

**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 2018**

**OFFICER-IN-CHARGE'S ATTESTATION**

I, Wang Qiang, being the Chief Executive Officer/Managing Director 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 Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), are accurate and complete.

Wang Qiang  
Chief Executive Officer/Managing Director

Date: 30 July 2018

**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 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:

	<b>Risk Type</b>	<b>Approach Adopted</b>	<b>Capital Requirement Assessment</b>
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 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 an 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 for 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 a half yearly basis to assess the Bank's capability to withstand any adverse environment that may arise. 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 following:

- Common Equity Tier 1 ("CET1") Capital, which includes ordinary share capital, 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 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 2018, the minimum regulatory CET1 capital ratio, Tier 1 capital ratio and total capital ratio requirement are 6.375%, 7.875% and 9.875% 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 2018	31 Dec 2017
CET1 capital ratio	<b>25.588%</b>	28.501%
Tier 1 capital ratio	<b>25.588%</b>	28.501%
Total capital ratio	<b>26.738%</b>	29.782%

**2.0 Capital Management and Capital Adequacy (continued)**

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

Risk type	30 Jun 2018			
	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	735,439	735,439	-	-
Banks, Development Financial Institutions and MDBs	1,433,629	1,433,629	334,104	26,729
Corporates	2,768,741	2,768,741	2,490,803	199,264
Regulatory Retail	79,745	79,745	70,828	5,666
Residential Mortgages	73,245	73,245	26,954	2,156
Other Assets	31,493	31,493	24,499	1,960
<b>Total On-Balance Sheet Exposures</b>	<b>5,122,292</b>	<b>5,122,292</b>	<b>2,947,188</b>	<b>235,775</b>
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	880,461	880,461	642,094	51,368
OTC derivatives	18,132	18,132	8,613	689
<b>Total Off-Balance Sheet Exposures</b>	<b>898,593</b>	<b>898,593</b>	<b>650,707</b>	<b>52,057</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>6,020,885</b>	<b>6,020,885</b>	<b>3,597,895</b>	<b>287,832</b>
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	<u>Long Position</u>	<u>Short Position</u>		
Foreign currency risk	18,620	87	18,620	1,490
<i>Operational Risk</i>	-	-	-	294,626
<b>Total RWA and Capital Requirements</b>			<b>3,911,141</b>	<b>312,892</b>

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 BNM's RWCAF.

**2.0 Capital Management and Capital Adequacy (continued)**

Risk type	31 Dec 2017			
	Gross	Net	Risk-	Capital
	Exposures	Exposures	Weighted	Requirement
	RM'000	RM'000	Assets	RM'000
	RM'000	RM'000	RM'000	RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	363,855	363,855	-	-
Banks, Development Financial Institutions and MDBs	1,231,890	1,231,890	274,742	21,979
Corporates	3,119,905	3,119,905	2,340,413	187,233
Regulatory Retail	63,096	63,096	50,139	4,011
Residential Mortgages	66,322	66,322	24,399	1,952
Other Assets	26,548	26,548	20,866	1,669
<b>Total On-Balance Sheet Exposures</b>	<b>4,871,616</b>	<b>4,871,616</b>	<b>2,710,559</b>	<b>216,844</b>
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	743,962	743,962	514,159	41,133
OTC derivatives	32,272	32,272	16,145	1,292
<b>Total Off-Balance Sheet Exposures</b>	<b>776,234</b>	<b>776,234</b>	<b>530,304</b>	<b>42,425</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>5,647,850</b>	<b>5,647,850</b>	<b>3,240,863</b>	<b>259,269</b>
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	<b>Long</b>	<b>Short</b>		
	<b>Position</b>	<b>Position</b>		
Foreign currency risk	16,463	199	16,463	1,317
<i>Operational Risk</i>	-	-	-	258,530
<b>Total RWA and Capital Requirements</b>			<b>3,515,856</b>	<b>281,268</b>

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 BNM's RWCAF.

### 3.0 Capital Structure

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

	<b>30 Jun 2018</b>	31 Dec 2017
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 ("CET1") Capital</b>		
Paid-up share capital	<b>832,609</b>	832,609
Retained earnings	<b>175,258</b>	175,783
Statutory reserve	-	-
Regulatory reserve	<b>17,644</b>	17,644
Foreign exchange reserve	-	253
Unrealised losses on financial investments measured at FVOCI	<b>(922)</b>	(556)
	<b>1,024,589</b>	1,025,733
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	<b>(6,164)</b>	(6,048)
- Regulatory reserve attributable to loans, advances and financing	<b>(17,644)</b>	(17,644)
	<b>(23,808)</b>	(23,692)
Total CET1 Capital	<b>1,000,781</b>	1,002,041
<b>Tier 2 Capital</b>		
Allowance for credit loss / collective allowance for impairment	<b>27,330</b>	27,399
Regulatory reserve	<b>17,644</b>	17,644
Total Tier 2 Capital	<b>44,974</b>	45,043
Total Capital	<b>1,045,755</b>	1,047,084

### 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 endeavours to manage its unsecured exposures by diversifying 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. In order to ensure that credit decision-making remains consistent with the Bank's overall credit risk management arrangement, an independent post credit review ("PCR") function has been formed. The PCR function is to ensure both the quality of credit risk assessment and rigour of credit approval processes. The PCR is also to ensure credit decisions made are in accordance with the Bank's credit risk strategy and credit risk policy. 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.

#### 4.0 Risk Management Framework (continued)

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 obligations. 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
- To review credit exposures periodically to ensure prudent and effective credit risk management.

The functions of the MRMC are as follows:

- Reviewing and tracking of the Bank's credit risk management profile
- Reviewing and deliberation of credit policies
- Reviewing and tracking of the credit risk appetite of the Bank

The Bank employs a credit risk grading system as a tool for determining the credit risk profile of borrowers or counterparties 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.

MFRS 9 accounting standard requires banks to determine an expected credit loss (ECL) amount on a probability-weighted basis as the difference between cash flows that are due to the Bank in accordance with the contractual terms of financial assets and the cash flows that the Bank expects to receive. The ECL model adopted by the Bank covers the on and off balance sheet credit exposures to sovereign, financial institutions, corporate / commercial and retail loans. Key changes for MFRS 9 from MFRS 139 impairment requirements include:

- Change from incurred credit loss model to expected credit loss (ECL) model.
- More timely and forward-looking information required to determine the ECL.
- The ECL is applicable to off balance sheet credit exposures.
- The ECL is applicable to credit exposures arising from placements with sovereign entities, financial institutions as well as investment in bonds.
- The credit exposures are to be segregated to its three stages, as described below:

Stage 1: Ordinary / Performing Credit Exposure. (12-Month ECL)

Stage 2: Exposure with Significant Increase in Credit Risk. (Life Time ECL)

Stage 3: Impaired Credit Exposure. (Life Time ECL)

The general provision / impairment for the credit exposures of the Bank will be equivalent to 12-Month ECL or Life Time ECL, depending on the stage of credit exposures befitting each financial asset.

Individual assessment is required for an impaired credit exposure (Stage 3). Individually assessed expected credit loss is required to be provided if the recoverable amount of the loan asset is less than its net carrying amount. Recoverable amount is the present value of the estimated future cash flows discounted at the original effective interest rate, or at the current interest rate if it carries variable interest rate.

The ECL Model methodology adopted for provision purposes will be reviewed and monitored on a regular basis to suit with the internal and regulatory requirements.

## 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 2018												Total RM'000
	Central Bank RM'000	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Wholesale & Retail Trade and Restaurants & Hotels RM'000	Transport, Storage and Communication RM'000	Finance, Insurance and Business Services RM'000	Electricity, Gas and Supply RM'000	Primary Agriculture RM'000	Household RM'000	Others RM'000	
<b>On-Balance Sheet Exposures</b>													
Cash and short-term funds	301,585	886,708	-	-	-	-	-	-	-	-	-	-	1,188,293
Deposits and placements with banks and other financial institutions	-	404,061	-	-	-	-	-	-	-	-	-	-	404,061
Financial investments available-for-sale	365,901	30,485	-	-	19,952	-	-	19,920	60,281	-	-	-	496,539
Financial investments held-to-maturity	32,316	60,955	-	-	30,090	-	-	20,000	-	-	-	-	143,361
Loans, advances and financing	-	58,414	190,962	104,051	686,755	708,630	135,751	409,269	65,859	84,696	92,989	292,525	2,829,901
Overdrafts	-	-	10,044	340	902	34,337	3,995	23,114	-	-	679	-	73,411
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	-	-	-	-	-	-	-	-	71,193	-	71,193
- Syndicated term loans	-	-	101,396	52,711	224,118	238,151	75,048	-	-	64,666	-	-	756,090
- Other term loans	-	-	34,477	17,522	206,829	165,728	478	32,644	65,859	-	17,251	12,125	552,913
Bills receivable	-	-	2,304	-	-	-	-	-	-	-	-	-	2,304
Revolving credits	-	58,414	16,887	27,658	254,906	175,032	56,230	348,511	-	20,030	-	280,400	1,238,068
Bankers' acceptances	-	-	25,854	5,820	-	95,382	-	5,000	-	-	-	-	132,056
Staff loans	-	-	-	-	-	-	-	-	-	-	2,062	-	2,062
Credit card loans	-	-	-	-	-	-	-	-	-	-	1,804	-	1,804
Statutory deposits with Bank Negara Malaysia	35,638	-	-	-	-	-	-	-	-	-	-	-	35,638
	<b>735,440</b>	<b>1,440,623</b>	<b>190,962</b>	<b>104,051</b>	<b>736,797</b>	<b>708,630</b>	<b>135,751</b>	<b>449,189</b>	<b>126,140</b>	<b>84,696</b>	<b>92,989</b>	<b>292,525</b>	<b>5,097,793</b>
<b>Commitments and Contingencies</b>													
Contingent liabilities	-	303,400	8,497	54,401	21,179	55,512	4,898	33,472	14,531	-	-	883	496,773
Commitments	-	16,761	24,622	102,864	112,574	69,472	7,657	35,762	9,694	739	14,422	7,253	401,820
	<b>-</b>	<b>320,161</b>	<b>33,119</b>	<b>157,265</b>	<b>133,753</b>	<b>124,984</b>	<b>12,555</b>	<b>69,234</b>	<b>24,225</b>	<b>739</b>	<b>14,422</b>	<b>8,136</b>	<b>898,593</b>
<b>Total Credit Exposures</b>	<b>735,440</b>	<b>1,760,784</b>	<b>224,081</b>	<b>261,316</b>	<b>870,550</b>	<b>833,614</b>	<b>148,306</b>	<b>518,423</b>	<b>150,365</b>	<b>85,435</b>	<b>107,411</b>	<b>300,661</b>	<b>5,996,386</b>



## 5.1 Distribution of Credit Exposures (continued)

## (i) Industry Analysis (continued)

On-Balance Sheet Exposures	As at 31 Dec 2017												Total RM'000
	Financial		Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Wholesale & Retail Trade and Restaurants & Hotels	Transport, Storage and Communication	Finance, Insurance and Business	Electricity, Gas and Water Supply	Primary	Household RM'000	Others RM'000	
	Central Bank RM'000	Services RM'000				RM'000	RM'000	RM'000	RM'000	RM'000			
Cash and short-term funds	69,835	993,024	-	-	-	-	-	-	-	-	-	-	1,062,859
Deposits and placements with banks and other financial institutions	-	150,000	-	-	-	-	-	-	-	-	-	-	150,000
Financial investments available-for-sale	241,293	30,526	-	-	20,060	-	-	19,985	60,230	-	-	-	372,094
Financial investments held-to-maturity	32,349	-	-	-	-	-	-	-	-	-	-	-	32,349
Loans, advances and financing	-	64,021	829,100	162,591	573,475	754,189	11,285	393,216	67,827	82,272	85,913	189,181	3,213,070
Overdrafts	-	-	9,171	513	366	46,656	3,950	22,280	-	-	808	-	83,744
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
- Housing loans	-	-	-	-	-	-	-	-	-	-	63,829	-	63,829
- Syndicated term loans	-	-	101,605	46,425	173,190	102,304	-	-	-	62,230	-	-	485,754
- Other term loans	-	-	672,817	81,699	199,806	297,470	1,191	36,326	67,827	-	15,923	18,755	1,391,814
Bills receivable	-	-	9,520	-	-	-	-	-	-	-	-	-	9,520
Revolving credits	-	64,021	15,475	19,642	200,113	259,349	6,092	329,610	-	20,042	-	170,426	1,084,770
Bankers' acceptances	-	-	20,512	14,312	-	48,410	52	5,000	-	-	-	-	88,286
Staff loans	-	-	-	-	-	-	-	-	-	-	2,517	-	2,517
Credit card loans	-	-	-	-	-	-	-	-	-	-	2,836	-	2,836
Statutory deposits with Bank Negara Malaysia	20,378	-	-	-	-	-	-	-	-	-	-	-	20,378
	363,855	1,237,571	829,100	162,591	593,535	754,189	11,285	413,201	128,057	82,272	85,913	189,181	4,850,750
<b>Commitments and Contingencies</b>													
Contingent liabilities	-	327,167	8,246	58,129	22,651	37,076	4,518	23,326	-	-	-	885	481,998
Commitments	-	29,361	37,656	62,074	52,437	47,484	5,845	34,251	-	1,977	14,903	8,249	294,237
	-	356,528	45,902	120,203	75,088	84,560	10,363	57,577	-	1,977	14,903	9,134	776,235
Total Credit Exposures	363,855	1,594,099	875,002	282,794	668,623	838,749	21,648	470,778	128,057	84,249	100,816	198,315	5,626,985

**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 2018		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<b>On-Balance Sheet Exposures</b>			
Cash and short-term funds	1,119,492	68,801	1,188,293
Deposits and placements with banks and other financial institutions	395,986	8,075	404,061
Financial investments available-for-sale	496,539	-	496,539
Financial investments held-to-maturity	82,405	60,956	143,361
Loans, advances and financing	2,029,902	799,999	2,829,901
Overdrafts	73,411	-	73,411
Term loans	-	-	-
- Housing loans	71,193	-	71,193
- Syndicated term loans	228,204	527,886	756,090
- Other term loans	309,179	243,734	552,913
Bills receivable	2,304	-	2,304
Revolving credits	1,209,689	28,379	1,238,068
Bankers' acceptances	132,056	-	132,056
Staff loans	2,062	-	2,062
Credit card loans	1,804	-	1,804
Statutory deposits with Bank Negara Malaysia	35,638	-	35,638
	<b>4,159,962</b>	<b>937,831</b>	<b>5,097,793</b>
<b>Commitments and Contingencies</b>			
Contingent liabilities	181,166	315,607	496,773
Commitments	308,901	92,919	401,820
	<b>490,067</b>	<b>408,526</b>	<b>898,593</b>
Total Credit Exposures	<b>4,650,029</b>	<b>1,346,357</b>	<b>5,996,386</b>
	As at 31 Dec 2017		
	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<b>On-Balance Sheet Exposures</b>			
Cash and short-term funds	961,497	101,362	1,062,859
Deposits and placements with banks and other financial institutions	150,000	-	150,000
Financial investments available-for-sale	372,094	-	372,094
Financial investments held-to-maturity	32,349	-	32,349
Loans, advances and financing	2,391,574	821,496	3,213,070
Overdrafts	83,744	-	83,744
Term loans	-	-	-
- Housing loans	63,829	-	63,829
- Syndicated term loans	87,978	397,776	485,754
- Other term loans	1,130,899	260,915	1,391,814
Bills receivable	9,520	-	9,520
Revolving credits	921,965	162,805	1,084,770
Bankers' acceptances	88,286	-	88,286
Staff loans	2,517	-	2,517
Credit card loans	2,836	-	2,836
Statutory deposits with Bank Negara Malaysia	20,378	-	20,378
	<b>3,927,892</b>	<b>922,858</b>	<b>4,850,750</b>
<b>Commitments and Contingencies</b>			
Contingent liabilities	148,615	333,383	481,998
Commitments	225,630	68,607	294,237
	<b>374,245</b>	<b>401,990</b>	<b>776,235</b>
Total Credit Exposures	<b>4,302,137</b>	<b>1,324,848</b>	<b>5,626,985</b>

**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 2018					
	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
<b>On-Balance Sheet Exposures</b>						
Cash and short-term funds	1,188,293	-	-	-	-	1,188,293
Deposits and placements with banks and other financial institutions	-	395,986	3,634	4,441	-	404,061
Financial investments available-for-sale	-	-	-	250,689	245,850	496,539
Financial investments held-to-maturity	60,956	-	-	82,405	-	143,361
Loans, advances and financing	668,779	693,279	269,221	845,048	353,574	2,829,901
Overdrafts	73,411	-	-	-	-	73,411
Term loans						
- Housing loans	577	582	2,730	14,528	52,776	71,193
- Syndicated term loans	-	9,854	-	578,841	167,395	756,090
- Other term loans	1,991	25,738	188,215	205,084	131,885	552,913
Bills receivable	2,304	-	-	-	-	2,304
Revolving credits	558,855	590,958	42,088	46,167	-	1,238,068
Bankers' acceptances	29,827	66,128	36,101	-	-	132,056
Staff loans	10	19	87	428	1,518	2,062
Credit card loans	1,804	-	-	-	-	1,804
Statutory deposits with Bank Negara Malaysia	-	-	-	-	35,638	35,638
	1,918,028	1,089,265	272,855	1,182,583	635,062	5,097,793
<b>Commitments and Contingencies</b>						
Contingent liabilities	115,866	37,433	92,269	251,098	107	496,773
Commitments	424	2,173	200,166	199,057	-	401,820
	116,290	39,606	292,435	450,155	107	898,593
<b>Total Credit Exposures</b>	<b>2,034,318</b>	<b>1,128,871</b>	<b>565,290</b>	<b>1,632,738</b>	<b>635,169</b>	<b>5,996,386</b>

  

	As at 31 Dec 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
<b>On-Balance Sheet Exposures</b>						
Cash and short-term funds	1,062,859	-	-	-	-	1,062,859
Deposits and placements with banks and other financial institutions	-	150,000	-	-	-	150,000
Financial investments available-for-sale	-	-	-	251,206	120,888	372,094
Financial investments held-to-maturity	-	-	-	32,349	-	32,349
Loans, advances and financing	719,429	523,508	382,213	1,256,028	331,892	3,213,070
Overdrafts	83,744	-	-	-	-	83,744
Term loans						
- Housing loans	485	539	2,406	13,109	47,290	63,829
- Syndicated term loans	7,230	1,180	-	322,804	154,540	485,754
- Other term loans	1,620	166,256	252,226	858,601	113,111	1,391,814
Bills receivable	2,971	2,010	4,539	-	-	9,520
Revolving credits	594,044	310,818	103,829	61,079	15,000	1,084,770
Bankers' acceptances	26,480	42,682	19,124	-	-	88,286
Staff loans	19	23	89	435	1,951	2,517
Credit card loans	2,836	-	-	-	-	2,836
Statutory deposits with Bank Negara Malaysia	-	-	-	-	20,378	20,378
	1,782,288	673,508	382,213	1,539,583	473,158	4,850,750
<b>Commitments and Contingencies</b>						
Contingent liabilities	52,329	77,982	118,906	232,674	107	481,998
Commitments	1,631	1,808	224,932	65,866	-	294,237
	53,960	79,790	343,838	298,540	107	776,235
<b>Total Credit Exposures</b>	<b>1,836,248</b>	<b>753,298</b>	<b>726,051</b>	<b>1,838,123</b>	<b>473,265</b>	<b>5,626,985</b>

## 5.2 Credit Quality of Loans, Advances and Financing

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

	<b>30 Jun 2018</b>	31 Dec 2017
	<b>RM'000</b>	RM'000
<i>a) Sector</i>		
Wholesale & retail trade and restaurants & hotels	<b>1,090</b>	1,093
Household	<b>46</b>	34
	<b><u>1,127</u></b>	<u>1,127</u>
<i>b) By geographical distributions</i>		
Within Malaysia	<b>46</b>	34
Outside Malaysia	<b>1,090</b>	1,093
	<b><u>1,127</u></b>	<u>1,127</u>

### (ii) Past due but not impaired loans

	<b>30 Jun 2018</b>	31 Dec 2017
	<b>RM'000</b>	RM'000
Household	<b>262</b>	165

All past due but not impaired loans were from customers residing in Malaysia.

### (iii) Expected Credit Lost Allowance broken down by geographical location

The following tables present the expected credit loss allowance of loans, advances and financing analysed by geographical distribution based on the geographical location where the credit risk resides.

	<b>30 Jun 2018</b>		<b>Total</b>
	<b>Within</b>	<b>Outside</b>	
	<b>Malaysia</b>	<b>Malaysia</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing	<b>20,722</b>	<b>4,882</b>	<b>25,604</b>
Overdrafts	<b>1,427</b>	-	<b>1,427</b>
Term loans			
- Housing loans	<b>137</b>	-	<b>137</b>
- Syndicated term loans	<b>1,331</b>	<b>3,410</b>	<b>4,741</b>
- Other term loans	<b>5,038</b>	<b>1,405</b>	<b>6,443</b>
Bills receivable	<b>65</b>	-	<b>65</b>
Trust receipt	-	-	-
Revolving credits	<b>11,758</b>	<b>67</b>	<b>11,825</b>
Bankers' acceptances	<b>949</b>	-	<b>949</b>
Staff loans	<b>4</b>	-	<b>4</b>
Credit card loans	<b>13</b>	-	<b>13</b>
	<b><u>20,722</u></b>	<b><u>4,882</u></b>	<b><u>25,604</u></b>

	<b>31 Dec 2017</b>		<b>Total</b>
	<b>Within</b>	<b>Outside</b>	
	<b>Malaysia</b>	<b>Malaysia</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing	<b>20,593</b>	<b>6,806</b>	<b>27,399</b>
Overdrafts	<b>2,828</b>	-	<b>2,828</b>
Term loans			
- Housing loans	<b>88</b>	-	<b>88</b>
- Syndicated term loans	<b>1,635</b>	<b>3,742</b>	<b>5,377</b>
- Other term loans	<b>4,689</b>	<b>2,608</b>	<b>7,297</b>
Bills receivable	<b>211</b>	-	<b>211</b>
Revolving credits	<b>9,945</b>	<b>456</b>	<b>10,401</b>
Bankers' acceptances	<b>1,158</b>	-	<b>1,158</b>
Staff loans	<b>4</b>	-	<b>4</b>
Credit card loans	<b>35</b>	-	<b>35</b>
	<b><u>20,593</u></b>	<b><u>6,806</u></b>	<b><u>27,399</u></b>

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

## (iv) Expected Credit Lost Allowance broken down by sector

The following tables present the expected credit lost allowance of loans, advances and financing of the Bank analysed by industrial distribution.

As at 30 Jun 2018												
On-Balance Sheet Exposures	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Wholesale & Retail Trade and Restaurants & 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	105	1,633	1,816	5,969	5,681	1,457	5,677	119	505	753	1,889	25,604
Overdrafts	-	75	31	6	647	7	656	-	-	5	-	1,427
Term loans	-	-	-	-	-	-	-	-	-	137	-	137
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	716	1,025	532	1,525	827	-	-	116	-	-	4,741
- Other term loans	-	542	632	3,353	905	-	294	119	-	594	4	6,443
Bills receivable	-	65	-	-	-	-	-	-	-	-	-	65
Revolving credits	105	59	107	2,078	1,897	623	4,682	-	389	-	1,885	11,825
Bankers' acceptances	-	176	21	-	707	-	45	-	-	-	-	949
Staff loans	-	-	-	-	-	-	-	-	-	4	-	4
Credit card loans	-	-	-	-	-	-	-	-	-	13	-	13
	105	1,633	1,816	5,969	5,681	1,457	5,677	119	505	753	1,889	25,604

As at 31 Dec 2017												
On-Balance Sheet Exposures	Financial Services RM'000	Manufacturing RM'000	Construction RM'000	Real Estate RM'000	Wholesale & Retail Trade and Restaurants & 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	530	3,719	1,743	5,114	8,168	170	4,678	560	1,069	216	1,432	27,399
Overdrafts	-	101	54	3	1,196	-	1,469	-	-	5	-	2,828
Term loans	-	-	-	-	-	-	-	-	-	88	-	88
- Housing loans	-	-	-	-	-	-	-	-	-	-	-	-
- Syndicated term loans	-	838	1,293	699	2,035	-	-	-	512	-	-	5,377
- Other term loans	-	2,130	146	1,742	2,302	-	300	560	-	84	33	7,297
Bills receivable	-	211	-	-	-	-	-	-	-	-	-	211
Revolving credits	530	161	132	2,670	1,914	170	2,868	-	557	-	1,399	10,401
Bankers' acceptances	-	278	118	-	721	-	41	-	-	-	-	1,158
Staff loans	-	-	-	-	-	-	-	-	-	4	-	4
Credit card loans	-	-	-	-	-	-	-	-	-	35	-	35
	530	3,719	1,743	5,114	8,168	170	4,678	560	1,069	216	1,432	27,399

**5.2 Credit Quality of Loans, advances and Financing (continued)****(v) Movements in allowance for impairment on loans, advances and financing**

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance				
As at 1 January 2018	19,336	28	1,127	20,491
New assets originated or purchased	4,319	322	14	4,655
Assets derecognised or repaid	(1,190)	(252)	(2)	(1,444)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(3,986)	3,986	-	-
Transfer to Stage 3	-	-	-	-
Changes due to change in credit risk	(1,481)	4,559	-	3,078
Amounts written off	-	-	-	-
Foreign exchange adjustments	(37)	-	(3)	(40)
As at 30 June 2018	<b>16,961</b>	<b>8,643</b>	<b>1,136</b>	<b>26,740</b>

31 Dec 2017  
RM'000

Collective allowance for impairment

At beginning of the financial year	13,966
Allowance made during the financial year	16,353
Allowance written back during the financial year	(3,091)
Exchange differences	171
At end of the financial year	<u>27,399</u>

Individual allowance for impairment

At beginning of the financial year	2,080
Allowance made during the financial year	1,384
Allowance written back during the financial year	(171)
Amount written-off during the financial period/year	(2,080)
Exchange differences	(86)
At end of the financial year	<u>1,127</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 is unable to meet its obligations to the beneficiary.
- 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 a 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.

**5.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)****(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 2018			
	Principal Amount RM'000	Positive		Risk- Weighted Assets RM'000
		Derivative Contracts RM'000	Credit Equivalent Amount RM'000	
<u>Credit-related exposures</u>				
Direct credit substitutes	72,674	-	72,674	14,535
Transaction-related contingent items	808,004	-	404,002	279,883
Short term self-liquidating trade-related contingencies	100,483	-	20,097	12,774
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	398,114	-	199,057	175,296
- Not exceeding one year	882,435	-	176,487	153,498
Unutilised credit card lines	40,719	-	8,144	6,108
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,327,935	11,280	18,132	8,613
<b>Total</b>	<b>3,630,364</b>	<b>11,280</b>	<b>898,593</b>	<b>650,707</b>

	31 Dec 2017			
	Principal Amount RM'000	Positive		Risk- Weighted Assets RM'000
		Derivative Contracts RM'000	Credit Equivalent Amount RM'000	
<u>Credit-related exposures</u>				
Direct credit substitutes	72,854	-	72,854	14,571
Transaction-related contingent items	801,460	-	400,730	264,760
Short term self-liquidating trade-related contingencies	42,068	-	8,414	8,349
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	131,732	-	65,866	61,631
- Not exceeding one year	942,345	-	188,469	159,126
Unutilised credit card lines	38,145	-	7,629	5,722
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,177,371	15,939	32,272	16,145
<b>Total</b>	<b>3,205,975</b>	<b>15,939</b>	<b>776,234</b>	<b>530,304</b>

#### 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 a customer, the Bank may provide facilities to the customer on a clean basis. It is in the interest of the Bank to diversify its unsecured exposures to a larger pool of clients that carry good credit grades.

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 if such credit supports could effectively mitigate the credit risks.

Prior to accepting the CRM, proper assessment on the aspect of legal enforceability of the collateral 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 the value of which fluctuates in a more frequent and volatile manner, such as quoted securities, the collateral value is marked to market periodically 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. Netting arrangement will be considered on as-and-when basis to minimise the Bank's risk exposures.

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

	<b>30 Jun 2018</b>		
	<b>Total</b>	<b>Total</b>	<b>Total</b>
	<b>Exposures</b>	<b>Exposures</b>	<b>Exposures</b>
	<b>Before CRM</b>	<b>Covered by</b>	<b>Covered by</b>
	<b>RM'000</b>	<b>Guarantees</b>	<b>Eligible</b>
		<b>RM'000</b>	<b>Financial</b>
			<b>Collateral</b>
			<b>RM'000</b>
<i>Credit Risk</i>			
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	735,439	-	-
Banks, Development Financial Institutions and MDBs	1,433,629	-	-
Corporates	2,768,741	235,789	125,003
Regulatory Retail	79,745	12,125	2,401
Residential Mortgages	73,245	-	270
Other Assets	31,493	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>5,122,292</b>	<b>247,914</b>	<b>524,637</b>
<u>Off-Balance Sheet Exposures</u>			
Credit-related off-balance sheet exposures	880,461	257,731	11,028
OTC derivatives	18,132	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>898,593</b>	<b>257,731</b>	<b>11,028</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>6,020,885</b>	<b>505,645</b>	<b>535,665</b>



**5.4 Credit Risk Mitigation (continued)**

	31 Dec 2017		
	Total	Total	Total
	Exposures	Exposures	Exposures
<i>Credit Risk</i>	Before CRM	Covered by Guarantees	Covered by Eligible Financial Collateral
	RM'000	RM'000	RM'000
<b>On-Balance Sheet Exposures</b>			
Sovereigns/Central Banks	363,855	-	-
Banks, Development Financial Institutions and MDBs	1,231,890	-	-
Corporates	3,119,905	381,357	521,502
Regulatory Retail	63,096	18,755	2,865
Residential Mortgages	66,322	-	270
Other Assets	26,548	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>4,871,616</b>	<b>400,112</b>	<b>524,637</b>
<b>Off-Balance Sheet Exposures</b>			
Credit-related off-balance sheet exposures	743,962	239,286	22,208
OTC derivatives	32,272	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>776,234</b>	<b>239,286</b>	<b>22,208</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>5,647,850</b>	<b>639,398</b>	<b>546,845</b>

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:

- Standard & Poor's Rating Services ("S&P")
- Moody's Investors Service ("Moody's")
- Fitch Ratings ("Fitch")
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")
- 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:

- Sovereigns/Central Banks
- Banking institutions
- Corporates



## 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 Jun 2018:

	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
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns/Central Banks	-	-	-	-	-	735,439	735,439

	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
<u>On and Off-Balance Sheet Exposures</u>							
Banks, MDBs and DFIs	240,924	1,220,175	60,955	-	-	40,375	1,562,429

	Ratings of Corporates						
	1	2	3	4	Unrated	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>							
Corporates	174,740	260,507	-	178,089	2,863,909	3,477,245	

	Ratings of Regulatory Retail						
	1	2	3	4	Unrated	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>							
Regulatory Retail	-	-	12,124	-	123,134	135,258	

	Ratings of Residential Mortgages						
	1	2	3	4	Unrated	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>							
Residential Mortgages	-	-	-	-	79,020	79,020	

The following tables present the credit exposures, categorised according to the credit quality rating as at 31 December 2017:

	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
<u>On and Off-Balance Sheet Exposures</u>							
Sovereigns/Central Banks	-	-	-	-	-	363,855	363,855

	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
<u>On and Off-Balance Sheet Exposures</u>							
Banks, MDBs and DFIs	459,829	919,420	-	-	-	-	1,379,249

	Ratings of Corporates						
	1	2	3	4	Unrated	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>							
Corporates	232,698	319,938	146,904	243,077	2,784,802	3,727,419	

	Ratings of Regulatory Retail						
	1	2	3	4	Unrated	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>							
Regulatory Retail	-	-	18,755	-	64,532	83,287	

	Ratings of Residential Mortgages						
	1	2	3	4	Unrated	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>On and Off-Balance Sheet Exposures</u>							
Residential Mortgages	-	-	-	-	73,175	73,175	

*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 RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000		
<b>30 Jun 2018</b>								
Risk Weights								
0%	735,439	-	130,655	7,778	270	6,995	881,137	-
20%	-	1,366,542	174,740	-	-	3,796	1,545,078	309,016
35%	-	-	-	-	70,150	-	70,150	24,553
50%	-	179,126	303,199	12,125	7,993	12,965	515,408	257,704
75%	-	-	-	9,958	-	-	9,958	7,469
100%	-	-	2,867,279	105,399	606	25,870	2,999,154	2,999,153
Total Exposures	735,439	1,545,668	3,475,873	135,260	79,019	49,626	6,020,885	3,597,895
Risk-Weighted Assets by Exposures	-	362,871	3,053,827	118,930	29,155	33,112	3,597,895	
Average Risk Weight	0.0%	23.5%	87.9%	87.9%	36.9%	66.7%	59.8%	
Deduction from Capital Base	-	-	-	-	-	-	-	
	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
<b>31 Dec 2017</b>								
Risk Weights								
0%	363,855	-	538,284	8,290	270	5,681	916,380	-
20%	-	1,228,410	232,698	-	-	4,825	1,465,933	293,186
35%	-	-	-	-	64,473	-	64,473	22,566
50%	-	115,797	379,613	18,755	7,961	24,536	546,662	273,331
75%	-	-	-	10,488	-	-	10,488	7,866
100%	-	-	2,573,911	45,754	471	23,778	2,643,914	2,643,914
Total Exposures	363,855	1,344,207	3,724,506	83,287	73,175	58,820	5,647,850	3,240,863
Risk-Weighted Assets by Exposures	-	303,580	2,810,257	62,998	27,017	37,011	3,240,863	
Average Risk Weight	0.0%	22.6%	75.5%	75.6%	36.9%	62.9%	57.4%	
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 the tolerable levels set and maximise risk-adjusted return according to the Bank's risk preference.

The types of market risks faced by the Bank mainly include interest rate risk and exchange rate risk. For derivative contracts that the Bank enters into with its counterparties, 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 a 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 closely manage 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 the changes in interest rate.

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 for market risk exposures for the financial period is disclosed in note 2.0.

### 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 any 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 monthly basis.

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

	30 Jun 2018		31 Dec 2017	
	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000
<b>Impact on net interest income</b>				
Ringgit Malaysia	(10,629)	10,629	(11,848)	11,848
United States Dollar	(2,322)	2,322	(1,021)	1,021
Chinese Renminbi	(137)	137	(724)	724
Others	(125)	125	(95)	95
<b>Total</b>	<b>(13,213)</b>	<b>13,213</b>	<b>(13,688)</b>	<b>13,688</b>
<b>Impact on economic value</b>				
Ringgit Malaysia	13,682	(13,682)	8,169	(8,169)
United States Dollar	(2,814)	2,814	(3,682)	3,682
Chinese Yuan Renminbi	192	(192)	220	(220)
Others	(224)	224	(189)	189
<b>Total</b>	<b>10,836</b>	<b>(10,836)</b>	<b>4,518</b>	<b>(4,518)</b>

## 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 Bank has adopted the following standards and management measures in managing operational risk:

- requirement for appropriate segregation of duties, including independent authorisation of transactions
- requirement for 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 from debtors, mismatched asset-liability maturity structure and difficulties in realisation of assets.

The management of liquidity and funding has been carried out in compliance with the regulatory requirement as well as management requirement and limits set. The overall liquidity risk management is supervised by the Asset 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 satisfied with 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 of Basel III's liquidity standards and other applicable regulatory requirements.