BANGKOK BANK BERHAD

(Company No. 299740-W)

Risk Weighted Capital Adequacy Framework (BASEL II) - Pillar 3 Disclosures As at 30 June 2019

Bangkok Bank

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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 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) requirements.

The Bank believes that transparent disclosure will not only allow market participants to assess the Bank's risks but also demonstrate the Bank's commitment to its stakeholders by continuously reviewing and enhancing its risk management practices.

The Bank shall make full disclosure as per BNM's requirements on an annual and semi-annual basis except when 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 an entity 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.

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3. Capital

3.1 Capital Structure

As at 30 June 2019 and 31 December 2018, 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 2019	**31 December 2018**
Common Equity Tier-1 Capital		
Paid-up share capital	1,000,000	1,000,000
Statutory reserve	-	-
Unrealised gain on "available for sale" financial instruments	6,740	4,984
Retained profits	246,069	245,154
Less: Other intangibles	(755)	(694)
Deferred tax assets	(4,877)	(7,492)
Total Common Equity Tier-1 Capital	**1,247,177**	**1,241,952**
Tier 2 Capital		
Collective impairment (only those attributable to non-impaired loan, advances and financing)	55,138	55,769
Investment in subsidiary	(10)	(10)
Total Tier 2 Capital	**55,128**	**55,759**
Total Capital	**1,302,305**	**1,297,711**

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 assessment and management process under ICAAP (Internal Capital Adequacy Assessment 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 2019 and 31 December 2018, 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 2019					
Credit Risk					
On-Balance Sheet Exposures					
- Sovereigns/Central Banks		725,829	725,829	-	-
- Banks, Development Financial Institutions & MDBs		733,917	733,917	227,183	18,175
- Corporates		3,348,378	3,312,591	3,128,482	250,278
- Regulatory Retail		2,018	1,889	1,427	114
- Residential Mortgages		1,300	1,300	585	47
- Higher Risk Assets		-	-	-	-
- Other Assets		221,129	221,129	218,092	17,447
- Equity Exposures		11,231	11,231	11,231	899
- Defaulted Exposures		62,373	62,373	51,701	4,136
Total for On-Balance Sheet Exposures		5,106,175	5,070,259	3,638,701	291,096
- OTC Derivatives		3,793	3,774	2,386	191
- Credit Derivatives		-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives		770,152	769,673	768,486	61,479
- Defaulted Exposures		974	974	1,461	117
Total for Off-Balance Sheet Exposures		774,919	774,421	772,333	61,787
Total for On & Off-Balance Sheet Exposures		**5,881,094**	**5,844,680**	**4,411,034**	**352,883**
	Long Position	**Short Position**			
Market Risk					
Interest Rate Risk	235,009	234,714	295	841	67
Foreign Currency Risk	64,124	52,929	11,195	11,202	896
Operational Risk				180,756	14,461
Total Risk Weighted Assets				**4,603,833**	**368,307**

RM'000

Exposure Class		Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement
31 December 2018					
Credit Risk					
On-Balance Sheet Exposures					
- Sovereigns/Central Banks		748,406	748,406	-	-
- Banks, Development Financial Institutions & MDBs		951,979	951,979	197,775	15,822
- Corporates		3,640,570	3,604,636	3,421,128	273,690
- Regulatory Retail		-	-	-	-
- Residential Mortgages		1,365	1,365	611	49
- Higher Risk Assets		-	-	-	-
- Other Assets		157,995	157,995	155,201	12,416
- Equity Exposures		11,231	11,231	11,231	899
- Defaulted Exposures		34,707	34,707	21,004	1,680
Total for On-Balance Sheet Exposures		5,546,253	5,510,319	3,806,950	304,556
- OTC Derivatives		4,136	4,136	3,209	257
- Credit Derivatives		-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives		656,982	655,340	651,348	52,108
- Defaulted Exposures		-	-	-	-
Total for Off-Balance Sheet Exposures		661,118	659,476	654,557	52,365
Total for On & Off-Balance Sheet Exposures		**6,207,371**	**6,169,795**	**4,461,507**	**356,921**
	Long Position	**Short Position**			
Market Risk					
Interest Rate Risk	263,989	263,730	259	973	78
Foreign Currency Risk	38,447	32,070	6,377	6,405	512
Operational Risk				173,914	13,913
Total Risk Weighted Assets				**4,642,799**	**371,424**

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

	BNM Minimum Requirement	30 June 2019	31 December 2018
Total Capital Ratio (TCR)	10.500%	28.3%	28.0%
Tier 1 Capital Ratio	8.500%	27.1%	26.8%
Common Equity Tier-1 (CET1) Capital Ratio	7.000%	27.1%	26.8%

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 continuously analyzes major risk factors which could affect its financial operations to ensure that its risk management is in line with industry practices and in accordance with the guidelines from BNM.

The Bank's Risk Management Committee ("RMC") plays a significant role in reviewing the risk management policy and proposing the Risk Appetite Statement for Board's approval. 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 Basel III guidelines.

Important processes in risk management comprise identification of significant risks which may potentially impact the Bank's business operations, assessment of each type of risk, monitoring of risks to an appropriate level and reporting of the status of each type of risk to relevant parties.

A key principle of risk management is the business units, as the 1st line of defence, shall be responsible for managing their risk exposures 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, as the 2nd line of defence, is responsible for monitoring and controlling the risks on a regular basis. As the 3rd line of defence, the Bank's Audit and Control Department is responsible for auditing other departments to assess the effectiveness, sufficiency, and appropriateness of internal control processes.

The Bank existing capital structure is being refined to include other risks in line with the requirements 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 implementation of ICAAP. An ICAAP Policy has been established. The

Bank has sufficient processes and controls 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.

4.1.1 Credit Risk (General Disclosures)

Credit Risk Management

The Bank has specific processes for credit approval which include the formulation of a credit policy, credit risk ratings for customers and the establishment of different levels of delegation of authority for credit approval depending on the type of business and/or the size of the credit line. In considering the approval of loans, 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, capability of management and collateral coverage.

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

- Credit Policy Function/Unit oversees the credit policy framework and is responsible for disseminating the credit policy, credit standards and credit processes, monitoring exceptional cases which are inconsistent with the credit policy; and gathering various inputs which may be used to enhance 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 and credit risk ratings, inculcates 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, 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.

Business Units are responsible for monitoring, reporting and ensuring that they comply with the Bank's risk management policy. A credit application is submitted to the Credit Acceptance Function/Unit which would analyze and ensure that the proposals comply with the Bank's credit policies, e.g. credit underwriting standards, credit risk rating, and collateral evaluation. For handling of impaired loans, the Bank has established a specific unit to monitor and resolve such loans.

The Bank's Risk Asset Review Unit (RAR) reviews credit quality, credit management processes and compliance with credit policy, regulations and credit underwriting standards. RAR, which performs post-lending reviews, also assesses asset quality and identifies any potential assets impairment. It is responsible for reporting the results of their reviews regularly to the Risk Management Committee and the Board of Directors.

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 an 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 has the assurance that it will have adequate capital to ensure the continuity of its business operations.

Managing Credit Risk Concentration

Credit risk concentration exists in the 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 complies 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 Credit Facility

The Bank adopted the Malaysian Financial Reporting Standard 9 (MFRS 9 Financial Instruments) with effect from 1 January 2018. Under the impairment approach in MFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, the Bank accounts for expected credit losses (ECL), and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

MFRS 9 requires ECLs to reflect an unbiased and probability-weighted estimate taking into account time value of money and using reasonable and supportable information that is available about past events, current conditions and forecasts of future conditions. The Bank has incorporated these components into the ECL model leveraging on the Basel II methodology on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition, as follows:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality;

- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis. Stage 3 refers to accounts that are credit-impaired and assessed on an individual assessment basis.

Lifetime ECL would be estimated based on the present value of all cash shortfalls over the remaining life of the credit facility. The 12-month ECL is a portion of the lifetime ECL that is associated with the probability of default events occurring within the 12 months after the reporting date.

Special attention is paid to problem exposures, which are subject to more frequent and intensive review and reporting, in order to accelerate remedial action.

In line with BNM's Financial Reporting, the Bank shall classify a credit facility as credit-impaired:

i. where the principal or interest/profit or both of the credit facility is past due for more than 90 days or 3 months. In the case of revolving credit facilities (e.g. overdraft facilities), the facility shall be classified as credit-impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;

ii. where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses that render a classification appropriate based on the Bank's policy subject to Loan Committee's decision; or

iii. when the credit facility is classified as rescheduled or restructured in the Central Credit Reference Information System (CCRIS) and approved by LCM as impaired.

Where repayments are scheduled on intervals of 3 months or longer, the credit facility is classified as credit-impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it to be classified as impaired.

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
30 June 2019					
Sovereigns/Central Banks	725,840	-	-	-	725,840
Banks, Development Financial Institutions & MDBs	706,333	5,375	17,285	7,703	736,696
Corporates	4,116,180	-	-	1,684	4,117,864
Regulatory Retail	3,687	-	-	-	3,687
Residential Mortgages	1,300	-	-	-	1,300
Higher Risk Assets	-	-	-	-	-
Other Assets	221,129	-	-	-	221,129
Equity Exposures	11,231	-	-	-	11,231
Defaulted Exposures	63,347	-	-	-	63,347
Total Credit Exposures	**5,849,047**	**5,375**	**17,285**	**9,387**	**5,881,094**

Exposure Class	Malaysia	Thailand	USA	Others	Total
					RM'000
31 December 2018					
Sovereigns/Central Banks	748,407	-	-	-	748,407
Banks, Development Financial Institutions & MDBs	927,177	4,852	17,517	10,924	960,470
Corporates	4,290,312	-	-	2,884	4,293,196
Regulatory Retail	-	-	-	-	-
Residential Mortgages	1,365	-	-	-	1,365
Higher Risk Assets	-	-	-	-	-
Other Assets	157,995	-	-	-	157,995
Equity Exposures	11,231	-	-	-	11,231
Defaulted Exposures	34,707	-	-	-	34,707
Total Credit Exposures	**6,171,194**	**4,852**	**17,517**	**13,808**	**6,207,371**

* 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 2019												
Sovereigns/Central Banks	725,840	-	-	-	-	-	-	-	-	-	-	725,840
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	736,696	-	-	736,696
Corporates	-	81,734	427,762	1,047,798	-	594,342	509,608	565,646	797,767	79,602	13,605	4,117,864
Regulatory Retail	-	545	655	100	-	473	285	1,563	66	-	-	3,687
Residential Mortgages	-	1,300	-	-	-	-	-	-	-	-	-	1,300
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	64,403	-	156,726	221,129
Equity Exposures	-	-	-	-	-	-	-	-	11,231	-	-	11,231
Defaulted Exposures	-	260	-	58,579	-	-	4,508	-	-	-	-	63,347
Total Credit Exposures	**725,840**	**83,839**	**428,417**	**1,106,477**	**-**	**594,815**	**514,401**	**567,209**	**1,610,163**	**79,602**	**170,331**	**5,881,094**

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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 31 December 2018												
Sovereigns/Central Banks	748,407	-	-	-	-	-	-	-	-	-	-	748,407
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	960,470	-	-	960,470
Corporates	-	85,510	410,292	1,208,850	-	524,978	573,838	612,064	773,817	84,958	18,889	4,293,196
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	1,365	-	-	-	-	-	-	-	-	-	1,365
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	2,626	-	155,369	157,995
Equity Exposures	-	-	-	-	-	-	-	-	11,231	-	-	11,231
Defaulted Exposures	-	1,302	-	25,383	-	-	8,022	-	-	-	-	34,707
Total Credit Exposures	**748,407**	**88,177**	**410,292**	**1,234,233**	**-**	**524,978**	**581,860**	**612,064**	**1,748,144**	**84,958**	**174,258**	**6,207,371**

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
30 June 2019				
Sovereigns/Central Banks	725,840	-	-	725,840
Banks, Development Financial Institutions & MDBs	736,254	442	-	736,696
Corporates	3,166,330	565,524	386,010	4,117,864
Regulatory Retail	3,016	671	-	3,687
Residential Mortgages	15	32	1,253	1,300
Higher Risk Assets	-	-	-	-
Other Assets	64,403	-	156,726	221,129
Equity Exposures	11,231	-	-	11,231
Defaulted Exposures	62,985	154	208	63,347
Total Credit Exposures	**4,770,074**	**566,823**	**544,197**	**5,881,094**

Exposure Class	One year or less	One to five years	More than five years	Total
				RM'000
31 December 2018				
Sovereigns/Central Banks	505,666	242,741	-	748,407
Banks, Development Financial Institutions & MDBs	960,460	10	-	960,470
Corporates	2,956,211	993,041	343,944	4,293,196
Regulatory Retail	-	-	-	-
Residential Mortgages	-	59	1,306	1,365
Higher Risk Assets	-	-	-	-
Other Assets	2,626	-	155,369	157,995
Equity Exposures	11,231	-	-	11,231
Defaulted Exposures	33,336	60	1,311	34,707
Total Credit Exposures	**4,469,530**	**1,235,911**	**501,930**	**6,207,371**

Table 6: Impaired Loans, Expected Credit Losses and Bad Debt Written off Classified by Economic Purpose.

Economic Purpose	Impaired Loans	Stage 1 & 2 ECL	Stage 3 ECL	Bad debt Written off
	30 June 2019			RM'000
- Purchase of Securities	-	809	-	-
- Purchase of Transport Vehicles	50	13	49	-
- Purchase of Residential Properties	1,638	338	1,380	6
- Purchase of Non-Residential Properties	3,772	5,773	4,250	-
- Purchased of Fixed Assets Other Than Land and Building	875	2,171	94	-
- Personal Use	-	421	-	-
- Construction	-	20,309	-	-
- Working Capital	138,823	52,388	78,214	-
- Others	-	74	-	-
- **Total**	**145,158**	**82,296**	**83,987**	**6**

Economic Purpose	Impaired Loans	Collective Impairment	Individual Impairment	Bad debt written off
		31 December 2018		RM'000
- Purchase of Securities	-	4,393	-	-
- Purchase of Transport Vehicles	43	3	-	-
- Purchase of Residential Properties	1,696	73	1,471	45
- Purchase of Non-Residential Properties	5,275	4,152	-	-
- Purchased of Fixed Assets Other Than Land and Building	-	2,981	-	-
- Personal Use	-	63	-	-
- Construction	-	7,704	-	-
- Mergers and Acquisition	-	-	-	-
- Working Capital	89,787	55,621	64,188	20,692
- Others	-	384	-	-
Total	**96,801**	**75,374**	**65,659**	**20,737**

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Table 7: Reconciliation of Changes in the Expected Credit Losses

				RM’000
Item	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2019	**55,571**	**19,803**	**65,659**	**141,033**
New loans, advances and financing originated	1,081	-	-	1,081
Loans, advances and financing derecognized (other than write-off)	(4,371)	(264)	(611)	(5,246)
Transfer to Stage 1	(584)	584	-	-
Transfer to Stage 2	(2,961)	2,961	-	-
Transfer to Stage 3	(24,546)	(4)	24,551	1
Net measurement due to changes in credit risk	36,142	(1,116)	(5,606)	29,420
Amount written off	-	-	(6)	(6)
Balance as at 30 June 2019	**60,332**	**21,964**	**83,987**	**166,283**

All impaired loans, expected credit losses and bad debt written off of the Bank are attributable to customers in Malaysia and other countries.

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

	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 2019									
0%	725,829	-	-	-	-	3,037	-	728,866	-
20%	-	467,651	205,437	-	-	-	-	673,088	134,618
35%	-	-	-	-	1,099	-	-	1,100	385
50%	11	269,045	64,321	76	259	-	-	333,712	166,856
75%	-	-	-	3,457	-	-	-	3,457	2,593
100%	-	-	3,870,420	263	200	218,092	11,231	4,100,206	4,100,206
150%	-	-	4,241	10	-	-	-	4,251	6,376
Average Risk Weight								**5,844,680**	**4,411,034**
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 2018									
0%	748,407	-	-	-	-	2,794	-	751,201	-
20%	-	929,622	203,885	-	-	-	-	1,133,507	226,701
35%	-	-	-	-	1,160	-	-	1,160	406
50%	-	30,848	68,206	-	1	-	-	99,055	49,528
75%	-	-	-	-	-	-	-	-	-
100%	-	-	4,016,934	-	1,506	155,201	11,231	4,184,872	4,184,872
150%	-	-	-	-	-	-	-	-	-
Average Risk Weight								**6,169,795**	**4,461,507**
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 2019**

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		205,437	-	-	-	3,414,579
Equity		-	8,966	-	-	2,265
Total		205,437	8,966	-	-	3,416,844

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		-	725,829	11	-	-	-
Total		-	725,829	11	-	-	-

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		175,027	354,725	206,944	-	-	-
Total		175,027	354,725	206,944	-	-	-

Position as at **31 December 2018**

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		203,885	-	-	-	4,122,716
Equity		123	-	-	-	11,108
Total		204,008	-	-	-	4,133,824

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		-	748,407	-	-	-	-
Total		-	748,407	-	-	-	-

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		192,505	707,930	57,550	-	-	2,485
Total		192,505	707,930	57,550	-	-	2,485

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, deposits or pledges over listed securities.
c) 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 is 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.

Table 10: Disclosure on Credit Risk Mitigation under Standardised Approach

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
30 June 2019				
Credit Risk				
On-Balance Sheet Exposures				
- Sovereigns/Central Banks	725,829	-	-	-
- Banks, Development Financial Institutions & MDBs	733,917	-	-	-
- Corporates	3,348,378	39,519	35,787	-
- Regulatory Retail	2,018	-	129	-
- Residential Mortgages	1,300	-	-	-
- Higher Risk Assets	-	-	-	-
- Other Assets	221,129	-	-	-
- Equity Exposures	11,231	-	-	-
- Defaulted Exposures	62,373	-	-	-
Total for On-Balance Sheet Exposures	5,106,175	39,519	35,916	-
Off-Balance Sheet Exposures				
- OTC Derivatives	3,793	-	20	-
- Credit Derivatives	-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives	770,152	516	478	-
- Defaulted Exposures	974	-	-	-
Total for Off-Balance Sheet Exposures	774,919	516	498	-
Total for On & Off-Balance Sheet Exposures	**5,881,094**	**40,035**	**36,414**	**-**

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 2018				
Credit Risk				
On-Balance Sheet Exposures				
- Sovereigns/Central Banks	748,406	-	-	-
- Banks, Development Financial Institutions & MDBs	951,979	-	-	-
- Corporates	3,640,570	-	35,934	-
- Regulatory Retail	-	-	-	-
- Residential Mortgages	1,365	-	-	-
- Higher Risk Assets	-	-	-	-
- Other Assets	157,995	-	-	-
- Equity Exposures	11,231	-	-	-
- Defaulted Exposures	34,707	-	-	-
Total for On-Balance Sheet Exposures	5,546,253	-	35,934	-
Off-Balance Sheet Exposures				
- OTC Derivatives	4,136	-	-	-
- Credit Derivatives	-	-	-	-
- Off-Balance Sheet Exposures other than OTC or Credit Derivatives	656,982	-	1,642	-
- Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	661,118	-	1,642	-
Total for On & Off-Balance Sheet Exposures	**6,207,371**	**-**	**37,576**	**-**

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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

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent	Risk Weighted Assets
				RM'000
30 June 2019				
Direct credit substitutes	36,874		36,874	36,324
Transaction-related contingent items	330,018		165,009	164,180
Short-term self-liquidating trade-related contingencies	38,107		7,621	7,666
Forward foreign exchange				
- less than one year	316,718	1,091	3,793	2,386
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	348,997		174,499	174,499
- maturity less than one year	1,935,616		387,123	387,278
Any commitment that are unconditionally cancelled at any time without prior notice	6,333		-	-
Total	**3,012,663**	**1,091**	**774,919**	**772,333**

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent	Risk Weighted Assets
				RM'000
31 December 2018				
Direct credit substitutes	36,842		36,470	35,931
Transaction-related contingent items	342,790		163,934	158,908
Short-term self-liquidating trade-related contingencies	71,244		13,939	13,870
Forward foreign exchange				
- less than one year	276,984	1,225	4,136	3,209
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	167,820		83,048	83,048
- maturity less than one year	1,825,555		359,591	359,591
Any commitment that are unconditionally cancelled at any time without prior notice	20,823		-	-
Total	**2,742,058**	**1,225**	**661,118**	**654,557**

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 loss arising from the movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

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 take steps to reduce the mismatches of assets and liabilities besides restructuring its assets and liabilities profile**,** to mitigate the risk. Currently, the Bank does not undertake 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 risk to be in compliance with regulatory requirement such as Liquidity Coverage Ratio ("LCR") and to be 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")

   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 conducts daily portfolio mark-to-market profit and loss, and monitors 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 the limits at least once a year or as and when appropriate.

Capital Treatment for Traded Market Risk

The Bank currently adopts the Standardized Approach ("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 undertake 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 2019**	**31 December 2018**
Equity exposures		
• Equity securities - unquoted		
- Cost value *	11,231	11,231
- 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	**899**	**899**

* 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 assumed to re-price in “1 week to 1 month” and “>1 to 2 years” buckets at 33% and 67% respectively as per BNM methodology on IRRBB. 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 daily 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 2019 and 31 December 2018, 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 2019**	**31 December 2018**
Net Interest Income (NII)	+/-11,173	+/-14,280
Economic Value of Equity (EVE)	+/-12,333	+/-6,277

Note:-

A positive (+) sign followed by a negative (-) sign on the impact indicate gains if interest rate were to hike and loss if interest rate were to dip.

A reversal order of such sign will indicate a loss if interest rate were to hike and gain if interest rate were to dip.

NII will impact the Profit and Loss Account whereas EVE will impact the reserves on Balance Sheet.

Risk Control for IRRBB

The Bank has established a series of gapping limits by re-pricing maturity tenors for each currency to control interest rate risk. These annual limits are proposed by Treasury Department to ALCO for concurrence, RMC's endorsement and Board's approval.

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 defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Bank understands that good operational risk management is vital to sustainable business success, particularly in the current environment of uncertainties, 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 and Guidelines which stipulates the operational risk management framework governing identification of risks, assessment of inherent risks, identification of controls, assessment of residual risk, mitigation of risks, monitor & review of risks and communication & consultation.

All business and functional lines in the Bank are directly responsible for managing their respective operational risks and establishing measures to mitigate and control risks 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 risks (including reporting of such risks to the senior management on regular basis).

Operational Risk Assessment and Monitoring

A key underlying principle of the Bank's operational risk management is to inculcate a strong operational risk culture in the Bank by instilling a consistent understanding of operational risk methodology and practices, so that operational risks are identified, significant risks assessed and appropriate action plans formulated to mitigate these risks. This is supplemented by systematic monitoring of action plans until completion.

Business and functional lines are also required to report loss data/ incidents to the operational risk unit ("ORU") based on the incident reporting procedure / criteria within the stipulated timelines as outlined in the Operational Risk Management Policy and Guidelines.

The Risk Control Self Assessment ("RCSA") and Key Risk Indicator ("KRI") are operational risk tools used by the Bank to assess risks levels (RCSA – impact and likelihood) & potential operational risks (KRI) respectively at business and functional lines, with the primary objective of ensuring risks identified are duly mitigated by relevant controls to an acceptable level while potential risks are identified and addressed at an early stage before it evolves into a significant operational risk issue that may lead to policy breaches (both internal and regulatory) / losses subsequently.

Operational Risk Control

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

a) Implementation of policies, guidelines, processes and methodology to ensure that operational risk is appropriately identified and managed with effective controls.

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

c) The individual business and functional lines' accountability for the management and control of their respective operational risks.

d) Separation of duties between key functions (e.g. "maker" and "checker" control).

In addition, the Bank also has a Business Continuity Management ("BCM") policy in place to minimize / address the impact of any unplanned operational risk loss events, with emphasis on critical functions, processes and systems. 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 the Basic Indicator Approach ("BIA") to calculate its value equivalent to operational risk-weighted assets. The Bank must hold capital for operational risk equal to the average over the previous three years of a fixed percentage (denoted as "α") of positive annual gross income as prescribed by BNM.