BANGKOK BANK BERHAD

(Company No. 299740-W)

Risk Weighted Capital Adequacy Framework (BASEL II) - Pillar 3 Disclosures As at 30 June 2012

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 2012.

ROBERT LOKE TAN CHENG
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's) 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 for certain disclosures which are allowed to be excluded, all qualitative disclosures shall be made on an annual basis except 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 Bangkok Bank Berhad's Chief Executive Officer. Under the BNM's 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

Bangkok Bank Berhad, 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

The Bank's capital structure, according to the BNM's Basel II guidelines, consists of Tier 1 and Tier 2 capital. Tier 1 capital comprises paid-up share capital, statutory reserves, retained profits, and other amounts deducted from Tier 1 capital. The Bank's Tier 2 capital consists of collective assessment allowance.

As at 30 June 2012 and 31 December 2011, the Bank's capital funds according to the BNM's Risk Weighted Capital Adequacy Framework (RWCAF) Basel II are as follows:

Table 1: The Bank's Capital Funds under RWCAF Basel II

		RM'000
	30 June 2012	**31 December 2011 (Restated)**
1. Tier 1 Capital		
1.1 Paid-up share capital	400,000	400,000
1.2 Statutory reserve	131,234	131,234
1.3 Retained profits	21,117	13,271
1.4 Deferred tax assets	(10,316)	(9,083)
Total Tier 1 Capital	**542,035**	**535,422**
2. Tier 2 Capital		
2.1 General allowance for bad and doubtful debts and financing	41,811	37,626
Total Tier 2 Capital	**41,811**	**37,626**
3. Total Capital	**583,846**	**573,048**
3.1 Investment in subsidiary	(10)	(10)
Capital Fund	**583,836**	**573,038**

3.2 Capital Adequacy

The objective of the Bank's capital management policy 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.

Following the Basel II guidelines on minimum capital requirement, 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 2012 and 31 December 2011, 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:

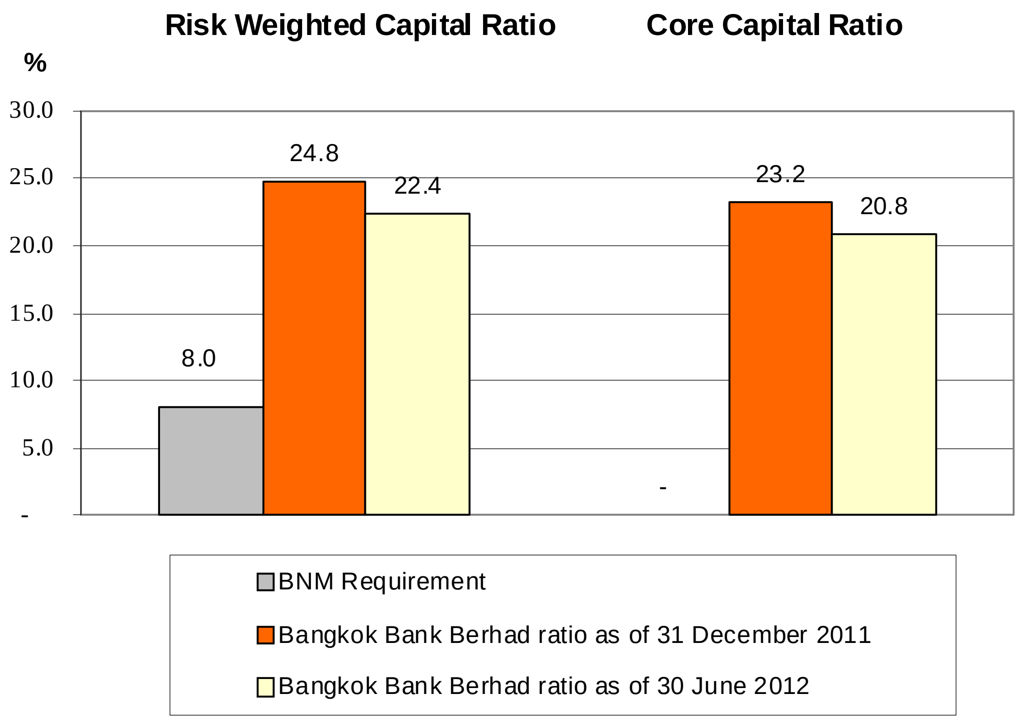
Table 2: Capital requirements for each type of risks classified by asset types under Basel II

					RM'000
Exposure Class		**Gross Exposures**	**Net Exposures**	**Risk Weighted Assets**	**Capital Requirement**
30 June 2012					
Credit Risk					
On-Balance Sheet Exposures					
- Sovereigns/Central Banks		586,288	586,288	-	-
- Banks, Development Financial Institutions & MDBs		527,730	527,730	107,719	8,617
- Corporates		2,040,577	1,983,485	1,922,230	153,778
- Regulatory Retail		-	-	-	-
- Residential Mortgages		6,238	6,238	2,444	196
- Higher Risk Assets		-	-	-	-
- Other Assets		83,682	83,682	79,782	6,383
- Equity Exposures		872	872	341	27
- Defaulted Exposures		8,773	8,773	9,605	768
Total for On-Balance Sheet Exposures		3,254,160	3,197,068	2,122,121	169,769
- OTC Derivatives		6,235	6,235	4,603	368
- Credit Derivatives		-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives		385,147	380,126	378,694	30,296
- Defaulted Exposures		16	16	24	2
Total for Off-Balance Sheet Exposures		391,398	386,377	383,321	30,666
Total for On & Off-Balance Sheet Exposures		**3,645,558**	**3,583,445**	**2,505,442**	**200,435**
	Long Position	**Short Position**			
Market Risk					
Interest Rate Risk	287,626	287,932	-306	1,104	89
Foreign Currency Risk	9,791	5,123	4,668	4,668	373
Operational Risk				99,143	7,932
Total Risk Weighted Assets				**2,610,357**	**208,829**

RM'000

Exposure Class		Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement
31 December 2011					
Credit Risk					
On-Balance Sheet Exposures					
- Sovereigns/Central Banks		589,684	589,684	-	-
- Banks, Development Financial Institutions & MDBs		193,695	193,695	40,929	3,274
- Corporates		1,843,461	1,843,461	1,749,012	139,921
- Regulatory Retail		-	-	-	-
- Residential Mortgages		6,410	6,410	2,524	202
- Higher Risk Assets		-	-	-	-
- Other Assets		115,270	115,270	111,312	8,905
- Equity Exposures		872	872	341	27
- Defaulted Exposures		9,863	9,863	10,480	839
Total for On-Balance Sheet Exposures		2,759,255	2,759,255	1,914,598	153,168
- OTC Derivatives		5,905	5,905	4,467	357
- Credit Derivatives		-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives		293,382	293,382	288,921	23,114
- Defaulted Exposures		-	-	-	-
Total for Off-Balance Sheet Exposures		299,287	299,287	293,388	23,471
Total for On & Off-Balance Sheet Exposures		**3,058,542**	**3,058,542**	**2,207,986**	**176,639**
	Long Position	**Short Position**			
Market Risk					
Interest Rate Risk	292,048	291,779	269	1,062	85
Foreign Currency Risk	5,882	8,283	-2,401	5,189	415
Operational Risk				93,944	7,515
Total Risk Weighted Assets				**2,308,181**	**184,654**

The Bank complies with BNM's Risk Weighted Capital Ratio (RWCR) requirement of 8%. As at 30 June 2012, the Bank's RWCR was 22.4%. This ratio was lower than 31 December 2011 of 24.8% but exceeded the BNM's minimum requirements. Core capital ratio was 20.8% at end June 2012 compared to 23.2% at end December 2011.



4. Information Related to the Bank's Risks

Bangkok Bank Berhad 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 international standards and is in accordance with the guidelines under the principles of Basel II.

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 the maintenance of capital in accordance with the revised capital adequacy requirements under the Basel II guidelines which have been in effect since the end of 2008, 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 Risk Management Department as well as any other departments related to particular risk types 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 Task Force to take on responsibility of the oversight function of the overall implementation of ICAAP project and a dedicated ICAAP Working Group to implement the Pillar 2.

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 an independent function/unit 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. For rescheduled and restructured facilities, the account shall be classified as impaired in accordance with paragraph i, ii, and iii above based on the rescheduled and restructured terms;

v. Subject to Loan Committee, a loan is classified as impaired if review on the said loan, triggered by credit event or detection of weaknesses, warrants classification of such, for example, breach of loan covenants, cross default, etc.

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

					RM'000
Exposure Class	**Malaysia**	**Thailand**	**USA**	**Others**	**Total**
30 June 2012					
Sovereigns/Central Banks	586,288	-	-	-	586,288
Banks, Development Financial Institutions & MDBs	515,231	3,647	5,417	8,338	532,633
Corporates	2,426,256	800	-	-	2,427,056
Regulatory Retail	-	-	-	-	-
Residential Mortgages	6,141	-	-	97	6,238
Higher Risk Assets	-	-	-	-	-
Other Assets	83,682	-	-	-	83,682
Equity Exposures	872	-	-	-	872
Defaulted Exposures	8,789	-	-	-	8,789
Total Credit Exposures	**3,627,259**	**4,447**	**5,417**	**8,435**	**3,645,558**

					RM'000
Exposure Class	**Malaysia**	**Thailand**	**USA**	**Others**	**Total**
31 December 2011					
Sovereigns/Central Banks	589,684	-	-	-	589,684
Banks, Development Financial Institutions & MDBs	151,340	2,411	4,031	40,638	198,420
Corporates	2,135,752	805	-	-	2,136,557
Regulatory Retail	1,400	-	-	-	1,400
Residential Mortgages	6,296	-	-	180	6,476
Higher Risk Assets	-	-	-	-	-
Other Assets	115,270	-	-	-	115,270
Equity Exposures	872	-	-	-	872
Defaulted Exposures	9,863	-	-	-	9,863
Total Credit Exposures	**3,010,477**	**3,216**	**4,031**	**40,818**	**3,058,542**

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

Table 4: Distribution of Gross Credit Exposures by Sector

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 30 June 2012												
Sovereigns/Central Banks	586,288	-	-	-	-	-	-	-	-	-	-	586,288
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	529,174	-	3,459	532,633
Corporates	-	10,084	217,079	773,237	8,382	189,873	450,174	177,238	549,376	29,001	22,612	2,427,056
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	6,238	-	-	-	-	-	-	-	-	-	6,238
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	5,953	-	77,729	83,682
Equity Exposures	-	-	-	-	-	-	-	-	872	-	-	872
Defaulted Exposures	-	825	-	3,067	-	-	-	-	4,897	-	-	8,789
Total Credit Exposures	**586,288**	**17,147**	**217,079**	**776,304**	**8,382**	**189,873**	**450,174**	**177,238**	**1,090,272**	**29,001**	**103,800**	**3,645,558**

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 2011												
Sovereigns/Central Banks	589,684	-	-	-	-	-	-	-	-	-	-	589,684
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	198,420	-	-	198,420
Corporates	-	5,015	227,095	698,247	9,242	100,460	433,490	242,841	400,873	16,535	2,759	2,136,557
Regulatory Retail	-	-	-	-	-	-	1,400	-	-	-	-	1,400
Residential Mortgages	-	6,476	-	-	-	-	-	-	-	-	-	6,476
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	36,991	-	78,279	115,270
Equity Exposures	-	-	-	-	-	-	-	-	872	-	-	872
Defaulted Exposures	-	1,457	-	3,509	-	-	-	-	4,897	-	-	9,863
Total Credit Exposures	**589,684**	**12,948**	**227,095**	**701,756**	**9,242**	**100,460**	**434,890**	**242,841**	**642,053**	**16,535**	**81,038**	**3,058,542**

Table 5: Residual Contractual Maturity of Gross Credit Exposures

				RM'000
Exposure Class	**One year or less**	**One to five years**	**More than five years**	**Total**
30 June 2012				
Sovereigns/Central Banks	369,324	165,926	51,038	586,288
Banks, Development Financial Institutions & MDBs	532,552	81	-	532,633
Corporates	1,815,196	298,914	312,946	2,427,056
Regulatory Retail	-	-	-	-
Residential Mortgages	4,921	22	1,295	6,238
Higher Risk Assets	-	-	-	-
Other Assets	5,940	-	77,742	83,682
Equity Exposures	872	-	-	872
Defaulted Exposures	8,789	-	-	8,789
Total Credit Exposures	**2,737,594**	**464,943**	**443,021**	**3,645,558**

				RM'000
Exposure Class	**One year or less**	**One to five years**	**More than five years**	**Total**
31 December 2011				
Sovereigns/Central Banks	558,185	31,499	-	589,684
Banks, Development Financial Institutions & MDBs	198,373	47	-	198,420
Corporates	1,705,791	297,933	132,833	2,136,557
Regulatory Retail	1,400	-	-	1,400
Residential Mortgages	5,178	28	1,270	6,476
Higher Risk Assets	-	-	-	-
Other Assets	36,991	-	78,279	115,270
Equity Exposures	872	-	-	872
Defaulted Exposures	9,863	-	-	9,863
Total Credit Exposures	**2,516,653**	**329,507**	**212,382**	**3,058,542**

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

				RM'000
	30 June 2012			
Economic Purpose	**Impaired Loans**	**Collective Impairment**	**Individual Impairment**	**Bad debt Written off**
- Purchase of Securities	-	-	-	-
- Purchase of Transport Vehicles	-	5	-	-
- Purchase of Residential Properties	1,825	167	996	-
- Purchase of Non-Residential Properties	-	1,958	-	-
- Purchased of Fixed Assets Other Than Land and Building	-	379	-	-
- Personal Use	-	71	-	-
- Construction	-	1,686	-	-
- Mergers and Acquisition	-	1,930	-	-
- Working Capital	45,917	34,439	36,741	-
- Others	2,458	1,206	3,761	-
Total	**50,200**	**41,841**	**41,498**	-

Economic Purpose	Impaired Loans	Collective Impairment (Restated)	Individual Impairment	Bad debt written off
				RM'000
	31 December 2011			
- Purchase of Securities	-	-	-	-
- Purchase of Transport Vehicles	-	5	-	-
- Purchase of Residential Properties	2,290	180	832	-
- Purchase of Non-Residential Properties	-	1,952	-	-
- Purchased of Fixed Assets Other Than Land and Building	-	451	-	-
- Personal Use	-	73	-	-
- Construction	-	1,175	-	-
- Working Capital	46,095	33,194	36,923	4,282
- Others	2,999	646	3,765	-
Total	**51,384**	**37,676**	**41,520**	**4,282**

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

			RM'000
Item	**Collective Impairment (Restated)**	**Individual Impairment**	**Total**
Balance as at 1 January 2012	**31,782**	**41,520**	**73,302**
Effect of removal of transitional provision to fully adopt MFRS 139	5,894	-	5,894
Balance as at 1 January as restated	**37,676**	**41,520**	**79,196**
Impairment during the period	4,165	883	5,048
Recovered and written back	-	(905)	(905)
Written off	-	-	-
Balance as at 30 June 2012	**41,841**	**41,498**	**83,339**

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.

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

	Exposures after Netting and Credit Risk Mitigation								RM'000
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**
As at 30 June 2012									
0%	586,288	-	-	-	-	3,900	-	590,188	-
20%	-	522,529	76,068	-	-	-	664	599,261	119,851
35%	-	-	-	-	4,497	-	-	4,497	1,574
50%	-	10,104	3,851	-	1,924	-	-	15,879	7,940
75%	-	-	-	-	-	-	-	-	-
100%	-	-	2,288,076	-	641	79,782	208	2,368,707	2,368,707
150%	-	-	4,913	-	-	-	-	4,913	7,370
Average Risk Weight								**3,583,445**	**2,505,442**
Deduction from Capital Base	-	-	-	-	-	-	-	-	

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 2011									
0%	589,684	-	33,159	-	-	3,958	-	626,801	-
20%	-	188,192	76,197	-	-	-	664	265,053	53,011
35%	-	-	-	-	4,541	-	-	4,541	1,589
50%	-	10,228	9,468	-	2,023	-	-	21,719	10,859
75%	-	-	-	1,400	-	-	-	1,400	1,050
100%	-	-	2,021,243	-	1,368	111,312	208	2,134,131	2,134,131
150%	-	-	4,897	-	-	-	-	4,897	7,346
Average Risk Weight								**3,058,542**	**2,207,986**
Deduction from Capital Base									

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

Position as at **30 June 2012**

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		76,068	-	800	-	2,358,152
Equity		123	-	-	-	749
Total		76,191	-	800	-	2,358,901

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		-	586,288	-	-	-	-
Total		-	586,288	-	-	-	-

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		58,198	463,572	7,404	-	-	3,459
Total		58,198	463,572	7,404	-	-	3,459

Bangkok Bank

Position as at **31 December 2011**

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		76,197	5,154	805	-	2,062,807
Equity		123	-	-	-	749
Total		76,320	5,154	805	-	2,063,556

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		-	589,684	-	-	-	-
Total		-	589,684	-	-	-	-

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		5,503	152,888	40,029	-	-	-
Total		5,503	152,888	40,029	-	-	-

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 and more frequent if there is a significant movement/volatility in the share price.

As for financial collaterals such as cash, deposits, and equity securities, the Bank currently adopts the Comprehensive Approach for credit risk mitigation specified by the BNM and the Bank does not practice on and off balance sheet netting.

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 2012				
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
- Sovereigns/Central Banks	586,288	-	-	-
- Banks, Development Financial Institutions & MDBs	527,730	-	-	-
- Corporates	2,040,577	800	57,092	-
- Regulatory Retail	-	-	-	-
- Residential Mortgages	6,238	-	-	-
- Higher Risk Assets	-	-	-	-
- Other Assets	83,682	-	-	-
- Equity Exposures	872	-	-	-
- Defaulted Exposures	8,773	-	-	-
Total for On-Balance Sheet Exposures	3,254,160	800	57,092	-
Off-Balance Sheet Exposures				
- OTC Derivatives	6,235	-	-	-
- Credit Derivatives	-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives	385,147	-	5,021	-
- Defaulted Exposures	16	-	-	-
Total for Off-Balance Sheet Exposures	391,398	-	5,021	-
Total for On & Off-Balance Sheet Exposures	**3,645,558**	**800**	**62,113**	**-**

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 2011				
Credit Risk				
On-Balance Sheet Exposures				
- Sovereigns/Central Banks	589,684	-	-	-
- Banks, Development Financial Institutions & MDBs	193,695	-	-	-
- Corporates	1,843,461	800	30,514	-
- Regulatory Retail	-	-	-	-
- Residential Mortgages	6,410	-	-	-
- Higher Risk Assets	-	-	-	-
- Other Assets	115,270	-	-	-
- Equity Exposures	872	-	-	-
- Defaulted Exposures	9,863	-	-	-
Total for On-Balance Sheet Exposures	2,759,255	800	30,514	-
Off-Balance Sheet Exposures				
- OTC Derivatives	5,905	-	-	-
- Credit Derivatives	-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives	293,382	5	2,645	-
- Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	299,287	5	2,645	-
Total for On & Off-Balance Sheet Exposures	**3,058,542**	**805**	**33,159**	**-**

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

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent	Risk Weighted Assets
				RM'000
30 June 2012				
Direct credit substitutes	32,289		32,289	31,574
Transaction-related contingent items	138,059		69,029	65,037
Short-term self-liquidating trade-related contingencies	109,968		21,994	21,856
Forward foreign exchange				
- less than one year	363,901	2,892	6,235	4,603
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	30,629		15,315	14,428
- maturity less than one year	1,232,680		246,536	245,823
Any commitment that are unconditionally cancelled at any time without prior notice	12,885		-	-
Total	**1,920,411**	**2,892**	**391,398**	**383,321**

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent	Risk Weighted Assets
				RM'000
31 December 2011				
Direct credit substitutes	16,726		16,726	16,217
Transaction-related contingent items	136,866		68,433	64,954
Short-term self-liquidating trade-related contingencies	79,118		15,823	15,703
Forward foreign exchange				
- less than one year	332,876	2,972	5,905	4,467
Interest/Profit Rate Contracts				
- less than one year	20,000	-	-	-
- One to five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with original				
- maturity more than one year	130		65	65
- maturity less than one year	961,674		192,335	191,982
Any commitment that are unconditionally cancelled at any time without prior notice	11,581		-	-
Total	**1,558,971**	**2,972**	**299,287**	**293,388**

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 risk of losses in on- and off-balance sheet positions arising from movements in market prices such as interest rates, foreign exchange, equity prices, and commodity 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 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

The Bank's traded market risk mainly comprises interest rate risk 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, which are regularly reviewed and updated by ALCO, such as PV01 Limit, Cut-Loss Limits and Portfolio Limits.

The Board of Directors approves limits at least once a year or as 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 2012**	**31 December 2011**
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 payments is based on the contractual payment date. 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. These impact is computed based on consolidate currency due to insignificant exposure in all foreign currencies which is less than 5% of the total exposure.

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 2012 and 31 December 2011, 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 2012**	**31 December 2011**
Net Interest Income (NII)	+/-4,778	+/-6,153
Economic Value of Equity (EVE)	+/-5,641	+/-795

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 imposed the operational risk management policy which determines the operational risk management framework consisting of risk identification, risk assessment by considering both the likelihood and the impact of such risk and the efficiency of existing risk control, risk monitoring and reporting, and risk mitigation.

The Bank's operational risk management includes defining, assessing, monitoring, mitigating and controlling risk. Every unit in the Bank is directly responsible for managing its operational risk and for establishing measures to mitigate and control risk to the designated level by allocating appropriate resources and establishing an organizational culture for managing operational risk.

The Bank has a dedicated unit for operational risk management under its Risk Management Department which has taken steps to enhance its operational risk management system to be in line with international standards. The enhancements include monitoring and supporting every unit in implementing the operational risk management framework at the unit level, managing operational risk at the organization level, reviewing operational risk management in product and service development, calculating the capital required for operational risk in line with the Basel II framework, and maintaining and analyzing data of the operational risk loss data system.

Operational Risk Assessment and Monitoring

A key principle underlying the Bank's operational risk management is to educate staff throughout the Bank by providing them with a consistent understanding of operational risk, so that they are able to accurately and completely identify the operational risks, assess the significance of each potential risk, analyze details to find appropriate solutions to mitigate risks, and implement the selected solutions to minimize risks. This is followed by the systematic monitoring of progress, the measurement of potential risk, as well as regular reviews of the entire process.

In monitoring operational risk, the Bank will collect the operational risk loss data and a reporting procedure regarding operational risk level monitoring and operational risk management.

Operational Risk Control

An important mechanism in controlling, preventing, and mitigating operational risk is the Bank's cautious internal control which includes participation of its management, operational control in each business unit, operational control in compliance with regulations, operation in accordance with anti-money laundering measures, availability of approval process as well as the indication of operating limits appropriate to business size, business type and level of staff, verification and reconciliation, duty segregation, and reliability and security maintenance of the information technological system.

The Bank has implemented business continuity management to help minimize the impact of operational risk loss events from external factors. The Bank has adopted the business continuity management policy which was approved by the Board of Directors and has developed the business continuity plan which has been tested on a 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.