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 2013

CHIEF EXECUTIVE OFFICER'S ATTESTATION

I, Tian Fenglin, 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 1-16 have been prepared in accordance with the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets), and are accurate and complete.

TIAN FENGLIN
Chief Executive Officer

Date: 29 July 2013

Industrial and Commercial Bank of China (Malaysia) Berhad
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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 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 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 Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("CAF"). 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 seeks to diversify its capital base in a range of different forms from various sources. 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, liquidity risk, operational risk, compliance risk as well as business risk.

Internal capital assessment is carried out to determine the level of internal capital required by the Bank based on the Pillar I and II requirements as well as actual results of the preceding financial year (as the base case). Capital plan, business plan and 3-year budget are approved by the Board of Director on annual basis. The business plan in particular would set out the Bank’s risk appetite to be in line with the lending direction and business strategies for the coming year. Senior Management is responsible in ensuring a smooth development and implementation of the ICAAP framework 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 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 occurence 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 for deliberations.

2.0 Capital Management and Capital Adequacy *(continued)*

The Bank's regulatory capital is analysed as follows:

• 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 reserves 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.

• Tier 2 Capital, which includes collective impairment allowances (excluding collective impairment allowances attributable to financing classified as impaired).

Capital adequacy ratios of the Bank are computed in accordance with BNM's CAF. The minimum regulatory capital adequacy requirement is 8% on the risk-weighted assets ("RWA") for total capital at all times. During the 2-year transitional period, the minimum CET1 Capital ratio is set at 3.5% and 4.0% respectively for year 2013 and 2014, whereas the minimum Tier 1 Capital ratio it is set at 4.5% and 5.5% over the said respective periods. Commencing 1 January 2015, the minimum CET1 Capital and Tier 1 Capital ratio will be set at 4.5% and 6.0% respectively (excluding conservation buffer). The following information presents the capital adequacy ratios of the Bank and the breakdown of RWA:

	30 Jun 2013	31 Dec 2012
(a) **Capital Adequacy Ratio**		
CET1 Capital ratio	**19.382%**	-
Tier 1 Capital Ratio/(Core Capital ratio)	**19.382%**	32.916%
Total Capital Ratio	**19.709%**	33.282%

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

		30 Jun 2013			
Risk type		**Gross Exposures RM'000**	**Net Exposures RM'000**	**Risk Weighted Assets RM'000**	**Capital Requirement RM'000**
Credit Risk					
On-Balance Sheet Exposures					
Sovereigns/Central Bank		**1,669,219**	**1,669,219**	**-**	**-**
Banks, Development Financial Institutions and MDBs		**2,442,676**	**2,442,676**	**557,275**	**44,582**
Corporates		**1,008,853**	**1,008,853**	**760,483**	**60,839**
Regulatory retail		**6,277**	**6,277**	**2,913**	**233**
Residential mortgages		**3,571**	**3,571**	**1,496**	**120**
Other assets		**35,777**	**35,777**	**32,747**	**2,620**
Total On-Balance Sheet Exposures		**5,166,373**	**5,166,373**	**1,354,914**	**108,394**
Off-Balance Sheet Exposures					
Credit-related off-balance sheet exposures		**512,942**	**512,942**	**385,469**	**30,838**
OTC derivatives		**52,654**	**52,654**	**12,545**	**1,004**
Total Off-Balance Sheet Exposures		**565,596**	**565,596**	**398,014**	**31,842**
Total On and Off-Balance Sheet Exposures		**5,731,969**	**5,731,969**	**1,752,928**	**140,236**
Large exposure risk requirement*		-	-	-	-
Market Risk	**Long Position**	**Short Position**			
Foreign currency risk	**2,189**	**15,636**	**15,636**	**15,636**	**1,251**
Operational Risk	-	-	-	**78,757**	**6,301**
Total RWA and Capital Requirements				**1,847,321**	**147,788**

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			Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirement RM'000
			31 Dec 2012			
Credit Risk						
On-Balance Sheet Exposures						
Sovereigns/Central Bank			1,162,105	1,162,105	-	-
Banks, Development Financial Institutions and MDBs			1,708,978	1,708,978	522,487	41,799
Corporates			251,777	251,777	240,277	19,222
Regulatory retail			1,268	1,268	613	49
Residential mortgages			1,699	1,699	775	62
Other assets			21,271	21,271	16,435	1,315
Total On-Balance Sheet Exposures			3,147,098	3,147,098	780,587	62,447
Off-Balance Sheet Exposures						
Credit-related off-balance sheet exposures			315,472	315,472	232,126	18,570
OTC derivatives			14,443	14,443	7,225	578
Total Off-Balance Sheet Exposures			329,915	329,915	239,351	19,148
Total On and Off-Balance Sheet Exposures			3,477,013	3,477,013	1,019,938	81,595
Large exposure risk requirement*			-	-	-	-
Market Risk	**Long Position**	**Short Position**				
Foreign currency risk	554	3,372		3,372	3,372	270
Operational Risk	-	-		-	65,449	5,236
Total RWA and Capital Requirements					1,088,759	87,101

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 components of common equity tier 1, tier 1 and tier 2 capital (excluding deferred tax assets) of the Bank are as follows:

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Tier 1 Capital		
Paid-up share capital	-	331,000
Retained earnings	-	15,799
Statutory reserves	-	12,629
	-	359,428
Less: Deferred tax assets	-	(1,050)
Total Tier 1 Capital	-	358,378
Common Equity Tier 1 capital		
Paid-up share capital	**331,000**	-
Statutory reserves	**12,629**	-
Unrealised losses on investment securities available-for-sale	**(327)**	-
Retained earnings	**15,799**	-
	359,101	-
Less: Deferred tax assets	**(1,050)**	-
Total Common Equity Tier 1 capital	**358,051**	-
Tier 2 Capital		
Collective impairment allowance, representing total Tier 2 capital	**6,029**	3,978
Total Tier 2 Capital	**6,029**	3,978
Total Capital Base	**364,080**	362,356

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 Risk Management Committee ("RMC") at management level and Risk Management Department.

RMC 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 RMC level prior to escalation to BRMC and Board of Directors for approval.

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

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

The Bank has exposure to the following risks 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 is 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. The Credit Committee is supervised by the Senior Management. The functions of the Credit Committee include:

- Formulating and reviewing credit policies
- Setting underwriting standards
- Recommending approval on credit requests
- Monitoring and controlling exposures.

The Bank employs a 14-grade 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 model risk 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 judgment error in the credit grading process. Although the credit grading process would involve qualitative assessment which is subject to judgment 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 interests, 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 assessment and the list of trigger events for individual 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 exposure, 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 June 2013												
	Central Bank	**Financial Services**	**Manufacturing**	**Construction**	**Real Estate**	**Wholesale & Retail Trade and Restaurants & Hotels**	**Transport, Storage and Communication**	**Finance, Insurance and Business Services**	**Mining and Quarrying**	**Electricity, gas and water supply**	**Household**	**Others**	**Total**
On-Balance Sheet exposures	**RM'000**	**RM'000**	**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	1,618,729	1,484,707	-	-	-	-	-	-	-	-	-	-	3,103,436
Deposits and placements with banks													-
and other financial institutions	-	905,198	-	-	-	-	-	-	-	-	-	-	905,198
Investments securities available-for-sale	50,490	5,244	-	-	4,974	-	-	-	61,964	25,906	-	-	148,578
Loans, advances and financing	-	50,555	35,273	117,962	13,715	557,054	11,385	156,652	23,921	-	9,849	49	976,415
Overdrafts	-	-	1,396	6,799	555	1,778	360	-	-	-	368	19	11,275
Term loans													
- housing loans	-	-	-	-	-	-	-	-	-	-	2,734	-	2,734
- other term loans	-	-	12,453	74,932	13,160	512,797	-	57,190	23,921	-	5,220	30	699,703
Bills receivable	-	50,555	2,733	-	-	892	-	33,100	-	-	-	-	87,280
Trust receipts	-	-	-	-	-	-	848	-	-	-	-	-	848
Revolving credit	-	-	12,740	34,705	-	9,528	9,629	66,362	-	-	-	-	132,964
Bankers' acceptances	-	-	5,951	1,526	-	32,059	548	-	-	-	-	-	40,084
Staff loans	-	-	-	-	-	-	-	-	-	-	973	-	973
Credit cards	-	-	-	-	-	-	-	-	-	-	554	-	554
	1,669,219	2,445,704	35,273	117,962	18,689	557,054	11,385	156,652	85,885	25,906	9,849	49	5,133,627
Commitments and Contingencies													
Contingent liabilities	-	-	57,324	8,971	-	19,765	66,314	58,797	-	-	-	-	211,171
Commitments	-	52,237	20,941	37,718	34	150,324	787	54,684	11,905	-	14,827	10,968	354,425
	-	52,237	78,265	46,689	34	170,089	67,101	113,481	11,905	-	14,827	10,968	565,596
Total Credit Exposures	1,669,219	2,497,941	113,538	164,651	18,723	727,143	78,486	270,133	97,790	25,906	24,676	11,017	5,699,223

	As at 31 December 2012												
	Central Bank	Financial Services	Manufacturing	Construction	Real Estate	Wholesale & Retail Trade and Restaurants & Hotels	Transport, Storage and Communication	Finance, Insurance and Business Services	Mining and Quarrying	Electricity, gas and water supply	Household	Others	Total
On-Balance Sheet exposures	RM'000	RM'000	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	1,111,040	224,569	-	-	-	-	-	-	-	-	-	-	1,335,609
Deposits and placements with banks													
and other financial institutions	-	1,372,551	-	-	-	-	-	-	-	-	-	-	1,372,551
Investments securities available-for-sale	51,065	-	-	-	-	-	-	-	-	-	-	-	51,065
Loans, advances and financing	-	116,693	21,913	4,700	27,290	94,004	6,939	73,855	23,076	-	2,967	-	371,437
Overdrafts	-	-	1,655	-	3,575	2,411	580	-	-	-	-	-	8,221
Term loans													
- housing loans	-	-	-	-	-	-	-	-	-	-	988	-	988
- other term loans	-	-	6,538	4,700	13,649	59,480	-	36,798	23,076	-	940	-	145,181
Bills receivable	-	116,693.00	9,189	-	-	4,421	-	-	-	-	-	-	130,303
Trust receipts	-	-	-	-	-	4,109	980	-	-	-	-	-	5,089
Revolving credit	-	-	-	-	10,066	-	4,891	37,057	-	-	-	-	52,014
Bankers' acceptances	-	-	4,531	-	-	23,583	488	-	-	-	-	-	28,602
Staff loans	-	-	-	-	-	-	-	-	-	-	863	-	863
Credit cards	-	-	-	-	-	-	-	-	-	-	176	-	176
	1,162,105	1,713,813	21,913	4,700	27,290	94,004	6,939	73,855	23,076	-	2,967	-	3,130,662
Commitments and Contingencies													
Contingent liabilities	-	-	57,936	3,334	-	8,027	64,174	53,443	-	-	-	-	186,914
Commitments	-	13,175	11,784	41,658	1,527	27,632	4,301	24,741	11,483	-	6,700	-	143,001
	-	13,175	69,720	44,992	1,527	35,659	68,475	78,184	11,483	-	6,700	-	329,915
Total Credit Exposures	1,162,105	1,726,988	91,633	49,692	28,817	129,663	75,414	152,039	34,559	-	9,667	-	3,460,577

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 June 2013		
On-Balance Sheet exposures	**Within Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
Cash and short-term funds	**1,762,742**	**1,340,694**	**3,103,436**
Deposits and placements with banks and other financial institutions	**-**	**905,198**	**905,198**
Investments securities available-for-sale	**55,464**	**93,114**	**148,578**
Loans, advances and financing	**312,507**	**663,908**	**976,415**
Overdrafts	**11,275**	**-**	**11,275**
Term loans			
- housing loans	**2,734**	**-**	**2,734**
- other term loans	**119,450**	**580,253**	**699,703**
Bills receivable	**3,625**	**83,655**	**87,280**
Trust receipts	**848**	**-**	**848**
Revolving credit	**132,964**	**-**	**132,964**
Bankers' acceptances	**40,084**	**-**	**40,084**
Staff loans	**973**	**-**	**973**
Credit cards	**554**	**-**	**554**
	2,130,713	**3,002,914**	**5,133,627**
Commitments and Contingencies			
Contingent liabilities	**61,226**	**149,945**	**211,171**
Commitments	**109,964**	**244,461**	**354,425**
	171,190	**394,406**	**565,596**
Total Credit Exposures	**2,301,903**	**3,397,320**	**5,699,223**

	As at 31 December 2012		
On-Balance Sheet exposures	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	1,159,888	175,721	1,335,609
Deposits and placements with banks and other financial institutions	30,361	1,342,190	1,372,551
Investments securities available-for-sale	51,065	-	51,065
Loans, advances and financing	149,804	221,633	371,437
Overdrafts	8,221	-	8,221
Term loans			
- housing loans	988	-	988
- other term loans	40,242	104,939	145,181
Bills receivable	13,609	116,694	130,303
Trust receipts	5,089	-	5,089
Revolving credit	52,014	-	52,014
Bankers' acceptances	28,602	-	28,602
Staff loans	863	-	863
Credit cards	176	-	176
	1,391,118	1,739,544	3,130,662
Commitments and Contingencies			
Contingent liabilities	38,503	148,411	186,914
Commitments	91,976	51,025	143,001
	130,479	199,436	329,915
Total Credit Exposures	1,521,597	1,938,980	3,460,577

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 June 2013					
On-Balance Sheet exposures	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Cash and short-term funds	**3,103,436**	**-**	**-**	**-**	**-**	**3,103,436**
Deposits and placements with banks and	**-**	**-**	**-**	**-**	**-**	
other financial institutions	**-**	**840,674**	**1,032**	**63,492**	**-**	**905,198**
Investments securities available-for-sale	**-**	**-**	**93,114**	**55,464**	**-**	**148,578**
Loans, advances and financing	**223,372**	**72,286**	**344,630**	**321,586**	**14,541**	**976,415**
Overdrafts	**11,275**	**-**	**-**	**-**	**-**	**11,275**
Term loans						
- housing loans	**16**	**17**	**79**	**455**	**2,167**	**2,734**
- other term loans	**48,067**	**11,703**	**307,325**	**320,903**	**11,705**	**699,703**
Bills receivable	**49,965**	**20,388**	**16,927**	**-**	**-**	**87,280**
Trust receipts	**665**	**183**	**-**	**-**	**-**	**848**
Revolving credit	**104,901**	**22,988**	**5,075**	**-**	**-**	**132,964**
Bankers' acceptances	**7,919**	**16,993**	**15,172**	**-**	**-**	**40,084**
Staff loans	**10**	**14**	**52**	**228**	**669**	**973**
Credit cards	**554**	**-**	**-**	**-**	**-**	**554**
	3,326,808	**912,960**	**438,776**	**440,542**	**14,541**	**5,133,627**
Commitments and Contingencies						
Contingent liabilities	**2,957**	**30,200**	**18,528**	**125,480**	**34,006**	**211,171**
Commitments	**32,875**	**13,475**	**77,946**	**230,129**	**-**	**354,425**
	35,832	**43,675**	**96,474**	**355,609**	**34,006**	**565,596**
Total Credit Exposures	**3,362,640**	**956,635**	**535,250**	**796,151**	**48,547**	**5,699,223**

	As at 31 December 2012					
On-Balance Sheet exposures	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Cash and short-term funds	1,335,609	-	-	-	-	1,335,609
Deposits and placements with banks and						
other financial institutions	-	818,551	492,764	61,236	-	1,372,551
Investments securities available-for-sale				51,065	-	51,065
Loans, advances and financing	83,369	43,789	184,593	49,524	10,162	371,437
Overdrafts	8,221	-	-	-	-	8,221
Term loans						
- housing loans	7	6	32	170	773	988
- other term loans	603	789	85,860	49,190	8,739	145,181
Bills receivable	26,044	22,577	81,682	-	-	130,303
Trust receipts	654	254	4,181	-	-	5,089
Revolving credit	42,648	7,397	1,969	-	-	52,014
Bankers' acceptances	5,010	12,759	10,833	-	-	28,602
Staff loans	6	7	36	164	650	863
Credit cards	176	-	-	-	-	176
	1,418,978	862,340	677,357	161,825	10,162	3,130,662
Commitments and Contingencies						
Contingent liabilities	3,487	90	33,865	51,542	97,930	186,914
Commitments	5,453	5,954	73,408	58,186	-	143,001
	8,940	6,044	107,273	109,728	97,930	329,915
Total Credit Exposures	1,427,918	868,384	784,630	271,553	108,092	3,460,577

5.1 Distribution of Credit Exposures *(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 June 2013												
	Central Bank	**Financial Services**	**Manufacturing**	**Construction**	**Real Estate**	**Wholesale & Retail Trade and Restaurants & Hotels**	**Transport, Storage and Communication**	**Finance, Insurance and Business Services**	**Mining and Quarrying**	**Electricity, gas and water supply**	**Household**	**Others**	**Total**
On-Balance Sheet exposures	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Loans, advances and financing	-	88	254	938	278	2,433	91	1,185	666	-	96	-	6,029
Overdrafts	-	-	38	28	-	46	-	-	-	-	3	-	115
Term loans	-	-	-	-	-	-	-	-	-	-	-	-	
- housing loans	-	-	-	-	-	-	-	-	-	-	13	-	13
- other term loans	-	-	63	588	278	1,902	-	49	666	-	63	-	3,609
Bills receivable	-	88	23	-	-	19	-	58	-	-	-	-	188
Trust receipts	-	-	-	-	-	-	7	-	-	-	-	-	7
Revolving credit	-	-	22	280	-	17	79	1,078	-	-	-	-	1,476
Bankers' acceptances	-	-	108	42	-	449	5	-	-	-	-	-	604
Staff loans	-	-	-	-	-	-	-	-	-	-	6	-	6
Credit cards	-	-	-	-	-	-	-	-	-	-	11	-	11
	-	88	254	938	278	2,433	91	1,185	666		96		6,029

	As at 31 December 2012												
	Central Bank	Financial Services	Manufacturing	Construction	Real Estate	Wholesale & Retail Trade and Restaurants & Hotels	Transport, Storage and Communication	Finance, Insurance and Business Services	Mining and Quarrying	Electricity, gas and water supply	Household	Others	Total
On-Balance Sheet exposures	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	-	494	253	8	556	807	55	1,042	643	-	120	-	3,978
Overdrafts	-	-	41	-	31	43	4	-	-	-	-	-	119
Term loans													
- housing loans	-	-	-	-	-	-	0	-	-	-	5	-	5
- other term loans	-	-	54	8	245	269	0	304	643	-	11	-	1,534
Bills receivable	-	494	76	-	-	53	0	-	-	-	-	-	623
Trust receipts	-	-	-	-	-	34	8	-	-	-	-	-	42
Revolving credit	-	-	-	-	280	-	39	738	-	-	-	-	1,057
Bankers' acceptances	-	-	82	-	-	408	4	-	-	-	-	-	494
Staff loans	-	-	-	-	-	-	-	-	-	-	6	-	6
Credit cards	-	-	-	-	-	-	-	-	-	-	98	-	98
	-	494	253	8	556	807	55	1,042	643	-	120	-	3,978

(v) 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.

	As at 30 June 2013			As at 31 December 212		
	Within Malaysia	**Outside Malaysia**	**Total**	Within Malaysia	Outside Malaysia	Total
On-Balance Sheet exposures	**RM'000**	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
Loans, advances and financing	3,355	2,674	6,029	2,367	1,611	3,978
Overdrafts	115	-	115	119	-	119
Term loans						
- housing loans	13	-	13	5	-	5
- other term loans	1,082	2,527	3,609	416	1,118	1,534
Bills receivable	41	147	188	130	493	623
Trust receipts	7	-	7	42	-	42
Revolving credit	1,476	-	1,476	1,057	-	1,057
Bankers' acceptances	604	-	604	494	-	494
Staff loans	6	-	6	6	-	6
Credit cards	11	-	11	98	-	98
	3,355	2,674	6,029	2,367	1,611	3,978

5.1 Distribution of Credit Exposures *(continued)*

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

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
At beginning of the financial year	**3,978**	1,189
Allowance made during the financial year	**2,616**	7,310
Allowance written back	**(565)**	(4,521)
At end of the financial period/year	**6,029**	3,978
As % of gross loans, advances and financing (net of individual allowance)	**0.6%**	1.1%

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

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

- 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 utilized 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 will be required.

5.2.1 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 2013			
	Principal Amount RM'000	**Positive Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Assets RM'000**
Credit-related exposures				
Transaction-related contingent items	**415,176**	**-**	**207,588**	**128,386**
Short term self-liquidating trade-related contingencies	**17,914**	**-**	**3,583**	**1,856**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	**460,258**	**-**	**230,129**	**201,398**
- not exceeding one year	**340,250**	**-**	**68,050**	**51,135**
Unutilised credit card lines	**17,958**	**-**	**3,592**	**2,694**
Derivative financial contracts				
Foreign exchange related contracts:				
- less than one year	**6,402,065**	**21,157**	**52,654**	**12,545**
Total	**7,653,621**	**21,157**	**565,596**	**398,014**

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

	31 Dec 2012			
	Principal Amount RM'000	Positive Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Credit-related exposures				
Transaction-related contingent items	372,395	-	186,197	108,597
Short term self-liquidating trade-related contingencies	3,584	-	717	717
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	113,057	-	56,528	53,427
- not exceeding one year	351,861	-	70,372	68,141
Unutilised credit card lines	8,290	-	1,658	1,244
Derivative financial contracts				
Foreign exchange related contracts:				
- less than one year	596,301	6,183	14,443	7,225
Total	1,445,488	6,183	329,915	239,351

5.3 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 Mitigants ("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 types of collateral obtained to mitigate credit risks are in the form of cash deposits, bank guarantees, standby letter of credit 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. Formal valuation conducted by the Bank's panel valuer on the property taken as CRM is required prior to the loans 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 to be adequately covered.

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

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

5.3 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 2013		
Credit Risk	**Total Exposures before CRM RM'000**	**Total Exposures Covered by Guarantees RM'000**	**Total Exposures Covered by Eligible Financial Collateral RM'000**
On-Balance Sheet Exposures			
Sovereigns/Central Bank	**1,669,219**	**-**	**-**
Banks, Development Financial Institutions and MDBs	**2,442,676**	**-**	**-**
Corporates	**1,008,853**	**485,172**	**107,761**
Regulatory retail	**6,277**	**-**	**-**
Residential mortgages	**3,571**	**-**	**-**
Other assets	**35,777**	**-**	**-**
Total On-Balance Sheet Exposures	**5,166,373**	**485,172**	**107,761**
Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposures	**512,942**	**323,499**	**4,994**
OTC derivatives	**52,654**	**-**	**-**
Total Off-Balance Sheet Exposures	**565,596**	**323,499**	**4,994**
Total On and Off-Balance Sheet Exposures	**5,731,969**	**808,671**	**112,755**

	31 Dec 2012		
Credit Risk	Total Exposures before CRM RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Bank	1,162,105	-	-
Banks, Development Financial Institutions and MDBs	1,708,978	-	-
Corporates	251,777	86,563	9,150
Regulatory retail	1,268	-	-
Residential mortgages	1,699	-	-
Other assets	21,271	-	-
Total On-Balance Sheet Exposures	3,147,098	86,563	9,150
Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposures	315,472	205,102	3,688
OTC derivatives	14,443	-	-
Total Off-Balance Sheet Exposures	329,915	205,102	3,688
Total On and Off-Balance Sheet Exposures	3,477,013	291,665	12,838

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

5.4 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").

5.4 Assignment of Risk Weights for Portfolios under the Standardised Approach *(continued)*

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 and Central Bank
(b) Banking institutions
(c) Corporate.

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 a counterparty or an exposure is rated by more than one ECAI, all available external ratings of the counterparty will be captured and the following rules will be observed:

• 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.

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

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

Sovereigns and Central Banks

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

Banking Institutions

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

Banking Institutions

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

Corporate

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

5.4.1 Rated Exposures As Per ECAIs

The following tables present the credit exposures, categorised according to the credit quality rating as at 30 June 2013:

	Ratings of Sovereigns and Central Bank					
	1	**2**	**3**	**4**	**5**	**Unrated**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Sovereigns and Central Bank	**-**	**-**	**-**	**-**	**-**	**1,669,219**

	Ratings of Banking Institutions					
	1	**2**	**3**	**4**	**5**	**Unrated**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures						
Banks, MDBs and DFIs	**1,026**	**2,493,886**	**-**	**-**	**-**	**-**

	Ratings of Corporate				
	1	**2**	**3**	**4**	**Unrated**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Corporates	**12,974**	**245,716**	**322,208**	**280,582**	**645,907**

	Ratings of Regulatory Retail				
	1	**2**	**3**	**4**	**Unrated**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Regulatory Retail	**-**	**-**	**-**	**-**	**11,221**

	Ratings of Residential Mortgages				
	1	**2**	**3**	**4**	**Unrated**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On and Off-Balance Sheet Exposures					
Residental Mortgages	**-**	**-**	**-**	**-**	**13,455**

The following tables present the credit exposures, categorised according to the credit quality rating as at 31 December 2012:

	Ratings of Sovereigns and Central Bank					
	1	2	3	4	5	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central Bank	-	-	-	-	-	1,162,105

	Ratings of Banking Institutions					
	1	2	3	4	5	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, MDBs and DFIs	42,865	1,630,111	5,698	43,479	-	-

	Ratings of Corporate				
	1	2	3	4	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Corporates	-	156,987	-	106,444	298,386

	Ratings of Regulatory Retail				
	1	2	3	4	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Regulatory Retail	-	-	-	-	3,557

	Ratings of Residential Mortgages				
	1	2	3	4	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Residental Mortgages	-	-	-	-	6,110

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

5.4.2 Assignment of Risk Weights for Portfolios under the Standardised Approach

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

30 Jun 2013	**Exposures after Netting and Credit Risk Mitigation**							
Risk Weights	**Sovereigns & Central Bank**	**Banks, MDBs and DFIs**	**Corporates**	**Regulatory Retail**	**Residential Mortgages**	**Other assets**	**Total Exposures after Netting & Credit Risk Mitigation**	**Total Risk Weighted Assets**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	**1,669,219**	**-**	**112,846**	**-**	**10**	**3,030**	**1,785,105**	**-**
20%	**-**	**2,213,543**	**19,323**	**-**	**-**	**46,632**	**2,279,498**	**455,900**
35%	**-**	**-**	**-**	**4,581**	**9,989**	**-**	**14,570**	**5,100**
50%	**-**	**229,133**	**480,055**	**600**	**3,456**	**5,606**	**718,850**	**359,425**
75%	**-**	**-**	**-**	**5,770**	**-**	**-**	**5,770**	**4,327**
100%	**-**	**-**	**894,744**	**269**	**-**	**33,163**	**928,176**	**928,176**
Total Exposures	**1,669,219**	**2,442,676**	**1,506,968**	**11,220**	**13,455**	**88,431**	**5,731,969**	**1,752,928**
Risk-Weighted Assets by Exposures	**-**	**557,275**	**1,138,636**	**6,500**	**5,224**	**45,292**	**1,752,928**	
Average Risk Weight	**0.0%**	**22.8%**	**75.6%**	**57.9%**	**38.8%**	**51.2%**	**30.6%**	
Deduction from Capital Base	**-**	**-**	**-**	**-**	**-**	**-**	**-**	

31 Dec 2012	Exposures after Netting and Credit Risk Mitigation							
Risk Weights	Sovereigns & Central Bank	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Other assets	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,162,105	-	12,839	-	-	4,836	1,179,780	-
20%	-	1,179,139	-	-	-	2,101	1,181,240	236,248
35%	-	-	-	1,441	4,293	-	5,734	2,007
50%	-	486,360	156,987	-	1,817	11,073	656,237	328,119
75%	-	-	-	1,834	-	-	1,834	1,376
100%	-	43,479	390,724	282	-	17,703	452,188	452,188
Total Exposures	1,162,105	1,708,978	560,550	3,557.00	6,110.00	35,713	3,477,013	1,019,938
Risk-Weighted Assets by Exposures	-	522,487	469,218	2,162	2,411	23,661	1,019,938	
Average Risk Weight	0.0%	30.6%	83.7%	60.8%	39.5%	66.3%	29.3%	
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 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 positions 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 derivatives 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 Liability 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.

As an establishing financial institution in the local banking industry, the Bank tries to minimise and preferably eliminate exposure to market risk. The Bank does not engage in any proprietary trading activities. Exposures arising from normal banking activities (deposits, loans, foreign exchange, etcetera) are hedged accordingly. 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 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 quarterly basis.

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

	30 Jun 2013		31 Dec 2012	
	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000
Impact on net interest income				
Ringgit Malaysia	**(3,977)**	**3,977**	**(4,715)**	**4,715**
US Dollar	**(768)**	**768**	**1,370**	**(1,370)**
Chinese Yuan Renminbi	**662**	**(662)**	**86**	**(86)**
Others	**2**	**(2)**	**(6)**	**6**
Total	**(4,081)**	**4,081**	**(3,265)**	**3,265**
Impact on economic value				
Ringgit Malaysia	**682**	**(682)**	**642**	**(642)**
US Dollar	**206**	**(206)**	**1,490**	**(1,490)**
Chinese Yuan Renminbi	**11**	**(11)**	**(60)**	**60**
Others	**-**	**-**	**-**	**-**
Total	**899**	**(899)**	**2,072**	**(2,072)**

7.0 Operational Risk

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. The responsibility is supported by the development of an overall Bank 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 this is effective.

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

8.0 Liquidity Risk

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

The management of liquidity and funding is mainly carried out in compliance with BNM's New Liquidity Framework; and practices set by ICBC Group, and the Asset and Liability Committee (ALCO). It is the Bank's responsibility to maintain a strong liquidity position and constantly manage the liquidity profile of its assets, liabilities and commitments to ensure that cash flow requirements are appropriately balanced and all obligations are met accordingly.

As an establishing entity in the Malaysian banking industry, 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 in anticipation of the stringent Liquidity Coverage Ratio and Net Stable Funding Ratio under the Basel III liquidity standards once the regulator has set out the details on the formal implementation date.