	(1)	(5)
Amount written-off during the financial period/year	(2,080)	-
Exchange differences	(15)	-
At end of the financial period/year	<u>1,340</u>	<u>2,080</u>

5.3 Off-Balance Sheet Exposures and Counterparty Credit Risk

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

- Bank guarantee which represents the Bank's undertaking to make payment to the beneficiary in the event the customer 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 2017			
	Principal Amount RM'000	Positive Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	77,283	-	77,283	15,457
Transaction-related contingent items	879,051	-	439,525	300,555
Short term self-liquidating trade-related contingencies	38,099	-	7,620	7,349
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	121,096	-	60,548	49,390
- Not exceeding one year	969,859	-	193,972	163,532
Unutilised credit card lines	36,933	-	7,387	5,540
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	709,261	2,091	11,800	5,775
Total	<u>2,831,582</u>	<u>2,091</u>	<u>798,135</u>	<u>547,598</u>

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

	31 Dec 2016			
	Principal Amount RM'000	Positive Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	80,746	-	80,746	16,149
Transaction-related contingent items	1,032,166	-	516,083	347,834
Short term self-liquidating trade-related contingencies	24,428	-	4,886	4,877
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	115,112	-	57,556	45,241
- Not exceeding one year	748,759	-	149,752	119,112
Unutilised credit card lines	32,708	-	6,542	4,906
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	153,340	2,529	4,020	1,834
Total	<u>2,187,259</u>	<u>2,529</u>	<u>819,585</u>	<u>539,953</u>

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 Mitigation ("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 collateral 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 report prepared on a regular interval, 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 2017		
	Total Exposures Before CRM RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	355,748	-	-
Banks, Development Financial Institutions and MDBs	992,723	-	-
Corporates	2,868,617	481,943	554,983
Regulatory Retail	68,135	20,833	2,423
Residential Mortgages	57,430	-	270
Other Assets	18,771	-	-
Total On-Balance Sheet Exposures	4,361,424	502,776	557,676
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	786,335	273,063	28,549
OTC derivatives	11,800	-	-
Total Off-Balance Sheet Exposures	798,135	273,063	28,549
Total On and Off-Balance Sheet Exposures	5,159,559	775,839	586,225
31 Dec 2016			
	Total Exposures Before CRM RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	535,538	-	-
Banks, Development Financial Institutions and MDBs	956,305	-	-
Corporates	2,431,858	386,547	626,690
Regulatory Retail	69,649	21,358	2,108
Residential Mortgages	57,429	-	270
Other Assets	18,506	-	-
Total On-Balance Sheet Exposures	4,069,285	407,905	629,068
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	815,565	328,683	29,556
OTC derivatives	4,020	-	-
Total Off-Balance Sheet Exposures	819,585	328,683	29,556
Total On and Off-Balance Sheet Exposures	4,888,870	736,588	658,624

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)

(i) Rated Exposures As Per ECAIs

The following tables present the credit exposures, categorised according to the credit quality rating as at 30 June 2017:

	Ratings of Sovereigns/Central Banks						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	Unrated RM'000	
<u>On and Off-Balance Sheet Exposures</u> Sovereigns/Central Banks	-	-	-	-	-	355,748	355,748

	Ratings of Banking Institutions						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	Unrated RM'000	
<u>On and Off-Balance Sheet Exposures</u> Banks, MDBs and DFIs	99,721	1,003,708	-	-	-	-	1,103,429

	Ratings of Corporates						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	Unrated RM'000	Total RM'000	
<u>On and Off-Balance Sheet Exposures</u> Corporates	210,823	356,734	-	303,089	2,655,001	3,525,647	

	Ratings of Regulatory Retail						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	Unrated RM'000	Total RM'000	
<u>On and Off-Balance Sheet Exposures</u> Regulatory Retail	-	-	20,833	-	68,107	88,940	

	Ratings of Residential Mortgages						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	Unrated RM'000	Total RM'000	
<u>On and Off-Balance Sheet Exposures</u> Residential Mortgages	-	-	-	-	67,025	67,025	

The following tables present the credit exposures, categorised according to the credit quality rating as at 31 December 2016:

	Ratings of Sovereigns/Central Banks						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	Unrated RM'000	
<u>On and Off-Balance Sheet Exposures</u> Sovereigns/Central Banks	-	-	-	-	-	535,538	535,538

	Ratings of Banking Institutions						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	Unrated RM'000	
<u>On and Off-Balance Sheet Exposures</u> Banks, MDBs and DFIs	305,442	765,552	-	-	-	-	1,070,994

	Ratings of Corporates						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	Unrated RM'000	Total RM'000	
<u>On and Off-Balance Sheet Exposures</u> Corporates	363,673	445,247	3,213	136,056	2,150,729	3,098,918	

	Ratings of Regulatory Retail						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	Unrated RM'000	Total RM'000	
<u>On and Off-Balance Sheet Exposures</u> Regulatory Retail	-	-	21,359	-	81,815	103,174	

	Ratings of Residential Mortgages						Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	Unrated RM'000	Total RM'000	
<u>On and Off-Balance Sheet Exposures</u> Residential Mortgages	-	-	-	-	68,142	68,142	

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

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

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

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

	Exposures after Netting and Credit Risk Mitigation						Total Exposures After Netting & Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereign/ Central Banks	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Other Assets		
30 Jun 2017								
Risk Weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	355,748	964	577,773	8,181	270	7,105	950,041	-
20%	-	999,434	210,823	-	-	1,949	1,212,206	242,440
35%	-	-	-	-	57,972	-	57,972	20,290
50%	-	92,149	420,037	20,833	8,447	8,933	550,399	275,200
75%	-	-	-	9,874	-	-	9,874	7,406
100%	-	-	2,316,095	50,052	336	12,584	2,379,067	2,379,067
Total Exposures	355,748	1,092,547	3,524,728	88,940	67,025	30,571	5,159,559	2,924,403
Risk-Weighted Assets by Exposures	-	245,961	2,568,278	67,874	24,850	17,440	2,924,403	
Average Risk Weight	0.0%	22.5%	72.9%	76.3%	37.1%	57.0%	56.7%	
Deduction from Capital Base	-	-	-	-	-	-	-	
	Exposures after Netting and Credit Risk Mitigation							
	Sovereign/ Central Banks	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Other Assets	Total Exposures After Netting & Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
31 Dec 2016								
Risk Weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	535,538	783	655,424	2,931	270	6,401	1,201,347	-
20%	-	956,052	363,673	-	-	636	1,320,361	264,071
35%	-	-	-	-	60,335	-	60,335	21,117
50%	-	103,768	536,976	21,358	7,197	3,354	672,653	336,327
75%	-	-	-	9,038	-	-	9,038	6,779
100%	-	-	1,542,815	69,847	340	12,134	1,625,136	1,625,136
Total Exposures	535,538	1,060,603	3,098,888	103,174	68,142	22,525	4,888,870	2,253,430
Risk-Weighted Assets by Exposures	-	243,094	1,884,038	87,305	25,056	13,937	2,253,430	
Average Risk Weight	0.0%	22.9%	60.8%	84.6%	36.8%	61.9%	46.1%	
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 monthly 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 2017		31 Dec 2016	
	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000
Impact on net interest income				
Ringgit Malaysia	(9,747)	9,747	(10,581)	10,581
United States Dollar	(1,961)	1,961	(2,627)	2,627
Chinese Renminbi	341	(341)	(333)	333
Others	(142)	142	(96)	96
Total	(11,509)	11,509	(13,637)	13,637
Impact on economic value				
Ringgit Malaysia	8,467	(8,467)	1,509	(1,509)
United States Dollar	(3,757)	3,757	(4,736)	4,736
Chinese Yuan Renminbi	(550)	550	(626)	626
Others	(137)	137	(137)	137
Total	4,023	(4,023)	(3,990)	3,990

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.

Every department is responsible for understanding the operational risks inherent in its material products, activities, processes and systems. They are responsible for the management of operational risk on a day-to-day basis. 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 risk is the risk 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 regulatory requirement; and practices and limits set by the Assets and Liabilities Committee ("ALCO"). The Bank maintains a strong liquidity position and constantly manages 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 and other applicable regulatory requirement.