

**HSBC BANK MALAYSIA BERHAD**  
**(Company No.127776-V)**  
**(Incorporated in Malaysia)**  
**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures**  
**at 30 June 2016**

**CHIEF EXECUTIVE OFFICER'S ATTESTATION**

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I, Mukhtar Malik Hussain, being the Chief Executive Officer of HSBC Bank Malaysia Berhad, do hereby state that, in my opinion, the Pillar 3 Interim Disclosures set out on pages 2 to 40 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.

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**MUKHTAR MALIK HUSSAIN**

CHIEF EXECUTIVE OFFICER  
21 July 2016

## **Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures**

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The Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures at 30 June 2016 do not include all of the information required for full (Basel II) Pillar 3 Disclosures, and should be read in conjunction with the audited financial statements of HSBC Bank Malaysia Berhad (the Bank) and its subsidiaries (collectively known as the Group) for the financial year ended 31 December 2015 and the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures at 31 December 2015.

The tables attached in the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures provide an understanding of the quantitative changes relating to Pillar 3 Disclosures of the Group since the financial year ended 31 December 2015. There are no material changes relating to qualitative disclosures during the interim reporting period.

### Stress Testing

Stress testing is a key risk management tool used to assess a variety of risks to which the Group is exposed, including credit risk, market risk, operational risk, etc. Stress testing is integrated into our market risk management tool to evaluate the potential impact on the entity of more extreme, although plausible, events or movements in a set of financial variables. In such abnormal scenarios, losses can be much greater than those predicted by Value at Risk (VaR) modelling.

Stress testing and scenario analysis form an integral part of Internal Capital Adequacy Assessment Process (ICAAP) to demonstrate that the Group can maintain risk capital sufficient enough to sustain operations during an economic downturn.

A key objective of stress testing is to make risk more transparent by estimating the potential losses on the Group's exposure and impacts on its capital adequacy ratio, capital requirements and profit and loss under abnormal conditions. It will also assess specifically the extent by which risk-weighted assets and capital requirements will increase, and how profit and loss as well as liquidity levels will change. It plays a particularly important role in:

- Providing forward-looking assessments of risk.
- Overcoming limitations of models and historical data.
- Supporting internal and external communication.
- Feeding into capital and liquidity planning process.
- Informing the setting of a banks' risk tolerance.
- Facilitating the development of risk mitigation or contingency plans across a range of stressed conditions.
- Building upon business and strategic planning to the Risk Appetite of the institution.
- Strengthening the Group's corporate governance and the resilience of the financial system.
- Using the experiences of the past held in local operations in addition to the wider experiences that can be obtained from the diversified operation and management.

Stress testing is considered as the collective quantitative and qualitative techniques used to assess all facets to the risks faced by the Group. Stress testing is done in collaboration across all customer groups and functions such as Risks and Finance. The results of the analysis will facilitate informed financial and capital management whilst supporting business lines to manage their business through various measures such as establishing triggers and devising mitigation actions which can be readily implemented should the adverse scenarios materialise.

In line with Bank Negara Malaysia (BNM)'s Guideline on Stress Testing and the Group's Policy Paper for Stress Testing, a Stress Test Steering Committee (STSC) has been established.

Stress testing is conducted on entity level and on a bank-wide basis. Stress testing will be carried out subject to regulatory and internal management demands as and when needed. At a minimum, a complete stress testing for the entire Group should be completed on a semi-annual basis. Stress testing results are reviewed by STSC, Risk Management Committee (RMC), Risk Committee (RC) and Board of Directors' (BOD) prior to submission to BNM.

### Governance

The STSC will actively manage and drive cohesion and consistency across all stress testing activities, including the execution of enterprise wide stress tests and enhancements to stress testing and data capability. The STSC is accountable to RMC. Stress test results and the propose mitigating actions will be recommended by RMC and RC of the Board for approval.

Refer to Note 32 of the unaudited condensed interim financial statements at 30 June 2016 for the total risk weighted capital ratio, Common Equity Tier 1 and Tier 1 capital ratio, and risk weighted assets and capital requirements for credit risk, market risk and operational risk.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) RWA and Capital Requirement**

The tables below disclose the gross and net exposures, risk weighted assets (RWA) and capital requirements for credit risk, market risk and operational risk of the Group and the Bank at the balance sheet date.

At 30 June 2016, the RWA risk absorbent for Syndicated Investment Account for Financing (SIAF)/ Investment Agency Account (IAA)/ Restricted Profit Sharing Investment Account (RPSIA) in the Bank amounted to RM649.2m (31 December 2015 : RM1,357.8m). Both the principal amount and RWA are the same. This amount is reported as asset under management in the books of the Bank's Islamic Subsidiary. At the group level, the effect of the RWA risk absorbent profit sharing investment is eliminated.

**30 Jun 2016**  
**(RM'000)**

*Group*

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
<b>Credit Risk (Standardised Approach)</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	19,454,055	19,454,055	489,567	39,165
PSEs	1,115,046	1,115,046	1,059,510	84,761
Banks, DFIs & MDBs	6,106,829	6,106,828	1,513,424	121,074
Corporates	19,854,903	18,691,467	16,337,476	1,306,998
Regulatory Retail	5,949,399	5,794,488	4,391,215	351,298
Residential Mortgages	20,294,105	20,274,611	7,662,948	613,036
Higher Risk Assets	3,046	3,046	4,568	365
Other Assets	828,466	828,466	498,722	39,897
Equity Exposure	166,887	166,887	166,887	13,351
Defaulted Exposures	821,524	799,764	997,114	79,769
<b>Total for On-Balance Sheet Exposures</b>	<b>74,594,260</b>	<b>73,234,658</b>	<b>33,121,431</b>	<b>2,649,714</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	5,163,113	4,466,093	2,067,949	165,435
Off balance sheet exposures other than OTC derivatives or credit derivatives	18,119,483	17,797,214	13,640,544	1,091,243
Defaulted Exposures	8,193	8,193	11,481	918
<b>Total for Off-Balance Sheet Exposures</b>	<b>23,290,789</b>	<b>22,271,500</b>	<b>15,719,974</b>	<b>1,257,596</b>
<b>Total On and Off-Balance Sheet Exposures <sup>[1]</sup></b>	<b>97,885,049</b>	<b>95,506,158</b>	<b>48,841,405</b>	<b>3,907,310</b>
<b>Market Risk (Standardised Approach)</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest/Profit Rate Risk	36,203,064	34,268,471	1,934,593	1,201,048
Foreign Currency Risk	29,839	49,265	49,265	3,941
Options Risk	-	-	-	60,091
	<b>36,232,903</b>	<b>34,317,736</b>	<b>1,983,858</b>	<b>1,310,404</b>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	<b>5,885,597</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>56,037,406</b>
				<b>4,482,990</b>

<sup>[1]</sup> The variance between Gross Exposures and Net Exposures, represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) Credit risk mitigation (CRM) within this disclosure document.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) RWA and Capital Requirement (Cont'd)**

31 Dec 2015  
(RM'000)

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
<b>Credit Risk (Standardised Approach)</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	29,973,809	29,973,809	823,880	65,910
PSEs	1,671,043	1,671,043	1,614,984	129,199
Banks, DFIs & MDBs	4,241,497	4,241,497	1,109,697	88,776
Corporates	20,966,382	19,670,638	18,645,500	1,491,640
Regulatory Retail	6,246,675	6,091,240	4,595,652	367,652
Residential Mortgages	19,837,349	19,816,163	7,527,857	602,229
Higher Risk Assets	2,427	2,427	3,641	291
Other Assets	792,747	792,747	505,369	40,429
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	804,956	801,419	918,182	73,455
<b>Total for On-Balance Sheet Exposures</b>	<b>84,553,793</b>	<b>83,077,891</b>	<b>35,761,670</b>	<b>2,860,934</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	6,549,598	5,225,432	2,386,008	190,881
Off balance sheet exposures other than OTC derivatives or credit derivatives	18,374,650	18,064,972	13,814,916	1,105,193
Defaulted Exposures	8,885	8,885	12,209	976
<b>Total for Off-Balance Sheet Exposures</b>	<b>24,933,133</b>	<b>23,299,289</b>	<b>16,213,133</b>	<b>1,297,050</b>
<b>Total On and Off-Balance Sheet Exposures <sup>[1]</sup></b>	<b>109,486,926</b>	<b>106,377,180</b>	<b>51,974,803</b>	<b>4,157,984</b>
<b>Market Risk (Standardised Approach)</b>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	36,171,170	37,327,255	(1,156,085)	1,204,189
Foreign Currency Risk	20,137	110,041	110,041	8,803
Options Risk	-	-	-	62,396
	<b>36,191,307</b>	<b>37,437,296</b>	<b>(1,046,044)</b>	<b>1,376,626</b>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	<b>5,848,312</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>59,199,741</b>
				<b>4,735,979</b>

Note:

*MDBs - Multilateral Development Banks*  
*DFIs - Development Financial Institutions*  
*PSEs - Public Sector Entities*  
*OTC - Over the counter*

<sup>[1]</sup> The variance between Gross Exposures and Net Exposures, represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) CRM within this disclosure document.

Refer to Note 33 of the unaudited condensed interim financial statements at 30 June 2016 for disclosure of off-balance sheet.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) RWA and Capital Requirement ( Cont'd)**

**30 Jun 2016**  
**(RM'000)**

*Bank*

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
<b>Credit Risk (Standardised Approach)</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	15,318,173	15,318,173	489,567	39,165
PSEs	808,551	808,551	753,015	60,241
Banks, DFIs & MDBs	8,400,181	8,400,181	1,968,018	157,441
Corporates	15,260,398	14,228,535	12,230,000	978,400
Regulatory Retail	3,637,046	3,510,397	2,645,971	211,678
Residential Mortgages	15,989,372	15,972,851	6,047,578	483,806
Higher Risk Assets	3,046	3,046	4,568	365
Other Assets	706,580	706,580	468,379	37,470
Equity Exposure	166,887	166,887	166,887	13,351
Defaulted Exposures	676,422	655,062	836,748	66,940
<b>Total for On-Balance Sheet Exposures</b>	<b>60,966,656</b>	<b>59,770,263</b>	<b>25,610,731</b>	<b>2,048,857</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	5,454,776	4,757,756	2,023,565	161,885
Off balance sheet exposures other than OTC derivatives or credit derivatives	14,817,987	14,565,636	11,483,127	918,650
Defaulted Exposures	7,320	7,320	10,193	815
<b>Total for Off-Balance Sheet Exposures</b>	<b>20,280,083</b>	<b>19,330,712</b>	<b>13,516,885</b>	<b>1,081,350</b>
<b>Total On and Off-Balance Sheet Exposures <sup>[1]</sup></b>	<b>81,246,739</b>	<b>79,100,975</b>	<b>39,127,616</b>	<b>3,130,207</b>
<b>Market Risk (Standardised Approach)</b>				
	<b><u>Long Position</u></b>	<b><u>Short Position</u></b>		
Interest/Profit Rate Risk	35,423,940	32,906,502	2,517,438	1,183,529
Foreign Currency Risk	26,127	40,829	40,829	3,266
Options Risk	-	-	-	60,091
	<b>35,450,067</b>	<b>32,947,331</b>	<b>2,558,267</b>	<b>1,284,449</b>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	<b>5,308,759</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>45,720,824</b>
				<b>3,657,663</b>

<sup>[1]</sup> The variance between Gross Exposures and Net Exposures, represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) CRM within this disclosure document.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) RWA and Capital Requirement ( Cont'd)**

31 Dec 2015  
(RM'000)

Bank

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Capital Requirement
<b>Credit Risk (Standardised Approach)</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	23,545,092	23,545,092	823,880	65,910
PSEs	1,360,230	1,360,230	1,304,171	104,334
Banks, DFIs & MDBs	7,351,774	7,351,774	1,716,064	137,285
Corporates	15,896,884	14,701,183	14,028,699	1,122,296
Regulatory Retail	3,986,443	3,859,627	2,912,280	232,982
Residential Mortgages	15,640,141	15,622,156	5,952,922	476,234
Higher Risk Assets	2,427	2,427	3,641	291
Other Assets	671,753	671,753	471,854	37,748
Equity Exposure	16,908	16,908	16,908	1,353
Defaulted Exposures	663,268	660,549	759,660	60,773
<b>Total for On-Balance Sheet Exposures</b>	<b>69,134,920</b>	<b>67,791,699</b>	<b>27,990,079</b>	<b>2,239,206</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	6,864,486	5,540,320	2,197,488	175,799
Off balance sheet exposures other than OTC derivatives or credit derivatives	15,322,175	15,079,665	11,780,654	942,452
Defaulted Exposures	7,899	7,899	10,806	864
<b>Total for Off-Balance Sheet Exposures</b>	<b>22,194,560</b>	<b>20,627,884</b>	<b>13,988,948</b>	<b>1,119,115</b>
<b>Total On and Off-Balance Sheet Exposures <sup>[1]</sup></b>	<b>91,329,480</b>	<b>88,419,583</b>	<b>41,979,027</b>	<b>3,358,321</b>
<b>Market Risk (Standardised Approach)</b>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	35,292,714	37,233,766	(1,941,052)	1,120,889
Foreign Currency Risk	9,471	88,967	88,967	88,967
Options Risk	-	-	-	62,396
	<u>35,302,185</u>	<u>37,322,733</u>	<u>(1,852,085)</u>	<u>1,272,252</u>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	5,272,799
<b>Total RWA and Capital Requirement</b>	-	-	-	48,524,078
				3,881,925

Note:

*MDBs - Multilateral Development Banks*

*DFIs - Development Financial Institutions*

*PSEs - Public Sector Entities*

*OTC - Over the counter*

<sup>[1]</sup> The variance between Gross Exposures and Net Exposures, represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) CRM within this disclosure document.

Refer to Note 33 of the unaudited condensed interim financial statements at 30 June 2016 for disclosure of off-balance sheet.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**2) Risk Weight Profile and RWA**

The tables below are disclosures on risk weights profile and RWA of the Group and the Bank at balance sheet date.

**30 Jun 2016**

*Group*

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	17,007,641	86,794	-	3,473	14,885	-	-	328,675	-	17,441,468	-
20%	2,490,183	222,422	7,390,031	3,377,028	18,680	-	-	1,335	-	13,499,679	2,699,936
35%	-	-	-	-	-	20,974,527	-	-	-	20,974,527	7,341,084
50%	-	73,364	2,552,025	1,490,464	5,650	1,208,168	-	-	-	5,329,671	2,664,836
75%	-	-	-	400	7,866,970	1,469,757	-	-	-	9,337,127	7,002,845
100%	-	1,677,730	106,860	25,365,554	288,022	402,141	-	498,456	166,887	28,505,650	28,505,650
150%	-	-	-	140,219	193,845	80,510	3,462	-	-	418,036	627,054
1250%	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>										<b>95,506,158</b>	<b>48,841,405</b>
<b>Average Risk Weight</b>	<b>3%</b>	<b>85%</b>	<b>28%</b>	<b>89%</b>	<b>77%</b>	<b>40%</b>	<b>150%</b>	<b>60%</b>	<b>100%</b>	<b>51%</b>	

**31 Dec 2015**

*Group*

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	25,855,341	27,524	-	4,533	8,155	-	-	286,626	-	26,182,179	-
20%	4,155,300	380,746	6,394,422	1,913,610	20,709	-	-	537	-	12,865,324	2,573,064
35%	-	-	-	-	-	20,390,279	-	-	-	20,390,279	7,136,597
50%	-	73,491	2,653,496	856,277	5,901	1,054,685	-	650	-	4,644,500	2,322,251
75%	-	-	-	400	8,156,311	1,774,881	-	-	-	9,931,592	7,448,694
100%	-	2,165,990	211,061	28,503,093	359,018	340,519	-	504,936	16,908	32,101,525	32,101,525
150%	-	-	-	138,021	50,802	70,123	2,835	-	-	261,781	392,672
1250%	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>										<b>106,377,180</b>	<b>51,974,803</b>
<b>Average Risk Weight</b>	<b>3%</b>	<b>86%</b>	<b>30%</b>	<b>94%</b>	<b>76%</b>	<b>40%</b>	<b>150%</b>	<b>64%</b>	<b>100%</b>	<b>49%</b>	

*Note:*

*MDBs - Multilateral Development Banks*

*DFIs - Development Financial Institutions*

*PSEs - Public Sector Entities*

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**2) Risk Weight Profile and RWA (Cont'd)**

30 Jun 2016

Bank

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	12,871,759	36,254	-	1,650	9,119	-	-	237,133	-	13,155,915	-
20%	2,490,183	72,422	10,266,316	2,627,701	11,262	-	-	1,335	-	15,469,219	3,093,844
35%	-	-	-	-	-	16,710,506	-	-	-	16,710,506	5,848,677
50%	-	73,364	2,166,290	1,161,201	5,133	888,723	-	-	-	4,294,711	2,147,356
75%	-	-	-	400	5,235,291	1,258,941	-	-	-	6,494,632	4,870,974
100%	-	1,321,225	64,777	20,166,063	97,577	309,805	-	468,112	166,887	22,594,446	22,594,446
150%	-	-	-	134,730	184,210	59,144	3,462	-	-	381,546	572,319
1250%	-	-	-	-	-	-	-	-	-	-	-
Total										79,100,975	39,127,616
Average Risk Weight	3%	91%	26%	89%	78%	40%	150%	66%	100%	49%	

31 Dec 2015

Bank

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	19,426,624	-	-	1,650	5,158	-	-	199,147	-	19,632,579	-
20%	4,155,300	163,350	10,239,909	1,291,752	17,209	-	-	537	-	15,868,057	3,173,611
35%	-	-	-	-	-	16,253,421	-	-	-	16,253,421	5,688,697
50%	-	73,491	2,404,841	546,239	5,620	766,686	-	650	-	3,797,527	1,898,764
75%	-	-	-	400	5,535,981	1,506,275	-	-	-	7,042,656	5,281,992
100%	-	1,753,244	156,123	22,657,922	273,447	275,039	-	471,421	16,908	25,604,104	25,604,104
150%	-	-	-	131,377	33,780	53,247	2,835	-	-	221,239	331,859
1250%	-	-	-	-	-	-	-	-	-	-	-
Total										88,419,583	41,979,027
Average Risk Weight	4%	92%	27%	95%	76%	40%	150%	70%	100%	47%	

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities



**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk**

**Table 1: Geographical distribution of loans/financing breakdown by type**

Group (RM'000)	30 Jun 2016				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	162,811	126,810	614,092	143,820	1,047,533
Term loans/financing					
Housing loans/financing	3,464,624	3,063,142	11,818,728	1,146,922	19,493,416
Syndicated term loan/financing	-	113,922	1,999,926	23,253	2,137,101
Factoring receivables	20,499	34,583	82,397	74,176	211,655
Hire purchase receivables	61,970	60,091	82,404	19,071	223,536
Lease receivables	-	-	3,430	-	3,430
Other term loans/financing	1,350,625	1,650,280	6,854,714	1,038,736	10,894,355
Bills receivable	110,769	86,925	968,843	26,144	1,192,681
Trust receipts	274,052	198,298	1,055,686	32,008	1,560,044
Claims on customers under acceptance credits	738,714	785,589	1,000,588	123,671	2,648,562
Staff loans/financing	19,078	10,314	112,951	7,524	149,867
Credit/charge cards	520,814	377,970	1,621,491	271,990	2,792,265
Revolving credit	268,038	189,409	4,222,584	41,809	4,721,840
Other loans/financing	2,146	650	3,934	567	7,297
	<b>6,994,140</b>	<b>6,697,983</b>	<b>30,441,768</b>	<b>2,949,691</b>	<b>47,083,582</b>

Group (RM'000)	31 Dec 2015				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	158,644	134,235	693,063	161,682	1,147,624
Term loans/financing					
Housing loans/financing	3,413,097	3,058,648	11,539,978	1,156,120	19,167,843
Syndicated term loan/financing	-	113,412	2,523,914	29,017	2,666,343
Factoring receivables	19,259	52,041	144,199	56,749	272,248
Hire purchase receivables	65,021	54,213	86,143	24,175	229,552
Lease receivables	-	-	4,103	-	4,103
Other term loans/financing	1,432,791	1,904,526	8,067,305	1,098,952	12,503,574
Bills receivable	90,610	554,563	2,787,489	89,224	3,521,886
Trust receipts	302,324	155,987	1,194,922	28,530	1,681,763
Claims on customers under acceptance credits	890,313	516,789	1,345,301	162,362	2,914,765
Staff loans/financing	21,286	11,076	123,555	8,632	164,549
Credit/charge cards	522,016	373,407	1,651,473	280,919	2,827,815
Revolving credit	235,406	136,249	4,345,930	71,572	4,789,157
Other loans/financing	1,972	794	2,136	600	5,502
	<b>7,152,739</b>	<b>7,065,940</b>	<b>34,509,511</b>	<b>3,168,534</b>	<b>51,896,724</b>

Concentration by location for loans, advances and financing is based on the location of the borrower.

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Pahang, Kelantan and Terengganu.

The Southern region consists of the states of Johor, Malacca and Negeri Sembilan.

The Central region consists of the state of Selangor and the Federal Territory of Kuala Lumpur.

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 1: Geographical distribution of loans/financing breakdown by type**

	<b>30 Jun 2016</b>				
<b>Bank (RM'000)</b>	<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Overdrafts	150,494	103,825	556,360	141,878	952,557
Term loans/financing					
Housing loans/financing	2,857,670	2,468,959	8,918,848	959,684	15,205,161
Syndicated term loan/financing	-	113,922	1,369,301	23,253	1,506,476
Factoring receivables	20,499	34,583	82,397	74,176	211,655
Hire purchase receivables	-	-	-	-	-
Other term loans/financing	955,123	975,050	4,255,235	814,852	7,000,260
Bills receivable	110,769	86,925	968,843	26,144	1,192,681
Trust receipts	182,502	182,994	655,514	31,806	1,052,816
Claims on customers under acceptance credits	601,991	640,145	553,774	116,976	1,912,886
Staff loans/financing	18,539	9,016	108,270	7,123	142,948
Credit/charge cards	401,838	286,649	1,249,630	240,953	2,179,070
Revolving credit	265,845	184,624	3,437,318	41,809	3,929,596
Other loans/financing	2,146	650	3,934	567	7,297
	<b>5,567,416</b>	<b>5,087,342</b>	<b>22,159,424</b>	<b>2,479,221</b>	<b>35,293,403</b>

	<b>31 Dec 2015</b>				
<b>Bank (RM'000)</b>	<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Overdrafts	148,426	106,236	642,327	160,235	1,057,224
Term loans/financing					
Housing loans/financing	2,812,642	2,462,772	8,715,052	968,611	14,959,077
Syndicated term loan/financing	-	113,412	1,569,355	29,017	1,711,784
Factoring receivables	19,259	52,041	144,199	56,749	272,248
Hire purchase receivables	-	-	-	-	-
Other term loans/financing	1,030,522	1,174,481	5,555,649	874,390	8,635,042
Bills receivable	90,610	554,563	2,787,489	89,224	3,521,886
Trust receipts	185,590	133,056	731,388	28,048	1,078,082
Claims on customers under acceptance credits	748,672	397,609	784,246	150,268	2,080,795
Staff loans/financing	20,732	9,720	118,450	8,138	157,040
Credit/charge cards	412,305	291,403	1,303,592	251,157	2,258,457
Revolving credit	233,206	131,184	3,546,497	71,572	3,982,459
Other loans/financing	1,972	794	2,136	600	5,502
	<b>5,703,936</b>	<b>5,427,271</b>	<b>25,900,380</b>	<b>2,688,009</b>	<b>39,719,596</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 2: Geographical distribution of impaired loans/financing breakdown by type**

Group (RM'000)	30 Jun 2016				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	8,305	1,253	6,663	31,767	47,988
Term loans/financing					
Housing loans/financing	93,103	71,242	228,874	16,157	409,376
Factoring receivables	739	-	437	-	1,176
Hire purchase receivables	1,714	63	447	3,925	6,149
Other term loans/financing	33,455	15,042	218,967	132,120	399,584
Bills receivable	-	6,307	770	-	7,077
Trust receipts	84	-	3,675	-	3,759
Claims on customers under acceptance credits	10,500	879	3,556	2,596	17,531
Staff loans/financing	566	-	2,080	53	2,699
Credit/charge cards	9,227	7,258	25,595	4,229	46,309
Revolving credit	2,193	-	5,643	-	7,836
Other loans/financing	2,133	646	3,909	567	7,255
	<b>162,019</b>	<b>102,690</b>	<b>500,616</b>	<b>191,414</b>	<b>956,739</b>

Group (RM'000)	31 Dec 2015				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	5,408	881	7,357	40,093	53,739
Term loans/financing					-
Housing loans/financing	86,667	77,193	214,718	21,413	399,991
Factoring receivables	738	-	-	-	738
Hire purchase receivables	1,919	56	542	4,532	7,049
Other term loans/financing	33,591	15,495	194,522	126,859	370,467
Bills receivable	-	6,662	950	-	7,612
Trust receipts	84	-	5,339	-	5,423
Claims on customers under acceptance credits	25,824	126	5,954	2,596	34,500
Staff loans/financing	588	201	1,711	54	2,554
Credit/charge cards	9,696	6,419	24,888	3,630	44,633
Revolving credit	2,200	-	6,695	-	8,895
Other loans/financing	1,971	791	2,118	600	5,480
	<b>168,686</b>	<b>107,824</b>	<b>464,794</b>	<b>199,777</b>	<b>941,081</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 2: Geographical distribution of impaired loans/financing breakdown by type**

		<b>30 Jun 2016</b>				
<b>Bank (RM'000)</b>		<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Overdrafts		6,359	1,247	4,021	31,767	43,394
Term loans/financing						
Housing loans/financing		73,307	54,770	162,631	13,539	304,247
Factoring receivables		739	-	437	-	1,176
Hire purchase receivables		-	-	-	-	-
Other term loans/financing		20,984	5,837	140,226	129,189	296,236
Bills receivable		-	6,307	770	-	7,077
Trust receipts		84	-	3,675	-	3,759
Claims on customers under acceptance credits		7,872	879	3,510	2,596	14,857
Staff loans/financing		558	-	2,080	46	2,684
Credit/charge cards		6,517	4,827	17,658	3,489	32,491
Revolving credit		-	-	5,643	-	5,643
Other loans/financing		2,133	646	3,909	567	7,255
		<b>118,553</b>	<b>74,513</b>	<b>344,560</b>	<b>181,193</b>	<b>718,819</b>

		<b>31 Dec 2015</b>				
<b>Bank (RM'000)</b>		<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Overdrafts		5,226	881	3,538	40,093	49,738
Term loans/financing						
Housing loans/financing		68,117	58,587	158,951	19,353	305,008
Factoring receivables		738	-	-	-	738
Hire purchase receivables		-	-	-	-	-
Other term loans/financing		23,471	5,942	119,754	124,884	274,051
Bills receivable		-	6,662	950	-	7,612
Trust receipts		84	-	5,339	-	5,423
Claims on customers under acceptance credits		7,541	126	5,954	2,596	16,217
Staff loans/financing		575	201	1,711	46	2,533
Credit/charge cards		6,861	4,367	18,020	3,059	32,307
Revolving credit		-	-	6,695	-	6,695
Other loans/financing		1,971	791	2,118	600	5,480
		<b>114,584</b>	<b>77,557</b>	<b>323,030</b>	<b>190,631</b>	<b>705,802</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 3: Residual contractual maturity of loans/financing breakdown by type**

		<b>30 Jun 2016</b>			
<b>Group (RM'000)</b>	<b>Maturing within one year</b>	<b>One year to three years</b>	<b>Three years to five years</b>	<b>Over five years</b>	<b>Total</b>
Overdrafts/Cash line-i	1,047,533	-	-	-	1,047,533
Term loans/financing					
Housing loans/financing	102,648	73,152	161,058	19,156,558	19,493,416
Syndicated term loan/financing	1,085,410	549,476	74,053	428,162	2,137,101
Factoring receivables	211,655	-	-	-	211,655
Hire purchase receivables	15,786	107,250	100,500	-	223,536
Lease receivables	-	1,435	1,995	-	3,430
Other term loans/financing	1,617,969	3,407,521	2,015,028	3,853,837	10,894,355
Bills receivable	1,192,681	-	-	-	1,192,681
Trust receipts	1,560,044	-	-	-	1,560,044
Claims on customers under acceptance credits	2,648,562	-	-	-	2,648,562
Staff loans/financing	2,136	14,543	23,932	109,256	149,867
Credit/charge cards	2,792,265	-	-	-	2,792,265
Revolving credit	4,721,840	-	-	-	4,721,840
Other loans/financing	7,297	-	-	-	7,297
	<b>17,005,826</b>	<b>4,153,377</b>	<b>2,376,566</b>	<b>23,547,813</b>	<b>47,083,582</b>

		<b>31 Dec 2015</b>			
<b>Group (RM'000)</b>	<b>Maturing within one year</b>	<b>One year to three years</b>	<b>Three years to five years</b>	<b>Over five years</b>	<b>Total</b>
Overdrafts/Cash line-i	1,147,624	-	-	-	1,147,624
Term loans/financing					
Housing loans/financing	102,402	69,707	178,697	18,817,037	19,167,843
Syndicated term loan/financing	1,189,675	29,017	977,380	470,271	2,666,343
Factoring receivables	272,248	-	-	-	272,248
Hire purchase receivables	14,620	111,503	103,429	-	229,552
Lease receivables	-	1,243	2,860	-	4,103
Other term loans/financing	2,886,339	3,093,326	2,601,626	3,922,283	12,503,574
Bills receivable	3,521,886	-	-	-	3,521,886
Trust receipts	1,681,763	-	-	-	1,681,763
Claims on customers under acceptance credits	2,914,765	-	-	-	2,914,765
Staff loans/financing	1,898	15,147	27,804	119,700	164,549
Credit/charge cards	2,827,815	-	-	-	2,827,815
Revolving credit	4,789,157	-	-	-	4,789,157
Other loans/financing	5,502	-	-	-	5,502
	<b>21,355,694</b>	<b>3,319,943</b>	<b>3,891,796</b>	<b>23,329,291</b>	<b>51,896,724</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 3: Residual contractual maturity of loans/financing breakdown by type**

		<b>30 Jun 2016</b>			
<b>Bank (RM'000)</b>	<b>Maturing within one year</b>	<b>One year to three years</b>	<b>Three years to five years</b>	<b>Over five years</b>	<b>Total</b>
Overdrafts	952,557	-	-	-	952,557
Term loans/financing					
Housing loans/financing	89,628	69,046	148,481	14,898,006	15,205,161
Syndicated term loan/financing	454,785	549,476	74,053	428,162	1,506,476
Factoring receivables	211,655	-	-	-	211,655
Hire purchase receivables	-	-	-	-	-
Other term loans/financing	800,426	2,827,260	969,996	2,402,578	7,000,260
Bills receivable	1,192,681	-	-	-	1,192,681
Trust receipts	1,052,816	-	-	-	1,052,816
Claims on customers under acceptance credits	1,912,886	-	-	-	1,912,886
Staff loans/financing	1,995	13,663	22,709	104,581	142,948
Credit/charge cards	2,179,070	-	-	-	2,179,070
Revolving credit	3,929,596	-	-	-	3,929,596
Other loans/financing	7,297	-	-	-	7,297
	<b>12,785,392</b>	<b>3,459,445</b>	<b>1,215,239</b>	<b>17,833,327</b>	<b>35,293,403</b>

		<b>31 Dec 2015</b>			
<b>Bank (RM'000)</b>	<b>Maturing within one year</b>	<b>One year to three years</b>	<b>Three years to five years</b>	<b>Over five years</b>	<b>Total</b>
Overdrafts	1,057,224	-	-	-	1,057,224
Term loans/financing					
Housing loans/financing	87,374	66,237	165,362	14,640,104	14,959,077
Syndicated term loan/financing	652,763	29,017	559,733	470,271	1,711,784
Factoring receivables	272,248	-	-	-	272,248
Hire purchase receivables	-	-	-	-	-
Other term loans/financing	1,824,329	2,567,746	1,650,270	2,592,697	8,635,042
Bills receivable	3,521,886	-	-	-	3,521,886
Trust receipts	1,078,082	-	-	-	1,078,082
Claims on customers under acceptance credits	2,080,795	-	-	-	2,080,795
Staff loans/financing	1,709	14,241	26,198	114,892	157,040
Credit/charge cards	2,258,457	-	-	-	2,258,457
Revolving credit	3,982,459	-	-	-	3,982,459
Other loans/financing	5,502	-	-	-	5,502
	<b>16,822,828</b>	<b>2,677,241</b>	<b>2,401,563</b>	<b>17,817,964</b>	<b>39,719,596</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit risk (Cont'd)**

**Table 4: Distribution of loans/financing by sector, breakdown by type**

															30 Jun 2016	
															Group (RM'000)	
Overdraft/ Cash line-i	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total		
Agricultural, hunting, forestry and fishing	51,807	-	526,223	-	4,964	-	382,722	75,956	-	41,175	-	9	126,377	-	1,209,233	
Mining and quarrying	4,875	-	-	562	2,139	-	104,741	-	719	14,319	-	-	295,794	-	423,149	
Manufacturing	426,699	-	708,405	145,470	113,027	-	1,784,605	262,453	844,975	1,378,785	-	4,658	678,633	316	6,348,026	
Electricity, gas and water	2,866	-	-	-	290	-	16,018	951	1,346	10,971	-	6	2,016	-	34,464	
Construction	59,740	-	-	-	7,648	-	1,543,617	61,997	33,798	141,524	-	177	424,715	180	2,273,396	
Real estate	15,497	-	232,759	-	-	-	1,998,989	35,755	39,435	1,396	-	1	535,560	-	2,859,392	
Wholesale & retail trade and restaurants & hotels	150,243	-	153,189	45,724	28,041	-	664,112	363,560	572,449	916,155	-	746	825,133	547	3,719,899	
Transport, storage and communication	22,183	-	-	3,481	30,844	-	155,537	2,781	2,057	14,161	-	51	50,397	45	281,537	
Finance, insurance/takaful and business services	113,407	-	309,083	11,432	18,218	3,430	846,976	107,323	16,786	88,832	-	1,402	1,372,360	1,450	2,890,699	
Household-retail	175,781	19,493,416	-	-	-	-	3,108,381	-	-	-	149,867	2,784,839	-	4,759	25,717,043	
Others	24,435	-	207,442	4,986	18,365	-	288,657	281,905	48,479	41,244	-	376	410,855	-	1,326,744	
	<b>1,047,533</b>	<b>19,493,416</b>	<b>2,137,101</b>	<b>211,655</b>	<b>223,536</b>	<b>3,430</b>	<b>10,894,355</b>	<b>1,192,681</b>	<b>1,560,044</b>	<b>2,648,562</b>	<b>149,867</b>	<b>2,792,265</b>	<b>4,721,840</b>	<b>7,297</b>	<b>47,083,582</b>	

															31 Dec 2015	
															Group (RM'000)	
Overdraft/ Cash line-i	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total		
Agricultural, hunting, forestry and fishing	49,563	-	977,380	-	6,601	-	455,304	115,060	-	50,637	-	3	66,028	-	1,720,576	
Mining and quarrying	5,751	-	-	404	3,162	-	106,342	-	49	91,238	-	-	272,339	-	479,285	
Manufacturing	478,562	-	710,783	207,696	109,269	-	2,164,444	457,770	886,185	1,628,043	-	3,488	875,200	406	7,521,846	
Electricity, gas and water	3,051	-	-	-	322	-	1,638	1,515	1,101	13,016	-	1	2,022	-	22,666	
Construction	73,936	-	-	-	9,757	-	2,059,408	25,931	36,020	119,036	-	202	405,216	60	2,729,566	
Real estate	16,245	-	211,115	-	-	-	1,812,643	63,560	8,604	-	-	2	725,430	-	2,837,599	
Wholesale & retail trade and restaurants & hotels	171,955	-	113,412	39,671	42,421	-	708,350	916,657	633,911	868,659	-	460	776,429	488	4,272,413	
Transport, storage and communication	23,431	-	-	8,161	22,244	-	138,889	3,080	2,730	20,326	-	41	54,628	14	273,544	
Finance, insurance/takaful and business services	115,846	-	477,229	16,316	13,506	4,103	957,687	61,954	41,415	112,198	-	789	1,203,108	4	3,004,155	
Household-retail	188,866	19,167,843	-	-	-	-	3,281,990	-	-	-	164,549	2,822,725	-	4,530	25,630,503	
Others	20,418	-	176,424	-	22,270	-	816,879	1,876,359	71,748	11,612	-	104	408,757	-	3,404,571	
	<b>1,147,624</b>	<b>19,167,843</b>	<b>2,666,343</b>	<b>272,248</b>	<b>229,552</b>	<b>4,103</b>	<b>12,503,574</b>	<b>3,521,886</b>	<b>1,681,763</b>	<b>2,914,765</b>	<b>164,549</b>	<b>2,827,815</b>	<b>4,789,157</b>	<b>5,502</b>	<b>51,896,724</b>	

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit risk (Cont'd)**

**Table 4: Distribution of loans/financing by sector, breakdown by type ( Cont'd)**

30 Jun 2016 Bank (RM'000)														
Overdraft	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	47,981	-	526,223	-	-	228,213	75,956	-	35,763	-	9	126,377	-	1,040,522
Mining and quarrying	3,320	-	-	562	-	103,513	-	719	14,319	-	-	127,661	-	250,094
Manufacturing	405,864	-	706,340	145,470	-	1,052,566	262,453	730,834	1,101,077	-	4,658	672,315	316	5,081,893
Electricity, gas and water	602	-	-	-	-	1,528	951	1,346	2,227	-	6	-	-	6,660
Construction	48,861	-	-	-	-	1,435,437	61,997	29,611	40,299	-	177	306,631	180	1,923,193
Real estate	15,114	-	-	-	-	1,536,867	35,755	39,435	1,396	-	1	505,348	-	2,133,916
Wholesale & retail trade and restaurants & hotels	127,803	-	113,922	45,724	-	427,336	363,560	238,201	661,587	-	746	735,938	547	2,715,364
Transport, storage and communication	20,567	-	-	3,481	-	46,214	2,781	598	4,061	-	51	34,182	45	111,980
Finance, insurance/takaful and business services	83,457	-	159,991	11,432	-	303,084	107,323	9,072	51,690	-	1,402	1,177,298	1,450	1,906,199
Household-retail	175,627	15,205,161	-	-	-	1,768,409	-	-	-	142,948	2,171,644	-	4,759	19,468,548
Others	23,361	-	-	4,986	-	97,093	281,905	3,000	467	-	376	243,846	-	655,034
	<b>952,557</b>	<b>15,205,161</b>	<b>1,506,476</b>	<b>211,655</b>	<b>-</b>	<b>7,000,260</b>	<b>1,192,681</b>	<b>1,052,816</b>	<b>1,912,886</b>	<b>142,948</b>	<b>2,179,070</b>	<b>3,929,596</b>	<b>7,297</b>	<b>35,293,403</b>

31 Dec 2015 Bank (RM'000)														
Overdraft	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	45,622	-	559,733	-	-	264,001	115,060	-	45,869	-	3	66,028	-	1,096,316
Mining and quarrying	4,573	-	-	404	-	104,996	-	-	35,122	-	-	127,896	-	272,991
Manufacturing	455,094	-	676,539	207,696	-	1,473,576	457,770	749,710	1,322,442	-	3,488	868,881	406	6,215,602
Electricity, gas and water	2,717	-	-	-	-	1,638	1,515	1,101	922	-	1	-	-	7,894
Construction	61,688	-	-	-	-	1,668,288	25,931	28,579	53,112	-	202	294,551	60	2,132,411
Real estate	15,634	-	-	-	-	1,661,654	63,560	8,604	-	-	2	695,211	-	2,444,665
Wholesale & retail trade and restaurants & hotels	149,283	-	113,412	39,671	-	465,884	916,657	252,917	546,560	-	460	698,315	488	3,183,647
Transport, storage and communication	19,194	-	-	8,161	-	30,626	3,080	1,188	6,420	-	41	38,377	14	107,101
Finance, insurance/takaful and business services	95,419	-	362,100	16,316	-	369,184	61,954	33,934	69,307	-	789	959,686	4	1,968,693
Household-retail	188,753	14,959,077	-	-	-	1,994,013	-	-	-	157,040	2,253,367	-	4,530	19,556,780
Others	19,247	-	-	-	-	601,182	1,876,359	2,049	1,041	-	104	233,514	-	2,733,496
	<b>1,057,224</b>	<b>14,959,077</b>	<b>1,711,784</b>	<b>272,248</b>	<b>-</b>	<b>8,635,042</b>	<b>3,521,886</b>	<b>1,078,082</b>	<b>2,080,795</b>	<b>157,040</b>	<b>2,258,457</b>	<b>3,982,459</b>	<b>5,502</b>	<b>39,719,596</b>



**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit risk (Cont'd)**

**Table 5: Distribution of impaired loans/financing by sector, breakdown by type**

	30 Jun 2016 Group (RM'000)												
	Overdraft/ Cash line-i	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	23,402	-	-	-	96,629	-	-	-	-	-	-	-	120,031
Manufacturing	1,650	-	739	36	9,910	-	84	2,715	-	-	2,193	316	17,643
Electricity, gas and water	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	282	-	-	-	58,099	-	-	-	-	-	-	180	58,561
Real estate	-	-	-	-	402	-	-	-	-	-	-	-	402
Wholesale & retail trade and restaurants & hotels	13,357	-	437	1,714	12,068	7,077	3,675	14,769	-	-	3,995	547	57,639
Transport, storage and communication	-	-	-	3,952	251	-	-	-	-	-	1,361	45	5,609
Finance, insurance/takaful and business services	3,585	-	-	447	2,059	-	-	47	-	-	-	1,450	7,588
Household-retail	5,577	409,376	-	-	219,671	-	-	-	2,699	46,309	-	4,717	688,349
Others	135	-	-	-	495	-	-	-	-	-	287	-	917
	<b>47,988</b>	<b>409,376</b>	<b>1,176</b>	<b>6,149</b>	<b>399,584</b>	<b>7,077</b>	<b>3,759</b>	<b>17,531</b>	<b>2,699</b>	<b>46,309</b>	<b>7,836</b>	<b>7,255</b>	<b>956,739</b>

	31 Dec 2015 Group (RM'000)												
	Overdraft/ Cash line-i	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	23,909	-	-	-	101,758	-	-	-	-	-	-	-	125,667
Manufacturing	1,340	-	738	678	17,095	-	84	22,350	-	-	2,200	405	44,890
Electricity, gas and water	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	1,125	-	-	-	43,282	-	-	-	-	-	-	60	44,467
Real estate	-	-	-	-	700	-	-	-	-	-	-	-	700
Wholesale & retail trade and restaurants & hotels	16,814	-	-	1,714	10,491	7,612	5,339	12,150	-	-	3,995	488	58,603
Transport, storage and communication	614	-	-	3,952	1,388	-	-	-	-	-	2,700	14	8,668
Finance, insurance/takaful and business services	3,065	-	-	705	1,757	-	-	-	-	-	-	4	5,531
Household-retail	6,733	399,991	-	-	193,482	-	-	-	2,554	44,633	-	4,509	651,902
Others	139	-	-	-	514	-	-	-	-	-	-	-	653
	<b>53,739</b>	<b>399,991</b>	<b>738</b>	<b>7,049</b>	<b>370,467</b>	<b>7,612</b>	<b>5,423</b>	<b>34,500</b>	<b>2,554</b>	<b>44,633</b>	<b>8,895</b>	<b>5,480</b>	<b>941,081</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit risk (Cont'd)**

**Table 5: Distribution of impaired loans/financing by sector, breakdown by type ( Cont'd)**

30 Jun 2016 Bank (RM'000)												
Overdraft	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	23,402	-	-	-	96,629	-	-	-	-	-	-	120,031
Manufacturing	1,650	-	739	-	9,638	-	84	2,619	-	-	316	15,046
Construction	100	-	-	-	58,077	-	-	-	-	-	180	58,357
Real estate	-	-	-	-	402	-	-	-	-	-	-	402
Wholesale & retail trade and restaurants & hotels	12,184	-	437	-	2,292	7,077	3,675	12,238	-	3,995	547	42,445
Transport, storage and communication	-	-	-	-	251	-	-	-	-	1,361	45	1,657
Finance, insurance/takaful and business services	494	-	-	-	-	-	-	-	-	-	1,450	1,944
Household-retail	5,564	304,247	-	-	128,947	-	-	-	2,684	32,491	4,717	478,650
Others	-	-	-	-	-	-	-	-	-	287	-	287
	<b>43,394</b>	<b>304,247</b>	<b>1,176</b>	<b>-</b>	<b>296,236</b>	<b>7,077</b>	<b>3,759</b>	<b>14,857</b>	<b>2,684</b>	<b>32,491</b>	<b>5,643</b>	<b>718,819</b>

31 Dec 2015 Bank (RM'000)												
Overdraft	Housing loans/ financing	Factoring receivables	Hire purchase receivables	Other term loans/financing	Bills receivable	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving credit	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	23,909	-	-	-	101,758	-	-	-	-	-	-	125,667
Manufacturing	1,340	-	738	-	16,847	-	84	4,383	-	-	405	23,797
Construction	943	-	-	-	43,260	-	-	-	-	-	60	44,263
Real estate	-	-	-	-	700	-	-	-	-	-	-	700
Wholesale & retail trade and restaurants & hotels	16,814	-	-	-	2,849	7,612	5,339	11,834	-	3,995	488	48,931
Transport, storage and communication	-	-	-	-	511	-	-	-	-	2,700	14	3,225
Finance, insurance/takaful and business services	-	-	-	-	-	-	-	-	-	-	4	4
Household-retail	6,732	305,008	-	-	108,126	-	-	-	2,533	32,307	4,509	459,215
Others	-	-	-	-	-	-	-	-	-	-	-	-
	<b>49,738</b>	<b>305,008</b>	<b>738</b>	<b>-</b>	<b>274,051</b>	<b>7,612</b>	<b>5,423</b>	<b>16,217</b>	<b>2,533</b>	<b>32,307</b>	<b>5,480</b>	<b>705,802</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 6: All past due loans/financing breakdown by sector <sup>[1]</sup>**

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>
Agricultural, hunting, forestry and fishing	504,090	535,868	504,090	535,868
Manufacturing	74,037	182,886	63,188	101,475
Electricity, gas and water	-	-	-	-
Construction	245,932	189,533	245,080	188,746
Real estate	1,688	2,985	1,688	2,985
Wholesale & retail trade and restaurants & hotels	241,728	245,981	178,255	208,651
Transport, storage and communication	23,469	34,760	6,959	13,752
Finance, insurance/takaful and business services	31,742	21,349	8,164	17
Household-retail	2,886,196	2,701,879	2,010,173	1,958,180
Others	3,837	2,520	1,205	-
	<b>4,012,719</b>	<b>3,917,761</b>	<b>3,018,802</b>	<b>3,009,674</b>

**Table 7: All past due loans/financing breakdown by geographical location <sup>[1]</sup>**

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>
Northern region	679,463	697,421	497,883	488,608
Southern region	430,640	447,537	312,930	330,718
Central region	2,098,967	1,924,616	1,447,038	1,377,461
Eastern region	803,649	848,187	760,951	812,887
	<b>4,012,719</b>	<b>3,917,761</b>	<b>3,018,802</b>	<b>3,009,674</b>

<sup>[1]</sup> Of which the portion of impaired loans breakdown by sector and geographical location is disclosed in Note 16 (iii) and 16 (v) of the unaudited condensed interim financial statements at 30 June 2016 respectively.

**Table 8: Individual impairment allowance breakdown by sector**

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>
Agricultural, hunting, forestry and fishing	3,042	3,763	3,042	3,763
Manufacturing	8,584	33,336	8,532	14,508
Construction	18,184	15,915	18,042	15,795
Real estate	-	112	-	112
Wholesale & retail trade and restaurants & hotels	24,062	21,736	21,539	20,655
Transport, storage and communication	4,080	4,130	162	211
Finance, insurance/takaful and business services	2,174	2,008	1,042	-
Household-retail	145,096	149,297	98,695	106,606
Others	96	-	96	-
	<b>205,318</b>	<b>230,297</b>	<b>151,150</b>	<b>161,650</b>

**Table 8a: Collective impairment allowance breakdown by sector**

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>
Agricultural, hunting, forestry and fishing	43	112	-	-
Manufacturing	79,174	103,897	36,805	79,096
Electricity, gas and water	3,475	1,856	-	-
Construction	9	12	9	12
Real estate	35,170	28,488	34,063	28,488
Wholesale & retail trade and restaurants & hotels	2,097	5,507	-	-
Transport, storage and communication	4,739	4,791	407	680
Household-retail	292,838	287,282	169,008	185,386
Others	11,735	12,289	10,290	10,308
	<b>429,280</b>	<b>444,234</b>	<b>250,582</b>	<b>303,970</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 9: Individual impairment allowance breakdown by geographical location**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Northern region	7,169	25,913	5,017	7,379
Southern region	7,900	8,392	7,348	7,785
Central region	171,632	171,208	124,157	126,285
Eastern region	18,617	24,784	14,628	20,201
	<b>205,318</b>	<b>230,297</b>	<b>151,150</b>	<b>161,650</b>

**Table 9a: Collective impairment allowance breakdown by geographical location**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Northern region	66,181	67,339	42,615	48,232
Southern region	61,071	62,260	35,980	42,414
Central region	274,942	286,063	153,163	191,479
Eastern region	27,086	28,572	18,824	21,845
	<b>429,280</b>	<b>444,234</b>	<b>250,582</b>	<b>303,970</b>

The reconciliation of changes in the loan/financing impairment provisions is disclosed in Note 16 (ii) of the unaudited condensed interim financial statements at 30 June 2016.

**Table 10: Charges for individual impairment allowance during the period breakdown by sector**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
Agricultural, hunting, forestry and fishing	3	-	3	-
Manufacturing	1,406	3,198	1,083	1,315
Electricity, gas and water	-	-	-	-
Construction	4,971	14	4,951	14
Real estate	-	306	-	306
Wholesale & retail trade and restaurants & hotels	3,450	5,261	2,018	4,815
Transport, storage and communication	2	2,155	2	32
Finance, insurance/takaful and business services	1,603	368	1,139	-
Household-retail	47,887	40,914	32,897	31,790
Others	105	-	105	-
	<b>59,427</b>	<b>52,216</b>	<b>42,198</b>	<b>38,272</b>

**Table 10a: Charges for write-offs of individual impairment allowance during the period breakdown by sector**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
Agricultural, hunting, forestry and fishing	-	-	-	-
Manufacturing	24,406	5,538	6,125	5,200
Construction	-	2,957	-	2,952
Real estate	-	-	-	-
Wholesale & retail trade and restaurants & hotels	512	10,744	431	10,020
Transport, storage and communication	-	-	-	-
Finance, insurance/takaful and business services	103	-	-	-
Household-retail	9,404	7,513	6,115	5,241
Others	-	-	-	-
	<b>34,425</b>	<b>26,752</b>	<b>12,671</b>	<b>23,413</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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**3) Credit Risk (Cont'd)**

**i) External Credit Assessment Institutions (ECAIs)**

The standardised approach requires banks to use risk assessments prepared by ECAIs to determine the risk weightings applied to rated counterparties.

ECAIs are used by the Group and the Bank as part of the determination of risk weightings for the following classes of exposure:

- Sovereigns and Central Banks
- Multilateral development banks
- Public sector entities
- Corporates
- Banks
- Securities firms

For the purpose of Pillar 1 reporting to BNM, the Group uses the external credit ratings from the following ECAIs:

- Standard & Poor's Rating Services (S&P)
- Moody's Investors Services (Moody's)
- Fitch Ratings (Fitch)
- Rating and Investment Information, Inc (R&I)
- RAM Rating Services Berhad (RAM)
- Malaysian Rating Corporation Berhad (MARC)

Data files of external ratings from the nominated ECAIs are matched with the customer records in the Group's centralised credit database. When calculating the risk-weighted value of any exposure under the standardised approach, the customer in question is identified and matched to a rating, according to BNM's selection rules. The relevant risk weight is then derived using the BNM's prescribed risk weights and rating categories. All other exposure classes are assigned risk weightings as prescribed in the BNM Capital Adequacy Framework (Basel II-Risk-Weighted Assets).

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

Below are the summary tables of long and short term ratings governing the high level assignment of risk weights under the standardised approach:

Long Term Rating Category		1	2	3	4	5	6	7
Rating Agency	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	B1 to B3	Caa1 and below	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	Unrated
	R & I <sup>[1]</sup>	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to BB3	B1 to B3	C1 and below	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	C+ and below	Unrated

Short Term Rating Category		1	2	3	4	5
Rating Agency	S & P	A-1	A-2	A-3	Others	Unrated
	Moody's	P-1	P-2	P-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	R & I <sup>[1]</sup>	a-1+, a-1	a-2	a-3	b, c	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated

Risk Weights Based on Credit Rating of the Counterparty Exposure Class						
Rating Category	Long Term Rating					Short Term Rating
	Sovereigns and Central Banks	Corporates	Banking Institutions			
			Risk weight (original maturity greater than 6 months)	Risk weight (original maturity of 6 months or less)	Risk weight (original maturity of 3 months or less)	
1	0%	20%	20%	20%	20%	20%
2	20%	50%	50%	20%	20%	50%
3	50%	100%	50%	20%	20%	100%
4	100%	100%	100%	50%	20%	150%
5	100%	150%	100%	50%	20%	N/A
6	150%	150%	150%	150%	20%	N/A
7	100%	100%	50%	20%	20%	N/A

<sup>[1]</sup> External credit assessments produced by R&I on Islamic debt securities are not recognised by the Group in determining the risk weights for exposures as prescribed in the BNM Capital Adequacy Framework (Basel II-Risk-Weighted Assets).

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

Risk weights under the Standardised Approach at the reporting date are reflected in page 3 to 6. Rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:-

**30 Jun 2016  
Group (RM '000)**

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<b>On and Off Balance Sheet Exposures</b>								
<b>(i) Total rated exposures</b>								
<b>Sovereigns &amp; Central Banks</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	11,171,984	-	-	-	-	-	11,171,984
<b>PSEs</b>								
- Exposures risk-weighted using ratings of Corporates	159,216	2,411	41,187	-	-	-	-	202,814
<b>Banks, DFIs &amp; MDBs</b>								
- Exposures risk-weighted using ratings of Banking Institutions	2,640,344	1,207,648	561,667	12,977	-	-	-	4,422,636
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	4,435	-	-	-	-	-	4,435
- Exposures risk-weighted using ratings of Banking Institutions	-	220	-	-	-	-	-	220
- Exposures risk-weighted using ratings of Corporates	3,200,837	1,404,740	762,939	22,520	-	-	-	5,391,036
	6,000,397	13,791,438	1,365,793	35,497	-	-	-	21,193,125
<b>(ii) Total unrated exposures</b>								
							62,886,791	62,886,791
<b>Total Long Term Exposure</b>	<b>6,000,397</b>	<b>13,791,438</b>	<b>1,365,793</b>	<b>35,497</b>	<b>-</b>	<b>-</b>	<b>62,886,791</b>	<b>84,079,916</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

**30 Jun 2016**

**Group (RM '000)**

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<b>On and Off Balance Sheet Exposures</b>						
<b>(i) Total rated exposures</b>						
<b>Sovereigns &amp; Central Banks</b>						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	8,289,953	-	-		8,289,953
<b>PSEs</b>						
- Exposures risk-weighted using ratings of Corporates	220,953	-	-	-		220,953
<b>Banks, DFIs &amp; MDBs</b>						
- Exposures risk-weighted using ratings of Banking Institutions	1,326,459	3,126,325	138,375	22,003		4,613,162
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	374,813	215,853	90,399	-		681,065
	1,922,225	11,632,131	228,774	22,003	-	13,805,133
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	<b>1,922,225</b>	<b>11,632,131</b>	<b>228,774</b>	<b>22,003</b>	<b>-</b>	<b>13,805,133</b>
Group Total Long Term and Short Term Exposure :						<b>97,885,049</b>



**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

31 Dec 2015  
Group (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<b>On and Off Balance Sheet Exposures</b>								
<b>(i) Total rated exposures</b>								
<b>Sovereigns &amp; Central Banks</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	13,545,589	-	-	-	-	-	13,545,589
<b>PSEs</b>								
- Exposures risk-weighted using ratings of Corporates	101,370	159,318	96,250	-	-	-	-	356,938
<b>Banks, DFIs &amp; MDBs</b>								
- Exposures risk-weighted using ratings of Banking Institutions	365,827	1,562,778	486,458	13,469	28,594	-	-	2,457,126
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	5,426	-	-	-	-	-	5,426
- Exposures risk-weighted using ratings of Banking Institutions	-	220	-	-	-	-	-	220
- Exposures risk-weighted using ratings of Corporates	1,851,124	733,442	1,495,985	27,184	-	-	-	4,107,735
	2,318,321	16,006,773	2,078,693	40,653	28,594	-	-	20,473,034
<b>(ii) Total unrated exposures</b>								
							65,000,153	65,000,153
<b>Total Long Term Exposure</b>	2,318,321	16,006,773	2,078,693	40,653	28,594	-	65,000,153	85,473,187

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

31 Dec 2015  
Group (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<b>On and Off Balance Sheet Exposures</b>						
<b>(i) Total rated exposures</b>						
<b>Sovereigns &amp; Central Banks</b>						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	16,444,205	-	-		16,444,205
<b>PSEs</b>						
- Exposures risk-weighted using ratings of Corporates	71,073	150,000	-	-		221,073
<b>Banks, DFIs &amp; MDBs</b>						
- Exposures risk-weighted using ratings of Banking Institutions	6,232,562	316,288	268,437	5,981		6,823,268
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	61,978	375,767	87,448	-		525,193
	6,365,613	17,286,260	355,885	5,981	-	24,013,739
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	6,365,613	17,286,260	355,885	5,981	-	24,013,739
<b>Group Total Long Term and Short Term Exposure :</b>						109,486,926

*Note:*

MDBs - Multilateral Development Banks  
DFIs - Development Financial Institutions  
PSEs - Public Sector Entities

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

**30 Jun 2016**

**Bank (RM '000)**

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<b>On and Off Balance Sheet Exposures</b>								
<b>(i) Total rated exposures</b>								
<b>Sovereigns &amp; Central Banks</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	9,835,825	-	-	-	-	-	9,835,825
<b>PSEs</b>								
- Exposures risk-weighted using ratings of Corporates	108,676	2,411	8,116	-	-	-	-	119,203
<b>Banks, DFIs &amp; MDBs</b>								
- Exposures risk-weighted using ratings of Banking Institutions	3,828,960	1,060,016	328,600	12,977	-	-	-	5,230,553
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	1,250	-	-	-	-	-	1,250
- Exposures risk-weighted using ratings of Banking Institutions	-	220	-	-	-	-	-	220
- Exposures risk-weighted using ratings of Corporates	2,599,431	1,230,176	761,739	22,520	-	-	-	4,613,866
	6,537,067	12,129,898	1,098,455	35,497	-	-	-	19,800,917
<b>(ii) Total unrated exposures</b>								
							49,203,454	49,203,454
<b>Total Long Term Exposure</b>	<b>6,537,067</b>	<b>12,129,898</b>	<b>1,098,455</b>	<b>35,497</b>	<b>-</b>	<b>-</b>	<b>49,203,454</b>	<b>69,004,371</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

**30 Jun 2016**

**Bank (RM '000)**

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<b>On and Off Balance Sheet Exposures</b>						
<b>(i) Total rated exposures</b>						
<b>Sovereigns &amp; Central Banks</b>						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	5,490,230	-	-		5,490,230
<b>PSEs</b>						
- Exposures risk-weighted using ratings of Corporates	70,953	-	-	-		70,953
<b>Banks, DFIs &amp; MDBs</b>						
- Exposures risk-weighted using ratings of Banking Institutions	3,016,509	3,126,275	136,892	21,701		6,301,377
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	228,254	61,155	90,399	-		379,808
	3,315,716	8,677,660	227,291	21,701	-	12,242,368
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	<b>3,315,716</b>	<b>8,677,660</b>	<b>227,291</b>	<b>21,701</b>	<b>-</b>	<b>12,242,368</b>
<b>Bank Total Long Term and Short Term Exposure :</b>						<b>81,246,739</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

31 Dec 2015

Bank (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<b>On and Off Balance Sheet Exposures</b>								
<b>(i) Total rated exposures</b>								
<b>Sovereigns &amp; Central Banks</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	11,833,461	-	-	-	-	-	11,833,461
<b>PSEs</b>								
- Exposures risk-weighted using ratings of Corporates	73,846	91,922	8,398	-	-	-	-	174,166
<b>Banks, DFIs &amp; MDBs</b>								
- Exposures risk-weighted using ratings of Banking Institutions	4,787,709	1,360,603	417,707	13,371	28,527	-	-	6,607,917
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	1,250	-	-	-	-	-	1,250
- Exposures risk-weighted using ratings of Banking Institutions	-	220	-	-	-	-	-	220
- Exposures risk-weighted using ratings of Corporates	1,272,362	710,558	691,349	27,184	-	-	-	2,701,453
	6,133,917	13,998,014	1,117,454	40,555	28,527	-	-	21,318,467
<b>(ii) Total unrated exposures</b>								
							51,809,979	51,809,979
<b>Total Long Term Exposure</b>	6,133,917	13,998,014	1,117,454	40,555	28,527	-	51,809,979	73,128,446

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

31 Dec 2015  
Bank (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<b>On and Off Balance Sheet Exposures</b>						
<b>(i) Total rated exposures</b>						
<b>Sovereigns &amp; Central Banks</b>						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	11,727,613	-	-		11,727,613
<b>PSEs</b>						
- Exposures risk-weighted using ratings of Corporates	71,073	-	-	-		71,073
<b>Banks, DFIs &amp; MDBs</b>						
- Exposures risk-weighted using ratings of Banking Institutions	5,625,992	314,494	258,520	5,981		6,204,987
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	20,175	89,738	87,448	-		197,361
	5,717,240	12,131,845	345,968	5,981	-	18,201,034
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	5,717,240	12,131,845	345,968	5,981	-	18,201,034
<b>Bank Total Long Term and Short Term Exposure :</b>						91,329,480

*Note:*

MDBs - Multilateral Development Banks  
DFIs - Development Financial Institutions  
PSEs - Public Sector Entities

## **Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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### **3) Credit Risk (Cont'd)**

#### **ii) Credit risk mitigation (CRM)**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group's policy when granting credit facilities is on the basis of the customer's capacity to repay, rather than placing primary reliance on credit risk mitigants. Depending on the customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is nevertheless a key aspect of effective risk management in the Group and takes many forms.

The Group's general policy is to promote the use of CRM, justified by commercial prudence and good practice as well as capital efficiency. Specific, detailed policies cover acceptability, structuring and terms of various types of business with regard to the availability of credit risk mitigants, for example in the form of collateral security, and these policies, together with the determination of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

The most common method of mitigating credit risk is to take collateral. The principal collateral types employed by the Group are as follows:

- under the residential and real estate business; mortgages over residential and financed properties;
- under certain Islamic specialised lending and leasing transactions (such as machinery financing) where physical assets form the principal source of facility repayment, physical collateral is typically taken;
- in the commercial and industrial sectors, charges over business assets such as premises, stock and debtors;
- facilities provided to small and medium enterprises are commonly granted against guarantees by their owners/directors;
- guarantees from third parties can arise where facilities are extended without the benefit of any alternative form of security; e.g. where the Group issues a bid or performance sukuk in favour of a non-customer at the request of another
- under the institutional sector, certain trading facilities are supported by charges over financial instruments such as cash, debt securities and equities;
- financial collateral in the form of cash and marketable securities are used in much of the over-the-counter (OTC) derivatives activities and in the Group's securities financing business (securities lending and borrowing or repos and
- netting is used where appropriate, and supported by market standard documentation.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt of cash, securities or equities. Daily settlement limits are established for counterparties to cover the aggregate of all the settlement risk arising from all the transactions involved on a single day. Settlement risk on many transactions, particularly those involving securities and equities, is substantially mitigated by settling through assured payment systems or on a delivery-versus-payment basis.

Policies and procedures govern the protection of the Group's position from the outset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed documentation permitting the offset of credit balances against debt obligations and through controls over the integrity, current valuation and, if necessary, realisation of collateral security.

The valuation of credit risk mitigants seeks to monitor and ensure that they will continue to provide the secured repayment source anticipated at the time they were taken. The Group's policy prescribes valuation at intervals of up to three years, or more frequently as the need may arise, for impaired accounts. For property taken as collateral for new or additional facilities, a valuation report is required from a panel valuer. For auction purposes, full valuations are compulsory. This is to avoid the risk of the settlement sum being challenged by the borrower / charger on the grounds that the correct valuation was not applied.

The Group's panel of approved valuers is subject to an annual review. This takes into consideration the company's financial standing, accreditations, experience, amount of professional liability insurance, major clients and size of its branch network.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**ii) CRM (Cont'd)**

The table below shows the on and off balance sheet exposures before and after CRM.

**30 Jun 2016**

**Group (RM'000)**

<b>Exposure Class</b>	<b>Exposures before CRM</b>	<b>Exposures Covered by Guarantees / Credit Derivatives</b>	<b>Exposures Covered by Eligible Financial Collateral</b>
<b><i>Credit Risk</i></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	19,454,055	-	-
PSEs	1,115,046	-	-
Banks, DFIs & MDBs	6,106,829	-	1
Corporates	19,854,903	775,447	1,163,436
Regulatory Retail	5,949,399	25,333	154,911
Residential Mortgages	20,294,105	-	19,494
Higher Risk Assets	3,046	-	-
Other Assets	828,466	-	-
Equity Exposure	166,887	-	-
Defaulted Exposures	821,524	3,064	21,760
<b>Total for On-Balance Sheet Exposures</b>	<b>74,594,260</b>	<b>803,844</b>	<b>1,359,602</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	5,163,113	-	697,020
Off balance sheet exposures other than OTC derivatives or credit derivatives	18,119,483	194,538	322,269
Defaulted Exposures	8,193	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>23,290,789</b>	<b>194,538</b>	<b>1,019,289</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>97,885,049</b>	<b>998,382</b>	<b>2,378,891</b>



**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**ii) CRM (Cont'd)**

The table below shows on and off balance sheet exposures before and after CRM.

31 Dec 2015

Group (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral
<b><i>Credit Risk</i></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	29,973,809	-	-
PSEs	1,671,043	-	-
Banks, DFIs & MDBs	4,241,497	-	-
Corporates	20,966,382	699,089	1,295,744
Regulatory Retail	6,246,675	22,273	155,435
Residential Mortgages	19,837,349	-	21,186
Higher Risk Assets	2,427	-	-
Other Assets	792,747	-	-
Equity Exposure	16,908	-	-
Defaulted Exposures	804,956	3,397	3,537
<b>Total for On-Balance Sheet Exposures</b>	<b>84,553,793</b>	<b>724,759</b>	<b>1,475,902</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	6,549,598	-	1,324,166
Off balance sheet exposures other than OTC derivatives or credit derivatives	18,374,650	216,002	309,678
Defaulted Exposures	8,885	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>24,933,133</b>	<b>216,002</b>	<b>1,633,844</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>109,486,926</b>	<b>940,761</b>	<b>3,109,746</b>

*Note:*

MDBs - Multilateral Development Banks  
DFIs - Development Financial Institutions  
PSEs - Public Sector Entities

Refer to Note 33 of the unaudited condensed interim financial statements at 30 June 2016 for disclosure of off-balance sheet.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**ii) CRM (Cont'd)**

The table below shows the on and off balance sheet exposures before and after CRM.

**30 Jun 2016**

**Bank (RM'000)**

<b>Exposure Class</b>	<b>Exposures before CRM</b>	<b>Exposures Covered by Guarantees / Credit Derivatives</b>	<b>Exposures Covered by Eligible Financial Collateral</b>
<b><i>Credit Risk</i></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	15,318,173	-	-
PSEs	808,551	-	-
Banks, DFIs & MDBs	8,400,181	-	-
Corporates	15,260,398	514,379	1,031,863
Regulatory Retail	3,637,046	15,666	126,649
Residential Mortgages	15,989,372	-	16,521
Higher Risk Assets	3,046	-	-
Other Assets	706,580	-	-
Equity Exposure	166,887	-	-
Defaulted Exposures	676,422	1,053	21,360
<b>Total for On-Balance Sheet Exposures</b>	<b>60,966,656</b>	<b>531,098</b>	<b>1,196,393</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	5,454,776	-	697,020
Off balance sheet exposures other than OTC derivatives or credit derivatives	14,817,987	138,048	252,351
Defaulted Exposures	7,320	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>20,280,083</b>	<b>138,048</b>	<b>949,371</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>81,246,739</b>	<b>669,146</b>	<b>2,145,764</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**ii) CRM (Cont'd)**

The table below shows on and off balance sheet exposures before and after CRM.

31 Dec 2015  
Bank (RM'000)

<b>Exposure Class</b>	<b>Exposures before CRM</b>	<b>Exposures Covered by Guarantees / Credit Derivatives</b>	<b>Exposures Covered by Eligible Financial Collateral</b>
<b><u>Credit Risk</u></b>			
<i>On-Balance Sheet Exposures</i>			
Sovereigns/Central Banks	23,545,092	-	-
PSEs	1,360,230	-	-
Banks, DFIs & MDBs	7,351,774	-	-
Corporates	15,896,884	475,335	1,195,701
Regulatory Retail	3,986,443	17,908	126,816
Residential Mortgages	15,640,141	-	17,985
Higher Risk Assets	2,427	-	-
Other Assets	671,753	-	-
Equity Exposure	16,908	-	-
Defaulted Exposures	663,268	1,897	2,719
<b>Total for On-Balance Sheet Exposures</b>	<b>69,134,920</b>	<b>495,140</b>	<b>1,343,221</b>
<i>Off-Balance Sheet Exposures</i>			
OTC Derivatives	6,864,486	-	1,324,166
Off balance sheet exposures other than OTC derivatives or credit derivatives	15,322,175	145,976	242,510
Defaulted Exposures	7,899	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>22,194,560</b>	<b>145,976</b>	<b>1,566,676</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>91,329,480</b>	<b>641,116</b>	<b>2,909,897</b>

**Note:**

MDBs - Multilateral Development Banks  
DFIs - Development Financial Institutions  
PSEs - Public Sector Entities

Refer to Note 33 of the unaudited condensed interim financial statements at 30 June 2016 for disclosure of off-balance sheet.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**4) Interest rate risk / profit rate risk**

A summary of the Value at Risk position of the Group and the Bank's trading portfolios at the reporting date is as follows:-

<b>Group (RM'000)</b>	<b>30 Jun 2016</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Foreign currency risk	270	454	1,938	153
Interest rate risk	6,032	5,979	10,645	3,906
Credit spread risk	59	123	474	59
Overall	4,692	5,822	11,160	3,567

<b>Group (RM'000)</b>	<b>31 Dec 2015</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Foreign currency risk	612	617	2,154	113
Interest rate risk	4,939	5,124	11,254	1,809
Credit spread risk	119	165	590	48
Overall	4,538	4,936	10,791	1,673

<b>Bank (RM'000)</b>	<b>30 Jun 2016</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Foreign currency risk	208	408	1,904	113
Interest rate risk	5,557	5,452	10,060	3,450
Credit spread risk	59	120	470	59
Overall	4,228	5,296	10,587	3,112

<b>Bank (RM'000)</b>	<b>31 Dec 2015</b>	<b>Average</b>	<b>Maximum</b>	<b>Minimum</b>
Foreign currency risk	313	567	1,833	105
Interest rate risk	4,552	4,889	10,846	1,773
Credit spread risk	111	165	574	48
Overall	4,102	4,694	10,332	1,636

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**4) Interest rate risk / profit rate risk (Cont'd)**

**Sensitivity of projected Net Interest/Finance Income**

The interest/profit rate sensitivities set out in the table below are illustrative only and are based on simplified scenarios.

**Change in projected net interest/finance income in next 12 months arising from a shift in interest/profit rates of:**

	Group (RM'000)			
	30 Jun 2016		31 Dec 2015	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	148,941	(158,552)	274,428	(274,913)
USD	37,135	(33,341)	88,970	(77,975)
Others	(20,488)	4,994	3,980	(2,428)
	165,588	(186,899)	367,378	(355,316)

	Bank (RM'000)			
	30 Jun 2016		31 Dec 2015	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	160,884	(169,986)	229,336	(229,856)
USD	41,708	(35,409)	80,009	(71,097)
Others	(19,784)	4,817	173	506
	182,808	(200,578)	309,518	(300,447)

The increase or decline in economic value for upward and downward rate shocks for measuring interest rate risk/rate of return risk in the banking book are as follows:

**Change in projected economic value of equity arising from a shift in interest/profit rates of :**

	Group (RM'000)			
	30 Jun 2016		31 Dec 2015	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	259,641	(313,414)	302,393	(345,592)
USD	65,297	(37,873)	99,357	(95,037)
Others	91,293	(47,683)	43,199	(30,239)
	416,231	(398,970)	444,949	(470,868)

	Bank (RM'000)			
	30 Jun 2016		31 Dec 2015	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	347,643	(414,178)	341,272	(384,471)
USD	94,258	(48,620)	120,957	(103,677)
Others	89,989	(47,299)	34,559	(25,919)
	531,890	(510,097)	496,788	(514,067)

The sensitivity of reported reserves in 'other comprehensive income' to interest/profit rate movements are monitored on a monthly basis by assessing the expected reduction in valuation of available-for-sale portfolios to parallel movements of plus or minus 100 basis points in all yield curves.

**Sensitivity of reported reserves in 'other comprehensive income' to interest/profit rate movements**

	Group (RM'000)			
	30 Jun 2016		31 Dec 2015	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(124,279)	124,279	(129,935)	129,935
USD	(995)	995	(1,296)	1,296
	(125,274)	125,274	(131,231)	131,231

	Bank (RM'000)			
	30 Jun 2016		31 Dec 2015	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(105,140)	105,140	(99,586)	99,586
USD	(995)	995	(1,296)	1,296
	(106,135)	106,135	(100,882)	100,882

## **Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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### **5) Equities**

At 30 June 2016, the Group does not hold any quoted shares. The Group's holding of unquoted shares at 30 June 2016 was mainly of shares held for the purpose of gaining strategic advantage.

#### Quoted equities

Quoted shares are not held for capital gains.

#### Unquoted equities

These shares are not held for capital gains and are recorded based on net tangible assets as measurement of fair value. The unquoted equities were classified under the non-institutional segment and risk weighted at 100%.

Refer to Note 14 of the unaudited condensed interim financial statements at 30 June 2016 on the Group's holdings of equity investments.

### **6) Classification and Impairment Provisions for Loans/Financing**

The Group and Bank's allowance for impaired loans/financing are in conformity with MFRS 139 and BNM's revised guidelines on 'Classification and Impairment Provisions for Loan/Financing' issued on 6 April 2015.

Affected tables under 3) Credit Risk, (Group and Bank level) pertaining to the revised guidelines are as below:

- Table 2 : Geographical distribution of impaired loans/financing breakdown by type.
- Table 5 : Distribution of impaired loans/financing by sector, breakdown by type.
- Table 8 : Individual impairment allowance breakdown by sector.
- Table 8a : Collective impairment allowance breakdown by sector.
- Table 9 : Individual impairment allowance breakdown by geographical location.
- Table 9a : Collective impairment allowance breakdown by geographical location.

## **Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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### **7) Shariah Governance (for HSBC Amanah Malaysia Berhad only)**

#### **Overview**

Shariah compliance is a cornerstone of Islamic banking and finance industry. An effective Shariah governance policy enhances the diligent oversight of the BOD, the Shariah Committee and the Management to ensure that the operations and business activities of HSBC Amanah Malaysia Berhad (HBMS), a fully owned Islamic subsidiary of the Bank, remain consistent with Shariah principles and its requirements.

To ensure Shariah compliance in all aspects of day-to-day Islamic finance activities, the Malaysian regulatory bodies such as BNM and Securities Commission have spelled out several provisions in relation to the establishment of a Shariah Committee and an internal Shariah Department in an Islamic Financial Institution (IFI). The Shariah Committee is an independent Shariah advisory body which plays a vital role in providing Shariah views and rulings pertaining to Islamic finance. The Shariah Committee also performs an oversight role on Shariah matters related to the Bank's business operations and activities. At the institutional level, the Shariah Department acts as an intermediary between the Shariah Committee and the Management team of the IFI. The Shariah Department together with the Shariah Committee has the role to assist the Management in ensuring that all activities of the IFI are in compliance with the Shariah rules and principles, in accordance with the guidelines laid down by Shariah Governance Framework (SGF) of BNM. However, the accountability to ensure Shariah compliance remains with the IFI's BOD.

#### **Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per the Shariah Governance Framework.**

The governance structure of HBMS and the primary responsibilities of each function are set out below:

##### **a. Board of Directors**

To be ultimately accountable for the overall Shariah governance framework and Shariah compliance in HBMS.

##### **b. Shariah Committee**

To maintain oversight on the operations and business activities of HBMS and to be accountable for its decisions, views and opinions on Shariah matters.

##### **c. CEO and Management**

To be responsible for day-to-day compliance with Shariah in all aspects of its business activities by observing and implementing the Shariah rulings and decisions made by the Shariah Advisory Council of BNM (SAC) and the Shariah Committee and to identify and refer any Shariah issues to the Shariah Committee for its decisions, views and opinions.

##### **d. Shariah Audit**

To conduct periodical assessment to provide an independent assessment and objective assurance of the effectiveness on the internal control system for Shariah compliance.

##### **e. Shariah Risk Management**

To assist in developing and implementing a risk identification process, measurement of the potential impact and monitoring of Shariah non-compliance risks and operational/reputation risk within HBMS.

To formulate and recommend appropriate Shariah non-compliance risk management policies and procedures and risk awareness programmes.

##### **f. Shariah Department**

###### **i) Shariah Review**

To examine and evaluate HBMS' level of compliance with the applicable Shariah rulings and regulations and consequently to provide remedial rectification measures to resolve non-compliance and to ensure that proper control mechanism is in place to avoid recurrences.

To ensure that all procedural guidelines, rules and regulations issued by BNM and other regulatory bodies relating to Shariah as well as internal guidelines, policies and procedures, manuals and all Shariah rules and principles issued by the Shariah Committee and Shariah Department are adhered to, with due regard to the business needs and Shariah requirements.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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**7) Shariah Governance (Cont'd)**

**Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per SGF (Cont'd)**

**f. Shariah Department (Cont'd)**

- ii) Shariah Advisory**  
To provide day-to-day Shariah advice and consultancy to relevant parties, including those involved in the product development process as well as the supporting functions.
- iii) Shariah Research**  
To conduct in-depth research and studies on Shariah issues.
- iv) Shariah Secretariat**  
To coordinate meetings, compile proposal papers, prepare and keep accurate record of minutes of the decisions and resolutions made by the Shariah Committee, disseminate Shariah decisions to relevant stakeholders and engage with relevant parties who wish to seek further deliberations from the Shariah Committee.
- v) Knowledge and Skills Management**  
To monitor the level of Shariah related knowledge and skills by the staff involved in the cycle of HBMS's products.

**Quantitative Disclosure**

**a. Shariah Non-Compliance Events:**

During the financial period ended 30 June 2016, no actual Shariah non-compliance event has been identified.

**b. Shariah Non-Compliance Income:**

During the financial period ended 30 June 2016, the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

- i)** The amount of RM70,237 in the Account was carried forward from 2015 to 2016.
- ii)** Income from inadvertent Shariah non-compliant activities identified by HBMS's management amounted to RM38,685 as at 30 June 2016, of which RM37,523 were received from Nostro Accounts related transactions.
- iii)** During the financial period ended 30 June 2016, RM56,000 was distributed to a professional body and individuals.

The balance of RM52,922 in the Account is pending distribution in second half of 2016.

Other than the above, there were no other Shariah non-compliance income or other amounts recorded during the financial period ended 30 June 2016.