BANGKOK BANK BERHAD

(Company No. 299740-W)

Risk Weighted Capital Adequacy Framework (BASEL II)
- Pillar 3 Disclosures
As at 30 June 2016

ATTESTATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO RISK WEIGHTED CAPITAL ADEQUACY FRAMEWORK (BASEL II) – DISCLOSURE REQUIREMENTS (PILLAR 3)

The risk disclosures set out are generally in conformance with the Bank Negara Malaysia Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) as at 30 June 2016.

NG JUI MENG
CHIEF EXECUTIVE OFFICER

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1. Introduction

Bangkok Bank Berhad (the Bank) realizes that effective risk management and good corporate governance are essential to the Bank's stability and sustainable credibility. The Bank therefore places great emphasis on continually improving its risk management processes to ensure that at all times its capital reserves are sufficient to support its operations and absorb potential losses from the risks it is taking.

Recognizing that the effectiveness of the Bank's risk management can be improved and further enhanced through improved market discipline, the Bank discloses information on its capital, risk exposures, risk assessment processes, and capital adequacy, consistent with international standards and in accordance with the Bank Negara Malaysia's (BNM) disclosure requirements.

The Bank believes that transparent disclosure will not only serve the market participants to assess the Bank's risks but also demonstrate the Bank's commitment to its stakeholders by continuously promoting safety and soundness of the Bank's operations.

The Bank shall make full disclosure as per BNM's requirements on an annual and semi-annual basis except where there are material changes in the interim reporting period.

The information provided herein has been reviewed and verified by the Audit & Control Department and certified by the Bank's Chief Executive Officer. Under the BNM's Risk Weighted Capital Adequacy Framework (RWCAF), the information disclosed herein is not required to be audited by external auditors.

The Bank's disclosure is in accordance with market discipline, includes both qualitative and quantitative information, and are available on the Bank's website under **www.bangkokbank.com.my**

2. Scope of Application

The Bank, a locally-incorporated foreign bank wholly owned by Bangkok Bank Public Company Limited, discloses its capital information on a solo basis. The Bank does not offer Islamic financial services nor is involved in Islamic banking operations.

The Bank's subsidiary, BBL Nominees (Tempatan) Sdn Bhd is not involved in banking operations and is of an immaterial size relative to the Bank. Therefore, no separate Group capital adequacy ratios for the purpose of consolidation is prepared for regulatory reporting.

3. Capital

3.1 Capital Structure

As at 30 June 2016 and 31 December 2015, the Bank's total capital according to the BNM's Capital Adequacy Framework (CAF) Basel III is as follows:

Table 1: The Bank's total capital

		RM'000
	30 June 2016	**31 December 2015**
Common Equity Tier-1 Capital		
Paid-up share capital	600,000	600,000
Statutory reserve	153,441	153,441
Unrealised gain on "available for sale" financial instruments	1,313	271
Retained profits	46,429	28,897
Less: Deferred tax assets	(6,402)	(5,678)
Total Common Equity Tier-1 Capital	**794,781**	**776,931**
Tier 2 Capital		
Collective impairment (only those attributable to non-impaired loan, advances and financing)	43,741	44,068
Investment in subsidiary	(10)	(10)
Total Tier 2 Capital	**43,731**	**44,058**
Total Capital	**838,512**	**820,989**

3.2 Capital Adequacy

The objective of the Bank's capital management guidelines is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet regulatory requirements and market expectations.

The Bank's capital management process involves a careful analysis of the capital requirement to support business growth and the source of capital, both from financial performance as well as external funding sources, if necessary. The Bank regularly assesses its capital adequacy for the purpose of capital planning and management to ensure that the capital is at the level suitable for the prevailing business conditions.

The Bank adopts the Standardized Approach (SA) in computing credit risk and market risk, while adopting Basic Indicator Approach (BIA) for operational risk.

As at 30 June 2016 and 31 December 2015, the Bank's capital requirements for each type of risks and capital adequacy ratios, in accordance with the BNM's Basel II guidelines, are as follows:

Table 2: Capital requirements for each type of risks classified by asset types under Basel II

Exposure Class		Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement (RM'000)
30 June 2016					
Credit Risk					
On-Balance Sheet Exposures					
- Sovereigns/Central Banks		866,504	866,504	-	-
- Banks, Development Financial Institutions & MDBs		385,023	385,023	80,560	6,445
- Corporates		2,841,096	2,807,260	2,700,038	216,003
- Regulatory Retail		-	-	-	-
- Residential Mortgages		2,825	2,825	1,226	98
- Higher Risk Assets		-	-	-	-
- Other Assets		165,317	165,317	161,468	12,917
- Equity Exposures		872	872	872	70
- Defaulted Exposures		60,987	60,837	60,510	4,841
Total for On-Balance Sheet Exposures		4,322,624	4,288,638	3,004,674	240,374
- OTC Derivatives		3,923	3,923	3,626	290
- Credit Derivatives		-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives		497,048	493,790	489,710	39,177
- Defaulted Exposures		847	847	1,270	101
Total for Off-Balance Sheet Exposures		501,818	498,560	494,606	39,568
Total for On & Off-Balance Sheet Exposures		**4,824,442**	**4,787,198**	**3,499,280**	**279,942**
	Long Position	**Short Position**			
Market Risk					
Interest Rate Risk	170,876	169,930	946	3,038	243
Foreign Currency Risk	80,077	74,433	5,644	9,974	798
Operational Risk				153,801	12,304
Total Risk Weighted Assets				**3,666,093**	**293,287**

Exposure Class		Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement RM'000
31 December 2015					
Credit Risk					
On-Balance Sheet Exposures					
- Sovereigns/Central Banks		834,593	834,593	-	-
- Banks, Development Financial Institutions & MDBs		411,418	411,418	84,367	6,749
- Corporates		2,889,026	2,845,186	2,697,660	215,813
- Regulatory Retail		-	-	-	-
- Residential Mortgages		3,054	3,054	1,308	104
- Higher Risk Assets		-	-	-	-
- Other Assets		148,277	148,277	143,546	11,484
- Equity Exposures		872	872	872	70
- Defaulted Exposures		63,248	62,647	63,309	5,065
Total for On-Balance Sheet Exposures		4,350,488	4,306,047	2,991,062	239,285
- OTC Derivatives		12,066	12,066	9,461	757
- Credit Derivatives		-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives		530,391	528,085	523,760	41,901
- Defaulted Exposures		754	752	1,128	90
Total for Off-Balance Sheet Exposures		543,211	540,903	534,349	42,748
Total for On & Off-Balance Sheet Exposures		**4,893,699**	**4,846,950**	**3,525,411**	**282,033**
	Long Position	**Short Position**			
Market Risk					
Interest Rate Risk	372,037	373,061	(1,024)	3,338	267
Foreign Currency Risk	29,583	22,343	7,240	7,240	579
Operational Risk				146,762	11,741
Total Risk Weighted Assets				**3,682,751**	**294,620**

The Bank has complied with BNM's capital adequacy requirements as follows:

	BNM Minimum Requirement	30 June 2016	31 December 2015
Total Capital Ratio (TCR)	8.625%	22.9%	22.3%
Tier 1 Capital Ratio	6.625%	21.7%	21.1%
Common Equity Tier-1 (CET1) Capital Ratio	5.125%	21.7%	21.1%

4. Information Related to the Bank's Risks

The Bank recognizes that the operations of the Bank could be affected by certain risk factors. The Bank has continuously analyzed major risk factors which could affect its financial operations and reshaped its organizational structure and risk management processes. This is to ensure that its risk management system is in line with industry practices and is in accordance with the guidelines set out by BNM.

The Bank's Risk Management Committee plays a significant role in prescribing the risk management policy, reviewing the sufficiency of the risk management policy and system, defining the strategy for risk management, and monitoring the Bank's risk to an appropriate level, in compliance with the Bank's risk management policy which has been approved by the Board of Directors based on the Risk Management Committee's recommendation. The objectives are to manage the relevant risks within designated boundaries, in particular strengthening the quality of capital in accordance with the revised capital adequacy requirements under the Basel III guidelines which have been implemented since the beginning of 2013, and to achieve an appropriate rate of return.

Important processes in the risk management system comprise the identification of significant risks which may potentially impact the Bank's business operations, the assessment of each type of risk, the monitoring of risks to an appropriate level under the Bank's policy, and the reporting of the status of each type of risk to relevant parties so as to enable them to manage and/or handle the risks in a timely manner.

A key principle of the risk management system is that business units shall be responsible for continuously managing their risk exposures in order to ensure that the risk is within the specified limits and in compliance with the overall risk management policy approved by the Board of Directors, while the Risk Management Department is responsible for monitoring and controlling the risks on a regular basis. The Bank's Audit and Control Department is responsible for auditing the operation of other departments related to particular risk types as well as Risk Management Department to assess the effectiveness, sufficiency, and appropriateness of the internal control systems.

The Bank existing capital structure is being refined to include other risks in line with the requirement of BNM-Internal Capital Adequacy Assessment Process (ICAAP) Pillar 2. The objective of Pillar 2 is to ensure the Bank has adequate capital to support its banking business at all times. In line with Pillar 2 guidelines, the Bank has established the ICAAP Committee to take on the responsibility of the oversight function for the overall implementation of ICAAP. The Bank has established the ICAAP Policy and the Bank's risk appetite statement. Based on the Bank's exposure and mitigation controls currently in place, the Bank has sufficient processes to manage and monitor the risks under Pillar 2. The Board-approved ICAAP report is submitted to BNM on yearly basis.

The Bank's guidelines for the management of credit risk, market risk and operational risk are as follows:

4.1 Credit Risk

Credit Risk is the risk that arises from the inability of the borrowers or counterparties to perform their obligations under contractual agreements in relation to the Bank's lending, investment and other contractual commitments, for example, the borrowers' failure to repay principal and/or interest as agreed with the Bank, etc.

4.1.1 Credit Risk (General Disclosures)

Credit Risk Management

The Bank has specified the processes for credit approval which include the formulation of credit policy, the credit risk rating for customers, and the establishment of different levels of delegation of authority for credit approval depending upon the type of business and/or the size of the credit line. In considering the approval of loans in general, the Bank considers the purpose of the loan and assesses the repayment ability of the applicant; taking into account the applicant's operating cash flows, business feasibility and the capability of management, as well as collateral coverage.

The Bank also performs credit reviews which include reviewing credit risk rating levels on a regular basis. The Bank has therefore set up the following units to monitor and manage the relevant risks.

- Credit Policy Function/Unit oversees the credit policy framework and coordinates the improvement and adjustment of the credit policy. It is also responsible for disseminating the credit policy, credit standards and credit processes; for monitoring and overseeing exceptional cases which are inconsistent with the credit policy; and for gathering various inputs which may be used for improving the credit policy.
- Credit Acceptance Function/Unit oversees the quality of credit extensions to ensure they are in line with the credit policy and credit underwriting standards, reviews the appropriateness of loan structures as well as the results of customers' credit risk ratings, promotes the development of a good credit culture, and maintains a systematic and reliable credit extension process.
- Portfolio Management Function/Unit is responsible for analyzing and making recommendations for adjustments to the portfolio structure, recommending the appropriate portfolio composition and the provision of reserves for losses at the portfolio level, developing and overseeing credit risk management tools and methodologies, constructing credit databases and overseeing related management standards.
- Special Asset Management Function/Unit is responsible for managing impaired loans, and for determining and executing strategies for the resolution and restructuring of troubled loans.

All the functions/units specified are responsible for monitoring, reporting and ensuring that they operate in accordance with the Bank's risk management policy. Normally a credit application is submitted to the Credit Acceptance Function/Unit to analyze and ensure that the proposals comply with the Bank's credit policies in areas such as credit underwriting standards, credit risk rating, and collateral evaluation, in order to manage credit risk. In handling impaired loans, the Bank has established a specific unit to monitor and resolve such loans. The Bank also has independent functions/units to review credit quality and credit management processes; assess the adequacy of reserves to absorb loan losses for impaired loans; evaluate effectiveness in complying with credit policy, regulations and credit underwriting standards; and assess the appropriateness of portfolio composition, the adequacy of capital and the effectiveness in stress testing as specified by the BNM. All the functions/units involved in the procedures mentioned are responsible for reporting the operating results to the Board of Directors and the Risk Management Committee on a regular basis.

In addition, the Bank imposes limits to control credit risk. The Bank's limit is determined by the sum of the total amount of credits granted, investments, and contingent liabilities undertaken with borrowers or groups of debtors. The limit specified is to limit the loss of the Bank's capital when the economic recession or other factors impact negatively on a business or a group of businesses. For risk control purposes, the Bank has specified limits in various areas such as large borrower concentrations and country concentrations. With such limits, the Bank can be certain that it will have adequate capital to ensure the continuity of its business operations even in difficult times.

Managing Credit Risk Concentration

Credit risk concentration exists in lending to single customer or group of related counterparties of borrowers, or borrowers engaged in similar activities/industry. To manage these concentrations, exposure limits are established for single borrowing groups and industry sectors.

The Bank is in compliance with BNM Guidelines on Lending to the Broad Property Sector and Lending for the Purchase of Shares and Units of Unit Trust Fund which limit Broad Property Sector exposure to not more than 20% of its total outstanding loans and advances.

Classification and Impairment of Assets

The Bank's classification of impairment of assets is in line with BNM Guidelines on Classification and Impairment Provisions for Loans/Financing:

i. Where the principal or interest or both is past due for more than 90 days or 3 months;

ii. In the case of revolving facilities, the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit of more than 90 days or 3 months;

iii. Where repayments are scheduled on intervals of 3 months or longer, as soon as a default occurs;

iv. When the loan is classified as rescheduled and restructured in CCRIS

v. A loan is classified as impaired due to adverse credit event or detection of weaknesses (for example, breach of loan covenants, cross default, etc.) and subject to Loan Committee's decision.

The Bank maintains impairment allowances for loans that are sufficient to absorb credit losses inherent in its loan portfolio. Total loan loss reserves comprise individually assessed impairment allowances against each impaired loan and collectively assessed impairment allowances for all loans on books to cover any losses that are not yet evident. The Bank's policy for loan impairment is guided by Malaysian Financial Reporting Standard 139 (MFRS 139 Financial Instruments: Recognition and Measurement) and as mentioned above, BNM Guidelines on Classification and Impairment Provisions for Loans/Financing.

Individual impairment provisions is made on any shortfall in the discounted cash flows from the sale of collateral and other estimated cash inflows against the carrying value of the loans. The collective impairment assessment methodology is leveraging on Basel II methodology and computed based on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) of the respective group of loans.

Special attention is paid to problem exposures, which are subject to more frequent and intensive review and reporting, in order to accelerate remedial action. The Bank provides support to customers to help them to avoid loan default wherever possible.

The following tables present the Bank's quantitative information related to credit risk:

Table 3: Geographic Distribution of Gross Credit Exposures

Exposure Class	Malaysia	Thailand	USA	Others	Total
					RM'000
31 June 2016					
Sovereigns/Central Banks	866,504	-	-	-	866,504
Banks, Development Financial Institutions & MDBs	346,866	8,815	22,451	15,273	393,405
Corporates	3,323,816	-	-	9,869	3,333,685
Regulatory Retail	-	-	-	-	-
Residential Mortgages	2,825	-	-	-	2,825
Higher Risk Assets	-	-	-	-	-
Other Assets	165,317	-	-	-	165,317
Equity Exposures	872	-	-	-	872
Defaulted Exposures	61,834	-	-	-	61,834
Total Credit Exposures	**4,768,034**	**8,815**	**22,451**	**25,142**	**4,824,442**

Exposure Class	Malaysia	Thailand	USA	Others	Total
					RM'000
31 December 2015					
Sovereigns/Central Banks	834,593	-	-	-	834,593
Banks, Development Financial Institutions & MDBs	373,162	8,350	28,882	12,945	423,339
Corporates	3,406,742	800	-	12,020	3,419,562
Regulatory Retail	-	-	-	-	-
Residential Mortgages	3,054	-	-	-	3,054
Higher Risk Assets	-	-	-	-	-
Other Assets	148,277	-	-	-	148,277
Equity Exposures	872	-	-	-	872
Defaulted Exposures	64,002	-	-	-	64,002
Total Credit Exposures	**4,830,702**	**9,150**	**28,882**	**24,965**	**4,893,699**

* The Bank's country risk management based on customer's country of residence

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Table 4: Distribution of Gross Credit Exposures by Sector

RM'000

Exposure Class	Government	Individuals	Primary Agriculture	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale & Retails	Real Estate	Finance, Insurance & Business Services	Transport , Storage & Telecomm	Others	Total
As at 30 June 2016												
Sovereigns/Central Banks	866,504	-	-	-	-	-	-	-	-	-	-	866,504
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	393,405	-	-	393,405
Corporates	-	48,301	250,776	977,266	52,222	227,090	701,049	291,415	705,775	74,113	5,678	3,333,685
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	2,825	-	-	-	-	-	-	-	-	-	2,825
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	5,929	-	159,388	165,317
Equity Exposures	-	-	-	-	-	-	-	-	872	-	-	872
Defaulted Exposures	-	881	13,109	30,900	-	-	12,047	-	4,897	-	-	61,834
Total Credit Exposures	**866,504**	**52,007**	**263,885**	**1,008,166**	**52,222**	**227,090**	**713,096**	**291,415**	**1,110,878**	**74,113**	**165,066**	**4,824,442**

Exposure Class	Government	Individuals	Primary Agriculture	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale & Retails	Real Estate	Finance, Insurance & Business Services	Transport , Storage & Telecomm	Others	Total
												RM'000
As at 31 December 2015												
Sovereigns/Central Banks	834,593	-	-	-	-	-	-	-	-	-	-	834,593
Banks, Development Financial Institutions & MDBs	-	-	-	`-	-	-	-	-	423,339	-	-	423,339
Corporates	-	49,501	269,603	1,024,042	106,569	255,576	743,209	285,300	569,614	54,659	61,489	3,419,562
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	3,054	-	-	-	-	-	-	-	-	-	3,054
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	8,838	-	139,439	148,277
Equity Exposures	-	-	-	-	-	-	-	-	872	-	-	872
Defaulted Exposures	-	935	12,563	32,381	-	-	8,341	-	4,897	-	4,885	64,002
Total Credit Exposures	**834,593**	**53,490**	**282,166**	**1,056,423**	**106,569**	**255,576**	**751,550**	**285,300**	**1,007,560**	**54,659**	**205,813**	**4,893,699**

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Table 5: Residual Contractual Maturity of Gross Credit Exposures

Exposure Class	One year or less	One to five years	More than five years	Total
				RM'000
31 June 2016				
Sovereigns/Central Banks	377,779	488,725	-	866,504
Banks, Development Financial Institutions & MDBs	393,315	90	-	393,405
Corporates	2,123,842	761,189	448,654	3,333,685
Regulatory Retail	-	-	-	-
Residential Mortgages	2,137	66	622	2,825
Higher Risk Assets	-	-	-	-
Other Assets	5,929	-	159,388	165,317
Equity Exposures	872	-	-	872
Defaulted Exposures	23,858	37,976	-	61,834
Total Credit Exposures	**2,927,732**	**1,288,046**	**608,664**	**4,824,442**

Exposure Class	One year or less	One to five years	More than five years	Total
				RM'000
31 December 2015				
Sovereigns/Central Banks	388,892	445,701	-	834,593
Banks, Development Financial Institutions & MDBs	423,249	90	-	423,339
Corporates	2,216,123	758,739	444,700	3,419,562
Regulatory Retail	-	-	-	-
Residential Mortgages	2,332	81	641	3,054
Higher Risk Assets	-	-	-	-
Other Assets	8,838	-	139,439	148,277
Equity Exposures	872	-	-	872
Defaulted Exposures	26,959	37,043	-	64,002
Total Credit Exposures	**3,067,265**	**1,241,654**	**584,780**	**4,893,699**

Table 6: Impaired Loans, Collective Impairment Allowance, Individual Impairment Allowance and Bad Debt Written off Classified by Economic Purpose.

				RM'000
	30 June 2016			
Economic Purpose	**Impaired Loans**	**Collective Impairment**	**Individual Impairment**	**Bad debt Written off**
- Purchase of Securities	-	-	-	-
- Purchase of Transport Vehicles	-	5	-	-
- Purchase of Residential Properties	1,412	127	530	149
- Purchase of Non-Residential Properties	-	1,436	-	-
- Purchased of Fixed Assets Other Than Land and Building	-	1,115	-	-
- Personal Use	-	376	-	-
- Construction	10,628	7,385	-	-
- Mergers and Acquisition	-	1,048	-	-
- Working Capital	139,301	50,291	90,931	-
- Others	540	6,742	-	-
Total	**151,881**	**68,525**	**91,461**	**149**

Economic Purpose	31 December 2015			RM'000
	Impaired Loans	Collective Impairment	Individual Impairment	Bad debt written off
- Purchase of Securities	-	-	-	-
- Purchase of Transport Vehicles	-	8	-	-
- Purchase of Residential Properties	1,602	119	663	-
- Purchase of Non-Residential Properties	-	1,691	-	-
- Purchased of Fixed Assets Other Than Land and Building	-	1,047	-	-
- Personal Use	-	388	-	-
- Construction	9,831	6,918	-	-
- Mergers and Acquisition	-	1,224	-	-
- Working Capital	140,752	52,139	89,862	1,937
- Others	335	5,600	-	3,150
Total	**152,520**	**69,134**	**90,525**	**5,087**

Table 7: Reconciliation of Changes in the Collective and Individual Impairment Allowance

			RM'000
Item	**Collective Impairment**	**Individual Impairment**	**Total**
Balance as at 1 January 2016	**69,134**	**90,525**	**159,659**
Impairment during the period	(609)	3,242	2,633
Recovered and written back	-	(2,157)	(2,157)
Written off	-	(149)	(149)
Balance as at 30 June 2016	**68,525**	**91,461**	**159,986**

All impaired loans, collective impairment allowance, individual impairment allowance and bad debt written off of the Bank are attributable to customers in Malaysia.

4.1.2 Credit Rating

Where available, the Bank uses external ratings issued by recognized external credit assessment institutions (ECAIs) such as Standard & Poor, Moody's, Fitch, RAM and MARC to determine the risk weights of its credit exposure as per the Standardised Approach.

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Table 8: Disclosure on Credit Risk: Disclosure on Risk Weights under Standardised Approach

Risk Weights	Sovereign / Central Bank	Banks, MDBs and FDIs	Corporates	Regulatory Retail	Residential Mortgages	Other Assets	Equity	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Exposures after Netting and Credit Risk Mitigation								RM'000
As at 30 June 2016									
0%	866,504	-	-	-	-	3,849	-	870,353	-
20%	-	373,792	121,366	-	-	-	-	495,158	99,032
35%	-	-	-	-	2,188	-	-	2,188	766
50%	-	19,613	50,013	-	465	-	-	70,091	35,045
75%	-	-	-	-	-	-	-	-	-
100%	-	-	3,155,960	-	1,050	161,468	872	3,319,350	3,319,350
150%	-	-	30,058	-	-	-	-	30,058	45,087
Average Risk Weight								**4,787,198**	**3,499,280**
Deduction from Capital Base	-	-	-	-	-	-	-	-	

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Risk Weights	Sovereign / Central Bank	Banks, MDBs and FDIs	Corporates	Regulatory Retail	Residential Mortgages	Other Assets	Equity	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Exposures after Netting and Credit Risk Mitigation								RM'000
As at 31 December 2015									
0%	834,593	-	-	-	-	4,731	-	839,324	-
20%	-	407,707	171,257	-	-	-	-	578,964	115,793
35%	-	-	-	-	2,409	-	-	2,409	843
50%	-	15,632	49,969	-	468	-	-	66,069	33,034
75%	-	-	-	-	-	-	-	-	-
100%	-	-	3,183,543	-	1,109	143,546	872	3,329,070	3,329,070
150%	-	-	31,114	-	-	-	-	31,114	46,671
Average Risk Weight								**4,846,950**	**3,525,411**
Deduction from Capital Base	-	-	-	-	-	-	-	-	

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Table 9: Disclosure on Rated and Unrated Exposures according to Ratings by ECAIs

Position as at **30 June 2016**

Exposure Class	**Ratings of Corporate by Approved ECAIs**					
	Moodys	Aaa to Aa3	A1 to A3	Baa1to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance Sheet Exposures						
Credit Exposure (using Corporate Risk Weights)						
Corporate		121,366	20,258	-	-	3,253,018
Equity		123	-	-	-	749
Total		121,489	20,258	-	-	3,253,767

Exposure Class	**Ratings of Sovereigns and Central Banks by Approved ECAIs**						
	Moodys	Aaa to Aa3	A1 to A3	Baa1to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
On and Off Balance Sheet Exposures							
Sovereigns / Central Banks		-	866,504	-	-	-	-
Total		-	866,504	-	-	-	-

Exposure Class	**Ratings of Banking Institutions by Approved ECAIs**						
	Moodys	Aaa to Aa3	A1 to A3	Baa1to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB+ to BBB-	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off Balance Sheet Exposures							
Banks, MDBs and FDIs		117,106	2	19,863	-	-	5,439
Total		117,106	2	19,863	-	-	5,439

Position as at **31 December 2015**

Exposure Class	**Ratings of Corporate by Approved ECAIs**					
	Moodys	Aaa to Aa3	A1 to A3	Baa1to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance Sheet Exposures						
Credit Exposure (using Corporate Risk Weights)						
Corporate		171,257	20,240	800	-	3,290,335
Equity		123	-	-	-	749
Total		171,380	20,240	800	-	3,291,084

Exposure Class	**Ratings of Sovereigns and Central Banks by Approved ECAIs**						
	Moodys	Aaa to Aa3	A1 to A3	Baa1to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
On and Off Balance Sheet Exposures							
Sovereigns / Central Banks		-	834,593	-	-	-	-
Total		-	834,593	-	-	-	-

Exposure Class	**Ratings of Banking Institutions by Approved ECAIs**						
	Moodys	Aaa to Aa3	A1 to A3	Baa1to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB+ to BBB-	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off Balance Sheet Exposures							
Banks, MDBs and FDIs		236,875	169,525	15,191	-	-	1,748
Total		236,875	169,525	15,191	-	-	1,748

4.1.3 Credit Risk Mitigation (Disclosures under the Comprehensive Approach)

The Bank's policy is to mitigate credit risk which may arise when borrowers are unable or unwilling to repay loans. Prior to granting credits, the Bank shall request collateral to mitigate against potential losses.

The main types of collateral obtained by the Bank to mitigate against potential losses include:

a) for residential mortgages – charges over residential properties
b) for corporate loans – charges over business assets such as premises, inventories, trade receivables or deposits.
c) for share margin financing – pledges over securities from listed exchange
d) for other loans – charges over business assets such as premises, inventories, trade receivables or deposits.

The Bank also accepts guarantees from individuals and corporate customers to mitigate losses, subject to internal guidelines on eligibility.

Accordingly, policies and procedures are in place to govern the protection of the Bank's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure legal enforceability of the Credit Risk Mitigation. In addition, the Bank has set up units to verify the correctness and completeness of collateral before drawdown as well as to monitor that the conditions of the agreement are strictly complied with. Specific unit has to ensure that all documentation used in collateralized transactions must be binding on all parties and legally enforceable in all relevant jurisdictions.

In order to protect the Bank against depreciation or devaluation of collateral value, processes and procedures on the periodic valuation reviews and updates on collateral is in place to ensure this. The value of pledged property is updated from time to time during the review of borrower's credit facilities to reflect the recent market value. The market value of pledged shares is monitored on daily basis.

As for financial collaterals such as cash, deposits, and equity securities, the Bank currently adopts the Comprehensive Approach for credit risk mitigation as specified by the BNM.

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Table 10: Disclosure on Credit Risk Mitigation under Standardised Approach

RM'000

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposure Covered by Eligible Financial Collateral	Exposure Covered by Other Eligible Collateral
30 June 2016				
Credit Risk				
On-Balance Sheet Exposures				
- Sovereigns/Central Banks	866,504	-	-	-
- Banks, Development Financial Institutions & MDBs	385,023	-	-	-
- Corporates	2,841,096	-	33,836	-
- Regulatory Retail	-	-	-	-
- Residential Mortgages	2,825	-	-	-
- Higher Risk Assets	-	-	-	-
- Other Assets	165,317	-	-	-
- Equity Exposures	872	-	-	-
- Defaulted Exposures	60,987	-	150	-
Total for On-Balance Sheet Exposures	4,322,624	-	33,986	-
Off-Balance Sheet Exposures				
- OTC Derivatives	3,923	-	-	-
- Credit Derivatives	-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives	497,048	-	3,259	-
- Defaulted Exposures	847	-	-	-
Total for Off-Balance Sheet Exposures	501,818	-	3,259	-
Total for On & Off-Balance Sheet Exposures	**4,824,442**	-	**37,245**	-

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Exposure Class	Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposure Covered by Eligible Financial Collateral	Exposure Covered by Other Eligible Collateral
				RM'000
31 December 2015				
Credit Risk				
On-Balance Sheet Exposures				
- Sovereigns/Central Banks	834,593	-	-	-
- Banks, Development Financial Institutions & MDBs	411,418	-	-	-
- Corporates	2,889,026	800	43,840	-
- Regulatory Retail	-	-	-	-
- Residential Mortgages	3,054	-	-	-
- Higher Risk Assets	-	-	-	-
- Other Assets	148,277	-	-	-
- Equity Exposures	872	-	-	-
- Defaulted Exposures	63,248	-	601	-
Total for On-Balance Sheet Exposures	4,350,488	800	44,441	-
Off-Balance Sheet Exposures				
- OTC Derivatives	12,066	-	-	-
- Credit Derivatives	-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives	530,391	-	2,306	-
- Defaulted Exposures	754	-	2	-
Total for Off-Balance Sheet Exposures	543,211	-	2,308	-
Total for On & Off-Balance Sheet Exposures	**4,893,699**	**800**	**46,749**	**-**

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4.1.4 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The Bank has put in place credit limits for counterparty in relation to derivative transactions entered into. However, the Bank does not impose collateral from counterparty and establish credit reserve for off-balance sheet transactions.

Table 11: Disclosure on Off-Balance Sheet and Counterparty Credit Risk

				RM'000
Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent**	**Risk Weighted Assets**
30 June 2016				
Direct credit substitutes	5,761		5,761	5,082
Transaction-related contingent items	176,685		88,342	83,284
Short-term self-liquidating trade-related contingencies	49,024		9,805	9,797
Forward foreign exchange				
- less than one year	243,786	2,275	3,923	3,626
Interest/Profit Rate Contracts				
- less than one year	-	-	-	-
- One to five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with original				
- maturity more than one year	37,135		18,567	18,568
- maturity less than one year	1,877,098		375,420	374,249
Any commitment that are unconditionally cancelled at any time without prior notice	54,296		-	-
Total	**2,443,785**	**2,275**	**501,818**	**494,606**

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent	Risk Weighted Assets
				RM'000
31 December 2015				
Direct credit substitutes	5,969		5,969	5,287
Transaction-related contingent items	191,951		95,975	90,436
Short-term self-liquidating trade-related contingencies	24,821		4,964	4,964
Forward foreign exchange				
- less than one year	417,807	6,971	12,066	9,461
Interest/Profit Rate Contracts				
- less than one year	-	-	-	-
- One to five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with original				
- maturity more than one year	69,859		34,930	34,926
- maturity less than one year	1,946,535		389,307	389,276
Any commitment that are unconditionally cancelled at any time without prior notice	97,262		-	-
Total	**2,754,204**	**6,971**	**543,211**	**534,350**

4.1.5 Securitisation Disclosures under Standardised Approach

Currently, the Bank does not have any securitisation transaction.

4.2 Market Risk

Market risk is the adverse impact on earnings or capital arising from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices. The Bank does not take positions in equity and commodities.

4.2.1 Market Risk Management

The Bank aims to manage market risk to be in line with the overall risk management policy of the Bank. In general, the Bank's policy is to manage assets and liabilities denominated in both Ringgit Malaysia and foreign currencies through the use of risk measurement and limits to optimize interest rate risk and foreign exchange risk. If the risk increases significantly, the Bank may use derivative instruments such as foreign exchange forward, foreign exchange swap or reduce the mismatches of assets and liabilities besides restructuring its assets and liabilities profile, to mitigate the risk. Currently, the Bank does not take any hedging activities. The Asset and Liability Management Committee (ALCO), Treasury Department and Market Risk Unit are responsible for managing and monitoring the risk, as well as proposing the enhancement of the risk management policy and/or the risk measurement and limits appropriate for the prevailing market conditions.

ALCO is responsible for establishing guidelines for the management of assets and liabilities as well as monitoring and managing interest rate risk and liquidity risk to be at an acceptable level with minimal fluctuations and in compliance with the policies set by the Risk Management Committee and the Board of Directors. ALCO operates with the support mainly from the Market Risk Unit (which is responsible for identifying, assessing, monitoring, reporting and controlling the Bank's market risk).

Treasury Department manages and controls day-to-day trading of foreign currencies and manages the Bank's liquidity portfolio in line with the Bank's policy. Treasury Department's activities are monitored by the Market Risk Unit to ensure that the risks taken are in line with the relevant monitoring references. The Market Risk Unit will report to ALCO which in turn reviews the appropriateness of risk exposures and the monitoring references on a regular basis.

4.2.2 Traded Market Risk

Traded market risk arises mainly from proprietary trading and client servicing. The Bank's traded market risk mainly comprises of interest rate and foreign exchange risk.

Risk Assessment and Monitoring for Traded Market Risk

The Bank uses a set of tools/measurements to assess market risk exposures in the trading book, including:

1. Present Value of a Basis Point (PV01)

   The Present Value of a Basis Point (PV01) measures the change in value of interest rate sensitive exposures resulting from one basis point increase in interest rate.

2. Marked-to-Market (MTM)

   Apart from the PV01 measurement, the Bank also conduct daily portfolio marked-to-market profit and loss, and monitor the portfolio size with approved limits to assess market risk exposures in the trading book.

Risk Control for Traded Market Risk

Traded market risk is controlled primarily through a series of limits such as PV01 Limit, Cut-Loss Limits and Portfolio Limits, which are regularly reviewed by ALCO.

The Board of Directors approves limits at least once a year or as and when appropriate.

Capital Treatment for Traded Market Risk

The Bank currently adopts the SA approach for the calculation of regulatory market risk capital and internally uses PV01 method to measure, monitor and control traded market risks, as mentioned in the risk assessment and monitoring.

4.2.3 Equity Exposure in the Banking Book

The Bank does not take proprietary position in equity. The equity positions that the Bank has are related to equity holdings held in organizations which are set up for specific socio-economic reasons (e.g. Cagamas) and received as a result of loan restructuring or loan conversion. These non-listed equity securities are fair valued using the discounted cash flow approach or the net asset value approach, as appropriate.

Table 12: Equity Exposures in the Banking Book

		RM'000
Equity exposures	**30 June 2016**	**31 December 2015**
Equity exposures		
• Equity securities - unquoted		
- Cost value *	872	872
- Market value	-	-
Realised gains (losses) on sales of equity securities for the period/ year	-	-
Unrealized gains (losses) on revaluation from available-for-sale equity securities	-	-
Minimum capital for equity exposures under SA approach	**70**	**70**

* Net of the impairment charges for the investment in equity securities, if any

4.2.4 Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk in the banking business normally arises when the repricing and/or maturity schedule of assets, liabilities, and off-balance sheet positions are not matched, and negatively affects the Bank's net interest income (NII) and/or economic value of equity (EVE).

Sources of Interest Rate Risk can be classified as follows:

- Re-pricing Risk arises from timing differences in the maturity (for fixed rate) and re-pricing period (for floating rate) of the Bank's assets, liabilities, and off-balance sheet positions. Re-pricing Risk is the primary and most material form of interest rate risk.
- Yield Curve Risk arises from changes in the shape and slope of the yield curves. In other words, it arises from the unparallel shift of the yield curves, including yield curve twist.
- Basis Risk arises from imperfect correlation of the reference interest rates applicable to the Bank's assets, liabilities and off-balance sheet positions.
- Embedded Option Risk arises from changes in interest rate, causing uncertainty of cash flows due to the options embedded in assets, liabilities and off-balance sheet positions, such as non-maturity deposits and prepayment of loans without penalty.

Risk Assessment and Monitoring for IRRBB

The Bank measures interest rate risk in the banking book by assessing the potential impact of interest rate change on NII. The NII impact is used to determine alternative balance sheet strategies that the Bank may undertake to achieve its business return targets. The Bank also assesses the potential impact on EVE which reflects the change in present value of its asset, liabilities and off-balance sheet positions when interest rates change.

The Bank employs static analysis tools to assess interest rate risk in banking book, including:

1. Re-pricing Gap Analysis and Sensitivity Analysis

   Re-pricing Gap Analysis is a method widely used to assess the interest rate risk of current balance sheet positions. It captures re-pricing risk which is a primary form of interest rate risk, but does not capture yield curve risk, basis risk and embedded option risk.

   The Bank uses re-pricing gap analysis to assess NII impact in the year ahead assuming assets, liabilities and off-balance sheet positions are static and interest rates change immediately across the curves. The re-pricing of loan is based on earliest repricing date or contractual maturity date, whichever is earlier. Non-maturity deposits such as savings and demand deposits are re-priced at the earliest possible re-pricing date. Re-pricing gap analysis is also used in conjunction with duration-based weights to estimate the potential impact of interest rate change on EVE.

   The Bank assesses and monitors interest rate risk in its banking book through NII impact and EVE impact on a monthly basis.

2. Stress Testing

   The Bank performs stress testing for interest rate risk in the banking book on a half yearly basis using static NII and EVE simulation, which takes into account only the current position, to reflect the potential impact to NII and EVE under various stress scenarios. The results of stress testing are analyzed and used by ALCO to improve the Bank's asset and liability management in order to achieve the business return target and review the change in present value of its assets, liabilities and off-balance sheet positions under the acceptable level of risk.

As at 30 June 2016 and 31 December 2015, the impact of interest rate change to NII and EVE using re-pricing gap analysis is as follows:

Table 13: Interest Rate Risk Impact if the yield curves parallel move by 100 bps

RM'000

Interest Rate Risk Impact	**30 June 2016**	**31 December 2015**
Net Interest Income (NII)	+/-5,666	+/-3,356
Economic Value of Equity (EVE)	+/-10,661	+/-11,519

Risk Control for IRRBB

The Bank establishes a series of gapping limits by re-pricing maturity tenors for each currency to control interest rate risk. These limits are proposed by Treasury Department to ALCO for approval annually or as appropriate.

Treasury Department is responsible to manage these risks to be within the risk tolerance limit, based on Assets and Liabilities Management (ALM) policy and guidelines.

4.3 Operational Risk

Operational Risk is the risk of loss from failed or inadequate internal processes, people and systems, or from external events. This includes legal risks, but does not include strategic risks and reputational risks.

The Bank understands that good operational risk management is vital to sustainable business success, particularly in the current environment of uncertainty, both domestic and international. The Bank therefore places great importance on effective operational risk management with sufficient coverage of all aspects of operations, and is well-prepared to deal promptly with any unpredictable event.

Operational Risk Management

The Bank has implemented the operational risk management policy which stipulates the operational risk management framework governing risk identification, risk assessment (by considering both the likelihood and the impact of the event), risk mitigation, effectiveness of existing risk control, risk monitoring and risk reporting.

All business/ operation units in the Bank are directly responsible for managing their respective operational risk and establishing measures to mitigate and control risk to the designated level by allocating appropriate resources and establishing an organizational culture in managing operational risk.

The Bank has a dedicated operational risk management unit under Risk Management Department in managing operational risk. The operational risk management unit is responsible for developing tools and methodologies to identify, assess, manage and monitor operational risk (including reporting of such risk to the senior management on regular basis).

Operational Risk Assessment and Monitoring

A key principle underlying the Bank's operational risk management is to educate all staff in the Bank by providing them with a consistent understanding of operational risk, so that they are able to accurately identify the operational risks, assess the significance of each risk and formulate appropriate action plans to mitigate risks. This is followed by the systematic monitoring of completion of action plans. ,

In addition, the business/ operation units are also required to report loss data/ incident to operational risk unit based on the incident reporting procedure in managing operational risk.

The Key Control Self Assessment (KCSA) and Key Risk Indicator (KRI) are tools used by the Bank to assess the potential risk or risk level at the respective business/ operation unit and determine whether there is any indicative trending that the bank's operational risk level in on an upward trend in the near future.

Operational Risk Control

Operational risk is managed via sound internal control system which includes the following:

a) Implementation of the various policies, processes and assessment methodologies to ensure that operational risk is appropriately identified and managed with effective controls.

b) The three lines of defence model which help to ensure proper accountability and define the roles and responsibilities for operational risk management.

c) The individual business lines' accountability for the management and control of the significant operational risks to which they are exposed to.

d) Separation of duties between key functions.

The Bank has the business continuity management policy in place to help minimize the impact of operational risk loss events from external factors. The policy has been approved by the Board of Directors and tested on regular basis.

The Calculation of Value Equivalent to Operational Risk-weighted Asset

The Bank currently uses Basic Indicator Approach (BIA) to calculate its value equivalent to operational risk-weighted asset. The Bank must hold capital for operational risk equal to the average over the previous three years of a fixed percentage (denoted alpha) of positive annual gross income as prescribed by the BNM.