

Pengarah
Jabatan Penyeliaan Perbankan
Tingkat 5B
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

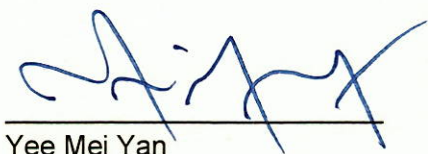
Attention: Encik Mohd Zabidi Md Nor

20 December 2018

Dear Madam,

**J.P. MORGAN CHASE BANK BERHAD
PILLAR 3 DISCLOSURE
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

Enclosed Pillar 3 Disclosure for the period ended 30 June 2018.



Yee Mei Yan

Date: 20 December 2018

Company No.

316347	D
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J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

J.P. MORGAN CHASE BANK BERHAD

(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

1 CAPITAL STRUCTURE AND ADEQUACY

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:

	<u>30.06.2018</u> RM'000	<u>31.12.2017</u> RM'000
<u>Tier-I capital</u>		
Share capital	127,500	127,500
Retained earnings	896,950	896,950
Fair value reserve – Fair value through other comprehensive income / Available-for-sale securities	29	40
Option reserve	18,053	18,053
	<u>1,042,532</u>	<u>1,042,543</u>
Deferred tax assets	(3,110)	(3,110)
Available-for-sale securities	(15)	(22)
	<u>1,039,407</u>	<u>1,039,411</u>
<u>Tier-II capital</u>		
Regulatory reserve	6,821	2,415
ECL not credit impaired / Collective assessment allowance	62	1,285
	<u>6,883</u>	<u>3,700</u>
 Total capital	 <u>1,046,290</u>	 <u>1,043,111</u>
 Common Equity Tier 1 capital ratio	 25.836%	 25.911%
Tier 1 capital ratio	25.836%	25.911%
Total capital ratio	<u>26.007%</u>	<u>26.004%</u>

J.P. MORGAN CHASE BANK BERHAD

(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

1 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 30 June 2018:

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	4,545,945	4,545,945	218,019	17,442
Banks	508,471	508,471	101,695	8,136
Insurance companies, securities firms and fund managers	110,356	110,356	56,332	4,507
Corporates	351,537	351,537	350,721	28,058
Residential mortgages	1,235	1,235	434	35
Higher risk assets	4	4	6	-
Other assets	15,887	15,887	15,576	1,246
Defaulted exposures	71	71	71	6
Total on-balance sheet exposures	5,533,506	5,533,506	742,854	59,430
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	2,395,654	2,395,654	949,840	75,987
Off-balance sheet exposures other than OTC derivatives	380,259	380,259	365,800	29,264
Total off-balance sheet exposures	2,775,913	2,775,913	1,315,640	105,251
Total on and off-balance sheet exposures	8,309,419	8,309,419	2,058,494	164,681
	Long position	Short position		
(b) Market risk				
Interest rate risk	86,387,957	86,059,488	1,165,538	93,243
Equity position risk			9,663	773
Foreign currency risk	622	211,594	24,625	1,970
Options risk			313,713	25,097
(c) Operational risk			451,119	36,090
Total risk weighted assets and capital requirements			4,023,152	321,854

J.P. MORGAN CHASE BANK BERHAD

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BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

1 CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2017:

Exposure Class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Risk Capital requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	4,087,691	4,087,691	81,099	6,488
Banks	594,364	594,364	124,962	9,997
Insurance companies, securities firms and fund managers	32,715	32,715	16,372	1,310
Corporates	306,960	306,960	306,960	24,557
Residential mortgages	1,328	1,328	508	41
Higher risk assets	4	4	6	-
Other assets	10,576	10,576	10,150	812
Defaulted exposures	111	111	111	9
Total on-balance sheet exposures	5,033,749	5,033,749	540,168	43,214
Off-balance sheet exposures				
Over-the-counter ('OTC') derivatives	2,393,520	2,393,520	949,839	75,987
Off balance sheet exposures other than OTC derivatives	310,922	310,922	302,695	24,216
Total off-balance sheet exposures	2,704,442	2,704,442	1,252,534	100,203
Total on and off-balance sheet exposures	7,738,191	7,738,191	1,792,702	143,417
	Long position	Short position		
(b) Market risk				
Interest rate risk	85,484,880	84,242,850	1,274,851	101,988
Equity position risk			-	-
Foreign currency risk	744	184,585	184,588	14,767
(c) Options risk			321,413	25,713
Operational risk			437,854	35,028
Total risk weighted assets and capital requirements			4,011,408	320,913

J.P. MORGAN CHASE BANK BERHAD

(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK

2.1 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).

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

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(i) Geographical Distribution (continued)

	Short term funds and placements with financial institutions RM'000	Securities purchased under resale agreement 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
Malaysia	3,757,932	94,932	588,965	493,812	686,497	323,788	91,734	41,624	6,079,284	2,318,066
United Kingdom	-	-	-	40,842	-	-	91,869	-	132,711	292,309
USA	-	-	-	8,516	-	-	347,624	20	356,160	81,609
Hong Kong	-	-	-	3,840	-	-	3,311	-	7,151	7,738
Singapore	6,679	-	-	15,079	-	-	162	19,228	41,148	40,890
Others	3,380	-	-	20,398	-	27,337	1,262	-	52,377	35,301
	<u>3,767,991</u>	<u>94,932</u>	<u>588,965</u>	<u>582,487</u>	<u>686,497</u>	<u>351,125</u>	<u>535,962</u>	<u>60,872</u>	<u>6,668,831</u>	<u>2,775,913</u>
Assets not subject to credit risk	311	-	-	-	-	-	-	26,152	26,463	-
	<u>3,768,302</u>	<u>94,932</u>	<u>588,965</u>	<u>582,487</u>	<u>686,497</u>	<u>351,125</u>	<u>535,962</u>	<u>87,024</u>	<u>6,695,294</u>	<u>2,775,913</u>

* 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.

30.06.2018

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

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(i) Geographical Distribution (continued)

	Short term funds and placements with financial institutions	Securities purchased under resale agreement	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
Malaysia	3,884,641	46,776	785,970	431,368	148,476	273,506	170,274	33,512	5,774,523	2,253,543
United Kingdom	-	-	-	63,792	-	-	13,369	-	77,161	340,989
USA	-	-	-	12,998	-	-	363,899	17	376,914	69,907
Hong Kong	-	-	-	690	-	-	1,098	-	1,788	5,056
Singapore	5,389	-	-	3,427	-	-	90	19,309	28,215	14,010
Others	3,231	-	101,520	4,484	-	33,571	1,017	-	143,823	20,937
	3,893,261	46,776	887,490	516,759	148,476	307,077	549,747	52,838	6,402,424	2,704,442
Assets not subject to credit risk	425	-	-	-	-	-	-	29,923	30,348	-
	3,893,686	46,776	887,490	516,759	148,476	307,077	549,747	82,761	6,432,772	2,704,442

* 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. J.P. MORGAN CHASE BANK BERHAD
(Incorporated in Malaysia)**BASEL 2 PILLAR 3 DISCLOSURES****FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)****2 CREDIT RISK (CONTINUED)****2.1 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).

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

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

	Short term funds and placements	Securities purchased with financial institutions under resale agreement	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
Manufacturing	-	-	-	40,637	-	212,653	-	-	253,290	275,027
Wholesale and retail	-	-	-	2,791	-	8,827	-	-	11,618	7,756
Finance, insurance and business services	32,726	-	101,608	513,510	-	128,392	535,962	60,307	1,372,505	2,244,652
Government and Government Agencies	3,735,265	94,932	487,357	18,975	686,497	-	-	146	5,023,172	46,296
Electricity, gas and water	-	-	-	4,915	-	-	-	419	5,334	96,967
Transport, storage and Communication	-	-	-	3	-	-	-	-	3	90,871

30.06.2018

J.P. MORGAN CHASE BANK BERHAD
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BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

	30.06.2018									
	Short term funds and placements with financial institutions RM'000	Securities purchased under resale agreement 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	-	-	-	-	-	1,315	-	-	1,315	195
Others	-	-	-	1,656	-	-	-	-	1,656	14,149
	3,767,991	94,932	588,965	582,487	686,497	351,187	535,962	60,872	6,668,893	2,775,913
Assets not subject to credit risk	311	-	-	-	-	-	-	26,152	26,463	-
	3,768,302	94,932	588,965	582,487	686,497	351,187	535,962	87,024	6,695,356	2,775,913

* Excludes ECL not credit impaired amounting to RM62,450.

** 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 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

	Short-term funds and placements with financial institutions	Securities purchased under resale agreement	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
Manufacturing	-	-	-	29,015	-	164,523	-	-	193,538	101,953
Wholesale and retail	-	-	-	-	-	19,188	-	-	19,188	210
Finance, insurance and business services	26,352	-	101,520	477,676	-	123,248	549,747	50,033	1,328,576	2,553,389
Government and Agencies	3,866,909	46,776	785,970	2,738	148,476	-	-	2	4,850,871	16,867
Electricity, gas and water	-	-	-	1,983	-	-	-	-	1,983	28,943

31.12.2017

J.P. MORGAN CHASE BANK BERHAD
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BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.1 Distribution of Credit Exposures (continued)

(ii) Industry Distribution (continued)

	Short-term placements with financial institutions RM'000	Securities purchased under resale agreement 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
Transport, storage and communication Individual/Purchase of landed property - residential	-	-	-	877	-	-	-	-	877	1,327
Others	-	-	-	4,470	-	1,403	-	-	1,403	172
								2,803	7,273	1,581
	3,893,261	46,776	887,490	516,759	148,476	308,362	549,747	52,838	6,403,709	2,704,442
Assets not subject to credit risk	425	-	-	-	-	-	-	29,923	30,348	-
	3,893,686	46,776	887,490	516,759	148,476	308,362	549,747	82,761	6,434,057	2,704,442

* Excludes collective assessment allowance amounting to RM1,285,000.

** 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 30 JUNE 2018 (CONTINUED)****2 CREDIT RISK (CONTINUED)****2.1 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 <u>1 year</u> RM'000	1 – 5 <u>years</u> RM'000	Over 5 <u>years</u> RM'000	<u>Total</u> RM'000
<u>30.06.2018</u>				
<i>On-balance sheet exposures</i>				
Cash and short-term funds	3,768,302	-	-	3,768,302
Securities purchased under resale agreement	94,932	-	-	94,932
Financial assets measured at fair value through profit or loss	149,274	134,686	305,005	588,965
Derivative financial instruments	377,230	169,922	35,335	582,487
Financial assets measured at fair value through other comprehensive income	686,497	-	-	686,497
Loans and advances	349,846	348	931	351,125
Amount due from related parties	535,962	-	-	535,962
Total on-balance sheet exposures	5,962,043	304,956	341,271	6,608,270
<i>Off-balance sheet exposures</i>				
Over-the-counter ('OTC') derivatives	864,554	1,343,001	188,099	2,395,654
Off balance sheet exposures other than OTC derivatives	260,181	117,703	2,375	380,259
Total off-balance sheet exposures	1,124,735	1,460,704	190,474	2,775,913
Total on and off-balance sheet exposures	7,086,778	1,765,660	531,745	9,384,183

J.P. MORGAN CHASE BANK BERHAD

(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)**2.1 Distribution of Credit Exposures (continued)****(iii) Residual Contractual Maturity (continued)**

	Less than <u>1 year</u> RM'000	1 – 5 <u>years</u> RM'000	Over 5 <u>years</u> RM'000	<u>Total</u> RM'000
<u>31.12.2017</u>				
<i>On-balance sheet exposures</i>				
Cash and short-term funds	3,893,686	-	-	3,893,686
Securities purchased under resale agreement	46,776	-	-	46,776
Financial assets held for trading	125,983	437,781	323,727	887,491
Derivative financial instruments	331,342	160,362	25,055	516,759
Financial assets available-for-sale	148,476	-	-	148,476
Loans and advances	305,647	290	1,140	307,077
Amount due from related parties	549,747	-	-	549,747
Total on-balance sheet exposures	<u>5,401,657</u>	<u>598,433</u>	<u>349,922</u>	<u>6,350,012</u>
<i>Off-balance sheet exposures</i>				
Over-the-counter ('OTC') derivatives	761,898	1,283,480	348,142	2,393,520
Off balance sheet exposures other than OTC derivatives	194,581	114,968	1,373	310,922
Total off-balance sheet exposures	<u>956,479</u>	<u>1,398,448</u>	<u>349,515</u>	<u>2,704,442</u>
Total on and off-balance sheet exposures	<u>6,358,136</u>	<u>1,996,881</u>	<u>699,437</u>	<u>9,054,454</u>

J.P. MORGAN CHASE BANK BERHAD

(Incorporated in Malaysia)

BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)**2.2 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	ECL credit impaired RM'000	ECL not credit impaired RM'000	ECL credit impaired during the year RM'000	Write offs during the year RM'000
30 Jun 2018						
Agricultural	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Transport, storage and communications	-	-	-	-	-	-
Finance, insurance, business services	-	-	-	-	-	-
Government and Government Agencies	-	-	-	-	-	-
Individual/Purchase of landed property – residential	-	71	37	62	(2)	(3)
Electricity, gas and water	-	-	-	-	-	-
Household	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<u>-</u>	<u>71</u>	<u>37</u>	<u>62</u>	<u>(2)</u>	<u>(3)</u>
31 Dec 2017						
Agricultural	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Transport, storage and communications	-	-	-	-	-	-
Finance, insurance, business services	-	-	-	-	-	-
Government and Government Agencies	-	-	-	-	-	-
Individual/Purchase of landed property – residential	-	111	41	1,285	(4)	-
Electricity, gas and water	-	-	-	-	-	-
Household	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<u>-</u>	<u>111</u>	<u>41</u>	<u>1,285</u>	<u>(4)</u>	<u>-</u>

J.P. MORGAN CHASE BANK BERHAD
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BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.2 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	ECL credit impaired allowance RM'000	ECL not credit impaired allowance RM'000
<u>30 Jun 2018</u>				
Malaysia	-	71	37	62
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>31 Dec 2017</u>				
Malaysia	-	111	41	1,285
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(iii) Movements in allowance for impaired loans and advances

	<u>30.06.2018</u> RM'000	<u>31.12.2017</u> RM'000
<u>Individual assessment allowance</u>		
At 1 January		
- as previously reported	41	45
- effects of adoption of MFRS 9	(41)	-
	<hr/>	<hr/>
	-	45
Allowance written back during the financial period/year	-	(4)
	<hr/>	<hr/>
Balance at end of financial period/year	-	41
	<hr/>	<hr/>
<u>ECL credit impaired</u>		
At 1 January		
- as previously reported	-	-
- effects of adoption of MFRS 9	39	-
Allowance written back during the financial period/year	(2)	-
	<hr/>	<hr/>
Balance at end of financial period/year	37	-
	<hr/>	<hr/>
<u>Collective assessment allowance</u>		
At 1 January		
- as previously reported	1,285	1,053
- effects of adoption of MFRS 9	(1,285)	-
	<hr/>	<hr/>
	-	1,053
Allowance written back during the financial period/year	-	232
	<hr/>	<hr/>
Balance at end of financial period/year	-	1,285
	<hr/>	<hr/>
<u>ECL not credit impaired</u>		
At 1 January		
- as previously reported	-	-
- effects of adoption of MFRS 9	85	-
	<hr/>	<hr/>
- as restated	85	-
Allowance written back during the financial period/year	(23)	-
	<hr/>	<hr/>
Balance at end of financial period/year	62	-
	<hr/>	<hr/>

J.P. MORGAN CHASE BANK BERHAD
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BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.3 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 30 June 2018 for credit risk exposures:

Weighted	Sovereigns & Central bank	PSE	Banks	Insurance companies, securities firms and funds	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	managers RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,455,849	-	-	-	-	-	-	311	3,456,160	-
20%	1,090,154	46,238	1,696,920	-	-	-	-	-	2,833,312	566,662
35%	-	-	-	-	-	1,240	-	-	1,240	434
50%	-	-	755,707	296,913	2,003	-	-	-	1,054,623	527,311
75%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	113,480	834,954	71	-	15,576	964,081	964,081
150%	-	-	-	-	-	-	4	-	4	6
Total	4,546,003	46,238	2,452,627	410,393	836,957	1,311	4	15,887	8,309,420	2,058,494

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.3 Credit Risk Exposures under Standardised Approach (continued)

Risk weight as at 31 December 2017 for credit risk exposures:

	Sovereigns & Central bank	PSE	Banks	Insurance companies, securities firms and funds	Corporates	Residential mortgages	Higher risk assets	Other assets	Total exposures after netting and credit risk	Total risk weighted assets
<u>Weighted</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
0%	3,682,197	-	-	-	-	-	-	426	3,682,623	-
20%	406,003	34,225	1,700,757	-	-	-	-	-	2,140,985	428,196
35%	-	-	-	-	-	1,037	-	-	1,037	363
50%	-	-	899,023	199,489	7	291	-	-	1,098,810	549,405
75%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	67,796	736,675	111	-	10,150	814,732	814,732
150%	-	-	-	-	-	-	4	-	4	6
Total	4,088,200	34,225	2,599,780	267,285	736,682	1,439	4	10,576	7,738,191	1,792,702

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)**2.3 Credit Risk Exposures under Standardised Approach (continued)**

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

(i) Ratings of corporate by approved ECAs

	Moody	Aaa to Aa3	A1 to A3	Baa1 to 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	A1 to A-	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2018						
On and Off:						
Balance Sheet						
Exposures						
Public Sector Entities		-	46,238	-	-	-
Insurance companies, securities firms and fund managers		-	323,930	73,499	-	12,964
Corporates		-	94,675	482,021	256,422	3,839
		-	464,843	555,520	256,422	16,803
31.12.2017						
On and Off:						
Balance Sheet						
Exposures						
Public Sector Entities		-	34,225	-	-	-
Insurance companies, securities firms and fund managers		-	211,218	56,067	-	-
Corporates		-	75,517	437,813	223,179	173
		-	320,960	493,880	223,179	173

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BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)**2.3 Credit Risk Exposures under Standardised Approach (continued)**

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

	Moody	Aaa to Aa3	A1 to A3	Baa1 to 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	A1 to A-	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure class		RM'000	RM'000	RM'000	RM'000	RM'000
<u>30.06.2018</u>						
On and Off:						
Balance Sheet						
Exposures						
Sovereigns/Central						
Banks		-	4,546,003	-	-	-
Banks		1,038,722	1,054,626	359,276	3	-
		<u>1,038,722</u>	<u>5,600,629</u>	<u>359,276</u>	<u>3</u>	<u>-</u>
<u>31.12.2017</u>						
On and Off:						
Balance Sheet						
Exposures						
Sovereigns/Central						
Banks		-	4,088,200	-	-	-
Banks		1,066,315	1,178,234	355,227	4	-
		<u>1,066,315</u>	<u>5,266,434</u>	<u>355,227</u>	<u>4</u>	<u>-</u>

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)

2.4 Credit Risk Mitigation ("CRM")

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

30.06.2018	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
<u>Exposure Class</u>			
<i>On-balance sheet exposures</i>			
Sovereigns/central banks	4,545,945	-	-
Banks	508,471	-	-
Insurance companies, securities firms and and fund managers	110,356	-	-
Corporates	351,537	-	-
Residential mortgages	1,235	-	-
Higher risk assets	4	-	-
Other assets	15,887	-	-
Defaulted exposures	71	-	-
Total on-balance sheet exposures	5,533,506	-	-
<i>Off-balance sheet exposures</i>			
Over-the-counter ('OTC') derivatives	2,395,654	35,584	187,059
Off balance sheet exposures other than OTC derivatives	380,259	-	-
Total off-balance sheet exposures	2,775,913	35,584	187,059
Total on and off-balance sheet exposures	8,309,419	35,584	187,059

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)**2.4 Credit Risk Mitigation ("CRM") (continued)**

<u>31.12.2017</u>	<u>Exposures before CRM RM'000</u>	<u>Exposures covered by guarantees/ credit derivatives RM'000</u>	<u>Exposures covered by eligible financial collateral RM'000</u>
<u>Exposure Class</u>			
<i>On-balance sheet exposures</i>			
Sovereigns/central banks	4,087,691	-	-
Banks	594,364	-	-
Insurance companies, securities firms and and fund managers	32,715	-	-
Corporates	306,960	-	-
Residential mortgages	1,328	-	-
Higher risk assets	4	-	-
Other assets	10,576	-	-
Defaulted exposures	111	-	-
Total on-balance sheet exposures	<u>5,033,749</u>	<u>-</u>	<u>-</u>
<i>Off-balance sheet exposures</i>			
Over-the-counter ('OTC') derivatives	2,393,520	11,059	151,344
Off balance sheet exposures other than OTC derivatives	<u>310,922</u>	<u>-</u>	<u>-</u>
Total off-balance sheet exposures	<u>2,704,442</u>	<u>11,059</u>	<u>151,344</u>
Total on and off-balance sheet exposures	<u><u>7,738,191</u></u>	<u><u>11,059</u></u>	<u><u>151,344</u></u>

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BASEL 2 PILLAR 3 DISCLOSURES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)**2.5 Off-Balance Sheet Exposures and Counterparty Credit Risk**

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

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<u>30 Jun 2018</u>				
Direct credit substitutes	277,935	-	277,935	267,324
Transaction-related contingent items	34,704	-	17,352	13,504
Short-term self-liquidating trade				
Related contingencies	-	-	-	-
Foreign exchange related contracts:				
- less than one year	23,635,709	253,374	562,944	269,075
- one year to less than five years	3,205,298	71,667	408,783	148,367
- more than five years	262,405	12,323	56,529	17,482
Interest rate related contracts:				
- less than one year	6,926,338	9,480	25,791	8,880
- one year to less than five years	25,446,323	73,150	725,110	246,489
- more than five years	2,004,744	23,012	131,569	50,211
Equity related contracts				
- less than one year	2,133,486	114,376	275,820	94,389
- one year to less than five years	1,082,352	21,970	173,524	103,703
Credit derivatives contracts				
- one year to less than five years	202,344	3,135	35,584	11,244
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	169,945	-	84,972	84,972
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,625,766	-	-	-
	<u>67,007,349</u>	<u>582,487</u>	<u>2,775,913</u>	<u>1,315,640</u>

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

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

2 CREDIT RISK (CONTINUED)**2.5 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)**

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<u>31 Dec 2017</u>				
Direct credit substitutes	211,350	-	211,350	205,445
Transaction-related contingent items	37,791	-	18,895	16,573
Short-term self-liquidating trade related contingencies	27,485	-	5,497	5,497
Foreign exchange related contracts:				
- less than one year	18,957,817	243,566	524,512	250,330
- one year to less than five years	2,742,824	38,820	295,514	128,328
- more than five years	1,019,626	22,401	190,831	44,370
Interest rate related contracts:				
- less than one year	8,838,712	34,203	43,128	18,100
- one year to less than five years	25,891,420	93,537	848,925	297,510
- more than five years	2,198,070	2,654	157,309	61,996
Equity related contracts				
- less than one year	1,855,696	53,573	194,258	71,575
- one year to less than five years	712,939	23,953	127,984	75,418
Credit derivatives contracts				
- one year to less than five years	50,050	4,052	11,059	2,212
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	150,361	-	75,180	75,180
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness	1,431,395	-	-	-
	<u>64,125,536</u>	<u>516,759</u>	<u>2,704,442</u>	<u>1,252,534</u>

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

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

3 MARKET RISK

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

			Risk weighted assets RM'000	Capital requirements RM'000
<u>30 Jun 2018</u>				
	<u>Long position</u>	<u>Short position</u>		
Interest rate risk	86,387,957	86,059,488	1,165,538	93,243
Equity position risk			9,663	773
Foreign currency risk	622	211,594	24,625	1,970
Options risk			313,713	25,097
			<u>1,513,539</u>	<u>121,083</u>
<u>31 Dec 2017</u>				
Interest rate risk	85,484,880	84,242,850	1,274,851	101,988
Equity position risk	-	-	-	-
Foreign currency risk	744	184,585	184,588	14,767
Options risk			321,413	25,713
			<u>1,780,852</u>	<u>142,468</u>

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

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

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

	Increase/(Decrease)	
	+100bps	-100 bps
	RM'000	RM'000
<u>30 Jun 2018</u>		
<u>Impact on Economic Value</u>		
MYR	12,374	(12,374)
USD	25,280	(25,280)
Other	327	(327)
	<u>37,981</u>	<u>(37,981)</u>
	Increase/(Decrease)	
	+100bps	-100 bps
	RM'000	RM'000
<u>31 Dec 2017</u>		
<u>Impact on Economic Value</u>		
MYR	11,965	(11,965)
USD	18,226	(18,226)
Other	291	(291)
	<u>30,482</u>	<u>(30,482)</u>