Company No.

316347	D

J.P. MORGAN CHASE BANK BERHAD

(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

1 OVERVIEW

The Pillar 3 Disclosures is governed under the Bank Negara Malaysia (“BNM”)’s revised Risk-Weighted Capital Adequacy Framework (“RWCAF”) – Pillar 3, which aims to enhance transparency of financial institution activities and risks by setting minimum disclosure standards on risk exposures, risk management practices and capital adequacy.

2 SCOPE OF APPLICATION

The Pillar 3 Disclosures attached herewith relates to J.P. Morgan Chase Bank Berhad (“the Bank”) only.

The capital adequacy ratios of the Bank are computed in accordance with BNM’s revised RWCAF – Basel II. The Bank has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk.

During the financial year, the Bank did not experience any restrictions or impediments in the transfer of funds or regulatory capital and did not report any capital deficiencies.

3 CAPITAL STRUCTURE AND ADEQUACY

The Bank aims to maintain appropriate capital levels relative to regulatory minimum requirements and to maintain an adequate buffer to accommodate future business growth plans. The capital adequacy position, together with the results of the stress testing on material risks, are reviewed on a monthly basis and tabled to the Risk/Asset & Liability Committee for deliberation.

The Bank’s regulatory capital is determined under BNM’s revised RWCAF – Basel II and the capital adequacy ratios were higher than BNM’s minimum requirements.

The following table presents the capital adequacy ratio and risk-weighted assets as at 31 December 2015.

3 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

The capital adequacy ratios of the Bank are as follows:

	31.12.2015 RM'000	31.12.2014 RM'000
Tier-I capital		
Paid-up share capital	85,500	85,500
Share premium	42,000	42,000
Retained earnings	660,385	608,886
Fair value reserve – available-for-sale securities	1,332	-
Option reserve	11,890	9,440
Statutory reserve	97,778	97,778
	898,885	843,604
Deferred tax assets	(1,177)	(368)
Available-for-sale securities	(733)	-
Total Tier I capital	896,975	843,236
Tier-II capital		
Regulatory reserve	2,384	2,590
Collective assessment allowance	1,603	692
Total Tier II capital	3,987	3,282
Total capital	900,962	846,518
Common Equity Tier 1 capital ratio	20.960%	17.409%
Tier 1 capital ratio	20.960%	17.409%
Total capital ratio	21.053%	17.476%

3 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2015:

Exposure Class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	5,987,358	5,987,358	-	-
Banks	2,672,540	2,672,540	534,508	42,761
Insurance companies, securities firms and fund managers	20,273	20,273	20,273	1,622
Corporates	318,547	318,547	318,469	25,478
Residential mortgages	1,971	1,971	702	56
Higher risk assets	14	14	21	2
Other assets	18,381	18,381	17,924	1,434
Defaulted exposures	171	171	191	15
Total on-balance sheet exposures	9,019,255	9,019,255	892,088	71,368
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	2,507,704	2,507,704	904,417	72,353
Off balance sheet exposures other than OTC derivatives	834,430	834,430	816,291	65,303
Total off-balance sheet exposures	3,342,134	3,342,134	1,720,708	137,656
Total on and off-balance sheet exposures	12,361,389	12,361,389	2,612,796	209,024
	Long position	Short position		
(b) Market risk				
Interest rate risk	71,951,713	72,864,657	1,034,207	82,737
Equity position risk			20,950	1,676
Foreign currency risk	19,162	99,507	99,513	7,961
Options risk			155,063	12,405
(c) Operational risk			356,876	28,550
Total risk weighted assets and capital requirements			4,279,405	342,353

3 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2014:

Exposure Class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	1,513,493	1,513,493	-	-
Banks	3,778,562	3,778,562	755,712	60,457
Insurance companies, securities firms and fund managers	26,356	26,356	26,356	2,108
Corporates	250,967	250,967	250,887	20,071
Residential mortgages	2,391	2,391	960	77
Higher risk assets	14	14	21	2
Other assets	21,559	21,559	21,359	1,709
Defaulted exposures	154	154	156	12
Total on-balance sheet exposures	5,593,496	5,593,496	1,055,451	84,436
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	2,190,385	2,190,385	791,131	63,290
Off balance sheet exposures other than OTC derivatives	1,786,266	1,786,266	814,947	65,196
Total off-balance sheet exposures	3,976,651	3,976,651	1,606,078	128,486
Total on and off-balance sheet exposures	9,570,147	9,570,147	2,661,529	212,922
	Long position	Short position		
(b) Market risk				
Interest rate risk	58,880,092	58,708,184	1,593,428	127,474
Equity position risk			9,413	753
Foreign currency risk	94,574	5	94,575	7,566
Options risk			184,288	14,743
(c) Operational risk			300,533	24,043
Total risk weighted assets and capital requirements			4,843,766	387,501

4 RISK MANAGEMENT

Risk Management Framework

Risk is an inherent part of JPMorgan Chase & Co. ("JPMC")'s business activities and the overall risk tolerance is established in the context of the earnings power, capital, and diversified business model. JPMC and the Bank's risk management framework and governance structure are intended to provide comprehensive controls and an ongoing management of the major risks inherent in its business activities. It is also intended to create a culture of risk awareness and personal responsibility throughout Bank. The Bank's ability to properly identify, to measure, to monitor and to report risk is critical to both its soundness and profitability.

Risk Governance

The Board of Directors ("BOD") is ultimately responsible for the operations, conduct and the financial soundness of the Bank through competent management, reviewing and monitoring the objectives, strategies and business plans of the Bank, ensuring that proper controls are in place and that the business of the Bank is carried out with a high standard of integrity.

The Board Risk Committee ("BRC") is responsible for oversight of the management's responsibility to assess and manage the Bank's credit risk, market risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. The Risk/Asset & Liability Committee ("RALCO") is delegated by the BOD to be responsible for the overall risk management for the Bank.

The RALCO's responsibilities include establishing, reviewing, monitoring and implementing policies and procedures and limits with regard to market risk, liquidity risk, credit risk, and generally the management of risk relating to the Bank. The RALCO also ensures a consistent approach to risk management and ensures appropriate procedures exist for the identification of risks and that suitable mechanisms exist to ensure risks are controlled and reported to management, BRC and BOD on a timely basis.

At management level, the Location Management Committee ("LMC") has primary responsibility for corporate governance as well as to provide management oversight for the various businesses, from a performance, operational as well as control perspective.

The Audit Committee, supported by the Internal Audit Department, is responsible for oversight of guidelines and policies that govern the process by which risk assessment and management is undertaken. In addition, the Audit Committee reviews with management the system of internal controls and financial reporting that is relied upon to provide reasonable assurance of compliance with the Bank's operational risk management processes.

Risk Measurement

The Bank measures risk using a variety of methodologies, including calculating probable loss, unexpected loss and value-at-risk, and by conducting stress tests and making comparisons to external benchmarks. Measurement models and related assumptions are routinely reviewed with the goal of ensuring that the Bank's risk estimates are reasonable and reflect underlying positions.

Risk Reporting and Monitoring

Risk reporting and monitoring is executed on both a line of business and a consolidated basis. This information is reported to management on a regular basis. RALCO reviews and monitors any significant risk issues and reports to the BRC.

5 CREDIT RISK

Credit risk is the risk of loss from obligor or counterparty default. The Bank provides credit (for example, through loans, lending-related commitments, guarantees and derivatives) to a variety of customers, from large corporate and institutional clients to the individual consumer. Credit risk management actively monitors the portfolio to ensure that it is well diversified across industry, geography, risk rating, maturity and individual client categories.

Credit Risk Management

The Bank follows the policies and practices established by JPMC’s Credit Risk Policy Group and BNM’s Best Practices for the Management of Credit Risk, to preserve the independence and integrity of the approval and decision-making process of extending credit, and to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposure. Management of the Bank’s exposure is accomplished through a number of means including: loan syndication and participations, loan sales, use of master netting agreements and collaterals.

The Credit Risk function in the Bank is overseen by the Country Credit Officer (“CCO”). The CCO works closely with regional as well as Global Credit Risk Management teams to ensure that the credit exposure taken at the Bank is in line with the Bank’s risk management policy framework.

There is a comprehensive credit authority framework in place which enables decision making to be escalated in response to the size and risk intensity of the request. There is adequate credit authority delegated to the CCO for smooth functioning of the overall portfolio and business needs. The CCO will review each new credit application and approve the credit if it is within the CCO’s authority. If it is not within the CCO’s authority, the CCO will make recommendation and submit to Regional, and the approval is subsequently ratified by the BOD.

Credit reviews varies with the profile of the exposure to a client, the internal risk grade for the client, and its risk dimensions such as industry and geography. Subject to these considerations, and the Credit Executive’s judgement, credit reviews are usually expected to be done at least annually. Additional credit reviews may be triggered by Risk Reviews or external events.

5.1 Distribution of Credit Exposures

(i) Geographical Distribution

Credit risk exposure analysed by country in respect of the Bank’s financial assets, including off-balance sheet financial instruments, are set out in the following table.

The country exposure analysis is based on the residency of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

5 CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(i) Geographical Distribution (continued)

	31.12.2015										
	Short term funds and placements with financial institutions	Securities purchased under resale agreement	Deposits and placements with financial institutions	Financial assets held for trading	Derivative financial instruments	Financial assets available-for-sale	Loans and advances	Amount due from related parties	Other assets*	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	5,399,140	428,117	-	20,309	872,659	142,192	326,037	-	80,177	7,268,631	2,822,866
United Kingdom	-	-	-	-	66,991	-	-	8,063	-	75,054	229,429
USA	-	-	-	-	5,104	-	-	2,438,948	-	2,444,052	154,196
Hong Kong	-	-	-	-	2,293	-	-	171	-	2,464	5,817
Singapore	15,334	-	-	-	34,433	-	-	292	-	50,059	87,798
Others	33,338	-	-	-	6,076	-	4,698	142,028	-	186,140	42,028
	5,447,812	428,117	-	20,309	987,556	142,192	330,735	2,589,502	80,177	10,026,400	3,342,134

* Other assets include statutory deposits with Bank Negara Malaysia, tax recoverable deferred tax assets and fixed assets.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

5 CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(i) Geographical Distribution (continued)

	31.12.2014										
	Short term funds and placements with financial institutions	Securities purchased under resale agreement	Deposits and placements with financial institutions	Financial assets held for trading	Derivative financial instruments	Financial assets available-for-sale	Loans and advances	Amount due from related parties	Other assets*	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	1,523,792	256,341	401,960	520,133	670,729	-	266,059	10,490	105,359	3,754,863	3,487,018
United Kingdom	-	-	-	-	63,088	-	-	1,641	-	64,729	229,866
USA	-	-	-	-	7,261	-	-	2,974,215	-	2,981,476	147,338
Hong Kong	-	-	-	-	1,100	-	-	39	-	1,139	3,483
Singapore	5,840	-	-	-	27,871	-	-	186	-	33,897	61,369
Others	9,226	-	-	129,855	17,822	-	6,821	25,835	-	189,559	47,577
	1,538,858	256,341	401,960	649,988	787,871	-	272,880	3,012,406	105,359	7,025,663	3,976,651

* Other assets include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets and fixed assets.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

5 CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution

Credit risk exposure analysed by industry sectors in respect of the Bank’s financial assets, including off-balance sheet financial instruments, are set out in the following table.

The industry sector exposure analysis is based on the industry sector of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

5 CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

31.12.2015

	Short term funds and placements with financial institutions	Securities purchased under resale agreement	Deposits and placements with financial institutions	Financial assets held for trading	Derivative financial instruments	Financial assets available-for-sale	Loans and advances*	Amount due from related parties	Other assets**	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing	-	-	-	-	110,574	-	190,470	-	-	301,044	570,124
Wholesale and retail	-	-	-	-	8,107	-	-	-	-	8,107	17,118
Finance, insurance and business services	100,929	-	-	20,309	635,673	-	139,306	2,589,502	5,661	3,491,380	2,031,980
Government and Government Agencies	5,346,426	428,117	-	-	97,770	142,192	-	-	58,296	6,072,801	135,973
Electricity, gas and water	-	-	-	-	127,267	-	-	-	-	127,267	571,123

5 CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

31.12.2015	Short term funds and placements with financial institutions RM'000	Securities purchased under resale agreement RM'000	Deposits and placements with financial institutions RM'000	Financial assets held for trading RM'000	Derivative financial instruments RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Amount due from related parties RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Individual/Purchase of landed property - residential	-	-	-	-	-	-	2,418	-	-	2,418	226
Consumption credit	-	-	-	-	-	-	45	-	-	45	-
Others	-	-	-	-	8,165	-	99	-	-	8,265	15,590
	5,447,355	428,117	-	20,309	987,556	142,192	332,338	2,589,502	63,957	10,011,326	3,342,134
Assets not subject to credit risk	457	-	-	-	-	-	-	-	16,220	16,677	-
	5,447,812	428,117	-	20,309	987,556	142,192	332,338	2,589,502	80,177	10,028,003	3,342,134

* Excludes collective assessment allowance amounting to RM1,603,000.

** Other assets include tax recoverable, fixed assets and statutory deposits with Bank Negara Malaysia.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

5 CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

										31.12.2014	
	Short term funds and placements with financial institutions	Securities purchased under resale agreement	Deposits and placements with financial institutions	Financial assets held for trading	Derivative financial instruments	Financial assets available-for-sale	Loans and advances*	Amount due from related parties	Other assets**	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing	-	-	-	-	108,380	-	175,668	-	-	284,048	404,504
Wholesale and retail	-	-	-	-	-	-	-	-	-	-	11,619
Finance, insurance and business services	400,396	-	401,960	129,855	495,577	-	94,777	3,012,406	10,398	4,545,369	2,965,941
Government and Government Agencies	1,138,262	256,341	-	520,133	22,618	-	-	-	74,516	2,011,870	38,159
Electricity, gas and water	-	-	-	-	161,296	-	-	-	-	161,296	554,370
Individual/Purchase of landed property - residential	-	-	-	-	-	-	2,812	-	-	2,812	282

J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

5 CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

31.12.2014

	Short term funds and placements with financial institutions	Securities purchased under resale agreement	Deposits and placements with financial institutions	Financial assets held for trading	Derivative financial instruments	Financial assets available-for-sale	Loans and advances*	Amount due from related parties	Other assets**	On balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Consumption credit	-	-	-	-	-	-	61	-	-	61	-
Others	-	-	-	-	-	-	254	-	-	254	1,776
	1,538,658	256,341	401,960	649,988	787,871	-	273,572	3,012,406	84,914	7,005,710	3,976,651
Assets not subject to credit risk	200	-	-	-	-	-	-	-	20,445	20,645	-
	1,538,858	256,341	401,960	649,988	787,871	-	273,572	3,012,406	105,359	7,026,355	3,976,651

* Excludes collective assessment allowance amounting to RM692,000.

** Other assets include tax recoverable, deferred tax assets, fixed assets and statutory deposits with Bank Negara Malaysia.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances.

5 CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(iii) Residual Contractual Maturity

Credit risk exposure analysed by residual contractual maturity in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

	Less than 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2015				
On-balance sheet exposures				
Cash and short-term funds	5,447,812	-	-	5,447,812
Securities purchased under resale agreement	428,117	-	-	428,117
Financial assets held for trading	20,309	-	-	20,309
Derivative financial instruments	591,934	336,423	59,199	987,556
Financial assets available-for-sale	-	142,192	-	142,192
Loans and advances	328,147	447	2,141	330,735
Amount due from related parties	2,589,502	-	-	2,589,502
Total on-balance sheet exposures	9,405,821	479,062	61,340	9,946,223
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	1,123,705	1,195,966	188,033	2,507,704
Off balance sheet exposures other than OTC derivatives	406,730	361,501	66,199	834,430
Total off-balance sheet exposures	1,530,435	1,557,467	254,232	3,342,134
Total on and off-balance sheet exposures	10,936,256	2,036,529	315,572	13,288,357

5 CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(iii) Residual Contractual Maturity (continued)

	Less than 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2014				
On-balance sheet exposures				
Cash and short-term funds	1,538,858	-	-	1,538,858
Securities purchased under resale agreement	256,341	-	-	256,341
Deposits and placements with banks and other financial institutions	401,960	-	-	401,960
Financial assets held for trading	455,603	100,466	93,919	649,988
Derivative financial instruments	527,176	163,564	97,131	787,871
Loans and advances	269,806	1,304	1,770	272,880
Amount due from related parties	3,012,406	-	-	3,012,406
Total on-balance sheet exposures	6,462,150	265,334	192,820	6,920,304
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	935,460	946,792	308,133	2,190,385
Off balance sheet exposures other than OTC derivatives	1,396,846	374,708	14,712	1,786,266
Total off-balance sheet exposures	2,332,306	1,321,500	322,845	3,976,651
Total on and off-balance sheet exposures	8,794,456	1,586,834	515,665	10,896,955

5 CREDIT RISK (CONTINUED)

5.2 Past Due and Impaired Loans and Advances

Past due accounts are loan accounts with any interest or principal payments due and not paid, but are not classified as impaired. Loans are classified as impaired if the judgemental or mandatory triggers are triggered.

Impairment losses are incurred if there is objective evidence of impairment as a result of one or more loss events that occurred. Evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, delinquency in interest or principal payments, probability that they will enter bankruptcy and where observable data indicating that there is a measurable decrease in the estimated future cash flows.

The Bank first assesses whether objective evidence of impairment exists individually for loans and advances that are individually significant, and individually or collectively for loans and advances that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loans and advances, whether significant or not, it includes the asset in a group of loans and advances with similar credit risk characteristics and collectively assesses them for impairment.

For the collective evaluation of impairment, loans and advances are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

5 CREDIT RISK (CONTINUED)

5.2 Past Due and Impaired Loans and Advances (continued)

(i) Industry Distribution

The sectoral analysis of past due and impaired loans and advances and the individual and collective assessment allowance by sectors are set out in the following table:

	Past due loans and advances RM'000	Impaired loans and advances RM'000	Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment allowance during the year RM'000	Write offs during the year RM'000
31 Dec 2015						
Agricultural	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Transport, storage and communications	-	-	-	-	-	-
Finance, insurance, business services	-	-	-	-	-	-
Government and Government Agencies	-	-	-	-	-	-
Individual/Purchase of landed property – residential	-	171	48	1,603	(8)	4
Electricity, gas and water	-	-	-	-	-	-
Household	-	-	-	-	-	-
Others	-	-	-	-	-	-
	-	171	48	1,603	(8)	4
31 Dec 2014						
Agricultural	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Transport, storage and communications	-	-	-	-	-	-
Finance, insurance, business services	-	-	-	-	-	-
Government and Government Agencies	-	-	-	-	-	-
Individual/Purchase of landed property – residential	56	154	56	692	(129)	17
Electricity, gas and water	-	-	-	-	-	-
Household	-	-	-	-	-	-
Others	-	-	-	-	-	-
	56	154	56	692	(129)	17

5 CREDIT RISK (CONTINUED)

5.2 Past Due and Impaired Loans and Advances (continued)

(ii) Geographical Distribution

The geographical analysis of past due and impaired loans and advances and the individual and collective assessment allowance are set out in the following table:

	Past due loans and advances RM'000	Impaired loans and advances RM'000	Individual impairment allowance RM'000	Collective impairment allowance RM'000
31 Dec 2015				
Malaysia	-	171	48	1,603
31 Dec 2014				
Malaysia	56	154	56	692

(iii) Movements in allowance for impaired loans and advances

	31.12.2015 RM'000	31.12.2014 RM'000
Individual assessment allowance		
At 1 January	56	185
Allowance written back during the financial year	(8)	(129)
Balance at end of financial year	48	56
Collective assessment allowance		
At 1 January	692	308
Allowance made during the financial year	911	384
Balance at end of financial year	1,603	692

5 CREDIT RISK (CONTINUED)

5.3 Credit Risk Exposures under Standardised Approach

The Bank applies external ratings assigned by recognised External Credit Assessment Institutions (“ECAIs”) in determining risk weight for credit exposure classes and are recognised by BNM in RWCAF. The Bank uses ratings assigned by Standard & Poor’s (“S&P”), Moody’s Investors Service (“Moody’s”) and Fitch Ratings (“Fitch”).

The following tables set out the credit exposures by risk weights and after credit risk mitigation:

Risk weight as at 31 December 2015 for credit risk exposures:

Weighted	Sovereigns & Central bank	PSE	Banks	Insurance companies, securities firms and funds managers	Corporates	Residential mortgages	Higher risk assets	Other assets	Total exposures after netting and credit risk	Total risk weighted assets
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
0%	5,987,358	-	-	-	-	-	-	457	5,987,815	-
20%	-	135,973	4,563,348	-	-	-	-	-	4,699,321	939,864
35%	-	-	-	-	-	1,888	-	-	1,888	661
50%	-	-	-	-	-	83	-	-	83	42
75%	-	-	-	-	312	-	-	-	315	236
100%	-	-	-	108,940	1,544,924	131	-	17,923	1,671,915	1,671,915
150%	-	-	-	-	38	-	14	-	52	78
Total	5,987,358	135,973	4,563,348	108,940	1,545,274	2,102	14	18,380	12,361,389	2,612,796

5 CREDIT RISK (CONTINUED)

5.3 Credit Risk Exposures under Standardised Approach (continued)

Risk weight as at 31 December 2014 for credit risk exposures:

Weighted	Sovereigns & Central bank	Banks	Insurance companies, securities firms and funds managers	Corporates	Residential mortgages	Higher risk assets	Other assets	Total exposures after netting and credit risk	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,551,652	-	-	-	-	-	200	1,551,852	-
20%	-	6,615,981	78,098	-	-	-	-	6,694,079	1,338,815
35%	-	-	-	-	1,571	-	-	1,571	550
50%	-	-	-	-	820	-	-	820	410
75%	-	-	-	322	-	-	-	322	242
100%	-	-	51,786	1,248,204	136	-	21,359	1,321,485	1,321,485
150%	-	-	-	-	-	18	-	18	27
Total	1,551,652	6,615,981	129,884	1,248,526	2,527	18	21,559	9,570,147	2,661,529

5 CREDIT RISK (CONTINUED)

5.3 Credit Risk Exposures under Standardised Approach (continued)

The following tables set out the rated exposures according to rating by ECAIs:

(i) Ratings of corporate by approved ECAIs

Exposure class	Moody S & P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A1 to A- A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B to D B+ to D RM'000	Unrated Unrated Unrated Unrated Unrated RM'000
31.12.2015						
On and Off: Balance Sheet Exposures						
Public Sector Entities		-	135,973	-	-	-
Insurance companies, securities firms and fund managers		-	70,662	38,278	-	-
Corporates		-	8,485	1,036,235	499,834	720
		-	215,120	1,074,513	499,834	720
31.12.2014						
On and Off: Balance Sheet Exposures						
Insurance companies, securities firms and fund managers		-	106,731	23,153	-	-
Corporates		-	39,435	946,390	260,345	2,356
		-	146,166	969,543	260,345	2,356

5 CREDIT RISK (CONTINUED)

5.3 Credit Risk Exposures under Standardised Approach (continued)

(ii) Ratings of Sovereigns/Central Banks and Banking Institutions by approved ECAIs

	Moody S & P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A1 to A- A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D	Unrated Unrated Unrated Unrated Unrated
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2015						
On and Off: Balance Sheet Exposures						
Sovereigns/Central Banks		-	5,987,358	-	-	-
Banks		17,866	4,085,435	444,979	15,068	-
		17,866	10,072,793	444,979	15,068	-
31.12.2014						
On and Off: Balance Sheet Exposures						
Sovereigns/Central Banks		-	1,551,652	-	-	-
Banks		7,016	6,145,335	443,195	20,435	-
		7,016	7,696,987	443,195	20,435	-

5 CREDIT RISK (CONTINUED)

5.4 Credit Risk Mitigation ("CRM")

Management of the Bank's exposure is accomplished through a number of means including: loan syndication and participations, loan sales, use of master netting agreements and collaterals.

(a) Collateral

The Bank takes collateral as a secondary recourse to the borrower. Collaterals include cash, securities and guarantees. The Bank may also take fixed and floating charges on assets of borrowers. It has put in place policies which governs the determination of eligibility of various collaterals to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigants. The collateral is revalued periodically depending on the type of collateral. The Bank generally considers the collateral assets to be diversified.

(b) Master netting arrangements

Master netting agreement is an agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default on or termination of any one contract. It does not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short year, as it is affected by each transaction subject to the arrangement.

The Bank participates in the Derivative Credit Risk Master Insurance Policy where it pays a credit charge to its Head Office as a credit insurance protection for its derivative transactions. The head office credit portfolio management process includes entering into hedges using Credit Default Swaps ("CDS"), CDS Indices, Foreign Exchange, Interest Rate Swaps and through loan sales.

5 CREDIT RISK (CONTINUED)

5.4 Credit Risk Mitigation ("CRM") (continued)

The following tables set out the credit exposures that are covered by eligible guarantees and collaterals as allowed under the RWCAF.

31.12.2015	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-balance sheet exposures			
Sovereigns/central banks	5,987,358	-	-
Banks	2,672,540	-	-
Insurance companies, securities firms and and fund managers	20,273	-	-
Corporates	318,547	-	-
Residential mortgages	1,971	-	-
Higher risk assets	14	-	-
Other assets	18,381	-	-
Defaulted exposures	171	-	-
Total on-balance sheet exposures	9,019,255	-	-
Off-balance sheet exposures			
Over-the-counter ('OTC') derivatives	2,507,704	17,278	194,776
Off balance sheet exposures other than OTC derivatives	834,430	-	-
Total off-balance sheet exposures	3,342,134	17,278	194,776
Total on and off-balance sheet exposures	12,361,389	17,278	194,776

5 CREDIT RISK (CONTINUED)

5.4 Credit Risk Mitigation ("CRM") (continued)

31.12.2014	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-balance sheet exposures			
Sovereigns/central banks	1,513,493	-	-
Banks	3,778,562	-	-
Insurance companies, securities firms and fund managers	26,356	-	-
Corporates	250,967	-	-
Residential mortgages	2,391	-	-
Higher risk assets	14	-	-
Other assets	21,559	-	-
Defaulted exposures	154	-	-
Total on-balance sheet exposures	5,593,496	-	-
Off-balance sheet exposures			
Over-the-counter ('OTC') derivatives	2,190,385	6,502	167,639
Off balance sheet exposures other than OTC derivatives	1,786,266	-	-
Total off-balance sheet exposures	3,976,651	6,502	167,639
Total on and off-balance sheet exposures	9,570,147	6,502	167,639

5 CREDIT RISK (CONTINUED)

5.5 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk (“CCR”) is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, could default before the final settlement of the transaction’s cash flows.

For derivatives, the Bank is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Counterparty limits for the Bank are established at the individual counterparty level and are set based on the counterparty’s credit rating, tenor and size.

To mitigate the counterparty risk for derivative transactions, the Bank participates in the Derivative Credit Risk Master Insurance Policy where it pays a credit charge to its Head Office as a credit insurance protection for its derivative transactions. The head office credit portfolio management process includes entering into hedges using CDS, CDS Indices, Foreign Exchange, Interest Rate Swaps and through loan sales.

The counterparty risk is further mitigated via master netting agreements. Master netting agreement is an agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default on or termination of any one contract. It does not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. The Bank’s overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short year, as it is affected by each transaction subject to the arrangement.

5 CREDIT RISK (CONTINUED)

5.5 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

The following tables set out the off-balance sheet exposures and counterparty credit risk.

31.12.2015	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	354,949	-	354,949	341,431
Transaction-related contingent items	54,541	-	27,271	23,388
Short-term self-liquidating trade Related contingencies	63,119	-	12,624	11,886
Foreign exchange related contracts:				
- less than one year	21,558,902	504,603	879,426	379,838
- one year to less than five years	1,615,831	229,840	343,645	202,708
Interest rate related contracts:				
- less than one year	9,981,008	7,779	103,554	20,711
- one year to less than five years	23,375,326	96,148	815,639	187,858
- more than five years	701,333	59,199	188,033	37,606
Equity related contracts				
- less than one year	828,930	79,552	140,725	59,955
- one year to less than five years	131,811	3,384	19,404	12,285
Credit related contracts				
- one year to less than five years	75,250	7,051	17,278	3,456
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	816,192	-	408,096	408,096
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	157,450	-	31,490	31,490
	59,714,642	987,556	3,342,134	1,720,708

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

5 CREDIT RISK (CONTINUED)

5.5 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

31 Dec 2014	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes	161,269	-	161,269	146,966
Transaction-related contingent items	111,076	-	55,538	48,876
Forward asset purchases	1,187,943	-	1,187,943	237,589
Foreign exchange related contracts:				
- less than one year	18,033,800	425,104	717,823	410,710
- one year to less than five years	1,498,119	86,369	225,249	128,632
Interest rate related contracts:				
- less than one year	5,950,889	6,772	21,883	4,376
- one year to less than five years	20,389,531	72,003	699,820	139,965
- more than five years	2,606,752	97,131	308,133	61,626
Equity related contracts				
- less than one year	1,469,565	95,300	195,754	41,478
- one year to less than five years	114,138	3,089	15,221	3,044
Credit related contracts				
- one year to less than five years	51,100	2,103	6,502	1,300
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	723,356	-	361,678	361,678
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	99,191	-	19,838	19,838
	52,396,729	787,871	3,976,651	1,606,078

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

6 MARKET RISK

Market risk comes mainly from trading and investing in client-focused activities, and is the risk of losses arising from adverse movements in market prices. Market risks are most commonly sub-divided into interest rate risk, equity risk, foreign exchange risk and commodity risk, depending on whether the risk factor is an interest rate, a stock price, etc.

Market Risk Management

Market risk is identified, measured, monitored and controlled by an independent corporate risk governance function. Market Risk Management is responsible for the establishment of market risk policies and monitoring of risk limits.

The portfolio effect of holding different instruments across a variety of business activities and asset classes helps to diversify the market risk the Bank is exposed to and reduces the potential losses from market risk.

The Bank’s ability to measure and monitor potential losses that could arise from adverse changes in market conditions is key to managing market risks. Quantitative and qualitative measures are an integral and crucial part in the Bank’s assessment of market risks.

The Bank’s primary tool for the systematic measuring and monitoring of market risk is the Value at Risk (“VAR”) calculation, which is measured and monitored at the regional level by lines of businesses. VAR is an estimate of the expected loss in the value of the various regional lines of businesses’ activities, where the Bank’s activities are rolled up into, over a one-day time horizon. VAR allows for a consistent and uniform measure of market risk across all applicable products and activities. To calculate VAR, the Bank uses historical simulation, which measures risk across instruments and portfolios in a consistent and comparable way. This approach assumes that historical changes in market values are representative of future changes. The simulation is based upon data for the previous twelve months.

Besides VAR, other non-statistical limits such as basis point value and net open positions are used as market risk tools to limit the risk to which the businesses can be exposed to.

The quality of the VAR model is monitored by back-testing the VAR results for trading books. All back-testing exceptions are investigated, and all back-testing results are reported to senior management.

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Market Risk Management include: risk factor stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and ad hoc stress testing. The results of the stress tests are reviewed by senior management and by the Board of Directors.

6 MARKET RISK (CONTINUED)

The risk weighted assets and capital requirements for the various categories of risk under Market risk are set out in the following table:

31.12.2015	Long position	Short position	Risk weighted assets RM'000	Capital requirements RM'000
Interest rate risk	71,951,713	72,864,657	1,034,207	82,737
Equity position risk			20,950	1,676
Foreign currency risk	19,162	99,507	99,513	7,961
Options risk			155,063	12,405
			1,309,733	104,779
31.12.2014				
Interest rate risk	58,880,092	58,708,184	1,593,428	127,474
Equity position risk			9,413	753
Foreign currency risk	94,574	5	94,575	7,566
Options risk			184,288	14,743
			1,881,704	150,536

7 OPERATIONAL RISK

Operational risk is an inherent risk element in each of the Bank's business and support activities.

Operational Risk Management

The Bank maintains a system of comprehensive policies and control framework designed to provide a sound and well-controlled operational environment.

Primary responsibility for managing operating risk rests with the business managers. These individuals, with the support of their staff, are responsible for establishing and maintaining internal control procedures that are appropriate for their operating environments. To this end, the objectives of each business activities are identified and the risks associated with those objectives are assessed. The business managers institute a series of standards and procedures to manage these risks and to comply with the Bank's operational risk related policies, considering their nature and magnitude.

At the operational level, Internal Audit conducts annual audits and reviews on key operation areas. The focus of the audit is to provide assurance to management on the compliance with statutory requirements, laws, corporate policies and internal guidelines.

The Bank adopts the Basic Indicator Approach in calculating the operational risk RWA.

8 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book ("IRRBB") arise from exposures of banking book products to changes in the level, slope and curvature of the yield curve and the volatility of interest rates. Interest rate risk is one of the categories of market risk.

IRRBB Management

Treasury manages the funding activities of the Bank and serves as a funds clearing house for the various lines of businesses; businesses with excess cash from deposit raising activities sell those funds to Treasury, while businesses with funding requirements purchase those funds from Treasury. The funds are transacted using market based rates established in accordance with funds transfer pricing procedures employed by the firm and with the objectives of insulating the business from interest rate risk and transfer any such risk arising from the business activities to Treasury.

As lines of businesses transfer all interest rate risk arising from business activities to Treasury, Treasury subsequently manages the banking book interest rate risk for the bank in conjunction with its investment activities, subject to the limits governing the activities/positions at the Bank.

The limit structure in place uses Basis Point Value ("BPV") as a measure of IRRBB. BPV is used to quantify the change in value of the balance sheet across all accrual positions to a one basis point change in interest rates. The greater the BPV, the greater the sensitivity of the balance sheet and therefore earnings to changes in interest rates.

The sensitivity of the Bank's positions in banking book to interest rate changes are set out in the following table:

	Increase/(Decrease)	
31.12.2015	+100bps	-100 bps
	RM'000	RM'000
Impact on Economic Value		
MYR	(9,966)	9,966
USD	(21,983)	21,983
Other	(1,677)	1,677
	(33,626)	33,626

	Increase/(Decrease)	
31.12.2014	+100bps	-100 bps
	RM'000	RM'000
Impact on Economic Value		
MYR	(11,427)	11,427
USD	(29,866)	29,866
Other	(348)	348
	(41,641)	41,641