Company No: 14389-U

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

PILLAR 3 DISCLOSURES

for the financial year ended 31 December 2016

Affin Hwang Investment Bank Berhad

(Incorporated in Malaysia)

PILLAR 3 DISCLOSURES

Glossary

Terms	Descriptions
AFS	Available-for-Sale
Basel II	Basel II Capital Accord
Basel III	Basel III Capital Accord
BNM	Bank Negara Malaysia
BOD	Board of Directors
BRMC	Board Risk Management Committee
BCRC	Board Credit Review Committee
CIS	Collective Investment Scheme
CMD	Credit Management Department
CSA	Credit Support Annex
DOA	Delegation of Authority
ECAIs	External Credit Assessment Institutions
AHIB	Affin Hwang Investment Bank Berhad or ‘the Bank’
ICAAP	Internal Capital Adequacy Assessment Process
IRRBB	Interest rate risk in banking book
ISDA	International Swap and Derivative Association
KRI	Key Risk Indicator
LDC	Loss Data Collection
NPSP	New Products and Services Process
ORM	Operational Risk Management
ORMU	Operational Risk Management Unit
RCSA	Risk and Control Self-Assessment
RMD	Risk Management Department
CROC	Compliance and Risk Oversight Committee
RWCAF	Risk Weighted Capital Adequacy Framework
VaR	Value-at-Risk

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OVERVIEW

Bank Negara Malaysia (“BNM”)'s Risk Weighted Capital Adequacy Framework (“RWCAF”) (Basel II) – Disclosure Requirements (Pillar 3) aims to improve the transparency of financial institution activities and risks, which is a key element of an effectively supervised financial system.

Pillar 3 Disclosures is governed by Bank Negara Malaysia Risk Weighted Capital Adequacy Framework - Pillar 3 and Capital Adequacy Framework (Capital Components) issued by BNM, which spells out the guidelines in determining the contents (including materiality, appropriateness and confidentiality), frequency, medium, location of public disclosures, as well as internal controls over the disclosure verification process.

The following disclosure information is based on 31 December 2016 financial year end data and has been independently reviewed by the Internal Audit Department. However, where the data is equivalent to that included in the Bank’s audited financial statements, such data has been subjected to review by the Bank's external auditor during the formal review and verification process.

The Pillar 3 Disclosures is published on the Bank’s corporate website, which can be found at http://www.affinhwang.com.

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1 SCOPE OF APPLICATION

The Pillar 3 Disclosures attached herewith relates to the Bank and its subsidiaries (“the Group”). This Pillar 3 Disclosures is published for the financial year ended 31 December 2016, with comparative information for both the Bank and the Group for the financial year ended 31 December 2015.

For financial reporting purposes, the basis for consolidation of the Bank and the Group financial statements is in accordance to the Malaysian Financial Reporting Standards.

The basis for accounting consolidation is defined as per Note B 'Summary of significant accounting policies for the financial year ended 31 December 2016' to the financial statements of the Bank. Further information on the Bank’s consolidated entities is referenced in Note 13 to the Bank’s financial statements.

The principal activities of the Bank are in investment banking, stockbroking activities, dealing in options and futures and related financial services.

The principal activities of the subsidiaries are asset management, management of unit trust funds and private retirement schemes, Islamic fund management and provision of nominee services.

During the financial year, the Group did not experience any restrictions or impediments in the distribution of dividends, transfer of funds or regulatory capital.

During the financial year, the Group’s subsidiaries (excluded from the consolidation for regulatory risk reporting) did not report any capital deficiencies.

2 CAPITAL MANAGEMENT

The Group and the Bank's objectives when managing capital are to comply with:

i) The minimum capital requirement of 8.625%(2015: 8%) under Bank Negara Malaysia’s Risk-Weighted Capital Adequacy Framework ("RWCAF");

ii) The Board-approved Internal Capital Adequacy Assessment Process ("ICAAP"), which amongst others:

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to the shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

2.1 Capital Adequacy Ratios

The capital adequacy ratios of the Group consist of total capital and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies for regulatory capital reporting at consolidated level.

The Group and the Bank have adopted the following approaches to assess its regulatory capital requirements under BNM RWCAF Pillar 1:

- Credit risk (Standardised Approach)
- Market risk (Standardised Approach)
- Operational risk (Basic Indicator Approach)

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia’s Capital Adequacy Framework (Capital Components) dated 28 November 2012.

The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia’s Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio (‘CET 1’) and Tier 1 Capital Ratio are 5.125% (2015: 4.5%) and 6.625% (2015: 6.0%) respectively for financial year ended 2016. The minimum regulatory capital adequacy requirement remains at 8.625% (2015: 8.0%) for total capital ratio.

PILLAR 3 DISCLOSURES

The following table depicts the risk weighted assets (“RWA”) and regulatory capital requirements:

Table 1: Risk-Weighted Assets and Capital Requirements
The Group

As at 31 December 2016	**Gross exposures**	**Net exposures**	**Risk Weighted Assets**	**Capital requirements**
(i) Credit risk	**RM’000**	**RM’000**	**RM’000**	**RM’000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,677,925	2,677,925	4,328	346
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	789,938	789,938	185,462	14,837
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-
Corporates	2,987,677	2,987,677	1,687,711	135,017
Regulatory Retail	247,332	5,560	4,170	334
Other Assets	426,649	426,649	426,611	34,129
Defaulted Exposures	31,131	31,131	46,544	3,724
Total for on-balance sheet exposures	**7,160,652**	**6,918,880**	**2,354,826**	**188,387**
Off-Balance Sheet Exposures				
Over-the-counter (“OTC”) derivatives	195,438	195,438	99,982	7,999
Off-balance sheet exposures other than OTC or Credit Derivatives	146,220	146,220	146,220	11,698
Total for off-balance sheet exposures	**341,658**	**341,658**	**246,202**	**19,697**
Total credit risk exposures	**7,502,310**	**7,260,538**	**2,601,028**	**208,084**
(ii) Large exposures risk requirements	-	-	-	-

(iii) Market risk	**Gross exposures RM’000**		**Net exposures**	**Risk Weighted Assets**	**Capital requirements**
	Long Position RM'000	**Short Position RM'000**	**RM’000**	**RM’000**	**RM’000**
Interest rate risk	4,418,891	4,100,705	318,186	60,688	4,855
Foreign currency risk	2,313,946	2,342,837	(28,891)	42,963	3,437
Equity risk	23,626	-	23,626	64,975	5,198
Option	-	-	-	19,481	1,558
Total market risk exposures	**6,756,463**	**6,443,542**	**312,921**	**188,107**	**15,048**

(iv) Operational risk	**Risk Weighted Assets RM’000**	**Capital requirements RM’000**
Operational risk	705,881	56,470
Total risk-weighted assets and capital requirements	**3,495,016**	**279,602**

Table 1: Risk-Weighted Assets and Capital Requirements (Continued)
The Bank

As at 31 December 2016	**Gross exposures**	**Net exposures**	**Risk Weighted Assets**	**Capital requirements**
(i) Credit risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,677,925	2,677,925	4,328	346
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	462,588	462,588	119,743	9,579
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-
Corporates	2,986,686	2,986,686	1,687,513	135,001
Regulatory Retail	247,332	5,560	4,170	334
Other Assets	292,153	292,153	292,116	23,369
Defaulted Exposures	31,131	31,131	46,544	3,724
Total for on-balance sheet exposures	**6,697,815**	**6,456,043**	**2,154,414**	**172,353**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	195,438	195,438	99,982	7,999
Off-balance sheet exposures other than OTC or Credit Derivatives	146,220	146,220	146,220	11,698
Total for off-balance sheet exposures	**341,658**	**341,658**	**246,202**	**19,697**
Total credit risk exposures	**7,039,473**	**6,797,701**	**2,400,616**	**192,050**
(ii) Large exposures risk requirements	-	-	-	-

(iii) Market risk	**Gross exposures RM'000**		**Net exposures RM'000**	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
	Long Position RM'000	**Short Position RM'000**			
Interest rate risk	4,418,891	4,100,705	318,186	60,688	4,855
Foreign currency risk	2,283,350	2,342,837	(59,487)	64,999	5,200
Equity risk	18,763	-	18,763	51,598	4,128
Option	-	-	-	19,481	1,558
Total market risk exposures	**6,721,004**	**6,443,542**	**277,462**	**196,766**	**15,741**

(iv) Operational risk	**Risk Weighted Assets RM'000**	**Capital requirements RM'000**
Operational risk	394,323	31,546
Total risk-weighted assets and capital requirements	**2,991,705**	**239,337**

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Table 1: Risk-Weighted Assets and Capital Requirements (Continued)

The Group

As at 31 December 2015	Gross exposures	Net exposures	Risk Weighted Assets	Capital requirements
(i) Credit risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,121,180	2,121,180	4,142	331
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	915,894	915,894	215,849	17,268
Insurance Companies, Securities Firms & Fund Managers	10,051	10,051	2,011	161
Corporates	2,817,006	2,817,006	1,772,865	141,829
Regulatory Retail	165,561	7,582	5,686	455
Other Assets	466,412	466,412	425,556	34,044
Defaulted Exposures	41,249	41,249	53,048	4,244
Total for on-balance sheet exposures	**6,537,353**	**6,379,374**	**2,479,157**	**198,332**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	197,958	197,958	122,732	9,819
Off-balance sheet exposures other than OTC or Credit Derivatives	137,382	137,382	137,382	10,991
Total for off-balance sheet exposures	**335,340**	**335,340**	**260,114**	**20,810**
Total credit risk exposures	**6,872,693**	**6,714,714**	**2,739,271**	**219,142**
(ii) Large exposures risk requirements	-	-	-	-

(iii) Market risk	Gross exposures		Net exposures	Risk Weighted Assets	Capital requirements
	RM'000		**RM'000**	**RM'000**	**RM'000**
	Long Position RM'000	**Short Position RM'000**			
Interest rate risk	5,608,456	5,220,659	387,797	72,193	5,775
Foreign currency risk	3,060,344	3,134,279	(73,935)	85,053	6,804
Equity risk	42,209	-	42,209	116,074	9,286
Option	-	-	-	25,500	2,040
Total market risk exposures	**8,711,009**	**8,354,938**	**356,071**	**298,820**	**23,905**

(iv) Operational risk	Risk Weighted Assets	Capital requirements
	RM'000	**RM'000**
Operational risk	553,536	44,283
Total risk-weighted assets and capital requirements	**3,591,627**	**287,330**

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Table 1: Risk-Weighted Assets and Capital Requirements (Continued)
The Bank

As at 31 December 2015	Gross exposures	Net exposures	Risk Weighted Assets	Capital requirements
(i) Credit risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,121,180	2,121,180	4,142	331
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	700,399	700,399	172,734	13,819
Insurance Companies, Securities Firms & Fund Managers	10,051	10,051	2,011	161
Corporates	2,817,006	2,817,006	1,772,865	141,829
Regulatory Retail	165,561	7,582	5,686	455
Other Assets	360,189	360,189	319,333	25,547
Defaulted Exposures	41,249	41,249	53,048	4,244
Total for on-balance sheet exposures	**6,215,635**	**6,057,656**	**2,329,819**	**186,386**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	197,958	197,958	122,732	9,819
Off-balance sheet exposures other than OTC or Credit Derivatives	137,382	137,382	137,382	10,991
Total for off-balance sheet exposures	**335,340**	**335,340**	**260,114**	**20,810**
Total credit risk exposures	**6,550,975**	**6,392,996**	**2,589,933**	**207,196**
(ii) Large exposures risk requirements	-	-	-	-

(iii) Market risk	Gross exposures RM'000		Net exposures RM'000	Risk Weighted Assets RM'000	Capital requirements RM'000
	Long Position RM'000	**Short Position RM'000**			
Interest rate risk	5,608,456	5,220,659	387,797	72,191	5,775
Foreign currency risk	3,049,693	3,134,279	(84,586)	89,314	7,145
Equity risk	33,564	-	33,564	92,300	7,384
Option	-	-	-	25,500	2,040
Total market risk exposures	**8,691,713**	**8,354,938**	**336,775**	**279,305**	**22,344**

(iv) Operational risk	Risk Weighted Assets RM'000	Capital requirements RM'000
Operational risk	365,105	29,208
Total risk-weighted assets and capital requirements	**3,234,343**	**258,748**

2.2 Capital Structure

For regulatory purposes, capital is categorised into Common Equity Tier 1 ("CET 1") Capital, Additional Tier 1 Capital and Tier 2 Capital which are described below:

CET 1 Capital

CET 1 Capital /Tier I Capital (Basel III) comprises ordinary paid-up share capital, share premium, statutory reserves, audited retained profits, other disclosed reserves, unrealised gains on AFS instruments and net of regulatory adjustments namely goodwill, intangible assets, 55% of unrealised gains on AFS instruments, deferred tax assets and investment in subsidiaries.

Share capital is the issued and fully paid share capital and there is no obligation to pay a coupon or dividend to the shareholders. Retained profits and statutory reserve are accumulated resources included in Total Equity in the Statement of Financial Position. The statutory reserve is maintained in compliance with the provisions of section 47(2)(f) of the Financial Services Act, 2013 and BNM's Policy on Capital Funds and is not distributable as cash dividends. Regulatory deductions include the excess of Additional Tier 1 Capital or Tier 2 Capital deducted in CET 1 Capital (if any).

Additional Tier 1 Capital

Additional Tier 1 capital comprises of non-controlling interest and certain regulatory deductions. Regulatory deductions include the excess of Tier 2 Capital deducted in Additional Tier 1 Capital (if any).

Tier 2 Capital

Tier 2 capital comprises of collective allowance and certain regulatory deductions, including investment in subsidiaries.

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Table 2: Constituents of Eligible Capital and Capital Adequacy Ratios

	The Group		The Bank	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Common Equity Tier (CET) 1 Capital :		(restated)		(restated)
Paid-up share capital	780,000	780,000	780,000	780,000
Share premium	219,800	219,800	219,800	219,800
Statutory reserve	251,343	214,915	251,343	214,915
Retained profit	256,163	239,462	283,946	280,092
Unrealised gains on AFS instruments	(26,830)	(14,831)	(26,901)	(14,762)
	1,480,476	1,439,346	1,508,188	1,480,045
Less : Regulatory adjustment				
Goodwill and other Intangible assets	(323,090)	(326,240)	(316,645)	(320,046)
Investment in subsidiaries	-	-	(108,692)	(106,686)
Collective allowance reserve	(9,667)	(5,594)	(9,667)	(5,594)
Deferred tax assets	(10,727)	(12,741)	(6,291)	(7,770)
	1,136,992	1,094,771	1,066,893	1,039,949
Additional Tier 1 Capital				
Non-controlling interests	3,000	3,000	-	-
Tier 1 Capital	1,139,992	1,097,771	1,066,893	1,039,949
Tier 2 capital				
Collective allowance	12,525	14,531	12,525	14,531
Less : Regulatory adjustment				
Investment in subsidiaries	-	-	(12,525)	(14,531)
Total Tier 2 capital	12,525	14,531	-	-
Total Capital	1,152,517	1,112,302	1,066,893	1,039,949
Proposed dividends	10,800	3,042	10,800	3,042
Capital Ratio				
CET 1 capital ratio	32.532%	30.481%	35.662%	32.153%
Tier 1 capital ratio	32.618%	30.565%	35.662%	32.153%
Total capital ratio	32.976%	30.969%	35.662%	32.153%
CET 1 capital ratio (net of proposed dividends)	32.223%	30.397%	35.301%	32.059%
Tier 1 capital ratio (net of proposed dividends)	32.309%	30.480%	35.301%	32.059%
Total capital ratio (net of proposed dividends)	32.667%	30.885%	35.301%	32.059%

3 RISK MANAGEMENT

As a full-fledged investment bank, the Bank has established robust and comprehensive risk management policies and framework, supported by Group Risk Management Framework and Policies based on best practices, to ensure that the salient risk elements in the operations of the Bank are adequately managed and mitigated. The Bank's framework for the management of financial risks is congruent with the primary corporate objective of creating and enhancing shareholders' value, guided by a prudent and robust framework of risk management methodologies and policies.

The Bank's risk management policies and framework are reviewed periodically to ensure that they are comprehensive in addressing the multi-faceted risks associated with the investment banking sector.

The Risk Management Department ("RMD") is primarily responsible for the development and maintenance of the risk management policies and framework of the Bank and supports the functions of Asset and Liability Committee ("ALCO"), Compliance and Risk Oversight Committee ("CROC"), the Board Risk Management Committee ("BRMC") as well as Group committees of the Affin Banking Group.

Risk Governance

Appropriate risk governance structure is cascaded throughout all levels of the Bank which comprise of Board of Directors ("Board"), relevant committees, business units and support units.

The Board is ultimately responsible for assuming the risks inherent in the Bank's business activities and defining the policies for governing those activities. BRMC is responsible to support the Board in the oversight of the Bank's risk management.

BRMC is authorised by the Board in overseeing all risk-taking activities in the Bank. Its key responsibilities involve reviewing and recommending risk management strategies, risk tolerance, new products, capital allocation process; and assessing the adequacy of risk management policies, framework, infrastructure and resources for implementation of risk strategies. For monitoring purpose, BRMC reviews periodic reports on risk exposures, risk portfolio composition and risk management activities. These reports, prepared by RMD which covers credit, market, liquidity and operational risks.

At management level, CROC and ALCO assist the BRMC and the Board in their supervisory roles in the management of credit, market, liquidity, and operational risks as well as assets and liabilities management of the Bank. These two committees provide an executive forum for discussions and decisions on all aspects of credit, market, liquidity and operational risks; and assets and liabilities management matters.

Under the Credit Authority Framework approved by the Board, Group Management Loan Committee ("GMLC") and Board Credit Review Committee ("BCRC") is authorised to review and approve, reject or modify proposals for credit and underwriting applications.

Internal Audit is responsible to provide reasonable assurance of effective and efficient operations of the business and support units, and compliance with law and regulations, as well as with internal procedures and guidelines.

RMD acts as an independent and neutral party in providing comprehensive and independent views of Bank-wide risks.

Risk Measurement

The risk measurement tools employed by the Bank are commonly used in market practices and commensurate with the size and complexity of the Bank's business operations.

Stress Testing

The Bank has deployed stress testing in assessing the impact of stressed market conditions on its capital, profit, liquidity and asset quality in accordance with the Group Stress Test Framework and Methodology.

Stress testing results are periodically reported to ALCO and BRMC to enable them to consider the implications on the Bank's overall business strategy, capital management, risk profile and to consider appropriate corrective measures when necessary.

Internal Audit acts as an independent party in performing an annual review of the Bank's stress testing policy, procedures and processes including the stress scenarios used to ensure the quality and effectiveness of the programme.

The stress testing methodology covers a range of risks and business areas and there are two types of stress testing currently in use:

- Sensitivity Analysis, which moves a single risk factor by a magnitude of shock. This method can be processed relatively quickly and can be used to form a first approximation and assessment of the impact.
- Scenario Analysis, which contains simultaneous moves in a number of market risk factors (e.g. equity prices, interest rates, foreign exchange rates and etc.). A stress test scenario analysis can be based on historical scenario, hypothetical scenario, forward looking scenario and second round/spill-over effect. Scenario analysis can be performed on a portfolio-driven approach or event-driven approach.

The stress testing is performed periodically in meeting both internal and regulatory external reporting requirements.

Risk Reporting and Monitoring

The Bank's risk appetite (i.e. risk tolerance) and business plans determine the amount of risk capital set aside (i.e. risk capacity) to support its operational and market activities as well as capital allocation to respective business units. This forms a basis in setting risk limits for business units.

RMD is responsible for the monitoring and timely reporting of risk exposures against the established risk limits. Any breaches in risk limits are subject to the exception escalation procedures that aim to rectify any excesses within a reasonable time frame and within the specified authority level. There is a formal process for risk reporting to the Group Managing Director, business units, relevant management/ board committees to facilitate the making of informed decisions and strategies. BRMC reviews and monitors any significant risk issues and reports to the Board.

Risk limits are reviewed on an annual basis or as and when required, to ensure their relevance with regards to the risk taking activities of the Bank and current banking regulations.

4 CREDIT RISK

Credit risk refers to the potential risk of financial loss arising from defaults by counterparties in meeting their obligations. The Bank's exposure to credit risks arises primarily from share trading, share margin financing, corporate/inter-bank lending activities, bonds investment, foreign exchange trading, equity and debt underwriting as well as from participation in securities settlements and payment transactions.

Risk Governance

The management of credit risk is governed by a set of approved credit policies, guidelines, circulars and procedures to ensure that the overall lending objectives achieved are in compliance with the internal and regulatory requirements. The policies are subject to review by the BRMC, a sub-committee of the Board of Directors ("BOD") that reviews the adequacy of the Bank’s risk policies and framework.

The Bank’s credit risk framework is further strengthened with an established credit authority framework for the approval of new, restructured and review of loans, bond investments, debt and equity underwriting proposals. The approving authorities are Group Managing Director, Underwriting Committee, Group Management Loan Committee (“GMLC”) and Board Credit Review Committee (“BCRC”).

GMLC is established at Affin Banking Group to approve lending/financing and credit commitments as well as workout/recovery proposals beyond the delegated authority of the individual senior management personnel of Affin Hwang Investment Bank (“AHIB”). BCRC is established to assist the Board in respect of its inherent authority over the credit and underwriting proposals which are considered by the GMLC. BCRC reviews proposals that exceed specified limits and criteria and to consider whether to affirm or reject the proposal or modify the terms of the proposal. However all proposals for connected parties as defined by BNM or internally are to be approved by Board.

Credit Risk Identification and Measurement

(a) <u>Corporate Credit and Financing</u>

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Bank’s underwriting criteria and the ability of the Bank to make a return commensurate to the level of risk undertaken. All corporate loans, underwritings and share margin financing applications above specified limits are evaluated by Credit Management Department (“CMD”) and forwarded to the relevant approving authorities based on the Credit Authority Framework approved by Board.

A critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. The Bank adopts internal rating models to support the assessment and quantification of credit risk as guided by the internal Credit Risk Grading Model. A number of relevant risk factors such as competitive position, operating performance, cash flow strength and management strength are taken into consideration when identify and analyse counterparty credit risk.

The corporate credits and financing accounts are reviewed by the Business Units on periodic basis and independently commented by CMD to complement the risk identification, early warnings detection as well as in ensuring creditability and financial performance of the corporates where applicable to protect the Bank’s position in debt recovery. Remedial action is taken where evidence of deterioration exists.

(b) Stockbroking Brokerage

For stockbroking brokerage business, daily management and monitoring of credit risk associated with securities brokerage is undertaken by Credit Control team to ensure compliance with approved policies and procedures of the Bank and regulatory requirements.

In addition, RMD reviews the overall stockbroking credit exposures and CMD assess/approve trading limit proposals that exceed specified limits. The assessment is based on clients and/or dealer's representatives risk profiles, creditworthiness, past trading records and pledged collaterals.

(c) Share Margin

For share margin financing, all new margin applications as well as applications for additional facilities are subject to credit review by the Margin Operations. It will be forwarded to CMD for independent credit evaluation if the proposals exceed specified limits before recommending to the Approving Authorities. Credit risk exposures associated with share-margin trading are reviewed and monitored closely on daily basis by designated staff from Margin Operations, Credit Management and independently by RMD, who will review amongst others, credit limit utilization, exposure to single security or client/ group of counterparty and equity positions against collateral.

Credit Risk Limit Control

Credit risk exposures are mitigated via preventive risk management measures in limiting the exposure in accordance with the Bank's risk appetite as well as regular monitoring of credit exposures.

The Bank establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single counterparty's groupings, connected parties, broad property sector, geographical and industry segments. These risks are monitored regularly and the limits reviewed annually to best reflect the bank portfolio strategy and market environment.

The credit risk exposure for derivative and loan books is managed as part of the overall lending limits with customers together with potential exposure from market movements.

Risk Reporting and Monitoring

Internal risk management reports are produced on a regular basis, providing information on credit related issues to CROC and BRMC for risk monitoring and appropriate level of management decision making.

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4.1 Distribution of Credit Exposures

(i) The following table depicts the geographical distribution of the Bank's gross credit exposures, based on the country of incorporation or residence:

Table 3: Gross Credit Exposures by Geographic Distribution

The Group

As at 31 December 2016 Exposure Class	Malaysia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereign / Central Banks	2,677,925	-	**2,677,925**
Banks, DFIs & MDBs	717,291	72,647	**789,938**
Insurance Companies, Securities Firms & Fund Managers	-	-	**-**
Corporates	2,869,084	118,593	**2,987,677**
Regulatory Retail	247,332	-	**247,332**
Other assets	426,649	-	**426,649**
Defaulted Exposures	31,131	-	**31,131**
Total On-Balance Sheet Exposures	**6,969,412**	**191,240**	**7,160,652**
Off-Balance Sheet Exposures			
OTC Derivatives	175,603	19,835	**195,438**
Non OTC Derivatives	146,220	-	**146,220**
Total Off-Balance Sheet Exposures	**321,823**	**19,835**	**341,658**
Total Gross Credit Exposures	**7,291,235**	**211,075**	**7,502,310**

The Bank

As at 31 December 2016 Exposure Class	Malaysia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereign / Central Banks	2,677,925	-	**2,677,925**
Banks, DFIs & MDBs	389,941	72,647	**462,588**
Insurance Companies, Securities Firms & Fund Managers	-	-	**-**
Corporates	2,868,093	118,593	**2,986,686**
Regulatory Retail	247,332	-	**247,332**
Other assets	292,153	-	**292,153**
Defaulted Exposures	31,131	-	**31,131**
Total On-Balance Sheet Exposures	**6,506,575**	**191,240**	**6,697,815**
Off-Balance Sheet Exposures			
OTC Derivatives	175,603	19,835	**195,438**
Non OTC Derivatives	146,220	-	**146,220**
Total Off-Balance Sheet Exposures	**321,823**	**19,835**	**341,658**
Total Gross Credit Exposures	**6,828,398**	**211,075**	**7,039,473**

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Table 3: Gross Credit Exposures by Geographic Distribution (Continued)

The Group

As at 31 December 2015	**Malaysia**	**Other Countries**	**Total**
Exposure Class	**RM'000**	**RM'000**	**RM'000**
<u>On-Balance Sheet Exposures</u>			
Sovereign / Central Banks	2,121,180	-	**2,121,180**
Banks, DFIs & MDBs	846,164	69,730	**915,894**
Insurance Companies, Securities Firms & Fund Managers	10,051	-	**10,051**
Corporates	2,649,421	167,585	**2,817,006**
Regulatory Retail	165,561	-	**165,561**
Other assets	466,412	-	**466,412**
Defaulted Exposures	41,249	-	**41,249**
Total On-Balance Sheet Exposures	**6,300,038**	**237,315**	**6,537,353**
<u>Off-Balance Sheet Exposures</u>			
OTC Derivatives	169,556	28,402	**197,958**
Non OTC Derivatives	137,382	-	**137,382**
Total Off-Balance Sheet Exposures	**306,938**	**28,402**	**335,340**
Total Gross Credit Exposures	**6,606,976**	**265,717**	**6,872,693**

The Bank

As at 31 December 2015	**Malaysia**	**Other Countries**	**Total**
Exposure Class	**RM'000**	**RM'000**	**RM'000**
<u>On-Balance Sheet Exposures</u>			
Sovereign / Central Banks	2,121,180	-	**2,121,180**
Banks, DFIs & MDBs	630,669	69,730	**700,399**
Insurance Companies, Securities Firms & Fund Managers	10,051	-	**10,051**
Corporates	2,649,421	167,585	**2,817,006**
Regulatory Retail	165,561	-	**165,561**
Other assets	360,189	-	**360,189**
Defaulted Exposures	41,249	-	**41,249**
Total On-Balance Sheet Exposures	**5,978,320**	**237,315**	**6,215,635**
<u>Off-Balance Sheet Exposures</u>			
OTC Derivatives	169,556	28,402	**197,958**
Non OTC Derivatives	137,382	-	**137,382**
Total Off-Balance Sheet Exposures	**306,938**	**28,402**	**335,340**
Total Gross Credit Exposures	**6,285,258**	**265,717**	**6,550,975**

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(ii) The following table depicts the Bank's gross credit exposures by sector analysis or industrial distribution:

Table 4: Gross Credit Exposures by Sectorial Analysis or Industrial Distribution

The Group **As at 31 December 2016**	**Primary Agriculture**	**Mining and Quarrying**	**Manufacturing (including Agro-based)**	**Electricity, Gas and Water Supply**	**Construction**	**Wholesale, Retail Trade, Restaurants and Hotels**	**Transport, Storage and Communication**	**Finance, Insurance, Real Estate and Business Activities**	**Education, Health and Others**	**Household**	**Others**	**Total**
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures												
Sovereign/Central Banks	-	-	-	269,336	431,800	-	140,653	420,188	454,447	-	961,501	**2,677,925**
Banks, DFSs & MDBs	-	-	-	-	-	-	-	789,938	-	-	-	**789,938**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporates	90,901	68,053	151,292	447,016	317,976	189,916	345,757	1,075,707	100,546	107,111	93,402	**2,987,677**
Regulatory Retail	-	-	1,291	-	8,113	29,736	22,230	177	34,930	149,156	1,699	**247,332**
Other assets	-	-	-	-	-	-	-	-	-	-	426,649	**426,649**
Defaulted Exposures	-	-	-	-	-	152	-	30,979	-	-	-	**31,131**
Total On-Balance Sheet Exposures	**90,901**	**68,053**	**152,583**	**716,352**	**757,889**	**219,804**	**508,640**	**2,316,989**	**589,923**	**256,267**	**1,483,251**	**7,160,652**
Off Balance Sheet Exposures												
OTC Derivatives	-	-	-	-	-	-	-	195,437	-	1	-	**195,438**
Non OTC Derivatives	-	-	65,000	10,000	40,541	6,400	-	10,823	-	13,456	-	**146,220**
Total Off-Balance Sheet Exposures	**-**	**-**	**65,000**	**10,000**	**40,541**	**6,400**	**-**	**206,260**	**-**	**13,457**	**-**	**341,658**
Total Gross Credit Exposures	**90,901**	**68,053**	**217,583**	**726,352**	**798,430**	**226,204**	**508,640**	**2,523,249**	**589,923**	**269,724**	**1,483,251**	**7,502,310**

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Table 4: Gross Credit Exposures by Sectorial Analysis or Industrial Distribution (Continued)

The Bank As at 31 December 2016	Primary Agriculture	Mining and Quarrying	Manufacturing (including Agro-based)	Electricity, Gas and Water Supply	Construction	Wholesale, Retail Trade, Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance, Real Estate and Business Activities	Education, Health and Others	Household	Others	Total
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures												
Sovereign/Central Banks	-	-	-	269,336	431,800	-	140,653	420,188	454,447	-	961,501	**2,677,925**
Banks, DFSs & MDBs	-	-	-	-	-	-	-	462,588	-	-	-	**462,588**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-	**-**
Corporates	90,901	68,053	151,292	447,016	317,976	189,916	345,757	1,074,716	100,546	107,111	93,402	**2,986,686**
Regulatory Retail	-	-	1,291	-	8,113	29,736	22,230	177	34,930	149,156	1,699	**247,332**
Other assets	-	-	-	-	-	-	-	-	-	-	292,153	**292,153**
Defaulted Exposures	-	-	-	-	-	152	-	30,979	-	-	-	**31,131**
Total On-Balance Sheet Exposures	**90,901**	**68,053**	**152,583**	**716,352**	**757,889**	**219,804**	**508,640**	**1,988,648**	**589,923**	**256,267**	**1,348,755**	**6,697,815**
Off Balance Sheet Exposures												
OTC Derivatives	-	-	-	-	-	-	-	195,437	-	1	-	**195,438**
Non OTC Derivatives	-	-	65,000	10,000	40,541	6,400	-	10,823	-	13,456	-	**146,220**
Total Off-Balance Sheet Exposures	**-**	**-**	**65,000**	**10,000**	**40,541**	**6,400**	**-**	**206,260**	**-**	**13,457**	**-**	**341,658**
Total Gross Credit Exposures	**90,901**	**68,053**	**217,583**	**726,352**	**798,430**	**226,204**	**508,640**	**2,194,908**	**589,923**	**269,724**	**1,348,755**	**7,039,473**

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Table 4: Gross Credit Exposures by Sectorial Analysis or Industrial Distribution (Continued)

The Group **As at 31 December 2015**	**Primary Agriculture**	**Mining and Quarrying**	**Manufacturing (including Agro-based)**	**Electricity, Gas and Water Supply**	**Construction**	**Wholesale, Retail Trade, Restaurants and Hotels**	**Transport, Storage and Communication**	**Finance, Insurance, Real Estate and Business Activities**	**Education, Health and Others**	**Household**	**Others**	**Total**
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures												
Sovereign/Central Banks	-	-	-	131,832	155,579	-	126,687	575,273	49,111	-	1,082,698	**2,121,180**
Banks, DFSs & MDBs	-	-	-	-	-	-	-	915,894	-	-	-	**915,894**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	10,051	-	-	-	**10,051**
Corporates	63,979	89,844	117,672	367,893	392,331	164,183	414,655	949,513	151,533	105,403	-	**2,817,006**
Regulatory Retail	-	-	-	-	-	-	-	-	-	153,750	11,811	**165,561**
Other assets	-	-	-	-	-	-	-	-	-	-	466,412	**466,412**
Defaulted Exposures	-	-	8,050	-	-	775	-	32,424	-	-	-	**41,249**
Total On-Balance Sheet Exposures	**63,979**	**89,844**	**125,722**	**499,725**	**547,910**	**164,958**	**541,342**	**2,483,155**	**200,644**	**259,153**	**1,560,921**	**6,537,353**
Off Balance Sheet Exposures												
OTC Derivatives	-	-	-	-	15	-	-	197,943	-	-	-	**197,958**
Non OTC Derivatives	-	-	66,064	119	40,541	-	84	24,127	6,377	70	-	**137,382**
Total Off-Balance Sheet Exposures	**-**	**-**	**66,064**	**119**	**40,556**	**-**	**84**	**222,070**	**6,377**	**70**	**-**	**335,340**
Total Gross Credit Exposures	**63,979**	**89,844**	**191,786**	**499,844**	**588,466**	**164,958**	**541,426**	**2,705,225**	**207,021**	**259,223**	**1,560,921**	**6,872,693**

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Table 4: Gross Credit Exposures by Sectorial Analysis or Industrial Distribution (Continued)

The Bank As at 31 December 2015	Primary Agriculture	Mining and Quarrying	Manufacturing (including Agro-based)	Electricity, Gas and Water Supply	Construction	Wholesale, Retail Trade, Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance, Real Estate and Business Activities	Education, Health and Others	Household	Others	Total
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures												
Sovereign/Central Banks	-	-	-	131,832	155,579	-	126,687	575,273	49,111	-	1,082,698	**2,121,180**
Banks, DFSs & MDBs	-	-	-	-	-	-	-	700,399	-	-	-	**700,399**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	10,051	-	-	-	**10,051**
Corporates	63,979	89,844	117,672	367,893	392,331	164,183	414,655	949,513	151,533	105,403	-	**2,817,006**
Regulatory Retail	-	-	-	-	-	-	-	-	-	153,750	11,811	**165,561**
Other assets	-	-	-	-	-	-	-	-	-	-	360,189	**360,189**
Defaulted Exposures	-	-	8,050	-	-	775	-	32,424	-	-	-	**41,249**
Total On-Balance Sheet Exposures	**63,979**	**89,844**	**125,722**	**499,725**	**547,910**	**164,958**	**541,342**	**2,267,660**	**200,644**	**259,153**	**1,454,698**	**6,215,635**
Off Balance Sheet Exposures												
OTC Derivatives	-	-	-	-	15	-	-	197,943	-	-	-	**197,958**
Non OTC Derivatives	-	-	66,064	119	40,541	-	84	24,127	6,377	70	-	**137,382**
Total Off-Balance Sheet Exposures	**-**	**-**	**66,064**	**119**	**40,556**	**-**	**84**	**222,070**	**6,377**	**70**	**-**	**335,340**
Total Gross Credit Exposures	**63,979**	**89,844**	**191,786**	**499,844**	**588,466**	**164,958**	**541,426**	**2,489,730**	**207,021**	**259,223**	**1,454,698**	**6,550,975**

(iii) The following table depicts the Bank’s gross credit exposures analysed by residual contractual maturity analysis:

Table 5: Gross Credit Exposures by Residual Contractual Maturity Analysis

The Group

As at 31 December 2016 **Exposure class**	**< 1 year** **RM'000**	**> 1 - 5 years** **RM'000**	**Over 5 years** **RM'000**	**No specific maturity** **RM'000**	**Total** **RM'000**
On-Balance Sheet Exposures					
Sovereign/Central Banks	24,333	454,925	2,020,803	177,864	**2,677,925**
Banks, DFIs & MDBs	643,842	135,985	10,111	-	**789,938**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	**-**
Corporates	316,842	1,408,876	933,350	328,609	**2,987,677**
Regulatory Retail	241,900	2,717	2,715	-	**247,332**
Other assets	-	-	-	426,649	**426,649**
Defaulted Exposures	7,500	6,916	16,715	-	**31,131**
Total On-Balance Sheet Exposures	**1,234,417**	**2,009,419**	**2,983,694**	**933,122**	**7,160,652**
Off Balance Sheet Exposures					
OTC Derivatives	167,094	28,344	-	-	**195,438**
Non OTC Derivatives	145,873	347	-	-	**146,220**
Total Off-Balance Sheet Exposures	**312,967**	**28,691**	**-**	**-**	**341,658**
Total Gross Credit Exposures	**1,547,384**	**2,038,110**	**2,983,694**	**933,122**	**7,502,310**

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Table 5: Gross Credit Exposures by Residual Contractual Maturity Analysis (Continued)

The Bank

As at 31 December 2016 Exposure class	< 1 year RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
On-Balance Sheet Exposures					
Sovereign/Central Banks	24,333	454,925	2,020,803	177,864	**2,677,925**
Banks, DFIs & MDBs	316,492	135,985	10,111	-	**462,588**
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	**-**
Corporates	316,842	1,408,876	932,359	328,609	**2,986,686**
Regulatory Retail	241,900	2,717	2,715	-	**247,332**
Other assets	-	-	-	292,153	**292,153**
Defaulted Exposures	7,500	6,916	16,715	-	**31,131**
Total On-Balance Sheet Exposures	**907,067**	**2,009,419**	**2,982,703**	**798,626**	**6,697,815**
Off Balance Sheet Exposures					
OTC Derivatives	167,094	28,344	-	-	**195,438**
Non OTC Derivatives	145,873	347	-	-	**146,220**
Total Off-Balance Sheet Exposures	**312,967**	**28,691**	**-**	**-**	**341,658**
Total Gross Credit Exposures	**1,220,034**	**2,038,110**	**2,982,703**	**798,626**	**7,039,473**

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Table 5: Gross Credit Exposures by Residual Contractual Maturity Analysis (Continued)

The Group

As at 31 December 2015 **Exposure class**	**< 1 year** **RM'000**	**> 1 - 5 years** **RM'000**	**Over 5 years** **RM'000**	**No specific maturity** **RM'000**	**Total** **RM'000**
<u>On-Balance Sheet Exposures</u>					
Sovereign/Central Banks	258,440	609,658	1,253,082	-	**2,121,180**
Banks, DFIs & MDBs	597,359	308,526	10,009	-	**915,894**
Insurance Companies, Securities Firms & Fund Managers	-	10,051	-	-	**10,051**
Corporates	184,855	1,538,179	784,671	309,301	**2,817,006**
Regulatory Retail	159,365	3,484	2,712	-	**165,561**
Other assets	60,367	-	-	406,045	**466,412**
Defaulted Exposures	-	23,089	18,160	-	**41,249**
Total On-Balance Sheet Exposures	**1,260,386**	**2,492,987**	**2,068,634**	**715,346**	**6,537,353**
<u>Off Balance Sheet Exposures</u>					
OTC Derivatives	65,829	132,129	-	-	**197,958**
Non OTC Derivatives	137,372	10	-	-	**137,382**
Total Off-Balance Sheet Exposures	**203,201**	**132,139**	**-**	**-**	**335,340**
Total Gross Credit Exposures	**1,463,587**	**2,625,126**	**2,068,634**	**715,346**	**6,872,693**

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Table 5: Gross Credit Exposures by Residual Contractual Maturity Analysis (Continued)

The Bank **As at 31 December 2015**	**< 1 year**	**> 1 - 5 years**	**Over 5 years**	**maturity**	**Total**
Exposure class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures					
Sovereign/Central Banks	258,440	609,658	1,253,082	-	**2,121,180**
Banks, DFIs & MDBs	381,864	308,526	10,009	-	**700,399**
Insurance Companies, Securities Firms & Fund Managers	-	10,051	-	-	**10,051**
Corporates	184,855	1,538,179	784,671	309,301	**2,817,006**
Regulatory Retail	159,365	3,484	2,712	-	**165,561**
Other assets	60,367	-	-	299,822	**360,189**
Defaulted Exposures	-	23,089	18,160	-	**41,249**
Total On-Balance Sheet Exposures	**1,044,891**	**2,492,987**	**2,068,634**	**609,123**	**6,215,635**
Off Balance Sheet Exposures					
OTC Derivatives	65,829	132,129	-	-	**197,958**
Non OTC Derivatives	137,372	10	-	-	**137,382**
Total Off-Balance Sheet Exposures	**203,201**	**132,139**	**-**	**-**	**335,340**
Total Gross Credit Exposures	**1,248,092**	**2,625,126**	**2,068,634**	**609,123**	**6,550,975**

4.2 Past Due And Impaired Loans, Advances And Financing

Loans, advances and financing are considered as past due once contractually agreed payments are due from the borrowers and not settled. Impairment means the Group and the Bank considers it probable that it will suffer a loss on a financial asset as a result of issuers'/borrowers' inability to meet their commitments according to the contractual terms and the absence of any alternative means of repayment or recovery.

The Group and the Bank assess at the end of the reporting period whether there is objective evidence that loans, advances and financing are impaired. Loans, advances and financing are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loans, advances and financing that can be reliably estimated.

Evidence of impairment may include indications that the loans, advances and financing are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment loss include among others as follows:

(i) Loans
For individual impairment assessment, impairment loss is measured as the difference between the asset's carrying amount and its present values of estimated future cash flows discounted at the asset's original effective interest rate. The amount of impairment loss shall be recognised in the income statement. For collateralised loans, the Bank will estimate future cash flows from the collateral or/and other sources of repayment.

(ii) Share Margin Financing

For individual impairment assessment, impairment loss is recognised when the equity ratio (collateral to outstanding amounts) of the margin account falls below the threshold set by the Bank. Impairment loss is measured as the difference between the asset's carrying amount (net of collateral and interest-in-suspense) and its present values of estimated future cash flows discounted at the asset's original effective interest rate. The amount of impairment loss shall be recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

For the purposes of a collective evaluation of impairment, loans, advances and financing are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such loans, advances and financing by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Bank and historical loss experience for loans with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

4.2 Past Due And Impaired Loans, Advances And Financing (continued)

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

Based on the Policy on Classification and Impairment Provisions for Loans/Financing, banking institutions are required to maintain, in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing (excluding loans, advances and financing with an explicit guarantee from the Federal Government of Malaysia), net of individual impairment.

As at reporting date, the Group and the Bank have maintained the collective impairment allowances and regulatory reserves of no less than 1.2% in the financial statements.

(i) The sectorial analysis of past due and impaired loans, advances and financing and the individual and collective impairment loan provisions by sectors are depicted below:

Table 6: Past Due and Impaired Loans, Advances and Financing by Sectorial Analysis

The Group and The Bank **As at 31 December 2016** **By Sector**	**Impaired loans, advances and financing*** **RM'000**	**Individual assessment allowance RM'000**	**Collective assessment allowance RM'000**	**Total Impairment Allowance for Loans, Advances and Financing RM'000**
Primary Agriculture	-	-	-	**-**
Mining and Quarrying	-	-	164	**164**
Manufacturing (including Agro-based)	7,500	7,500	251	**7,751**
Electricity, Gas and Water Supply	-	-	61	**61**
Construction	-	-	421	**421**
Wholesale, Retail Trade, Restaurants and Hotels	10,828	10,676	72	**10,748**
Transport, Storage and Communication	-	-	294	**294**
Finance, Insurance, Real Estate and Business Activities	30,979	-	1,507	**1,507**
Education, Health and Others	-	-	76	**76**
Household	-	-	325	**325**
Others	-	-	152	**152**
Total	**49,307**	**18,176**	**3,323**	**21,499**

* Impaired and past due loans, advances and financing form a subset of gross credit exposures.

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Table 6: Past Due and Impaired Loans, Advances and Financing by Sectorial Analysis (Continued)

The Group and The Bank **As at 31 December 2015** **By Sector**	**Impaired loans, advances and financing* RM'000**	**Individual assessment allowance RM'000**	**Collective assessment allowance RM'000**	**Total Impairment Allowance for Loans, Advances and Financing RM'000**
Primary Agriculture	-	-	-	**-**
Mining and Quarrying	-	-	542	**542**
Manufacturing (including Agro-based)	22,500	14,450	307	**14,757**
Electricity, Gas and Water Supply	-	-	575	**575**
Construction	-	-	1,588	**1,588**
Wholesale, Retail Trade, Restaurants and Hotels	11,451	10,676	848	**11,524**
Transport, Storage and Communication	-	-	1,392	**1,392**
Finance, Insurance, Real Estate and Business Activities	32,424	-	1,849	**1,849**
Education, Health and Others	-	-	107	**107**
Household	-	-	2,103	**2,103**
Others	-	-	96	**96**
Total	**66,375**	**25,126**	**9,407**	**34,533**

* Impaired and past due loans, advances and financing form a subset of gross credit exposures.

(ii) The geographic analysis of past due and impaired loans, advances and financing and the individual and collective impairment loan provisions by geographical distribution can be analysed as follows:

Table 7: Past Due And Impaired Loans, Advances And Financing By Geographic Distribution

The Group and the Bank As at 31 December 2016	Impaired loans, advances and financing*	Individual Impairment Provision on impaired loans, advances and financing	Collective assessment allowance	Total Impairment Allowance for Loans, Advances and Financing
By Geographic Distribution	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	49,307	18,176	3,323	**21,499**
Other Countries	-	-	-	**-**
Total	**49,307**	**18,176**	**3,323**	**21,499**

* Impaired and past due loans, advances and financing form a subset of gross credit exposures.

The Group and the Bank As at 31 December 2015	Impaired loans, advances and financing*	Individual Impairment Provision on impaired loans, advances and financing	Collective assessment allowance	Total Impairment Allowance for Loans, Advances and Financing
By Geographic Distribution	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	66,375	25,126	9,407	**34,533**
Other Countries	-	-	-	**-**
Total	**66,375**	**25,126**	**9,407**	**34,533**

* Impaired and past due loans, advances and financing form a subset of gross credit exposures.

(iii) The table below depicts the movement of impairment provisions:

Table 8: Reconciliation of Changes In Loan Impairment Provisions

	The Group and the Bank	
	31.12.2016 RM'000	31.12.2015 RM'000
Individual Impairment Provision		
As at beginning of the financial year	**25,126**	**24,239**
Allowance made during the financial year	**-**	**1,009**
Amount written off	**(6,950)**	**(122)**
As at financial year end	**18,176**	**25,126**
Collective Impairment Provision		
As at beginning of the financial year	**9,407**	**8,982**
Allowance made during the financial year	**1,750**	**3,863**
Amount written back	**(7,834)**	**(3,438)**
As at financial year end	**3,323**	**9,407**
Direct Income Statement Impacts		
Direct write offs	**-**	**-**
Direct recoveries	**7,834**	**3,438**

4.3 Credit Risk Assessment Under Standardised Approach

In the assessment of credit risk under the Standardised Approach, the Bank uses ratings assigned by recognised External Credit Assessment Institutions ("ECAIs") in determining risk weight for certain exposure classes.

The Bank uses ratings assigned by the following ECAIs:
- Standard & Poor's Rating Services ("S&P")
- Moody's Investors Service ("Moody's")
- Fitch Ratings ("Fitch")
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")

These ratings are used in the calculation of the following exposure classes:
- Sovereigns and Central Banks
- Banking Institutions
- Corporates
- Insurance Companies, Securities Firms and Fund Managers

Each exposure is assigned with a rating issued by the recognised ECAIs, if available, in order to determine the risk weight percentage. If more than one rating is available for a specific counterparty, the selection criteria as set out under the Single and Multiple Assessment in BNM RWCAF is applied in determining relevant risk weight for the capital calculation. An exposure cannot be assigned with a risk weight that is lower than that of the sovereign risk of the country in which the asset is located. Where a rating is not available, the Bank follows the provisions stipulated under BNM RWCAF and deems the exposures as unrated.

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4.3 Credit Risk Assessment Under Standardised Approach

(i) Credit Exposure By Risk Weights

The following table depicts the credit risk exposure of the Bank by risk weight:

Table 9: Credit Risk Exposure by Risk Weight

Exposure after netting and credit risk mitigation

The Group As at 31 December 2016	Sovereign / Central Banks	Banks, DFIs & MDBs	Insurance Companies, Securities Firms & Fund Manager	Corporates	Regulatory Retail	Other Assets	Default (On Balance Sheet)	OTC Derivatives	Non-OTC Derivatives	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Risk Weights	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	2,656,287	-	-	-	-	38	-	-	-	2,656,325	-
20%	21,638	698,357	-	1,608,306	-	-	-	119,320	-	2,447,621	489,524
50%	-	91,581	-	26,642	-	-	152	-	-	118,375	59,188
75%	-	-	-	-	5,560	-	-	-	-	5,560	4,170
100%	-	-	-	1,352,729	-	426,611	-	76,118	146,220	2,001,678	2,001,678
150%	-	-	-	-	-	-	30,979	-	-	30,979	46,468
Total	**2,677,925**	**789,938**	**-**	**2,987,677**	**5,560**	**426,649**	**31,131**	**195,438**	**146,220**	**7,260,538**	**2,601,028**
Deduction from total capital	-	-	-	-	-	-	-	-	-	-	-
Average risk weight											**35.82%**

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Table 9: Credit Risk Exposure by Risk Weight (Continued)

Exposure after netting and credit risk mitigation

The Bank **As at 31 December 2016** **Risk Weights**	**Sovereign / Central Banks** **RM'000**	**Banks, DFIs & MDBs** **RM'000**	**Insurance Companies, Securities Firms & Fund Manager** **RM'000**	**Corporates** **RM'000**	**Regulatory Retail** **RM'000**	**Other Assets** **RM'000**	**Default (On Balance Sheet)** **RM'000**	**OTC Derivatives** **RM'000**	**Non-OTC Derivatives** **RM'000**	**Total Exposures after Netting & Credit Risk Mitigation** **RM'000**	**Total Risk Weighted Assets** **RM'000**
0%	2,656,287	-	-	-	-	36	-	-	-	2,656,323	-
20%	21,638	371,838	-	1,607,315	-	-	-	119,320	-	2,120,111	424,022
50%	-	90,750	-	26,642	-	-	152	-	-	117,544	58,772
75%	-	-	-	-	5,560	-	-	-	-	5,560	4,170
100%	-	-	-	1,352,729	-	292,117	-	76,118	146,220	1,867,184	1,867,184
150%	-	-	-	-	-	-	30,979	-	-	30,979	46,468
Total	**2,677,925**	**462,588**	**-**	**2,986,686**	**5,560**	**292,153**	**31,131**	**195,438**	**146,220**	**6,797,701**	**2,400,616**
Deduction from total capital	-	-	-	-	-	121,217	-	-	-	121,217	-
Average risk weight											**35.32%**

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Table 9: Credit Risk Exposure by Risk Weight (Continued)

Exposure after netting and credit risk mitigation

The Group As at 31 December 2015	Sovereign / Central Banks	Banks, DFIs & MDBs	Insurance Companies, Securities Firms & Fund Manager	Corporates	Regulatory Retail	Other Assets	Default (On Balance Sheet)	OTC Derivatives	Non-OTC Derivatives	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Risk Weights	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	2,100,469	-	-	-	-	30	-	-	-	2,100,499	-
20%	20,711	806,993	10,051	1,290,486	-	51,033	-	59,525	-	2,238,799	447,760
50%	-	108,901	-	23,507	-	-	8,825	55,212	-	196,445	98,223
75%	-	-	-	-	7,582	-	-	-	-	7,582	5,687
100%	-	-	-	1,503,013	-	415,349	-	83,221	137,382	2,138,965	2,138,965
150%	-	-	-	-	-	-	32,424	-	-	32,424	48,636
Total	**2,121,180**	**915,894**	**10,051**	**2,817,006**	**7,582**	**466,412**	**41,249**	**197,958**	**137,382**	**6,714,714**	**2,739,271**
Deduction from total capital	-	-	-	-	-	-	-	-	-	-	-
Average risk weight											**40.80%**

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Table 9: Credit Risk Exposure by Risk Weight (Continued)

Exposure after netting and credit risk mitigation

The Bank As at 31 December 2015	Sovereign / Central Banks	Banks, DFIs & MDBs	Insurance Companies, Securities Firms & Fund Manager	Corporates	Regulatory Retail	Other Assets	Default (On Balance Sheet)	OTC Derivatives	Non-OTC Derivatives	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Risk Weights	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	2,100,469	-	-	-	-	29	-	-	-	2,100,498	-
20%	20,711	591,551	10,051	1,290,486	-	51,033	-	59,525	-	2,023,357	404,671
50%	-	108,848	-	23,507	-	-	8,825	55,212	-	196,392	98,196
75%	-	-	-	-	7,582	-	-	-	-	7,582	5,687
100%	-	-	-	1,503,013	-	309,127	-	83,221	137,382	2,032,743	2,032,743
150%	-	-	-	-	-	-	32,424	-	-	32,424	48,636
Total	**2,121,180**	**700,399**	**10,051**	**2,817,006**	**7,582**	**360,189**	**41,249**	**197,958**	**137,382**	**6,392,996**	**2,589,933**
Deduction from total capital	-	-	-	-	-	121,217	-	-	-	121,217	-
Average risk weight											**40.51%**

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(ii) Credit Exposure By Risk Weight (Long Term Rating)

The following is summary of rules governing the Standardised Approach for rated, unrated and preferential / special risk weight of the counterparties.

Table 10A: Long Term Credit Rating Category by External Credit Assessment Institution under Standardised Approach

Rating Category	External Credit Assessment Institutions (ECAI)				
	S&P	**Moody's**	**Fitch**	**RAM**	**MARC**
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ to D	Caa1 to C	CCC+ to D	C1 to D	CCC+ to D
7	Unrated				

Table 10B: Long term Credit Rating Risk Weight Category by External Credit Assessment Institution under Standardised Approach for Banking Institution, Corporate and Sovereign & Central Bank

Rating Category	Risk weights based on Credit Ratings of the Counterparty Exposure Class		
	Banking Institutions	**Corporate**	**Sovereign & Central Bank**
1	20%	20%	0%
2	50%	50%	20%
3	50%	100%	50%
4	100%	100%	100%
5	100%	150%	100%
6	150%	150%	150%
7	50%	100%	100%

Table 11: Preferential / Special Risk Weight Allocation under Standardised Approach (for Long Term & Short Term)

	Exposure Category	**Risk Weight**
1	Exposures including debts securities issued by or guaranteed by Federal Government of Malaysia and/or Bank Negara Malaysia denominated and funded in Ringgit Malaysia	0%
2	Cash & Gold	0%
3	Investment in the ABF Malaysia Bond Index Fund	0%
4	Exposure on Bank for International Settlements, International Monetary Fund, European Central Bank & European	0%
5	Exposure to Multilateral Development Banks specified by Basel Committee of Banking Supervision	0%
6	Exposures including debts securities issued by or guaranteed by Federal Government and/or Central Bank denominated and funded in foreign currency	20%
7	Exposure to local Stock Exchange & Clearing House	20%
8	Unit Trust & Property Trust Fund	100%
9	Publicly Traded Equity Investment in Banking Book	100%
10	Equity held for socio-economic purpose	100%
11	Investment in Subsidiaries (other than commercial entities)	1250%

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The following table shows rated and unrated exposure to Banking Institution, Corporate and Sovereign and Central Banks using of long term ratings by the external credit assessment institutions (ECAIs) and Preferential / Special Risk Weight.

Table 12: Rated and Unrated Gross Credit Risk Exposure (Long Term)

The Group	Risk Weighted Allocation												
As at 31 December 2016	Rated					Preferential / Special Risk			Unrated				
Risk Weights	0%	20%	50%	100%	150%	0%	20%	100%	50%	75%	100%	150%	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Categories of Exposure													
On and Off Balance-Sheet Exposures													
Sovereign and Central Banks	-	-	-	-	-	2,656,287	21,638	-	-	-	-	-	**2,677,925**
Banks, DFIs and MDBs	-	817,676	91,582	-	-	-	-	-	-	-	-	-	**909,258**
Credit Exposures (using Corporate Risk Weights)													
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	7,332	-	**7,332**
Corporates	-	1,608,306	26,642	68,479	-	-	-	-	-	-	1,499,255	-	**3,202,682**
Regulatory Retail	-	-	-	-	-	-	-	-	-	247,332	-	-	**247,332**
Other Assets	-	-	-	-	-	37	-	-	-	-	426,613	-	**426,650**
Defaulted Exposures	-	-	-	-	-	-	-	-	152	-	-	30,979	**31,131**
Total	**-**	**2,425,982**	**118,224**	**68,479**	**-**	**2,656,324**	**21,638**	**-**	**152**	**247,332**	**1,933,200**	**30,979**	**7,502,310**

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Table 12: Rated and Unrated Gross Credit Risk Exposure (Long Term) (Continued)

The Bank	Risk Weighted Allocation													
As at 31 December 2016	Rated					Preferential / Special Risk			Unrated					
Risk Weights	0%	20%	50%	100%	150%	0%	20%	100%	50%	75%	100%	150%	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Categories of Exposure													
On and Off Balance-Sheet Exposures													
Sovereign and Central Banks	-	-	-	-	-	2,656,287	21,638	-	-	-	-	-	**2,677,925**
Banks, DFIs and MDBs	-	491,158	90,750	-	-	-	-	-	-	-	-	-	**581,908**
Credit Exposures (using Corporate Risk Weights)													
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	7,332	-	**7,332**
Corporates	-	1,607,315	26,642	68,479	-	-	-	-	-	-	1,499,255	-	**3,201,691**
Regulatory Retail	-	-	-	-	-	-	-	-	-	247,332	-	-	**247,332**
Other Assets	-	-	-	-	-	36	-	-	-	-	292,118	-	**292,154**
Defaulted Exposures	-	-	-	-	-	-	-	-	152	-	-	30,979	**31,131**
Total	**-**	**2,098,473**	**117,392**	**68,479**	**-**	**2,656,323**	**21,638**	**-**	**152**	**247,332**	**1,798,705**	**30,979**	**7,039,473**

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Table 12: Rated and Unrated Gross Credit Risk Exposure (Long Term) (Continued)

The Group	**Risk Weighted Allocation**													
As at 31 December 2015	**Rated**					**Preferential / Special Risk**			**Unrated**					
Risk Weights	**0%**	**20%**	**50%**	**100%**	**150%**	**0%**	**20%**	**100%**	**50%**	**75%**	**100%**	**150%**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Categories of Exposure													
On and Off Balance-Sheet Exposures													
Sovereign and Central Banks	-	-	-	-	-	2,100,469	20,711	-	-	-	-	-	**2,121,180**
Banks, DFIs and MDBs	-	888,143	142,488	-	-	-	-	-	-	-	-	-	**1,030,631**
Credit Exposures (using Corporate Risk Weights)													
Insurance Companies, Securities Firms & Fund Managers	-	10,051	-	-	-	-	-	-	-	-	15,318	-	**25,369**
Corporates	-	1,268,860	45,132	-	-	-	-	-	356,469	-	1,351,603	-	**3,022,064**
Regulatory Retail	-	-	-	-	-	-	-	-	-	165,561	-	-	**165,561**
Other Assets	-	-	-	-	-	30	51,033	-	-	-	415,576	-	**466,639**
Defaulted Exposures	-	-	-	-	-	-	-	-	8,825	-	-	32,424	**41,249**
Total	**-**	**2,167,054**	**187,620**	**-**	**-**	**2,100,499**	**71,744**	**-**	**365,294**	**165,561**	**1,782,497**	**32,424**	**6,872,693**

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Table 12: Rated and Unrated Gross Credit Risk Exposure (Long Term) (Continued)

The Bank	Risk Weighted Allocation												
As at 31 December 2015	**Rated**					**Preferential / Special Risk**			**Unrated**				
Risk Weights	**0%**	**20%**	**50%**	**100%**	**150%**	**0%**	**20%**	**100%**	**50%**	**75%**	**100%**	**150%**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Categories of Exposure													
On and Off Balance-Sheet Exposures													
Sovereign and Central Banks	-	-	-	-	-	2,100,469	20,711	-	-	-	-	-	**2,121,180**
Banks, DFIs and MDBs	-	672,701	142,435	-	-	-	-	-	-	-	-	-	**815,136**
Credit Exposures (using Corporate Risk Weights)													
Insurance Companies, Securities Firms & Fund Managers	-	10,051	-	-	-	-	-	-	-	-	15,318	-	**25,369**
Corporates	-	1,268,860	45,132	-	-	-	-	-	356,469	-	1,351,603	-	**3,022,064**
Regulatory Retail	-	-	-	-	-	-	-	-	-	165,561	-	-	**165,561**
Other Assets	-	-	-	-	-	29	51,033	-	-	-	309,354	-	**360,416**
Defaulted Exposures	-	-	-	-	-	-	-	-	8,825	-	-	32,424	**41,249**
Total	**-**	**1,951,612**	**187,567**	**-**	**-**	**2,100,498**	**71,744**	**-**	**365,294**	**165,561**	**1,676,275**	**32,424**	**6,550,975**

(iii) Credit Exposure By Risk Weight (Short Term Rating)

The following is summary of rules governing the Standardised Approach for rated and unrated counterparties. Each exposure must be assigned to one of ECAI ratings and then used to determine the risk weight percentage.

Table 13: Short term Credit Rating Category by External Credit Assessment Institution under Standardised Approach

Rating Category	External Credit Assessment Institutions (ECAI)				
	S&P	**Moody's**	**Fitch**	**RAM**	**MARC**
1	A-1	P-1	F1+. F1	P-1	MARC-1
2	A-2	P-2	F2	P-2	MARC-2
3	A-3	P-3	F3	P-3	MARC-3
4	Others	Others	B to D	Others	MARC-4

Table 14: Short term Credit Rating Risk Weight Category by External Credit Assessment Institution under Standardised Approach for Banking Institution and Corporate

Rating Category	Risk weights based on Credit Ratings of the Counterparty Exposure Class	
	Banking Institutions	**Corporate**
1	20%	20%
2	50%	50%
3	100%	100%
4	150%	150%

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The following table shows rated and unrated exposure to Banking Institution, Corporate and Sovereign and Central Banks using of short term ratings by the external credit assessment institutions (ECAIs) and Preferential / Special Risk Weight.

Table 15: Rated and Unrated Gross Credit Risk Exposure (Short Term Rating)

The Group and the Bank	**Risk Weighted Allocation**										
As at 31 December 2016	**Rated**					**Preferential / Special Risk Weight**			**Unrated**		
Risk Weights	**0%**	**20%**	**50%**	**100%**	**150%**	**0%**	**20%**	**100%**	**50%**	**100%**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Categories of Exposure											
On and Off Balance-Sheet Exposures											
Sovereign and Central Banks	-	-	-	-	-	-	-	-	-	-	**-**
Banks, DFIs and MDBs	-	-	-	-	-	-	-	-	-	-	**-**
Credit Exposures (using Corporate Risk Weights)											**-**
Insurance Companies, Securities Firms & Fund											**-**
Managers	-	-	-	-	-	-	-	-	-	-	**-**
Corporates	-	-	-	-	-	-	-	-	-	-	**-**
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	**-**
Other Assets	-	-	-	-	-	-	-	-	-	-	**-**
Defaulted Exposures	-	-	-	-	-	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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Table 15: Rated and Unrated Gross Credit Risk Exposure (Short Term Rating) (Continued)

The Group and the Bank

As at 31 December 2015	**Risk Weighted Allocation**										
	Rated					**Preferential / Special Risk Weight**			**Unrated**		
Risk Weights	**0%**	**20%**	**50%**	**100%**	**150%**	**0%**	**20%**	**100%**	**50%**	**100%**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Categories of Exposure											
On and Off Balance-Sheet Exposures											
Sovereign and Central Banks	-	-	-	-	-	-	-	-	-	-	**-**
Banks, DFIs and MDBs	-	-	-	-	-	-	-	-	-	-	**-**
Credit Exposures (using Corporate Risk Weights)											**-**
Insurance Companies, Securities Firms & Fund											**-**
Managers	-	-	-	-	-	-	-	-	-	-	**-**
Corporates	-	-	-	-	-	-	-	-	-	-	**-**
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	**-**
Other Assets	-	-	-	-	-	-	-	-	-	-	**-**
Defaulted Exposures	-	-	-	-	-	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

4.4 Credit Risk Mitigation Techniques Under Standardised Approach

The Bank uses a variety of techniques to mitigate credit risk. One way is to evaluate and assess the creditworthiness and ability of a customer to service the debt facility without distress.

The Bank commonly obtains securities as collateral for loan and stockbroking trading portfolio. The Bank ensures that the collateral held is sufficiently liquid, legally effective, enforceable and regularly valued.

The Bank proactively manages its credit exposures and when weaknesses in exposures are detected either in individual exposures or in groups of exposures, prompt action is taken to mitigate the risks. These include steps to manage the exposure through discussion with the customers, borrowers, dealers' representatives or counterparties.

The Bank also uses legal agreements to reduce credit risk, including netting agreements which permits it to offset positive and negative balances with the same counterparties to minimise the exposure, financial guarantees and use of covenants in loan agreements.

Credit risk mitigation to address risk concentration takes several dimension, in which limits are set and monitored for individual and group counterparty level:

- Limits are set against all types of exposure to a counterparty name, in accordance with an agreed methodology for each exposure type, i.e. on and off balance sheet exposures. This includes credit risk exposure on individual derivative transactions, which incorporates potential future exposures from market movements.

- Aggregate facility levels by counterparty are set and monitored in accordance to regulatory requirement. Any limit breaches are subject to escalation procedures.

- Credit risk management includes control and review on sector exposures (for corporate loans and debt securities) to reflect the Bank's risk appetite and managing exposures to high risk and more vulnerable sectors and unfavourable rated debt securities. Exposures are monitored to prevent excessive concentration of risk.

- The Bank has limited exposure to external country risks as most of its exposures are concentrated in Malaysia.

Collateral

The Bank maintains guidelines on the acceptability of specific classes of collateral. The principal collateral types for loans and stockbroking trading accounts are:

- cash or deposits;
- debt securities and equities; and
- land or properties.

To mitigate credit risk while dealing in derivative products, the Bank makes use of margining arrangements under International Swap and Derivative Association ("ISDA") agreements, in which both counterparties are required to post collateral in the form of cash or liquid securities permitted under the agreements with applicable haircut as appropriate to cover outstanding trading positions if margining thresholds stated under Credit Support Annex ("CSA") of the ISDA Agreement are breached.

4.4 Credit Risk Mitigation Techniques Under Standardised Approach (Continued)

It is the Bank's policy that collateral should be valued by an independent qualified source at inception. Collateral is reviewed on a regular basis in accordance with the credit policies applicable for Affin Banking Group, which will vary according to the type of exposures and collateral involved.

Tracking and controls over receipt and withdrawal of collaterals are maintained by a department independent from the business unit. For the collaterals in the form of securities, these are safeguarded by the custodian appointed by the Bank.

In order to minimise the credit loss, the Bank may seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans or when dealers' representatives have deficit cash collateral due to the deduction of cash collaterals against clients' overdue contra losses and interests under stockbroking trading accounts.

Guarantees

A guarantee is a legally binding contractual commitment made to the Bank that ensures that the guarantor is legally responsible to meet the obligations of a borrower in the event the borrower fails to pay.

The following table depicts the Bank's exposures covered by guarantees and collaterals:

Table 16: Exposures Covered by Credit Risk Mitigation

The Group **As at 31 December 2016**	**Exposures before CRM**	**Exposures Covered by Guarantees**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,677,925	-	-	-
Banks, DFIs and MDBs	789,938	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-
Corporates	2,987,677	-	-	-
Regulatory Retail	247,332	-	241,772	-
Other assets	426,649	-	-	-
Defaulted exposures	31,131	-	-	-
Total On-Balance Sheet Exposures	**7,160,652**	**-**	**241,772**	**-**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	195,438	-	-	-
Off-balance sheet exposures other than OTC or credit derivatives	146,220	-	-	-
Total Off-Balance Sheet Exposures	**341,658**	**-**	**-**	**-**
Total Gross Credit Exposures	**7,502,310**	**-**	**241,772**	**-**

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Table 16: Exposures Covered by Credit Risk Mitigation (Continued)

The Bank **As at 31 December 2016**	**Exposures before CRM** **RM'000**	**Exposures Covered by Guarantees** **RM'000**	**Exposures Covered by Eligible Financial Collateral** **RM'000**	**Exposures Covered by Other Eligible Collateral** **RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,677,925	-	-	-
Public Sector Entities	-	-	-	-
Banks, DFIs and MDBs	462,588	-	-	-
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-
Corporates	2,986,686	-	-	-
Regulatory Retail	247,332	-	241,772	-
Other assets	292,153	-	-	-
Defaulted exposures	31,131	-	-	-
Total On-Balance Sheet Exposures	**6,697,815**	**-**	**241,772**	**-**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	195,438	-	-	-
Off-balance sheet exposures other than OTC or credit derivatives	146,220	-	-	-
Total Off-Balance Sheet Exposures	**341,658**	**-**	**-**	**-**
Total Gross Credit Exposures	**7,039,473**	**-**	**241,772**	**-**

Table 16: Exposures Covered by Credit Risk Mitigation (Continued)

The Group **As at 31 December 2015**	**Exposures before CRM**	**Exposures Covered by Guarantees**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,121,180	-	-	-
Banks, DFIs and MDBs	915,894	-	-	-
Insurance Companies, Securities Firms & Fund Managers	10,051	-	-	-
Corporates	2,817,006	-	-	-
Regulatory Retail	165,561	-	157,979	-
Other assets	466,412	-	-	-
Defaulted exposures	41,249	-	-	-
Total On-Balance Sheet Exposures	**6,537,353**	**-**	**157,979**	**-**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	197,958	-	-	-
Off-balance sheet exposures other than OTC or credit derivatives	137,382	-	-	-
Total Off-Balance Sheet Exposures	**335,340**	**-**	**-**	**-**
Total Gross Credit Exposures	**6,872,693**	**-**	**157,979**	**-**

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Table 16: Exposures Covered by Credit Risk Mitigation (Continued)

The Bank **As at 31 December 2015**	**Exposures before CRM**	**Exposures Covered by Guarantees**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Exposure Class				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,121,180	-	-	-
Banks, DFIs and MDBs	700,399	-	-	-
Insurance Companies, Securities Firms & Fund Managers	10,051	-	-	-
Corporates	2,817,006	-	-	-
Regulatory Retail	165,561	-	157,979	-
Other assets	360,189	-	-	-
Defaulted exposures	41,249	-	-	-
Total On-Balance Sheet Exposures	**6,215,635**	**-**	**157,979**	**-**
Off-Balance Sheet Exposures				
Over-the-counter ("OTC") derivatives	197,958	-	-	-
Off-balance sheet exposures other than OTC or credit derivatives	137,382	-	-	-
Total Off-Balance Sheet Exposures	**335,340**	**-**	**-**	**-**
Total Gross Credit Exposures	**6,550,975**	**-**	**157,979**	**-**

4.5 Off-Balance Sheet Exposure and Counterparty Credit Risk

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Transactions refer to contracts for financial instruments including derivative contracts and unsettled securities.

Credit risk arising from derivative transaction can be mitigated in several ways, including the use of:

- Collateral, which may be liquidated and satisfy the counterparty's obligations to the Bank upon closeout.

- Netting, which gives the Bank the right to close out and net all transactions under market standard master netting agreements such as the ISDA Master Agreement and CSA;

The above risk mitigation techniques are employed where possible and are explained as below:

Collateral

The Bank will negotiate for CSA under ISDA Master Agreement with selected counterparties on a case-by-case basis, where collateral is deemed necessary mitigator to the risk exposure. The terms of the CSA specified in each legal document are required to be approved by Compliance, Legal and Corporate Services Department. The nature of the collateral will be specified in the legal document and can be cash or selected government securities. Any non-cash collateral taken will be subject to a 'haircut' which is negotiated at time of signing of the collateral agreement and this will be largely based on liquidity and price volatility of the underlying collateral security.

A daily operational process takes place to calculate the mark-to-market on all trades and collateral captured under the CSA. Additional collateral will be called from the counterparty if total uncollateralised marked-to-market exposure exceeds the threshold and minimum transfer amount specified in the CSA. Additional collateral may be required from the counterparty to provide an extra buffer to the daily variation margin process.

4.5 Off-Balance Sheet Exposure and Counterparty Credit Risk (Continued)

Bilateral Netting Agreement

The Bank further reduces its credit exposures to counterparty by entering into contractual netting agreement which creates a single legal obligation, covering all transactions that the Bank could have either a claim to receive or obligation to pay only the net sum of the positive (amounts owed by the counterparty) and negative (amounts owed by the Bank) mark-to-market values of all transactions including individuals in the event a counterparty fails to perform due to default, bankruptcy, liquidation or similar circumstances.

ISDA Master Agreement is the Bank's preferred agreement as it encompasses the largest number of products and thus provides the greatest cross-product netting benefits.

Credit Equivalent Limits

All credit exposures are approved either by approval of an individual facility (e.g. loan) or under a system of credit limits (e.g. derivatives, securities, stockbroking trading exposures). Credit exposure is monitored daily to ensure it does not exceed the approved credit limit. These credit limits are set either on notional exposure or pre-settlement credit exposure basis (e.g. for derivatives). Credit Equivalent Limit is an estimate of the potential exposure in the event that the counterparty was to default prior to settlement of the contract.

Collateral Requirement in the Event Of a Downgrade in Credit Ratings

A significant increase in the level of collateral would be required in the event of a credit ratings downgrade of the counterparties as allowable in the collateral agreements.

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4.5 Off-Balance Sheet Exposure and Counterparty Credit Risk

The following table depicts disclosure of off-balance sheet and counterparty credit risk:

Table 17: Off-Balance Sheet and Counterparty Credit Risk

The Group and the Bank As at 31 December 2016	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Description	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Direct Credit Substitutes	110,050	-	110,050	110,050
Foreign exchange related contracts				
One year or less	3,001,759	113,676	166,356	83,320
Over one year to five years	220,011	7,137	20,057	14,857
Over five years	-	-	-	-
Interest rate related contracts				
One year or less	300,000	289	739	148
Over one year to five years	370,000	986	8,286	1,657
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	694	-	347	347
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	179,115	-	35,823	35,823
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 a borrower's creditworthiness	367,710	-	-	-
Total	**4,549,339**	**122,088**	**341,658**	**246,202**

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Table 17: Off-Balance Sheet and Counterparty Credit Risk (Continued)

The Group and the Bank **As at 31 December 2015** **Description**	**Principal Amount** **RM'000**	**Positive Fair Value of Derivative Contracts** **RM'000**	**Credit Equivalent Amount** **RM'000**	**Risk Weighted Assets** **RM'000**
Direct Credit Substitutes	98,850	-	98,850	98,850
Foreign exchange related contracts				
One year or less	4,087,984	40,128	65,829	48,418
Over one year to five years	835,755	78,520	128,900	73,048
Over five years	-	-	-	-
Interest rate related contracts				
One year or less	-	-	-	-
Over one year to five years	150,000	1,343	3,229	1,266
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	21	-	10	10
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	192,609	-	38,522	38,522
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 a borrower's creditworthiness	403,091	-	-	-
Total	**5,768,310**	**119,991**	**335,340**	**260,114**

5 SECURITISATION

The Group and the Bank currently do not have any securitisation activities.

6 MARKET RISK

Market risk is the risk of losses arising from changes in market prices or rates, such as interest rates, foreign exchange rates, equity prices and commodity prices, as well as their correlations and implied volatilities.

Risk Governance

The Board establishes the Bank's risk appetite for market risk. The BRMC is delegated with the oversight of the market risk management and responsible for the approval of high-level issues.

The ALCO reviews, assesses and monitors risk controls, risk limits, stress testing results, adequacy of reserves, valuation methodology and internal models.

Policies and Approaches

The market risk policy of the Bank establishes the base standards on management of market and liquidity risks within the Bank. Together with the Bank's other existing policies, detailed guidelines/ methodologies in managing market and liquidity risks are laid down to cover the following areas:

- Market risk management principles;
- Market risk measurement methodologies;
- Trading and banking book classification;
- Valuation methodology;
- Market risk limit structure and management;
- Stress testing approach;
- Internal controls and standards on validation of valuation models and market risk models; and

Risk Measurement

The principal measurement methodology used by the Bank to measure and control market risk exposures arising from the trading book portfolio is Value-at-Risk ("VaR"). The VaR model measures the material risks arising from trading book, which covers interest rate and foreign exchange risks. The Bank uses a variance-covariance method based on a 1-day holding period and a 99% confidence interval as its market risk VaR methodology. The VaR model is back-tested regularly to validate its robustness.

In addition, the Bank also uses other market risk controls, such as stop loss control, which sets a threshold on the net cumulative loss of the trading book over a defined period of time; and present value basis point, an interest rate sensitivity tool.

Stress testing complements the VaR framework in measuring market risks. Specifically, stress tests capture the impact of tail-end (i.e. extreme events and shocks that can potentially lead to heavy losses) and other risks which are not reflected in the VaR model. For more detailed information, please see Stress Testing discussed under Risk Management Section of Pillar 3 Disclosures.

Risk Reporting and Monitoring

RMD is responsible in the monitoring and tracking of market risk limits based on the frequencies as set out in the Bank's relevant risk policies. Any limit excesses are reported in accordance with the exception escalation procedures, which may be followed by the appropriate remedial processes, if necessary.

The Bank also sets trigger limits in alerting any potential limit breaches and unusual movements of certain indicators to prompt early investigative action and escalation process. This is part of the daily trading disciplines on the trading book activities. Review of the market risk limits is conducted annually.

Market risk reports are submitted on periodical basis to ALCO and BRMC in order to facilitate their effective oversight of market risk management activities through evaluation of the nature, level and trend of market risk undertaken by the Bank.

Regulatory Capital Treatment

The Bank is adopting the Standardised Approach in calculating market risk RWA. Market risk is measured for interest rate and equity risks pertaining to financial instruments in the trading book and foreign exchange risk in both the trading and banking books, as well as options risk arising from underwriting activities; as defined under BNM RWCAF for regulatory capital computation purpose.

7 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This includes legal, compliance, accounting and fraud risks but excludes strategic and reputation risks. Operational risk is unavoidable risk to the Bank as it is inherent in its business operations. Nonetheless, the Bank would manage the operational risk within an acceptable level in accordance with the Group Operational Risk Management Framework applicable for all entities within Affin Banking Group.

Risk Governance

The Operational Risk Management ("ORM") Governance structure warrants the Bank, Board and Business / Support Units to discharge their responsibilities in an aligned and formalised manner, thereby ensuring operational risks are being managed effectively and within the risk tolerance set by Board.

The Board is actively involved in the oversight of the operational risk management of the Bank through BRMC, which operates as a functional committee of Board within its delegated authority by Board.

CROC assists the Board and the BRMC in managing operational risk within the Bank. Its key responsibilities include assessing and monitoring of significant operational risk exposures, providing direction for resolution of critical operational risk issues, evaluating vulnerabilities, threats and exposures relating to information assets and ensuring control and security measures are adequate to protect these areas, assessing overall disaster and business continuity effectiveness against the various scenarios of operational disruption and system-related breakdowns; and reviewing and ensuring compliance with all relevant laws and regulations.

The Operational Risk Management Unit ("ORMU") plays a centralised function for operational risk management within the RMD and it is independent of any other functions and operations within the Bank. The ORMU, reporting directly to the Head of RMD, plays a key role in supporting and guiding the Business/Support Units in the implementation of the Bank's ORM Framework and tools, particularly in promoting and inculcating 'risk awareness' culture across the Bank.

Policies and Approaches

Group Operational Risk Management Policy, approved by the Board, governs the ORM framework and methodology used to ensure that operational risks within the Bank are identified, monitored and managed in a systematic and consistent manner.

Risk Measurement

Operational Risk Measurement Tools
The Bank has put in place comprehensive operational risk (OR) identification, assessment & measurement, control & monitoring and reporting of OR exposures through indicators and metrics such as Loss Event Database (LED), Key Risk Indicators (KRIs), Risk and Control Assessment (RCSA) and Key Control Standard (KCS).

The Bank also adopts the Group Product Programme which sets out the minimum standards concerning introduction of new products as well as the maintenance of Product Programs across all Business Divisions within Affin Banking Group.

Each new product or service introduced that results in a material change to the risk profile of the Bank is subject to a rigorous risk review and signoff process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product. Variation that constitutes a material change in the risk profile of existing products is also subject to a similar process. RCSA complements the risk assessment on operational risk as required by the Product Programme. Thus RCSA will be performed by the department which the product or service originate or belongs to, to identify and assess the inherent operational risk related to the new product or service. The resulting risk profile will subsequently be submitted to the RMD for review and consideration prior to submission to the relevant management and/or board committee for approval.

Risk Mitigation Programmes
There are other major operational risk mitigation programmes and Business Continuity Management that applies to all Business/Support units and branches in all locations.

Risk Reporting and Monitoring

RMD is responsible for the monitoring and tracking of operational risk based on the information obtained through the ORM tools. Exception reports are produced on a regular basis, highlighting material operational risk related issues to CROC and BRMC as well as Group Operational Risk Management Committee ("GORMC") for risk monitoring and appropriate level of management decision making.

Regulatory Capital Treatment

The Bank adopts the Basic Indicator Approach in calculating the operational risk RWA as at 31 December 2016.

8 EQUITIES IN THE BANKING BOOK

The Bank’s banking book equity investment consists of:

- Investments held for yield and/or long term capital gains; and
- Strategic stakes in entities held as part of growth initiatives and/or in support of business operations.

Investment in equity or Collective Investment Scheme ("CIS") investments are subject to limits which are set based on the Bank’s total capital and/or notional limits.

Accounting for Equity or CIS Holdings in the Banking Book

Different equity investment positions have different accounting treatments depending on the nature of the exposures. Where the equity investment is not subject to the significant influence or joint control of the Bank, it is held as a direct investment, which is classified as AFS.

AFS securities are initially stated at fair value except for investments in equity/CIS that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, will be stated at cost. Consistent with the valuation of financial instruments, fair value of equity securities is initially and subsequently determined using, where available, quoted prices in active markets or valuation techniques where quoted prices in active markets are not available.

Any gain or loss arising from the change in fair value is recognised directly in equity through the statement of changes in equity except for impairment losses and foreign exchange gains or losses. When securities in AFS portfolio are sold, the cumulative gains or losses previously recognised in equity shall be transferred to the income statement.

The following table depicts the fair value and risk weighted assets of and gains and losses on equity/ CIS investments under banking book:

Table 19: Equities under Banking Book

The Group and the Bank As at 31 December 2016 Type of Equity Investments	**Fair Value RM'000**	**Risk Weighted Assets RM'000**
Publicly traded	25,852	25,852
Privately held	19,528	19,528
Total	**45,380**	**45,380**

	RM'000
Cumulative realised gains/(losses) from sales and liquidations of equity investments	346
Total unrealised gains/(losses) in other comprehensive income	2,126

The Group and the Bank As at 31 December 2015 Type of Equity Investments	**Fair Value RM'000**	**Risk Weighted Assets RM'000**
Publicly traded	18,896	18,896
Privately held	18,131	18,131
Total	**37,027**	**37,027**

	RM'000
Cumulative realised gains/(losses) from sales and liquidations of equity investments	216
Total unrealised gains/(losses) in other comprehensive income	(2,856)

9 INTEREST RATE RISK IN THE BANKING BOOK

The Bank is exposed to interest rate risk in banking book ("IRRBB") when there are re-pricing mismatches due to differing tenors and pricing of interest-sensitive assets, liabilities and derivative financial instruments in the banking book.

Policies and Approaches

The management of IRRBB is governed under the Asset Liability Management Policy.

The objective of the management of IRRBB is to maintain an acceptable mismatch in interest-sensitive assets, liabilities and derivative financial instruments in the banking book, while achieving a desired level of earnings.

Risk Measurement

In managing IRRBB, both the earnings and economic value approaches are adopted. Interest-sensitive assets, liabilities and derivative financial instruments are grouped into time buckets based on the earlier of remaining period to maturity or next re-pricing; before a parallel interest rate shock is applied to arrive at the sensitivity shocks on earnings and economic value.

The earnings approach focuses on the impact of interest rate movement on the Bank's near term earnings. The economic value approach provides a more comprehensive view of the impact of interest rate movements on the economic value of the Bank's overall positions.

Risk Reporting and Monitoring

The impact of interest rate movements quantified using the economic value approach is subject to approved limit and monitored on daily basis. Review of the risk limit is conducted annually.

Impact on earnings and economic value are periodically reported to ALCO and BRMC to facilitate their effective oversight of interest rate risk in banking book. Any non-compliance is subject to a set of escalation procedures.

The following table depicts the sensitivity shocks on earnings and economic value of the Bank's positions in banking book, to a parallel interest rate shock of +/- 100 basis points ("bps"):

Table 20: Sensitivity of the banking book to interest rate changes

	The Group Increase / (Decrease) in RM'000		**The Bank Increase / (Decrease) in RM'000**	
As at 31 December 2016	**+100 bps**	**-100 bps**	**+100 bps**	**-100 bps**
***Impact on Earnings**				
MYR	(35,709)	35,709	(35,709)	35,709
USD	(581)	581	(581)	581
SGD	183	(183)	183	(183)
Others	(9)	9	(9)	9
Total	**(36,116)**	**36,116**	**(36,116)**	**36,116**
˜Impact on Economic Value				
MYR	187,018	(187,018)	186,967	(186,967)
USD	6,759	(6,759)	6,759	(6,759)
SGD	2,298	(2,298)	2,298	(2,298)
Others	700	(700)	700	(700)
Total	**196,775**	**(196,775)**	**196,724**	**(196,724)**

Table 20: Sensitivity of the banking book to interest rate changes (Continued)

	The Group Increase / (Decrease) in RM'000		The Bank Increase / (Decrease) in RM'000	
As at 31 December 2015	**+100 bps**	**-100 bps**	**+100 bps**	**-100 bps**
***Impact on Earnings**				
MYR	(21,106)	21,106	(21,106)	21,106
USD	171	(171)	171	(171)
SGD	-	-	-	-
Others	(1,646)	1,646	(1,646)	1,646
Total	**(22,581)**	**22,581**	**(22,581)**	**22,581**
~Impact on Economic Value				
MYR	121,748	(121,748)	121,698	(121,698)
USD	3,336	(3,336)	3,336	(3,336)
SGD	3,837	(3,837)	3,837	(3,837)
Others	847	(847)	847	(847)
Total	**129,768**	**(129,768)**	**129,718**	**(129,718)**

** The earnings approach focuses on the impact of interest rate movement on the Bank's near term earnings (within 1 year).*

~ The economic value approach provides a more comprehensive view of the impact of interest rate movement on the economic value of the Bank's overall positions.